



# ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING POLICY 2018-2019

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The objective of this policy is to prevent opportunities for money laundering activity to occur within our businesses. Pendragon PLC (“the Company”), through its Audit Committee, assesses the risk of our businesses being used to launder money or fund terrorism, and sets the approach for mitigating and effectively managing the risks identified.

All team members have an obligation to familiarise themselves with this policy, which details our procedures for the identification and prevention of money laundering and terrorist financing. At all times, business should be conducted in a manner such that the opportunity and incidence of money laundering is prevented or mitigated to the greatest possible extent.

The Board considers that appropriate guidelines and procedures should be set out across all businesses to enable team members to prevent money laundering occurring, identify potential incidences of money laundering and report suspected money laundering. This policy has been revised following The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 coming into force on 26 June 2017.

Those dealerships based in the United States are subject to differing legislative requirements to those dealerships based in the UK. Accordingly, the Company has adopted a dual approach to the prevention of money laundering, with a policy applicable to those businesses based in the UK and a separate policy applicable to the US businesses. Policy matter specific to US businesses appear on page 4 below.

## MONEY LAUNDERING – DEALERSHIPS IN THE UK

Vehicle purchases or purchases of high value parts and accessories provide an obvious opportunity for money laundering activity, given the high value of transactions. The term “money laundering” is broadly defined as:-

- Assisting persons to retain the proceeds of criminal conduct;
- Enabling the person to acquire property (including money, all forms of property, real or personal) from the proceeds of criminal conduct;
- Concealing, disguising or transferring the proceeds of criminal conduct; or,
- Acquiring, possessing or using the proceeds of criminal conduct.

Whilst the selling of a vehicle in itself to a criminal is not illegal, the money used to finance the sale may have been illegally obtained, with the criminal attempting to “wash” or “launder” the money through a business, for example by purchasing and re-selling a vehicle or multiple vehicles.

## PREVENTION THROUGH VIGILANCE

The best defence against money laundering remains the vigilance of our team members. Identifying suspected money laundering is very much a matter of personal judgement. However, team members will be required to carry out the following “checks” on each transaction:-

- Is there anything unusual about the manner in which the customer wishes to pay for his purchase?
- Is there anything unusual about the customer’s conduct or behaviour at the dealership?

### EXAMPLES OF UNUSUAL PAYMENT METHODS

- Customer wishes to pay in a single cash sum or series of cash sums;
- Customer makes a large number of financial transfers to the dealership from different accounts;
- Customer produces cheques from several different accounts or drawers;
- Customer’s unusual behaviour in connection with when the money will become available;
- Named customer is not the same signatory as on the payment card or cheques to the dealership;
- Customer claims the transaction is being performed on behalf of a friend or family member whose identity you are unsure of;
- Customer requests details of dealership bank account and states they will deposit money into the account at branch or
- Payment involves foreign currency transactions.

## EXAMPLES OF UNUSUAL CONDUCT

- Customer is unusually “secretive” about personal details required for the contract;
- Dealership is asked to invoice a party different to the person originally believed to be the customer;
- Customer has no UK address or gives an accommodation address, correspondence address or PO Box number; or
- Customer gives an address that proves to be false.

## IDENTIFYING THE CUSTOMER

For **every** transaction, team members must be satisfied with the identity of a customer, i.e. that the customer is who he purports to be. In identifying the customer, team members should request to see:-

- either (a) the photo page of the customer’s passport, or (b) photo driving licence; and
- a recent utility bill or bank/building society statement or letter, displaying the customer’s UK address or, if an overseas address, an address that is consistent with that on the customer’s passport.

## WHAT FINANCIAL AMOUNT SHOULD AROUSE SUSPICION?

The **circumstances of a transaction are more important than an amount of cash changing hands**. To this end, being vigilant and looking for unusual payment methods or unusual conduct, as well as knowing the customer is paramount.

Team members should always **request payment in cleared funds**, i.e. telegraphic/electronic transfer to dealership bank account from a recognised bank or banker’s draft. **Payment in cash sums should be avoided wherever possible**.

In circumstances where settlement in cash cannot be avoided, or a cash sum has been received, the total cash payment should not be higher than £10,000. Acceptance of cash sums greater than **£10,000 is not permitted**, and may result in the Company being fined and/or a team member being liable to criminal prosecution. This is because we have stated to the authorities that we do not accept sums above this amount. We have not registered any of our businesses as a “high value dealer” able to accept such amounts.

Team members are reminded that the acceptance of a cash sum just under the £10,000 threshold, or the acceptance of a series of smaller cash sums as part of an overall payment may also indicate money laundering. **Such transactions should again be avoided**.

Team member should also note that stricter limits may be imposed from time to time: currently a limit of **£5,000 for cash deposits is in place across all Evans Halshaw businesses**. Changes to limits will be notified via the Intranet.

## REPORTING A SUSPICION OF MONEY LAUNDERING

If a team member knows or suspects money laundering, the Dealer Principal should be immediately informed and a **Money Laundering Notification Form** should be immediately completed and submitted to the **Legal Department** at Neway House. The Legal Department will then review the circumstances and decide whether or not to report the matter to the National Crime Agency (NCA) through the suspicious activity reporting system (SARS). The NCA will decide whether any further action is appropriate.

## WHAT HAPPENS IF THE DEALERSHIP REPORTS A SUSPICIOUS TRANSACTION?

- Reporting **does not** oblige the dealership to cancel the sale or to decline the customer’s order. Dealership will carry on with it as normal;
- The dealership **must not** inform the customer that the transaction has been reported or inform the customer that they are under suspicion of money laundering; and,
- **The dealership’s confidentiality is protected – the NCA will not disclose who tips them off**. If, of course, the tip-off leads to a full criminal investigation and trial, your evidence may be called, but this could be some time after the transaction date or the events in question.

## WHAT HAPPENS IF THE DEALERSHIP PREFERS, FOR COMMERCIAL REASONS, NOT TO REPORT ITS SUSPICIONS?

This should never happen. Failure to report suspicions of money laundering is a **criminal offence** carrying a custodial sentence and/or a fine or conviction. The Company and potentially team members could be liable for prosecution.

## MONEY LAUNDERING – DEALERSHIPS IN THE USA

Prevention through vigilance is as important in the USA as it is in the UK. Identifying suspected money laundering is very much a matter of personal judgement. However, team members should ask themselves:-

- Is there anything unusual about the manner in which the customer wishes to pay for his purchase?
- Is there anything unusual about the customer's conduct or behaviour at the dealership?

### EXAMPLES OF UNUSUAL PAYMENT METHODS

- Customer makes a large number of financial transfers to the dealership from different accounts;
- Customer produces cheques from several different accounts or drawers;
- Customer's unusual behaviour in connection with when the money will become available;
- Named customer is not the same signatory as on the cheques to the dealership; or
- Payment involves foreign currency transactions.

### EXAMPLES OF UNUSUAL CONDUCT

- Customer is unusually "secretive" about personal details required for the contract;
- Dealership is asked to invoice a party different to the person originally believed to be the customer;
- Customer has no address or gives an accommodation address or correspondence address; or
- Customer gives address that proves to be false.

## IDENTIFYING THE CUSTOMER

Under US law team members who accept an amount of at least **\$10,000** in cash in one transaction or in two or more related transactions must complete and file IRS Form 8300 within 15 days of the date the cash was received.

Team Members should be satisfied with the **identity of a customer**, i.e. that the customer is who he purports to be, before accepting the payment. In identifying the customer, team members should request to see:-

- either (a) the photo page of the customer's passport, or (b) valid identification card;
- proof of place of birth and date of birth;
- proof of nationality and address;
- Taxpayer identification number (TIN) matching other forms of identity; and
- confirmation of the form or number of the identification card or passport and the authority which issued it.

Team Members should also ask:-

- Does the customer act on his own behalf?

If this is not the case, the above identification questions must be asked in relation to the person who is behind the business or transaction.

## WHAT FINANCIAL AMOUNT SHOULD AROUSE SUSPICION?

Receipt of cash amounts in excess of **\$10,000** is expressly prohibited at all dealerships.

However, if **\$10,000** in cash in one transaction or two or more related transactions is received, the Business Manager must immediately complete IRS/FinCEN Form 8300.

In addition, transactions must also be reported in which there is an **indication of possible illegal activity** or in which it appears that a person is attempting to cause Form 8300 not to be filed, or attempting to file a false or incomplete form.

Form 8300 may be filed voluntarily for **any suspicious transaction**, even if the total amount does not exceed **\$10,000**.

## WHEN AND WHERE TO FILE FORM 8300

Form 8300 **must** be filed by the 15th day after the date the cash was received. If that date falls on a Saturday, Sunday or legal holiday, it must be filed on the next business day.

Form 8300 is to be filed with the **Internal Revenue Service, Detroit Computing Center, P.O. Box 32621, Detroit, MI 48232**. Electronic filing is recommended.

### WHAT IS MEANT BY "CASH"?

Cash means:-

- U.S. and foreign coin and currency received in any transaction;
- A cashier's cheque, money order, bank draft or traveler's cheque having a face value of \$10,000 or less that is received in any transaction in which the recipient knows that the instrument is being used in an attempt to avoid the \$10,000 limit.

### WHAT IS A RELATED TRANSACTION?

Transactions are considered related even if they occur over a period of more than 24 hours if the recipient knows, or has reason to know, that each transaction is one of a series of connected transactions.

If **more than one cash payment for a single transaction or related transaction** is received, the multiple payments must be reported at any time the total amount received exceeds \$10,000 within any 12 month period. Form 8300 must be submitted within 15 days of the date you receive the payment causing the total amount to exceed \$10,000.

As a matter of best practice, dealerships should, as a matter of course, request payment in cleared funds, i.e. telegraphic transfer to dealership bank account from a recognised bank or banker's draft. Payment in cash sums should be avoided wherever possible. Further guidance is available in the US document "Accepted Forms of Payment".