



GTC GLOBAL TRADE CAPITAL CO. LIMITED

CUSTOMER DUE DILIGENCE

Customer due diligence

- (1) Customer due diligence (“CDD”) is the process of:
 - (a) On a risk assessed basis, verifying the identity of the Customer and any Beneficial Owner on the basis of original documents, or data or information issued by or obtained from a reliable and independent source;
 - (b) Understanding the Customer’s Source of Funds¹ and Source of Wealth², e.g., by reference to published accounts or application form; and
 - (c) Undertaking on-going due diligence of the Customer business relationship.
- (2) For the purposes of this manual the term “Customer” includes any of the following:
 - (a) A client for the Firm’s products or services;
 - (b) Business partners that assist in delivering services such as introducers, lawyers, accountants and other regulated financial institutions involved in the transaction.
- (3) It is important to identify a customer, understand the customer’s ownership and control structure and to assess the probity of all parties involved, including the directors, shareholders and any other persons with significant involvement in the business or transaction in question. Equally, it is important to establish the purpose and nature of the customer’s intended business relationship with the Firm, the nature and source of the funds or other assets involved, and whether the business or transaction in question is consistent with the Firm’s understanding of the nature and scale of the customer’s business, objectives and strategy.
- (4) The level of CDD to be undertaken, both initially and for the duration of the business relationship must be determined by reference to the Customer’s risk rating assigned under the Customer risk assessment.
- (5) If the Customer Risk Assessment indicates that Normal CDD will not be sufficient in relation to the higher money laundering risk perceived to be associated with the business relationship in question, the Firm should obtain and verify additional information about the customer, its beneficial owners and the purpose of the transaction. The additional measures are referred to as Enhanced CDD.
- (6) The Firm’s due diligence procedures for establishing and verifying the identity of the Customer and Beneficial Owner are set out in the Client Verification Procedures.

- (1) Understanding the customer's "source of funds" means understanding where the customer will find the money to finance the business or transaction in question.
- (2) Understanding the customer's "source of wealth" means understanding how the customer's global wealth or net worth was acquired or accumulated.

Identification and verification of Beneficial Owners

- (1) When determining whether to verify the identity of a Beneficial Owner, GTC GLOBAL TRADE CAPITAL CO LIMITED will take a risk-based approach having regard to all the circumstances of the case including, in particular, the Customer's ownership and control structure, the size of the individual's legal or Beneficial Ownership in the customer, whether the Beneficial Owners are associated or connected in some way, and the money laundering risks of the Customer and the product or service involved.
- (2) If GTC GLOBAL TRADE CAPITAL CO LIMITED decides not to verify a particular Beneficial Owner or to adopt a threshold below for which the verification of Beneficial Owners will not be carried out, it will document the reasons for its decision in the Customer risk assessment.
- (3) A threshold for verification may be appropriate in cases where the Customer-specific risks are lower, e.g.:
 - (a) A low risk corporate Customer undertaking business involving lower risk products or services;
or
 - (b) A widely held collective investment fund whose members' funds derive from low risk sources, e.g. employee pension contributions.
- (4) Conversely, in the case of a fund with a small number of investors, each having a large shareholding or other interest, identification and verification of each of the Beneficial Owners would be appropriate unless significant mitigates are identified (and documented in) the Customer risk assessment.
- (5) In respect of actual and potential Beneficial Owners of a trust, the identification and verification should include the trustee, settlor, the protector, the enforcer, beneficiaries, other persons with power to appoint or remove a trustee and any person entitled to receive a distribution, whether or not such person is a named beneficiary.
- (6) Under Federal AML legislation, if the customer is a legal person, GTC GLOBAL TRADE CAPITAL CO LIMITED must obtain information identifying the names and addresses of partners and shareholders who each hold more than 5% of the capital of the legal person i.e. it applies a specified threshold.
- (7) This does not affect the approach that should be taken for verifying the identity of beneficial owners where no threshold is specified. As a result, under the Federal AML legislation GTC GLOBAL TRADE CAPITAL CO LIMITED will need to obtain information identifying partners and shareholders who hold more than 5% of the capital of the legal person. Then, in accordance with the risk-based approach, GTC GLOBAL TRADE CAPITAL CO LIMITED should determine whether it is necessary also to identify other persons who may be beneficial owners, and verify their identity.

Name Screening and Google searches

- (a) When undertaking due diligence, the Firm will carry out screening checks via ID3 checks, C6 ongoing screening tool and Google searches to establish whether the proposed relationship with the client will involve politically exposed persons (PEPs) or other higher risk persons such as individuals, groups, organisations, entities, etc., where suspicion of money laundering or terrorist financing exists, and persons under sanctions or resolutions issued by the UN Security Council and/or by other bodies.
- (b) These background checks must be carried out on the client entity, its directors, and any relevant authorised signatories and on its ultimate beneficial owners. In the case of a private company, for example, the screening checks and Google searches will be carried out on the company, its directors, and any person who will sign the Engagement Letter and any shareholder having significant influence over the company.
- (c) The names of all persons checked and the results obtained must be recorded on the CDD Checklist.
- (d) If the screening and Google searches reveal adverse media comment or identify PEPs, sanctioned persons or other issues giving cause for concern, the MLRO will advise the SEO on how (and whether) to proceed and what further CDD should be obtained.
- (e) In particular, the MLRO will notify FSC immediately on the Firm becoming aware that it is providing, is about to provide, or has provided a service to any person in contravention of a relevant sanction or resolution issued by the United Nations Security Council.

Authenticity of documents obtained

- (a) All verification must be based on original documents or certified copies thereof or data or information issued by or obtained from reliable, independent sources. All documents should be checked for reasonableness. The Firm must not be blind to the possibility of forgery, fraud and identity theft as well as simple human error.
- (b) Ideally, documents should be inspected in original form and photocopied by any GTC GLOBAL TRADE CAPITAL CO LIMITED employee having physical possession of the document concerned.
- (c) Where this is not possible, for example because the Firm has no physical contact with the person concerned, then the Firm should obtain a first generation photocopy certified as a true copy of the original document by a person of good standing such as a registered lawyer or notary, a chartered accountant, a police officer, embassy or consular official, or other similar person.
- (d) The certified photocopy must:
 - (i) bear language attesting that the photocopy is a true copy of the original document;
 - (ii) show the date on which the photocopy was made and certified; and
 - (iii) Show the name, occupation and business address of the person who certified the photocopy.
- (e) Note that the requirement for a “first generation” photocopy means that copies of photocopies are not acceptable.

- (f) Other acceptable sources of CDD are (a) publicly-available information downloaded from government and regulator's official websites (b) reputable company or information-reporting agencies (c) banking references and (d) on a risk-sensitive basis, information found on the internet or on commercial databases.
- (g) For higher risk situations identification information should be independently verified, using both public and non-public sources. For lower risk situations, not all of the relevant identification information would need to be verified.

Enhanced CDD

- (1) If the Customer has been assigned a "high" risk rating following the Customer risk assessment the Firm must undertake Enhanced CDD.
- (2) Enhanced CDD involves, to the extent necessary as determined on a case by case basis:
 - (a) Obtaining and verifying additional:
 - (i) Identification information on the Customer and any Beneficial Owner;
 - (ii) Information on the intended nature of the business relationship; and
 - (iii) Information on the reasons for a Transaction;
 - (b) Updating more regularly the CDD that GTC GLOBAL TRADE CAPITAL CO LIMITED holds on the Customer and any Beneficial Owners;
 - (c) Verifying information on the Customer's Source of Funds and Source of Wealth;
 - (d) Increasing the degree and nature of monitoring of the business relationship, in order to determine whether the Customer's Transactions or activities appear unusual or suspicious;
 - (e) Obtaining a member of the Board of Directors approval to commence a business relationship with the Customer; and
 - (f) where applicable, and if the Firm is not satisfied with the results of the due diligence overall, requiring that any first payment made by a Customer in order to open an account must be made through a bank account in the Customer's name with a Bank; Regulated Financial Institution whose entire operations are subject to regulation and supervision, including AML regulation and supervision, in a jurisdiction with AML regulations which are equivalent to the standards set out in the FATF recommendations; or a Subsidiary of a Regulated Financial Institution referred to above, if the law that applies to the Parent ensures that the Subsidiary also observes the same AML standards as its Parent.
- (3) Where appropriate, the Enhanced CDD measures may include:

- (a) Obtaining documentary evidence as to the source or circumstances that gave rise to the Customer's funds and wealth;
- (b) getting a better understanding of the Customer's business and business structures, the Customer's use of the Firm's products and services and the nature and level of business to be expected from the Customer;
- (c) taking steps to be satisfied that a Customer's use of complex legal structures and/or the use of trust and private investment vehicles, has a genuine and legitimate purpose and to properly understand the chain of title, authority or control leading to the ultimate Beneficial Owner, settler and beneficiaries, if relevant.
- (d) to the extent that the assets belong to the Beneficial Owner and not the Customer, enquiring into the Beneficial Owner's source of funds and Source of Wealth.
- (e) Verifying the Source of Funds by obtaining independent corroborating evidence such as, for example, proof of dividend payments connected to a shareholding, bank statements, salary/bonus certificates, loan documentation and proof of a Transaction which gave rise to the payment into the account. A Customer should be able to demonstrate and document how the relevant funds are connected to a particular event which gave rise to the payment into the account or to the source of the funds for a Transaction.
- (f) verifying the Source of Wealth by obtaining independent corroborating evidence such as, for example, for corporates, share certificates, publicly-available registers of ownership, bank or brokerage account statements, probate documents, audited accounts and financial statements, news items from a reputable source and other similar evidence.
- (g) Commissioning a third party vendor report to obtain further information on a Customer or Transaction or to investigate a Customer or Beneficial Owner in very high-risk cases. Such reports may be particularly useful where there is little or no publicly-available information on the Person concerned.

Simplified CDD

- (1) If the Customer has been assigned a "low" risk rating following the Customer risk assessment the Firm may undertake Simplified CDD.
- (2) The Simplified CDD must be proportionate to the money laundering risks identified and may include any of the following:
 - (a) Verifying the identity of the Customer and identifying the Beneficial Owner after the establishment of the business relationship;
 - (b) Reducing the frequency of, or as appropriate, not undertaking Customer identification updates;
 - (c) Deciding not to verify an identified Beneficial Owner;
 - (d) Deciding not to verify an identification document other than by requesting a copy;

- (e) Not enquiring as to a Customer's Source of Funds or Source of Wealth.
 - (f) Reducing the degree of on-going monitoring of Transactions, based on a reasonable monetary threshold or on the nature of the Transaction; or
 - (g) Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring such purpose and nature from the type of Transactions or business relationship established.
- (3) Notwithstanding that the risks may be low for all such Customers the Firm will not adopt a one-size fits all approach for all its low risk Customers and will undertake CDD that is proportionate to the risks identified on a case by case basis. For example, where the money laundering risks are very low, the Firm may simply identify the Customer and verify such information only to the extent that this is commercially necessary whereas in the case of a complex Transaction more comprehensive simplified CDD might be required.
- (4) For the avoidance of doubt, GTC GLOBAL TRADE CAPITAL CO LIMITED is always required to 'identify' beneficial owners, except for retail investment funds which are widely held and investment funds where the investor invests via pension contributions. However, the Firm may decide not to 'verify' beneficial owners of a low risk customer.
- (5) The Firm might reasonably reduce the frequency of or eliminate Customer identification updates where the money laundering risks are low and the service provided does not offer a realistic opportunity for money laundering.

Timing of Customer due diligence

- (1) GTC GLOBAL TRADE CAPITAL CO LIMITED will ensure that appropriate CDD is, or has been, undertaken when:
- (a) It proposes to establish a business relationship with a new Customer;
 - (b) It has not undertaken a transaction for the Customer in over 12 months;
 - (c) it doubts the veracity or adequacy of CDD documents, data or information it has obtained, e.g. where there is a material change in the way the account is operated which is not consistent with the Customer's business profile or where it appears that the Customer is not the real Customer;
 - (d) It suspects money laundering; or
 - (e) There is a change in the risk-rating of the Customer, or it is otherwise warranted by a change in the Customer's circumstances
- (2) Generally, the CDD must be completed by or prior to the time at which any business relationship is formalised, e.g. by the signing of a client agreement or the acceptance of terms of business.
- (3) Exceptionally, however, subject to the CEO's approval, the CDD may be completed after that time if:
- (a) deferral of the verification of the Customer or Beneficial Owner is necessary in order not to interrupt the normal conduct of a business relationship for the purpose of executing a time-

critical Transaction, which if not executed immediately, would or may cause a Customer to incur a financial loss due to price movement or loss of opportunity; and

- (b) There is little risk of money laundering occurring and any such risks identified can be effectively managed by the Firm; and
 - (c) The verification is completed as soon as reasonably practicable and, depending on the nature of the Customer relationship, ideally within 30 days.
- (4) Where the Firm is not reasonably able to comply with the 30 day rule, above, it must, prior to the end of the 30 day period, document the reason for its non-compliance, complete the verification as soon as possible and record the non-compliance event in its Annual AML Return. Note that the FSC may specify a period within which the verification must be completed, failing which the FSC may direct the Firm to cease any business relationship with the Customer.
- (5) The Firm's policy is not to establish a business relationship with any Customer until CDD has been completed.
- (6) The Introducing Broker Agreement must contain the following language and must be signed by the client to signify its confirmation:
"This Agreement is subject to you providing GTC GLOBAL TRADE CAPITAL CO LIMITED with information requested by GTC GLOBAL TRADE CAPITAL CO LIMITED, at its absolute discretion, to enable GTC GLOBAL TRADE CAPITAL CO LIMITED to satisfy any and all obligations it may have under the legislation and regulations applicable in the FSC for the prevention of money laundering, terrorist financing and other financial crimes. GTC GLOBAL TRADE CAPITAL CO LIMITED may be obliged to terminate this Agreement if information requested to satisfy these obligations is not submitted or is insufficient. By signing this Agreement, you warrant that you are acting on your own behalf and not on behalf of any third party."

Failure to complete Customer due diligence

- (1) If the Firm is unable to conduct or complete the CDD, it will apply one or more of the following measures as may be appropriate in the circumstances:
- (a) Not carry out a Transaction with or for the Customer in cash;
 - (b) Not open an account or provide a service;
 - (c) Not otherwise establish a business relationship or carry out a Transaction;
 - (d) Subject to (2), terminate or suspend any existing business relationship with the Customer;
 - (e) Subject to (2), return any monies or assets received from the Customer; and
 - (f) Consider whether the circumstances necessitate the making of a SAR to the FSC.
- (2) Where CDD cannot be completed, it may be appropriate not to carry out a Transaction pending completion of the CDD. **Where CDD, or a material part of it, such as identifying and verifying a**

Beneficial Owner cannot be conducted, the business relationship with the Customer should not be established.

- (3) In the case of a new Customer it may be appropriate to terminate the business relationship before a product or service is provided. In the case of an existing Customer, however, while termination of the business relationship should not be ruled out, suspension may be more appropriate depending on the circumstances. In either case the Firm must be careful not to tip off the Customer.
- (4) The Firm is not obliged to terminate or suspend any existing business relationship with the Customer, or return any monies or assets received from the Customer, if:
 - (a) To do so would amount to “tipping off” the Customer; or
 - (b) The FSC & FIU directs GTC GLOBAL TRADE CAPITAL CO LIMITED to act otherwise.
- (5) Note that failure to comply with (b) above would constitute a significant violation of the AML Rules which may lead to FSC enforcement action.

Monitoring the Customer relationship

- (1) When undertaking on-going CDD the Firm must, using the risk-based approach:
 - (a) Monitor Transactions to ensure they are consistent with the Firm’s knowledge of the Customer, his business and risk rating;
 - (b) Pay particular attention to any complex or unusually large Transactions or unusual patterns of Transactions that have no apparent or visible economic or legitimate purpose;
 - (c) Enquire into the background and purpose of the Transactions;
 - (d) periodically review the adequacy of the CDD information it holds on Customers and Beneficial Owners to ensure that the information is kept up to date, particularly for Customers with a higher risk rating; and
 - (e) Periodically review each Customer’s risk assessment to ensure that its risk rating remains appropriate in light of current money laundering risks.
- (2) In monitoring the Customer relationship, the Firm will undertake a periodic review to ensure that Customer identity documentation, such as passport number and address and, for a Legal Person, its share register or list of partners, etc., is accurate and up-to-date.
- (3) In particular such reviews will be carried out when:
 - (a) The Firm changes its CDD documentation requirements;
 - (b) An unusual Transaction with the Customer is expected to take place;
 - (c) There is a material change in the business relationship with the Customer; or
 - (d) There is a material change in the nature or ownership of the Customer.

- (4) The degree of on-going CDD to be undertaken will depend on the Customer risk assessment.
- (5) The Firm will use manual or automated systems, or a combination thereof, depending on, amongst other things, the size and nature of the Firm's business and Customer base, and the complexity and volume of Transactions.
- (6) GTC GLOBAL TRADE CAPITAL CO LIMITED will also review its Customers, their business and Transactions against UN Security Council sanctions lists and against any other sanctions list, such as EU, U.K. HM Treasury, U.S. OFAC, etc., that may be relevant.

Reliance on a third party to undertake CDD on the Firm's behalf

- (1) Subject to certain conditions, GTC GLOBAL TRADE CAPITAL CO LIMITED may rely on the CDD obtained by a third party if it has reasonable grounds for believing that the third party will undertake the CDD in a manner that is consistent with FSC Rules and that there are no bank secrecy or data protection laws that would prevent the Firm from having access to any relevant information upon request without delay. In all such cases, however, the Board of Directors acknowledges that GTC GLOBAL TRADE CAPITAL CO LIMITED remains responsible for compliance with, and liable for any failure to meet, the relevant CDD requirements. Accordingly, all such arrangements must be referred to the MLRO for pre-approval.
- (2) GTC GLOBAL TRADE CAPITAL CO LIMITED may rely on any third party listed below to conduct one or more elements of CDD on its behalf or rely on information previously obtained by them:
 - (a) An Authorised Person;
 - (b) A law firm, notary, or other independent legal business, accounting firm, audit firm or insolvency firm, or an equivalent person in another jurisdiction; or
 - (c) A Financial Institution.
- (3) However, GTC GLOBAL TRADE CAPITAL CO LIMITED will rely on that person only if and to the extent that the third party:
 - (a) Immediately provides GTC GLOBAL TRADE CAPITAL CO LIMITED with:
 - (i) All relevant CDD information; and
 - (ii) Written confirmation that, if they are required, certified copies of the CDD documents will be provided to GTC GLOBAL TRADE CAPITAL CO LIMITED upon request, without delay;
 - (b) is subject to regulation, including AML, by a Financial Services Regulator or other competent authority in a country with AML regulations which are equivalent to the standards set out in the FATF Recommendations and is supervised for compliance with such regulations;
 - (c) Has not relied on any exception from the requirement to conduct any relevant elements of CDD which GTC GLOBAL TRADE CAPITAL CO LIMITED seeks to rely on; and
 - (d) Ensures that any information previously obtained remains up to date.

- (4) If GTC GLOBAL TRADE CAPITAL CO LIMITED is not reasonably satisfied that a Customer or Beneficial Owner has been identified and verified by the third party in a manner that is consistent with FSC Rules, it will immediately perform the CDD itself with respect to any deficiencies identified.
- (5) Before appointing an outsourced service provider to undertake CDD, GTC GLOBAL TRADE CAPITAL CO LIMITED will follow its in-house outsourcing procedures and in particular will undertake appropriate due diligence to assure itself of the service provider's suitability and ensure that the service provider's obligations are clearly documented in a binding agreement.