AML (anti-money laundering) policy

Introduction

Money laundering can be defined as the process under which the proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained or used to fund further crime. More pertinently for SIS, it can also involve channelling funds generated from criminal activities through legitimate businesses in order to purchase services.

There are two principal pieces of legislation that cover money laundering in England and Wales:

- *Proceeds of Crime Act 2002* **(POCA 2002).** This creates the principal criminal offences of money laundering in the UK and the framework for reporting suspicious activities.

- *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692)* **(MLR 2017).** "Relevant persons" acting in the course of business in the UK must comply with these regulations. The regulations set out criminal offences for their breach.

Under the MLR 2017, relevant persons are:

- Credit institutions.
- Financial institutions.
- Auditors, insolvency practitioners, external accountants and tax advisers.
- Independent legal professionals.
- Trust or company service providers.
- Estate agents.
- High value dealers.
- Casinos.

Relevant persons are required to comply with the MLR 2017 by having appropriate systems and controls in place, the purpose being to identify and report the proceeds of crime ("dirty money") to the authorities for further investigation. Although non-regulated persons and organisations (such as SIS) are not required adopt such measures, they can still be prosecuted for criminal offences under POCA 2002. Where it is not a statutory requirement to have compliance procedures in place, organisations must consider what arrangements are appropriate for them.

Policy

Since SIS is not a relevant person for the purposes of the legislation, it is not required (and does not have the resources) to adopt the measures required by the MLR 2017. Nevertheless, management considers that it is appropriate to consider the potential exposure of the business to penalties under POCA 2002, and the measures that should be put in place to manage that risk.

To the extent that there is a risk that dealings with suppliers and customers may involve money laundering, management considers that the processes set out in the DD/KYC Policy are adequate

to identify situations where such risks might be present. The grounds for this view are that SIS's principal commercial partners are already regulated in one way or another - rights owners will tend to hold licences to stage racing events (and in some cases are government bodies), while customers will tend to hold betting and gaming licences. In both cases, they will have been subject to scrutiny from their regulators in terms of their financial probity and fitness to hold a licence. As part of the process of applying for a licence, the applicant will have had to demonstrate that it operates as a going concern and give an account of its source of funds (e.g., from investors, loans or trading profits) to a regulator who has far greater information-gathering powers than SIS. For this reason, management takes the view that the holder of a racing, betting or gaming licence, having already been vetted by a regulator, represents a low risk in terms of exposure to penalties under POCA 2002.

Nevertheless, there may be circumstances where it is appropriate to make AML enquiries. These will concern potential new customers rather than suppliers, where the potential legal risk for SIS will be in relation to receiving dirty money as payment for services. The most obvious example of where such a risk might lie is where a potential new customer is a start-up with little or no trading history and who does not hold a licence. The lack of trading history makes it difficult to determine the source of funds, and the lack of a licence means that the financial status has not already been subject to regulatory scrutiny. Taken together, these factors suggest that some further enquiry into the source of funds would be appropriate from an AML perspective.

In such cases (or in any other case where suspicion of money laundering arises) the matter should be brought to the attention of the CFO (Nigel Stocks) and General Counsel (Kevin Smith), who will determine what further enquiries (if any) should be made to establish the source of funds. These may include (but are not limited to) further enquiries of the potential customer and (with permission) their bank or professional advisers.

In the absence of any (or any satisfactory) response to such further enquiries, the CFO and General Counsel will consult suitably experienced external criminal lawyers (such as Hickman and Rose) as to SIS's obligations under POCA 2002, including but not limited to making appropriate disclosures to the authorities.

Any circumstance which results in a disclosure under POCA 2002 will be regarded as a "red line" for the purposes of the SIS Pre-contract KYC/DD Policy.

This Policy will be reviewed every two years. The next review will take place in July 2021.

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Richard Ames, CEO

Dated: 6th August 2019