No. 148 Wilkinson Road
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ZENFINEX AFRICA

MONEY LAUNDERING PREVENTION MANUAL

V1.2 - SEPTEMBER 2022

Authorised and regulated by the Bank of Sierra Leone under Certificate Number BSL/SAL/2022

No. 148 Wilkinson Road
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1 INTRODUCTION

Stochastic Africa SL Ltd (Trading name: Zenfinex Africa) offers a variety of designated investment products to retail, professional and institutional investors. It also offers investors the opportunity to gain exposure to global financial markets via our internet trading platform and efficient phone services.

1.1 The purpose of this manual and the Compliance Policy statement

The purpose of this Money Laundering Prevention manual is to enable all staff working for Zenfinex Africa to be aware of the legal and regulatory framework within which Zenfinex Africa and its employees are required to operate. It is the intention of this manual to summarise all Money Laundering Prevention requirements with which regulated companies must comply in the conduct of their businesses.

The structure of this manual is sequenced in the order in which the requirements are presented rather than the roles people hold at Zenfinex Africa.

Zenfinex Africa is committed to upholding the highest standards of integrity and probity in the conduct of its affairs with its clients, counterparties and regulators. The Compliance Officer is available to advise you when you are in any doubt about the appropriate means of complying with these requirements, but not to ensure compliance on your behalf. Compliance with the provisions of this manual is your responsibility. This means, in particular, that:

(i) You should be aware of and understand the basic structure of Money Laundering Prevention legislation;

(ii) You should maintain confidentiality in respect of clients and their affairs; and

(iii) You should ensure that you comply with procedures designed to prevent Zenfinex Africa from being used for money laundering.

If in any particular circumstance, you are uncertain as to what course of action to follow, you should refer the matter to the Compliance Officer and you must not depart from the provisions of this manual except with their express consent. If you do not obey any instruction or direction from the Compliance Officer then, in addition to any criminal or civil liability that may arise, you will be in breach of the terms of your employment agreement. This may give rise to disciplinary action being taken against you including in extreme cases termination of your employment. It is also possible for the regulatory authorities to take direct action against you. This may involve your incurring a personal fine or being prohibited from working within the financial services industry.

Each director and employee of the firm is issued with a copy of this manual. It is most important that they read it and familiarise themselves with general Money Laundering Prevention requirements, as well as the particular requirements relating to the firm's area of business. All employees are required to sign an acknowledgement that they accept the terms of this manual, which forms part of their terms and conditions of employment, and that they will comply with its provisions.

The Compliance Officer is the only individual who can amend this manual. You must ensure that you have access to a copy of, and are familiar with the current manual.

Zenfinex Africa is a financial institution that enjoys an enviable reputation within its chosen markets. The directors are determined to maintain this reputation, not only because they support the spirit of the legislation, but also because it makes good business sense. Potential clients, employees and investors are all attracted to a business that can demonstrate competence and sound compliance. The directors regard compliance as being vital to client relations: "good compliance is good business".

1.2 Sponsor

This manual is sponsored by Zenfinex Africa's senior management and will be maintained by the company's Compliance Officer, therefore any queries and / or suggestions for change should be addressed in writing – email will suffice – to the firm's Compliance Officer.

1.3 Zenfinex Africa's Regulated Status

Zenfinex Africa is currently Licensed by the Bank of Sierra Leone ("BSL") under License Number BSL/SAL/2022.

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1.4 Money Laundering overview

This section is included to provide background information regarding fighting financial crime. Greater explanation is provided in section

3.

Money laundering is the process by which criminals attempt to conceal the true origin and ownership of proceeds of criminal activities. These activities include, but are not limited to:

(i) Drug trafficking;

(ii) Terrorism;

(iii) Extortion;

(iv) Theft;

(v) Criminal deception; and

(vi) Prostitution.

Money laundering often involves elaborate techniques devised by sophisticated professionals with expert knowledge of the international legislative and financial systems. It is a matter of international public concern the BSL is active in promoting effective money laundering prevention legislation.

The BSL issued its initial Anti-Money Laundering and Combating of Finance of Terrorism Act in 2012, followed by an amendment in 2019. These may be found in https://bsl.gov.sl/Legislation.html. It is important that employees familiarise themselves with this legislation.

The detailed procedures set out below have been drawn from the Guidance Notes. In case of doubt the Guidance Notes should be referred to. A copy of this is held by the Compliance Officer.

2 MONEY LAUNDERING PREVENTION PROCEDURES

2.1 Overview of Zenfinex Africa's procedures

It is essential that Zenfinex Africa has appropriate systems and controls in place to ensure that it is not used to further financial crime. Having sufficient information about the customer and making use of that information underpins all other money laundering prevention procedures and is the most effective weapon against the firm being used to launder the proceeds of crime.

It is Zenfinex Africa's responsibility to appoint a Compliance Officer. The Compliance Officer is the focal point in the firm for all matters relating to money laundering prevention. All reports of knowledge or suspicion of money laundering must be reported to the Compliance Officer who will then investigate and pass on formal reports to the Financial Intelligence Unit ("the Unit") as they think appropriate.

Zenfinex Africa will ensure that the Compliance Officer is of sufficient seniority and has sufficient resources. The Compliance Officer may delegate to deputies or support staff, but will remain accountable for all responsibilities. The firm will allow the Compliance Officer or deputy access to all the "Know Your Customer" information that it has in its possession. This is the information relating to the financial circumstances of the customer and the features of the services or transactions Zenfinex Africa has entered into with or for them.

All employees are required to be aware of Zenfinex Africa's money laundering prevention procedures and have sufficient training. Employees include executive, senior management and employees of the firm. This definition also includes temporary, agency and other third party staff to the extent they are working on Zenfinex Africa's business.

2.2 Responsibilities of the Compliance Officer

The Compliance Officer's responsibilities include:

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i) respond sufficiently well to enquiries relating to the reporting entity and the conduct of its business;
ii) establishing and maintaining such manual of compliance procedures in relation to its business as the supervisory authority or the Unit may from time to time require;
iii) ensure compliance by staff of the reporting entity with the legislation and any other enactment relating to money laundering or financing of terrorism and the provisions of any manual of compliance procedures;
iv) act as the liaison between the reporting entity, the supervisory authority and the Unit in matters relating to compliance with the legislation and any other enactment or directive with respect to money laundering or financing of terrorism;
v) establish and maintain procedures and systems to:
    a. implement the customer identification requirements;
    b. implement record keeping and retention requirements;
    c. implement the reporting requirements;
    d. make its officers and employees aware of the enactments relating to money laundering and financing of terrorism;
    e. make its officers and employees aware of the procedures, policies and audit systems adopted by it to deter money laundering and financing of terrorism;
    f. screen persons before hiring them as employees; and
vi) train its officers, employees and agents to recognize suspicious transactions, trends in money laundering and financing of terrorism activities and money laundering and financing of terrorism risks within the reporting entity's products, services and operations; and
vii) establish an audit function to test its anti-money laundering and financing of terrorism procedures and systems.

2.3 Monitoring Zenfinex Africa's day-to-day operations

The Compliance Officer is required to monitor the effectiveness of the existing operational systems and controls, report weaknesses to management and recommend ways in which the weaknesses can be addressed. The Compliance Officer will document a risk and control framework and formulate an annual testing programme to enable an opinion to be reported to senior management on the effectiveness of the systems and controls.

The testing will be proportionate to Zenfinex Africa's business and place greater focus on the higher risk activities that could be vulnerable to use by criminals to launder the proceeds of crime. The Compliance Officer will therefore need to consider each aspect of the legislation and assess the risk of Zenfinex Africa being used by criminals and / or failure to comply. The following risks will need to be assessed:

(i) Zenfinex Africa's documented policies, procedures and controls;

(ii) Zenfinex Africa's client identification procedures;

(iii) The awareness of executive, senior management and staff;

(iv) The training provided by Zenfinex Africa to executive, senior management and staff;

(v) Zenfinex Africa's records appropriate to the requirements of global money laundering prevention legislation; and

(vi) Zenfinex Africa's suspicious activity and transactions reporting processes.

The risk assessment process should identify in each aspect:

(i) The inherent risks to Zenfinex Africa;

(ii) The controls in place to mitigate the risk; and

(iii) Any residual risks that remain after considering the effectiveness of the controls.

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Any residual risks will need to be considered and reported to executive management so that decisions can be made on the need for action to address them.

Once the risk and control framework has been documented the Compliance Officer will design tests to assess the effectiveness of each control. The frequency of the testing will be appropriate to the risk assessment. Each test will be fully documented to enable review by the regulators and both external and internal auditors.

The Compliance Officer will provide reports to executive management following each test particularly highlighting any areas of concern. These will be discussed with executive management and the actions and a timetable for implementation agreed. The Compliance Officer will follow up at later date to confirm that executive management has taken the agreed action.

2.4 Receiving and investigating internal suspicion reports

The role of the Compliance Officer is to receive reports of information considered by employees to be a cause or causes for suspicion. The Compliance Officer must validate the information by reference to all other relevant data and then decide whether or not to report as a disclosure to the Unit. In practice this will mean:

(i) Receiving reports and deciding on disclosure;

(ii) Documenting the internal reports and the results of any investigation prior to disclosure;

(iii) Determining the urgency of the disclosure and ensuring that it is timely and contains sufficient detail;

(iv) Ensuring receipt of acknowledgement from the Unit together with authority to proceed with a transaction;

(v) Responding to requests for more information from the authorities and determining whether this is merely additional explanation or whether it requires a Production Order;

(vi) Being the principal contact for the Police authorities and HM Revenue and Customs;

(vii) Controlling contact between the organisation and the authorities;

(viii) Ensuring that the necessary Production, Search and Restraint Orders are provided; and

(ix) Providing advice and guidance to others.

Staff are required to contact the Compliance Officer if they have any suspicions. This may be made by telephone. The following will be documented when a suspicion is initially reported to the Compliance Officer:

(i) The name and telephone number of the employee;

(ii) Full details of the customer; and

(iii) The date and time when the information was first received and the employee became suspicious.

The employee will be advised that an "Internal Report" form will need to be completed and returned to the Compliance Officer while further investigations are completed. A "Confirmation of Receipt of Internal Suspicion Report" form will then be sent to the reporting staff member and copied to executive management. This form reminds the employee of the regulations relating to "tipping off".

If a disclosure is made at this stage i.e., before an investigation is made into the suspicion, the detail on the completed "Internal Report" form will be used by the Compliance Officer to complete a the Unit Disclosure form. In either case the information included in the internal suspicion report is filed with the record of the initial suspicion report.

The Compliance Officer will carry out an investigation of each suspicion report to enable a decision to be made as to whether there are reasonable grounds for the suspicion. The investigation will focus on the reason for the specific suspicion being raised and will normally entail:

(i) Reviewing the client file to establish if there are sufficient documents to confirm satisfactory due diligence;

(ii) A review of the nature of the business to establish if there have been any inconsistencies; and

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(iii) Discussions with Account Officers and / or senior management.

The investigation will be fully documented and maintained on file by the Compliance Officer. The conclusion on each suspicion report will clearly state the reason for the suspicion being reported to the Unit or more importantly, the reason why the suspicion was not reported. If a suspicion report is submitted to the Unit by the Compliance Officer after the transaction or activity has taken place, a receipt of acknowledgement will be received by the Compliance Officer from the Unit.

Where there is a suspicion of money laundering and an instruction is received from a client to carry out a transaction or other activity, the Compliance Officer will seek consent from the Unit to proceed with the transaction or activity. It would be an offence for the Compliance Officer to give consent to the transaction or other activity prior to receiving this permission.

When a report is made to the Unit the Compliance Officer will retain a copy of the report with the record of the initial suspicion. In addition, the Compliance Officer will notify the employee who originally made the suspicion report and the appropriate members of senior management.

2.5 General staff procedures

The money laundering prevention strategy of Sierra Leone is based on the reporting by staff of money laundering suspicions. This is different to countries such as the US where money laundering prevention strategies are based on a mixture of both the reporting by staff of suspicions and positive transaction reporting e.g., in the US all cash transactions over $10,000 must be reported. The BSL place great emphasis on awareness and training of staff in the financial sector. Zenfinex Africa is required to ensure that all members of staff are aware of all legislative and regulatory governance where applicable and where appropriate the Guidance Notes and its own compliance and operating procedures.

All members of staff are required to sign and return, within four weeks of joining Zenfinex Africa, the proforma declaration provided in section 5 to confirm that they have received and understood Zenfinex Africa's policy and procedures concerning money laundering prevention. The signed form is to be returned to the Compliance Officer.

The Compliance Officer will ensure that appropriate Money Laundering Prevention awareness training is given to each employee within one year of their joining and at least every two years thereafter. A record of this training will be maintained in each person's personnel files. The purpose of the training is to ensure that all staff members:

(i) Know and understand their responsibilities under Zenfinex Africa's operating procedures relating to money laundering prevention;

(ii) Know the identity and responsibilities of the Compliance Officer;

(iii) Know and understand the legislation relating to money laundering prevention; and

(iv) Know and understand the potential effect on Zenfinex Africa, its clients and its staff members, of any breach of that law.

All members of staff are required to make an Internal Suspicion Report promptly to the Compliance Officer if the staff member:

(i) Knows or suspects; or

(ii) Has reasonable grounds to know or suspect; that a client is engaged in money laundering.

Zenfinex Africa will, if an employee fails without reasonable excuse to make an Internal Suspicion Report, take the appropriate disciplinary action against that employee in accordance with their terms and conditions of employment.

2.6 Internal reporting by staff to the Compliance Officer

Every employee has a mandatory obligation under criminal law to immediately report where they have knowledge or suspicion of money laundering. They must also report reasonable grounds to know or suspect that this is the case and the information is gained within the course of their regulated business activity. All such suspicions must be reported to the Compliance Officer.

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Every employee is responsible for reporting any money laundering suspicion to the Compliance Officer. Having reported the suspicion to the Compliance Officer the employee satisfies their legal obligation and the responsibility passes to the Compliance Officer.

A money laundering suspicion is one where a person:

(i) Knows or suspects; or

(ii) Has reasonable grounds to know or suspect; that the client or the person on whose behalf the client is or appears to be acting is engaged in money laundering. The requirement to report also applies to situations where the business or transaction has been turned away or has not been proceeded with because the circumstances were suspicious.

The obligation to report also applies to suspected criminal activity abroad where the suspected offence would be an offence if it were committed in Sierre Leone and a link with Sierre Leone existed.

If any employee has such a money laundering suspicion, they must report immediately to the Compliance Officer. The reporting procedure is as follows:

(i) The initial report should be made in writing to the Compliance Officer. An Internal Money Laundering Report is available for this purpose from the Compliance Officer;

(ii) If the employee wishes to discuss the suspicion with senior management prior to making a formal report they may do so but the employee must not in any circumstances, be prevented from formally reporting to the Compliance Officer;

(iii) The Compliance Officer should then record the report and should acknowledge its receipt in writing to the originator of the report reminding the originator of the dangers of "tipping off";

(iv) The Compliance Officer will then investigate the suspicion insofar as they are able without alerting the client(s) that they are under suspicion. This will include taking reasonable steps to consider all relevant know-your-business information. The Compliance Officer must document the details of the information presented to him together with any internal enquiries made in relation to the report and record the conclusion drawn;

(v) If, having completed their investigation the Compliance Officer concludes that the suspicion is justified they must report the matter immediately in writing to the Unit using the form available on the Unit website;

(vi) the Unit will acknowledge the report and give permission or otherwise for the customer relationship to continue or the account to be traded. If permission is not given the police or any other bureau of investigation will put a restraining order on the assets to prohibit the business going ahead and obtain a production order for the information; and

(vii) In the event that the Compliance Officer decides not to report the matter to the Unit the reasons for their decision should be documented and a record kept for at least five years.

The report from the Compliance Officer to the Unit shall not under any circumstances be subject to the consent or approval of any other person within Zenfinex Africa, including the Chief Executive Officer or other Executive Board members of the firm.

Where an employee has a suspicion relating to overseas money laundering that if it took place in Sierre Leone would be an offence under Sierre Leone law, then the staff member will report this to the Compliance Officer. Any external suspicion report will then be made to the local authorities in the country concerned and to the Unit.

If following the reporting of the suspicion other events occur, whether of the same nature or different to the previous suspicion, further suspicion reports should be made to the Compliance Officer.

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2.7 Who has to be identified?

For the purposes of Zenfinex Africa's Money Laundering Prevention procedures any entity that has contact with Zenfinex Africa with a view to engaging in any transaction that includes business undertaken in the course of carrying on a regulated activity with Zenfinex Africa, has to be identified. Entities that fit into this definition include:

(i) Clients of Zenfinex Africa;

(ii) Where clients of Zenfinex Africa are acting for or on behalf of third parties, then these third parties;

(iii) Companies seeking venture capital including management buy-out and buy-in vehicles and their directors; and

(iv) All directors whether executive or non-executive of companies listed at (c) above.

2.8 'Know Your Customer' ("KYC") information

This is one of Zenfinex Africa's primary controls that help prevent it from being used to launder the proceeds of crime. Having sufficient KYC information on clients minimises the risk of being used for illicit activities and protects against fraud. It also enables suspicious activity to be recognised.

Prior to entering into any business relationship with a client Zenfinex Africa will ensure that it has sufficient KYC information on the client i.e., there is evidence on file to confirm that firstly the client has been identified and secondly that the business the client is expected to undertake has been established.

The procedures set out below are designed to:

(i) Enable suspicious clients and transactions to be recognised as such and to be reported to the authorities; and

(ii) Ensure that if a client comes under suspicion Zenfinex Africa is able to provide the Compliance Officer with the relevant transaction details.

Where a prospective client fails or refuses to give adequate identification details within a reasonable time without giving adequate explanation, serious consideration should be given to whether the client should be accepted and to the making of a suspicious activity report.

Zenfinex Africa is required to obtain and verify client identification evidence and KYC information. The KYC will include but not be limited to the following:

(i) The purpose and reason for opening the account or establishing the relationship;

(ii) The anticipated level and nature of the activity that is to be undertaken;

(iii) The expected origin of the funds to be used within the relationship;

(iv) Where applicable the various relationships of signatories and underlying beneficial owners; and

(v) Details of employment and sources of wealth or income.

Certain types of client and client business are exempt from the requirement to obtain complete KYC information. Zenfinex Africa will however need to obtain sufficient evidence to support the exemption. In summary they are:

(i) Exemptions based on client type are where the client is:

  (a) An BSL regulated firm carrying on relevant business the legislation; or

  (b) A financial institution that is based in a country with "equivalence" status (for example, the EU Money Laundering Directive or UK Proceeds of Crime Act).

(ii) Exemptions based on client business are:

  (a) A one-off transaction with a value of less than €15,000; or

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(b) The transaction is one of a number of transactions that are related and when taken together have a value of less than €15,000, known as an 'occasional transaction'; or

(c) A one-off transaction where the client is introduced to Zenfinex Africa by a person who has given a written assurance that the identity of the client has been established and the person who has given the written assurance is an overseas regulated firm based in a country with equivalent money laundering prevention legislation and the person is subject to that legislation; and

(d) The proceeds of a one-off transaction payable to the client but are then to be invested on their behalf are the subject of a record and are capable only of being reinvested on the client's behalf or paid directly to the client.

Where a client is acting on behalf of another person or is controlled by other person(s) then Zenfinex Africa is required to obtain KYC information on these other persons to the same standard as for direct clients. The exception is if the direct client is a regulated firm in a country with "equivalence" status.

In certain cases, such as unregulated entities, private companies and trusts, Zenfinex Africa is required to obtain KYC information on underlying principals, controllers and beneficiaries.

Evidence of the identity of a client or evidence confirming why identification evidence is not required must be retained and placed on the client's file. KYC information must be kept up to date as a result of meetings or other communications with the client. For example, if the nature of the expected business changes and the client has provided a reasonable explanation for the change then a file note to this effect should be added to the client's file.

The amount of evidence required to support the client identification will depend on the money laundering risk arising from that particular client relationship and the quality of the evidence available. If in any doubt consult the Compliance Officer.

For each client therefore the following should be completed:

(i) A file note containing KYC information covering:

(a) The purpose and reason for opening the account or establishing the relationship;

(b) The anticipated level and nature of the activity that is to be undertaken;

(c) The expected origin of the funds to be used within the relationship; and

(d) Details of employment and sources of wealth or income.

(ii) An Identification Verification – Refer to the forms in section 5;

(iii) Where Zenfinex Africa relies on a regulated introducer to carry out the identification verification then the 'Introducer Forms' set out in appendix E of the Guidance Notes should be used

Once the Identification Verification checklist has been completed for a particular client, it should be reviewed and approved by the Compliance Officer who will sign and date the Identification Verification to evidence their approval. The Identification Verification and accompanying evidence will then be placed on the client file in a Money Laundering Verification section of that file.

The verification procedures must be carried out as part of the process of taking on a client. No business will commence until satisfactory evidence of identity has been obtained in a timely manner i.e., evidence must be obtained "as soon as is reasonably practicable" after a prospective client first makes contact with Zenfinex Africa.

2.9 Appendix A - Proforma Annual Compliance Officer report

DATE: / / 20 FOR THE YEAR ENDING: / / 20

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In order to comply with Sierre Leone's Money Laundering Requirements Zenfinex Africa's Compliance Officer" is required to provide executive management with a written report annually. As Zenfinex Africa's Compliance Officer, I hereby submit my report for the period referred to above. My last report was dated / / 20 .

Objective

The objective of this report is to provide executive management with:

(i) An assessment of Zenfinex Africa's compliance with Money Laundering Prevention legislation; and

(ii) An indication of the way in which new findings on countries with money laundering prevention inadequacies have been used during the year.

Executive Summary

During the period, Zenfinex Africa's compliance with the regulations has been satisfactory / unsatisfactory* with the material deficiencies listed immediately below.

Material Deficiencies

The following material deficiencies were identified and reported to executive management in the period:	(i) xx (ii) xx (iii) xx
Deficiencies that have been addressed are:	(i) xx (ii) xx (iii) xx
Deficiencies that remain to be addressed are:	(i) xx (ii) xx (iii) xx

New Product Risk Assessments

The following new products or services were introduced during this period following a risk assessment by the Compliance Officer:	(i) xx (ii) xx (iii) xx
The recommendations of the Compliance Officer were accepted and implemented by executive management with the exception of:	(i) xx (ii) xx (iii) xx

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New Legislation

The Compliance Officer has kept abreast of developments in Money Laundering prevention issues by reference to the following:	(i) xx (ii) xx (iii) xx
Consequently, the Compliance Officer has issued the following circulars and taken the following action to bring the information to bear on Zenfinex Africa:	(i) xx (ii) xx (iii) xx

Internal Suspicion Reports

The total number of Suspicious Activity and Suspicious Transaction reports received by the Compliance Officer from employees during the period was [ ]. These suspicions were initiated in the following departments of Zenfinex Africa:	[Breakdown of departmental reporting]
Of the total number of Suspicious Activity and Suspicious Transaction reports [ ] were forwarded to the Unit being [ ]% of the total. the Unit has replied in [ ] cases and has given clearance for the business to continue.	The following suspicion reports have resulted in formal investigations by the law enforcement authorities: [Breakdown of reports]
There have been [no deficiencies / some deficiencies*] in the reporting procedures in the period. Where deficiencies were identified the following action [will be / has been*] taken:	(i) xx (ii) xx (iii) xx

Training and Awareness of Employees

The following members of staff received training during the period sufficient to satisfy the legislation:	(i) xx (ii) xx (iii) xx

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The following members of staff will be receiving appropriate training to satisfy the legislation by [ ]:	(i) xx (ii) xx (iii) xx
Training was provided by the Compliance Officer and covered the following areas:	(i) xx (ii) xx (iii) xx
Zenfinex Africa's policy for ensuring that new staff members receive training promptly [has / has not*] been adhered to in the period.	
The following key issues arose from the training provided:	(i) xx (ii) xx (iii) xx
Zenfinex Africa's policies and procedures have been made available to all members of staff and they have all certified in writing where applicable that they have read them. The following members of staff remain to certify that they have read Zenfinex Africa's policies and procedures:	(i) xx (ii) xx (iii) xx
Executive management has taken the following additional steps during the period to ensure that all members of staff are aware of the regulations:	(i) xx (ii) xx (iii) xx

Compliance Monitoring

The effectiveness of the internal controls and the operating procedures have been tested in the following ways:	(i) Periodic independent testing, including sample testing for compliance with KYC has been completed by [ ] (ii) An annual independent review of Zenfinex Africa's compliance arrangements [has been / will be*] carried out by [ ]

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Compliance Resources

The Compliance Officer confirms that there were [sufficient / insufficient*] resources available to ensure sufficient compliance with applicable legislation and regulations during the period. However, the following recommendations can be made:	(i) xx (ii) xx (iii) xx

SIGNED:

NAME (PRINT):

DATE: **/ / 20**

* Delete as applicable

3 THE LEGISLATION

3.1 Anti-Money Laundering and Combating of Finance of Terrorism Act 2012

Money laundering is the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities. The Anti-Money Laundering and Combating of Finance of Terrorism Act 2012 include the proceeds of all crime. Money laundering often involves elaborate techniques devised by sophisticated professionals with expert knowledge of the international legislative, regulatory and financial systems.

The integrity of the financial services industry depends heavily on the perception that it functions within the framework of high legal, professional and ethical standards. A reputation for integrity is one of the most valuable assets of a financial institution. If criminals can easily use Zenfinex Africa, it and its personnel could be drawn into a major investigation by the law enforcement agencies. This could have a damaging effect on the attitudes of other financial intermediaries, regulatory authorities and Zenfinex Africa's clients.

The OECD sponsors the Financial Action Task Force ("FATF") that establishes money laundering prevention standards within its member countries. These member countries have introduced legislation designed to prevent the misuse of the financial system by money launderers. In most of these countries it is now a criminal offence to:

(i) Provide assistance to a money launderer;

(ii) Tip-off a money launderer that they are or are likely to be, under suspicion;

(iii) Fail to report knowledge or suspicion of money laundering to the authorities; or

(iv) Fail to comply with any of the money laundering regulations.

Offences against existing legislation carry severe penalties including fines that may be levied against Zenfinex Africa or an employee, imprisonment for a term of no less than seven years. Additionally, Zenfinex Africa will be expected to take appropriate disciplinary action against any individual who fails to comply with the legislation, Zenfinex Africa's policies or both.

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3.2 The Financial Action Task Force ("FATF")

FATF is a multi-disciplined independent body and its Secretariat is based at the OECD in France. Members and observer bodies of FATF include all the EU countries, the European Commission, US, Japan and other major countries. FATF brings together the policymaking power of legal, financial and law enforcement experts from its members and observers and promotes money laundering prevention standards globally.

Zenfinex Africa must ensure that it obtains and makes proper use of any government or FATF findings. The findings to which this applies to are those where either the government or FATF has found the arrangements for restraining money laundering in a particular jurisdiction to be materially deficient. Zenfinex Africa is required to incorporate these findings into its own procedures in respect to client identification requirements, KYC information and money laundering training programs.

At the time of publication, FATF considers that the following countries and territories have enacted legislation. The full members of FATF are:

(i) Argentina;

(ii) Australia;

(iii) Austria;

(iv) Belgium;

(v) Brasil;

(vi) Canada;

(vii) China;

(viii) Denmark;

(ix) European Commission;

(x) Finland;

(xi) France;

(xii) Germany;

(xiii) Greece;

(xiv) Gulf Co-operation Council;

(xv) Hong Kong, China;

(xvi) Iceland;

(xvii) India;

(xviii) Ireland;

(xix) Italy;

(xx) Japan;

(xxi) Kingdom of the Netherlands*;

(xxii) Luxembourg;

(xxiii) Mexico;

(xxiv) New Zealand;

(xxv) Norway;

(xxvi) Portugal;

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(xxvii) Republic of Korea;

(xxviii) Russian Federation;

(xxix) Singapore;

(xxx) South Africa;

(xxxi) Spain;

(xxxii) Sweden;

(xxxiii) Switzerland;

(xxxiv) Turkey;

(xxxv) United Kingdom; and

(xxxvi) United States.

* Includes the Kingdom of the Netherlands: The Netherlands, the Netherlands Antilles and Aruba.

There are a number of other organisations that maintain varying levels of association with FATF. These can be split into:

(i) Associate members;

(ii) FATF-Style regional bodies; and

(iii) Other international organisations being collectively known as "FATF Observer Bodies and Organisations".

The Associate members are made up of the following:

(i) The Asia / Pacific Group on Money Laundering ("APG");

(ii) Caribbean Financial Action Task Force ("CFATF");

(iii) Eurasian Group ("EAG");

(iv) Eastern and South Africa Anti-Money Laundering Group ("ESAAMLG");

(v) The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("MONEYVAL");

(vi) The Financial Action Task Force on Money Laundering in South America ("GAFISUD");

(vii) Inter-Governmental Action Group against Money Laundering in West Africa ("GIABA"); and

(viii) Middle East and North Africa Financial Action Task Force ("MENAFATF").

The following international bodies and organisations have observer status with FATF. The international organisations listed are those which have among other functions, a specific anti-money laundering mission or function. The other international organisations are the:

(i) African Development Bank;

(ii) Asian Development Bank;

(iii) Basel Committee on Banking Supervision ("BCBS")

(iv) Commonwealth Secretariat;

(v) Egmont Group of Financial Intelligence Units;

(vi) European Bank for Reconstruction and Development ("EBRD");

(vii) European Central Bank ("ECB");

(viii) Eurojust;

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(ix) Europol;

(x) Inter-American Development Bank ("IDB");

(xi) International Association of Insurance Supervisors ("IAIS");

(xii) International Monetary Fund ("IMF");

(xiii) International Organisation of Securities Commissions ("IOSCO");

(xiv) Interpol;

(xv) Organization of American States / Inter-American Committee Against Terrorism ("OAS / CICTE");

(xvi) Organization of American States / Inter-American Drug Abuse Control Commission ("OAS / CICAD");

(xvii) Organisation for Economic Co-operation and Development ("OECD");

(xviii) United Nations – Offshore Group of Banking Supervisors ("OGBS");

(xix) United Nations – Office on Drugs and Crime ("UNODC");

(xx) United Nations – Counter-Terrorism Committee of the Security Council ("UNCTC");

(xxi) World Bank; and

(xxii) World Customs Organisation ("WCO").

FATF also publish a 'Non-Cooperative Countries and Territories' list ("the NCCT list") that details all jurisdictions within which FATF believe based on their investigations, the levels of money laundering control are deficient. At the time of publication, the following countries were listed on the NCCT list:

Jurisdictions subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdictions:

(i) Iran;

(ii) Democratic People's Republic of Korea (DPRK).

Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction. The list is always subject to change and FATF's website is to be reviewed on a regular basis by the Compliance Officer to ensure Zenfinex Africa is kept current with its content.

3.2.1 The FATF "Forty Recommendations"

The Forty Recommendations provide a complete set of counter-measures against money laundering covering the criminal justice system and law enforcement, the regulation of the financial system and international co-operation.

They have been recognised and endorsed or adopted by many international bodies. The Recommendations are neither complex nor difficult nor do they compromise the freedom to engage in legitimate transactions or threaten economic development. They set out the principles for action and allow countries a measure of flexibility in implementing these principles according to their particular circumstances and constitutional frameworks. Though not a binding international convention many countries in the world have made a political commitment to combat money laundering by implementing the Forty Recommendations.

Initially developed in 1990 the Recommendations were revised for the first time in 1996 to take into account changes in money laundering trends and to anticipate potential future threats. More recently, FATF completed a thorough review and update of the 40 Recommendations (2003). FATF has also elaborated various Interpretative Notes which are

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designed to clarify the application of specific Recommendations and to provide additional guidance. These are too detailed below.

The "Forty Recommendations" are:

3.2.1.1 Legal systems - Scope of the criminal offence of money laundering

3.2.1.1.1 Recommendation 1

Countries should criminalise money laundering on the basis of United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988 ("the Vienna Convention") and United Nations Convention against Transnational Organised Crime 2000 ("the Palermo Convention").

Countries should apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences. Predicate offences may be described by reference to all offences or to a threshold linked either to a category of serious offences or to the penalty of imprisonment applicable to the predicate offence ("threshold approach") or to a list of predicate offences or a combination of these approaches.

Where countries apply a threshold approach, predicate offences should at a minimum comprise all offences that fall within the category of serious offences under their national law or should include offences that are punishable by a maximum penalty of more than one year's imprisonment. For those countries that have a minimum threshold for offences in their legal system, predicate offences should comprise all offences that are punished by a minimum penalty of more than six months' imprisonment.

Whichever approach is adopted, each country should at a minimum include a range of offences within each of the designated categories of offences.

Predicate offences for money laundering should extend to conduct that occurred in another country that constitutes an offence in that country and which would have constituted a predicate offence had it occurred domestically. Countries may provide that the only prerequisite is that the conduct would have constituted a predicate offence had it occurred domestically.

Countries may provide that the offence of money laundering does not apply to persons who committed the predicate offence where this is required by fundamental principles of their domestic law.

3.2.1.1.2 Recommendation 2

Countries should ensure that:

(i) The intent and knowledge required to prove the offence of money laundering is consistent with the standards set forth in the Vienna and Palermo Conventions including the concept that such mental state may be inferred from objective factual circumstances;

(ii) Criminal liability and where that is not possible, civil or administrative liability should apply to legal persons. This should not preclude parallel criminal, civil or administrative proceedings with respect to legal persons in countries in which such forms of liability are available. Legal persons should be subject to effective, proportionate and dissuasive sanctions. Such measures should be without prejudice to the criminal liability of individuals.

3.2.1.2 Legal systems - Provisional measures and confiscation

3.2.1.2.1 Recommendation 3

Countries should adopt measures similar to those set forth in the Vienna and Palermo Conventions including legislative measures, to enable their competent authorities to confiscate property laundered, proceeds from money laundering or predicate offences. It should also include instrumentalities used in or intended for use in the commission of these offences or property of corresponding value, without prejudicing the rights of bona fide third parties. Such measures should include the authority to:

(i) Identify, trace and evaluate property which is subject to confiscation;

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(ii) Carry out provisional measures such as freezing and seizing, to prevent any dealing, transfer or disposal of such property;

(iii) Take steps that will prevent or void actions that prejudice the State's ability to recover property that is subject to confiscation; and

(iv) Take any appropriate investigative measures.

Countries may consider adopting measures that allow such proceeds or instrumentalities to be confiscated without requiring a criminal conviction. Alternatively, those that require an offender to demonstrate the lawful origin of the property alleged to be liable to confiscation to the extent that such a requirement is consistent with the principles of their domestic law.

3.2.1.3 Measures to be taken by financial institutions and non-financial businesses and professions to prevent money laundering and terrorist financing

3.2.1.3.1 Recommendation 4

Countries should ensure that financial institution secrecy laws do not inhibit implementation of the FATF Recommendations.

3.2.1.4 Measures to be taken by financial institutions and non-financial businesses and professions to prevent money laundering and terrorist financing - Customer due diligence and record-keeping

3.2.1.4.1 Recommendation 5

Financial institutions should not keep anonymous accounts or accounts in obviously fictitious names. Financial institutions should also undertake customer due diligence measures including identifying and verifying the identity of their customers when:

(i) Establishing business relations;

(ii) Carrying out occasional transactions:

(a) Above the applicable designated threshold; or

(b) That are wire transfers in the circumstances covered by the Interpretative Note to Special Recommendation VII.

(iii) There is a suspicion of money laundering or terrorist financing; or

(iv) The financial institution has doubts about the veracity or adequacy of previously obtained customer identification data.

The customer due diligence ("CDD") measures to be taken are as follows:

(i) Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information;

(ii) Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include financial institutions taking reasonable measures to understand the ownership and control structure of the customer;

(iii) Obtaining information on the purpose and intended nature of the business relationship; and

(iv) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer and their business and risk profile including the source of funds.

Financial institutions should apply each of the CDD measures under (i) to (iv) above but may determine the extent of such measures on a risk sensitive basis depending on the type of customer, business relationship or transaction. The measures that are taken should be consistent with any guidelines issued by competent authorities. For higher risk

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categories financial institutions should perform enhanced due diligence. In certain circumstances where there are low risks, countries may decide that financial institutions can apply reduced or simplified measures.

Financial institutions should verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers. Countries may permit financial institutions to complete the verification as soon as reasonably practicable following the establishment of the relationship where the money laundering risks are effectively managed and where this is essential not to interrupt the normal conduct of business.

Where the financial institution is unable to comply with the above, it should not open the account, commence business relations or perform the transaction, should terminate the business relationship and should consider making a suspicious transactions report in relation to the customer.

These requirements should apply to all new customers though financial institutions should also apply this Recommendation to existing customers on the basis of materiality and risk and should conduct due diligence on such existing relationships at appropriate times.

3.2.1.4.2 Recommendation 6

Financial institutions should in relation to politically exposed persons in addition to performing normal due diligence measures:

(i) Have appropriate risk management systems to determine whether the customer is a politically exposed person;

(ii) Obtain senior management approval for establishing business relationships with such customers;

(iii) Take reasonable measures to establish the source of wealth and source of funds; and

(iv) Conduct enhanced ongoing monitoring of the business relationship.

3.2.1.4.3 Recommendation 7

Financial institutions should in relation to cross-border correspondent banking and other similar relationships in addition to performing normal due diligence measures:

(i) Gather sufficient information about a respondent institution to understand fully the nature of the respondent's business and to determine from publicly available information the reputation of the institution and the quality of supervision including whether it has been subject to a money laundering or terrorist financing investigation or regulatory action;

(ii) Assess the respondent institution's anti-money laundering and terrorist financing controls;

(iii) Obtain approval from senior management before establishing new correspondent relationships;

(iv) Document the respective responsibilities of each institution; and

(v) With respect to "payable-through accounts", be satisfied that the respondent bank has verified the identity of, and performed on-going due diligence on the customers having direct access to accounts of the correspondent and that it is able to provide relevant customer identification data upon request to the correspondent bank.

3.2.1.4.4 Recommendation 8

Financial institutions should pay special attention to any money laundering threats that may arise from new or developing technologies that might favour anonymity and take measures to prevent their use in money laundering schemes. In particular, financial institutions should have policies and procedures in place to address any specific risks associated with non-face to face business relationships or transactions.

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3.2.1.4.5 Recommendation 9

Countries may permit financial institutions to rely on intermediaries or other third parties to perform elements of the CDD process or to introduce business, provided that the criteria set out below are met. Where such reliance is permitted the ultimate responsibility for customer identification and verification remains with the financial institution relying on the third party. The criteria that should be met are as follows:

(i) A financial institution relying upon a third party should immediately obtain the necessary information concerning appropriate elements of the CDD process. Financial institutions should take adequate steps to satisfy themselves that copies of identification data and other relevant documentation relating to the CDD requirements will be made available from the third party upon request without delay;

(ii) The financial institution should satisfy itself that the third party is regulated and supervised and has measures in place to comply with CDD requirements in line with Recommendations 5 and 10.

It is left to each country to determine in which countries the third party that meets the conditions can be based, having regard to information available on countries that do or do not adequately apply the FATF Recommendations.

3.2.1.4.6 Recommendation 10

Financial institutions should maintain for at least five years, all necessary records on transactions both domestic or international, to enable them to comply swiftly with information requests from the competent authorities. Such records must be sufficient to permit reconstruction of individual transactions including the amounts and types of currency involved if any, so as to provide evidence for prosecution of criminal activity.

Financial institutions should keep records on the identification data obtained through the customer due diligence process for example, copies or records of official identification documents like passports, identity cards, driving licenses or similar documents, account files and business correspondence for at least five years after the business relationship is ended.

The identification data and transaction records should be available to domestic competent authorities upon appropriate authority.

3.2.1.4.7 Recommendation 11

Financial institutions should pay special attention to all complex, unusually large transactions and all unusual patterns of transactions that have no apparent economic or visible lawful purpose. The background and purpose of such transactions should be examined, the findings established in writing and made available to help competent authorities and auditors.

3.2.1.4.8 Recommendation 12

The customer due diligence and record-keeping requirements set out in Recommendations 5, 6, and 8 to 11 apply to designated non-financial businesses and professions in the following situations:

(i) **Casinos:** When customers engage in financial transactions equal to or above the applicable designated threshold;

(ii) **Real estate agents:** When they are involved in transactions for their client concerning the buying and selling of real estate;

(iii) **Dealers in precious metals and dealers in precious stones:** When they engage in any cash transaction with a customer equal to or above the applicable designated threshold;

(iv) **Lawyers, notaries and other independent legal professionals and accountants:** When they prepare for or carry out transactions for their client concerning the following activities:

(a) Buying and selling of real estate;

(b) Managing of client money, securities or other assets;

(c) Management of bank, savings or securities accounts;

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(d) Organisation of contributions for the creation, operation or management of companies;

(e) Creation, operation or management of legal persons or arrangements and buying and selling of business entities.

(v) **Trust and company service providers** when they prepare for or carry out transactions for a client concerning the activities listed in the definition in the Glossary.

3.2.1.5 Measures to be taken by financial institutions and non-financial businesses and professions to prevent money laundering and terrorist financing - Reporting of suspicious transactions and compliance

3.2.1.5.1 Recommendation 13

If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of criminal activity or are related to terrorist financing, it should be required, directly by law or regulation, to report promptly its suspicions to the local Financial Intelligence Unit ("FIU").

3.2.1.5.2 Recommendation 14

Financial institutions, their directors, officers and employees should be:

(i) Protected by legal provisions from criminal and civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision if they report their suspicions in good faith to the FIU, even if they did not know precisely what the underlying criminal activity was and regardless of whether illegal activity actually occurred;

(ii) Prohibited by law from disclosing the fact that a suspicious transaction report ("STR") or related information is being reported to the FIU.

3.2.1.5.3 Recommendation 15

Financial institutions should develop programmes against money laundering and terrorist financing. These programmes should include:

(i) The development of internal policies, procedures and controls including appropriate compliance management arrangements and adequate screening procedures to ensure high standards when hiring employees;

(ii) An ongoing employee training programme; and

(iii) An Audit function to test the system.

3.2.1.5.4 Recommendation 16

The requirements set out in Recommendations 13 to 15 and 21 apply to all designated non-financial businesses and professions, subject to the following qualifications:

(i) Lawyers, notaries and other independent legal professionals and accountants should be required to report suspicious transactions when, on behalf of or for a client, they engage in a financial transaction in relation to the activities described in Recommendation 12(iv). Countries are strongly encouraged to extend the reporting requirement to the rest of the professional activities of accountants, including auditing;

(ii) Dealers in precious metals and dealers in precious stones should be required to report suspicious transactions when they engage in any cash transaction with a customer equal to or above the applicable designated threshold; and

(iii) Trust and company service providers should be required to report suspicious transactions for a client when, on behalf of or for a client, they engage in a transaction in relation to the activities referred to Recommendation 12(v).

Lawyers, notaries and other independent legal professionals and accountants acting as independent legal professionals, are not required to report their suspicions if the relevant information was obtained in circumstances where they are subject to professional secrecy or legal professional privilege.

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3.2.1.6 Measures to be taken by financial institutions and non-financial businesses and professions to prevent money laundering and terrorist financing - Other measures to deter money laundering and terrorist financing

3.2.1.6.1 Recommendation 17

Countries should ensure that effective, proportionate and dissuasive sanctions whether criminal, civil or administrative, are available to deal with natural or legal persons covered by these Recommendations that fail to comply with anti-money laundering or terrorist financing requirements.

3.2.1.6.2 Recommendation 18

Countries should not approve the establishment or accept the continued operation of shell banks. Financial institutions should refuse to enter into or continue, a correspondent banking relationship with shell banks. Financial institutions should also guard against establishing relations with respondent foreign financial institutions that permit their accounts to be used by shell banks.

3.2.1.6.3 Recommendation 19

Countries should consider the feasibility and utility of a system where banks and other financial institutions and intermediaries would report all domestic and international currency transactions above a fixed amount to a national central agency with a computerised database, available to competent authorities for use in money laundering or terrorist financing cases, subject to strict safeguards to ensure proper use of the information.

3.2.1.6.4 Recommendation 20

Countries should consider applying the FATF Recommendations to businesses and professions other than designated non-financial businesses and professions that pose a money laundering or terrorist financing risk.

Countries should further encourage the development of modern and secure techniques of money management that are less vulnerable to money laundering.

3.2.1.7 Measures to be taken by financial institutions and non-financial businesses and professions to prevent money laundering and terrorist financing - Measures to be taken with respect to countries that do not or insufficiently comply with the FATF Recommendations

3.2.1.7.1 Recommendation 21

Financial institutions should give special attention to business relationships and transactions with persons, including companies and financial institutions from countries that do not or insufficiently apply the FATF Recommendations. Whenever these transactions have no apparent economic or visible lawful purpose their background and purpose should be examined, the findings established in writing and be available to help competent authorities. Where such a country continues not to apply or insufficiently applies the FATF Recommendations, countries should be able to apply appropriate countermeasures.

3.2.1.7.2 Recommendation 22

Financial institutions should ensure that the principles applicable to financial institutions that are mentioned above are also applied to branches and majority owned subsidiaries located abroad, especially in countries that do not or insufficiently apply the FATF Recommendations to the extent that local applicable laws and regulations permit. When local applicable laws and regulations prohibit this implementation competent authorities in the country of the parent institution should be informed by the financial institutions that they are unable to apply the FATF Recommendations.

3.2.1.8 Measures to be taken by financial institutions and non-financial businesses and professions to prevent money laundering and terrorist financing - Regulation and supervision

3.2.1.8.1 Recommendation 23

Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations. Competent authorities should take the necessary legal or regulatory measures

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to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function in a financial institution.

For financial institutions subject to the Core Principles, the regulatory and supervisory measures that apply for prudential purposes and that are also relevant to money laundering should apply in a similar manner for anti-money laundering and terrorist financing purposes.

Other financial institutions should be licensed or registered, appropriately regulated and subject to supervision or oversight for anti-money laundering purposes having regard to the risk of money laundering or terrorist financing in that sector. At a minimum, businesses providing a service of money or value transfer or of money or currency changing should be licensed or registered and subject to effective systems for monitoring and ensuring compliance with national requirements to combat money laundering and terrorist financing.

3.2.1.8.2 Recommendation 24

Designated non-financial businesses and professions should be subject to regulatory and supervisory measures as set out below:

(i) Casinos should be subject to a comprehensive regulatory and supervisory regime that ensures that they have effectively implemented the necessary anti-money laundering and terrorist-financing measures. At a minimum:

(a) Casinos should be licensed;

(b) Competent authorities should take the necessary legal or regulatory measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest, holding a management function in, or being an operator of a casino; and

(c) Competent authorities should ensure that casinos are effectively supervised for compliance with requirements to combat money laundering and terrorist financing.

(ii) Countries should ensure that the other categories of designated non-financial businesses and professions are subject to effective systems for monitoring and ensuring their compliance with requirements to combat money laundering and terrorist financing. This should be performed on a risk-sensitive basis. This may be performed by a government authority or by an appropriate self-regulatory organisation provided that such an organisation can ensure that its members comply with their obligations to combat money laundering and terrorist financing.

3.2.1.8.3 Recommendation 25

The competent authorities should establish guidelines and provide feedback that will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing and in particular, in detecting and reporting suspicious transactions.

3.2.1.9 Institutional and other measures necessary in systems for combating money laundering and terrorist financing - Competent authorities, their powers and resources

3.2.1.9.1 Recommendation 26

Countries should establish a FIU that serves as a national centre for the receiving and requesting analysis and dissemination of STRs (Suspicious Transaction Reports) and other information regarding potential money laundering or terrorist financing. The FIU should have access directly or indirectly and on a timely basis to the financial, administrative and law enforcement information that it requires to properly undertake its functions including the analysis of STRs.

3.2.1.9.2 Recommendation 27

Countries should ensure that designated law enforcement authorities have responsibility for money laundering and terrorist financing investigations. Countries are encouraged to support and develop special investigative techniques suitable for the investigation of money laundering such as controlled delivery, undercover operations and other relevant techniques. Countries are also encouraged to use other effective mechanisms such as the use of permanent or

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temporary groups specialised in asset investigation and co-operative investigations with appropriate competent authorities in other countries.

3.2.1.9.3 Recommendation 28

When conducting investigations of money laundering and underlying predicate offences competent authorities should be able to obtain documents and information for use in those investigations and in prosecutions and related actions. This should include powers to use compulsory measures for the production of records held by financial institutions and other persons, for the search of persons and premises and for the seizure and obtaining of evidence.

3.2.1.9.4 Recommendation 29

Supervisors should have adequate powers to monitor and ensure compliance by financial institutions with requirements to combat money laundering and terrorist financing including the authority to conduct inspections. They should be authorised to compel production of any information from financial institutions that is relevant to monitoring such compliance and to impose adequate administrative sanctions for failure to comply with such requirements.

3.2.1.9.5 Recommendation 30

Countries should provide their competent authorities involved in combating money laundering and terrorist financing with adequate financial, human and technical resources. Countries should have in place processes to ensure that employees of those authorities are of high integrity.

3.2.1.9.6 Recommendation 31

Countries should ensure that policy makers, the FIU, law enforcement and supervisors have effective mechanisms in place that enable them to co-operate and co-ordinate domestically with each other concerning the development and implementation of policies and activities to combat money laundering and terrorist financing.

3.2.1.9.7 Recommendation 32

Countries should ensure that their competent authorities are able to review the effectiveness of their systems to combat money laundering and terrorist financing by maintaining comprehensive statistics on matters relevant to the effectiveness and efficiency of such systems. This should include statistics on the STRs received and disseminated, on money laundering and terrorist financing investigations, prosecutions and convictions, on property frozen, seized and confiscated and on mutual legal assistance or other international requests for co-operation.

3.2.1.10 Institutional and other measures necessary in systems for combating money laundering and terrorist financing - Transparency of legal persons and arrangements

3.2.1.10.1 Recommendation 33

Countries should take measures to prevent the unlawful use of legal persons by money launderers. Countries should ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities. In particular, countries that have legal persons that are able to issue bearer shares should take appropriate measures to ensure that they are not misused for money laundering and be able to demonstrate the adequacy of those measures. Countries could consider measures to facilitate access to beneficial ownership and control information to financial institutions undertaking the requirements set out in Recommendation 5.

3.2.1.10.2 Recommendation 34

Countries should take measures to prevent the unlawful use of legal arrangements by money launderers. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts including information on the settlor, trustee and beneficiaries, which can be obtained or accessed in a timely fashion by competent authorities. Countries could consider measures to facilitate access to beneficial ownership and control information to financial institutions undertaking the requirements set out in Recommendation 5.

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3.2.1.11 International cooperation

3.2.1.11.1 Recommendation 35

Countries should take immediate steps to become party to and implement fully the Vienna Convention, the Palermo Convention and the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism. Countries are also encouraged to ratify and implement other relevant international conventions such as the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and the 2002 Inter-American Convention against Terrorism.

3.2.1.12 International cooperation - Mutual legal assistance and extradition

3.2.1.12.1 Recommendation 36

Countries should rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering and terrorist financing investigations, prosecutions and related proceedings. In particular, countries should:

(i) Not prohibit or place unreasonable or unduly restrictive conditions on the provision of mutual legal assistance;

(ii) Ensure that they have clear and efficient processes for the execution of mutual legal assistance requests;

(iii) Not refuse to execute a request for mutual legal assistance on the sole ground that the offence is also considered to involve fiscal matters; and

(iv) Not refuse to execute a request for mutual legal assistance on the grounds that laws require financial institutions to maintain secrecy or confidentiality.

Countries should ensure that the powers of their competent authorities required under Recommendation 28 are also available for use in response to requests for mutual legal assistance and if consistent with their domestic framework, in response to direct requests from foreign judicial or law enforcement authorities to domestic counterparts.

To avoid conflicts of jurisdiction, consideration should be given to devising and applying mechanisms for determining the best venue for prosecution of defendants in the interests of justice in cases that are subject to prosecution in more than one country.

3.2.1.12.2 Recommendation 37

Countries should to the greatest extent possible, render mutual legal assistance notwithstanding the absence of dual criminality.

Where dual criminality is required for mutual legal assistance or extradition that requirement should be deemed to be satisfied regardless of whether both countries place the offence within the same category of offence. This includes denominating the offence by the same terminology, provided that both countries criminalise the conduct underlying the offence.

3.2.1.12.3 Recommendation 38

There should be authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate property laundered, proceeds from money laundering or predicate offences, instrumentalities used in or intended for use in the commission of these offences or property of corresponding value. There should also be arrangements for co-ordinating seizure and confiscation proceedings that may include the sharing of confiscated assets.

3.2.1.12.4 Recommendation 39

Countries should recognise money laundering as an extraditable offence. Each country should either extradite its own nationals or where a country does not do so on the grounds of nationality that country should at the request of the country seeking extradition, submit the case without undue delay to its competent authorities for the purpose of prosecution of the offences set forth in the request. Those authorities should take their decision and conduct their proceedings in the same manner as in the case of any other offence of a serious nature under the domestic law of

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that country. The countries concerned should cooperate with each other on procedural and evidentiary aspects to ensure the efficiency of such prosecutions.

Subject to their legal frameworks, countries may consider simplifying extradition by allowing direct transmission of extradition requests between appropriate ministries, extraditing persons based only on warrants of arrests or judgements and / or introducing a simplified extradition of consenting persons who waive formal extradition proceedings.

3.2.1.13 International cooperation - Other forms of co-operation

3.2.1.13.1 Recommendation 40

Countries should ensure that their competent authorities provide the widest possible range of international co-operation to their foreign counterparts. There should be clear and effective gateways to facilitate the prompt and constructive exchange directly between counterparts either spontaneously or upon request, of information relating to both money laundering and the underlying predicate offences. Exchanges should be permitted without unduly restrictive conditions that in particular:

(i) Competent authorities should not refuse a request for assistance on the sole ground that the request is also considered to involve fiscal matters;

(ii) Countries should not invoke laws that require financial institutions to maintain secrecy or confidentiality as a ground for refusing to provide co-operation; and

(iii) Competent authorities should be able to conduct inquiries and where possible investigations, on behalf of foreign counterparts.

Where the ability to obtain information sought by a foreign competent authority is not within the mandate of its counterpart, countries are also encouraged to permit a prompt and constructive exchange of information with non-counterparts. Co-operation with foreign authorities other than counterparts could occur directly or indirectly. When uncertain about the appropriate avenue to follow, competent authorities should first contact their foreign counterparts for assistance.

Countries should establish controls and safeguards to ensure that information exchanged by competent authorities is used only in an authorised manner, consistent with their obligations concerning privacy and data protection.

3.2.2 The Interpretive notes

3.2.2.1 General information

(i) Reference in this document to "countries" should be taken to apply equally to "territories" or "jurisdictions";

(ii) Recommendations 5 – 16 and 21 – 22 state that financial institutions or designated non-financial businesses and professions should take certain actions. These references require countries to take measures that will oblige financial institutions or designated non-financial businesses and professions to comply with each Recommendation. The basic obligations under Recommendations 5, 10 and 13 should be set out in law or regulation, while more detailed elements in those Recommendations as well as obligations under other Recommendations, could be required either by law or regulation or by other enforceable means issued by a competent authority;

(iii) Where reference is made to a financial institution being satisfied as to a matter, that institution must be able to justify its assessment to competent authorities;

(iv) To comply with Recommendations 12 and 16, countries do not need to issue laws or regulations that relate exclusively to lawyers, notaries, accountants and the other designated non-financial businesses and professions so long as these businesses or professions are included in laws or regulations covering the underlying activities; and

(v) The Interpretative notes that apply to financial institutions are also relevant to designated non-financial businesses and professions, where applicable.

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3.2.2.2 Interpretative Note to Recommendations 5, 12 and 16

The designated thresholds for transactions (under Recommendations 5 and 12) are as follows:

(i) Financial institutions (for occasional customers under Recommendation 5) – USD / € 15,000;

(ii) Casinos, including internet casinos (under Recommendation 12) – USD / € 3,000;

(iii) For dealers in precious metals and dealers in precious stones when engaged in any cash transaction (under Recommendations 12 and 16) – USD / € 15,000; and

(iv) Financial transactions above a designated threshold include situations where the transaction is carried out in a single operation or in several operations that appear to be linked.

3.2.2.3 Interpretative Note to Recommendation 5 (Thresholds Interpretative Note) - Customer due diligence and tipping off

(i) If during the establishment or course of the customer relationship or when conducting occasional transactions, a financial institution suspects that transactions relate to money laundering or terrorist financing, then the institution should:

(a) Normally seek to identify and verify the identity of the customer and the beneficial owner, whether permanent or occasional, and irrespective of any exemption or any designated threshold that might otherwise apply; and

(b) Make a STR to the FIU in accordance with Recommendation 13.

(ii) Recommendation 14 prohibits financial institutions, their directors, officers and employees from disclosing the fact that an STR or related information is being reported to the FIU. A risk exists that customers could be unintentionally tipped off when the financial institution is seeking to perform its customer due diligence ("CDD") obligations in these circumstances. The customer's awareness of a possible STR or investigation could compromise future efforts to investigate the suspected money laundering or terrorist financing operation; and

(iii) Therefore, if financial institutions form a suspicion that transactions relate to money laundering or terrorist financing, they should take into account the risk of tipping off when performing the customer due diligence process. If the institution reasonably believes that performing the CDD process will tip-off the customer or potential customer, it may choose not to pursue that process, and should file an STR. Institutions should ensure that their employees are aware of and sensitive to these issues when conducting CDD.

3.2.2.4 Interpretative Note to Recommendation 5 (Thresholds Interpretative Note) - CDD for legal persons and arrangements

(i) When performing elements (i) and (ii) of the CDD process in relation to legal persons or arrangements, financial institutions should:

(a) Verify that any person purporting to act on behalf of the customer is so authorised and identify that person;

(b) Identify the customer and verify its identity – The types of measures that would be normally needed to satisfactorily perform this function would require obtaining proof of incorporation or similar evidence of the legal status of the legal person or arrangement, as well as information concerning the customer's name, the names of trustees, legal form, address, directors and provisions regulating the power to bind the legal person or arrangement; and

(c) Identify the beneficial owners including forming an understanding of the ownership and control structure, and take reasonable measures to verify the identity of such persons. The types of measures that would be normally needed to satisfactorily perform this function would require identifying the natural persons with a controlling interest and identifying the natural persons who comprise the mind and management of the legal person or arrangement. Where the customer

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or the owner of the controlling interest is a public company that is subject to regulatory disclosure requirements, it is not necessary to seek to identify and verify the identity of any shareholder of that company.

The relevant information or data may be obtained from a public register, from the customer or from other reliable sources.

3.2.2.5 Interpretative Note to Recommendation 5 (Thresholds Interpretative Note) - Reliance on identification and verification already performed

The CDD measures set out in Recommendation 5 do not imply that financial institutions have to repeatedly identify and verify the identity of each customer every time that a customer conducts a transaction. An institution is entitled to rely on the identification and verification steps that it has already undertaken unless it has doubts about the veracity of that information. Examples of situations that might lead an institution to have such doubts could be where there is a suspicion of money laundering in relation to that customer or where there is a material change in the way that the customer's account is operated which is not consistent with the customer's business profile.

3.2.2.6 Interpretative Note to Recommendation 5 (Thresholds Interpretative Note) - Timing of verification

(i) Examples of the types of circumstances where it would be permissible for verification to be completed after the establishment of the business relationship, because it would be essential not to interrupt the normal conduct of business include:

(a) **Non face-to-face business;**

(b) **Securities transactions** – In the securities industry, companies and intermediaries may be required to perform transactions very rapidly, according to the market conditions at the time the customer is contacting them and the performance of the transaction may be required before verification of identity is completed; and

(c) **Life insurance business** – In relation to life insurance business, countries may permit the identification and verification of the beneficiary under the policy to take place after having established the business relationship with the policyholder. However, in all such cases, identification and verification should occur at or before the time of pay out or the time where the beneficiary intends to exercise vested rights under the policy.

(ii) Financial institutions will also need to adopt risk management procedures with respect to the conditions under which a customer may utilise the business relationship prior to verification. These procedures should include a set of measures such as a limitation of the number, types and / or amount of transactions that can be performed and the monitoring of large or complex transactions being carried out outside of expected norms for that type of relationship. Financial institutions should refer to the Basel CDD paper section 2.2.6 – Guidance Paper on Customer Due Diligence for Banks issued by the Basel Committee on Banking Supervision in October 2001, for specific guidance on examples of risk management measures for non-face to face business.

3.2.2.7 Interpretative Note to Recommendation 5 (Thresholds Interpretative Note) - Requirement to identify existing customers

The principles set out in the Basel CDD paper concerning the identification of existing customers should serve as guidance when applying customer due diligence processes to institutions engaged in banking activity and could apply to other financial institutions where relevant.

3.2.2.8 Interpretative Note to Recommendation 5 (Thresholds Interpretative Note) - Simplified or reduced CDD measures

(i) The general rule is that customers must be subject to the full range of CDD measures, including the requirement to identify the beneficial owner. Nevertheless, there are circumstances where the risk of money laundering or terrorist financing is lower, where information on the identity of the customer and

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the beneficial owner of a customer is publicly available or where adequate checks and controls exist elsewhere in national systems. In such circumstances it could be reasonable for a country to allow its financial institutions to apply simplified or reduced CDD measures when identifying and verifying the identity of the customer and the beneficial owner;

(ii) Examples of customers where simplified or reduced CDD measures could apply are:

(a) **Financial institutions** – Where they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF Recommendations and are supervised for compliance with those controls;

(b) Public companies that are subject to regulatory disclosure requirements; and

(c) Government administrations or enterprises.

(iii) Simplified or reduced CDD measures could also apply to the beneficial owners of pooled accounts held by designated non-financial businesses or professions provided that those businesses or professions are subject to requirements to combat money laundering and terrorist financing consistent with the FATF Recommendations and are subject to effective systems for monitoring and ensuring their compliance with those requirements. Banks should also refer to the Basel CDD paper §2.2.4 which provides specific guidance concerning situations where an account holding institution may rely on a customer that is a professional financial intermediary to perform the customer due diligence on his or its own customers i.e., the beneficial owners of the bank account. Where relevant, the CDD Paper could also provide guidance in relation to similar accounts held by other types of financial institutions;

(iv) Simplified CDD or reduced measures could also be acceptable for various types of products or transactions such as (examples only):

(a) Life insurance policies where the annual premium is no more than USD / € 1,000 or a single premium of no more than USD / € 2,500;

(b) Insurance policies for pension schemes if there is no surrender clause and the policy cannot be used as collateral; and

(c) A pension, superannuation or similar scheme that provides retirement benefits to employees where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme.

(v) Countries could also decide whether financial institutions could apply these simplified measures only to customers in its own jurisdiction or allow them to do for customers from any other jurisdiction that the original country is satisfied is in compliance with and has effectively implemented the FATF Recommendations.

Simplified CDD measures are not acceptable whenever there is suspicion of money laundering or terrorist financing or specific higher risk scenarios apply.

3.2.2.9 Interpretative Note to Recommendation 6

Countries are encouraged to extend the requirements of Recommendation 6 to individuals who hold prominent public functions in their own country.

3.2.2.10 Interpretative Note to Recommendation 9

This Recommendation does not apply to outsourcing or agency relationships. This Recommendation also does not apply to relationships, accounts or transactions between financial institutions for their clients. Those relationships are addressed by Recommendations 5 and 7.

3.2.2.11 Interpretative Note to Recommendation 10 and 11

In relation to insurance business, the word "transactions" should be understood to refer to the insurance product itself, the premium payment and the benefits.

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3.2.2.12 Interpretative Note to Recommendation 12

The designated thresholds for transactions (under Recommendations 5 and 12) are as follows:

(i) **Financial institutions** – For occasional customers under Recommendation 5 – USD / € 15,000;

(ii) **Casinos, (including internet casinos)** – Under Recommendation 12 – USD / € 3,000;

(iii) **For dealers in precious metals and dealers in precious stones when engaged in any cash transaction** – Under Recommendations 12 and 16 – USD / € 15,000; and

(iv) Financial transactions above a designated threshold include situations where the transaction is carried out in a single operation or in several operations that appear to be linked.

3.2.2.13 Interpretative Note to Recommendation 13

The reference to criminal activity in Recommendation 13 refers to:

(i) All criminal acts that would constitute a predicate offence for money laundering in the jurisdiction; or

(ii) At a minimum to those offences that would constitute a predicate offence as required by Recommendation 1.

Countries are strongly encouraged to adopt alternative (i). All suspicious transactions including attempted transactions should be reported regardless of the amount of the transaction.

In implementing Recommendation 13, suspicious transactions should be reported by financial institutions regardless of whether they are also thought to involve tax matters. Countries should take into account that in order to deter financial institutions from reporting a suspicious transaction, money launderers may seek to state inter alia that their transactions relate to tax matters.

3.2.2.14 Interpretative Note to Recommendation 14 - Tipping off

Where lawyers, notaries, other independent legal professionals and accountants acting as independent legal professionals seek to dissuade a client from engaging in illegal activity, this does not amount to tipping off.

3.2.2.15 Interpretative Note to Recommendation 15

The type and extent of measures to be taken for each of the requirements set out in the Recommendation should be appropriate having regard to the risk of money laundering and terrorist financing and the size of the business.

For financial institutions, compliance management arrangements should include the appointment of a Compliance Officer at the management level.

3.2.2.16 Interpretative Note to Recommendation 16 (Thresholds Interpretative Note)

(i) It is for each jurisdiction to determine the matters that would fall under legal professional privilege or professional secrecy. This would normally cover information lawyers; notaries or other independent legal professionals receive from or obtain through one of their clients:

(a) In the course of ascertaining the legal position of their client; or

(b) In performing their task of defending or representing that client in or concerning judicial, administrative, arbitration or mediation proceedings; where accountants are subject to the same obligations of secrecy or privilege, then they are also not required to report suspicious transactions.

(ii) Countries may allow lawyers, notaries, other independent legal professionals and accountants to send their STR to their appropriate self-regulatory organisations, provided that there are appropriate forms of co-operation between these organisations and the FIU.

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3.2.2.17 Interpretative Note to Recommendation 23

Recommendation 23 should not be read as to require the introduction of a system of regular review of licensing of controlling interests in financial institutions merely for anti-money laundering purposes, but as to stress the desirability of suitability review for controlling shareholders in financial institutions; banks and non-banks in particular, from a FATF point of view. Hence, where shareholder suitability or "fit and proper" tests exist, the attention of supervisors should be drawn to their relevance for anti-money laundering purposes.

3.2.2.18 Interpretative Note to Recommendation 25

When considering the feedback that should be provided, countries should have regard to the FATF Best Practice Guidelines on Providing Feedback to Reporting Financial Institutions and Other Persons.

3.2.2.19 Interpretative Note to Recommendation 26

Where a country has created an FIU, it should consider applying for membership in the Egmont Group. Countries should have regard to the Egmont Group – Statement of Purpose and its Principles for Information Exchange between Financial Intelligence Units for Money Laundering Cases. These documents set out important guidance concerning the role and functions of FIUs and the mechanisms for exchanging information between FIU.

3.2.2.20 Interpretative Note to Recommendation 27

Countries should consider taking measures including legislative ones, at the national level, to allow their competent authorities investigating money laundering cases to postpone or waive the arrest of suspected persons and / or the seizure of the money for the purpose of identifying persons involved in such activities or for evidence gathering. Without such measures the use of procedures such as controlled deliveries and undercover operations are precluded.

3.2.2.21 Interpretative Note to Recommendation 38

Countries should consider:

(i) Establishing an asset forfeiture fund in its respective country into which all or a portion of confiscated property will be deposited for law enforcement, health, education or other appropriate purposes; and

(ii) Taking such measures as may be necessary to enable it to share among or between other countries confiscated property in particular, when confiscation is directly or indirectly a result of co-ordinated law enforcement actions.

3.2.2.22 Interpretative Note to Recommendation 40

(i) For the purposes of this Recommendation:

(a) "Counterparts" refers to authorities that exercise similar responsibilities and functions; and

(b) "Competent authority" refers to all administrative and law enforcement authorities concerned with combating money laundering and terrorist financing including the FIU and supervisors.

(ii) Depending on the type of competent authority involved and the nature and purpose of the co-operation, different channels can be appropriate for the exchange of information. Examples of mechanisms or channels that are used to exchange information include: bilateral or multilateral agreements or arrangements, memoranda of understanding, exchanges on the basis of reciprocity or through appropriate international or regional organisations. However, this Recommendation is not intended to cover co-operation in relation to mutual legal assistance or extradition;

(iii) The reference to indirect exchange of information with foreign authorities other than counterparts covers the situation where the requested information passes from the foreign authority through one or more domestic or foreign authorities before being received by the requesting authority. The competent authority that requests the information should always make it clear for what purpose and on whose behalf the request is made;

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(iv) FIUs should be able to make inquiries on behalf of foreign counterparts where this could be relevant to an analysis of financial transactions. At a minimum, inquiries should include:

(a) Searching its own databases, which would include information related to suspicious transaction reports; and

(b) Searching other databases to which it may have direct or indirect access including law enforcement databases, public databases, administrative databases and commercially available databases.

Where permitted to do so, FIUs should also contact other competent authorities and financial institutions in order to obtain relevant information.

3.2.3 Glossary

In these Recommendations the following abbreviations and references are used:

"**Beneficial owner**" – Refers to the natural person(s) who ultimately owns or controls a customer and / or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

"**Core Principles**" – Refers to the Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision, the Objectives and Principles for Securities Regulation issued by the International Organization of Securities Commissions and the Insurance Supervisory Principles issued by the International Association of Insurance Supervisors.

"**Designated categories of offences**" – Means:

(i) Participation in an organised criminal group and racketeering;

(ii) Terrorism, including terrorist financing;

(iii) Trafficking in human beings and migrant smuggling;

(iv) Sexual exploitation, including sexual exploitation of children;

(v) Illicit trafficking in narcotic drugs and psychotropic substances;

(vi) Illicit arms trafficking;

(vii) Illicit trafficking in stolen and other goods;

(viii) Corruption and bribery;

(ix) Fraud;

(x) Counterfeiting currency;

(xi) Counterfeiting and piracy of products;

(xii) Environmental crime;

(xiii) Murder, grievous bodily injury;

(xiv) Kidnapping, illegal restraint and hostage-taking;

(xv) Robbery or theft;

(xvi) Smuggling;

(xvii) Extortion;

(xviii) Forgery;

(xix) Piracy; and

(xx) Insider trading and market manipulation.

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When deciding on the range of offences to be covered as predicate offences under each of the categories listed above, each country may decide in accordance with its domestic law, how it will define those offences and the nature of any particular elements of those offences that make them serious offences.

"**Designated non-financial businesses and professions**" – Means:

(i) Casinos which also includes internet casinos;

(ii) Real estate agents;

(iii) Dealers in precious metals;

(iv) Dealers in precious stones;

(v) Lawyers, notaries, other independent legal professionals and accountants – This refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to 'internal' professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to measures that would combat money laundering; and

(vi) Trust and Company Service Providers refers to all persons or businesses that are not covered elsewhere under these Recommendations and which as a business, provide any of the following services to third parties:

(a) Acting as a formation agent of legal persons;

(b) Acting as or arranging for another person to act as, a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;

(c) Providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;

(d) Acting as or arranging for another person to act as, a trustee of an express trust; and

(e) Acting as or arranging for another person to act as, a nominee shareholder for another person.

"**Designated threshold**" – Refers to the amount set out in the Interpretative Notes.

"**Financial institutions**" – Means any person or entity who conducts as a business one or more of the following activities or operations for or on behalf of a customer:

(i) Acceptance of deposits and other repayable funds from the public; *

(ii) Lending; **

(iii) Financial leasing; ***

(iv) The transfer of money or value; ****

(v) Issuing and managing means of payment e.g., credit and debit cards, cheques, traveller's cheques, money orders and bankers' drafts, electronic money;

(vi) Financial guarantees and commitments;

(vii) Trading in:

(a) Money market instruments – Cheques, bills, CDs, derivatives etc.;

(b) Foreign exchange;

(c) Exchange, interest rate and index instruments;

(d) Transferable securities; and

(e) Commodity futures trading.

(viii) Participation in securities issues and the provision of financial services related to such issues;

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(ix) Individual and collective portfolio management;

(x) Safekeeping and administration of cash or liquid securities on behalf of other persons;

(xi) Otherwise investing, administering or managing funds or money on behalf of other persons;

(xii) Underwriting and placement of life insurance and other investment related insurance; ***** and

(xiii) Money and currency changing.

Notes:

* This also captures private banking.

** This includes inter alia; consumer credit, mortgage credit, factoring, with or without recourse and finance of commercial transactions including forfaiting.

*** This does not extend to financial leasing arrangements in relation to consumer products.

**** This applies to financial activity in both the formal or informal sector e.g., alternative remittance activity. See the Interpretative Note to Special Recommendation 6. It does not apply to any natural or legal person that provides financial institutions solely with message or other support systems for transmitting funds. See the Interpretative Note to Special Recommendation 7.

***** This applies both to insurance undertakings and to insurance intermediaries – Agents and brokers.

When a financial activity is carried out by a person or entity on an occasional or very limited basis, having regard to quantitative and absolute criteria, such that there is little risk of money laundering activity occurring, a country may decide that the application of anti-money laundering measures is not necessary, either fully or partially.

In strictly limited and justified circumstances and based on a proven low risk of money laundering, a country may decide not to apply some or all of the Forty Recommendations to some of the financial activities stated above.

"**The Unit**" – Means Financial Intelligence Unit.

"**Legal arrangements**" – Refers to express trusts or other similar legal arrangements.

"**Legal persons**" – Refers to bodies corporate, foundations, partnerships, associations or any similar bodies that can establish a permanent customer relationship with a financial institution or otherwise own property.

"**Payable-through accounts**" – Refers to correspondent accounts that are used directly by third parties to transact business on their own behalf.

"**Politically Exposed Persons" ("PEPs")** – Are individuals who are or have been entrusted with prominent public functions in a foreign country e.g., Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories.

"**Shell bank**" – Means a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.

"**STR**" – Means a Suspicious Transaction Report.

"**Supervisors**" – Refers to the designated competent authorities responsible for ensuring compliance by financial institutions with requirements to combat money laundering and terrorist financing.

"**The FATF Recommendations**" – Refers to these Recommendations and to the FATF Special Recommendations on Terrorist Financing.

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3.2.4 The FATF nine special recommendations on terrorist financing

Recognising the vital importance of taking action to combat the financing of terrorism, FATF has agreed these Recommendations that when combined with FATF's Forty Recommendations on money laundering, set out the basic framework to detect, prevent and suppress the financing of terrorism and terrorist acts.

3.2.4.1 Special Recommendation 1 – Ratification and implementation of UN instruments

Each country should take immediate steps to ratify and implement fully the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism.

Countries should also immediately implement the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly United Nations Security Council Resolution 1373.

3.2.4.2 Special Recommendation 2 – Criminalising the financing of terrorism and associated money laundering

Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations. Countries should ensure that such offences are designated as money laundering predicate offences.

3.2.4.3 Special Recommendation 3 – Freezing and confiscating terrorist assets

Each country should implement measures to freeze without delay funds or other assets of terrorists, those who finance terrorism and terrorist organisations in accordance with the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts.

Each country should also adopt and implement measures including legislative ones that would enable the competent authorities to seize and confiscate property that is the proceeds of or used in or intended or allocated for use in, the financing of terrorism, terrorist acts or terrorist organisations.

3.2.4.4 Special Recommendation 4 – Reporting suspicious transactions related to terrorism

If financial institutions or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to or are to be used for terrorism, terrorist acts or by terrorist organisations, they should be required to report promptly their suspicions to the competent authorities.

3.2.4.5 Special Recommendation 5 – International co-operation

Each country should afford another country on the basis of a treaty, arrangement or other mechanism for mutual legal assistance or information exchange, the greatest possible measure of assistance in connection with criminal, civil enforcement and administrative investigations. This includes inquiries and proceedings relating to the financing of terrorism, terrorist acts and terrorist organisations.

Countries should also take all possible measures to ensure that they do not provide safe havens for individuals charged with the financing of terrorism, terrorist acts or terrorist organisations and should have procedures in place to extradite where possible, such individuals.

3.2.4.6 Special Recommendation 6 – Alternative remittance

Each country should take measures to ensure that persons or legal entities including agents that provide a service for the transmission of money or value including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions.

3.2.4.7 Special Recommendation 7 – Wire transfers

Countries should take measures to require financial institutions including money remitters, to include accurate and meaningful originator information e.g., name, address and account numbers, on funds transfers and related messages that are sent and the information should remain with the transfer or related message through the payment chain.

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Countries should take measures to ensure that financial institutions including money remitters, conduct enhanced scrutiny of and monitor for suspicious activity funds transfers which do not contain complete originator information e.g., name, address and account numbers.

3.2.4.8 Special Recommendation 8 – Non-profit organisations

Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable and countries should ensure that they are not misused:

(i) By terrorist organisations posing as legitimate entities;

(ii) To exploit legitimate entities as conduits for terrorist financing including for the purpose of escaping asset freezing measures; and

(iii) To conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

3.2.4.9 Special Recommendation 9 – Cash couriers

Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments including a declaration system or other disclosure obligation.

Countries should ensure that their competent authorities have the legal authority to stop or restrain currency or bearer negotiable instruments that are suspected as related to terrorist financing or money laundering or that are falsely declared or disclosed.

Countries should ensure that effective, proportionate and dissuasive sanctions are available to deal with persons who make false declaration(s) or disclosure(s). In cases where the currency or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also adopt measures including legislative ones consistent with Recommendation 3 and Special Recommendation 3 that would enable the confiscation of such currency or instruments.

NB! The Interpretive Notes for FATF's 9 Special Recommendations are both complex and extremely detailed in their nature and this document does not intend to repeat them here. Instead, the Interpretive Notes for FATF's 9 Special Recommendations may be found at:

http://www.fatf-gafi.org/document/53/0,3343,en_32250379_32236947_34261877_1_1_1_1,00.html and if any employee has any doubt over their application, they are to consult the Compliance Officer immediately.

3.3 The Guidance Notes issued by the Joint Money Laundering Steering Group ("JMLSG")

The BSL no longer provides detailed guidance on what constitutes appropriate identification evidence. The Joint Money Laundering Steering Group ("JMLSG"), a financial services trade association sponsored by the British Bankers Association ("BBA"), has produced Guidance Notes determining what satisfactory levels of identification evidence are.

The BSL, when assessing Zenfinex Africa's compliance with its duty to identify a client will have regard to Zenfinex Africa's compliance with the Guidance Notes. A court will also take into account Zenfinex Africa's compliance with the Guidance Notes when determining its compliance with local legislation. Where however, the BSL does produce detailed guidance for firms or for a particular firm, then this guidance will take precedence over the Guidance Notes.

3.4 The general scope of Zenfinex Africa's Money Laundering Prevention procedures

The BSL requires Zenfinex Africa to have in place effective money laundering prevention procedures in respect of its regulated activities carried on from an establishment maintained by Zenfinex Africa in Sierre Leone.

Zenfinex Africa must set up and operate arrangements including the appointment of a Compliance Officer. Consequently, it must:

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(i) Appoint a Compliance Officer who is responsible for the oversight of Zenfinex Africa's money laundering prevention activities and is the key person in its implementation of money laundering prevention strategies and policies;

(ii) Adopt procedures for the appropriate identification of clients;

(iii) Adopt procedures for the reporting by staff of money laundering suspicions to the Compliance Officer and for the Compliance Officer to report these suspicions where appropriate, to the Financial Intelligence Unit ("the Unit"); and

(iv) Ensure staff are aware of and given regular training about their role in Zenfinex Africa's money laundering prevention procedures and in the legislation relating to money laundering.

3.5 Duties of the Compliance Officer

Zenfinex Africa are obliged to appoint a Compliance Officer and operate arrangements that are designed to ensure that Zenfinex Africa and the Compliance Officer comply with the requirements of existing legislation to appoint a "nominated official" to be responsible for internal and external money laundering prevention and reporting.

The Compliance Officer is a Controlled Function under BSL's Rules. The Compliance Officer is responsible for the oversight of Zenfinex Africa's money laundering prevention strategies and policies and is subject to the Training and Competency requirements. The Compliance Officer now has far wider responsibilities than under the previous legislative and regulatory regime.

The Compliance Officer must:

(i) Be employed by Zenfinex Africa;

(ii) Have sufficient seniority and resources to fulfil their functions;

(iii) Have unfettered access to all records of Zenfinex Africa;

(iv) Monitor the day-to-day operations of Zenfinex Africa's money laundering prevention policies;

(v) Respond promptly to any reasonable request from the BSL;

(vi) Be responsible for receiving internal reports of suspicion of money laundering from Zenfinex Africa's staff and then to consider such reports and report the matter to the Unit if necessary;

(vii) Obtain and use national and international findings relating to deficient jurisdictions;

(viii) Have access any relevant KYC business information; and

(ix) Take reasonable steps to establish and maintain adequate arrangements for awareness and training of directors and employees that handle or are managerially responsible for handling, transactions that may involve money laundering.

Zenfinex Africa's Compliance Officer should on an annual basis, make a report to senior management that includes:

(i) An assessment of Zenfinex Africa's compliance with existing money laundering prevention legislation and regulation;

(ii) Indicates the way in which new findings particularly relating to deficient jurisdictions, have been used during the year;

(iii) Gives the number of reports made by senior management and employees dealing separately, if appropriate, with different parts of Zenfinex Africa's business; and

(iv) Reports the means by which the effectiveness of procedures has been tested.

3.6 The requirements for Zenfinex Africa to identify a client

Zenfinex Africa must take reasonable steps to find out information about its clients by obtaining sufficient evidence of the identity of the client. The specific exemptions are set out in section 3.11. A client is defined as any person

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engaged in or who has had contact with Zenfinex Africa with a view to engaging in any transaction or service undertaken in the course of carrying on a regulated activity with Zenfinex Africa either:

(i) On their own behalf; or

(ii) As agent for or on behalf of another.

If the client with whom Zenfinex Africa has contact is or appears to be acting on behalf of another, the obligation on Zenfinex Africa is to obtain sufficient evidence of both their identities.

Zenfinex Africa must obtain sufficient evidence of the identity of a client as soon as practicable after it has contact with a client with a view to either agreeing to carry out an initial transaction or reaching an understanding that it may carry out future transactions. If the client does not supply the evidence within this timescale then Zenfinex Africa must unless it has informed the Unit, discontinue any regulated activity it is conducting for the client and bring to an end any understanding it has reached with them.

3.7 Exemptions from 'Know Your Customer' ("KYC") requirements

The specific circumstances where either the duty of Zenfinex Africa to identify its client need not be complied with or Zenfinex Africa is entitled to regard the evidence it has as sufficient are set out in the JMLSG Guidance Notes. These exceptions do not apply if Zenfinex Africa considers that the client or a transaction arising from a client is suspect e.g., where Zenfinex Africa including members of staff and their managers, dealing with the client or transaction:

(i) Know or suspect; or

(ii) Have reasonable grounds to know or suspect; that a transaction may be suspicious and that the client or the person, on whose behalf the client is or appears to be acting, is engaged in money laundering.

The duty to identify the client does not apply if:

(i) The client is also a regulated credit or financial institution located in Sierre Leone or country with "equivalence" status e.g., listed as a full FATF member; or

(ii) The transaction is:

  (a) A one-off transaction with a value of less than €15,000; or

  (b) The transaction is one of a number of transactions which are related and when taken together, have a value of less than €15,000.

(iii) The client is introduced to Zenfinex Africa with a view to carrying out a one-off transaction by a person who has given Zenfinex Africa a written assurance that in all such cases the identification evidence has been obtained and recorded and:

  (a) The person who has given the written assurance is covered by the Money Laundering Directive; or

  (b) The person is subject to regulatory oversight exercised by a relevant overseas regulatory authority and to legislation at least equivalent to that required by the Money Laundering Directive.

(iv) The proceeds of a one-off transaction are:

  (a) To be payable to the client but are then to be invested on his behalf;

  (b) To be the subject of a record; and

  (c) Capable only of being reinvested on the client's behalf or paid directly to the client.

Zenfinex is required to ensure that it has adequate evidence to show that the source of the funds received was that of the client. This could include a copy of any cheque received, a copy of the appropriate bank statement or narrative information provided by the paying bank in the case of BACS, CHAPS or other means of automated payments.

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If Zenfinex Africa is relying on this "Source of funds concession" and there are grounds for believing that the identity of the client has not been previously identified by the institution holding the account then, taking a risk based approach, additional measures to verify must be sought.

Zenfinex Africa may regard evidence as sufficient for the purposes of client identification if it establishes that the client is acting on behalf of another person, and:

(i) The client has given a written assurance that evidence of the identity of the person on whose behalf it is acting has been obtained and recorded; and

(ii) The client is subject to regulatory oversight exercised by an overseas regulatory authority in a country with "equivalence" status.

3.8 The requirement to 'look behind the client'

Where a client appears to be acting on behalf of another, Zenfinex Africa is required to obtain sufficient client identification evidence on both parties. For certain entities the Guidance Notes recommend that Zenfinex Africa looks behind the immediate client:

(i) Under the Guidance Notes the recommendation is that for a higher risk entity such as a private company, Zenfinex Africa should look to the underlying beneficial shareholders i.e., those with 20% interest or more and those with principal control over the company's assets, usually the principal controllers / directors or shadow directors of the company; and

(ii) Under the Guidance Notes the recommendation is that for a higher risk entity such as a trust, Zenfinex Africa should look to the settlor(s) and those who are authorised to invest or transfer funds or to make decisions on behalf of the trust e.g., the principal trustees and any controllers who have the power to remove the trustees.

Where Zenfinex Africa's client is a manager of an unregulated collective investment scheme then there is no specific recommendation within the Guidance Notes as to the extent that Zenfinex Africa is required to obtain client identification evidence on the participants within the scheme for whom the manager is acting. It may in these circumstances be appropriate for Zenfinex Africa to rely on the fact that the manager is based in a FATF country. Where this is not the case then Zenfinex Africa will need to take a risk-based approach when considering obtaining the appropriate identification evidence for each participant in the scheme.

3.9 Ensuring client funds are not mixed with the proceeds of crime

Zenfinex Africa should ensure that as far as is reasonably possible client monies are not "intermingled" with funds that may be derived from or used for unlawful activity. Zenfinex Africa therefore needs to adopt procedures that are appropriate for the particular circumstances.

3.10 Reporting

Zenfinex Africa must take reasonable steps to ensure that any employee who handles or is managerially responsible for handling transactions that may involve money laundering makes a report promptly to the Compliance Officer if they have a money laundering suspicion. To reiterate, a money laundering suspicion is one where an employee:

(i) Knows or suspects; or

(ii) Has reasonable grounds to know or suspect; that the client or person on whose behalf the client is or appears to be acting is engaged in money laundering.

The steps to be taken include establishing and maintaining arrangements for disciplining any employee who fails without reasonable excuse to make such a report. The Anti-Money Laundering and Combating of Finance of Terrorism Act 2012 ("The Legislation") introduced criminal liability for failing to make a suspicion report where reasonable grounds exist for knowing or suspecting money laundering.

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If a person fails to make a suspicion report when an honest and reasonable person would have done so, the person could be accused of negligently failing to report. This is known as the "Objective Test". There are two defences to the accusation in such circumstances:

(i) The person was not provided with training in which case the potential liability rests with Zenfinex; and

(ii) The person has a reasonable excuse for not disclosing the information.

Without such a defence the person would have to be able to produce evidence to prove that they were not negligent. This places particular emphasis on the making and retaining of appropriate records that could be used in such cases. Suspicions may arise in many circumstances e.g.:

(i) A client's reluctance to co-operate in providing evidence of identity;

(ii) Apparently needless transfers of funds especially those requesting payments to a third party or to an unidentified numbered account; and

(iii) Transactions that appear to be uneconomic or otherwise inconsistent with the customer's circumstances and investment objectives.

Zenfinex Africa is required to ensure that any internal reports made, other than a report made to a person authorised by the Director General of the Unit, is considered by the Compliance Officer in conjunction with any relevant KYC information. If the Compliance Officer shares the money laundering suspicion, then this must be reported promptly to the Unit by the Compliance Officer.

The making of a report to the Unit by the Compliance Officer must not be subject to the consent or approval of any other person. The Legislation introduced criminal liability for failure by the Compliance Officer to report a suspicion where it was reasonable for such a report to be made.

The failure to report knowledge or suspicion of money laundering is a criminal offence. A senior manager or employee, who promptly reports a knowledge or suspicion to the Compliance Officer or person authorised by the Director General of the Unit and who takes care to avoid tipping-off, fulfils their obligations under the legislation. Making a timely report to the Compliance Officer provides a defence to a charge of assisting a money launderer.

Reporting to the Unit falls into the following categories:

(i) Post event – Where the suspicion arises following the activity;

(ii) Pre-event – Where the suspicion arose prior to the activity taking place; and

(iii) Limited Intelligence Value reports.

In each case the Compliance Officer will investigate and report to the Unit. In the latter case consent must be requested from the Unit to continue with the activity on behalf of the client if Zenfinex Africa wishes and considers it appropriate to continue such activity. Having requested permission to proceed, the activity must not continue until such time as the Unit responds.

The Unit is allowed seven days to either give consent or refuse permission to continue. If the Compliance Officer receives nothing from the Unit within seven days, they may treat this as consent to continue the activity. If the Unit refuses consent the police have thirty-one days to provide Zenfinex Africa with a court order restraining Zenfinex Africa from continuing with the activity. If no restraining order is received after thirty-one days, Zenfinex Africa may continue with the activity.

Any report received by the Compliance Officer or made to the Unit will be treated confidentially and will not infringe any duty of client confidentiality. Zenfinex Africa's staff need to be aware that it is a serious offence under the Legislation for the client to be made aware that they are under suspicion or investigation. This particular offence is known as "tipping off".

Further details on reporting to the Unit may be found on the Unit website at https://fiu.gov.sl/.

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3.11 Awareness and training

Zenfinex Africa is required to ensure staff are aware of and given regular training about their role in Zenfinex Africa's money laundering prevention procedures and in the legislation relating to money laundering. It is required to ensure that employees that handle or are managerially responsible for transactions that may involve money laundering are aware of:

(i) Their responsibilities under Zenfinex Africa's arrangements to comply with the money laundering legislation;

(ii) The identity and responsibilities of the Compliance Officer or the person authorised by the Director General of the Unit;

(iii) The law relating to money laundering including the offences and penalties that may be levied; and

(iv) The potential effect upon clients, Zenfinex Africa and its senior managers and employees of any breaches to the money laundering requirements.

Furthermore Zenfinex Africa should provide to all staff irrespective of their capacity within it, information covering the above matters. This information should be available to staff when they commence work with Zenfinex and at all times thereafter. Therefore, employees must be made aware of and be given regular training about what is expected of them in relation to the prevention of money laundering and what the consequences are for Zenfinex and for them if they fall short of that expectation.

Training must deal with the legislation on money laundering and the responsibilities of staff under Zenfinex Africa's money laundering prevention procedures. Zenfinex Africa should ensure that training is provided with sufficient frequency to ensure that within any twelve-month period it is given to all employees.

As described above the Legislation provides a defence of inadequate training for staff accused of failing to report. This places additional responsibility on Zenfinex Africa to ensure that adequate training is provided.

3.12 Record keeping

Zenfinex Africa's records relating to the verification of a prospective client's identity must be retained for a period of five years from the date on which the business relationship ends. In a continuing business relationship this means permanently. Transaction records must be retained for five years following the completion of the last transaction and must be sufficient to ascertain the following information:

(i) The names and addresses of the customer and of all parties to the transaction;

(ii) The dealing and accounting records showing the name of the investment dealt in, its price and size and whether the transaction was a purchase or a sale;

(iii) The form of instruction or authority; and

(iv) The account details and the form in which the funds were paid to Zenfinex Africa and the form and destination of payment made by Zenfinex Africa to the client.

Records must be kept and retained for at least five years of the dates of all money laundering prevention training given, the nature of the training and the names of the senior managers and employees who received it.

Annual reports by the Compliance Officer to senior management, records of senior management's consideration of those reports and any action taken as a consequence must also be retained for five years.

Records relating to reporting must be retained for five years from the date that action is taken under the internal and external suspicion reporting requirements. Any records that are known to be assisting with investigations must be kept until the investigating officer advises Zenfinex Africa that they are no longer needed.

3.13 Dealing with intermediaries and agents

The Guidance Notes state that whilst Zenfinex Africa is responsible for obtaining satisfactory identification of its clients it is reasonable in a number of circumstances for reliance to be placed on another regulated firm either to:

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(i) Undertake the identification procedures when introducing a customer and to obtain any additional KYC information from the customer; or

(ii) To confirm the identification details if the customer is not resident in Sierre Leone; or

(iii) To confirm that verification of identity has been undertaken if an agent is acting for underlying principals.

The Guidance Notes give detailed recommendations on the circumstances when it is reasonable for Zenfinex Africa to rely on a regulated firm and the appendices to the JMLSG's Guidance Notes include examples of introduction and agent confirmation certificates.

Where the relationship between Zenfinex Africa's client and the third party being identified is not one that legally would be defined as agent and principal, nevertheless the principles set out in the Guidance Notes form a standard on which firms may usefully base their procedures.

The Guidance Notes state that where Zenfinex Africa's client is a regulated firm in Sierre Leone or in a country with "equivalence" status then there is no requirement to establish the identity of the underlying clients. There is also no requirement to obtain any form of written confirmation from the agent concerning the due diligence undertaken on its underlying clients.

Where the client is a regulated entity outside of FATF jurisdiction then the obligation to ensure that the appropriate client identification procedures are carried out on the underlying providers of funds to Zenfinex Africa's client will remain with Zenfinex Africa.

More detailed guidance on the procedures Zenfinex Africa should adopt when relying on third parties for client identification are set out in the Guidance Notes.

3.14 Introductions from authorised agents in Sierre Leone or a country with 'equivalence' status

Where a regulated agent or intermediary introduces a client Zenfinex Africa is entitled to rely on introduction certificate provided by the introducer confirming that measures have been taken to identify the introduced client. The Guidance Notes include an example of the introduction certificate that may be used.

If an introduction certificate is not forthcoming from the introducing firm or the certificate indicates that identification has not been satisfactorily verified, Zenfinex Africa must then carry out its own verification process.

3.15 Introductions from non-FATF regulated firms

The reliance that can be placed on an intermediary to undertake the verification of identity check must be assessed by the Compliance Officer or some other competent person within the business on a case-by-case basis, based on their knowledge of the intermediary. The identity verification checks must be to Sierre Leone' s standards and an introduction certificate completed for each introduced customer together with certified copies of the identification documents.

3.16 Correspondent relationships

Under the Guidance Notes, a risk-based approach is recommended when conducting business with correspondents. Zenfinex Africa should establish if the correspondent bank or counter-party is regulated for money laundering prevention and if so whether it is required to verify the identity of its customers to FATF standards. Where the correspondent is not required to verify to FATF standards Zenfinex Africa should ascertain and assess their internal policies and procedures to prevent money laundering.

At least one other person senior to or independent from the officer sponsoring the relationship should be required to approve its set up. In addition, Compliance and the Compliance Officer and an external resource should undertake an independent review of the conduct of the relationship at least annually.

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3.17 Timing

Zenfinex Africa must obtain sufficient evidence of identification as soon as reasonably practicable after it has contact with a client with a view to:

(i) Agreeing with the client to carry out an initial transaction; or

(ii) Reaching an understanding whether binding or otherwise, with the client that it may carry out future transactions.

This evidence should be obtained prior to any transaction being carried out for or on behalf of the client. If the evidence is not supplied within a reasonable time scale then, unless a report has been made to the Unit, Zenfinex Africa must:

(i) Discontinue any regulated activity it is conducting for them; and

(ii) Bring to an end any understanding it has reached with them.

Although there is no need to re-identify a client who closes one account and opens another, the opportunity of re-verifying the current address should be taken at this point. Previously obtained identity information should be linked to the new account.

3.18 Client verification requirements - General approach

Zenfinex Africa may adopt a risk-based approach to what is required to verify the identity of customers. The money laundering risk takes into account the risk of the actual business being undertaken and the type of entity being verified:

(i) High-risk business permits third party funding and / or transactions and this would include any cash transactions, while low risk business does not permit these third party funding and / or transactions;

(ii) High-risk entities include companies that are not listed on a recognised stock exchange or are not subsidiaries of such companies and discretionary and offshore trusts. Clearly a significant and well established private company or a major professional partnership presents a lower risk of money laundering.

Zenfinex Africa will therefore be required to assess the money laundering risk in respect of each client and the business it is undertaking with that client when deciding on the identification evidence required.

For the lowest risk type of business if payment is to be made from an account identifiably in the client's name or jointly with one or more other persons at an authorised financial or credit institution e.g., an EU or UK bank, no further evidence of identity may be necessary. Zenfinex Africa is required to obtain appropriate evidence to show that the source of funds was that of the client.

3.19 Verification requirements of corporate customers

In view of the difficulties that can be encountered in identifying beneficial ownership and because of their complex structures, corporate entities are amongst the most likely vehicles for money laundering. Therefore, a higher degree of care must be taken to verify the legal existence of a corporate customer and the authorisation of those persons purporting to act on its behalf. The fundamental requirement is to identify who has ultimate control over the business and the corporate assets.

For low risk clients where the client is:

(i) Quoted on a recognised, designated or approved exchange in a FATF country; or

(ii) Known to be a subsidiary controlled by a corporation quoted in a FATF country; no further steps need be taken to verify identity of the corporation over and above the usual commercial checks and due diligence.

Zenfinex Africa will need to ensure that it has on file:

(i) Evidence that the client is quoted and / or is a subsidiary controlled by a quoted company; and

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(ii) A copy of the board resolution or other authority for any representative to act on behalf of the corporation in its dealings with Zenfinex Africa.

Zenfinex Africa should obtain certified copies of the following documents to verify the business itself:

(i) A copy of the certificate of incorporation / certificate of trade or the equivalent and evidence of the corporation's registered address and the list of shareholders and directors or partners; or

(ii) A search of the file at the office of the Registrar of Companies or an enquiry via a business information service to obtain such information; or

(iii) A written undertaking from the corporate customer's lawyers or accountants confirming that the documents in (i) have been submitted to the relevant corporation's registry.

Zenfinex Africa will need to consider the place of origin of the documents and the background against which they are produced. If documents of comparable standard to those in Sierre Leone cannot be obtained, then verification of principal beneficial owners or controllers should be undertaken.

For high-risk business conducted with low risk clients Zenfinex Africa will need to obtain the following documents:

(i) The items listed above; and

(ii) For clients incorporated for eighteen months or more, a copy of the latest report and accounts; and

(iii) A certified copy of the resolution of the board of directors to open an account and confer authority on those who will operate it.

For high-risk business conducted for high-risk clients Zenfinex Africa will need to obtain the following documents:

(i) The items listed above; and

(ii) Identification evidence on those shareholders with interests of 20% or more however, in some circumstances a proportion of capital over 10% might be applicable; and

(iii) Zenfinex Africa may consider it appropriate when taking a risk based approach, to obtain identification evidence on directors who are not principals and / or some or all signatories to an account.

The purpose of this procedure is to look behind the corporate entity to identify those who have ultimate control over the business and the company's assets. Zenfinex Africa will need to adopt the verification procedures for individuals as described below. Where the beneficial owner is another corporate entity or trust, the objective is to look behind the "corporate" documents to verify the identity of the beneficial owner(s) or settlor(s).

Where the client is a non-FATF regulated credit or financial institution that is not located in either a non-co-operative country or territory, or in a country with material deficiencies as defined by FATF then Zenfinex Africa should check the existence and regulated status of the client by one of the following means:

(i) Check with the home country's Central Bank or relevant supervisory body; or

(ii) Check with another office, subsidiary, branch or correspondent bank in the same country; or

(iii) Check with a regulated correspondent bank of the overseas institution; or

(iv) Obtain evidence of its licence or authorisation to conduct financial business.

A lawyer, attorney or the company's external auditors may certify corporate documentation.

3.20 Verification requirements of individuals

Where the identity of an individual must be verified Zenfinex Africa is required to obtain and independently verify the full name and current permanent address including postcode, of the individual. It is helpful to also obtain the date of birth and country of residence.

While not mandatory it is useful to establish the country of residency to ensure that there is no breach of UN or other financial sanctions to which Sierre Leone may be party. If the transaction is in US dollars, Zenfinex Africa is

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advised to check that the country of residence is not one which would breach the sanctions imposed by the Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury, which may be found at www.treas.gov/offices/enforcement/ofac.

For Sierre Leone residents any one or more of the following must be used to verify the name of the individual:

(i) Passport
(ii) National Identification Card, voters card, military ID etc...;
(iii) Driver's license which **clearly show the following particulars:**
  a. Photo
  b. Full name
  c. Date of birth (DoB)
  d. Expiration date
  e. Document number
  f. Full security strip (if applicable)

All documents should be copies of the original or the originals themselves. However, in order to reduce the risk of interception of original documents, Zenfinex Africa should not request that these be sent through the post. In all cases, the address of the individual must also be verified by means of any one of the following:

(i) Record of home visit by a senior manager or employee of Zenfinex Africa;

(ii) Address confirmation from electoral register search;

(iii) National I.D card if this includes the current address;

(iv) Appropriate evidence of permanent residential address from an official source;

(v) Recent utility bill – Within three months;

(vi) Local authority tax bill - Valid for the current year;

(vii) Current Sierre Leone photo card driving licence;

(viii) Bank, building society or credit union statement or passbook with current address;

(ix) The most recent original mortgage statement from a recognised lender;

(x) Local council rent card or tenancy agreement;

(xi) Benefit Book or notification letter from the Benefits Agency confirming the right to benefits; and

(xii) For a foreign national temporarily resident in Sierre Leone, an appropriate reference from an employer, university etc. to corroborate the prospective client's address.

* NB! The same document may not be used to verify both identity and address. Checking a local or national telephone directory may serve as corroborative evidence but is not a primary check. Where an individual has recently moved house, the previous address should be verified.

The full lists of documentation that can be relied upon for identification and address verification can be found in the Guidance Notes and the 'Identification Checklists' in section 3 of this manual.

Where the contact with the prospective client is not face-to-face one of the following additional verification checks could be necessary:

(i) Direct mailing of account opening documentation to a named individual at an independently verified address which is completed or acknowledged without alteration to the name or address; or

(ii) Initial deposit cheque drawn on a personal account in the individual's name at another Sierre Leone bank or building society; or

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(iii) Telephone contact with the individual on an independently verified home or business number or a "welcome call" to the individual utilising a minimum of two pieces of personal identity security information that have been previously provided during the setting up of the account.

In the case of non-Sierre Leone residents, confirmation from a reputable credit institution in the individual's home country verifying their true name and full and physically locatable, permanent address may be relied upon.

In the case of joint clients, identification evidence needs to be obtained for all parties however, where two individuals have the same surname and address there is no need to verify the address of the second individual. More detailed guidance on the verification requirements of individuals is contained in the Guidance Notes.

3.21 Verification requirements of trusts, nominees and fiduciaries

The confidential, secret and frequently complex nature of trusts make them popular vehicles for criminals. Certain types of trusts present a higher money laundering risk than others. The Guidance Notes give the following risk assessment guidance:

(i) Low-risk trusts include bare, absolute and conventional family trusts established in Sierre Leone;

(ii) High-risk trusts include discretionary unless this is a conventional Sierre Leone family trust and offshore trusts.

The above is broad based guidance. The risk assessment of each individual trust client clearly will depend on the particular circumstances of that client.

The principal objective of the identification verification requirements of trusts, nominees and fiduciaries is to verify the identity of those providing the funds, usually the settlor; those who have control over the funds, usually the trustees and those who have power to remove the trustees. For higher risk trusts Zenfinex Africa is required:

(i) To ascertain the nature and purpose of the trust and the original source of funding;

(ii) To identify any trust company or corporate service provider employed by the trust unless the applicant is itself regulated in an FATF equivalent country;

(iii) To identify the beneficiaries of the trust before any payments are made to them; and

(iv) To identify the authorised signatories and their authority to operate an account where Zenfinex Africa receives funds from an account that is not under the control of the trustees.

Where a low-risk trust carries out a high-risk transaction e.g., receives funding from a source which has not been identified or makes payments out of a bank account that is not controlled by a previously identified entity, Zenfinex Africa is required to consider what additional identification procedures should be carried out.

Where the settlor is deceased, a grant of probate or copy of the will or equivalent document will evidence the source of the funds. Where a new trustee is appointed, the identity of the new trustee must be verified before exercising control over the trust's funds.

For higher risk trusts, nominees and fiduciaries where the applicant is a regulated credit or financial institutions in a FATF jurisdiction then:

(i) The trustees should be asked to state the capacity in which they are operating and their regulated status; and

(ii) Documentary evidence of the appointment of the current trustees should also be obtained.

Zenfinex Africa needs to ensure that the client is not located in a jurisdiction where bank secrecy or confidentiality constraints would restrict access to the documentary evidence of identity of the underlying principals should it be needed for a Sierre Leone investigation e.g., Switzerland or Luxembourg.

3.22 Verification requirements of Powers of Attorney and Third-Party Mandates

Any person with power of attorney or a third party mandate over a prospective client's account must have their identity verified in accordance with the requirements for individuals as stated above together with the reason(s) for granting the mandate or power of attorney. The exception to this requirement is where the attorney is a solicitor.

3.23 Verification requirements for partnerships

The identification requirements for partnerships are set out in the Guidance Notes. Where the prospective client is an unincorporated business or partnership, the beneficial owners and / or controllers, together with the authorised signatories, must be identified in line with the requirements for individuals as stated above. In addition to the individual identification evidence, Zenfinex Africa is required to obtain evidence of the trading address of the partnership. Where a formal partnership deed exists, a mandate from the partnership authorising the relationship with Zenfinex Africa and conferring authority on those who will undertake transactions should be obtained.

3.24 Verification requirements for "others"

For more detail on the identity requirements on other entities such as clubs, societies, occupational pension schemes, charities, local authorities, foreign consulates and executorship accounts, Zenfinex Africa should refer to the Compliance Officer.

4 TEMPLATE FORMS

4.1 Introduction

Link	Section	Form Title
Internal Suspicion Report – Individual	4.2	Internal Suspicion Report Form – Individuals
Internal Suspicion Report – Company	4.3	Internal Suspicion Report Form – Companies
Confirmation of an Internal Suspicion Report	4.4	Confirmation of Receipt of Internal Suspicion Report
Template for KYC checklist – Corporate / Unincorporated businesses and partnerships	4.5	Identification Verification – Corporate/Unincorporated Businesses & Partnerships
Template for KYC checklist – Regulated and listed corporates	4.6	Identification Verification – Regulated and Listed Corporates
Template for KYC checklist – Discretionary and offshore trusts	4.7	Identification Verification – Discretionary Trusts and Offshore Trusts
Template for KYC checklist – Individuals identified on a non-Face-to-Face basis	4.8	Identification Verification – Individuals Identified on a Non Face-to-Face Basis
Template for KYC checklist – Individuals identified on a Face-to-Face basis	4.9	Identification Verification – Individuals Identified on a Face-to-Face Basis

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Link	Section	Form Title
Template for KYC checklist – Family and Trusts	4.10	Identification Verification – Conventional Family and Trusts
Template for KYC checklist – Introduced Clients	4.11	Identification Verification – Introduced Clients

（NB！ Hold down CTRL key and click on the link to navigate directly to the form. These are template / proforma documents only and may be tailored accordingly for operational introduction.）

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4.2 Internal Suspicion Report – Individual

Your Name:	Date:
Department:	Phone Ext:

DETAILS REQUIRED FOR AN INDIVIDUAL	
Title:	
Surname:	
Account ID (If applicable):	
Forenames:	
Date of Birth:	
Gender:	
Nationality:	
Passport No:	
Occupation:	
Home Address (including postcode and country):	
Employer:	

Please sign, date and take a copy for your records prior to sending to the Compliance Officer:

FOR Compliance Officer RECORDS ONLY:		Reference No:	
Date suspicion received:	/ / 20	Date of receipt for SAR / STR:	/ / 20
Reported to the Unit?	Yes / No*	Date reported to the Unit:	/ / 20
the Unit response received?	Yes / No*	Date of response from the Unit:	/ / 20
the Unit reference details:		Date of management update:	/ / 20
Compliance Officer central records database updated:			Yes / No*

* Delete as applicable

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4.3 Internal Suspicion Report – Company

Your Name:	Date:
Department:	Phone Ext:

DETAILS REQUIRED FOR A COMPANY:	
Firm Name:	
Type of Business:	
Account ID (If applicable):	
Address (including postcode and country):	
Firm No:	
VAT No:	
Reason(s) for suspicion (please continue on a new page if necessary):	

Please sign, date and take a copy for your records prior to sending to the Compliance Officer:

FOR Compliance Officer RECORDS ONLY:		Reference No:	
Date suspicion received:	/ / 20	Date of receipt for SAR / STR:	/ / 20
Reported to the Unit?	Yes / No*	Date reported to the Unit:	/ / 20
the Unit response received?	Yes / No*	Date of response from the Unit:	/ / 20
the Unit reference details:		Date of management update:	/ / 20
Compliance Officer central records database updated:			Yes / No*

* Delete as applicable

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4.4 Confirmation of an Internal Suspicion Report

To: [ ]

cc: [ ]

From: [ ] – Compliance Officer

Compliance Officer Ref: [ ]

Date: [ ]

Re: Your internal suspicion report dated [/ / 20]

Client name: [ ]

Client ID: [ ]

Dear [ ]

Thank you for your recent report regarding the above-mentioned client. In accordance with the regulations and our standard policies and procedures, I am currently investigating this issue and will advise you of my conclusions at the earliest opportunity.

While the investigation continues I must remind you that it is an offence under Anti-Money Laundering and Combating of Finance of Terrorism Act to do anything that may be construed as "tipping off" the customer that a "Suspicious Activity Report" or a "Suspicious Transaction Report" may be made to the Financial Intelligence Unit.

Proven failure to comply with this requirement may lead to an unlimited fine, imprisonment, internal disciplinary action or a combination of or indeed all three.

Regards,

[ ]

Compliance officer

[FIRM LONG NAME]

No. 148 Wilkinson Road
Freetown, Sierra Leone

support@zenfinex.com

4.5 Template for KYC checklist - Corporate / Unincorporated businesses and partnerships

Customer name:		**Account ID Ref:**	
Customer address:			
1.	Is the customer a FATF regulated credit or financial institution? If '**N**' go to 2, if '**Y**' use the checklist for 'Regulated and Listed Corporates'.	Yes ☐	No ☐
2.	Is the customer listed on a recognised exchange? If '**N**' go to 3, if '**Y**' use the checklist for 'Regulated and Listed Corporates'.	Yes ☐	No ☐
3.	Is the customer being verified on the basis of an introducer's certificate? If '**N**' go to 4, if '**Y**' use the checklist for 'Introduced Clients'.	Yes ☐	No ☐
4.	Provide the following corporate identification evidence. (*Tick when attached where applicable)		
4.1	Copy of Certificate of Incorporation or Partnership Deed.	Yes ☐	No ☐
4.2	The registered number of the entity:		
4.3	Evidence of the registered corporate name and any trading names used.	Yes ☐	No ☐
4.4	Evidence of the registered address and any separate principal trading address.	Yes ☐	No ☐
4.5	Latest report and accounts. (Audited where applicable).	Yes ☐	No ☐
4.6	Evidence being a board resolution or similar document proving that the individuals have appropriate authority.	Yes ☐	No ☐
4.7	Memorandum & Articles of Association.	Yes ☐	No ☐
4.8	List of all the shareholders both legal and beneficial and controllers of the entity.	Yes ☐	No ☐
4.9	Undertaking from lawyers or accountants if documents are unavailable.	Yes ☐	No ☐
5.	Provide the following documents appropriate to the beneficial owner(s) of the company. That is individuals with 20% or more ownership of the company. (*Tick when attached where applicable)		
5.1	Copy of a passport, driving licence or I.D. card as proof of identity.	Yes ☐	No ☐
5.2	Original or copy of a recent utility bill to validate the address.	Yes ☐	No ☐

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6.	Is the nature of the current business / source of funds suspicious? If '**Y**' report to the Compliance Officer.	Yes ☐ No ☐
7.	Is the customer or any of the owners on the list of "Politically Exposed Persons"? If '**Y**' advise the Compliance Officer immediately.	Yes ☐ No ☐
8.	Will any transactions be in US Dollars? If '**N**' go to 9, if '**Y**' see 8.1.	Yes ☐ No ☐
8.1	Is the country of registration one on which OFAC has imposed sanctions? If '**Y**' inform the Compliance Officer immediately.	Yes ☐ No ☐
9.	On a separate piece of paper i.e., Microsoft Word document, describe the expected nature of the business from the customer. Volumes, frequency, amounts etc.	Yes ☐ No ☐
Prepared by: (Sign, print and date)		/ / 20
Authority for account to be opened granted by: (Sign, print and date)		/ / 20

Corporate and Unincorporated Businesses and Partnerships - Notes for completion

Evidence that can be used to verify an individual's name includes:

(iv) Passport
(v) National Identification Card, voters card, military ID etc...;
(vi) Driver's license which **clearly show the following particulars:**

g. Photo
h. Full name
i. Date of birth (DoB)
j. Expiration date
k. Document number
l. Full security strip (if applicable)

All documents should be originals or true copies of the originals. Where certified copies are provided by the customer the details must, in the event of an investigation, enable Zenfinex Africa to contact the person who certified the documents.

Evidence that can be used to verify an individual's address includes:

(xiii) Record of home visit by a senior manager or employee of Zenfinex Africa;
(xiv) Address confirmation from electoral register search;
(xv) National I.D card if this includes the current address;
(xvi) Appropriate evidence of permanent residential address from an official source;
(xvii) Recent utility bill – Within three months;
(xviii) Local authority tax bill - Valid for the current year;

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(xix) Current Sierre Leone photo card driving licence;

(xx) Bank, building society or credit union statement or passbook with current address;

(xxi) The most recent original mortgage statement from a recognised lender;

(xxii) Local council rent card or tenancy agreement;

(xxiii) Benefit Book or notification letter from the Benefits Agency confirming the right to benefits; and

(xxiv) For a foreign national temporarily resident in Sierre Leone, an appropriate reference from an employer, university etc. to corroborate the prospective client's address.

More detail on what is appropriate identification evidence is set out in the Guidance Notes.

NB! Evidence used to verify a client's name cannot be used to verify their address.

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4.6 Template for KYC checklist - Regulated and listed corporates

Customer name:		**Account ID Ref:**
Customer address:		
1.	Is the customer or its holding company listed on a recognised, designated or approved exchange? If '**N**' go to 2.	Yes ☐ No ☐
1.1	State the name of the recognised exchange on which the client or its holding company is listed:	
1.2	Attach a print out from the exchange website evidencing the listing then go to 3	Yes ☐ No ☐
2.	Is the customer or its holding company, a FATF regulated credit or financial institution? If '**N**' use the checklist for 'Corporate and unincorporated Businesses and Partnerships'.	Yes ☐ No ☐
2.1	State the name of the regulator by whom the client or its holding company is regulated:	
2.2	Attach a print out from the regulator's website evidencing that the customer is regulated.	Yes ☐ No ☐
3.	Provide the following corporate identification evidence. (*Tick when attached where applicable)	
3.1	Attach the latest report and accounts.	Yes ☐ No ☐
3.2	Attach evidence of the parent company / subsidiary relationship, if appropriate.	Yes ☐ No ☐
3.3	Attach a board resolution conveying authority to individuals to act on its behalf.	Yes ☐ No ☐
4.	Is the nature of the business and / or the source of funds suspicious? If '**Y**' report to the Compliance Officer.	Yes ☐ No ☐
5.	Is the customer or any of the owners on the list of "Politically Exposed Persons"? If '**Y**' advise the Compliance Officer immediately.	Yes ☐ No ☐
6.	Will any transactions be in US Dollars? If '**N**' go to 7, if '**Y**' see 6.1.	Yes ☐ No ☐
6.1	Is the country of registration one on which OFAC has imposed sanctions? If '**Y**' inform the Compliance Officer immediately.	Yes ☐ No ☐

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7.	On a separate piece of paper i.e., Microsoft Word document, describe the expected nature of the business from the customer. Volumes, frequency, amounts etc.	Yes ☐ No ☐
Prepared by: （Sign, print and date）		/ / 20
Authority for account to be opened granted by: （Sign, print and date）		/ / 20

All documents should be originals or true copies of the originals. Where certified copies are provided by the customer the details must, in the event of an investigation, enable Zenfinex Africa to contact the person who certified the documents.

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4.7 Template for KYC checklist - Discretionary and offshore trusts

Customer name:			**Account ID Ref:**
Customer address:			
Establishment date:		Country of establishment:	
Description of the type and purpose of the trust:			
1.	**The customer must be requested to provide copies of the following documents confirming both the creation of the Trust and the identity and address of each of the Principals. NB! The copies must be certified by a regulated or professional person covered by Money Laundering Regulations e.g., a bank representative, lawyer or accountant in a FATF country. The documents must be dated and signed "Original seen" and the details of the certifier must be clearly legible so that they may be contacted in the event of an investigation.**		
1.1	Certified copy of the original trust deed and any amendments thereto.	Yes ☐ No ☐	
1.2	Certified list of trustees confirming their appointment.	Yes ☐ No ☐	
1.3	Where the Settlor is deceased, a written confirmation of source of funds for example, a grant of probate or will.	Yes ☐ No ☐	
1.4	Complete the relevant checklist for individuals for each of the underlying principals e.g., Settlors, protectors, controllers and beneficiaries for whom payments are made.	Yes ☐ No ☐	
1.5	Certified list of any other persons authorised to act on behalf of the trust and documents certifying their appointment.	Yes ☐ No ☐	
2.	Record and attach details of the payment received.	Yes ☐ No ☐	
3.	If funds are received from an account not under the control of the trustees, the identities of two of the signatories and their authority to operate the account must also be verified. Where applicable, complete the relevant checklist for individuals.	Yes ☐ No ☐	
4.	Is the nature of the business and / or the source of funds suspicious? If '**Y**' report to the Compliance Officer.	Yes ☐ No ☐	
5.	Is the customer or any of the owners on the list of "Politically Exposed Persons"? If '**Y**' advise the Compliance Officer immediately.	Yes ☐ No ☐	

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6.	Will any transactions be in US Dollars? If '**N**' go to 7, if '**Y**' see 6.1.	Yes ☐ No ☐
6.1	Is the country of registration one on which OFAC has imposed sanctions? If '**Y**' inform the Compliance Officer immediately.	Yes ☐ No ☐
7.	On a separate piece of paper i.e., Microsoft Word document, describe the expected nature of the business from the customer. Volumes, frequency, amounts etc.	Yes ☐ No ☐
8Prepared by: (Sign, print and date)		/ / 20
Authority for account to be opened granted by: (Sign, print and date)		/ / 20

Discretionary and Offshore Trusts - Notes for completion

Evidence that can be used to verify an individual's identity includes:

(i) Passport
(ii) National Identification Card, voters card, military ID etc...;
(iii) Driver's license which clearly show the following particulars:
  a. Photo
  b. Full name
  c. Date of birth (DoB)
  d. Expiration date
  e. Document number
  f. Full security strip (if applicable)

Evidence that can be used to verify an individual's address includes:

(i) Record of home visit by a senior manager or employee of Zenfinex Africa;
(ii) Address confirmation from electoral register search;
(iii) National I.D card if this includes the current address;
(iv) Appropriate evidence of permanent residential address from an official source;
(v) Recent utility bill – Within three months;
(vi) Local authority tax bill - Valid for the current year;
(vii) Current Sierre Leone photo card driving licence;
(viii) Bank, building society or credit union statement or passbook with current address;
(ix) The most recent original mortgage statement from a recognised lender;
(x) Local council rent card or tenancy agreement;
(xi) Benefit Book or notification letter from the Benefits Agency confirming the right to benefits; and
(xii) For a foreign national temporarily resident in Sierre Leone, an appropriate reference from an employer, university etc. to corroborate the prospective client's address.

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support@zenfinex.com

Is the nature of the business / source of funds legal?

Criminal law imposes a mandatory obligation on all management and staff to report to the Compliance Officer as soon as practicable where they have knowledge or suspicion of money laundering or where there are reasonable grounds to know or suspect that this is the case.

Suspicions are personal and subjective and as such, guidance cannot be prescriptive. Such suspicions may arise from discussion with the client or from documentation received. The customer, in describing the nature of the business and / or the source of funds, may give rise to a suspicion of criminal activity e.g.:

(i) By the unnecessary routing of funds through third party accounts; and / or

(ii) By the unnecessary routing of funds through an institution in a non-FATF jurisdiction in a country on the NCCT list or country with countermeasures against them.

Clearly, where there is no logical reason for the origin of the source of funds, further enquiries will be necessary. Where satisfactory answers are not forthcoming, reports should be made to the Compliance Officer.

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4.8 Template for KYC checklist - Individuals identified on a non-Face-to-Face basis

Customer name:			**Account ID Ref:**
Customer address: NB! Post office box numbers are unacceptable.			
Country of residence:	Nationality:	Date of birth:	

1.	Is the customer or any of the owners on the list of "Politically Exposed Persons"? If '**Y**' advise the Compliance Officer immediately.	Yes ☐ No ☐
2.	Is the country of registration one on which OFAC has imposed sanctions? If '**Y**' inform the Compliance Officer immediately.	Yes ☐ No ☐
3.	**The customer must be asked to provide copies of the following documents to prove identity and validate their address. NB! The copies must be certified by a regulated or professional person covered by Money Laundering Regulations e.g., a bank representative, lawyer or accountant in a FATF country. Where applicable, copies of pages containing visas should also be provided. The documents must be dated and signed "Original seen" and the details of the certifier must be clearly legible so that they may be contacted in the event of an investigation.**	
3.1	Copy of a passport, driving licence or I.D card to prove identity.	Yes ☐ No ☐
3.2	Copy of a recent utility bill to validate the address.	Yes ☐ No ☐
4.	One of the following checks must also be completed:	
4.1	Direct mailing of documents to the named individual at the address provided and verified by the documents in 3.2 above, for signature and return; **OR**	Yes ☐ No ☐
4.2	An initial deposit cheque drawn on the individual's personal account at another Sierre Leone bank or building society; **OR**	Yes ☐ No ☐
4.3	Telephone contact on an independently verified home or business number.	Yes ☐ No ☐
5.	Record / attach details of the payment received.	Yes ☐ No ☐
5.1	Where payment is received from an institution in a non-FATF country the **source of wealth** must be recorded e.g., how the funds were acquired and their origin, the sale of business or other assets or the beneficiary of a deceased's estate.	Yes ☐ No ☐

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5.2	Is the source of funds suspicious? If '**Y**' report to the Compliance Officer.	Yes ☐	No ☐
6.	On a separate piece of paper i.e., Microsoft Word document, describe the expected nature of the business from the customer. Volumes, frequency, amounts etc.	Yes ☐	No ☐
7.	Does any of the documentation provided or information received make you suspicious of either money laundering or terrorist activity? If '**Y**' report immediately to the Compliance Officer.	Yes ☐	No ☐
Prepared by: (Sign, print and date)		/	/ 20
Authority for account to be opened granted by: (Sign, print and date)		/	/ 20

Individuals Identified on a Non Face-to-Face Basis - Notes for completion

Evidence that can be used to verify an individual's identity includes:

(i) Passport
(ii) National Identification Card, voters card, military ID etc...;
(iii) Driver's license which clearly show the following particulars:
  a. Photo
  b. Full name
  c. Date of birth (DoB)
  d. Expiration date
  e. Document number
  f. Full security strip (if applicable)

Evidence that can be used to verify an individual's address includes:

(i) Record of home visit by a senior manager or employee of Zenfinex Africa;
(ii) Address confirmation from electoral register search;
(iii) National I.D card if this includes the current address;
(iv) Appropriate evidence of permanent residential address from an official source;
(v) Recent utility bill – Within three months;
(vi) Local authority tax bill - Valid for the current year;
(vii) Current Sierre Leone photo card driving licence;
(viii) Bank, building society or credit union statement or passbook with current address;
(ix) The most recent original mortgage statement from a recognised lender;
(x) Local council rent card or tenancy agreement;
(xi) Benefit Book or notification letter from the Benefits Agency confirming the right to benefits; and
(xii) For a foreign national temporarily resident in Sierre Leone, an appropriate reference from an employer, university etc. to corroborate the prospective client's address.

Is the nature of the business / source of funds legal?

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Criminal law imposes a mandatory obligation on all senior management and staff to report to the Compliance Officer as soon as practicable where they have knowledge or suspicion of money laundering or where there are reasonable grounds to know or suspect that this is the case.

Suspicions are personal and subjective and as such, guidance cannot be prescriptive. Such suspicions may arise from discussion with the client or from documentation received. The customer, in describing the nature of the business and / or the source of funds, may give rise to a suspicion of criminal activity e.g.:

(i) By the unnecessary routing of funds through third party accounts; and / or

(ii) By the unnecessary routing of funds through an institution in a non-FATF jurisdiction, in a country on the NCCT list or country with countermeasures against them.

Clearly, where there is no logical reason for the origin of the source of funds further enquiries will be necessary. Where satisfactory answers are not forthcoming a report should be made immediately to the Compliance Officer.

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4.9 Template for KYC checklist - Individuals identified on a Face-to-Face basis

Customer name:			**Account ID Ref:**
Customer address: NB! Post office box numbers are unacceptable.			
Country of residence:		Nationality:	Date of birth:
1.	Is the customer or any of the owners on the list of "Politically Exposed Persons"? If '**Y**' advise the Compliance Officer immediately.		Yes ☐ No ☐
2.	Is the country of registration one on which OFAC has imposed sanctions? If '**Y**' inform the Compliance Officer immediately.		Yes ☐ No ☐
3.	**The customer must be asked to provide ORIGINALS of the following documents to prove identity and validate their address: NB! The documents must be checked for reasonability. Photocopies must be taken for Zenfinex Africa's records. Where applicable, this should include the pages containing visas. Each copy must then be certified i.e., dated and signed "Original seen". The details of the certifier must be clearly legible so that they may be contacted in the event of an investigation.**		
3.1	Copy of a passport, driving licence or I.D card to prove identity.		Yes ☐ No ☐
3.2	Copy of a recent utility bill to validate the address.		Yes ☐ No ☐
4.	Record / attach details of the payment received.		Yes ☐ No ☐
4.1	Where payment is received from an institution in a non-FATF country the **source of wealth** must be recorded e.g., how the funds were acquired and their origin, the sale of business or other assets or the beneficiary of a deceased's estate.		Yes ☐ No ☐
5.	Is the source of funds suspicious? If '**Y**' report to the Compliance Officer.		Yes ☐ No ☐
6.	On a separate piece of paper i.e., Microsoft Word document, describe the expected nature of the business from the customer. Volumes, frequency, amounts etc.		Yes ☐ No ☐
7.	Does any of the documentation provided or information received make you suspicious of either money laundering or terrorist activity? If '**Y**' report immediately to the Compliance Officer.		Yes ☐ No ☐
Prepared by: (Sign, print and date)			/ / 20

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Authority for account to be opened granted by: (Sign, print and date)	/ / 20

Individuals Identified on a Face-to-Face basis - Notes for completion

Evidence that can be used to verify an individual's identity includes:

(i) Passport

(ii) National Identification Card, voters card, military ID etc...;

(iii) Driver's license which clearly show the following particulars:

a. Photo
b. Full name
c. Date of birth (DoB)
d. Expiration date
e. Document number
f. Full security strip (if applicable)

Evidence that can be used to verify an individual's address includes:

(i) Record of home visit by a senior manager or employee of Zenfinex Africa;

(ii) Address confirmation from electoral register search;

(iii) National I.D card if this includes the current address;

(iv) Appropriate evidence of permanent residential address from an official source;

(v) Recent utility bill – Within three months;

(vi) Local authority tax bill - Valid for the current year;

(vii) Current Sierre Leone photo card driving licence;

(viii) Bank, building society or credit union statement or passbook with current address;

(ix) The most recent original mortgage statement from a recognised lender;

(x) Local council rent card or tenancy agreement;

(xi) Benefit Book or notification letter from the Benefits Agency confirming the right to benefits; and

(xii) For a foreign national temporarily resident in Sierre Leone, an appropriate reference from an employer, university etc. to corroborate the prospective client's address.

Is the nature of the business / source of funds legal?

Criminal law imposes a mandatory obligation on all senior management and staff to report to the Compliance Officer as soon as practicable where they have knowledge or suspicion of money laundering or where there are reasonable grounds to know or suspect that this is the case.

Suspicions are personal and subjective and as such, guidance cannot be prescriptive. Such suspicions may arise from discussion with the client or from documentation received. The customer, in describing the nature of the business and / or the source of funds, may give rise to a suspicion of criminal activity e.g.:

(i) By the unnecessary routing of funds through third party accounts; and / or

(ii) By the unnecessary routing of funds through an institution in a non-FATF jurisdiction, in a country on the NCCT list or country with countermeasures against them.

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Clearly, where there is no logical reason for the origin of the source of funds further enquiries will be necessary. Where satisfactory answers are not forthcoming a report should be made immediately to the Compliance Officer.

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4.10 Template for KYC checklist - Family and Trusts

Customer name:		**Account ID Ref:**
Customer address:		
Establishment date:		/ / 20
Description of the type and purpose of the trust:		
1.	**The customer must be requested to provide copies of the following documents confirming both the creation of the Trust and the identity and address of each of the Principals. NB! The copies must be certified by a regulated or professional person covered by Money Laundering Regulations e.g., a bank representative, lawyer or accountant in a FATF country. The documents must be dated and signed "Original seen" and the details of the certifier must be clearly legible so that they may be contacted in the event of an investigation.**	
1.1	Certified copy of the original trust deed and any amendments thereto.	Yes ☐ No ☐
1.2	Certified list of trustees confirming their appointment.	Yes ☐ No ☐
1.3	Where the Settlor is deceased, a written confirmation of source of funds e.g., a grant of probate or will.	Yes ☐ No ☐
1.4	Complete the relevant checklist for individuals for each of the trustees and the settlor.	Yes ☐ No ☐
1.5	Certified list of any other persons authorised to act on behalf of the trust and documents certifying their appointment.	Yes ☐ No ☐
2.	Record and attach details of the payment received.	Yes ☐ No ☐
3.	If funds are received from an account not under the control of the trustees, the identities of two of the signatories and their authority to operate the account must also be verified. Where applicable, complete the relevant checklist for individuals.	Yes ☐ No ☐
4.	Is the nature of the business and / or the source of funds suspicious? If '**Y**' report to the Compliance Officer.	Yes ☐ No ☐
5.	Is the customer or any of the owners on the list of "Politically Exposed Persons"? If '**Y**' advise the Compliance Officer immediately.	Yes ☐ No ☐

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6.	On a separate piece of paper i.e., Microsoft Word document, describe the expected nature of the business from the customer. Volumes, frequency, amounts etc.	Yes ☐ No ☐
Prepared by: (Sign, print and date)		/ / 20
Authority for account to be opened granted by: (Sign, print and date)		/ / 20

Family and Trusts - Notes for completion

Evidence that can be used to verify an individual's identity includes:

(i) Passport

(ii) National Identification Card, voters card, military ID etc...;

(iii) Driver's license which clearly show the following particulars:

a. Photo
b. Full name
c. Date of birth (DoB)
d. Expiration date
e. Document number
f. Full security strip (if applicable)

Evidence that can be used to verify an individual's address includes:

(i) Record of home visit by a senior manager or employee of Zenfinex Africa;

(ii) Address confirmation from electoral register search;

(iii) National I.D card if this includes the current address;

(iv) Appropriate evidence of permanent residential address from an official source;

(v) Recent utility bill – Within three months;

(vi) Local authority tax bill - Valid for the current year;

(vii) Current Sierre Leone photo card driving licence;

(viii) Bank, building society or credit union statement or passbook with current address;

(ix) The most recent original mortgage statement from a recognised lender;

(x) Local council rent card or tenancy agreement;

(xi) Benefit Book or notification letter from the Benefits Agency confirming the right to benefits; and

(xii) For a foreign national temporarily resident in Sierre Leone, an appropriate reference from an employer, university etc. to corroborate the prospective client's address.

Is the nature of the business / source of funds legal?

Criminal law imposes a mandatory obligation on all senior management and staff to report to the Compliance Officer as soon as practicable where they have knowledge or suspicion of money laundering or where there are reasonable grounds to know or suspect that this is the case.

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Suspicions are personal and subjective and as such, guidance cannot be prescriptive. Such suspicions may arise from discussion with the client or from documentation received. The customer, in describing the nature of the business and / or the source of funds, may give rise to a suspicion of criminal activity e.g.:

(i) By the unnecessary routing of funds through third party accounts; and /or

(ii) By the unnecessary routing of funds through an institution in a non-FATF jurisdiction, in a country on the NCCT list or country with countermeasures against them.

Clearly, where there is no logical reason for the origin of the source of funds further enquiries will be necessary. Where satisfactory answers are not forthcoming a report should be made immediately to the Compliance Officer.

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4.11 Template for KYC checklist - Introduced Clients

Customer name:		**Account ID Ref:**			
Customer address:					
1.	Has the customer been introduced by another who will have already identified the customer in line with Sierre Leone standards? If '**N**' go to 2.	Yes	☐	No	☐
1.1	Attach appropriate certification from the introducer.	Yes	☐	No	☐
2.	Has the customer been introduced by a FATF regulated third party who will have verified identification in line with Sierre Leone standards? If '**N**' go to 3.	Yes	☐	No	☐
2.1	Attach appropriate evidence of the regulated status of the third party.	Yes	☐	No	☐
2.2	Attach appropriate certification from the third party.	Yes	☐	No	☐
2.3	Has the certificate sufficient detail to enable the documents to be obtained later if required? If '**Y**' go to 4.	Yes	☐	No	☐
	Copies of the documents to be attached if available.	Yes	☐	No	☐
3.	Has the customer been introduced by a regulated third party in a non-FATF jurisdiction?	Yes	☐	No	☐
3.1	Attach appropriate evidence of the regulated status of the third party.	Yes	☐	No	☐
3.2	Copies of the documents to be attached if available.	Yes	☐	No	☐
4.	Is the nature of the current business / source of funds suspicious? If '**Y**' report to the Compliance Officer.	Yes	☐	No	☐
5.	Is the customer or any of the owners on the list of "Politically Exposed Persons"? If '**Y**' advise the Compliance Officer immediately.	Yes	☐	No	☐
6.	Will any transactions be in US Dollars? If '**N**' go to 7, if '**Y**' see 6.1.	Yes	☐	No	☐
6.1	Is the country of registration one on which OFAC has imposed sanctions? If '**Y**' inform the Compliance Officer immediately.	Yes	☐	No	☐
7.	On a separate piece of paper i.e., Microsoft Word document, describe the expected nature of the business from the customer. Volumes, frequency, amounts etc.	Yes	☐	No	☐

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support@zenfinex.com

Prepared by: （Sign, print and date）	/ / 20
Authority for account to be opened granted by: （Sign, print and date）	/ / 20

No. 148 Wilkinson Road
Freetown, Sierra Leone

support@zenfinex.com

5 EMPLOYEE DECLARATION

Confirmation of Employee Understanding of the Money Laundering Prevention – Regulations, Procedures and Forms manual

This declaration is to confirm that I have received a copy of Stochastic Africa SL Ltd (Zenfinex Africa)'s Money Laundering Prevention – Regulations, Procedures and Forms Manual and I have read and understood its content. Any areas of uncertainty I have raised and will endeavour to raise in the future with the firm's Compliance Officer. I also confirm that I will undertake to remain compliant with its contents at all times.

Employee's signature:

Employee's name (Print):

Employee status (Tick where applicable): Full time ◯ Temporary / Contract ◯

If temporary / contract, the anticipated end date of employment: / /20

Date: / /20

THIS DECLARATION MUST BE COMPLETED AND RETURNED TO STOCHASTIC AFRICA SL LTD (ZENFINEX AFRICA)' S COMPLIANCE OFFICER AT THE EARLIEST OPPORTUNITY BUT NO LONGER THAN ONE MONTH AFTER RECEIVING THE DOCUMENT.