



# **Moga International Group LLC**

**(Hereinafter referred to as Moga)**

## **Anti-Money Laundering and Counter-Terrorism Financing Policy**

August 2020

### **PART I**

#### **Introduction**

##### **a. Objective**

- i. This document sets out the Money Laundering (AML) / Counter-Terrorism Financing(CTF) Policy for Moga to comply with International Anti-Money Laundering and Anti-Terrorism Financing rules and practice the Financial Action Task Force's recommendation. It is intended to ensure that the institution understands and complies with the requirements and obligations imposed on them.
- ii. Moga does not permit the use of our brokerage service for Money Laundering and Terrorist Financing purposes.
- iii. This document is also formulated to ensure that all Moga employees understand and comply with the requirements and obligations imposed on them.
- iv. For awareness, training, and educational purpose.

#### **Definition**

##### **a. What is Money Laundering?**

Money Laundering encompasses all activities, procedures, or processes aimed to legitimize funds obtained through illegal or criminal activities. The brokerage services provided might serve as an avenue to launder money. The use of the money brokerage industry legitimates the proceeds of crime would also threaten the integrity, trust, and



confidence of the public in the industry itself. In the bigger scheme of things, money laundering would bring dire social and economic consequences.

b. Stages of Money Laundering

i. Placement

In the initial or placement stage of money laundering, the criminal introduces his illegal profit and ill-gotten gains into the financial system. This is the physical disposal or dealing of the initial proceeds derived from illegal activities.

ii. Layering

After the funds have entered the financial system, the “layering stage” takes place. In this phase, the illicit proceeds are separated from their source by creating complex layers of financial transactions designated to disguise the audit trail and provide an appearance of legitimacy as well as anonymity.

iii. Integration

When layering succeeds, the criminal proceeds have been successfully laundered, i.e. cleaned and regarded for all intent and purposes as legitimate funds, and are then reintroduced, i.e. integrated back into the financial system through investment in a business, or purchase of assets.

c. What is Financing Terrorism?

i. Financing of terrorism refers to carrying out transactions involving funds that may or may not be owned by terrorists, or that have been, or are intended to be, used to assist the commission of terrorism.

ii. In the financing of terrorism, the focus is on the determination or use of funds, which may have been derived from legitimate sources.



## **PART II**

### **1. AML and CTF Risk Assessment**

1.1. This AML & CTF Program sets a risk assessment process that is on a risk-based approach.

1.2. The main components of the risk assessment process are:

1.2.1. Risk identification,

1.2.2. Management and mitigation of risks, and

1.2.3. Risk assessment reporting.

1.3. In identifying ML/TF risks, Moga has considered the risk posed by the following risk factors:

1.3.1. our customer types, including any Politically Exposed Persons;

1.3.2. the types of services we provide;

1.3.3. the methods by which we deliver our services;

1.3.4. the foreign jurisdictions with which we deal; and

1.3.5. the business structure and process.

1.4. The risk assessment will provide the foundation for

1.4.1. The categorization of customers into different due diligence levels within the KYC process, and

1.4.2. The identification of situations and cases where monitoring and/or other additional risk mitigation measures will be required.

### **2. Risk Factors Considered**

Certain customer types, services, delivery methods, foreign jurisdiction considerations, and business structures and processes can pose a higher ML/TF risk. At a high-level, risk factors that we may reasonably face are identified as follows:

2.1. Customer Type:

2.1.1. The customer identity, origin of wealth, or source of funds cannot be easily verified;

2.1.2. Where the structure of the customer/entity renders it difficult to identify the true controlling owner, or where there is no legitimate commercial rationale for the structure;

2.1.3. The customer is a Politically Exposed Persons (“PEP”);

2.1.4. Customers engaged in a business that involves the physical handling of significant amounts of cash (e.g. currency exchange bureau, money transmitters,



dealers in high-value goods, online auction sites, casinos, betting, and other gambling-related activities who routinely receive payment in cash);

- 2.1.5. Customers who appear on governments lists, including sanction lists, or other credible sources that trigger risks in respect of corruption and/or criminal activity;
- 2.1.6. Customers (not necessarily PEPs) based in, or conducting business in or through, a high-risk geographic location, or a geographic location with known higher levels of corruption or organized crime, or drug production/distribution;
- 2.1.7. Charities and other “not for profit” organizations that are not subject to some form of regulatory monitoring or supervision.
- 2.1.8. Professional service providers such as lawyers, accountants, investment brokers, or other professionals holding accounts for their customers or acting on behalf of their customers and where we would be required to place unreasonable reliance on the professional service provider;
- 2.1.9. Requests for undue levels of secrecy with a transaction;
- 2.1.10. Whether the customer is a long-standing customer or undertakes occasional transactions;
- 2.1.11. The customer’s business activities place the customer in a high-risk category (military industry, casino, etc.)

## 2.2. The Types of Services Provided

Moga is a company structured to provide private banking, asset management, and wealth management services to retail and wholesale clients. Although not necessary, certain products, services, and transactions in relation to them may pose a higher risk. E.g. the following products and services may pose a high risk under certain circumstances:

- 2.2.1. Services where large amounts are invested;
- 2.2.2. Services involving structures intended to (or which can in practice) render a customer anonymous (e.g. accounts in the names of trusts or nominees of third persons);
- 2.2.3. Third-party accounts/client accounts/pooled accounts;
- 2.2.4. Correspondent banking services.

## 2.3. The methods by which we deliver our services

Products and services provided in a non-face-to-face process, i.e. when the customer has not been physically present for identification purposes may pose higher risks.

## 2.4. Foreign Jurisdictions

Customers based in, or conducting business through certain countries may pose a higher risk. Criteria for identifying high-risk countries are e.g.:



- 2.4.1. Countries identified by credible sources as providing funding or support for terrorist activities or who have terrorist groups working within the country;
- 2.4.2. Countries subject to sanctions and embargoes by the United Nations;
- 2.4.3. Countries identified by credible sources as having significant levels of corruption and/or criminal activity;
- 2.4.4. Countries identified by credible sources as lacking appropriate AML and CTF legislation;
- 2.4.5. Countries identified by the FATF as non-co-operative countries and territories.

### 2.5. Business Structure and Process

Moga's simple organizational and business structure as well as clearly defined business and operational processes allow defining AML and CTF risk according to this criterion as low.

## 3. Management and Mitigation of Risks

3.1. Based on the risk assessment foundation, the following measures shall be applied:

- 3.1.1. Assigning risk levels (low, medium, or high) to all customers, based on the risk assessment foundation,
- 3.1.2. Applying enhanced due diligence measures to high-risk customers,
- 3.1.3. Increasing staff awareness and knowledge of AML and CTF and Moga's measures to prevent it (e.g. through frequent/deeper staff training),
- 3.1.4. Monitoring of customers' activities and transactions, carried out manually by the client relationship manager within ongoing customer due diligence, and electronically by AML and CTF Compliance Officer (s),
- 3.1.5. Escalating the decision regarding the establishment of a relationship in the case of a high-risk customer, or (where appropriate) carrying out a specific action, including procedures for the rejection or termination of customer relationships, and
- 3.1.6. Reviewing and amending AML and CTF processes and routines.

3.2. Whenever a certain risk is identified that needs mitigation, risk mitigation measures shall be considered and implemented in relation to each of new and existing customers, and new and existing products and services. If the identified risks cannot be mitigated immediately, an action plan shall be established.

## 4. Compliance Function in AML and CTF

4.1. Moga has established a compliance function within the bank directly reporting to the



Board of Directors, led by the Chief Compliance Officer, and having specifically dedicated staff as AML&CTF Compliance Officers.

4.2. Responsibilities of AML and CTF Compliance Officer (s):

- 4.2.1. monitoring compliance and adherence to the obligations of the AML and CTF Act;
- 4.2.2. receiving and investigating reports of suspicious matters and activities;
- 4.2.3. adopting a risk-based approach to monitoring customer activity to identify suspicious activity;
- 4.2.4. ensuring that proper AML and CTF records are maintained;
- 4.2.5. reporting suspicious activity to FIU;
- 4.2.6. providing advice to Representatives;
- 4.2.7. receiving and carrying out directions or orders issued by Chief Compliance Officer and/or Authorities; and
- 4.2.8. liaison with FIU, other regulatory bodies, and law enforcement in respect of suspicious activity reporting and threshold reporting.

4.3. AML and CTF-related responsibilities of Chief Compliance Officer (s):

- 4.3.1. preparation and review of AML Policy and Program;
- 4.3.2. overseeing communication and training for employees;
- 4.3.3. providing advice to AML&CTF Compliance Officers and other Representatives;
- 4.3.4. submitting reports to the Board (at least annually);
- 4.3.5. lodging annual compliance report with Authorities;
- 4.3.6. receiving and carrying out directions or orders issued by Authorities; and
- 4.3.7. liaison with FIU and other regulatory bodies and law enforcement in respect of suspicious activity reporting and threshold reporting.

4.4. Chief Compliance Officer, as well as AML and CTF Compliance Officer (s), are authorized and have full capacity to act independently in order to fulfill the commitments of his/her role as well as receive all information necessary to carry out the compliance functions from the Representatives.

4.5. The compliance function must be consulted prior to Moga: introducing a new designated service to the market; introducing new methods of delivery of a designated service; and/or introducing any new or developing technology used for the provision of designated services to enable the AML and CTF Compliance Officer (s) to identify any significant changes in ML/TF risks and to formulate controls to mitigate and manage those risks.



## **5. Risk Assessment Reporting**

- 5.1. It is the responsibility of AML&CTF Compliance Officers to report suspicious activity or transactions and file incident reports to the Authorities as well as keep the Chief Compliance Officer informed on an everyday basis about all AML and CTF issues, defaults, or incidents.
- 5.2. Chief Compliance Officer shall, on an ongoing basis, inform the Managing Director and the Board of Directors of the material events related to the management and mitigation of Money Laundering risks in Moga.
- 5.3. The relevant reported AML and CTF-related information is included in an annual compliance report prepared by the Chief Compliance Officer and presented to the Board of Directors. The report shall contain information on incidents and/or outlined areas that need improvement and where there are deficiencies or proposals for improvement, and a plan showing how these are to be handled.
- 5.4. Records shall be kept of all reports in accordance with general record keeping principles.

## **6. AML and CTF Training Program**

- 6.1. Appropriate training with regard to money laundering and terrorist financing is vital in managing the ML/TF risk. Accordingly, all Representatives of Moga are required to undergo training in AML and CTF laws and Moga's internal policies. In order for our ML/TF controls to be successful, training programs are formulated having regard to the representative's level of responsibility and position.
- 6.2. Updated or refresher training will depend upon staff promotions and/or depending upon the level of assessed ML/TF risk of the designated service.
- 6.3. The training can be internal or external (by contracted training organizations). Specific AML and CTF-related external training would be available to certain Representatives according to their responsibilities (such as Chief Compliance Officer, AML/CTF Compliance Officers, etc.). It is the responsibility of the Chief Compliance Officer to arrange internal training. Ongoing training will occur on a periodic basis.
- 6.4. At a minimum the AML and CTF training program will be designed to enable



Representatives to understand the following:

- 6.4.1. the AML and CTF Policy;
  - 6.4.2. the AML and CTF Program;
  - 6.4.3. the obligations of Moga under the AML and CTF Act and underlying legal requirements;
  - 6.4.4. the types of ML/TF risk Moga might face and the potential consequences of such risks;
  - 6.4.5. how to identify signs of ML/TF that arise during the course of carrying out their duties;
  - 6.4.6. escalation procedures i.e. what to do once an ML/TF risk is identified;
  - 6.4.7. what employees' roles are in the firm's compliance efforts and how to perform them i.e. the processes and procedures relevant to each person's role;
  - 6.4.8. the company's record-keeping and record retention policy; and
  - 6.4.9. the consequences(including civil and criminal penalties) for non-compliance with the AML and CTF Act and supporting Rules.
- 6.5. Records of training must be maintained to demonstrate that the person/s attended the training session/s, the dates of training, a brief description of the subject matter of the training provided, and the number of hours (or level of accreditation) for attending the course/session/seminar.
- 6.6. Training frequency:
- 6.6.1. Annually: All employees dealing with client-related matters or, who, due to the nature of their position, have special needs of AML knowledge, shall undergo training, be updated, and/or informed regarding important and relevant AML regulations and relevant internal procedures as appropriate. All newly on-boarded Representatives shall undergo training within 3 (three) months.
  - 6.6.2. Ongoing: For employees operating in areas that may represent a high risk, e.g. correspondent banking, the need for tailor-made training or information shall continuously be assessed by Chief Compliance Officer in collaboration with the business, and when a need is identified, an action shall be taken.

## **7. Monitoring Process and Suspicious Matter Reporting**

- 7.1. Moga has implemented the Transaction Monitoring process defined herein which includes appropriate risk-based systems and controls to scrutinize transactions that are inconsistent with information held about the business relationship with the reporting entity. The transaction monitoring system is set to identify any transaction that appears to be suspicious, complex, unusual, and has no apparent visible economic or lawful purpose;
- 7.2. Moga has also implemented a Customer Monitoring process where it monitors its





relationship with its customer ensuring that the customer's activities being conducted are consistent with Moga's knowledge of the customer, the customer's business, source of funds, and risk profile;

- 7.3. Customer activities and transactions shall, based on a risk-based approach, be monitored by the client relationship manager within the day-to-day activities and within ongoing customer due diligence and electronically by AML and CTF compliance officer(s)
  2. Any and every payment that wouldn't fall within the expected payments associated with certain clients should be singled out and further examined by the AML/CTF Compliance Officers.
- 7.4. All monetary transactions and related data (accounts, involved parties, and relations) are to be individually and manually reviewed and their purpose verified by the document substantiating the purpose of the transaction (contracts, invoices, loan agreement, etc.). This requirement may be exempted in cases of small amount transactions or otherwise due to the risk-based approach applied in the Bank. Furthermore, every incoming and outgoing payment has to be filtered through the World Check's sanctions lists and/or any other reliable sources available to the Representative at the moment.
- 7.5. The initial or ongoing due diligence and monitoring may give rise to concerns requiring a review. The following are examples of circumstances that may give rise to such concerns:
  - 7.5.1. Refusal to disclose details concerning business activities, e.g. unwillingness to disclose the source of funds or wealth or unwillingness to provide names of and other information on owners and other people with significant control over the business entity,
  - 7.5.2. The behavior of the customer diverges from a previous pattern or stated pattern, e.g. an inactive account suddenly becomes active with large transactions,
  - 7.5.3. A prospective customer promises a trading volume, which does not make the economic sense in the light of his background and other activities,
  - 7.5.4. The purpose and intent behind the transaction or relationship are unclear, e.g. when the commercial rationale for a certain service is missing or weak,
  - 7.5.5. The representative suspects on reasonable grounds that the customer is not the person they claim to be or that the customer's agent is not the person they claim to be,
  - 7.5.6. The Representative suspects on reasonable grounds that the provision, or prospective provision, of the service, is preparatory to the commission of an offense of financing terrorism.
- 7.6. The assessment as to what constitutes suspicion shall be based on the information about the client received by the Representative handling the matter, and the scope of the



client's business, along with the Representative's general knowledge of deviating or suspicious transactions or activity patterns.

- 7.7. If the result of a review gives rise to an actual or potential suspicion related to Money Laundering the Representative shall immediately report the issue to the compliance function, which shall initiate an investigation and decide whether to report the issue to the FIU. Matters of a more serious nature where a report to FIU has been filed shall be reported to the Board of Directors.
- 7.8. AML/CTF Compliance Officer (s) are responsible for the reporting to FIU.
- 7.9. Detailed suspicious matter reporting requirements are set in AML&CTF Act Part 6 includes:
  - 7.9.1. obligation to report suspicious transactions (STR);
  - 7.9.2. obligation to report suspicious activity (SAR);
  - 7.9.3. obligation to report transactions conducted by prescribed entities(as defined in AML&CTF Act Rules Article 11);
  - 7.9.4. obligation to report transactions involving terrorist property;
  - 7.9.5. obligation to report certain transactions with no legitimate purpose;
  - 7.9.6. other reporting obligations which may or may not be connected with suspicions in ML/TF activities, and include the obligation to report international currency transfers (above 1000000 VT or equivalent in foreign currency), the obligation to report large cash transactions(not applicable to Moga since no cash transactions are allowed).
- 7.10. The procedure for suspicious matter reporting is described below.
- 7.11. A Suspicious Transaction Report (STR) is to be filed on a transaction or attempted transaction regarding which Moga suspects or has reasonable grounds to suspect that it involves proceeds of a crime, relates to terrorist financing, is complex, unusual, or large, and does not have any apparent visible economic or lawful purpose.
- 7.12. In slight contrast, a Suspicious Activity Report (SAR) shall be reported on a series of transactions and/or attempted transactions (which form a pattern or trend) that Moga suspects or has reasonable grounds to suspect to involve proceeds of crime or is related to terrorist financing.
- 7.13. It is important that any attempt to overcome the threshold requirements by conducting 2 or more transactions below the prescribed threshold amount with the purpose to avoid



the reporting has been identified, investigated, and where necessary reported to the authorities.

- 7.14. Reports filed with FIU on suspicious Money Laundering or financing of terrorism shall be recorded and kept according to requirements set out in this Program.
- 7.15. It is prohibited to disclose to the customer concerned or to other third persons outside Moga the fact that a report has been filed or that a Money-Laundering investigation is being or may be carried out.
- 7.16. Moga must take all appropriate measures to protect Representatives who report suspicious activity from being exposed to threats or hostile action.

## **8. Record Keeping**

- 8.1. In accordance with meeting legislative obligations, Moga will retain all records relevant to its AML and CTF Program and policies, including the following:
  - 8.1.1. the AML and CTF Program and all reviews and addendums to the same;
  - 8.1.2. its AML and CTF Policy and all reviews and addendums to the same;
  - 8.1.3. transactional records;
  - 8.1.4. Customer identification and verification records;
  - 8.1.5. Audits and compliance reviews;
  - 8.1.6. Suspicious matter and other reports made to FIU;
  - 8.1.7. All inquiries relating to ML and TF made to Moga by the FIU or law enforcement agency;
  - 8.1.8. Management approvals;
  - 8.1.9. Customer account/relationship records;
  - 8.1.10. Annual compliance reports and other management reports;
  - 8.1.11. Training and compliance monitoring reports; and
  - 8.1.12. Information relating to the effectiveness of training.
- 8.2. Records in respect of customer identification and verification are to be retained for 6 years after account closure.
- 8.3. Where Moga (or its agent or intermediary) carries out a customer identification and verification procedure with respect to a prospective customer to whom Moga proposes to provide a service, it must make (and retain) a record of:
  - 8.3.1. the procedure (i.e. the Checklist); and
  - 8.3.2. information obtained in the course of carrying out the procedure (i.e. supporting



documentation to verify the identification of the customer); and

8.3.3. such other information (if any) about the procedure is specified in the AML and CTF Act.

8.4. Records in respect of financial transactions are to be retained for 6 years after the date of the transaction.

8.5. AML and CTF Program and addendums together with any documentation relevant to the reason for amendment are also to be retained for 6 years after the adoption of the AML and CTF Program and/ or amendments cease to be in force.

## **9. Financial Intelligence Unit (FIU) Feedback**

9.1. FIU is the main AML and CTF regulator. FIU's role is to monitor Moga's compliance with the AML/CTF legislation.

9.2. FIU may provide Moga with feedback in respect of its performance in the management of ML/TF risk. FIU also has the power to compel licensees to produce certain information.

9.3. The receipt of any notice, direction, or recommendation from FIU will be immediately referred to the AML and CTF Compliance Officer.

9.4. Notices from FIU may include the following:

9.4.1. to compel production of information or documents;

9.4.2. to enter premises under a monitoring warrant;

9.4.3. to require an external audit or AML and CTF risk assessment;

9.4.4. to provide remedial direction; and

9.4.5. to accept enforceable undertakings.

9.5. The Chief Compliance Officer as well as AML and CTF Compliance Officer (s), in conjunction with other Representatives, will take all steps necessary to comply with any feedback, notices, orders, warrants, etc, or to implement any directions issued by FIU.

9.6. The AML and CTF Compliance Officer will prepare appropriate reports for FIU. Reports required by law or by FIU will be forwarded within the period specified in such law or any notice or order or if FIU allows a longer period, that longer period.

9.7. The Chief Compliance Officer, as well as AML and CTF Compliance Officer (s), will have



due regard to any feedback provided by FIU in respect of Moga's performance in managing its ML/TF risks. Such feedback will be incorporated into ongoing monitoring programs and the AML and CTF programs will be amended (where appropriate).

9.8. The Chief Compliance Officer will be responsible for the implementation of any specific recommendations made by FIU to Moga in respect of its ML/TF risk management performance.

9.9. The AML and CTF Compliance Officer (s) will monitor FIU information sources, circulars, and guidance notes, in respect of domestic and international issues which may affect the business. This includes financial sanctions and updates to lists of terrorist groups.

## **10. Independent Review of AML and CTF Program**

10.1. A review of the AML and CTF Program will be undertaken annually by the Chief Compliance Officer together with the review of the whole Program and Policy or as part of conducting an independent AML/CTF risk assessment.

10.2. The review of the Program and/or independent AML/CTF risk assessment may be also undertaken by an external service provider that will be retained to conduct the review (outsourced independent assessment as a third line of defense).

10.3. The purposes of the review will be to:

10.3.1. assess the effectiveness of the AML and CTF Program, having specific regard to the ML/TF risks faced by Moga;

10.3.2. assess whether AML and CTF Program complies with the AML and CTF Act;

10.3.3. assess whether the AML and CTF Program has been effectively implemented; and

10.3.4. assess whether Moga has complied with the AML and CTF Program.

10.4. The result of the review, including any report prepared, will be provided to the Board of Directors.

## **11. Systems to Re-assess Risk**

11.1. Moga will continue to review all areas of its business to identify potential ML/TF risks that may not be covered in the procedures described above. The additional areas of ML/TF risks are in respect of new products, services, distribution channels, and developing technologies.



11.2. Additional procedures to address these ML/TF risks are as follows:

11.2.1. Chief Compliance Officer will be consulted by any person having responsibility for a new service or method of delivery or new technology (“the project manager”) at the design stage or prior to the introduction of the new service, or delivery method, or technology. He will be required to advise on the ML/TF risk factors which are to be considered having regard to:

11.2.1.1. the target market (customer type);

11.2.1.2. the service features;

11.2.1.3. foreign jurisdictional features/offerings;

11.2.1.4. any electronic access to / the delivery method of the service;

11.2.1.5. the business structure and process.

11.2.2. The Chief Compliance Officer or appointed responsible AML and CTF Compliance Officer will, in consultation with the project manager undertake the risk assessment and formulate the controls and systems to manage any ML/TF risks.

11.2.3. The Chief Compliance Officer or appointed responsible AML and CTF Compliance Officer will review the AML and CTF Program, policies, and procedures to ensure that any new ML/TF risks are identified in the AML and CTF Program and amendments to the AML and CTF Program are made. All amendments will require Board approval.

11.2.4. The Chief Compliance Officer or appointed AML and CTF Compliance Officer will formulate staff awareness and training programs in respect of the change to ML/TF risks and will oversee the delivery of training programs.

11.2.5. All records relevant to the risk assessment, addendums to the AML and CTF Program and the training programs are to be retained.

11.2.6. The Chief Compliance Officer or appointed AML and CTF Compliance Officer will ensure that any government or FATF findings concerning the approach to money laundering and terrorism financing prevention in particular countries or jurisdictions are assessed and appropriate amendments made to the AML and CTF Program. Furthermore, all compliance procedures will be made and communicated to all Representatives.