

Background

This policy sets out Nationwide's approach to complying with the Proceeds of Crime Act 2002, Part 7, as supported by Money Laundering Regulations 2007 and FCA SYSC 3.2.6. Nationwide must have systems and controls in place to identify and report where there are 'reasonable grounds' for knowledge or suspicion that a person is engaged in, or attempting, an element of money laundering. It must appoint a Nominated Officer to receive these disclosures, decide whether these should be reported to the NCA and (if appropriate) make such external reports. Reporting includes the following criminal activity: **Money Laundering, External Fraud, Internal Fraud, Market Abuse & Bribery and Corruption**. This guide summarises the key requirements and how they apply to third parties.

Policy requirements

Nationwide takes its legal and regulatory obligations to report knowledge or suspicion of criminal proceeds seriously. Initial and ongoing Customer Due Diligence (CDD) is appropriate to the level of risk represented by a customer and their product. Nationwide also caters for a limited number of Non Personal customers through our Commercial, Treasury and Specialist Lending departments. The legal and regulatory obligation to know our customers in these relationships is more complex, as they may involve complex control structures. Suspicious activity reporting is an ongoing exercise based on this CDD, and managed by employee reporting and automated monitoring solutions. Third parties who look after the initial and ongoing management of a business relationship must:

- a) Carry out initial and ongoing Customer Due Diligence (CDD), in line with the ML risks of the customer, the product and other risk factors;
- b) Develop internal processes for reporting to the Nominated Officer, where reasonable grounds for knowledge or suspicion are identified by an employee or an automated monitoring solution;
- c) Develop processes for the Nominated Officer to externally report to the National Crime Agency ('NCA') or another relevant authority in a timely manner, where they consider that 'reasonable grounds' for suspicion exist;
- d) Seek a defence to committing a primary ML offence (where required under law), where the transaction may relate to money laundering, and advance notice is received from the customer, a Third Party or an internal business decision;
- e) Ensuring that relevant employees undertake approved Anti-Money Laundering & Suspicious Activity Reporting training at least annually;
- f) Accurately record data and documentation captured as per a) to f) within the relevant Nationwide and/or Third Party systems;
- g) Follow all guidance or best practices issued by the Financial Crime KCF and/or relevant Money Laundering Prevention Officer (MLPO).

How third parties can comply with the policy

- a) Develop, implement and maintain effective documented processes, systems and controls to ensure that suspicious activity is identified, internally reported, investigated, 'tipping off' risks mitigated and (where appropriate) externally reported in accordance with the requirements of this Policy. This includes appointing a Nominated Officer, where relevant to the activities of the Firm and legal requirements in the Third Party's jurisdiction;
- b) Ensure staff who handle customer data on behalf of Nationwide are appropriately trained in line with Nationwide's AML/CTF Training policy, whether that material is Nationwide's or the Third Party's.
- c) Implement a change control mechanism to ensure that future process changes take into account the requirements of this Policy;
- d) Implement appropriate oversight to ensure that:
 - i. Processes are followed in line with the requirements of this Policy;
 - ii. Data is captured in line with requirements and the correct information keyed onto Nationwide systems; and
 - iii. Any control or process failures resulting in a regulatory or policy breach are promptly reported to Nationwide.
- e) Provide Nationwide with regular Management Information to evidence that:
 - i. Suspicious activity has been identified, investigated and (where relevant) externally reported in line with the requirements of this Policy;
 - ii. Quality checking has taken place on investigation and assessment processes and any issues are reported to Nationwide through the Senior Relationship Owner.

Responsibilities of Senior Relationship Owners

- a) Familiarise themselves with the Proceeds of Crime (POCA) Reporting policy;
- b) Obtain written commitment that each third party will adhere to the policy requirements in respect of identifying and reporting suspicious activity;
- c) Ensure that the third party's POCA processes are reviewed by the ML Policy team before being implemented or amended;
- d) Implement appropriate oversight and supervision to satisfy themselves that:
 - i. Relevant processes are carried out in line with the requirements of this Policy;
 - ii. The third party's controls are adequate to manage the risk created by their management of their reporting obligations. As a minimum this should include an annual site visit and/or review of an appropriate number of cases against the Policy requirements; and
 - iii. All Compliance & Conduct risks associated with the outsourced or procured activities are identified, recorded, mitigated and/or accepted by the Accountable Executive.
- e) Provide regular management information, including the outputs of testing, to the Policy Owner evidencing how the third party has complied with the policy – at least on an annual basis.
- f) Report any breaches or issues reported by the third party to the Financial Crime KCF as soon as reasonably possible.