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Source Of Funds Requirements - Anti Money Laundering Regulations

Why you need to prove Source of Funds (SOF)?

Due to the large sums of money involved with property transactions, the property sector as a whole are subject to significant risk of money laundering of proceeds from criminal activity.

As such, as an Estate Agency type business, under the HMRC Anti Money Laundering Regulations (AML), AEHT Real Estate are legally required to ensure that any funds to be used by a client for the purchase of property are from credible sources. We do this by verifying the source of funds by way of a "Source of Funds Audit" and supporting documentation.

To assist you fill out the "Source of Funds Audit", we have put together this guidance note, as well as providing some examples of documents that are acceptable in order to confirm your source of funds.

What Are Source of Funds?

Source of Funds are different to proof of funds.

Under the AML Regulations, we do not just need to see that our clients have the required funds to purchase the property, but also where these funds originated from and their legitimacy. Without providing an audit trail illustrating the source of your funds to be used for purchase, legally, you will not be able to proceed.

Under the AML Regulations, this information is required for a transaction to complete, and not specific to property sourcing. As such, this procedure is mandatory for any property transaction.

Whilst onerous, putting this information in place is legally required in order to register our services, but will also remove barriers and facilitate the deal origination process when engaging with property owners and agents, as well speeding up the acquisition/transaction process later with solicitors, conveyancers, finance providers.

Furthermore, having undergone this process, and once registered with AEHT, this will enable us to progress successive deals for you on using a more streamlined process. You will also have access to this information facilitating any future transactions separate to our arrangement.

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This is quite in-depth?

Whilst we understand the AML regulations require a high level of detailed information which as our client you may consider complex, personal or intrusive. We have sought to simplify the process as much as possible.

We would also like to assure that AEHT's procedures are highly robust and legally compliant, and we prioritise the confidentiality and safety of any information provided to us by yourself as part of this process.

AEHT are members of the National Association of Property Sourcing Agents (NASPA) and are supervised under the HMRC Anti Money Laundering Regulations. We are subject to and follow Data Privacy Regulations 2018 and are registered with the Information Commissioners Office (ICO). We adhere to best practice, and information collected by ourselves is for legitimate use, with any sensitive information by AEHT being stored on military grade encrypted software on servers in the United Kingdom. This ensures your information is safe, secure and only used for its agreed purpose.

We have provided guides to both our Anti Money Laundering and Data Protection alongside this guidance note and our full policies are available upon request.

Please note, Proof of Source of Funds are required from **ALL** clients, both individuals and companies. It is our clients' responsibility to prove the source of any funds they wish to use towards purchase.

Please be aware that under the AML regulations, all property professionals are legally required to inform the National Crime Agency if there is any suspicion that moneys originate from proceeds of crime.

As such, please provide us with as much documentation and information from the outset. This will ensure we are satisfied our proof of fund requirements have been met. This will then enable us to proceed smoothly.

If we cannot satisfactorily verify the legitimate origins of funds, we will be unable to our sourcing service.

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Source of Funds – Examples

Unacceptable Source of Funds

The following are **NOT** acceptable to prove source of funds:

- Screenshots/photos of bank account statements from a mobile or similar device.
- You must provide us with full PDF statements which have been downloaded from your account and they must include your name and address.
- Statements from savings accounts which only show internal transfers being made. This is not acceptable as it does not determine where the original source of funds have come from.

Acceptable Source of Funds

Below is a list of exemplary documents we require depending on the source of your funds. We require documentation for each of the sources you mentioned on your declaration form.

Source	You will need to provide
Earnings/Employment	Original written confirmation of annual salary (and/or any bonuses) detailing position held, time of employment (signed by employer/HR). 6-12 months of bank statements showing income paid in (salary, bonus, commissions etc). Recent Payslips – 3-6 months Signed ("wet signature") of Employment Contract Employer letter confirming compensation Severance/Redundancy Letter/Contract

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	<p>If no longer working (retired), please let us know a history of your past employment with any accompanied evidence if possible.</p>
Self Employment / Business Income	<p>6-12 months of business bank statements</p> <p>Most recent tax returns</p> <p>Financial Statements</p> <p>Business Registration/Formation Documents</p>

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Savings	<p>6+ months of bank statements showing buildup of funds from source, and;</p> <p>Evidence of original source (e.g. employment income, main account) that funded savings.</p>
Lottery/Gambling Winnings	<p>Lottery/casino documentation of winnings</p> <p>Bank statement showing receipt of winnings</p>
Investment Income / Sale of Shares	<p>Investment Account Statements</p> <p>Confirmation of divestment of Investments</p> <p>Certified copy of share release schedule</p> <p>Bank statements showing receipt of investment proceeds.</p>

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Property Sale	One of the following documents: <ul style="list-style-type: none">•Completion statement•Signed letter from your solicitor/estate agent confirming the sale and value OR;•Contract of Sale OR•Settlement statement AND A bank statement showing the funds entering your account
Loans	Loan agreement or statement stating amount, terms, lender, borrower Bank statement showing receipt of loan amount If company - Incorporation documents
Inheritance	One of the following documents: <ul style="list-style-type: none">•Copy of will / grant of probate•Signed letter from a Solicitor / Executor confirming inheritance amount AND Bank statements showing receipt of inheritance

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Dividends or Profit from a Company	<p>One of the following documents:</p> <ul style="list-style-type: none">•Latest audited company accounts•Certified Copy Dividend Certificate•Letter from a chartered accountant for an unaudited company account <p>Copy of bank statement showing receipt of funds</p> <p><u>NB: Different requirements may apply for international funds.</u></p>
Court award - compensation	<p>One of the following documents:</p> <ul style="list-style-type: none">•Copy of the court order indicating amount•Signed letter from a solicitor confirming amount <p>AND</p> <p>Bank statement showing receipt</p>
Gifted Funds	<p>Gifted Deposit Letter from gifter confirmation terms & no payment required or interest in property</p> <p>Giftors ID documents for AML identification</p> <p>Gifters Source of Funds for the gifted amount as per AML regulations or, Source of Wealth Documentation if gift is over £10,000</p>

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Insurance Claim	Letter from the insurance provider AND Bank statement showing the money entering your account
Divorce Settlement	One of the following: <ul style="list-style-type: none">• Copy of court order or• Judicial separation agreement AND A bank statement showing receipt of settlement funds
Remortgage	One of the following: <ul style="list-style-type: none">• Mortgage in principle• Letter from the bank regarding the remortgage acceptance If the remortgage amount has been paid out we would need a bank statement showing the money entering your account.

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Rental Earnings	Bank statements showing the rental income each month; as well as a copy of the relevant tenancy agreement. Statement on tax deductions / outgoings and net income.
Release of Pension	Pension Statement Bank statement showing receipt

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Compensation award – dispute/claim etc.	Letter confirming the agreed compensation from a solicitor or court a copy of your bank account statement evidencing receipt of the funds from the court, solicitor or third party
Inter-company loan	<ul style="list-style-type: none">•Certificate of Incorporation;•Articles of Association;•Shareholding structure; and•Supporting source of funds documents as evidence (e.g. 6 months of company bank statements and audited company accounts)
Business Revenue/Profits	12+ months of business bank statements Recent Financial Statements Evidence of significant contracts/clients

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Sale of Company Assets:	Contract documenting Sale Bank Statements showing receipt of sale proceeds
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International funds

We must assess the country of origin of all funds. If your funds are from or connected to a high-risk country, we may have to decline to act on your purchase.

Current Money Laundering Regulations deem **ALL** countries high risk **EXCLUDING**: Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Japan, Republic of Ireland, Italy, Luxembourg, Malta, The Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, UK or the USA.

Source of funds or Source of Wealth?

Establishing the source of funds is different from source of wealth. A source of Wealth audit is a slightly more in-depth process, and is only required when a client is considered as a more Enhanced risk profile. This is normally when a client or funds are from overseas, the client cannot or is unwilling to meet in person, or the nature of the business or transaction is considered overly complex.

“Source of funds” refers to the funds that are being used to fund the specific transaction in hand – i.e., the origin of the funds used for the transactions or activities that occur within the business relationship or occasional transaction. The question you are seeking to answer should not simply be, “where did the

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money for the transaction come from,” but also “how and from where did the client get the money for this transaction or business relationship.” It is not enough to know the money came from a UK bank account.

“**Source of wealth**” relates to the economic, business and/or commercial activities that generated, or significantly contributed to, the client’s overall net worth/entire body of wealth to how the client came to accumulate/generate the funds in question – via inheritance, house sale, or investment windfall for example.

If following initial due diligence, the client falls under the Enhanced Risk profile, they will be required to provide evidence which enables a Source of Wealth audit.

Source of Wealth Audit: For high-risk clients, we require documentation showing how the individual, company, or it’s owners accumulated their overall net worth and assets over time

- Ownership records
- Property/Asset Records
- Investment Portfolio Statements
- Financial Audits
- Tax Returns

Please note that we are required to obtain satisfactory proof of funds in every purchase, no matter the amount nor how long ago the relevant source occurred. This must be provided before your file can proceed to exchange of contracts.

As such, please provide as much relevant information and supporting documentation from the start. If the source of funds is a combination of sources, a Summary Statement would also assist. This will facilitate our thorough verification process.

If you would like further information on any of the above, would like to use funds from a source not mentioned, or want advice relating to the requirements in your specific circumstances, please do not hesitate to contact a member of our our team.

AEHT appreciates your cooperation in complying with these regulations to maintain a transparent and legitimate transaction.