

PRINCIPAL FOREX INC.

KNOW YOUR CLIENT / ANTI- MONEY LAUNDERING /
COMBATING THE FINANCING OF TERRORISM

KYC/AML/CFT
POLICY

PRINCIPAL FOREX INC.

KYC/AML/CFT POLICY

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1. Introduction

PRINCIPAL FOREX INC. (herein referred to as "PRINCIPAL FOREX INC."), will maintain and enforce anti-money laundering procedures based on the St. Vincent and the Grenadines "**Proceeds of Crime Act, 2013**" and the "**Prevention of Money Laundering Guidance Notes – 2002 (amended May 19, 2006)**).

Based on the requirements of these Acts, PRINCIPAL FOREX INC. is committed to the maintenance of a compliance programme which shall include:

- a) a system of internal controls and procedures to ensure ongoing compliance;
- b) internal or external independent testing for compliance;
- c) training of personnel in the identification of suspicious transactions; and
- d) Designation of an appropriate officer, responsible for continual compliance with the Act.

These procedures will have effect upon approval of the Board of Directors, and shall continue to be in operation unless amended on authority of the Board of Directors.

i. **Scope and Objectives of KYC/AML/CFT Policy**

These procedures are established to guide staff in identifying common practices used in money laundering and terrorism financing, to deter such practices and when discovered or suspected, to use a systematic, uniformed approach for dealing with it.

This Policy will be applicable for all Bank operations, local and international. The objective of this policy is to ensure that the products and services of PRINCIPAL FOREX INC. are not used to launder the proceeds of crime and that all of the Bank's staff is aware of their obligations and the need for vigilance in the fight against money laundering and terrorist financing.

As a policy, Principal Forex Inc. is committed to comply with all the regulatory instructions, laws, and regulations (issued from time to time) by the St. Vincent and the Grenadines Financial Services Authority (SVG FSA)

and the St. Vincent and the Grenadines Financial Intelligence Unit (SVG FIU) and regulators of the countries where PRINCIPAL FOREX INC. operates.

Definitions

-Money Laundering

- a) Engaging, directly or indirectly, in a transaction that involves property that is the proceeds of crime, knowing or having reasonable grounds for believing the same to be the proceeds of crime; or
- b) Receiving, possessing, managing, investing, concealing, disguising, disposing of or bringing into St. Vincent and the Grenadines any property that is the proceeds of crime, knowing or having reasonable grounds for believing the same to be the proceeds of crime; and
- c) Notwithstanding the above definition (a) and (b) as provided under the Proceeds of Crime Act, a universal definition is “the process whereby the identity of dishonestly and/or illegally obtained money is transformed so that it appears to have originated from a legitimate source”.

-Proceeds of Crime

Any monies derived or obtained, directly or indirectly, through the commission of a prescribed offence (**see Appendix A**), whether committed in St. Vincent and the Grenadines or elsewhere; and shall include any monies that are knowingly mingled with laundered funds.

-Property

Money, investments, holding, possessions, assets and all other property real or personal, heritable or moveable, including things in action and other intangible or incorporeal property wherever situate (whether in St. Vincent and the Grenadines or elsewhere) and includes any interest in such property.

- Money

Money includes cash, bank cheques, drafts, money orders or traveler's cheques.

- Identification Record

In the case of a corporate body, the details of the certificate of incorporation, such certificate to be notarized if a foreign company; the most recent annual return and any officer of the company.

In the case of a person, sufficient documentary evidence to prove to the financial institution that the person is who that person claims to be.

- Business Transaction

Any arrangement, including opening an account, between two or more persons where the purpose of the arrangement is to facilitate a transaction between the parties concerned and includes any related transaction between any of the parties concerned and other parties.

- Suspicious Business Transaction Report (SBTR)

The Suspicious Business Transaction Report is the document that shall be used for reporting every transaction that is considered to be suspicious that is, unusual or complex which includes but is not limited to large transactions. The SBTR should also be used for those transactions that have no apparent economic or lawful purpose, although the value may be considered insignificant.

- Supervisory Authority

Supervisory Authority means the St. Vincent and the Grenadines Financial Intelligence Unit (SVG FIU) for the time being, and includes any person authorized by the FIU in writing in that behalf.

2. KNOW YOUR CUSTOMER – Principle and Guidelines

The principle of “Know Your Customer” is critical for any financial institution to monitor unit holders’ activities in order to make a determination as to the existence of money laundering activities. In this regard, policies and procedures must be established for verifying the identity of all customers (i.e. both new and existing, corporate, unincorporated and individuals). PRINCIPAL FOREX INC. shall request from new customers, documentary **evidence of identity that includes a photograph (for individuals) and signature/s**. Copies of such documents should be retained. Addresses should be verified by for example, a recent valid utility bill and copies of all such documents should be retained on file for a minimum of five (5) years.

PRINCIPAL FOREX INC. shall obtain from all customers, including signatories to corporate accounts their **full name, date of birth (or Certificate of Incorporation in the case of a Company), nationality, occupation (or the Memorandum and Articles of Association in the case of a Company) and the most recent annual company return filed at the General Registry if necessary**. In the case of a company incorporated outside of St. Vincent and the Grenadines, all forms of identification must be duly **notarized**.

These identification procedures must be followed on the opening of any account and PRINCIPAL FOREX INC. should not transact business with any new customer who refuses to provide or provides inadequate evidence of identity. If management suspects that customers are not acting on their own behalf, the true identity of the persons on whose behalf the account is opened or the transaction is conducted, must be verified.

Furthermore, in ascertaining details on the origin of the assets and source of income declared by a customer, the staff at PRINCIPAL FOREX INC. are hereby expected to follow the following directions to obtain the information it deems necessary in order to complete an account application for approval or disapproval.

PERSON / ACTUAL OWNER:

- Inheritance / Donation
 - Indicate from whom the donation was made or who was the testator's request, the relationship with the customer and the activities which generated the patrimony. In the case of

entrepreneurial activity also indicate the name of the company if known by the beneficiary.

- Indicate the year in which it was collected.
- Indicate the amount of the inheritance attributable to the customer or the value in case of real estate or securities.
- Entrepreneurial Income
 - Indicate the name of the company and attach the all corporate documentation as noted above.
 - Indicate the net profits of the last 3 years. If the company is at a loss, give useful information about the previous incomes that have generated the wealth. Enter, if available, other financial data such as revenues, number of employees and establishments and the amount of the share capital.
 - Indicate the percentage of the client's holdings in the company.
 - Describe the customer's activity within the company and when it started.
- Revenue Employee
 - Indicate the name of the company for which the customer has worked / works and which generated the wealth.
 - Specify the role within the company.
 - Specify if it holds shares of the company and where (Italy or abroad) and their
 - Value/proportion.
 - Indicate the average income in the years in which the entrusted assets at PRINCIPAL FOREX INC. have been generated and the time period.
 - If the revenue has been earned abroad clearly state it in the form indicating the relevant period.
- Freelancer/Self-employed
 - Indication of any studio / company he works for and which generated the wealth.
 - Specify what constitutes his professional activity.
 - Indicate the average income in the years in which the entrusted assets at PRINCIPAL FOREX INC. have been generated.
- Sale of Real Estate / Investments – IPO
 - Indicate the year of sale and the location of the property.
 - Enter a brief description of the characteristics of the property / indicate the percentage owned.
 - Indicate the amount received.
 -

- Annuity Financial / Landlord / Housewife / Retired
 - Indicate how you generated the initial assets (follow points 1-5).
 - Indicate when the assets were transferred to PRINCIPAL FOREX INC. and the annual growth rate justifying the current Assets' value.
 - Assets' value.
 - Indicate if there have been significant contributions later (when, how much and from what activity).

In the case in which the customer refuses to give the required information, the relationship cannot be established.

Finally, it is important to corroborate information on the assets with documentary evidence or public sources such as:

- Inheritance: copy of the inheritance.
- Donation: copy of the deed of donation or bank account that certifies the origin of the donor.
- Employee income: a copy of a government-issued annual income report (not older than 3 years), or recent pay slip (indicating the monthly salary).
- Self-employed: copy of a government-issued annual income report (not older than 3 years).
- Sale of property: deed of sale.
- Sale of business or investments: evidence from the press or from databases (Cerved, Lynx).

In the case of a high money laundering risk profile (ie: 3.Medium, 2.High, 1.Very High according to the PRINCIPAL FOREX INC. parameters), the Bank reserves the right to request additional information or evidence without which there is no obligation to establish the relationship with the client or to withdraw from a client relationship after the periodic review of the existing relation.

Type of Customers that PRINCIPAL FOREX INC. will not accept

As a policy, PRINCIPAL FOREX INC. shall not deal /accept the following types of persons/entities as a customer:

- Gamblers/Bookies
- UN Registered Money Changers/Exchange Companies
- Anonymous or Fictitious Accounts
- Shell banks/ Companies
- Unregistered Arms-related business

- Accounts where the customer is acting on behalf of another customer to open an account. (The account shall be opened in the name of the person who is the beneficial owner of the funds in the account).
- Entities/Persons appearing in Negative/Sanctioned lists. Proscribed entities and persons or to those who are known for their association with such entities and persons, whether under the proscribed name or with a different name.
- Entities/Persons appearing in OFAC/EU & UN lists and any other list recommended by the SVG FSA and/or SVG FIU.

Sanctions Lists that PRINCIPAL FOREX INC. will use:

1. UN Sanctions list: http://www.un.org/sc/committees/list_compend.shtml
2. Office of Foreign Assets Control Specially Designated Nationals and Blocked Persons List
<http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>
3. EU-List

http://ec.europa.eu/external_relations/cfsp/sanctions/list/version4/global/global.xml

http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm
4. Sanction lists issued by the SVG FSA and SVG FIU.
5. PRINCIPAL FOREX INC.'s Internal List to be developed

3. RECORD KEEPING

Business transaction records must be maintained for at least seven (7) years after the termination of the business transaction namely: -

- a. Account application form that bears the signature of the individual who is authorized to give instructions in respect of the account.
- b. Application receipts for confirmation of purchase or sale, power of attorney, and all correspondence that pertains to the operation of accounts, that is received or created in the normal course of business, or copies thereof.
- c. A copy of every account statement that is sent to a unit holder.
- d. All necessary records on transactions, both domestic and international after the relationship between the customer and itself has ended, to allow for compliance with information requests and inspections from law enforcement authorities. Records must be kept in sufficient form to permit reconstruction of individual transactions so as to provide evidence, if necessary, for the prosecution of criminal behavior. These records would be made available to the supervisory and law enforcement authorities in the context of criminal investigations and prosecutions.

PRINCIPAL FOREX INC. will maintain all necessary records of transactions, including the results of any analysis undertaken (e.g. inquiries to establish the background and purpose of complex and/or unusual transactions) for a minimum period of seven years from completion of the transaction.

The records of identification data obtained through CDD process like copies of identification documents, account opening forms, verification documents and other documents along with records of account files and business correspondence, will be maintained for a minimum period of seven years after the business relationship is ended. The identification records may be maintained in document as originals or copies subject to bank's attestation.

4. **TRAINING**

PRINCIPAL FOREX INC. will maintain training programs to make its staff constantly aware of their obligations in relation to matters of money laundering and terrorism financing. These programs will cover all matters dealt with in these guidelines and the anti- money laundering and combating the financing of terrorism legislative provisions. Refresher training will be provided at regular intervals no less frequently than once a year.

All employees training shall enable them to understand new developments, money laundering and financing of terrorism techniques, methods and trends. The training should also include their responsibilities relating to AML/ CFT especially requirements relating to Customer Due Diligence and analysis of abnormal/out of pattern transactions and alerts generated thereof for possible reporting of suspicious transactions.

It is also important to test the capability and knowledge of the relevant staff on a periodic basis as the periodic training of staff is crucial. The Bank will always participate in comprehensive AML/CFT Training Programs whether independently or recommended by the SVG FIU.

AML /CFT awareness training will be provided to all members of staff periodically, and will be arranged by the Compliance Officer. Participation in this training is compulsory. Appropriate records of the training provided will be maintained.

5. **COMPLIANCE OFFICER**

PRINCIPAL FOREX INC. shall designate its accountant or other such officer to carry out the function of "**Compliance Officer**". This Compliance Officer will have the responsibility for reviewing the initial findings of suspicious or unusual transactions, reported by management and staff. Where the Compliance Officer considers the suspicions to be justified, he shall notify the Supervisory Authority. The Compliance Officer shall operate as the liaison officer where PRINCIPAL FOREX INC. is required to act in accordance with the Instructions of the law enforcement authorities.

The Compliance Officer should be adequately trained to detect money-laundering activities by persons using the services of VINCO BANK and he shall be responsible for maintaining the records of all unusual transactions. It is important that all employees treat the identity of the Compliance officer with the strictest confidence.

6. **MONITORING AND REPORTING OF UNUSUAL OR SUSPICIOUS TRANSACTIONS**

PRINCIPAL FOREX INC. should pay attention to and properly document the background and purpose of all large, complex, and unusual transactions or patterns of transactions and insignificant but periodic transactions that have no apparent economic or visibly lawful purpose.

A suspicious transaction is one that is inconsistent with a customer's known legitimate business or personal activities or with the normal business for that type of account. Suspicious transactions should be promptly reported to the Supervisory Authority, using the Suspicious Business Transaction Report (SBTR).

Where a suspicious transaction has been determined and there are **reasonable grounds** to believe that a money laundering offence has been or is about to be committed, the SBTR shall be completed by the compliance officer and after consultation with the Chief Executive Officer, it should be forwarded to the supervisory authority. Employees of PRINCIPAL FOREX INC. are expected to cooperate fully with the law enforcement authorities and they shall not notify any person, other than a court, competent authority or other person authorized by law, that information has been requested by or furnished to a court by the Supervisory Authority.

Employee(s) may be disciplined if they fail without reasonable excuse to report a potentially suspicious transaction. It is a criminal offence for anyone, following a disclosure to the Compliance Officer and/or to the SVG FIU, to do or say anything that might either 'tip off' another person that a disclosure has been made or prejudice an investigation.

It is PRINCIPAL FOREX INC.'s policy to carry out appropriate money laundering checks on all clients (managed accounts or funds). The findings will be retained by the Compliance Officer.

A non-exhaustive list of examples of suspicious transactions is appended for the guidance of all staff in **Appendix B**.

7. **COMPLETION OF THE BUSINESS TRANSACTION REPORT**

The Suspicious Business Transaction Report must be completed for every transaction that is considered to be unusual, complex or suspicious. There are five **(5)** parts to the report, each of which must be fully completed and which requires specific information as follows:

Part I - Customer Information
(Name, Address, Account number)

Part II - Business Transaction Information

Part III - Details of Suspicious Information

Part IV - CSR/Teller Details

Part V - Details and Signature of Compliance Officer and CEO

Whilst the responsibility for the completion of the report is that of the **Senior Member** of staff with the Authority to prepare and file Suspicious Activity/Transaction Reports with the Competent Supervisory Authority, if the individual actually dealing with the customer has any reason to believe that a transaction is suspicious, he/she must refer the transaction to this Senior Member. The Senior Member upon examining that particular transaction should forward those details to the Chief Executive Officer before a decision is made to complete a SBTR for dispatch to the Supervisory Authority.

8. GENERAL CONTROLS

The management and staff of PRINCIPAL FOREX INC. should exercise extreme caution in dealing with persons including financial institutions from other countries, especially those countries that have no legal provisions or insufficient legal provisions to counter the incidence of money laundering.

The internal and external auditors are expected to test the policies, procedures and systems for compliance with these guidelines. Semi-annual reports from the internal auditors should be submitted to the Chairman, Audit Committee and the Board of Directors of PRINCIPAL FOREX INC..

N.B. Management should consider severing all relations with customers whom they reasonably suspect to be using the Corporation as a vehicle for conducting illegal activities.

Appendix A

PRESCRIBED OFFENCES

Arms Trafficking

Blackmail

Counterfeiting

Drug Trafficking and related offences

Extortion

False Accounting

Forgery

Fraud

Illegal deposit-taking

Kidnapping

Robbery involving more than \$10,000.00

Terrorism

Thefts involving more than \$10,000.00

Appendix B

EXAMPLES OF SUSPICIOUS TRANSACTIONS (MONEY LAUNDERING and TERRORIST FINANCING)

Source: The Federal Financial Institutions Examination Council (FFIEC)

Potentially Suspicious Activity That May Indicate Money Laundering

Customers Who Provide Insufficient or Suspicious Information

- A customer uses unusual or suspicious identification documents that cannot be readily verified.
- A customer provides an individual tax identification number after having previously used a Social Security number.
- A customer uses different tax identification numbers with variations of his or her name.
- A business is reluctant, when establishing a new account, to provide complete information about the nature and purpose of its business, anticipated account activity, prior banking relationships, the names of its officers and directors, or information on its business location.
- A customer's home or business telephone is disconnected.
- The customer's background differs from that which would be expected on the basis of his or her business activities.
- A customer makes frequent or large transactions and has no record of past or present employment experience.
- A customer is a trust, shell company, or Private Investment Company that is reluctant to provide information on controlling parties and underlying beneficiaries. Beneficial owners may hire nominee incorporation services to establish shell companies and open bank accounts for those shell companies while shielding the owner's identity.

Efforts to Avoid Reporting or Recordkeeping Requirement

- A customer or group tries to persuade a bank employee not to file required reports or maintain required records.
- A customer is reluctant to provide information needed to file a mandatory report, to have the report filed, or to proceed with a transaction after being informed that the report must be filed.

- A customer is reluctant to furnish identification when purchasing negotiable instruments in recordable amounts.
- A business or customer asks to be exempted from reporting or recordkeeping requirements.
- A person customarily uses the automated teller machine to make several bank deposits below a specified threshold.
- A customer deposits funds into several accounts, usually in amounts of less than \$3,000, which are subsequently consolidated into a master account and transferred outside of the country, particularly to or through a location of specific concern (e.g., countries designated by national authorities and Financial Action Task Force on Money Laundering (FATF) as noncooperative countries and territories).
- A customer accesses a safe deposit box after completing a transaction involving a large withdrawal of currency, or accesses a safe deposit box before making currency deposits structured at or just under \$10,000, to evade CTR filing requirements.

Funds Transfers

- Many funds transfers are sent in large, round dollar, hundred dollar, or thousand dollar amounts.
- Funds transfer activity occurs to or from a financial secrecy haven, or to or from a higher-risk geographic location without an apparent business reason or when the activity is inconsistent with the customer's business or history.
- Many small, incoming transfers of funds are received, or deposits are made using checks and money orders. Almost immediately, all or most of the transfers or deposits are wired to another city or country in a manner inconsistent with the customer's business or history.
- Large, incoming funds transfers are received on behalf of a foreign client, with little or no explicit reason.
- Funds transfer activity is unexplained, repetitive, or shows unusual patterns.
- Payments or receipts with no apparent links to legitimate contracts, goods, or services are received.
- Funds transfers are sent or received from the same person to or from different accounts.
- Funds transfers contain limited content and lack related party information.

Automated Clearing House Transactions

- Large-value, automated clearing house (ACH) transactions are frequently initiated through third-party service providers (TPSP) by originators that are not bank customers and for which the bank has no or insufficient due diligence.
- TPSPs have a history of violating ACH network rules or generating illegal transactions, or processing manipulated or fraudulent transactions on behalf of their customers.
- Multiple layers of TPSPs that appear to be unnecessarily involved in transactions.
- Unusually high level of transactions initiated over the Internet or by telephone.
- NACHA — The Electronic Payments Association (NACHA) information requests indicate potential concerns with the bank's usage of the ACH system.

Activity Inconsistent with the Customer's Business

- The currency transaction patterns of a business show a sudden change inconsistent with normal activities.
- A large volume of cashier's checks, money orders, or funds transfers is deposited into, or purchased through, an account when the nature of the accountholder's business would not appear to justify such activity.
- A retail business has dramatically different patterns of currency deposits from similar businesses in the same general location.
- Unusual transfers of funds occur among related accounts or among accounts that involve the same or related principals.
- The owner of both a retail business and a check-cashing service does not ask for currency when depositing checks, possibly indicating the availability of another source of currency.
- Goods or services purchased by the business do not match the customer's stated line of business.
- Payments for goods or services are made by checks, money orders, or bank drafts not drawn from the account of the entity that made the purchase.

Lending Activity

- Loans secured by pledged assets held by third parties unrelated to the borrower.

- Loan secured by deposits or other readily marketable assets, such as securities, particularly when owned by apparently unrelated third parties.
- Borrower defaults on a cash-secured loan or any loan that is secured by assets which are readily convertible into currency.
- Loans are made for, or are paid on behalf of, a third party with no reasonable explanation.
- To secure a loan, the customer purchases a certificate of deposit using an unknown source of funds, particularly when funds are provided via currency or multiple monetary instruments.
- Loans that lack a legitimate business purpose, provide the bank with significant fees for assuming little or no risk, or tend to obscure the movement of funds (e.g., loans made to a borrower and immediately sold to an entity related to the borrower).

Shell Company Activity

- A bank is unable to obtain sufficient information or information is unavailable to positively identify originators or beneficiaries of accounts or other banking activity (using Internet, commercial database searches, or direct inquiries to a respondent bank).
- Payments to or from the company have no stated purpose, do not reference goods or services, or identify only a contract or invoice number.
- Goods or services, if identified, do not match profile of company provided by respondent bank or character of the financial activity; a company references remarkably dissimilar goods and services in related funds transfers; explanation given by foreign respondent bank is inconsistent with observed funds transfer activity.
- Transacting businesses share the same address, provide only a registered agent's address, or have other address inconsistencies.
- Unusually large number and variety of beneficiaries are receiving funds transfers from one company.
- Frequent involvement of multiple jurisdictions or beneficiaries located in higher-risk offshore financial centers.
- A foreign correspondent bank exceeds the expected volume in its client profile for funds transfers, or an individual company exhibits a high volume and pattern of funds transfers that is inconsistent with its normal business activity.
- Multiple high-value payments or transfers between shell companies with no apparent legitimate business purpose.
- Purpose of the shell company is unknown or unclear.

Embassy and Foreign Consulate Accounts

- Official embassy business is conducted through personal accounts.
- Account activity is not consistent with the purpose of the account, such as pouch activity or payable upon proper identification transactions.
- Accounts are funded through substantial currency transactions.
- Accounts directly fund personal expenses of foreign nationals without appropriate controls, including, but not limited to, expenses for college students.

Employees

- Employee exhibits a lavish lifestyle that cannot be supported by his or her salary.
- Employee fails to conform to recognized policies, procedures, and processes, particularly in private banking.
- Employee is reluctant to take a vacation.

Potentially Suspicious Activity That May Indicate Terrorist Financing

Activity Inconsistent with the Customer's Business

- Funds are generated by a business owned by persons of the same origin or by a business that involves persons of the same origin from higher-risk countries (e.g., countries designated by national authorities and FATF as noncooperative countries and territories).
- The stated occupation of the customer is not commensurate with the type or level of activity.
- Persons involved in currency transactions share an address or phone number, particularly when the address is also a business location or does not seem to correspond to the stated occupation (e.g., student, unemployed, or self-employed).
- Regarding nonprofit or charitable organizations, financial transactions occur for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organization and the other parties in the transaction.
- A safe deposit box opened on behalf of a commercial entity when the business activity of the customer is unknown or such activity does not appear to justify the use of a safe deposit box.

Funds Transfers

- A large number of incoming or outgoing funds transfers take place through a business account, and there appears to be no logical business or other economic purpose for the transfers, particularly when this activity involves higher-risk locations.
- Funds transfers are ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements.
- Funds transfers do not include information on the originator, or the person on whose behalf the transaction is conducted, when the inclusion of such information would be expected.
- Multiple personal and business accounts or the accounts of nonprofit organizations or charities are used to collect and funnel funds to a small number of foreign beneficiaries.
- Foreign exchange transactions are performed on behalf of a customer by a third party, followed by funds transfers to locations having no apparent business connection with the customer or to higher-risk countries.

Other Transactions That Appear Unusual or Suspicious

- Transactions involving foreign currency exchanges are followed within a short time by funds transfers to higher-risk locations.
- Multiple accounts are used to collect and funnel funds to a small number of foreign beneficiaries, both persons and businesses, particularly in higher-risk locations.
- A customer obtains a credit instrument or engages in commercial financial transactions involving the movement of funds to or from higher-risk locations when there appear to be no logical business reasons for dealing with those locations.
- Banks from higher-risk locations open accounts.
- Funds are sent or received via international transfers from or to higher-risk locations.
- Insurance policy loans or policy surrender values that are subject to a substantial surrender charge.