

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**



**ANTI-MONEY LAUNDERING & COUNTER
TERRORISM FINANCING ACT 2006**

COMPLIANCE PROGRAM

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

1. **Overview**
2. **Internal Organisation**
 - 2.1 Corporate Structure
 - 2.2 Designated Services
 - 2.3 Designated Business Group
 - 2.4 Permanent Establishments Overseas
 - 2.5 AML/CTF Compliance Structure
 - 2.6 AML/CTF Compliance Officer
 - 2.7 Board & Senior Management Oversight
 - 2.8 Summary
3. **ML/TF risk identification**
 - 3.1 Overview
 - 3.2 Product Risk Profile
 - 3.3 Supplier Channels
 - 3.4 Customers
 - 3.5 Politically exposed persons
4. **Customer identification and verification**
 - 4.1 Identification
 - 4.2 Verification
 - 4.3 Credit Bureau
5. **Monitoring and reporting**
 - 5.1 Ongoing customer due diligence
 - 5.2 Transaction monitoring program
 - 5.3 Suspicious matter reports
 - 5.4 Threshold transaction reports
 - 5.5 Originator information in electronic funds transfer instructions
6. **Employee due diligence**
 - 6.1 Employee due diligence program
 - 6.2 Disciplinary measures
7. **Training and awareness**
 - 7.1 AML/CTF risk awareness training program
 - 7.2 Evidence of training
8. **Compliance and audit**
 - 8.1 Compliance program
 - 8.2 Compliance reports
 - 8.3 Independent review
 - 8.4 AUSTRAC feedback
9. **Record keeping**
 - 9.1 Policies and procedures
 - 9.2 Customer Records
 - 9.3 DM Records
 - 9.4 Systems

Appendices:

- Appendix A: AML/CTF Compliance Officer – Position Description
- Appendix B: AML/CTF Compliance Program – Summary Matrix

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

1. Overview

DirectMoney Ltd and its subsidiaries (“DM”) commenced operations as a direct online lender in October 2014 to provide personal loans to Australian borrowers. DM holds an Australian Credit Licence and an Australian Financial Services Licence and is subject to their compliance regimes.

Within this policy and all other risk management policy documents, DM is defined as “*the holding company, the main operating companies in Australia and all other wholly or partly owned subsidiary operating companies or investments where DM has control.*” This policy applies not only to employees of DM but also to employees of all subsidiary companies and all references to DM in this policy carries across the wider group.

DM is required to comply with a broad range of Australian laws across jurisdictions, including (but not limited to):

- Anti-money Laundering and Counter Terrorism Financing Act
- Financial Transactions Reports Act
- Proceeds of Crime Act
- Corporations Act
- Australian Securities and Investments Commission Act
- Competition and Consumer Acts
- National Consumer Credit Protection Act
- Bankruptcy Act
- Debt Collection Legislation and Guidelines

DM is subject to regulation by regulators in all jurisdictions, including:

- Australian Securities and Investments Commission
- Australian Transaction Reports and Analysis Centre
- Australian Consumer and Competition Commission
- Fair Trading and Consumer Protection authorities

DM is committed to complying with AML/CTF legislation. We have developed AML/CTF policies and procedures which set out our approach to the identification, mitigation and management of the risks that we can reasonably anticipate.

The key objectives of our AML/CTF Compliance Program are to:

- Establish the core principles that guide the way we identify, manage and mitigate the risk of money laundering or terrorist financing occurring in our business;
- Meet our legal and regulatory obligations;
- Train our staff and introducers to comply with these requirements; and
- Protect our business from the adverse consequences of non-compliance with legislative AML/CTF obligations.

Our approach to AML/CTF compliance is based on the following core principles:

- We oppose the crimes of money laundering and terrorist financing and will take all reasonable precautions to ensure our products and services are only utilized for legitimate purposes
- We will avoid relationships with those who we reasonably assess as posing an unacceptable risk of money laundering or terrorist financing
- Our staff and Board members will undertake AML/CTF training so they understand the company’s AML/CTF obligations and to conduct their duties diligently to minimise AML/CTF risks
- We will report any suspicious activity or matter we detect to AUSTRAC
- We will constantly monitor, measure and develop our AML/CTF Compliance Program to ensure it is as effective as possible for our business; and

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

- We will manage changes to our products, business processes and systems to ensure AML/CTF risks are identified and appropriately managed.

Our Executive team has worked with the Board to develop the AML/CTF compliance program. In meeting our compliance obligations, we have incorporated AML/CTF compliance into all aspects of its business. Our key compliance strategies include:

- Board monitoring and supervision of the AML/CTF program
- Appointment of an AML/CTF Compliance officer who reports directly to the CEO
- Customer due diligence/Know Your Customer policies and procedures
- Risk identification policies and procedures
- Account conduct monitoring to identify suspect transactions and matters
- Reporting processes to manage suspect transactions and matters
- Independent auditing and compliance review processes
- Employee training and monitoring
- Record retention to ensure all customer identification documents are retained for 7 years from account closure

Our AML/CTF compliance program is detailed in this document. We recognise AML compliance is an ongoing obligation which will require our program to undergo constant development to manage changes to our operational environment and the risks of facilitating money laundering and/or terrorism to which our business may be exposed.

2. Internal Organisation

2.1 Corporate Structure

DirectMoney Ltd is a publicly listed company.

2.2 Designated Services

DM offers Personal loans to borrowers with a view to on-selling these loans to funding vehicles established and managed by DM.

2.3 Designated Business Group

DM has not formed a designated business group

2.4 Permanent Establishments Overseas

DM does not provide designated services outside of Australia.

2.5 AML/CTF Compliance Structure

DM has integrated AML/CTF compliance monitoring and reporting into all levels of its management structure. The AML/CTF compliance officer is responsible for ensuring these processes are followed effectively.

The reporting structure and time frames are set out in the table below.

Matter	Reporting to	Frequency
Suspicious matters and/or transactions	<ul style="list-style-type: none"> • Chief Executive Officer • AUSTRAC 	<ul style="list-style-type: none"> • Immediately when suspicion is formed • Within 3 days for suspect matters • Within 10 business days for threshold cash transactions
Compliance reports	<ul style="list-style-type: none"> • Compliance Committee 	<ul style="list-style-type: none"> • Quarterly

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

	<ul style="list-style-type: none"> • Board 	
AUSTRAC reports & liaison	<ul style="list-style-type: none"> • AUSTRAC online • AUSTRAC staff 	<ul style="list-style-type: none"> • Annually, or as required • As required, for compliance advice or to respond to AUSTRAC feedback on our compliance program

2.6 AML/CTF Compliance Officer

DirectMoney’s Compliance Officer has been appointed as the AML/CTF Compliance Officer and will report to the Chief Executive Officer.

The AML/CTF Compliance Officer is to be involved in product development and delivery to ensure AML/CTF compliance before any product is approved for release. The AML/CTF Compliance Officer’s duties are listed in Appendix A (attached).

Where the AML/CTF Compliance Officer is unavailable, the duties of that position are managed by the Chief Executive Officer.

2.7 Board & Senior Management Oversight

The DM Board and Senior Management maintain oversight of AML/CTF Compliance Program through the following strategies:

- Consideration of quarterly AML/CTF Compliance Officer reports
- Notification from staff of all suspicious transaction and matters as they occur
- Monthly senior management meetings to consider and review operational issues including those which arise from the AML/CTF Compliance Program

2.8 Summary

We are confident we have in place robust structures to ensure all levels of the organisation monitor and manage our AML/CTF compliance obligations appropriately.

3. AML/CTF Risk Identification

3.1 Overview

DM has formed the view its designated services provide limited scope for money laundering or terrorism financing.

Our view is based on the following rationale:

- DM makes detailed inquiries into the identity of the borrower, their personal credit and financial history and purpose of the loan. This process uses third party services providers and government databases.
- Finance is disbursed directly to the provider of the service (e.g. large ticket travel) being financed or to the credit providers when loan purpose is for debt consolidation.
- Our customers are all Australian based citizens or permanent residents.

Our risk management strategies are designed to quickly identify and investigate any potential risk. DM’s AML/CTF risk assessment incorporates the following elements:

- Customer risk profile
- Credit assessment criteria

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

- Fraud minimisation processes
- Employee due diligence and monitoring

While this manual sets out DM's compliance program specific to AML/CTF obligations, it must be read in conjunction with all operational policies and procedures as all aspects of the business are integrated to meet a range of compliance, business and operational requirements.

Relevant policies and procedures are cross-referenced to support the rationale behind DM's AML/CTF compliance program.

3.2 Product Risk Profile

DM's product risk profile has been based on four key criteria. They are:

- Detailed personal identification processes and procedures (as per Credit Manual).
- Tight lending assessment and verification criteria only to acceptable applicants.
- Maximum loan amount of \$35,000
- Account management policies

We have structured our business to minimise a range of risk issues, including fraud and AML/CTF. Key risk minimisation strategies include:

- Direct debit from the customer's bank account, the same account which received the loans proceeds
- We do not accept direct cash payments
- To the extent the customers cooperate, we investigate early contract terminations or multiple payments in the event we suspect the transaction may be suspicious.

Account Management Policies

We have assessed AUSTRAC's list of suspect transaction indicators to identify the risk factors relevant to our business.

We have identified the following account management processes as involving some AML/CTF risk to our business:

- Cash repayments via third party banks
- Bank cheque payments
- ETF payments from unknown third parties

Our methods of identifying and managing these transactions are set out in the following table.

Accounts: Risk Identification & Management

Transaction	Identification	Management	Responsible Officer
Cash transactions	<ul style="list-style-type: none"> • Review of loan repayments into DM's account 	<ul style="list-style-type: none"> • DM will not accept direct cash repayments • DM will accept cash deposits via a bank branch to our account. (The bank branch undertakes AML/CTF checks for amounts above threshold). DM 	DM Loan Administration team & AML/CTF Compliance Officer

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

		reviews payments of this type on a regular basis	
Third party cheques	<ul style="list-style-type: none"> Receipt of Bank cheques for loan repayment 	<ul style="list-style-type: none"> Bank cheques may be accepted in exceptional cases. The issuing bank branch undertakes AML/CTF checks for amounts above threshold. DM reviews payments of this type on a regular basis 	DM Loan Administration team DM AML/CTF Compliance Officer
ETFs from unknown third parties	<ul style="list-style-type: none"> Review of loan repayments into DM's account 	<ul style="list-style-type: none"> DM contacts borrower to obtain the reason why a third party is making a payment on their behalf, while referring matter to the AML/CTF Compliance Officer for investigation as needed 	DM Loan Administration team DM AML/CTF Compliance Officer

Product Risk Summary

On the basis of the analysis above, we have rated all our products as low risk. The key factors in forming this view are:

- DM's client identification and verification process
- Loan repayments do not involve direct cash payment
- Loan repayment are routinely made via a direct debit facility from the borrowers nominated account. Any exceptions (third party ETF's, bank cheques) are able to be investigated by the AML/CTF Officer for reporting and clearance

3.3 Supplier Channels

DM's primary supply channel is via online applications solicited from internet comparison sites and DM's website. DM has developed its AML/CTF program accordingly. DM will maintain this AML/CTF program, and modify accordingly, if DM establishes supply channels with any partner organisation.

3.4 Customers

Risk Criteria

DirectMoney has established customer risk criteria based on our credit assessment and fraud prevention policies and procedures. Factors such as identification criteria, employment history, residential stability, financial capacity and credit history all impact our lending decisions.

The credit assessment process provides DirectMoney with an insight into whether or not our loan products may be intended for AML/CTF purpose.

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

New Australian Residents

DirectMoney has obligations under Anti-Discrimination and Privacy legislation in determining customer risk profiles. New Australian residents, with links to any of the countries FATF has identified as high risk, will not be considered a higher risk than an Australian citizen.

We are conscious of our obligations under Anti-Discrimination laws and have assessed the risk of our products being used for money laundering or terrorism financing as low, given our customer identification and verification processes combined with our account monitoring processes. Please refer to the rationale outlined in Section 4.1 and 4.2.

To the extent account conduct may indicate suspicious transactions or matters, these matters will be identified and investigated appropriately.

3.5 Politically Exposed Persons

The Financial Action Task Force (FATF) defines Politically Exposed Persons (PEPs) as:

'PEPs are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations [and] important party officials'.

DM will not provide finance to any PEP other than a Diplomat. We require all our applicants to provide a three (3) year employment history which is checked at Credit Assessment stage by the Credit Officer. If the employment history indicates the applicant may be politically exposed, we will treat that person as a "Politically Exposed Person" (PEP).

Where we receive an application from a Diplomat, further information will be sought before credit assessment proceeds. The additional information required includes:

- Copy of Diplomat ID issued by the Department of Foreign Affairs and Trade (DFAT)
- Copy of current Passport and/or Visa
- Letter from Embassy/Consulate confirming employment details including remuneration.

DM's Credit Risk Policy and Credit Risk Manual details all identification requirements and our verification processes.

4. Customer identification and verification

4.1 Identification

Customer identification is a major part of DirectMoney's loan approval process. Identification involves the use of third party service providers, reference to Government databases, copies of documents and images, employer checking and other techniques applied by the DirectMoney credit team.

DirectMoney's customer identification verification documentation meets the minimum requirements specified in the AML/CTF Rules. Our **Credit Policy** and **Credit Manual** provides further detail on our overall requirements.

Individuals – other than sole traders – minimum requirements

For individuals we will obtain and verify the following:

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

- the customer’s full name;
- the customer’s date of birth;
- the customer’s residential address; and
- place of employment

Individuals – sole traders – minimum requirements

For sole traders we will obtain and verify the following:

- the customer’s full name;
- the customer’s date of birth;
- the full business name (if any) under which the customer carries on his or her business;
- the full address of the customer’s principal place of business (if any) or the customer’s residential address; and
- any ABN issued to the customer.

4.2 Verification

All customers will be fully identified during the application process
The matrix below details the processes we will take to verify customer identification data is reliable

Customer Identification Requirements and Verification Processes

Customer Type	Data Required	Verification processes	Persons Responsible
Consumer	<ul style="list-style-type: none"> • Driver’s licence or • Passport & • Medicare • Current & previous residential if less than 2 years • Current & previous employment if less than 2 years • 	<ul style="list-style-type: none"> • VEDA Vericheck • Sensis check for residence & employer • Employer ABN check/employer (Payroll/HR) contact • Selfie with DL or Passport • Dun & Bradstreet GreenID 	Credit Team
Sole Trader	<ul style="list-style-type: none"> • Driver’s licence or • Passport & • Medicare • Current & previous residential if less than 2 years • Current & previous employment if less than 2 years 	<ul style="list-style-type: none"> • VEDA Vericheck • Sensis check for residence & employer • ABN business names register • Last 2 years Individual Tax Return and • Notice of Tax Assessment • Selfie with DL or Passport • Dun & Bradstreet GreenID 	Credit Team

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

4.3 Credit Bureau

In addition to its own internal verification methods, DM will use the services of VEDA and Dun & Bradstreet to verify customer identity against publicly available databases, both private and commercial, and to cross match customer names with the DFAT Consolidated List.

VEDA and Dun & Bradstreet credit bureau stores individual credit files that contain the following:

- Identity data (e.g. name, date of birth, drivers licence number, current and previous address, employment and occupation details, cross-reference information)
- Consumer credit applications
- Consumer default history
- Public record information (e.g. bankruptcy, judgments, writs, directorships, previous directorships, proprietorships)
- Commercial credit enquiries
- Commercial default history

VEDA and Dun & Bradstreet also provides DFAT Verification by washing customer names against DFAT's Consolidated List of individuals and entities suspected of engagement in terrorist activities at the time of the credit bureau check.

We consider data matching through VEDA and Dun & Bradstreet searches to be an independent and reliable way to verify customer identification data and to ensure we do not lend to anyone on the DFAT Consolidated List.

5. Monitoring and reporting

5.1 Ongoing customer due diligence

DirectMoney's relationship with customers is generally limited to the management of the repayment process once funds are disbursed. Customer contact is most intense when dealing with borrowers experiencing hardship or falling into delinquency.

Ideally there will be limited, direct customer contact during the repayment term as payment arrangements are automated, as agreed at the time the contract is formed.

Any variations in account conduct are managed through our transaction monitoring and exception reporting policies and procedures.

5.2 Transaction monitoring program

Normal account conduct for our customers simply involves meeting contractual arrangements to repay the finance provided via monthly direct debits from the nominated bank account. Consequently, our transaction monitoring program focuses on repayments that are missed or actioned outside of normal procedures.

Our account management policies and procedures are outlined in Section 3.2 Account Management Policies. Refer to that section for details of how we manage abnormal account conduct.

5.3 Suspicious matter reports

Reporting Requirements

We will report the following types of transactions to AUSTRAC

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

- borrowers attempts at making direct cash transactions
- suspect transactions
- suspicious matters, including breaches of other legislation

Our AML/CTF Compliance Officer will report to AUSTRAC any suspicious matters where we have reasonable grounds to suspect funds are the proceeds of a criminal activity, or are related to terrorist financing or where there may be a breach of other legislation.

Guidelines on the identification and management of suspicious matters follow.

Suspicious matters – identification

The identification of suspicious matters is integral to our business integrity. We have processes at all stages of the lending cycle to ensure compliance with our broad legislative obligations and to identify fraud. The identification, and management, of suspicious matters is covered in a range of our operational policies and procedures.

Our risk management framework which assists in the identification of suspicious matters covers customers and staff. It includes the following documents:

- Customers
 - Credit Policy
 - Credit Manual
- Staff
 - Human Resources Policy
 - Employment contract
 - Governance and Organisational Risk Policy, including the Code of Conduct

In addition to our account management policies and procedures, other types of suspicious matters which may occur, and the person(s) responsible for their identification, are listed in the following table on the next page.

Suspicious matter identification

Suspicious matter	Triggers	Identifying position	Action Required
Identity fraud	ID documents are inconsistent or appear forged	Credit Officer	<p>Credit Officer to obtain further ID documents (certified copies) from applicant.</p> <p>100 point check is required to include the following documents:</p> <ul style="list-style-type: none"> • copy of passport • drivers licence • utilities bill • bank statement <p>Where the additional information does not resolve the concern, the matter is to be referred to the AML/CTF Compliance Officer.</p>
Centrelink	Taxable income	Credit Officer	Credit Officer to check

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

fraud	indicates there may be no, or reduced, entitlement to Centrelink payments Applicant may indicate Centrelink payments should be kept confidential.		entitlements with Centrelink on basis of a general enquiry - NB. - Applicant name must not be given
False credit approvals – Credit Officer fraud	Loans approved that are outside of Credit Policy and Credit Manual	Independent Audit. Senior Management oversight	CEO to be notified

Where a staff member forms a reasonable suspicion that another staff member or dealer may be involved in suspicious matters or transactions, DM's Code of Conduct imposes obligations on that person to report the suspicion. Both formal and informal complaint and resolution processes are available to investigate the matter.

All suspicious matters, at any stage of the lending process, including the application stage, are to be reported to the AML/CTF Compliance Officer.

Lending decisions are based on Credit Policy and Manuals. These decisions will proceed as normal, even if a report has been made to the AML/CTF Compliance Officer. No tipping off (see below).

Where there is a suspicion of identity fraud, however, credit will be declined – please refer to our Credit Risk Policy.

Investigation processes

The table above and the Account Risk Identification and Management table in Section 3.2 indicates the investigation processes to be undertaken by the staff who identify any irregularity or suspicious matter.

Staff are to keep accurate and objective file notes on the processes undertaken to resolve concerns about any matter that has raised concerns. These records will be available to regulatory authorities and auditors if further action is to be taken on the matter or transaction.

Reporting processes

Where staff identify a matter as suspicious, or the investigation process does not resolve the concern, the matter is to be reported to the AML/CTF Officer immediately.

Where the matter involves staff or dealers, the matter is to be reported personally to the CEO. The matter must be managed in keeping with human resources policies and procedures as well as AML/CTF policies and procedures.

The AML/CTF Officer will conduct the investigation and form a view on the transaction being suspicious. If so, a report will be lodged with AUSTRAC via their online system.

If the matter or transaction relates to financing of terrorism, the AML/CTF Compliance Officer will report it to AUSTRAC within 24 hours of the suspicion being formed. In all

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

other cases, the report will be lodged within 3 business days after the day on which the suspicion was formed.

No Tipping off

No staff member may disclose to any person that they have formed a suspicion that a person may be involved in suspicious matters or transactions or that a report has been lodged about that person with AUSTRAC.

Staff are to maintain clear lines of reporting where matters or transactions are referred to the CEO or AML/CTF Compliance Officer for investigation. All matters or transactions are to remain confidential between the reporting staff member and the CEO or AML/CTF Compliance Officer.

For internal reporting purposes, the CEO or AML/CTF Officer will only provide generic information to other senior management, the compliance committee and the Board on the nature of the suspect matters and transactions to assist in the development of appropriate policies and procedures to minimise, or manage, them. The person involved in the suspect matter or transaction must not be named or identified in any way in the internal reporting process.

5.4 Threshold transaction reports

The term "threshold transaction" is defined in Section 5 of the Act as a transaction involving the transfer of physical currency or e-currency, where the total amount transferred is not less than \$10,000. Our repayment arrangements will not involve e-currency or direct cash payments. We have no capacity to accept direct cash payments as our customer based is geographically diverse and there are no branch offices.

5.5 Originator information in electronic funds transfer instructions

Electronic payment systems such as Direct Debit, Direct Credit and B-PAY are approved third party bill payment systems. We have no record keeping obligations where these systems are used.

6. Employee due diligence

6.1 Employee due diligence program

Our employee due diligence program consists of the following policies and procedures:

- Position risk categorisation
- Employment screening
- Employee monitoring
- Further training

Position Risk Categorisation

We have assessed all employee positions to identify areas where the employee may be able to facilitate money-laundering and/or terrorism financing. The table below identifies the positions, the responsibilities that may permit the facilitation of money-laundering and/or terrorism financing, the internal controls on those positions to mitigate the risks and the overall rating.

Position	Risk Factors	Limits and Mitigants	Risk Rating
Credit Manager/	Approval of loans to	<ul style="list-style-type: none">• Credit limit of \$35k per loan	Medium

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

Credit Officer	related parties without complying with credit manual and policy	<ul style="list-style-type: none"> • Oversight of credit team • Monthly loan performance review • Quarterly audit by independent credit specialist. 	
Settlements team	<ul style="list-style-type: none"> • Misdirection of payments • Lack of compliance with documentation and enforcement of DM business rules 	<ul style="list-style-type: none"> • Four-eyes approval of payment release • Monthly loan performance review • Audit Review by independent credit specialist. 	Medium
Collections	<ul style="list-style-type: none"> • Deliberate non-performance of collections 	<ul style="list-style-type: none"> • Validation and cross checking of behaviour and performance of the individual and compliance with the Collections policy and procedures 	Medium
IT	Systems manipulation.	<ul style="list-style-type: none"> • Automated data transfers • Secure data storage. • System Audit logs of actions • Role based permissions 	Low

Employee Screening

DM screens its employees prior to hiring. Our employment processes are structured to ensure all employees meet an appropriate standard of behaviour and represent DM with a high standard of integrity, honesty and respect for our colleagues, customers, suppliers and the public.

Employee Monitoring

Staff are subject to a range of monitoring and reporting processes. These processes include:

- Credit approval limits and transparency of the credit approval process
- Supervisor monitoring
- Account audits – manual and systems based
- Systems process trails – by user and account

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

- Hindsight underwriting reviews

Code of Conduct

DM has a Code of Conduct (contained in the Governance and Organisational Risk Policy) which places a positive obligation on staff to report breaches. Acceptance of the Code is a mandatory employment requirement. All staff receives induction training, which includes an explanation of the Code.

6.2 Disciplinary measures

Our disciplinary procedures are contained in our Human Resources Policies and Procedures Manual (HR Manual). Where a staff member is involved in a breach of our AML/CTF compliance program, the disciplinary action taken will depend on the nature of the breach and whether it was deliberate or inadvertent.

The AML/CTF Compliance Officer will be involved in the investigation processes involving potential AML/CTF compliance breaches. The staff member concerned is entitled to due process and representation during the investigation of the matter. The matter will be reported to the appropriate authorities and AUSTRAC as required.

7. Training and awareness

7.1 AML/CTF risk awareness training program

Training Policies

We have implemented a training program that specifies appropriate levels of training for staff and Board members. This includes:

- Basic compliance awareness training at induction
- Staff will be updated with relevant AML/CTF information
- In-house training will be conducted as and when required for senior management on DM specific compliance policies and procedures

In-house training will include formal presentations, workshops, and discussions, as appropriate to the scope of the training required. The AML/CTF Compliance Officer will deliver the training or engage external consultants, depending on the complexity of the matters to be covered. The AML/CTF compliance training will be conducted annually as a refresher for existing staff.

All training is to incorporate the following elements:

- Our obligations under the AML/CTF Act
- The consequences of non-compliance
- The risks we face and the potential consequences of those risks
- The policies and procedures necessary to manage those risks

The AML/CTF Compliance Officer is to retain a copy of all training materials used in any form of training.

Training Service Providers

Where we source our AML/CTF compliance training externally, the training program must meet the following criteria:

- It is developed to cover the risk relevant to DirectMoney
- There is an assessment component

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

The AML/CTF Compliance Officer is responsible for ensuring externally sourced training meets these criteria.

7.2 Evidence of training

The Chief Executive Officer and the AML/CTF Compliance Officer are jointly responsible for ensuring staff and the Board complete basic AML/CTF compliance training.

A training register is kept detailing the type of basic compliance training undertaken, the service provider or trainer and successful completion.

Minutes of management and compliance committee meetings will record training on all AML/CTF matters.

8. Compliance and audit

8.1 Compliance program

Our AML/CTF compliance program will be updated by the AML/CTF Compliance Officer as required and will be reviewed annually by senior management prior to independent review.

8.2 Compliance reports

The compliance reporting structure and time frames are set out in the table below.

Matter	Reporting to	Frequency
Suspicious matters and/or transactions	<ul style="list-style-type: none"> • Chief Executive Officer • AUSTRAC 	<ul style="list-style-type: none"> • Immediately when suspicion is formed • Within 3 days for suspect matters • Within 10 business days for threshold cash transactions
Compliance reports	<ul style="list-style-type: none"> • Senior Management • Compliance Committee • Board 	<ul style="list-style-type: none"> • Quarterly
AUSTRAC reports & liaison	<ul style="list-style-type: none"> • AUSTRAC online 	<ul style="list-style-type: none"> • Annually, or as required • As required, for compliance advice or to respond to AUSTRAC feedback on our compliance program

8.3 Independent review

We will undertake an independent internal or external review annually. The review is to be conducted in Q1 of each calendar year.

To ensure the internal review is independent, the review panel will consist of:

- a non-executive Board Member
- one senior manager
- external reviewer

The AML/CTF Compliance Officer will not be a part of the review panel. External reviewers must be able to demonstrate a sound knowledge of:

- The AML/CTF Act

DirectMoney Ltd and its subsidiaries AML & CTF Act Compliance Program

- The broader legislative environment that impacts on consumer lending policies and procedures.

Key review criteria will include the following:

- The AML/CTF compliance program appropriately manages our DM's AML/CTF risks
- Consistency between our operational practices and our AML/CTF compliance program
- Gap analysis – documents, policies and procedures

The compliance summary matrix at Appendix B will guide the review process.

8.4 AUSTRAC feedback

The AML/CTF Compliance Officer is responsible for ensuring all AUSTRAC feedback is reported to Senior Management, the compliance committee and the Board under the reporting structure outlined in 8.2 above.

9. Record keeping

9.1 Policies and procedures - General

We hold documents, data, and file notes of discussions and interviews (“records”) of prescribed information that must be retained for specified periods of time under the AML/CTF Act and other legislation. We have adopted the definitions contained in the AML/CTF Rules in relation to terminology. The key definitions are:

- **document** includes
 - any paper or other material on which there is writing;
 - any paper or other material on which there are marks, figures, symbols or perforations having a meaning for persons qualified to interpret them; and
 - any article or material from which sounds, images or writings are capable of being reproduced with or without the aid of any other article or device.
- **record** includes information stored or recorded by a computer
- **writing** includes any mode of representing or reproducing words, figures, drawings or symbols in a visible form
- **information** means information in the form of data, text, images or speech
- **data** includes the whole or part of a computer program within the meaning of the *Copyright Act 1968*

Where possible, all our records will be kept in electronic form, except where originals are required under other legislation. Records will be kept of applications even where a contract does not result.

9.2 Customer Records – Storage and Retrieval

The matrix below sets out our customer record retention, storage and retrieval policies and processes.

Record type	AML/CTF Obligations	Storage Method	Archive Retrieval Timeframes
Customer Identification Documents	6 years after contract finalisation	Electronic	Immediate

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

Customer Financial Details	6 years	Electronic	Immediate
Transaction records	7 years from creation or 2 years after contract finalisation for NCCP regulated contracts	Electronic	Immediate

9.3 DM Records – Storage and Retrieval

The matrix below sets out our intended business record retention, storage and retrieval policies and processes. As the time of writing DM uses Google drive and DropBox file storage systems coupled with documents copies being held separately by the Compliance Officer.

Record type	AML/CTF Obligations	Storage Method	Archive Retrieval Timeframes
Product information	7 years	Electronic	Next day
AML/CTF programs, including amendments	7 years after program or amendment is superceded	Electronic	Next day
AML/CTF development processes – minutes, notes, emails etc	7 years from creation	Electronic	Next day
Customer identification & verification procedures	7 years after relationship with customer ends (does not apply to unverified information)	Electronic	Next day
Records of program adoption – Board minutes All AML/CTF amendments be Board approved	7 years after program is superceded.	Electronic	Next day
File notes – electronic and written	7 years from creation		Next day
AUSTRAC reports	7 years from lodgement – only to be released with the approval of the AML/CTF Compliance Officer		Next day

9.4 Systems

We have a range of security and integrity measures which protect our systems from misuse. All security breaches are reported to the CIO for investigation. Any suspect matters will then be reported to the AML/CTF Compliance Manager. Internal disciplinary procedures, as outlined in 6.2, will be implemented.

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

APPENDIX A

AML/CTF COMPLIANCE OFFICER - POSITION REQUIREMENTS

PURPOSE AND REPORTING:

The AML/CTF Compliance Officer is responsible for DM's ongoing compliance with the AML/CTF Act and AML/CTF Rules. The AML/CTF Compliance Officer reports directly to the Chief Executive Officer.

POSITION RESPONSIBILITIES:

Key requirements of the position are:

- **Operational Policies and Procedures**
 - Facilitate the design, implementation and maintenance of internal AML/CTF compliance manuals, policies, procedures and systems
 - Develop and implement recording keeping policies and procedures
 - Keep DM up to date with on the AML/CTF risks it may reasonably face including any relevant legislative developments and AML/CTF publications, for example from the Financial Action Task Force (www.fatf-gafi.org) or AUSTRAC
 - Provide leadership and contribute to a culture of AML/CTF compliance within the reporting entity
 - Conduct initial due diligence on and ongoing evaluation of any third party AML/CTF compliance-related service providers
 - Ensure consistency between AML/CTF compliance and other legislative requirements, including the Privacy Act
- **Staffing**
 - In consultation with Human Resources, develop and monitor the employee due diligence program
 - Develop and monitor AML/CTF risk awareness training for staff and Board members.
- **Austrac Liaison**
 - Act as the AUSTRAC contact officer on matters such as reporting suspicious matters, international funds transfer instructions and threshold transactions, urgent reporting, compliance audits, or requests for information or documents
- **Reporting**
 - Provide a report to the CEO for further circulation to each Board meeting dealing with any AML/CTF issues
- **Record-keeping**
 - Develop and implement recordkeeping in accordance with Part 10 of the AML/CTF Act
- **Audit and Review**
 - organise yearly independent reviews of the AML/CTF Compliance program
 -
 - review and implement any AUSTRAC feedback on DM risk management performance

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

APPENDIX B

AML/CTF COMPLIANCE PROGRAM – Summary Matrix

Issue	Policy	Rationale	Procedures	Systems	Training	Comments/ Recommendations
1. Internal Organisation						
1.5 AML/CTF Policies & Procedures	√	√	√	√		
1.6 AML/CTF Compliance Officer	√	√	√	N/A		
1.7 Board & Senior Management Oversight	√	√	√	√		
2. AML/CTF Program						
2.1 This document	√	√	√	√		
3. AML/CTF Risk Identification						
3.2 Services/Products	√	√	√	√		
3.3 Channels	√	√	√	√		
3.5 Customers	√	√	√	√		
3.6 Politically exposed persons	√	√	√	√		
4. Customer identification and verification						
4.1 Identification	√	√	√	√		
4.2 Verification	√	√	√	√		
4.4 Customers' Agents	√	√	√	√		

**DirectMoney Ltd and its subsidiaries
AML & CTF Act Compliance Program**

Issue	Policy	Rationale	Procedures	Systems	Training	Comments/ Recommendations
5. Monitoring & Reporting						
5.1 Ongoing customer due diligence	√	√	√	√		
5.2 Transaction monitoring program	√	√	√	√		
5.3 Suspicious matter reports	√	√	√	√		
5.4 Threshold transaction reports	√	√	√	√		
5.6 Originator information in electronic funds transfers	N/A	√	N/A	N/A		
6. Employee Due Diligence						
6.1 Employee due diligence program	√	√	√	√		
6.2 Disciplinary Measures	√	√	√	√		
7. Training & Awareness						
7.1 AML/CTF risk awareness training program	√	√	√	√		
7.2 Training Records	√	√	√	√		
8. Compliance & Audit						
8.1 Compliance Program and reports	√	√	√	√		
8.3 Independent Review	√	√	√	√		
8.4 AUSTRAC Feedback	√	√	√	√		
9. Record Keeping						
9.1 Policies & Procedures	√	√	√	√		
9.3 Customer Identification & Verifications	√	√	√	√		
9.4 Transactions & Suspicious Matters	√	√	√	√		