

**Kanz Remit Pte Ltd**

**Policy on**

**Anti-Money**

**Laundering & Counter**

**Terrorism Financing**

**31 March, 2020**

## 1. Introduction

This Anti Money Laundering & Counter Terrorism Financing Policy (this “**Policy**”) sets out the policies of Kanz Remit Pte Ltd (“**Kanz**”) in relation to combating, minimizing and managing the money laundering (“**ML**”) and financing of terrorism (“**TF**”) risks that Kanz may encounter in providing payment services. This Policy details the requirements applicable to it as the holder of a Major Payment Institution (“MPI”) license issued by the Monetary Authority of Singapore (“**MAS**”), including requirements set out in MAS Notice PSN01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (“**Notice PSN01**”) and the Guidelines to Notice PSN01, as published by the MAS.

Please note that there may be supplementing policies and procedures established in other documents in support of the Policy referenced in this document, which Kanz may implement from time to time (collectively, the “**AML/CFT Procedures**”). This Policy (including any supplementing AML/CFT Procedures) will be periodically reviewed, with timely and suitable changes made as the risks of the business evolve over time.

The Policy shall be communicated to the shareholders, members of the board, and all staff for adherence to and administration of relevant procedures. Compliance with this Policy is mandatory. Failure to follow the Policy set out herein (including any supplementing policies or procedures) shall result in appropriate action being taken, including disciplinary action.

## 2. Definitions

The following sets out certain defined terms used in this Policy, and the large part of the expressions used for most part of this Policy and the accompanying procedures, have the same meanings as in the Notice PSN01.

“**account relationship**” means the opening or maintenance of an account by Kanz in the name of a person (whether a natural person, legal person or legal arrangement);

“**AML/CFT**” means anti-money laundering and countering the financing of terrorism;

“**Authority**” or the “**MAS**” means the Monetary Authority of Singapore;

“**beneficial owner**”, in relation to a customer of Kanz, means the natural person who ultimately owns or controls the customer or the natural person on whose behalf a transaction is conducted or business relations are established, and includes any person who exercises ultimate effective control over a legal person or legal arrangement in the course of carrying on its business of providing a specified payment service;

**“beneficiary institution”** means the financial institution that receives the wire transfer from the ordering institution, directly or through an intermediary institution, and makes the funds available to the wire transfer beneficiary;

**“business relations”** (section 10.2 of Notice PSN01) means the opening or maintenance of an account (whether a payment account or otherwise) by the payment service provider for the purposes of accepting, processing or executing any transaction in the name of a person (whether a natural person, legal person or legal arrangement);

**“cash”** means physical currency;

**“CDD measures”** or **“customer due diligence measures”** means the measures required by paragraph 7 of the Notice PSN01;

**“CDSA”** means the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A);

**“connected party”** –

- (a) In relation to a legal person (other than a partnership), means any director or any natural person having executive authority in the legal person;
- (b) In relation to a legal person that is a partnership, means any partner or manager<sup>1</sup>; and
- (c) In relation to a legal arrangement, means any natural person having executive authority in the legal arrangement;

**“cross-border wire transfer”** means a wire transfer where the ordering institution and the beneficiary institution are located in different countries or jurisdictions and also refers to any chain of wire transfer in which at least one of the financial institutions involved is located in a different country or jurisdiction;

**“Customer”** means a person (whether a natural person, legal person or legal arrangement (**“Entity”**)):

- (a) with whom Kanz establishes or intends to establish an account relationship; or
- (b) for whom Kanz undertakes or intends to undertake any transaction without an account being opened, including in the case of an inward remittance transaction, the Entity to whom Kanz pays out funds in Singapore and the Entity on behalf of whom such funds are paid out in Singapore;

---

<sup>1</sup> In the case of a limited liability partnership or a limited partnership.

**“domestic wire transfer”** means a wire transfer where the ordering institution and beneficiary institution are located in Singapore and also refers to any chain of wire transfer that takes place entirely within Singapore, even though the system used to transfer the payment message may be located in another country or jurisdiction;

**“exempted product”** means –

- (a) where the product involves an account issuance service, the product:
  - (i) does not allow the withdrawal of any cash;
  - (ii) does not allow a refund of any amount in excess of S\$100 in cash from each payment account to any person, except:
    - A. upon the production of an identification document of the holder of the payment account that bears a photograph of that holder and is in force; and
    - B. where the person has a policy of keeping records of the refund and identification document mentioned in sub-paragraph A for at least 5 years after the date on which the refund is made; and
  - (iii) is not able to contain an amount of money or the currency equivalent of e-money of more than S\$1,000;
- (b) where the product involves a domestic transfer service, the product satisfies at least two of the following requirements:
  - (i) is to be used only as a means of payment for goods or services;
  - (ii) is funded from an identifiable source;
  - (iii) the payment transaction value does not exceed S\$20,000;
- (c) where the product involves a cross-border money transfer service, the product is to be used only as a means of payment for goods and services and is funded from an identifiable source;

**“FATF”** means the Financial Action Task Force;

**“FX counterparty”**, in relation to an FX transaction entered into by Kanz, means the person on whose behalf FX transaction is conducted;

**“FX transaction”** means a transaction (not being a money-changing transaction) of the purchase or sale of foreign currency without the use of foreign currency notes (i.e no cash involved);

**“government entity”** means a government of a country or jurisdiction, a ministry within such a government, or an agency specially established by such a government through written law;

**“identifiable source”** has the same meaning as in Regulation 28(7)<sup>i</sup> of the Payment Services Regulations 2019;

**“legal arrangement”** means a trust or other similar arrangement;

**“legal person”** means an entity other than a natural person that can establish a permanent customer relationship with a financial institution or otherwise own property;

**“non-face-to-face business contact”** means the establishment of an account relationship with a customer, or the undertaking of a relevant business transaction for a customer without an account being opened for the customer, without face-to-face contact with the customer;

**“officer”** in relation to Kanz that is a legal person refers to any director or any member of the committee of management of Kanz;

**“ordering institution”** means the financial institution that initiates the wire transfer and transfers the funds upon receiving the request for a wire transfer on behalf of the wire transfer originator;

**“partnership”** means a partnership, a limited partnership within the meaning of the Limited Partnerships Act (Cap. 163B) or a limited liability partnership within the meaning of the Limited Liability Partnerships Act (Cap. 163A);

**“payment of goods and services”** means payment or part payment of goods or services to a merchant;

**“product”**, for the purpose of the definitions of specified product and exempted product and paragraph 3.3 of Notice PSN01

**“relevant business transaction”** in relation to a holder of an MPI licence that is licensed to perform cross border transactions, means, a remittance transaction, whether from Singapore to another country or jurisdiction or from another country or jurisdiction to Singapore or between another country or jurisdiction to another country or jurisdiction;

**“reasonable measures”** means appropriate measures which are commensurate with the money laundering or terrorism financing risks;

**“recipient”**

(a) in respect of –

(i) a payment transaction received from another country or jurisdiction to Singapore or

vice versa or between to other countries or jurisdictions in the course of carrying on a business of providing a cross-border money transfer service; or

- (ii) a payment transaction received in the course of carrying on a business of providing a domestic money transfer service.

means a person (whether a natural person, legal person or legal arrangement) to whom Kanz pays out any funds and the person on behalf of whom such funds are received;

- (b) Means an FX counterparty;

**“relevant FX counterparty”** is a FX counterparty that is not –

- (a) A financial institution as defined in section 27A(6) of the MAS Act; or
- (b) A financial institution incorporated or established outside Singapore that is subject to and supervised for compliance with, AML/CFT requirements consistent with standards set by the FATF;

**“specified product”** means a product that involves all of the following services:

- (a) An account issuance service;
- (b) A domestic money transfer service; and
- (c) An e-money issuance service’

**“specified payment service”** for Kanz’s business means any of the following payment service –

- (a) An account issuance service;
- (b) A domestic money transfer service,
- (c) A cross-border money transfer service

**“STR”** means suspicious transaction report;

**“STRO”** means the Suspicious Transaction Reporting Office, Commercial Affairs Department of the Singapore Police Force;

**“transaction”** means any transaction accepted, processed, or executed by Kanz in the course of carrying on its business of providing a specified payment service;

**“TSOFA”** means the Terrorism (Suppression of Financing) Act (Cap. 325); and

**“wire transfer”** refers to any transaction carried out on behalf of a wire transfer originator through a financial institution by electronic means with a view to making an amount of funds available to a beneficiary person at a beneficiary institution, irrespective of whether the originator and the beneficiary are the same person.

### **3. Money Laundering and Terrorism Financing – Overview**

#### **A. Money Laundering**

ML is the process of masking the origin of proceeds derived from criminal conduct (which are predicate offences set out in the Corruption, Drug Trafficking and other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A)). There are three stages for an ML process:

- Placement: the physical or financial disposal of benefits derived from criminal conduct.
- Layering: the separation of these benefits from their original source by creating layers of financial transactions designed to disguise the ultimate source and transfer these benefits.
- Integration: the provision of apparent legitimacy to the benefits derived from criminal conduct. If the layering process succeeds, the integration schemes place the laundered funds back into the economy so that they re-enter the financial system appearing to be legitimate funds.

#### **B. Terrorism Financing**

TF involves providing finance or financial support to individual terrorists or terrorist organisations. A TF risk comprises three factors: threat, vulnerability and consequence.

##### **a. Threat**

This may be a person or a group of people with the potential to cause harm by raising, moving, storing or using funds and other assets (whether from legitimate or illegitimate sources) for terrorist purposes. Threats may include domestic or international terrorist organisations and their facilitators, their funds, as well as past, present and future TF activities, as well as individuals or populations having sympathy towards the terrorist organisations.

#### b. Vulnerability

This involve areas that can be exploited by the threat or provide support to terrorist activities. Vulnerabilities may include:

- features of a particular sector;
- a financial product or type of service that are easy targets for TF;
- weaknesses in measures specifically meant for TF, or more broadly in AML/CFT systems or controls; or
- jurisdictions with higher risk of TF and ease of raising or moving funds/assets (e.g. large informal economy, porous borders etc).

#### c. Consequence

This relates to the impact of a vulnerability. Consequences are effects resulting from the underlying terrorist activity perpetrated through financial systems and impacting the social fabric of the country. These consequences are usually more severe than for ML or other types of financial crime (e.g. tax fraud etc), causing damage including the loss of lives.

Terrorists may move or transfer funds and assets through various methods, including:

- using the financial system to transfer funds;
- relying on systems such as the hawala system in areas with less developed financial system are often employed for multiple small amounts of fund transfers; and
- using international trade networks to transfer assets.

### C. Sanctions

Sanctions may be directed against third-country governments, non-state actors as well as individuals or groups (e.g. terrorists).

Singapore, as a member of the United Nations (“UN”), effects specific legislation to give effect to the applicable sanctions imposed by the UN Security Council. In this regard, the MAS promulgates regulations under Section 27A of the Monetary Authority of Singapore Act (Cap. 186) in order to discharge or facilitate the discharge of any obligation binding on Singapore by virtue of a UN



Security Council Resolution. These regulations apply to all financial institutions regulated by the MAS (including Kanz as a payment services licence holder) and seek to prohibit dealings with and impose sanctions on designated persons.

#### **4. AML/CFT regulatory framework in Singapore**

AML/CFT obligations are imposed upon payment service providers such as Kanz, under the following instruments:

##### **A. Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Chapter 65A) (“CDSA”)**

The CDSA and its subsidiary legislation provides for the confiscation of benefits derived from predicate offences relating to corruption, drug trafficking and other serious crimes (“**Predicate Offences**”) and allow for the investigation and confiscation of such benefits. The Predicate Offences are listed in the Second Schedule to the CDSA and extends offences predicated as money laundering offences such as corruption and bribery offences under the Prevention of Corruption Act (Cap. 241) and tax offences under the Income Tax Act (Cap. 134).

##### **B. Terrorism (Suppression of Financing) Act (Chapter 325) (“TSOFA”)**

The TSOFA and its subsidiary legislation criminalize dealing in or facilitating the financing of terrorism by persons in Singapore and Singapore citizens outside Singapore. This includes activities such dealing in or facilitating any financial transaction related to, or providing any financial/related services for the benefit of, any terrorist/terrorist entity in respect of, any property (including funds derived therefrom) that one knows or believes is controlled on behalf of any terrorist/terrorist entity. “Property” is defined very widely in the TSOFA to include “assets of every kind, whether tangible or intangible, movable or immovable, however acquired”.

The First Schedule to the TSOFA contains a list of sanctioned terrorists and terrorist entities.

##### **C. MAS Notice PSN01: Prevention of Money Laundering and Countering the Financing of Terrorism - Holders of Payment Services Licence (Specified Payment Services) and the Guidelines to Notice PSN01**

Financial institutions operating in Singapore, including payment service licence holders, are required to put in place robust controls to detect and deter the flow of illicit funds through

Singapore's financial system. Such controls include the need for financial institutions to identify and know their customers (including beneficial owners), conduct regular account reviews, and monitor and report any suspicious transaction.

## 5. Enterprise-Wide Risk Assessment (“EWRA”)

An EWRA is intended to highlight the areas where there is an inherent ML/TF risk in the nature of Kanz’s business and operations as a payment service licence holder. The risk assessment must be carried out having regard to the customers, countries or jurisdictions customers are from or in, the countries or jurisdictions Kanz has operations in and the products and services, transactions and delivery channels of Kanz. This assessment is essential for determining the systems and controls needed to mitigate the risk of ML and/or TF. The risk assessment will be reviewed at least once every two years or when material trigger events occur. Such material events include (but are not limited to) acquisition of new customer segments or delivery channels or the introduction of new products and services.

### A. Risk Factors

The following risk factors have been identified in relation to the business of Kanz:

**(A) Risk factors in relation to the business of payment service transactions:** The nature of payment service business contains inherent ML/TF risks given that the business involves transmission of monies. The ML/TF risks increase where transmission of monies is carried out on a cross-jurisdictional basis. **CDD will thus be conducted on each Customer.** Given that Kanz’s business is carried out through an online platform, ML/TF risks are also heightened because of greater ease in impersonating others or creating false identities, in other words, “impersonation risks”. To address such risk, Kanz will as a matter of policy, **not establish and conduct non-face-to-face business contact.** If in future when the business expands and it is intended for non-face-to-face business contact to be conducted, Kanz will comply with all regulatory requirements under applicable law before such business is being conducted.

**(B) Risk factors in relation to Customers:** Given the nature of the business of Kanz, there is a risk that customers may originate from jurisdictions which may not have adequate AML/CFT regimes or jurisdictions which are being categorised by the FATF as high risk. This may hence potentially subject Kanz to a higher ML/TF risk. Customers who are politically exposed persons (“**PEPs**”) or from jurisdictions identified by the FATF as having inadequate AML/CTF regimes will be subject to enhanced customer due diligence. Kanz will consider FATF’s identification of countries based on

the adequacy of their AML/CFT measures and Transparency International's yearly publication of the Corruption Perception Index which relates to every country's corruption perception score in this process so as to determine an appropriate risk score for Customers. Approval from the Board of Directors to onboard such Customers or maintain business relationships with such Customers will be required.

Enhanced due diligence will be performed at the onboarding stage and during ongoing monitoring for Customers that are from jurisdictions which are considered high risk.

**(C) Risk factors in relation to the countries or jurisdictions in which Kanz's operates or deals in:**

There are also inherent ML/TF risks of countries where Customers may potentially transfer monies to beneficiaries in these countries utilising the payment services of Kanz. In assessing jurisdictional risk, similar to (B) above, Kanz will consider FATF's identification of countries based on the adequacy of their AML/CFT measures and Transparency International's yearly publication of the Corruption Perception Index which relates to every country's corruption perception score.

**B. Risk Management Framework**

Kanz's payment service activities will be carried out online with customers located in Singapore, South East Asia, China, Israel, Europe, the Middle East region (mainly Gulf states), the United States of America, and other countries in time to come, with the exception of countries listed in the sanctions lists.

As identified above, the major risks of Kanz's business are jurisdictional risk, risks arising from the type of Customer concerned and risks arising from the payment service transactions carried out. The online nature of Kanz's business and the speed with which the transfer of funds can be effected are also factors that affect Kanz's risk exposure. Kanz has identified key risk areas based on which it will accord appropriate risk ratings to Customers. Kanz will implement measures to mitigate the risks associated with prospects and customers with higher risk ratings.

The basic elements of Kanz's risk management framework are as follow:

1. Identification and assessment of key risks
  - a. Jurisdiction – a country matrix based on the FATF's assessments of countries by the adequacy of their ML/TF regimes as well as the countries on the Corruption Perceptions Index published by Transparency International will be used to risk rate the country of origin and/or operation of every new and existing Customer and the intended counterparties / beneficiaries of these Customers (including suppliers, buyers etc.).

- b. Customer type – this takes into account the sector and industry that each prospect or Customer operates in, the legal entity type and ownership structure, whether there is any PEP exposure, and whether any adverse news or sanctions matches are raised during background screenings.
- c. Transaction risks – Transaction behaviour considers both the source of funds as well as the historical trends and behaviours of existing customers. An in-house transaction surveillance system will be adopted to monitor the transaction patterns and behaviours of all customers. Exception reports will be generated for analysis and reviews by the Board, and will be used as part of the customer due diligence for periodic review purposes. Further details of the in-house transaction surveillance system may be found in the accompanying AML/CFT related Procedures adopted by Kanz.

## 2. Customer due diligence

The fundamental requirements of identification and verification of identity of Customers will be carried out in accordance with the MAS Notice PSN01.

Every Customer, including its beneficial owners, connected parties and natural persons appointed to act on behalf of, will be subject to background screening against relevant money laundering and terrorism financing information sources, as well as lists and information provided by the Authority or other relevant authorities in Singapore for the purposes of determining if there are any money laundering or terrorism financing risks in relation to the customer.

This will be performed to comply with section 7.51 to 7.54. Checks will also be conducted against all applicable sanctions lists. Please refer to section 6 below for further details.

Upon completion of the risk review described above, each Customer will be accorded an overall risk rating of low, medium or high. This risk rating will be submitted to the compliance team for review and approval. Enhanced CDD will be carried out for Customer profiles that are accorded a high risk rating and these Customers will be escalated to the Board of Directors for review. The Board of Directors will have the final decision on whether to onboard the Customer in question.

Ongoing monitoring of Customer accounts and transactions to prevent or detect ML/TF concerns and unusual or other suspicious activities will also be carried out.

Full details of the systems and controls that will be implemented are set out below and are also further detailed in the AML/CTF Procedures.

### 3. Record keeping

Maintenance and retention of all relevant data, documents and information is key for compliance with AML/CFT requirements which Kanz is subject to.

## 6. Customer Due Diligence (“CDD”)

### A. CDD measures

The CDD procedures which Kanz implements and adopts are as follows:

#### ***(a) Customer identification and verification***

Customer identification involves establishing the identity of Customers, including their beneficial owners, connected parties and natural persons appointed to act on behalf of.

Customer verification requires Kanz to properly verify the identity of Customers using reliable, independent source documents, data or information to understand the potential ML/TF risks that they may pose. This includes an assessment to properly verify and establish the identities of Customers, including their beneficial owners, connected parties and natural persons appointed to act on behalf of, and requesting additional information to verify the purpose and intended nature of the transactions through the payment services offered by Kanz, whether with or without an account being opened.

Where a Customer is a legal person or arrangement, Kanz shall in identifying and verifying the identity of the Customer understand the ownership and control structure of the Customer.

#### ***(b) Objective of the business relationship***

Obtaining information on the purpose and intended nature of the Customer’s relationship with Kanz.

***(c) Ongoing monitoring***

As part of the standard CDD measures, Kanz has established procedures for the ongoing monitoring of Customer accounts and transactions to prevent or detect ML/TF concerns and unusual or other suspicious activities. Ongoing monitoring will be conducted throughout the course of that relationship to ensure that the transactions are consistent with the Kanz's knowledge of the Customer and the Customer's business and risk profile including, where necessary, the source of funds. Ongoing monitoring requires, after a Customer is onboarded, CDD to be conducted on a periodic basis to refresh outdated information of that Customer and when Kanz has any suspicion of ML or TF at any time in relation to that Customer. Details of these procedures are set out in Kanz's accompanying Procedures relating to AM/CFT.

**As a matter of internal policy, Kanz will not establish and conduct any non-face-to-face business contact. If in future when the business expands and it is intended for non-face-to-face business contact to be conducted, Kanz will comply with all regulatory requirements under applicable law before such business is being conducted.**

**B. Timing of CDD**

CDD must be carried out when:

- (i) establishing a business relationship with a Customer;
- (ii) Kanz effects or receives any funds by cross-border wire transfer, for any customer who has not otherwise established business relations with;
- (iii) Kanz undertakes any transaction for the purposes of carrying on its business of providing cross-border money transfer service, for any customer who has not otherwise established business relations with the payment service provider;
- (iv) Kanz undertakes any transaction of a value exceeding S\$5,000 for any customer who has not otherwise established business relations with
- (v) carrying out any foreign exchange transaction the value of which is equal to or above SGD20,000 (or its equivalent in foreign currency);
- (vi) Where Kanz suspects that two or more transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single transaction into smaller

transactions in order to evade the measures provided for in Notice PSN01, Kanz shall treat the transactions as a single transaction and aggregate their values in any one year period cumulatively exceeds SGD20,000;

- (vii) there is a suspicion of money laundering or terrorism financing, notwithstanding that Kanz would not otherwise be required by this Notice to perform the CDD measures as stipulated in the Notice PSN01; or
- (viii) Kanz has doubts about the veracity or adequacy of previously obtained customer identification data.

### **C. Non-permissible customer types or activities**

Kanz shall identify and verify the identity of every person, natural or legal, and shall not deal or open and maintain accounts with:

- persons who wish to deal with Kanz on an anonymous basis;
- persons who appear to be using fictitious names;
- shell entities, where it has grounds to suspect or concrete evidence of this;
- persons or Customers whose assets or funds Kanz has any suspicion are the proceeds of Predicate Offences or property related to the facilitation or carrying out of any TF offences under the TSOFA. An STR will be filed and a copy extended to the Authority for information.

### **D. Standard CDD**

The following CDD measures are to be performed for all Customers.

#### ***(a) Identification***

For the purposes of identification of Customers, Kanz will be required to obtain information relating to the Customer including at least the following (a) full name (including alias); (b) unique identification number; (c) the Customer's residential or registered or business address and if different, the principal place of business; (d) date of birth, establishment, incorporation or registration (as may be appropriate); (e) nationality, place of incorporation or place of registration (as may be appropriate).

#### Identification of natural person appointed to act on a Customer's behalf

Where a Customer appoints one or more natural persons to act on his behalf, information on these persons should be obtained, including at least the following information: (a) full name, including aliases; (b) unique identification number; (c) residential address; (d) date of birth; (e) nationality.

#### Identification of beneficial owner

Where the customer is not a natural person, Kanz is required to understand the nature of the Customer's business and its ownership and control structure.

The detailed procedures for customer identification are set out in the Know Your Customers (KYC) Procedures. These procedures will take into account key considerations set out in this Policy, including the scope and type of information that will be required for different types of Customers and the need to ensure that Customer information remains relevant.

#### ***(b) Verification***

Customer verification requires Kanz to properly verify the identity of Customers using reliable, independent source documents, data or information to understand the potential ML/TF risks that they may pose.

This includes an assessment to properly verify and establish the identities of persons who act on behalf of Customers, their beneficial owners and connected parties, as well as requesting additional information to verify the purpose and intended nature of the transactions through the services offered by Kanz, whether with or without an account being opened.

Reliable and independent source documents that Kanz may refer to include identification or constitutional documents issued or endorsed by government ministries.

In relation to verifying the authority of persons to act on behalf of Customers who are non-natural persons, Kanz will refer to authorization documents such as board resolutions or company search reports, both of which will allow Kanz to verify the



appointments of natural persons who act on behalf of Customers who are non-natural persons.

Kanz will refer to sources such as company search reports or annual reports, or signed disclosures from Customers, to verify the ownership structure of Customers that are legal persons. Where the need arises, Kanz will request for a copy of the signed declaration by the customer of the ownership structure.

Details on procedures for verification of identity and the measures to be taken in exceptional scenarios are set out in the KYC Procedures.

***(c) Ongoing monitoring***

Kanz will incorporate as part of CDD to conduct ongoing due diligence on the Customer and account opened with the Customer and effect scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions are consistent with the Kanz's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.

**Where Standard CDD measures not completed**

Where Kanz is unable to reasonably meet any of the CDD requirements above, it will escalate to the Board of Directors for review and decision as to whether to either reject the account application, commence account relationship, continue with the account relationship, execute the transaction or terminate the existing account relationship and consider filing a suspicious transactions report in relation to the customer where such an action is deemed necessary.

**E. Enhanced CDD (EDD)**

EDD must be applied to Customers identified as having high ML/TF risks. Given their higher risk profile, information additional to that required for standard CDD must be obtained to verify the identity of the Customer.

***(a) EDD measures***

EDD measures required include:

- i. obtaining information and documents from these high risk Customers, such as

- salary details, tax returns, bank statements;
- ii. requiring the first payment to be carried out through an account in the high risk Customer's name with another financial institution subject to similar or equivalent AML/CFT due diligence standard;
  - iii. using public sources of information (e.g., websites) to gain a better background (if any) of the Customer; and
  - iv. commissioning external intelligence reports (where it is not possible for the Company to easily obtain information through public sources or where there are doubts about the reliability of public information) to determine the source of wealth and source of funds.

**Approval must be obtained from Kanz's Board of Directors before establishing or continuing an account relationship with the high risk Customer or undertaking any transaction for the high risk Customer. Kanz's Board of Directors shall provide and record written reasons for its decision as to whether to approve or reject a high risk Customer.**

**If an account relationship is established or maintained with a high risk Customer, enhanced monitoring must be undertaken throughout the course of the relationship. The degree and nature of monitoring of the account relationship and transactions undertaken for the Customer must be increased accordingly, to help assess whether the Customer's conduct is in any way unusual or suspicious.**

***(b) Types of higher risk Customers***

Kanz identifies high risk Customers to include the following:

- i. a Customer who is, or any of whose beneficial owners and connected parties has been, identified as being a PEP (see below for further details on PEPs), or a family member<sup>2</sup> ("**Family Member**") or close associate<sup>3</sup> ("**Close Associate**") of a PEP, given that PEPs are deemed to pose a higher ML risk as their position may make them vulnerable to corruption;

---

<sup>2</sup> "Family member" means a parent, step-parent, child, step-child, adopted child, spouse, sibling, step-sibling and adopted sibling of the PEP.

<sup>3</sup> "Close associate" means a natural person who is closely connected to a PEP, either socially or professionally.

- ii. a Customer or any beneficial owner of the customer is from or in a country or jurisdiction in relation to which the FATF has called for countermeasures or identified as having high ML/TF risks;
- iii. where a Customer or any beneficial owner of the Customer is from or in a country or jurisdiction known to have inadequate AML/CFT measures, as determined by Kanz for itself or notified to Payment Service licence holders generally by the Authority or other foreign regulatory authorities;
- iv. a Customer that uses or proposes to use Kanz's services to conduct a high value amount of funds that is atypical of the Customer's profile; or
- v. where Kanz has any other reason to suspect that the Customer presents or may present higher ML/TF risks.

***(c) Politically Exposed Persons***

PEPs are individuals who are or have been entrusted with prominent public functions by a foreign country or in the domestic context. "Prominent public functions" includes the roles held by a head of state, a head of government, government ministers, senior civil or public servants, senior judicial or military officials, senior executives of state owned corporations, senior political party officials, members of the legislature and senior management of international organisations.

The classification of PEPs will include those closely affiliate to and family members of the PEPs holding functions as described above. The definition of PEPs however is not intended to cover middle ranking or more junior individuals in the foregoing categories.

A PEP classification will include :

- i. A domestic PEP (a natural person who is or has been entrusted domestically with prominent public functions);
- ii. A foreign PEP (a natural person who is or has been entrusted with prominent public functions in a foreign country); or
- iii. An international organisation PEP (a natural person who is or has been entrusted with prominent public functions in an international organisation, where an "international organisation is an entity established by formal political agreements between member countries that have the status of international

treaties, whose existence is recognised by law in member countries and which is not treated as a resident institutional unit of the country in which it is located).

- iv. A “close associate” of PEP, i.e a natural person who is closely connected to a politically exposed person, either socially or professionally;
- v. A “family member” i.e a parent, step-parent, child, step-child, adopted child, spouse, sibling, step-sibling and adopted sibling of the politically exposed person;

#### **F. Simplified CDD (“SDD”)**

Kanz may conduct SDD only where it is satisfied that the ML/TF risks of a Customer are low and the Customer is a financial institution listed in Annex 2 of Notice PSN01.

The SDD measures shall be commensurate with the level of risk of the Customer based on the risk factors identified.

Where Kanz performs SDD measures in relation to a Customer, any natural person appointed to act on behalf of the Customer and any beneficial owner of the Customer, it shall document:

- i. details of its risk assessment; and
- ii. nature of the SDD measures.

For the avoidance of doubt, SDD measures shall under no circumstances be performed where:

- i. a Customer or any beneficial owner of the Customer is from or in a country or jurisdiction in relation to which the FATF has called for countermeasures;
- ii. a Customer or any beneficial owner of the Customer is from or in a country or jurisdiction known to have inadequate AML/CFT measures, as determined by Kanz for itself or notified to licensees generally by the Authority or other foreign regulatory authorities;  
or
- iii. Kanz suspects that ML/TF is involved.

## **G. Wire transfers**

Kanz will ensure that the due diligence measures include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.

Surveillance will be performed on the wire transfers for the purpose of detecting those which lack required originator and/or beneficiary information and take appropriate measures. Please refer to the AML/CFT Procedures, which detail the relevant measures to comply with the applicable requirements set out in section 15 of MAS Notice PSN01.

## **7. Record Keeping**

Kanz will keep all records to enable:

- i. the reconstruction of any individual transaction it has undertaken (including the amounts and types of currency involved) so as to provide, if necessary, evidence for prosecution of criminal activity. These will be kept for at least five years after the conclusion of the transaction;
- ii. regulators, including MAS, and its auditors to review Kanz's account relationships, transactions, records and CDD information and thereby assess Kanz's level of compliance with Notice PSN01; and
- iii. Kanz to satisfy within a reasonable time period (or other specific period imposed upon it) any enquiry or order from the relevant authorities in Singapore for information.

Kanz will maintain records of data, documents and information obtained for CDD purposes (e.g. copies or records of identification documents including passports, identity cards, driving licences or similar documents and Customer contact information), account files and business correspondence, including the results of any analysis undertaken (e.g. inquiries to establish the background and purpose of complex, unusual large transactions), all transactions carried out by Kanz with or for each Customer or counterparty of Kanz, and all account relationships with or transactions for a Customer pertaining to a matter which is under investigation or which has been the subject of an STR, in accordance with any request or order from STRO or other relevant authorities in Singapore.

In compliance with section 16 on Record keeping of the Notice PSN01, Kanz will keep records of data, documents and information in accordance with the following record retention periods:

(a) for CDD information relating to the business relations, wire transfers, transactions undertaken without an account being opened, as well as account files, business correspondence and results of any analysis undertaken, a period of **at least 5 years** following the termination of such business relations or completion of such wire transfers or transactions; and

(b) for data, documents and information relating to a transaction, including any information needed to explain and reconstruct the transaction, a period **of at least 5 years** following the completion of the transaction.

## **8. Suspicious Transactions Reports (“STR”)**

Section 39 of the CDSA and Sections 8 and 10 of the TSOFA impose legal obligations on every person in Singapore and every Singapore citizen outside Singapore to file an STR with the STRO where they know or have reasonable grounds to suspect that any property may be connected to a criminal activity or have information on property and financial transactions belonging to terrorist and acts of terrorism financing. Failure to disclose such information may be a criminal offence.

Where any member of staff of Kanz suspects that any ML/TF risk is present in relation to any person with whom it has business dealings, he or she shall promptly report the matter in full detail to Kanz’s Chief Compliance Officer in writing. Kanz’s Chief Compliance Officer will assess whether an STR should be filed in respect of the matter regardless of the amount of the transaction. Where an STR is filed, a copy of the report will be extended to MAS. Caution must be exercised so that no Customer may be tipped off.

All reports to the STRO should be submitted in the STRO Online Notices and Reporting Platform (“**SONAR**”) by filing the electronic form of report available thereon. Kanz will keep records of all reports filed on SONAR and transactions referred to STRO, together with all internal findings and analysis done in relation to them.

Examples of suspicious transactions are set out in Appendix B of the Guidelines to Notice 3001. Reference shall be made to Appendix B of the Guidelines to Notice PSN01 when considering whether a Customer's actions or activities are 'red flags' that warrant considering filing an STR.

In addition to the above, Kanz will consider if circumstances are suspicious such that filing an STR would be warranted, and document the basis for its determination, where:

- i. Kanz is unable to complete CDD measures to its satisfaction;
- ii. the Customer is reluctant, unable or unwilling to provide any information requested by Kanz, decides to withdraw a pending application to establish an account relationship or a pending transaction, or to terminate existing account relationship.

---

<sup>1</sup> Regulation 28(7) on definition of "identifiable source" as "identifiable source" means —

- (a) an account that is maintained with a financial institution (whether or not incorporated or established in Singapore) which is subject to, and supervised by the Authority for compliance with AML/CFT requirements, including customer due diligence requirements, in respect of the account; or
- (b) an account that is maintained with a financial institution which is —
  - (i) incorporated or established outside Singapore; and
  - (ii) subject to, and supervised by an AML/CFT authority for compliance with, AML/CFT requirements, including customer due diligence requirements, in respect of the account.