AML policy and procedures for

Residential Secure Income plc (the "Company")

Introduction and background

Money laundering is defined in the UK as concealing disguising, converting or transferring criminal property or removing criminal property from the UK. Criminal property is a person's benefit from criminal conduct, i.e. from conduct which constitutes an offence in the UK or which would have been an offence in the UK if it had occurred there.

The detailed rules governing the prevention of money laundering are currently set out in the Money Laundering Regulations 2017 ("**MLR 2017**"). The organisations that come within the scope of these regulations are stated to include "a collective investment undertaking, when marketing or otherwise offering its units or shares". There is no definition of a collective investment undertaking in this context but, generally, it would be taken to include closed ended investment companies. The AIC certainly take this view. However, closed end investment companies do not fit well into the anti-money laundering ("**AML**") regime and there is a lack of guidance (other from the AIC) as to how they should approach their responsibilities under MLR 2017. This policy is intended to set out a proportionate response to the Company's obligations under MLR 2017.

It should be noted that the Company has no AML responsibilities in respect of secondary market transactions. Also, the Company does not fall within any other category of business caught by MLR 2017 so will only be in scope when it issues shares.

The Company is also required to comply with certain specific provisions of the Proceeds of Crime Act 2002 ("**POCA**") and Terrorism Act 2000 ("**TA 2000**"). These two pieces of legislation impose certain duties on persons, in both the regulated and unregulated sector in relation to reporting of money laundering ("**ML**") and terrorist financing ("**TF**") instances. For further detail, please refer to Annex 3.

All directors should familiarise themselves, understand and comply with this AML policy and procedures. All directors must sign an acknowledgement to this effect which can be found in Annex 1.

Obligations under MLR 2017

The main obligations imposed by MLR 2017 are as follows:

- To conduct a risk assessment of the business considering various factors specified by the regulations;
- To establish policies procedures and controls designed to manage and mitigate the risk of money laundering identified by the risk assessment;
- To carry out customer due diligence ("**CDD**") on new customers;
- To monitor customer transaction and report anything suspicious;
- To appoint a nominated officer;
- To keep appropriate records; and
- To provide appropriate training for directors and staff.

Policies and procedures must be "proportionate with regard to the size and nature of the relevant person's business" and approved by its senior management (MLR 2017 19(2)(a)).

The central plank of any AML policy is CDD, which is designed to establish who the customer is, what their business is and, if appropriate, the source of any funds used in the relevant transaction as well

as, in certain circumstances, of wealth of the customer. In the context of an investment company this is not straightforward as the only possible "customers" of the company are its shareholders, who are not customers in the normal sense. However, the AIC's guidance is that shareholders should be treated as customers for this purpose and that approach does seem to be in keeping with investment companies being in scope only when issuing shares. In other words, when issuing new shares, an investment company has a responsibility to ensure that shares are not purchased using criminal proceeds.

Nevertheless, the CDD cannot be carried out by the Company itself as it has insufficient resource for this purpose and it also does not have a direct business relationship with the shareholders. It will therefore have to rely on its service providers carrying out CDD, as discussed below.

Risk assessment

The Board of the Company has carried out a risk assessment taking into account the factors specified by MLR 2017, namely:

(a) its customers;
(b) the countries or geographic areas in which it operates;
(c) its products or services;
(d) its transactions; and
(e) its delivery channels.

The overall conclusion of the risk assessment is that the risk of the Company being used for money laundering when issuing shares is low, as described below.

The Company's only customers are its shareholders and when issuing new shares, the new shareholders will normally be financial institutions who are themselves obliged to have AML procedures to a high standard. Even if shares are issued to other companies or individuals, those shareholders will be customers of the Company's brokers or other advisers and will have been subject to CDD and any other necessary AML checks.

The Company operates only in the UK and its shares are marketed only to investors in the UK or in other jurisdictions where equivalent AML regimes are in place.

The only product or service that the Company has is its shares. It considers that the risk of these being used for money laundering is low because of the nature of its shareholders and the level of CDD that is applied to them. Similarly, the only type of transactions between the Company and its "customers" is the issue of shares which is very tightly controlled and supervised by both the Company and its advisers.

The Company's delivery channels are generally its brokers or other advisers who are regulated financial services firms and are obliged to apply strict levels of CDD to all their customers.

Procedures

As identified above, the Company is only obliged to apply AML procedures when it issues new shares. In any such case, the Company will rely on its service providers to carry out CDD on new shareholders. The Company will carry out the following procedures.

For the particular issue in question, the Company will identify the service provider that has the customer relationship with the new shareholder(s). This will often be the Company's broker.

AML reliance

The Company will enter into appropriate written arrangements with the relevant service provider for the purpose of the Company's reliance on the service provider's CDD procedures on the new shareholders, in accordance with the MLR 2017. As part of this arrangement, the Company will obtain the following confirmations from the broker:

(a) it understands and accepts that the Company is placing reliance on it;
(b) it is subject to the MLR 2017 or AML/CDD laws and regulatory requirements which are the same or equivalent to MLR 2017;
(c) it will carry out the necessary CDD on the Company's customers, their beneficial owners or any other persons acting on behalf of the customers;
(d) it will provide details of CDD checks on the new shareholders to the Company immediately on request;
(e) it will provide associated CDD information and other relevant documentation on the new shareholders to the Company immediately on request; and
(f) before accepting them as customers, it will inform the Company of any potentially high risk customers, such as PEPs, customers associated with PEPs or other customers categorised as high risk, for instance, by virtue of their links to a high risk jurisdiction; and
(g) the it will retain copies of such CDD documentation, information, data and details on the new shareholders, as listed above, for a minimum period of five years after closure of the customer relationship (as required under MLR 2017).

In accordance with MLR 2017, notwithstanding its reliance placed on the relevant service provider, the Company will remain ultimately responsible for AML/CDD obligations.

The Company considers that these procedures are proportionate with regard to the size and nature of its business.

Record keeping

The Company is subject to record-keeping requirements and has in place appropriate systems and controls with respect to the adequacy of, access to, and the security of its records. All records of customer files must be safely stored in a location that is accessible by authorised staff. All documentation/information must be retained for the duration of the entire customer relationship – and in accordance with the industry standards, files must be held for at least five years after the closure of a customer relationship.

The duration in which record keeping needs to be compiled is five years beginning on the date on which the relevant person knows, or has reasonable grounds to believe:

(a) that the transaction is complete, for records relating to an occasional transaction; or
(b) that the business relationship has come to an end for records relating to—
    (i) any transaction which occurs as part of a business relationship, or
    (ii) CDD measures taken in connection with that relationship.

In situations where the records relate to ongoing investigations, or transactions which have been the subject of a disclosure, they should be retained until it is confirmed that the investigation or the case has been closed.

The Company's administrator safe keeps all of the CDD record and the Company maintains immediate access to such records as necessary and required under the Record keeping section of this policy.

Suspicious activity reporting ("**SAR**")

There is a statutory obligation on all directors to report suspicions of ML, TF to the nominated officer. An internal reporting form for this purpose is set out in Annex 2.

If a director has a suspicion, or reasonable grounds for knowing or suspecting, that a customer is involved in money laundering, terrorist financing or other serious crime, he/she must not proceed with the transaction without the authority of the nominated officer. The suspicion or knowledge must be immediately reported to the nominated officer.

On receipt of an internal SAR, the nominated officer is required to determine whether or not there is a well-founded suspicion. If the nominated officer determines that the suspicion is well-founded, then he/she will notify the National Crime Agency ("**NCA**") using the prescribed SAR form. Only the nominated officer (or his/her deputy) is authorised (if determined after investigation) to send a report to the NCA. Directors must not discuss their suspicion or concerns with anyone else. This includes their colleagues, any intermediary and the customer concerned in particular.

On the other hand, upon receipt of an internal SAR, if the nominated officer determines that a suspicion does not exist, he/she does not need to notify the NCA. Nevertheless, he/she must record the reasons for his/her decision in writing for record-keeping purposes and should the NCA or other enforcement authority ever ask the Company for the rationale for not making an external SAR report in that instance.

In each case, you will be informed by the nominated officer whether a report is to be made to the NCA and/or whether the customer activity should be monitored.

Approval and subsequent updates to this AML policy and procedures

This AML policy and procedures document is approved by the nominated officer and the Board on an annual basis and as and when any updates are required to be made.

Ongoing changes to the AML policy and procedures and its practical implications are communicated to all directors.

Annex 1

Director Acknowledgement

All directors and other individuals identified as relevant persons must sign a declaration that states his/her adherence to the AML policy and procedures. The format of this acknowledgement is given below:

Director acknowledgement of the AML policy and procedures

To: Nominated Officer

From:

Date:

Re: Acceptance and adherence to the AML policy and procedures

I, _____, hereby declare that I accept Residential Secure Income plc's AML policy and procedures. I also confirm that I understand and will adhere to the rules of this AML policy and procedures.

Signature

Annex 2

Internal Money Laundering Report of Suspicion or Knowledge of Money Laundering and Terrorist Financing Template

To be used for making a report to the nominated officer of suspicion or knowledge that a customer is involved in money laundering, terrorist financing or other serious crime.

Your name (print)	
Name of customer	
Type of customer (individual / corporate)	
Nationality / Place of incorporation	
Date of birth / Incorporation date	
Customer contact details (address, telephone number, email, etc)	
Please provide all available identification information	*[please attach a copy of such information to this form]*
Suspicion aroused or knowledge gained during identification procedure:	
Was the customer introduced to us? If so, how?	Yes*/No
Is verification of identity complete?	Yes*/No
Has obtaining verification of the customers identity been unusually difficult?	Yes*/No
Please detail in the space below your knowledge or suspicion(s) of money laundering and/or terrorist financing, why you are suspicious and any other relevant information. Please give as much information as possible.	
Your signature	Date
FOR NOMINATED OFFICER USE ONLY	
Nominated Officer signature	Date
Nominated Officer comments	
Internal report reference number:	

*If yes, specify how

Annex 3

The Proceeds of Crime Act 2002 (POCA) and the Terrorism Act 2000 (TA 2000)

POCA

The following are criminal offences as set out under POCA:

Concealing etc (section 327 POCA)
Concealing, disguising, converting or transferring criminal property or removing it from the UK. Concealing or disguising criminal property includes concealing or disguising its nature, source, location, disposition, movement or ownership or any rights with respect to it.

Arrangements (section 328 POCA)
Entering into, or becoming concerned in, an arrangement which a person knows or suspect facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person.

Acquisition, use and possession (section 329 POCA)
Acquiring, using or having possession of criminal property is also an offence.

For the purposes of the above offences, property is criminal property if it constitutes a person's benefit from criminal conduct or it represents such a benefit (whether in whole or part and whether directly or indirectly) and the alleged offender knows or suspects that it constitutes or represents such a benefit. Criminal conduct is a conduct which constitutes an offence in any part of the UK or would constitute an offence in any part of the UK if it occurred there.

Therefore, while conduct which does not constitute an offence overseas but does in the UK would be criminal conduct, conduct which is criminal overseas but which is not an offence under UK law would not constitute criminal conduct for these purposes.

A person may have a defence to one of the above offences if:

a. before doing the act which constitutes the offence, he/she makes a report to Company's nominated officer using the internal suspicious activity reporting form[1], which in the Company's case is its nominated officer, (an internal disclosure) (or, if he/she is the nominated officer (i.e. nominated officer at the Company), to the NCA (an external disclosure) and the nominated officer (or the NCA) gives him consent to do the act;

b. he intends to make a report to the nominated officer (or nominated officer to the NCA) but has a good reason for not doing so provided he makes a report to the nominated officer as soon as it is practicable for him to do so;

c. the disclosure is made after the prohibited act is undertaken but there is good reason for failing to make the disclosure before the activity was undertaken. The disclosure must be made on his own initiative and as soon as it is practicable to make it; or

d. he knows or believes on reasonable grounds that the relevant criminal conduct occurred in a particular country overseas and such criminal conduct was lawful in that country and certain requirements are met in respect of the relevant criminal conduct.

Please speak to the nominated officer if you require further information, especially on how to make an internal suspicion report.

A person who is guilty of one of the above three money laundering offences may be sentenced to a prison term of up to 14 years or to a fine or both.

[1] For a copy of the form, please see Annex 2.

Offence of failure to disclose: other nominated officers (section 332 POCA)
A person commits an offence if:

(a) he knows or suspects, or has reasonable grounds for knowing or suspecting that, another person is engaged in money laundering;

(b) the information or other matter on which his/her knowledge or suspicion is based came to him/her in consequence of a Protected Disclosure;

(c) he can identify that other person, or the whereabouts of the laundered property, or he believes (or it is reasonable to expect him to believe) that the information he has will or may assist in identifying that person or the whereabouts of the laundered property; and

(d) he does not make a disclosure of the information to a nominated officer or the NCA as soon as is practicable after the information or other matter comes to his attention.

The test for this offence is objective: it is not a defence that the person does not in fact know of or suspect that another person is money laundering; the test is whether the reasonable person would have had reasonable grounds for suspecting or believing that the other person was engaged in money laundering.

Protected Disclosure is defined under section 337 as disclosure which satisfies the following three conditions:

(a) the information or other matter disclosed came to the nominated officer in the course of employment;

(b) the information or other matter causes the nominated officer to know or suspect or gives reasonable grounds for knowing or suspecting that another person is engaged in ML; and

(c) the disclosure is made to the NCA as soon as practicable after the information or other matter comes to the nominated officer.

Where these three conditions are satisfied, the nominated officer will not be in breach of any restriction on the disclosure of information (such as that in the context of section 342 offence of prejudicing an investigation, described below).

A person who is guilty of this offence may be sentenced to a term of up to five years or to a fine or to both.

Prejudicing an investigation (section 342 POCA)
A person commits an offence if he knows or suspects that an appropriate person is acting or proposing to act in connection with a money laundering investigation, and makes a disclosure which is likely to prejudice a money laundering investigation or he falsifies, conceals, destroys or otherwise disposes of, or causes or permits the falsification, concealment, destruction or disposal of documents relevant to the investigation.

There are a number of defences to this offence including that the person does not know or suspect that the disclosure was likely to prejudice the investigation.

A person who is guilty of this offence may be sentenced to a term of up to five years or to a fine or to both.

For the purposes of the above, money laundering is an act which constitutes an offence under section 327, 328, or 329 of POCA; an attempt, conspiracy or incitement to commit one of these offences; or aiding, abetting, counselling or procuring the same; or an act which would constitute any of the above if it were done in the UK.

Terrorism Act 2000

This piece of legislation sets out offences covering:

(a) fundraising for the purposes of terrorism (section 15);

(b) using or possessing money for the purposes of terrorism (section 16);

(c) being concerned in an arrangement knowing or having reasonable cause to suspect that the money or other property concerned will be used for the purposes of terrorism (section 17); and

(d) laundering terrorist funds (i.e. becoming concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property by concealment, removal from the jurisdiction, transfer to nominees or in any other way) (section 18).

(e) disclosure of information which is likely to prejudice or which interferes with material relevant to the investigation (section 39).

Further, a person also commits an offence if he/she believes or suspects, where such belief or suspicion is based on information that came to his/her attention in the course of employment, that another person has committed any of the above terrorism offences and he/she does not disclose this matter to the nominated officer (or, if he/she is the nominated officer, to the NCA) as soon as reasonably practicable (section 19).