



Reference No: AML Policy and Procedure

Company: Cortexa Capital Ltd.

Address: 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

ANTI-MONEY LAUNDERING (AML) POLICY

Cortexa Capital Ltd

Effective Date: July 20, 2025

Last Reviewed: December 13, 2025

Next Review Date: December 13, 2026

1. Executive Summary

This Anti-Money Laundering (AML) Policy sets out the framework and procedures that Cortexa Capital Ltd ("the Firm") has implemented to combat money laundering, terrorist financing, and other financial crime in accordance with applicable UK and international regulations. The Firm is committed to maintaining the highest standards of integrity and operating as a responsible financial services provider.

This policy applies to all employees, contractors, consultants, third-party service providers, and anyone acting on behalf of the Firm.

2. Policy Scope and Application

2.1 Regulatory Framework

The Firm's AML Policy is established in compliance with the following legislation and guidance:

- **Money Laundering Regulations 2017** (as amended)
- **Financial Services and Markets Act 2000** (FSMA)
- **Proceeds of Crime Act 2002** (POCA)
- **Terrorism Act 2000** (as amended)
- **Financial Action Task Force (FATF) Recommendations**
- **Financial Conduct Authority (FCA) Handbook** (SYSC, COND, PRICG rules)
- **UK HM Treasury Guidance** on AML Reform 2025

2.2 Applicable to All Business Activities

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Company: Cortexa Capital Ltd.

Address: 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

This policy applies to:

- All customer relationships and transactions
- Investment advisory services
- Fund management and discretionary management
- Trading and execution services
- Settlement and custody arrangements
- Correspondent banking relationships
- Third-party service provider arrangements
- Cross-border transactions
- Digital identity verification processes

3. Governance and Responsibilities

3.1 Board and Senior Management

The Board of Directors is responsible for:

- Approving the AML policy and ensuring its implementation
- Establishing AML governance structures and oversight
- Allocating adequate financial and human resources
- Ensuring cultural commitment to compliance
- Holding senior management accountable for AML compliance

3.2 Compliance Officer (Money Laundering Reporting Officer - MLRO)

The Compliance Officer, designated as the Money Laundering Reporting Officer (MLRO), is responsible for:

- Day-to-day monitoring of AML policy compliance
- Reviewing suspicious transaction reports (STRs)
- Determining whether to report suspicious activity to the National Crime Agency (NCA)

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Company: Cortexa Capital Ltd.

Address: 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

- Liaising with external authorities
- Providing AML training and awareness
- Maintaining AML records and documentation
- Coordinating risk assessments and audits
- Reporting to the Board and FCA on AML matters

3.3 Department Heads and Line Managers

Department heads and line managers are responsible for:

- Embedding AML compliance in their teams
- Ensuring staff complete mandatory AML training
- Escalating suspicious activities to the Compliance Officer
- Implementing AML controls within their operations
- Supporting transaction monitoring and due diligence processes

3.4 Employee Responsibilities

All employees are responsible for:

- Understanding and complying with this policy
- Completing mandatory AML training upon hire and annually
- Reporting suspicious activities and concerns
- Maintaining customer confidentiality (within legal bounds)
- Supporting due diligence and monitoring processes
- Following document retention requirements

4. Risk-Based Approach (RBA)

4.1 Risk Assessment Framework

The Firm adopts a risk-based approach to AML compliance as required by FATF Recommendation 1 and UK regulations. We identify, assess, and understand the





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money laundering and terrorist financing risks we face, allocating resources proportionate to identified risks.

4.2 Customer Risk Assessment

The Firm assesses risk based on:

- **Customer Profile:** Individual, corporate, institutional, or politically exposed person (PEP) status
- **Geographic Risk:** Jurisdictional profile, sanctions designations, FATF deficiencies
- **Transaction Profile:** Nature, frequency, value, and complexity of transactions
- **Business Activities:** Investment strategy, fund types, derivatives exposure, cross-border transfers
- **Beneficial Ownership Structure:** Complexity, transparency, ultimate beneficial owner (UBO) verification

4.3 Risk Levels and Categorization

The Firm maintains a risk classification matrix:

Risk Level	Characteristics	CDD Intensity
Low	Transparent individuals, established corporates, domestic, regulated sector	Standard CDD
Medium	Small businesses, emerging markets, some opacity in ownership	Enhanced CDD
High	PEPs, high-risk jurisdictions, complex structures, opaque beneficial owners	Full EDD
Very High	FATF "call for action" jurisdictions, shell companies, high-value suspicious patterns	Comprehensive EDD

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Company: Cortexa Capital Ltd.

Address: 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

Table 1: Customer Risk Classification

5. Customer Due Diligence (CDD)

5.1 Timing of CDD

Due diligence must be conducted:

- **Before establishing a relationship** with a customer
- **When there are changes** in customer circumstances or beneficial ownership
- **At regular intervals** as part of ongoing monitoring
- **When suspicion** of money laundering or terrorist financing is triggered

5.2 Standard Customer Due Diligence

For all customers, the Firm must:

5.2.1 Customer Identification

- Full legal name, date of birth, and nationality
- Residential address and contact information
- Unique identification number (passport, driving license, tax ID)
- Source of funds and wealth origin
- Purpose and intended nature of business relationship

5.2.2 Beneficial Ownership Identification

- Identify all beneficial owners (those with 25% or more beneficial interest)
- Verify ultimate beneficial owner(s) with supporting documentation
- Obtain information on ownership structure and percentage stakes
- For complex structures (trusts, partnerships), identify controlling persons

5.2.3 Verification of Identity

- Use independent, reliable sources of information
- Obtain certified copies of identity documents (passport, national ID)
- Verify information through government registers or official databases

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Company: Cortexa Capital Ltd.

Address: 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

- Record verification dates and documents reviewed
- Retain evidence for audit trail and regulatory examination

5.2.4 Business Information (Corporate Customers)

- Full legal name and registered address
- Certificate of incorporation or business registration
- Beneficial owners and structure
- Directors and authorized signatories
- Key business information and activities
- Source of funds and revenue streams

5.3 Enhanced Due Diligence (EDD)

Enhanced due diligence applies to higher-risk customers:

5.3.1 High-Risk Jurisdictions

Enhanced due diligence is mandatory for customers and transactions involving:

- Countries on the FATF "call for action" list
- Jurisdictions with strategic AML/CTF deficiencies
- High-risk or non-cooperative jurisdictions designated by HM Treasury or FATF
- Countries subject to international sanctions

5.3.2 Politically Exposed Persons (PEPs)

PEPs are individuals who hold or have held prominent public positions. Enhanced due diligence includes:

- Checking against PEP databases and sanctions lists (continuously)
- Identifying source of wealth and funds
- Assessing reputational risk through enhanced due diligence
- Obtaining senior management approval for relationship
- Considering family members and associates as beneficiaries
- Enhanced transaction monitoring

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PEP Categories Include:

- Heads of State, Government, Ministers
- Senior judicial, military, and law enforcement officials
- Senior officials in international organizations
- Family members and known associates
- Recently departed PEPs (12-month grace period)

5.3.3 Complex or Unusual Transactions

Enhanced scrutiny applies to transactions that are:

- Unusually large relative to sector norms
- Unusually complex in structure
- Inconsistent with customer profile or business rationale
- Without apparent economic or lawful purpose
- From or to high-risk jurisdictions
- Involving multiple intermediaries or layers

5.3.4 Corporate Structures and Beneficial Ownership

Additional procedures for complex structures:

- Verification of each layer of ownership
- Board minutes or corporate resolutions authorizing transactions
- Detailed understanding of ultimate beneficial ownership
- Assessment of commercial rationale
- Ongoing review of structural changes

5.4 Ongoing Monitoring

The Firm conducts continuous due diligence through:

- Regular review of transaction activity and patterns
- Periodic re-verification of customer information (annually minimum)

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Company: Cortexa Capital Ltd.

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- Monitoring for changes in beneficial ownership or business profile
- Updating risk assessments based on new information
- Reviewing customer activities against sanctions lists and PEP databases
- Maintaining contemporaneous notes of monitoring activities

6. Sanctions Screening and Compliance

6.1 Sanctions Lists

The Firm screens all customers and transactions against:

- **Financial Conduct Authority (FCA)** consolidated sanctions list
- **Office of Financial Sanctions Implementation (OFSI)** UK sanctions designations
- **Office of Foreign Assets Control (OFAC)** list (US designations)
- **United Nations (UN)** Security Council designations
- **Financial Action Task Force (FATF)** high-risk jurisdictions
- **Internal watchlist** of elevated-risk jurisdictions and entities

6.2 Screening Procedures

- Screening occurs **before relationship inception** and **at account opening**
- Continuous monitoring of ongoing customer transactions
- Screening when customer information is updated
- Screening of all beneficial owners and associated parties
- Use of specialized compliance screening software
- Quarterly audit and audit trail maintenance

6.3 Match Resolution

When a potential match is identified:





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Assessment Score	Risk Level	Required Action
95-100	Critical	Immediate escalation; freeze account/transactions; report to MLRO
80-94	High	Escalate to Compliance; senior review; determine match status
60-79	Medium	Document review; gather additional information; assess relevance
40-59	Low-Medium	Monitor; review if activity triggers further concern
<40	Low	Document and retain; monitor

Table 2: Sanctions Match Assessment and Action Protocol

7. Transaction Monitoring and Reporting

7.1 Transaction Monitoring Program

The Firm implements a transaction monitoring system with:

- Real-time monitoring of all customer transactions
- Rule-based detection of suspicious patterns
- Alert generation and escalation procedures
- Analysis and investigation of alerts
- Documented decision-making on each alert
- Regular review and tuning of monitoring rules

7.2 Suspicious Activity Detection

Transactions are reviewed for indicators of money laundering including:

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- Unusual transaction frequency or volume
- Transactions inconsistent with customer profile
- Structured transactions below reporting thresholds ("smurfing")
- Trade-based money laundering patterns
- Round-tripping or rapid movement of funds
- Transfers to/from high-risk jurisdictions or designated individuals
- Involvement of intermediaries with no apparent economic purpose
- Transactions with opaque beneficial owners
- Potential terrorist financing indicators

7.3 Suspicious Activity Report (SAR) Reporting

When the Firm identifies suspicious activity, the MLRO:

- Documents findings and analysis
- Determines whether reportable suspicion exists
- Prepares Suspicious Activity Report (SAR) for submission to NCA
- Does **not** disclose SAR to the customer (legal restriction)
- Retains records of all SARs and investigation findings
- Implements appropriate controls (transaction review/blocking if necessary)
- Reports summary data to FCA as required

The "Tipping-Off" Offence

Employees must not:

- Disclose that a SAR has been filed
- Inform customers of AML investigations
- Provide information that alerts a customer to regulatory scrutiny
- Tip off customers about reporting obligations

Violations constitute a criminal offence under POCA Section 333.

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7.4 Cash and Currency Transaction Reporting

While the Firm does not typically handle physical cash, if cash transactions occur:

- All transactions over £10,000 are recorded
- AML-relevant information is documented
- Patterns of below-threshold transactions are monitored
- Customers are not informed of reporting obligations

8. Third-Party and Correspondent Relationships

8.1 Due Diligence on Third Parties

Before engaging third-party service providers, the Firm:

- Identifies regulated status and regulatory oversight
- Verifies beneficial ownership of third parties
- Assesses compliance with AML/CFT standards
- Reviews systems and controls
- Establishes contractual AML obligations
- Maintains documentation of third-party vetting
- Obtains evidence of regulatory authorization

8.2 Correspondent Banking Relationships

The Firm will not:

- Maintain correspondent banking relationships with "shell banks"
- Establish relationships where the correspondent fails to implement AML controls
- Proceed where beneficial ownership cannot be verified
- Enter relationships without written agreements establishing AML requirements

8.3 Management and Monitoring

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Third-party service providers are subject to:

- Periodic re-assessment and monitoring
- Notification of changes in control or ownership
- Requirement to maintain AML compliance
- Right to audit AML procedures and controls
- Ability to terminate if compliance deficient

9. Record Keeping and Documentation

9.1 Retention Period

The Firm maintains all relevant records for:

- **Minimum 5 years** from date of transaction or end of relationship
- **Longer periods** if required by specific regulations or ongoing investigations
- Longer periods where NCA requests records be retained

9.2 Required Records

Records maintained include:

- Customer identification documents and verification evidence
- Beneficial ownership information and verification
- Risk assessments and categorization
- Due diligence files and correspondence
- Transaction records and supporting documentation
- Transaction monitoring alerts and investigations
- Suspicious activity reports (SARs)
- Internal audit and compliance review files
- Training records for all staff
- Board and management meeting minutes on AML matters

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- Correspondence with regulators
- Policies and procedures versions

9.3 Documentation Standards

All documentation must be:

- Clear and contemporaneous
- Retained in accessible form (electronic or paper)
- Indexed and filed for easy retrieval
- Auditable and traceable
- Protected from unauthorized access
- Compliant with data protection requirements

10. Training and Awareness

10.1 Mandatory Training Program

All staff must complete:

- **Initial AML Training:** Before customer contact or transaction involvement
- **Annual Refresher Training:** Every 12 months minimum
- **Role-Specific Training:** For compliance, operations, and management roles
- **Updates:** When regulations change or new risks emerge

10.2 Training Content

Training covers:

- Money laundering methods and typologies
- Terrorist financing techniques
- Regulatory obligations and penalties
- Customer due diligence procedures
- Sanctions screening and compliance

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Address: 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

- Transaction monitoring and alert procedures
- Suspicious activity identification
- Reporting obligations and SAR procedures
- Tipping-off offence and legal consequences
- Data protection and confidentiality requirements
- Client onboarding and ongoing monitoring processes
- Use of AML systems and tools

10.3 Training Records

The Firm maintains:

- Records of all staff training completion
- Dates of training sessions
- Training content and materials
- Assessment results where applicable
- Remedial training for non-compliance

10.4 Awareness and Culture

Beyond formal training, the Firm:

- Incorporates AML into regular team meetings
- Distributes alerts on emerging threats
- Encourages reporting of suspicions
- Protects reporters from retaliation
- Recognizes compliance excellence
- Embeds AML in recruitment and performance management

11. Politically Exposed Persons (PEPs) Policy

11.1 PEP Identification

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The Firm identifies PEPs through:

- Dedicated PEP screening at account opening
- Ongoing continuous screening
- Enhanced due diligence database checks
- Public information review
- Beneficial ownership assessment

11.2 PEP Verification Requirements

For PEP customers, additional verification includes:

- **Source of Wealth:** Document evidence of legitimate sources
- **Source of Funds:** Verify funds' legitimate origin for each transaction
- **Business Purpose:** Document rationale for engaging with the Firm
- **Beneficial Owners:** Identify all beneficial owners and their source of wealth
- **High-Risk Factors:** Assess reputational risk and potential vulnerabilities

11.3 Approval and Monitoring

- PEP relationships require **senior management approval**
- Enhanced transaction monitoring is mandatory
- PEPs are subject to **elevated alert thresholds**
- Periodic review (minimum annually) of PEP status
- Consideration of termination if risks become unmanageable
- Recently departed PEPs monitored for 12 months

11.4 Family Members and Associates

The Firm treats family members and known associates of PEPs as PEPs, including:

- Spouses and dependent children
- Close business associates
- Companies where PEP is beneficial owner or controller

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Address: 3rd Floor, 86-90 Paul Street, London, England, EC2A 4NE

- Trusts established for PEP benefit

12. Handling of High-Risk Transactions

12.1 Definition of High-Risk Transactions

High-risk transactions include those that are:

- Unusually large (exceeding normal customer parameters)
- Unusually complex in structure
- To/from high-risk jurisdictions
- Involving multiple intermediaries
- Involving opaque beneficial owners
- Inconsistent with customer profile
- Without apparent economic purpose
- Involving cash or alternative remittance
- Involving structured transactions

12.2 Enhanced Scrutiny

The Firm applies enhanced scrutiny by:

- Documenting the economic rationale
- Obtaining additional verification of beneficial owners
- Requesting source of funds documentation
- Reviewing supporting contracts and agreements
- Examining payment instructions and routing
- Assessing correspondent relationships
- Escalating to Compliance Officer if suspicious indicators present
- Maintaining detailed files for audit trail

12.3 Transaction Delay or Blocking

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The Firm reserves the right to:

- Delay transactions pending completion of enhanced due diligence
- Decline transactions if suspicious activity is suspected
- Block accounts when match or suspicion is identified
- Terminate relationships with customers where risks cannot be mitigated
- Report suspicious transactions to NCA

13. Digital Identity Verification

13.1 Digital ID Framework

In accordance with UK HM Treasury guidance on digital identity solutions, the Firm may use:

- Government-verified digital identity systems
- Third-party digital identity providers (assessed for reliability)
- Electronic verification of identity documents
- Biometric verification where appropriate
- Blockchain-based identity solutions (where compliant)

13.2 Assessment Criteria for Digital ID Providers

Approved digital identity methods must:

- Provide equivalent assurance to in-person verification
- Be independently verified and audited
- Maintain record of verification processes
- Enable audit trail for regulatory examination
- Comply with data protection requirements
- Be assessed as equivalent to traditional CDD

13.3 Documentation

Digital ID verification must include:

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- Documentation of the digital ID provider and methodology
- Evidence of verification completion
- Retention of digital record
- Audit trail showing verification timestamp and approver
- Backup traditional documentation if digital ID fails

14. Cybersecurity and Data Protection

14.1 Systems Security

AML systems and data are protected through:

- Encryption of data in transit and at rest
- Access controls and user authentication
- Regular security assessments and audits
- Incident response procedures
- Business continuity planning
- Backup and disaster recovery

14.2 Data Protection Compliance

The Firm complies with UK GDPR and Data Protection Act 2018 by:

- Processing customer data for legitimate AML purposes
- Limiting data use to compliance-related functions
- Restricting access to authorized personnel
- Implementing privacy by design
- Conducting data protection impact assessments
- Maintaining lawful basis for data processing

15. Audit and Review

15.1 Internal Audit Program

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The Firm conducts independent audits of:

- AML policy compliance
- Customer due diligence files
- Transaction monitoring controls
- Sanctions screening procedures
- Training completion and effectiveness
- Record-keeping practices
- System configuration and tuning
- Third-party compliance

15.2 Audit Frequency

- **Comprehensive audit:** Annually
- **Focused audits:** Semi-annually on key areas
- **Ad hoc reviews:** Following material changes or incidents

15.3 External Review

The FCA and other regulators conduct periodic examinations of:

- AML framework and governance
- Customer due diligence practices
- Transaction monitoring effectiveness
- Compliance with reporting obligations
- Systems and controls adequacy

15.4 Audit Committee Oversight

The Audit Committee reviews:

- Internal audit findings and recommendations
- Remediation status of audit issues
- External regulator feedback

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- AML metrics and indicators
- Policy amendments and updates
- Staffing and resource adequacy

16. Compliance with HM Treasury 2025 AML Reform

16.1 Enhanced Due Diligence (EDD) Updates

Per HM Treasury consultation response (July 2025):

- EDD applies to FATF "call for action" list countries (narrowed from broader "increased monitoring" category)
- EDD for complex or large transactions applies only when "unusually complex or unusually large" relative to sector norms
- This refined approach allows resource focus on highest-risk jurisdictions

16.2 Pooled Client Accounts (PCAs)

The Firm, if utilizing PCAs:

- Assesses purpose and risk for each PCA separately
- Gathers sufficient information on PCA structure
- Decouples PCAs from simplified due diligence
- Requires PCA holders to provide underlying client information upon request
- Enhances transparency without full CDD on all beneficiaries

16.3 Currency Thresholds

All currency thresholds referenced in regulations are:

- Converted to sterling equivalents (e.g., €10,000 = £10,000)
- Applied consistently across all jurisdictions
- Aligned with post-Brexit UK market practice

16.4 Correspondent Banking Requirements

The Firm's correspondent relationships comply with:

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- FATF-aligned enhanced due diligence expectations
- Prohibition on shell-bank dealings
- Written agreements establishing AML obligations
- Ongoing monitoring of correspondent compliance

17. Enforcement and Consequences

17.1 Internal Enforcement

Employees who violate this policy may face:

- Disciplinary action up to and including dismissal
- Suspension of compliance-related responsibilities
- Mandatory remedial training
- Termination of employment (for serious violations)

17.2 Regulatory Consequences

The Firm is subject to enforcement by:

- **FCA:** Civil penalties, prohibition notices, fines up to £1 million or higher
- **NCA:** Criminal prosecution for money laundering offences
- **OFSI:** Penalties for sanctions violations

17.3 Potential Criminal Offences

Individual and organizational criminal liability includes:

- Money laundering contrary to POCA Sections 327-329
- Terrorist financing contrary to Terrorism Act 2000/2006
- Failure to disclose knowledge of money laundering
- Failure to report suspicious activity
- Tipping off in violation of POCA Section 333
- Conspiracy to launder money or finance terrorism

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18. Policy Review and Updates

18.1 Review Frequency

This policy is reviewed:

- **Annually:** Formal review by Compliance and Board
- **Upon regulatory change:** Updates to AML regulations
- **Upon audit findings:** Issues identified in internal/external audits
- **Upon incidents:** Following AML control failures or breaches
- **Continuously:** Monitoring for emerging risks and best practices

18.2 Version Control

- Policy version and effective date recorded
- All amendments documented with reasons
- Previous versions retained for audit trail
- Staff notified of material changes
- Updated training provided for significant revisions

18.3 Board Approval

All material changes to this policy require:

- Compliance Officer recommendation
- Audit Committee review
- Board of Directors formal approval
- Documentation in Board minutes
- Communication to FCA where applicable

19. Breach Notification and Incident Response

19.1 Incident Identification

The Firm identifies potential AML breaches through:

- Internal audit findings

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- Regulatory examination observations
- Employee reporting
- System alerts or monitoring failures
- Discovery of compliance gaps

19.2 Incident Response Procedure

Upon identification of a breach:

1. **Containment:** Stop ongoing breach; secure records; suspend operations if necessary
2. **Assessment:** Determine scope, duration, and affected customers
3. **Documentation:** Record incident details and investigation
4. **Notification:** Inform Compliance Officer and senior management immediately
5. **Reporting:** Determine if NCA/FCA notification required (within timeframe)
6. **Remediation:** Implement corrective action and enhanced controls
7. **Prevention:** Address root cause to prevent recurrence
8. **Monitoring:** Implement enhanced monitoring of affected areas

19.3 Regulatory Reporting

Breaches are reported to regulators if:

- **FCA:** Significant governance or control failures; inability to demonstrate compliance
- **NCA:** Money laundering suspicion identified during breach investigation
- **Data Protection Authority:** If personal data breach occurred

20. Contact Information

20.1 Reporting Suspicious Activity

Employees with concerns about potential money laundering or terrorist financing should:





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- **Contact:** Money Laundering Reporting Officer (MLRO)
- **Method:** Confidential in-person meeting or secure email
- **Escalation:** Direct to Compliance Manager if MLRO unavailable

20.2 Data Subject Rights

Customers with questions about:

- Personal data held by the Firm
- Due diligence or monitoring activities
- Regulatory compliance obligations

Should contact the Data Protection Officer through the main office.

20.3 External Authorities

For reporting purposes:

- **National Crime Agency (NCA):** Suspicious Activity Reports (SARs)
 - Online: www.nationalcrimeagency.gov.uk
- **Financial Conduct Authority (FCA):** Regulatory compliance issues
 - Contact: Supervision division
- **Office of Financial Sanctions Implementation (OFSI):** Sanctions violations
 - Online: www.gov.uk/sanctions-guidance

21. Acknowledgment and Acceptance

All employees and contractors must acknowledge receipt and understanding of this AML Policy. Acknowledgment forms are maintained by the Human Resources department.

Non-compliance with this policy may result in disciplinary action, including dismissal, and potential criminal prosecution.

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Element	Details
Document Title	Anti-Money Laundering (AML) Policy
Organization	Cortexa Capital Ltd
Effective Date	July 20, 2025
Last Revised	December 13, 2025
Next Review	December 13, 2026
Owner	Compliance Officer / MLRO
Approval Authority	Board of Directors
Distribution	All employees, contractors, third parties
Classification	Internal - Confidential

References

- [1] UK Money Laundering Regulations 2017 (SI 2017/692)
- [2] Financial Services and Markets Act 2000 (FSMA), Chapter 2A (c.19)
- [3] Proceeds of Crime Act 2002 (c.29), Sections 327-329 (money laundering offences) and 333 (tipping off)
- [4] Terrorism Act 2000 (c.11) and Terrorism Act 2006 (c.11)
- [5] Financial Conduct Authority. (2025). SYSC - General matters. FCA Handbook Rules.
- [6] Financial Conduct Authority. (2025). Senior Management Arrangements, Systems and Controls. SYSC 1-4, FCA Handbook.

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- [7] HM Treasury. (2025). Consultation Response: Reform of the Anti-Money Laundering and Counter-Terrorist Financing Regime. July 2025.
- [8] Financial Action Task Force. (2024). FATF Recommendations: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation. 40 Recommendations.
- [9] Office of Financial Sanctions Implementation. (2025). Financial Sanctions Guidance. www.gov.uk/sanctions-guidance
- [10] Financial Conduct Authority. (2024). Money Laundering Through the Markets Report: Compliance and Risks in Capital Markets. MLTM Review Report.
- [11] National Crime Agency. (2025). Suspicious Activity Report (SAR) Guidance. UK NCA Publications.
- [12] UK Government. (2025). Economic Crime Plan 2 Delivery Report. September 2025.

APPENDIX A: Glossary of Terms

Beneficial Owner: Natural person(s) who ultimately owns or controls a customer (including through complex structures)

Customer Due Diligence (CDD): Process of verifying customer identity and assessing ML/TF risk

Enhanced Due Diligence (EDD): Additional scrutiny applied to higher-risk customers and transactions

FATF: Financial Action Task Force (international AML standard-setter)

FCA: Financial Conduct Authority (UK financial regulator)

MLRO: Money Laundering Reporting Officer (Compliance Officer role)

NCA: National Crime Agency (UK law enforcement agency receiving SARs)

OFSI: Office of Financial Sanctions Implementation (UK sanctions authority)

PEP: Politically Exposed Person (prominent public official)

SAR: Suspicious Activity Report (to National Crime Agency)

STR: Suspicious Transaction Report (same as SAR)

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Tipping Off: Unlawful disclosure that SAR has been filed or ML investigation is underway

UBO: Ultimate Beneficial Owner (final natural person with beneficial interest)

APPENDIX B: Customer Risk Assessment Matrix

Risk Factor	Low	Medium	High	Very High
Customer Type	Transparent individuals; established corporates	Small businesses; professionals	Opaque corporates; trusts	Shell companies; anonymous structures
Jurisdiction	Domestic UK; OECD	EU; developed economies	Emerging markets; monitoring list	FATF "call for action"; sanctions
Transaction Profile	Regular; consistent amounts	Occasional variations	Irregular patterns	Structuring; inconsistent profile
Beneficial Ownership	Clear, simple	Straightforward	Complex; layers	Completely opaque; circular
Business Rationale	Clear; documented	Apparent	Unclear; limited docs	None apparent; suspicious

APPENDIX C: Suspicious Activity Indicators Checklist

Customer Behavior Indicators:

- ☐ Sudden unexplained wealth or income

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- ☐ Extreme lifestyle changes inconsistent with known income
- ☐ Reluctance to disclose beneficial owners or source of funds
- ☐ Requests for secrecy or avoidance of documentation
- ☐ Frequent address changes or use of mail drops
- ☐ Third parties conducting transactions on behalf of customer
- ☐ Reluctance to provide additional information despite requests

Transaction Pattern Indicators:

- ☐ Series of deposits below £10,000 threshold (structuring)
- ☐ Multiple deposits in short timeframe followed by withdrawal
- ☐ Frequent international transfers to high-risk jurisdictions
- ☐ Round-dollar or unusual amounts
- ☐ Transactions without apparent business purpose
- ☐ Rapid movement of funds (in and out within days)
- ☐ Use of multiple accounts for single transaction

Business Indicators:

- ☐ Claimed business activity inconsistent with transaction patterns
- ☐ Lack of documentation supporting stated business
- ☐ Unusual payment routes or correspondent relationships
- ☐ Transactions with shell companies or front entities
- ☐ Involvement of trade-based schemes or over/under-invoicing
- ☐ Suppliers in known cannabis or cocaine producing regions
- ☐ Precious metals, artwork, or high-value goods sales to non-dealers

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