

Anti-Money Laundering and Counter-Terrorist Financing

Financial crime is a serious threat to financial services, our customers, the vulnerable and the wider community. That's why Virgin Money is committed to countering it.

Money laundering is where cash generated by crime is sanitised, then used to enable more crime to be committed. The impacts of organised crime, such as modern slavery, drugs, and people trafficking are devastating, as is the profound impact that terrorist activity has on society.

Keeping us on the right track

To reduce the risk of the Bank being used to enable crime, we have established effective systems and controls. These comply with applicable requirements and standards under the regulatory framework.

Overall accountability for money laundering and terrorist financing risk management lies with the Board. However, it is the Money Laundering Reporting Officer (MLRO), in their role as Senior Manager Function (SMF17) who is accountable for the Group's compliance with money laundering regulations.

The MLRO, together with the Financial Crime Risk Team, keep our Financial Crime Policy Statement, Policy Standards, and underlying supportive guidance up to date. These help us develop systems and controls to reduce money laundering and terrorist financing risks.

The Standards we uphold

To ensure all our colleagues understand their roles and responsibilities in preventing and detecting money laundering and counter-terrorist financing, we have what we call Standards.

These are supported by Group-wide Policy Breach & Exemption Guidance, and apply to the entire Virgin Money Group. That includes our employees, contractors, agency workers, and directors. To help colleagues stay up-to-date, all must complete Financial Crime Risk training at least once a year. It covers anti-money laundering and counter-terrorist financing, as well as sanctions and embargoes, anti-bribery and corruption.

We also engage stakeholders across the Bank with training sessions, relevant updates, and regular forums to ensure awareness of our obligations, with the focus on financial crime risk management.

Our anti-money laundering and counter-terrorist financing Policy Standard outlines the controls we have in place. Here's a summary:

- We have a documented Financial Crime Framework in place that summarises how we manage and oversee financial crime risk in the Bank.
- We conduct a financial crime risk assessment which identifies and assesses the money laundering and terrorist financing risks associated with the Bank's products, jurisdictional exposure, customers, suppliers and procurement process.

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- We operate a 'three lines of defence' model which ensures all duties are properly segregated and controls effectively overseen.
- All our customers are subject to a risk assessment, although we make sure that the amount of due diligence applied is proportionate to the level of risk. This is helped by a regularly updated jurisdictional risk assessment.
- Our risk appetite defines the types of customers we do not wish to have a relationship with. It also identifies those we treat as high, medium, and standard-risk.
- Our high-risk customers and Politically Exposed Persons (PEPs) are subject to enhanced due diligence and monitoring. We have a dedicated team to manage those relationships.
- Ongoing transactional monitoring, customer screening, periodic reviews and trigger events allow us to understand a customer, and the risk they pose.
- Our financial crime defence systems allow us to oversee transaction and payment monitoring, as well as customer and colleague screening (including Sanctions and PEP screening).
- Across the business, we ensure everyone understands when and how to make a suspicious activity report, and what to look out for after reporting. This guidance also details what our legal obligations are – not only when to report, but the illegality of tipping off a customer that they may be under investigation.
- Policy breaches and exemptions are coordinated through a centralised team, with engagement from subject-matter experts and policy owners. Where necessary, these breaches and exemptions are reported to senior management.

As a bank, we're completely open about the financial crime-related issues and events we face. Our Financial Crime Risk Forum enables regular engagement and information-sharing between colleagues and functions. Plus any risks can be identified, assessed and tracked within our dedicated risk portal.

The Bank ensures that independent, risk-based oversight and assurance activity is in place across all three lines of defence. This allows us to determine the operational effectiveness of our anti-money laundering and counter-terrorist financing framework. Plus it facilitates compliance with the relevant legal and regulatory obligations. The periodic and timely collection and analysis of data is also a key element of our oversight, control and management of business compliance.

Our Standards help us make sure that everyone within Virgin Money knows what they are responsible for, and our guidance documents help them understand those responsibilities. Overall responsibility for how we monitor, manage and mitigate financial crime risk sits with our Board Risk Committee. This responsibility is met with absolute transparency:

1. Each year, a Money Laundering Reporting Officer's Report is submitted to the Board Risk Committee for noting.
2. Throughout the year, any issues are included in the Group Chief Risk Officer's report, which is shared with the Board Risk Committee.
3. The Board must approve the AML & CTF Policy Standard and Financial Crime Risk Policy Statement on an annual basis.