



# **KYC/AML PROCEDURES**

# 1. CUSTOMER DUE DILIGENCE

There are three levels of Customer Due Diligence (CDD):

1. Standard CDD;
2. Enhanced CDD; and
3. Simplified CDD.

Lucror considers that it would not deal with entities (Government Departments etc.) that would fall under the category of Simplified CDD so this has not been covered in this AML/CFT Compliance Programme.

## 1. STANDARD CDD (SCDD)

Section 15 of the Anti-Money Laundering and Countering the Financing of Terrorism Act 2009 (the Act) states that a reporting entity must obtain the following information:

- (a) the person's full name; and
- (b) the person's date of birth; and
- (c) if the person is not the customer, the person's relationship to the customer; and
- (d) the person's address or registered office; and
- (e) the person's company identifier or registration number; and
- (f) any information prescribed by regulations.

Section 16 of the Anti-Money Laundering and Countering the Financing of Terrorism Act 2009 states that under Standard Customer Due Diligence – Verification of Identity Requirements, the reporting entity must:

- (a) take reasonable steps to satisfy itself that the information provided under section 15 is correct; and
- (b) according to the level of risk involved, take reasonable steps to verify any beneficial owner's identity so that the reporting entity is satisfied that it knows who the beneficial owner is; and
- (c) if a person is acting on behalf of the customer, according to the level of risk involved, take reasonable steps to verify the person's identity and authority to act on behalf of the customer so that the reporting entity is satisfied it knows who the person is and that the person has authority to act on behalf of the customer; and
- (d) verify any other information prescribed by regulations.

(2) Except as provided in subsection (3), a reporting entity must carry out verification of identity before establishing a business relationship or conducting an occasional transaction.

(3) Verification of identity may be completed after the business relationship has been established if-

- (a) it is essential not to interrupt normal business practice; and
- (b) money laundering and financing of terrorism risks are effectively managed through procedures of transaction limitations and account monitoring; and
- (c) verification of identity is completed as soon as practicable once the business relationship has been established.

All customers are subject to "Standard CDD" except for customers that are defined by section 22 of the Act as requiring "Enhanced Customer Due Diligence" to be undertaken, refer to Section 2 below.

## **2. ENHANCED CDD (ECDD)**

Section 22 of the Act defines Enhanced Customer Due Diligence as:

- (1) A reporting entity must conduct enhanced customer due diligence in accordance with sections 23 and 24 in the following circumstances:
  - (a) if the reporting entity establishes a business relationship with a customer that is-
    - (i) a trust or another vehicle for holding personal assets
    - (ii) a non-resident customer from a country that has insufficient anti-money laundering and countering financing of terrorism systems or measures in place
    - (iii) a company with nominee shareholders or shares in bearer form.
  - (b) if a customer seeks to conduct an occasional transaction through the reporting entity and that customer is –
    - (i) a trust or another vehicle for holding personal assets
    - (ii) a non-resident customer from a country that has insufficient anti-money laundering and counter financing of terrorism systems or measures in place
    - (iii) a company with nominee shareholders or shares in bearer form.
  - (c) if a customer seeks to conduct, through the reporting entity, a complex, unusually large transaction or unusual pattern of transactions that have no apparent or visible economic or lawful purpose
  - (d) when a reporting entity considers that the level of risk involved is such that enhanced due diligence should apply to a particular situation

- (e) any other circumstances specified in regulations.
- (2) A reporting entity must conduct enhanced customer due diligence in accordance with section 26 if –
  - (a) it establishes a business relationship with a customer who it has determined is a politically exposed person; or
  - (b) a customer who it has determined is a politically exposed person seeks to conduct an occasional transaction through the reporting entity.

### **Enhanced Customer Due Diligence - Identity Requirements**

Section 23 of the Act states a reporting entity must, in relation to a person referred to in section 11 (1) obtain the information required under section 15 and the following additional information:

- (a) information relating to the source of the funds or the wealth of the customer; and
- (b) any additional information prescribed by regulations.

### **Enhanced Customer Due Diligence – Verification of Identity Requirements**

Section 24 of the Act states that a reporting entity must-

- (a) conduct the verification of identity requirements for standard customer due diligence set out in section 16; and
- (b) according to the level of risk involved, take reasonable steps to verify the information obtained under section 23 (a); and
- (c) verify any other information prescribed by regulations.

## **3. ACCOUNT OPENING PROCEDURE**

Taking the above into account the following procedures will be applied to account opening.

To meet section 15 (SCDD) of the Act the following information will be obtained from the customer on the account opening application form:

- (a) the customers full name, date of birth and address;
- (b) whether the account has anyone authorised to operate it? If so the same identity requirements as applied to the customer are applied to the authorised person;
- (c) if it is a corporate entity, the company registration number, Directors Names and Shareholders.

To meet section 16 of the Act the following information will be obtained from the customer to verify their identity:

#### Identity Verification

Passport or National Identification Card issued by a Government. These documents are to contain the following:

- 1) Customers Name;
- 2) Date of Birth
- 3) Photograph of the customer

Note: Other forms of identification can be considered on a case-by-case basis if the customer is unable to provide either a Passport or National Identification Card. The AML/CFT Compliance Officer will consider this against published information available to what might be acceptable at that time.

#### Address Verification

A copy of the customers Bank Statement or Utility Statement that shows the customers address.

Note: Other forms of address verification can be considered on a case-by-case basis if the customer is unable to provide either a Bank Statement or Utility Statement. The reason for this is if the customer receives his statements at a P O Box. Other forms of address verification might be Government Tax Office letters, Government Security address registration records as in China, Council Rates statements etc. The AML/CFT Compliance Officer will consider this against published information available to what might be acceptable at that time.

#### Other Information to be obtained from the Customer

As part of the "Know Your Customer" requirements the following information will be obtained at the account opening stage. This will allow for the assessment of whether the Customer meets SCDD or ECDD requirements.

- (a) Employment details or Nature of Business
- (b) Investment Objective
- (c) Approximate Net Worth
- (d) Trading Experience
- (e) Source of Funds
- (f) Banking Details

For Corporate entities the following additional information is to be obtained:

- (a) Full legal name
- (b) Trading name (if different)
- (c) Principal business address or registered office address
- (d) Jurisdiction of incorporation
- (e) Company registration number
- (f) Certificate of Incorporation
- (g) Directors Register
- (h) Shareholders Register
- (i) Any other person with effective control
- (j) Senior Management i.e. CEO
- (k) Articles of Association or Constitution
- (l) Bank Statement dated within the last three (3) months

Identity Verification and Address Verification is to be obtained for ALL Directors and any Shareholder with greater than 25% shareholding.

The following customers would fall into the category of requiring Enhanced Customer Due Diligence:

- (a) If the Customer is a Trust or another vehicle used to hold assets i.e. a corporation with corporate directors and/or nominee shareholders;
- (b) A Customer from a country that has insufficient anti-money laundering and counter financing of terrorism systems or measures in place. To ascertain which countries would fall into this criteria Lucror uses the Financial Action Task Force (FATF) list of countries it deems as not meeting its standards. FATF regularly conducts reviews of countries and updates its lists of non-complying countries. All Customers will be screened against this list to ascertain if they fall into the SCDD or ECDD category.
- (c) Customers should be assessed against Lucror's Country Risk Assessment, refer to section 7 for the level of risk.

If a Customer falls into one of these categories or Lucror suspects that there is something unusual then Enhanced Customer Due Diligence is to be performed.

Lucror will obtain all the information that it would under normal SCDD and additionally obtain:

- (a) further information surrounding the source of funds.
- (b) Ensure that Lucror has taken reasonable steps to verify the Customer and Authorised Persons and Shareholders.
- (c) Assess the risks and monitor the account for unusual activity.

## 2. ACCOUNT OPENING AND CERTIFICATION

### 1. ACCOUNT OPENING

#### **Introduction**

The purpose of these procedures is to ensure that:

- all Customers with whom Lucror conducts business with are confirmed to be existing legal entities of such a level of integrity and reputation that Lucror can fully meet its regulatory obligations pursuant to the Anti-Money laundering and Counter Financing of Terrorism Act 2009 (AML/CFT Act), and
- that LUCROR's own reputation will not suffer as a result of the association with that Customer.

This section deals with:

- the procedures to be followed before commencing business with a new Customer;
- account application processing flow; and
- certification of documents where there is not face-to-face contact.

#### **Procedure to Approve New Customers**

No transaction is to be undertaken for a new Customer unless the following procedure is followed. Any proposed departure from this procedure must be approved by the AML/CFT Compliance Manager and the Managing Director.

- 1) Prior to opening an Account and/or trading, the Customer is to complete the Customer Application Form (this form makes reference to Lucror's General Terms & Conditions and Disclosure Statement).
- 2) Upon receipt of the Account Application form from the Customer, the AML/CFT Compliance Manager is to review the documentation and check it against Lucror's AML/CFT Compliance Check Sheet (Appendix 1 for individuals and Appendix 2 for Corporate entities) to ensure that the required information has been provided. In addition to ensuring and checking that the required documentation meets Lucror's account opening requirements as described in section 3 of this AML/CFT Compliance Programme, the AML/CFT Compliance Manager is to check the Customer against its own data base and against the World Check data base. If all is in order the AML/CFT

Compliance Manager is to approve that due diligence has been completed and the account can be opened.

- 3) The AML/CFT Compliance Manager is to ensure that all documentation is filed and held in a secure location. Refer to the “Record Keeping” section in this Compliance Programme for further details;
- 4) The account balance must be a minimum of \$100 unless approved otherwise by the Managing Director;
- 5) If the Customer wishes to trade immediately, the opening funds of the account must be in the form of cleared funds deposited into Lucror’s Customer Bank Account. Any bank cheque or non-bank cheque deposits must wait until the funds have been cleared before trading can commence.

## 2. ACCOUNT OPENING PROCESS FLOW

1. Applications can be received from Customers by the Customer completing the on-line application form or by the Customer downloading the application form and manually completing it;
2. Upon receipt of the application form the Compliance Manager is to review it to ascertain whether the Customer falls into the category of SCDD or ECDD.
3. After this is determined the Compliance Manager is to check the application to ensure that all information is stated and that all the required documents have been provided.
4. If the documents are not in English, a translation is required.
5. If the Customer is not a face-to-face Customer the documents are required to be certified. Refer to Certification section for requirements.
6. The Compliance Manager is to check the Customer against its own database of customers to ascertain if it already has an account for the Customer;
7. The Compliance Manager is to check the Customer against World Check to see if the Customer has any record including whether the Customer is a Politically Exposed Person (PEP);
8. After all information, documents and checks have been completed and meet Lucror’s requirements; approval of the account can be given.
9. The Application form and documents are to be filed and stored electronically for future reference.



### 3. POLITICALLY EXPOSED PERSONS

Politically Exposed Persons or PEPs as they are commonly referred are typically individuals who have, or have had a high political profile or hold, or have held public office. These could be persons who are in a position of authority in government, a local authority or a quasi-governmental organisation who has or may have influence over the financial decisions of that entity and are therefore vulnerable to corruption. (The risk also extends to members of their immediate family and to known close associates of such persons). This has to be taken into context of that particular country and the level of potential corruption in that country.

Lucror's AML/CFT Compliance Programme requires it to:-

- have suitable Enhanced Due Diligence (EDD) risk based procedures to determine whether a customer is a PEP, and to maintain a list of all such PEP accounts,
- obtain approval from the Managing Director to establish/maintain a relationship with such customers,
- take adequate measures to establish the source of wealth and source of funds of such customers, and
- conduct ongoing monitoring of the account (there should not be automatic declassification of a PEP when such a person leaves that specific office as their influence can remain).

The first time that staff will identify a PEP is likely to be at the Account Opening stage and if identified then further investigation is required with regard to the declared occupation and/or employer shown on the account opening forms. Any match must be reported to the AML/CFT Compliance Manager for consideration and whether additional and appropriate checks will be carried out. The identification of a PEP will be achieved by local knowledge or by checking the applicant against the World Check data base, which all new applicants are checked against. All identified PEP's will be classified as a high risk relationship and monitored by the AML/CFT Compliance Manager. All PEP matches are to be reported to the Board of Directors on a regular basis to ensure that the relationship is properly and openly managed.

### 4. COUNTRY RISK ASSESSMENT

Lucror risk can also be classified according to the jurisdiction/country with which the Customer is affiliated, whether by nationality, domicile or personal or business address.

The risk level of a jurisdiction is based on a number of factors, including:

- The strength of regulation (particularly in respect of anti money laundering) of the financial industry in the country;
- The degree to which they implement and enforce international initiatives (such as Financial Action Task Force (FATF) standards) to control money laundering and terrorist financing activities;
- The levels of banking secrecy and dubious tax avoidance activity tolerated by the authorities in the jurisdiction;
- The accessibility of identification materials and their comparability to Lucror's AML/CFT Compliance Programme, and
- The levels of corruption prevalent in both government and business in that country.

To meet its obligations in terms of the AML/CFT Act, Lucror risk weights each jurisdiction by taking the Corruption Perception Index that is compiled by Transparency International as its base and applying assessments undertaken by the Financial Action Task Force (FATF) as well as known Tax Havens and perceived countries thought to be a risk for their involvement in drugs and money laundering.

## 5. TRANSACTION MONITORING

On a daily basis the AML/CFT Compliance Manager will review all deposits and withdrawals for the day in order to form an opinion on whether they are suspicious in nature given the amount and the Customer profile and report ANYTHING that looks suspicious to the New Zealand Police Financial Intelligence Unit.