

# The Certified Gold Exchange, Inc. Anti-Money Laundering & Anti-Terrorist Financing Compliance Program.

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Thank you for reading the Certified Gold Exchange, Inc., (CGE) Anti-Money Laundering AML compliance plan of action. Additionally we have developed an internal procedural training course for contractors and employees and all parties associated with CGE (Team Members).

**FinCEN Rule(s):** Under an interim final rule by the Financial Crimes Enforcement Network (FinCEN), dealers in precious metals, stones or jewels are required to establish Anti-Money Laundering programs. At a minimum, dealers must establish an Anti-Money Laundering program that comprises the following four elements:

- Policies, procedures and internal controls, based on the dealer's assessment of the money laundering and terrorist financing risk associated with its business;
- A compliance officer who is responsible for ensuring that the program is implemented effectively;
- Ongoing training of appropriate persons concerning their responsibilities under the program;
- An independent testing to monitor and maintain an adequate program.

"FinCEN is issuing this regulation to better protect those that deal in jewels, precious metals and precious stones from potential abuse by criminals and terrorists. "The characteristics of jewels, precious metals and precious stones that make them valuable also make them potentially vulnerable to those seeking to launder money," said William J. Fox, Director of FinCEN. "This regulation is a key step in ensuring that the Bank Secrecy Act is applied appropriately to these businesses."

The interim final rule applies to “dealers” that have purchased and sold at least \$50,000 worth of “covered goods” during the preceding year. The dollar threshold is intended to ensure that the rule only applies to persons engaged in the business of buying and selling a significant amount of these items, rather than small businesses, occasional dealers and persons dealing in such items for hobby purposes.

“Covered goods” include jewels, precious metals, precious stones and finished goods (including but not limited to: jewelry, numismatic items and antiques) that derive 50 percent or more of their value from jewels, precious metals or precious stones contained in or attached to such finished goods. The interim final rule is final and binding.”

Because of our ironclad resolve and set in stone AML policies, CGE is not a good target for the cleaning or disguising of criminal proceeds. We continually vow to do our absolute best to thwart any attempts to use our products to assist in any criminal activities including money laundering and terrorist financing.

Money laundering refers to act(s) of disguising, concealing, camouflaging, hiding or structuring illegal proceeds for the purpose of misrepresenting the true source of said funds. Included in the act of money laundering is terrorist financing, which is the act of concealment of liquid asset or monies (both legal and illegal) in aim of supporting and/or funding acts of terrorism.

The metals retailer Certified Gold Exchange, Inc., its team members, contractors and its related subsidiaries apply all of their commercially reasonable efforts to comply with every FinCEN regulation. As a retailer of gold, silver and other precious metals, the Certified Gold Exchange, Inc., uses due diligence and all of its commercially reasonable efforts to source 100% of our metals from only dealers that also comply with all FinCEN regulations, the Patriot Act, Office of Foreign Assets Control (OFAC) and the Bank Secrecy Act.

The Certified Gold Exchange Inc. has an ironclad policy against aiding and abetting in the act of money laundering, terrorism financing or facilitating any and all illegal acts as governed by the Patriot Act, OFAC, FinCEN as well as forbidding the violation of any U.S. state and/or federal law.

## Placement is the first stage of money laundering:

The criminal or his agent(s) buys liquid assets like prepaid credit cards, travelers checks, moneygrams, cashier checks, money orders, etc, with the proceeds of a crime.

## Layering and micro layering is the second stage of money laundering.

After placement is completed, the criminal then moves the monies from one financial organization to another attempting to conceal the true source of the illegal funds. Micro layering is moving smaller amounts with the aim of bypassing reporting requirements.

## Integration is the third step of money laundering.

Switching the financial assets into what appears to be legitimate assets (buying cars, small business, properties, etc.). These seemingly legitimate assets can later be sold to support their lifestyle. Integration could take place with family not even aware of the true criminal source of the asset(s).

## Our Designated AML Compliance Officers

This compliance plan has been created and is implemented by John Halloran & Yanet Villalon (AKA Janet).

John Halloran will act as lead designated AML compliance officer responsible for setting and enforcing the Certified Gold Exchange's official AML policy. John is also responsible for training every team member to detect, prevent and report suspicious activity. John can be contacted concerning AML inquiries at 1-800-300-0715 Ext. 821 during normal business hours or by emailing johnjhalloran [at] gmail dot com anytime.

Yaneth Villalon acts as our outsourced contracted designated secondary AML compliance officer. She can be contacted at janet-vill [at] certifiedgoldexchange dot com.

Both John and Yaneth have completed and passed (**Certificate Attached**) the final exam for the **Anti-Money Laundering Course** at the **London Institute of Business & Management**.

The AML compliance officer will also ensure that the Certified Gold Exchange, Inc., keeps and maintains all of the required AML records and will ensure that Suspicious Activity Reports (SARs) are filed with the Financial Crimes Enforcement Network (FinCEN) when appropriate. The AML compliance officer is vested with full responsibility and authority to enforce the Certified Gold Exchange, Inc., AML program.

## Independent Review of our Anti-Money Laundering Plan

Every 12 months minimally, Kenny Hansen or another qualified individual will audit the CGE AML plan of action to ensure our AML strategies, policies and due diligence procedures are being implemented as designed and adequate to stop any criminal's attempts to infiltrate our business. These reviews and transaction audits will always be completed by someone not involved in the plans creation and never by a compliance officer.

The independent reviewer, Kenny Hansen, has taken and passed the Anti-Money Laundering course at the London Institute of Business & Management and has an accounting background so he is a qualified reviewer (**certificate attached**). Kenny Hansen has also **attended the U.S. Securities and Exchange Commission (SEC) AML webinar for broker dealers held on 6/27/2019.**

## **CERTIFIED GOLD EXCHANGE, INC.**

### **AML Risk Assessment**

#### **1 – Country/Geographic Risks**

We have no Country/Geographic risks based on the definition of Country/Geographic Risks used by FINCEN, FINRA or any other U.S. authority that oversees money laundering activities.

Certified Gold Exchange, Inc., sells to U.S. citizens only. Our main business activity is to sell gold and silver coins and bars to investors that want to diversify from their current 401k or IRA assets to gold and silver in the form of coins or bars which are to be stored with a third party depository service and overseen by the authorized IRA custodian.

\*401k and IRA are accounts tracked annually by the IRS and controlled by custodians that have strict rules governing the creation and maintenance of such accounts and are traditional not money laundering hotspots but diligence is still required.

We do occasionally sell to clients that want to buy for physical possession. The funds come via personal check, wire transfer or ACH from a U.S. bank account, and the metals are shipped to the client directly, or if the client is concerned with safety of his/her investment, we do recommend a third party depository service like DDSC, Texas Gold Depository or BRINKS. The contract is directly with the depository and with the client. CGE has no control or access to the client's assets.

## **2 – Customer and Counterparty Risks**

Certified Gold Exchange, Inc., is not a click & buy online platform, in fact, all prospective clients go through a lengthy phone interview with a sales representative to find out the reason (legitimate intent) why they want to purchase precious metals. This initial interview gives CGE the opportunity to assess the risk a prospective client might pose.

Here are some of the questions we ask:

- Are you looking to invest for long or short term?
- What is your main motivation for investing in gold or silver?
  - Current presidential agenda?
  - U.S. Debt?
  - Possible war?
  - Falling dollar?
  - Inflation?
  - Deflation?

At this point the prospective client is asked to expand on his/her thoughts about what he/she says is the reason why he/she wants to buy gold or silver.

- Where is the money that will be used to purchase precious metals coming from?
  - Cash accounts? (bank accounts)
  - Stocks?
  - Bonds?
  - IRA accounts?
  - Etc.

Additional questions are asked to determine what he/she did or does for a living and conclude if the amount he/she has to invest matches the kind of income he/she has/had correlates to his/her skills.

As a further security measure, all calls may be monitored and recorded for compliance and training purposes.

Finally, we do not accept cash or cashier's checks as payments for a transaction, only personal checks or bank wires/ACHs and we do not accept orders from a third party.

### **3 – Product Risk**

Certified Gold Exchange, Inc. offers gold and silver coins and bars only, but our focus is on premium numismatics and semi numismatics which carry a higher premium than their bullion counterpart. Such products are less desirable to money launderers as the cost is much higher than the metals melt down value.

As mentioned before, we focus on 401k and IRA accounts which account for 95% of our transactions. In the occasion that we sell bullion, it is most likely to current clients with an IRA account that want to buy some metals for home delivery.

### **4 – Financing Method**

Certified Gold Exchange, Inc. accepts only checks, bank wires or ACHs and only from U.S. banks. We do not accept foreign checks, wires or transfers of any kind.

Should a prospect want to purchase a product on behalf of a Trust or a Company for physical delivery or 3rd party storage, we will proceed to collect legal name and TIN for the company or articles of incorporation as proof of identification such as U.S. Passport or official state DL/ID. Should the entity be a Trust, we will request legal name and TIN if available or SSN and valid identification of all of its beneficiaries.

In regards to the buy-back process & payment, 98% of our buy-back transactions are from existing clients, and payment for such transactions are in the form of a company check or bank wire to a U.S. bank account under the client's name.

In the rare event that we buy-back product from a person who did not buy the product from us originally, we will require:

- o a valid U.S. identification such as a DL, ID or U.S. passport
- o proof of address
- o We will ask where he/she originally purchased the metals from.
- o How long has he/she had the metals for.

Because CGE engages in transactions using exclusively the aforementioned financial instruments and does not deal with any other form(s) of digital and tangible currencies, therefore, we are not a good target for tax cheats and/or money launderers.

\*CGE does not accept cash nor do we liquidate in cash or cash instruments. In fact, since 1992, CGE has never had a cash transaction and this covers all purchases and liquidations.

## **5 – Control for Higher Risk Situations**

Certified Gold Exchange, Inc. will continue to train its staff with focus on its sales team as they are the point of contact with the firm. We will have monthly meetings in which possible money laundering scenarios will be discussed and how to detect and report them.

If we have reason to suspect that a prospective client is trying to hide his motives for purchasing gold or silver, we will take the following steps:

1. Ask for additional identification information such as:
  - a. Valid U.S. ID or Passport
  - b. Proof of address such as telephone bill or bank statement
  - c. If still employed, letter of employment
  - d. If not employed, explanation of source of income
2. If the prospect client declines to provide the required information, we will decline the transaction and report it to the AML compliance officer.
3. The AML compliance officer will determine whether we need to file a SAR and/or report it to FINCEN.
4. The AML compliance officer will also submit all gathered information: including name, phone number, IP address and audio recording of the conversation with the prospective client, if applicable.

**Note:** We have every reason to believe that our clients are deeply concerned with the massive U.S. debt load economy and want to protect their assets from the resulting inflation.

Furthermore, in an effort to continue to aid AML policies, CGE has the following clause in the firm's account agreement to deter criminals and terrorists:

**Legitimate Monies & Intent:** By authorizing this contract and funding an account, the customer represents and warrants to CGE that (i) this document has the customer's legal name and current address, (ii) that the customer is in complete compliance with the Patriot Act, (iii) none of the monies for this and subsequent purchases are derived from or in connection with money-laundering, terrorism or any other illegal or illicit activity and (iv) the transaction is not part of a scheme, involving or in support of terrorism, money-laundering or any other illicit or illegal activity.

## **6 - Recordkeeping**

We will document our verification: including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancies identified in the verification process. We will keep records containing a description of any document that we relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. We will also keep records containing a description of the resolution of each substantive discrepancy discovered when verifying the identifying information obtained. We will retain records of all identification information for five years after the account has been closed; we will retain records made about verification of the customer's identity for five years after the record is made.

*Rule: 31 C.F.R. § 1023.220(a)(3).*

## **7 - Comparison with Government-Provided Lists of Terrorists**

We will check the links listed below of known or suspected terrorists and use the list as a list for CIP purposes, we will, within a reasonable period of time before an account is opened, determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any of the federal government agencies designated by Treasury in consultation with the federal functional regulators. We will follow all federal directives issued in connection with such lists.

<https://sanctionssearch.ofac.treas.gov/>

## **8 - Monitoring Accounts for Suspicious Activity**

We will monitor account activity for unusual size, volume, pattern or type of transactions, taking into account risk factors and red flags that are appropriate to our business. Monitoring will be conducted through the following methods: When the customer places a new order and taking into account the customer's risk profile which will serve as a baseline for assessing potentially suspicious activity. The AML compliance officer or his designee will be responsible for monitoring and reviewing all clients' account activity, will determine whether any additional steps are required, will document when and how this monitoring is carried out, and will report suspicious activities to the appropriate authorities.

We will document our monitoring and reviews in our client management system. The AML compliance officer or his designee will conduct an appropriate investigation if necessary and review relevant information from internal or third-party sources before a SAR is filed.

## **9 - Emergency Notification to Law Enforcement by Telephone**

In situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes, we will immediately call an appropriate law enforcement authority. If a customer or company appears on OFAC's SDN list, we will call the OFAC Hotline at (800) 540-6322. Other contact numbers we will use are: FinCEN's Financial Institutions Hotline ((866) 556-3974). If we notify the appropriate law enforcement authority of any such activity, we must still file a timely SAR.

Although we are not required to, in cases where we have filed a SAR that may require immediate attention by the SEC, we may contact the SEC via the SEC SAR Alert Message Line at (202) 551-SARS (7277) to alert the SEC about the filing. We understand that calling the SEC SAR Alert Message Line does not alleviate our obligations to file a SAR or notify an appropriate law enforcement authority.

*Rule: 31 C.F.R. § 1023.320.*

*Resources: [FinCEN's website](#); [OFAC web page](#); [NTM 02-21](#); [NTM 02-47](#)*

### **Conclusion:**

**For the following text, we will use the term team members to refer to employees, independent contractors and partner corporations that may sell or promote our products.**

AML Policy #1. Willful ignorance is not a legal, liable or ethical defense with money laundering or terrorist financing. That means that all team members must take it upon themselves to get the facts needed to thwart money laundering and terrorist financing. Team members could personally be charged with a crime, be held financially liable or answer to the ultimate authority for turning a blind eye to money laundering activities occurring under their watch.

If the growing and disturbing trend of money laundering continues, then legitimate business owners will be empowering criminals and terrorists to commit further crimes and acts of violence.

Furthermore, in addition to an increased level of organized crime in the financial sector, it could become common for criminal organizations to exert an influence over legitimate economic activities on both local and national scales.

We at CGE and all responsible businesses must immediately take all necessary precautions to cease the flow of funds for terrorism and terrorist activities as if it is left unchecked it will continue to grow from a nuisance to a devastating threat to the international community.

Consequently, the crucial countermeasure against money laundering and financing of terrorism is for financial institutions to cooperate with one another. That said, all CGE representatives from contractor interns to the CEO must make every possible effort to prevent money laundering as well as its causes and consequences.

CGE adheres completely to all local, state and national laws regarding Anti-Money Laundering policies. The full and official statement of Certified Gold Exchange, Inc, regarding money laundering and the CGE Anti-Money Laundering policy can be found below.

We have listed references to [Internal Revenue Service \(IRS\)](#) and [Financial Crimes Enforcement Network \(FINCEN\)](#) policies, guidelines, policies, regulations and laws to all of which we adhere as a company and as individual members of the CGE staff or contractors.

IRS – [http://www.irs.gov/irm/part9/irm\\_09-005-005-cont01.html](http://www.irs.gov/irm/part9/irm_09-005-005-cont01.html)

FinCEN – <https://www.fincen.gov/>

If you suspect someone of money laundering or currency crimes, please use form 3949-A to notify the IRS or visit the link below.

<https://www.irs.gov/individuals/how-do-you-report-suspected-tax-fraud-activity>

Contact Fincen to complete a SAR at 1-800-767-2825 toll free or 703-905-359.

Further information regarding the money laundering prevention practices of the Certified Gold Exchange, Inc. may be requested via the Contact Us page of [www.certifiedgoldexchange.com](http://www.certifiedgoldexchange.com) or by calling (800) 300-0715, Monday-Friday 9am-6pm CST or by contacting the owner at his personal email address johnjhalloran [at] gmail dot com anytime.

**NOTE:** The sale of the following items to CGE, at the quantities specified, will be issued a 1099B.

<b>REPORTABLE PRECIOUS METALS</b>	<b>MINIMUM FINENESS</b>	<b>MINIMUM REPORTABLE AMOUNT</b>
GOLD BARS	.995	Any size bars totaling 1 kilo (32.15 troy oz) or more
SILVER BARS	.999	Any size bars totaling 1000 troy oz or more
PLATINUM BARS	.9995	Any size bars totaling 25 troy oz or more
PALLADIUM BARS	.9995	Any size bars totaling 100 troy oz or more
GOLD 1 OZ MAPLE LEAF	AS MINTED	25 - 1oz coins
GOLD 1 OZ KRUGERRAND	AS MINTED	25 - 1oz coins

GOLD 1 OZ MEXICAN ONZA	AS MINTED	25 - 1oz coins
U.S. 90% SILVER COINS	AS MINTED	Any and all combinations of dimes, quarters, or half dollars totaling \$1,000 or more in face value.