

# **Risk Based Approach KYC & AML**



## Risk Based Approach for KYC & AML

In this review of the current procedures for new client acquisition, TIO Markets Ltd, has used information provided through the FATF website [www.fatf-gafi.org](http://www.fatf-gafi.org)

TIO Markets Ltd, relies on the various publications of the FATF and its regional bodies (FSRBs) and updates itself on any changes during the course of the year. There are 38 members of FATF. Residents of the United Kingdom along with residents of jurisdictions who are members of the EEA and FATF are considered 'Low Risk'.

In addition, the nine FSRBs have an essential role in promoting the effective implementation of the FATF Recommendations by their membership and in providing expertise and input in FATF policy-making. Over 190 jurisdictions around the world have committed to the FATF Recommendations through the global network of FSRBs and FATF memberships.

TIO Markets Ltd, considers these jurisdictions as 'Medium Risk' and requires a level of 'Heightened Due Diligence'. 'High Risk' and other monitored jurisdictions will be evaluated on a case by case nature as to ensure fair play in a non-prejudicial style. TIO Markets Ltd, will NOT deal with Sanctioned jurisdictions.

### Due diligence requirements for individual clients or company representatives (Table 1)

TIO Markets Ltd has assessed its current client base and has identified that there are various levels of risks when engaging with new clients:

1. **Low and Medium risk** – where clients originate from Low and Medium Risk jurisdictions it will carry the required Due Diligence and rely on CreditSafe to validate the Client's passport and check it against the CreditSafe sanction lists. The firm also uses information provided by the government of the United Kingdom.
2. **High risk** – Where clients originate from a High Risk Jurisdiction, it will carry third party checks and Enhanced Due Diligence on all new clients, requesting that all documents should be certified by a competent person.
3. **Sanction List and Very High risk** – Where individuals are from countries that are in the Sanction list or have been identified as VERY high risk, TIO Markets Ltd will not carry any business with those individuals ( See list 1 Below). Compliance maintains a FATF Country Watch List and updates it periodically.

The Account Representative prospecting the new client familiarise themselves with the various risk levels and obtain the necessary information from the client.

### Due diligence requirements for Corporate clients (Table 2)

- As with Individuals, the Due Diligence for companies is guided by the same principles of risk and are described in Table 2
- Offshore Jurisdictions (Mauritius, Seychelles, Belize, BVI etc.) will be treated as High Risk.

**Table 1- Individuals**

Risk Category	Location	Primary Verifiers	Secondary Verifiers
LOW	UK only	Creditsafe online search pass	Copy of Passport <sup>1</sup> or National ID card Copy of 1x address document <sup>2</sup>



		Copy of Passport <sup>1</sup> or National ID card <sup>1</sup> Copy of 1x address document <sup>2</sup>	Refer to MLRO where Primary verifiers are not available
<b>MEDIUM</b>	EEA only	Copy of Passport <sup>1</sup> or National ID card <sup>1</sup> Copy of 2x address documents <sup>2</sup>	Please refer to MLRO where Primary verifiers are not available – other certified documents will be required. Guidance will be provided on country specifics.
	FATF only	Copy of Certified Passport <sup>1</sup> or National ID card <sup>1</sup> (A driving licence would not be acceptable)	
<b>HIGH</b>		Copy of 1 certified address document <sup>2</sup>	Please refer to MLRO where Primary verifiers are not available – other certified documents will be required
	Others	Certified copy of Passport or National ID card <sup>4</sup> Certified copy of 2x address documents <sup>5</sup>	

**Notes:**

PEP/Sanctions check must be undertaken via CreditSafe for each new customer relationship.

**All documentation provided in a language other than English must be translated into English.**

This translation must be certified (dated, signed and stamped) by the individual undertaking the translation.

i.e.

- **Notary Public**
- **Solicitor**
- **UK consulate**

**\*\*\*For the avoidance of doubt. No other forms of certification from firms/persons will be accepted (e.g. Accountant/Auditor)\*\*\***

- Proof of ID. Passport is the first option and most commonly used form of ID (and/or National ID card). Details must be legible and must pass the Creditsafe Passport verification check (i.e. must include machine readable code).
- Proof of Address. Documents can include driving licence, utility bill and/or bank statement. Documents provided must be current (within 3 months of application date).
- For list of EEA and FATF countries/territories, please refer to Appendix A

**Table 2- Companies**

Type of Customer	Primary Verifiers	Individuals within corporate customer firm that require personal verification (see Table 1 for details)	Additional documentation required	Notes
Public Limited Company (listed on a recognised exchange)	Exchange webprint evidencing listing	None	Evidence that individuals retain appropriate corporate authorisation to undertake transactions (e.g. authorised signatory list)	→This could be evidenced by company resolution
FCA regulated institution or other firm subject to UK AML regulations or equivalent	Webprint evidencing regulatory status	None	Evidence that individuals retain appropriate corporate authorisation to undertake transactions (e.g. authorised signatory list)	Refer to MLRO to discuss status of prospective corporate customer
UK Private Limited Company	WebCheck search pass which confirms the following information: •Full name •Registered number •Registered office •Business address •Names of all Directors •Names of all individuals and/or Corporate owners	•Directors •25% or greater individuals and/ or Corporate owners who own or control over 25% of its shares or voting rights •Ultimate beneficial owner(s) •Individuals authorised to undertake transactions	Evidence that individuals retain appropriate corporate authorisation to undertake transactions (e.g. authorised signatory list)	



	who own or control over 25% of its shares or voting rights			
Overseas Corporation	<p>CreditSafe Offline search pass which confirms the following information:</p> <ul style="list-style-type: none"> <li>•Full name</li> <li>•Registered number</li> <li>•Registered office</li> <li>•Business address</li> <li>•Names of all Directors</li> <li>•Names of all individuals and/or Corporate owners who own or control over 25% of its shares or voting rights</li> </ul>	<ul style="list-style-type: none"> <li>•Directors</li> <li>•25% or greater individuals and/ or Corporate owners who own or control over 25% of its shares or voting rights</li> <li>•Ultimate beneficial owner(s)</li> <li>•Individuals authorised to undertake transactions</li> </ul>	<p>Evidence that individuals retain appropriate corporate authorisation to undertake transactions (e.g. authorised signatory list) – this will be by way of a company board resolution.</p>	<p>Refer to MLRO where Equifax service is unable to provide all Primary Verifiers – other certified documents will be required</p> <p>If this information is not verifiable by third parties, then a certification by the company's lawyer of Directors and Ultimate Beneficiary owners should be obtained.</p>
Other entities including investment clubs, trusts & charities				Refer to MLRO

### Low Risk Countries

	Notes
<b><u>FATF Members</u></b>	<p>The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.</p> <p>The FATF has developed a series of <a href="#">Recommendations</a> that are recognised as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for a co-ordinated response to these threats to the integrity of the financial system and help ensure a level playing field. First issued in 1990, the FATF</p>
<p>Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Israel, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Republic of Ireland, <b>Russia</b>, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom, <b>United States of America</b></p>	<p>Recommendations were revised in 1996, 2001, 2003 and most recently in 2012 to ensure that they remain up to date and relevant, and they are intended to be of universal application.</p> <p>The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.</p> <p>The FATF's decision making body, the FATF Plenary, meets three times per year.  <b>The firm cannot ‘solicit’ business from Russia. Russian clients can open an account if they contact the firm without solicitation.</b>  <b>The firm cannot deal with citizens of the United States of America</b></p>

### Medium Risk Countries

<b>APG Members</b>	<b>Notes</b>
<p>Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, Chinese Taipei, Cook Islands, Fiji, Indonesia, Lao Peoples Democratic Republic Macao (China) Maldives Marshall Islands Mongolia Myanmar Nauru, Nepal, Niue, <b>Pakistan</b> Palau, Papua New Guinea Philippines, Samoa, Solomon Islands Sri Lanka Thailand, Timor Leste Tonga, Vanuatu, Vietnam</p>	<p>The purpose of the <a href="#">Asia/Pacific Group on Money Laundering</a> (APG) is to ensure the adoption, implementation and enforcement of internationally accepted anti-money laundering and counter-terrorist financing standards as set out in the FATF Forty Recommendations and FATF Eight Special Recommendations. The effort includes assisting countries and territories of the region in enacting laws to deal with the proceeds of crime, mutual legal assistance, confiscation, forfeiture and extradition; providing guidance in setting up systems for reporting and investigating suspicious transactions and helping in the establishment of financial intelligence units. The APG also enables regional factors to be taken into account in the implementation of anti-money laundering measures.  <b>Will be treated as ‘High risk’. Monitored jurisdiction under FATF</b></p>
<b>CFATF Members</b>	
<p>Anguilla, Antigua and Barbuda, Aruba Kingdom of the Netherlands, <b>Bahamas</b>, Barbados, Belize, Bermuda, Cayman Islands, Curacao Kingdom of the Netherlands, Dominica El Salvador Grenada Guyana Haiti Jamaica Montserrat, Saint Kitts and Nevis Saint Lucia, Saint Vincent &amp; the Grenadines, Sint Maarten Kingdom of the Netherlands Suriname, <b>Trinidad and Tobago</b>, Turks and Caicos Islands Venezuela, Virgin Islands (UK)</p>	<p><a href="#">The Caribbean Financial Action Task Force (CFATF)</a> is an organisation of states and territories of the Caribbean basin which have agreed to implement common counter-measures against money laundering. The Task Force was established as the result of two key meetings convened in Aruba in and Jamaica in the early 1990s.  <b>Will be treated as ‘High risk’. Monitored jurisdiction under FATF</b></p>



<b>EAG Members</b>	
Belarus, Kazakhstan, Kyrgyzstan, Ajikistan Turkmenistan Uzbekistan	The <a href="#">EAG</a> was established on 6 October 2004 in Moscow by the decision of the Inaugural Conference and at the initiative of the Russian Federation, supported by the FATF, IMF, World Bank and several other countries. The EAG is an FATF-style regional body and became an Associate Member of the FATF in June 2010.
<b>ESAAMLG Members</b>	
Angola Botswana Ethiopia Kenya Lesotho Madagascar Malawi Mauritius Mozambique Namibia Rwanda Seychelles, Swaziland, Tanzania Uganda Zambia Zimbabwe	The purpose of the <a href="#">Eastern and Southern Africa Anti-Money Laundering Group</a> (ESAAMLG) is to combat money laundering by implementing the FATF Recommendations. This effort includes co-ordinating with other international organisations concerned with combating money laundering, studying emerging regional typologies, developing institutional and human resource capacities to deal with these issues, and co-ordinating technical assistance where necessary. ESAAMLG enables regional factors to be taken into account in the implementation of anti-money laundering measures.
<b>GABAC Members</b>	
Cameroon, Central African Republic Chad, Congo, Democratic Republic of the Congo Equatorial Guinea, Gabon, Bolivia Chile, Columbia Costa Rica Cuba, Dominican Republic Ecuador, Guatemala Honduras Nicaragua Panama Paraguay Peru Uruguay	The Task Force on Money Laundering in Central Africa (Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale (GABAC)) is a body of the Economic and Monetary Community of Central Africa. It was established in 2000 and became an FATF-Style Regional body in October 2015. GABAC's associate membership has extended the reach of the FATF global network into Central Africa.
<b>GAFILAT Members</b>	
Bolivia Chile Columbia Costa Rica Cuba, Dominican Republic Ecuador, Guatemala Honduras Nicaragua Panama Paraguay Peru Uruguay	The purpose of the <a href="#">Financial Action Task Force of Latin America</a> , GAFILAT, (formerly known as Financial Action Task Force of South America (GAFISUD)) is to work toward developing and implementing a comprehensive global strategy to combat money laundering and terrorist financing as set out in the FATF Recommendations. The effort includes encouraging the creation of the offence of money laundering in relation to serious crimes, the development of legal systems to effectively investigate and prosecute these offences, the establishment of systems for reporting suspicious transactions, the promotion of mutual legal assistance. GAFILAT also fosters the training of persons involved in anti-money laundering efforts. GAFILAT enables regional factors to be taken into account in the implementation of anti-money laundering measures
<b>GIABA Members</b>	
Benin Burkina Faso Cabo Verde Comoros Cote d'Ivoire , Gambia, <b>Ghana</b> Guinea Guinea Bissau Liberia Mali Niger Nigeria,Sao Teme and Principe Senegal, Sierra Leone Togo	<a href="#">GIABA</a> was established on 10 December 1999 by a decision of the Authority of Heads of State and government of the ECOWAS. GIABA's mandate was revised in January 2006 to fully incorporate and properly reflect the imperative to fight the financing of terrorism. <b>Will be treated as 'High risk'. Monitored jurisdiction under FATF</b>
<b>MENAFATF Members</b>	
Algeria Bahrain , Djibouti Egypt Iraq Jordan Kuwait Lebanon Libya, Mauritania Morocco Oman, Palestinian Authority Qatar, Saudi Arabia Somalia Sudan, <b>Syria Tunisia</b> , United Arab Emirates, <b>Yemen</b>	The objectives of MENAFATF are to: <ul style="list-style-type: none"> <li>• To adopt and implement the FATF 40 Recommendations on combating money laundering and financing of terrorism and proliferation;</li> <li>• To implement the relevant UN treaties and agreements and United Nations Security Council Resolutions;</li> <li>• To co-operate among each other to raise compliance with these standards within the MENA Region and to cooperate with other international and regional organizations, institutions and agencies to improve compliance worldwide;</li> <li>• To work jointly to identify issues of regional nature related to money laundering and terrorist financing, and to share relevant experiences and to develop solutions for dealing with them; and</li> <li>• To take measures throughout the region to effectively combat money laundering and terrorist financing in a way that does not contradict with the cultural values, constitutional frameworks and legal systems in the member countries.</li> </ul>



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<b><u>MONEYVAL Members</u></b>	
Albania Andorra Armenia Azerbaijan, Bosnia and Herzegovina Bulgaria Croatia Cyprus, Czech Republic Estonia, Former Yugoslav Republic of Macedonia Georgia, Gibraltar Guernsey, Holy Sea, Hungary Isle of Man Israel Jersey Latvia Liechtenstein Lithuania Malta Moldova Monaco Montenegro Poland Romania San Marino, Serbia, Slovak Republic Slovenia Ukraine	<a href="#">MONEYVAL</a> is a permanent monitoring mechanism of the Council of Europe, a pan-European organisation with 47 member states, reporting directly to its principal organ, the Committee of Ministers. MONEYVAL is entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. MONEYVAL also conducts thematic typologies research of money laundering and terrorist financing methods, trends and techniques. MONEYVAL was originally an observer to the FATF and from June 2006 became an associate member. Will be treated as 'High risk'. Monitored jurisdiction under FATF
<b><u>High-risk and other monitored jurisdictions</u></b>	
Bahamas Botswana, Democratic People's Republic of Korea (DPRK), Ethiopia Ghana Iran Pakistan Serbia Sri Lanka Syria, Trinidad and Tobago Tunisia, Yemen	On the basis of the results of the review by the International Co-operation Review Group (ICRG), the FATF identifies jurisdictions with strategic AML/CFT deficiencies in the following public documents that are issued three times a year: <a href="#">FATF Public Statement</a> (call for action) and <a href="#">Improving Global AML/CFT Compliance: On-going Process (other monitored jurisdictions)</a> . <b>Call for action under FATF – THE FIRM WILL NOT DEAL WITH SANCTIONED JURISDICTIONS</b>

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**Appendix A**

Residents of the following countries are categorised as *Low Risk*, *Medium Risk*, *High Risk* and *Do Not Deal*.