

# **ANTI-MONEY LAUNDERING & COMPLIANCE MANUAL**



## 1. Introduction

This Procedures Manual for Compliance and Anti Money Laundering displays the procedures required to be adhered to by all staff members and officers working in the Company.

Staff members and officers should understand the procedures set out herein and the Company's policies with regards to Customer Due Diligence ('CDD') checks.

All the procedures below in this manual and those set out in the AML Code should be adhered to. Failure to do is a breach of your duty towards the Company and the regulatory authorities.

## 2. Money Laundering & Terrorist Financing Definitions & Procedures

### 2.1. Money Laundering

Money laundering is defined in AML Code 'as any process that conceals the origin or derivation of the proceeds of crime so that the proceeds appear to be derived from legitimate source.'

Criminals attempt to conceal the nature, location and ownership of these proceeds. It should be noted that it is not only associated with organized crime and drug trafficking but also occurs when a person deals with another person's direct or indirect benefit from criminal activities.

Money laundering can in summary be defined to be a three-stage process, as follows:

- a. Placement Stage – the stage where illegal money or property is introduced into the financial system;
- b. Layering Stage – the stage where property undergoes a series of transactions, concealing its origin and making it appear to be legitimate; and

- c. Integration Stage -the stage where laundered money enters within the legitimate economy.

Stages (b) and (c) above in the money laundering process are where the Company will be most vulnerable. Our services can be misused in these stages and therefore the Company's vulnerability should be fully appreciated and understood.

## 2.2. Terrorist Financing

*The AML Code states that 'All acts of terror and the terrorist groups that commit them require funding in much the same way that criminal organizations require money to further their criminal activities. Since the dreadful events of September 11th in the United States, the prevention of the financing of terrorism by the financial sector has gained equal status with the prevention of the laundering of the proceeds of crime.'*

The definitions of money laundering and terrorist financing have differences and similarities as well. To start with, the differences are:

- (a) Terrorist financing is an activity in support of future illegal acts, whereas money laundering generally occurs after the commission of illegal acts; and
- (b) Legitimate property is often used to support terrorism and the origin of laundered money is illegitimate.

Similarities include:

- (a) Terrorist groups are often involved in other forms of criminal activities which may in turn fund their terrorist activities;
- (b) Both money launderers and terrorist financiers require the assistance of the financial sector to further their aims and acts.

## 2.3. Customer Due Diligence Procedures to be adopted

We need to identify and verify the identity of applicants for business.

This should be done by identifying and verifying the identities of applicants for business whether they are Directors, Shareholders, Beneficial Owners, Settlers or Contributors of capital, Beneficiaries, Protectors, Enforcers, Trustees, Bank mandate and Power of Attorney holders, etc. by verifying:

### 2.3.1. In case of natural persons:

- a. Name (including any former names and any aliases)
- b. Permanent residential address
- c. Date of birth
- d. Place of birth
- e. Nationality

Primary identity documentation for identity must be obtained and retained on these clients. Primary identity documentations acceptable are:

#### 2.3.1.1. Primary Verification

1. Current valid passports;

We will cross refer to a passport reference Code any passport copies which are unfamiliar in terms of look, style and format.

2. National Identity cards.
3. Current valid driving licenses.
4. Armed forces identity cards.

In addition to this primary identity documentation, we must also obtain additional verification of identity information- secondary identity documentation. The following documentation is acceptable:

1. A recent utility bill (which is less than 3 months old);
2. A recent bank or credit card statement
3. A recent bank reference (which is less than 3 months old).

### **2.3.1.2. Alternative verification documentation acceptable is:**

1. Obtaining a reference from a professional person who knows the principal. The reference must show the permanent residential address of the principal;
2. Conducting a credit reference agency search;
3. Checking a current register of electors;
4. Utilizing an address verification service; or
5. Visiting the principal at the principal's permanent residential address.

### **2.3.2. In case if client is not an individual but is a legal person or arrangement:**

#### **2.3.2.1. Being a Private company**

1. Obtain a copy of the certificate of incorporation or registration;
2. Check with the relevant companies' registry that the company is validly existing;
3. Obtain details of the registered office and place of business;

4. Verify the identity of the principals of the company as (1) above;
5. Verify that any person who purports to act on behalf of the company is so authorized, and identifying that person;

### **2.3.2.2. Being a Trust**

1. Obtain a copy of a trust deed or pertinent extracts thereof;
2. Where the trust is registered – check with the relevant registry to ensure that it does exist;
3. Obtain details of the registered office and place of business of the trustee;
4. Verify the identity of the principals of the trustee as per (1) and or (2) above.

### **2.3.2.3. Being a Partnership**

1. Obtain a copy of the partnership deed;
2. Obtain a copy of the latest report and accounts;
3. Verification of the nature of the business of the partnership to ensure that it is legitimate;
4. Verifying the identity of the significant partners (20% interest) as above;
5. Verifying that any person that purports to act on behalf of the Partnership is so authorized and identifying that person.

### **2.3.2.4. Reduced or simplified CDD**

Where the risk of money laundering or terrorist financing is lower and where information on the identity of the applicant for business is public information or where adequate checks and controls exist elsewhere then we can apply reduced or simplified due diligence measures. The entities to which this applies are:

- a. a regulated financial service in a reputable jurisdiction provided there are no nominee arrangements;
- b. public companies listed on the stock exchanges and Recognized, Designated and Approved Stock Exchanges or subsidiaries thereof as per the AML Code;
- c. Government bodies;
- d. A pension or superannuation or alike scheme that provides retirement benefits to employees as per the requirements in the AML Code.

### **2.3.2.5. Enhanced CDD measures**

Enhanced CDD measures should be applied in all high-risk business relationships, customers and transactions (particularly in case of Politically Exposed Persons (PEPs), nonface to face business relationship and NCCTs and non-equivalent jurisdictions involved).

### **2.3.2.6. Execution of our Client Agreement and Risk Disclosure Agreement**

In addition, the applicant for business is also required to fill in and sign our Client Agreement.

### **2.3.2.7. Declaration of Source of Funds**

We also need to verify the origin of the source of funds to be brought in both at the outset of a client relationship and for its duration. All funds transferred should be known and should fall within the business objectives and risk profile of each client. Questions should be asked when the source is obscure.

All CDD should be carried within 30 days of entering into relationship. If CDD documentation is unsatisfactory, we should ask for additional documents or disengage from relationship and or inform the MLRO. Due diligence should be ongoing on the business relationship.

### 2.3.2.8. CDD and Risk Profiling

CDD extends beyond the identification and verification of the client as above. It also includes the identification of risks, i.e. risk profiling. The following risks need to be identified:

- a. Criminal risk;
- b. Reputation risk;
- c. Legal risk;
- d. Credit risk;
- e. Fiduciary risk;
- f. Regulatory risk; and
- g. Operational risk;

A relationship with a client can be exposed to any one or more of the above risks. There are several factors which can expose us to such risks such as:

- a. Identity and occupation of client;
- b. Nature and type of client;
- c. Commercial purpose of the relationship;
- d. Location of the client's residence and his business interests;
- e. Value and nature of the assets involved;
- f. Source of funds
- g. Delegation of authorities or powers;

All the above factors need to be properly considered so that risks are limited. Clients should be classified as high, medium or low risk prior to deciding to engage or not in relationship.

## 3. Record Keeping

Record keeping is important for control and are valuable in case of investigations. All records should be retained for a period of at least 7 years.

We should according to the AML Code keep records of:

1. Suspicious transaction reports;



2. Transaction Records by keeping supporting documents including:
  - a. source of funds including full remitter details
  - b. volume of funds
  - c. destination of funds
  - d. instructions
  - e. forms of authority
  - f. counterparty details
  - g. sale and purchase agreements
  - h. service agreements
  - i. date of transactions
3. Identity records by keeping copies of all identity verification documents; and
4. Training Records

#### 4. Reporting Duties

Having recognized that a transaction is suspicious, you should report it internally in writing to the MLRO in the format below ('Disclosure Form'):

Name and contact details of principal	:	
Contact details of introducer/agent	:	
Countries and territories involved	:	
Other related entities	:	
Date and summary of transactions	:	
Description of suspicious activity	:	
Reason for suspicion	:	

Signed Dated	and	:	
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### What factors to consider in order recognizing a suspicious transaction?

A non-conclusive list of factors can be:

- (i) Any activity that casts doubt over the true identity of a client or its principals;
- (ii) Any relationship or arrangement which that appears not to have a commercial justification;
- (iii) A transaction which is out of the normal business pattern of the Company;
- (iv) Fund transfers to and from FATF NCCTs or countries that are known to be involved with drug trafficking or terrorism;
- (v) Fund transfers to and from PEPs without justification;
- (vi) Large transaction settled in by cash or bearer instruments;
- (vii) The client's reluctance to provide documentation asked for; and
- (viii) Activities are inconsistent with CDD information held.

Any one or more of the above if present, we should then report it to the MLRO by using the Disclosure Form to MLRO. The MLRO will decide upon evaluation whether or not to validate the suspicion. If validated, then necessary would be done to file a Suspicious Transaction Report with the FIU. Once a report is made, we should refrain from 'tipping off' to the client on any matters raised therein. The Disclosure Form would always and at all times be considered by the MLRO.

The AML Code gives an extract of the definition of a suspicious transaction. It states that it is a transaction which: -

- (a) gives rise to a reasonable suspicion that it may involve:
  - (i) the laundering of money or the proceeds of any crime; or
  - (ii) funds linked or related to, or to be used for, terrorism or acts of terrorism or by proscribed organizations, whether or not the funds represent the proceeds of crime;

- (b) is made in circumstances of unusual or unjustified complexity;
- (c) appears to have no economic justification or lawful objective;
- (d) is made by or on behalf of a person whose identity has not been established to the satisfaction of the person with whom the transaction is made; or
- (e) gives rise to suspicion for any other reason.

