

Anti Money Laundering and Counter Terrorist Financing Program

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Disclaimer

This document has been developed by Outlier Solutions Inc. as a template document for use by customers that are Dealers in Precious Metals and Stones.

All customers remain fully responsible at all times to meet their compliance obligations.

Customers are authorized to use and edit this document in the development and maintenance of their compliance programs, and to share their final version of the document with:

- Reviewers conducting AML Compliance Effectiveness Reviews;
- Banking service providers;
- Regulators; and
- Any other parties where required by law.

Distribution of the template (unedited) document and subsequent iterations of the document to parties not listed above is prohibited. Exceptions must be documented by obtaining the express written consent of Outlier Solutions Inc.

Outlier Solutions Inc. will not withhold consent where it is required for reasonable business purposes.

Additional terms and conditions are described in the end user licensing agreement. For a copy of this agreement, please contact Outlier Solutions Inc. (www.outliercanada.com).

Policy Statement

We are committed to preventing, detecting and deterring money laundering and terrorist financing. To that end, it is the responsibility of every employee (including contract and part time employees) to comply with this program and all related Canadian legislation.

Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its regulations (Regulations), we are required to have an anti money laundering (AML) and counter terrorist financing (CTF) program that consists of these five elements:

- 1) Written policies and procedures: these list our responsibilities under the law, and what we are doing to meet them;
- 2) A documented Risk Assessment: a document that describes and assesses the risk that our business could be used to launder money or finance terrorism;
- 3) The appointment of a Compliance Officer: the person who is ultimately responsible to develop and maintain our AML and CTF compliance program;
- 4) AML Compliance Effectiveness Reviews: testing and reporting completed every two years that assesses how well our compliance program is working; and
- 5) Training: conducted at least annually to ensure that everyone understands his or her roles and responsibilities.

AML And CTF Basics

Money laundering is the process of taking money obtained by committing a crime and disguising the source to make it appear legitimate. Under the Criminal Code of Canada, it is illegal to launder money or to knowingly assist in laundering money. Under the PCMLTFA and Regulations, we must take steps to be sure that our business is not used to launder money and if we suspect that money laundering may be taking place, we must report it.

Terrorist financing is the process of moving funds in order to pay for terrorist activities. Unlike money laundering, the source of the funds is not always criminal but the intended use of the funds is criminal. Under the Criminal Code of Canada, it is illegal to knowingly assist in the financing of terrorism, including the possession of terrorist funds or property. If we know or suspect that we have terrorist property in our possession, it must be reported immediately.

FINTRAC

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)¹ is the agency that regulates our industry to ensure that we are meeting our

¹ <http://www.fintrac.gc.ca/>

obligations. They have the power to review our documentation and to levy significant penalties if we are not compliant. Individuals that deliberately attempt to circumvent the law may also be charged criminally in addition to monetary penalties.

FINTRAC is also Canada's financial intelligence unit (FIU). The agency receives reports from reporting entities, like us, about transactions and analyses the data that they receive. This data is used to assist law enforcement investigations into crimes related to money laundering and terrorist financing. It is vital to this process that the information that we submit to FINTRAC is accurate, on time and as complete as possible.

Dealers in Precious Metals and Stones

Dealers in Precious Metals and Stones (DPMSs) are considered reporting entities under the law in Canada. This means that we must comply with certain requirements and answer to our regulator. Our regulator, FINTRAC defines DPMSs as:

"You are a dealer in precious metals and stones if you buy or sell precious metals, precious stones or jewellery as part of your business activities.

- Precious metals include gold, silver, palladium or platinum sold or bought as coins, bars, ingots, granules or other similar forms.
- Precious stones include diamonds, sapphires, emeralds, tanzanite, rubies or alexandrite.
- Jewellery means objects made of precious metals, precious stones or pearls made for people to wear.

If you are a dealer in precious metals and stones, the following legal requirements apply to you only if you ever buy, including for inventory purposes, or sell precious metals, precious stones or jewellery that total \$10,000 or more in a single transaction regardless of how it is paid. Once you have conducted this transaction, you are subject to the obligations set out in the PCMLTFA going forward.

If you are an employee of a dealer in precious metals or stones, your employer is responsible for meeting these requirements. However, if you find any transaction suspicious, or if you know (not just suspect) that a transaction is related to terrorist property, you and your employer are both responsible for reporting these transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

The following requirements do not apply to you if you only buy and sell precious metals, precious stones or jewellery for purposes related to:

- Making jewellery;
- Mining precious metals or precious stones; or