

ANTI-MONEY LAUNDERING COMPLIANCE PROGRAM | FRANKLIN GOLD

Adoption of Compliance Plan

The purpose of the AML compliance plan is to establish the general framework for the fight against money laundering, terrorism, corruption and other financial crimes.

Franklin Gold is committed to reviewing the AML strategies and objectives on an ongoing basis and to maintaining an effective AML program. We are committed to high standards of AML compliance and require management, employees, and agents to adhere to these standards in preventing the use of our products and services for money laundering purposes.

Adherence to this policy is absolutely fundamental for ensuring that we comply with applicable anti-money laundering legislation. We are required and committed to adhere to minimum standards of anti-money laundering compliance based on the applicable anti-money laundering laws and regulations and any additional standards from our regulatory supervisors which clarify the main statutory duties imposed on our institution.

Employee Training

A key component of an effective compliance program is employee training. Minimum training must include how to identify suspicious activity and structured transactions, recordkeeping, recording, and reporting requirements, verifying identification, and familiarity with anti-money laundering statutes.

All employees should be required to read this manual and sign a copy of the Acknowledgement of Employee Training that will be retained in their personnel file or Anti-Money laundering files.

Money Laundering Overview

Money laundering is defined as “the attempt to conceal or disguise the nature, location, source, ownership, or control of illegally obtained money.”

Three Stages of Money Laundering

There are 3 stages of money laundering. By using these stages a person can make illegal funds appear to come from a legal or legitimate source.

Placement:

A person purchases money orders, traveler’s checks, prepaid cards, and money transfers, etc. with the funds from a crime.

Layering:

A person moves money from one financial institution to another and changes the form of the money through multiple transactions making it hard to trace the money to its original source.

Integration:

Changing the money into a seemingly legitimate form. (purchasing automobiles, businesses, real estate, etc.) that can later be sold.

OFAC Office of Foreign Assets Control

OFAC is part of the U.S. Department of the Treasury and is responsible for enforcing U.S. government sanctions against countries, organizations and individuals. Sanctions programs normally involve blocking assets to further national security. Many sanctioned individuals (SDN's) are known drug dealers and terrorists. All U.S. entities are prohibited from doing financial transactions with the SDN's. A list of names of individuals is available on the U.S. Department of the Treasury website. www.ustreas.gov/offices/enforcement/ofac.

Suspicious Transactions

Employees shall be trained to identify transactions that may involve use of the dealer to facilitate money laundering or terrorist financing, including, but not limited to, transactions that involve:

1. Unusual payment methods, such as the use of large amounts of cash, multiple or sequentially numbered money orders, traveler's checks, or cashier's checks, or payment from third parties;
2. Unwillingness by a customer or supplier to provide complete or accurate contact information, financial references, or business affiliations;
3. Attempts by a customer or supplier to maintain an unusual degree of secrecy with respect to the transaction, such as a request that normal business records not be kept;
4. Purchases or sales that are unusual for the particular customer or supplier, or type of customer or supplier; and
5. Purchases or sales that are not in conformity with standard industry practice.

Employees shall do all of the following:

- Require appropriate customer identification for all transactions
- Report all cash transactions above \$10,000 with an IRS Form 8300
- Report suspicious transactions to appropriate governmental authorities without delay

Franklin Gold shall at all times cooperate with and take guidance from the Financial Crimes Enforcement Network, United States Department of Treasury; the Internal Revenue Service; and other appropriate regulatory and enforcement agencies.

Designation of Compliance Officer

Franklin Gold agrees to formally designate a competent individual to serve as its Compliance Officer. The designated employee should be in a position of responsibility that allows them to implement an effective Anti-Money Laundering Compliance Program.

The Compliance Officer, along with senior management, is responsible for ensuring the ongoing compliance with all federal and state anti-money laundering laws and regulations.

The Compliance Officer's duties will include: ensuring the anti-money laundering program is implemented effectively; ensuring that the anti-money laundering program is updated as necessary to reflect changes in the risk assessment, statutory requirements, and further guidance issued by the Department of the Treasury; and ensuring that appropriate personnel are trained in accordance with the policy.

The Compliance Officer is also responsible for ensuring that a periodic review is conducted on the quality of the Compliance Program. This review may not be conducted by the Compliance Officer. The review should be done by a senior level employee or qualified professional who understands the requirements of an effective compliance plan.

Independent Review

A precious metals dealer is required by the USA Patriot Act to conduct an independent review of its compliance program. A senior level employee of Franklin Gold, or another qualified party such as Franklin Gold attorney or accountant, may conduct the review. The designated Compliance Officer cannot conduct the review.

Whoever conducts the review must be familiar with the Compliance Program and the anti-money laundering requirements for a precious metals dealer. The USA Patriot Act does not specify the frequency of the reviews other than it must be done commensurate with the dealer's assessment of the money laundering and terrorist financing risks associated with its line of business. When making this assessment, the dealer should take into account: (i) the type(s) of products the dealer buys and sells, as well as the nature of the dealer's customers, suppliers, distribution channels, and geographic locations; (ii) the extent to which the dealer engages in transactions other than with established customers or sources of supply, or other dealers subject to this rule; and (iii) whether the dealer engages in transactions for which payment or account reconciliation is routed to or from accounts located in jurisdictions that have been identified by the Department of State as a sponsor of international terrorism under 22 U.S.C. 2371; designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization of which the United States is a member and with which designation the United States representative or organization concurs; or designated by the Secretary of the Treasury pursuant to 31 U.S.C. 5318A as warranting special measures due to money laundering concerns.

USA Patriot Act Anti-Money Laundering Compliance Program

The USA Patriot Act requires all precious metals dealers to adopt a written anti-money laundering compliance program that is reasonably designed to ensure proper recordkeeping and reporting of certain transactions, and to prevent your business from being used to launder money. Your anti-money laundering compliance plan must at a minimum include:

A. Internal Policies, procedures, and controls based upon the dealer's assessment of the money laundering and terrorist financing risks associated with its line of business, including policies and provisions for complying with the applicable requirements of the Bank Secrecy Act (31 U.S.C. 5311 et seq.). The dealer shall incorporate policies, procedures, and internal controls to assist the dealer in identifying transactions that may involve use of the dealer to facilitate money laundering or terrorist financing, including provisions for making reasonable inquiries to determine whether a transaction involves money laundering or terrorist financing, and for refusing to consummate, withdrawing from, or terminating such transactions.

B. The designation of a Compliance Officer who is responsible for assuring that:

- Policies and procedures are followed
- Procedures are updated as follows
- Training and education are provided
- Reports are properly filed

C. Ongoing employee training program that:

- Explains policies and procedures
- Teaches how to identify suspicious activity

D. An independent review of the anti-money laundering program:

- The review should take place as needed and be as thorough as needed based on the risks of your business.
- The review can be performed by one of your employees, but not the Compliance Officer.

This plan will provide the necessary information to be in compliance with the USA Patriot Act.