

It is noted that in terms of FIC, Anti Money Laundering Control and FICA Rules must be customized by the Accountable Institution to meets the needs of Enhance IFA Solutions (Pty) Ltd's business. Specific details and procedures must be followed by employees in giving effect to FIC Act obligations such as the process of monitoring and reporting and record keeping

Enhance IFA Solutions (Pty) Ltd

INTERNAL FICA RISK CONTROLS AND RULES

Adopted by Enhance IFA Solutions (Pty) Ltd

Signed by Marius Killian

Dated 1st March 2015

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INTRODUCTION

The internal rules of Enhance IFA Solutions (Pty) Ltd, (Enhance IFA), are set out in this rule based document under the heading "Enhance IFA Solutions (Pty) Ltd" Internal FICA Rules and Risk Management

Copies of the Rules have been distributed to all employees and representatives. Enhance IFA follows a risk-based approach to verification procedures and will take reasonable steps to verify particulars of a client. The company's Internal Rules forms part of the Risk Management Framework. If any employee or representative is not in possession of the Rules, Marius Kilian of Enhance IFA must be contacted in order to obtain a copy of the Rules.

It is the duty of each employee and representative to ensure that they know and understand the Rules. Any questions concerning the Rules may be addressed to Marius Kilian of Enhance IFA. Training will also be provided to individual employees and representatives dealing specifically with matters set out in the Rules. All employees and representatives must however ensure that they take note of all the Rules, even if not directly applicable to them.

The rule which deals specifically with unusual and suspicious is of particular importance and must be noted by all.

The purpose of these rules is to clearly provide for the procedures to be followed by us in the discharge of our compliance obligations as an accountable Institution In terms of the Financial Intelligence Centre Act, 2001 ("FICA").

In terms of FICA, our internal rules must provide for the following:-

- A. The establishment and verification of the identity of all clients (new and existing) entering or having entered into a single transaction or a business relationship with us;
- B. The information which must be recorded in terms of FICA and how and where these records must be kept;
- C. The steps to be taken to determine when a transaction is reportable to ensure that we comply with our reporting duties under FICA; and
- D. Other matters as may be prescribed by the Regulations to FICA,

What is Money laundering?

Money laundering is a term describing a process used by criminals to "clean" their "dirty" money obtained through criminal activities, so that it appears to law enforcement agencies that the money was obtained through legitimate means.

An example of the potential for money laundering in the insurance industry is the overpayment by a money launderer through the use of "dirty money" of an amount due in terms of a policy, e.g. a large premium. The simplest way to launder the overpaid portion of that amount is to request that the excess be repaid and then to represent such repayment as a payment in terms of the policy.

Due to the increase in criminal activities of especially criminal gangs and organised criminal syndicates, it has, on a worldwide basis become a priority for governments and law enforcement agencies to implement steps to curtail money laundering activities of criminals.

INTERNAL RULES

By complying with the Rules, employees and representatives of Enhance IFA will assist in the fight against crime, currently affecting every person in South Africa. The laws dealing with money laundering in South Africa also contain severe penalties should employees fail to collect and deal with the required information or to report suspicious transactions. These penalties include imprisonment for a period not exceeding 15 (fifteen) years, or a fine not exceeding R10 000 000,00 (Ten Million Rand).

There is also a law in South Africa making it a crime to assist criminals (intentionally or negligently) in laundering monies obtained from criminal activities, the law contains penalties of a fine not exceeding R1 000 000,00 (One Million Rand) or, imprisonment for a period not exceeding 5 (five) years. In the same law it is further stipulated that a person who receives and retains property or uses or invests such properties, while knowingly, or while he/she ought reasonably to have known that such property was derived from a pattern of racketeering activity, will be guilty of an offence and liable to a fine not exceeding R1 000 000 000,00 (One Billion Rand) or life imprisonment.

FINANCIAL INTELLIGENCE CENTRE

The Centre is created in terms of FICA and co-ordinates all suspicious transaction reports (STR's), terrorist property reports (TPR's) and Cash threshold reports (CTR's) received from accountable institutions and refers intelligence to the appropriate authority at its discretion for investigation. The Financial Intelligence Centre performs the following functions:

- A. Monitoring of compliance with FICA
- B. The provision of guidance to Accountable Institutions and Supervisory Bodies
- C. The gathering and sharing of information on money laundering activities with investigating and law enforcement authorities
- D. The synchronising of efforts to combat money laundering and the financing of terrorism and related activities

KNOW YOUR CLIENT

The purpose of establishing identity is to ensure that an accountable institution knows with whom it is actually dealing when it undertakes a transaction, provides a service or offers advice to a potential client. The **first requirement** in the Know Your Client (KYC) approach to conducting business is to:

Establish who the prospective business relationship is really for i.e. who benefits from the relationship/transaction. The client/prospective client may be acting on behalf of someone else, and the "client" is merely an agent.

A relevant firm must take steps to find out who its client is by obtaining sufficient evidence of the identity of any client who comes into contact with the firm to be able to show that the client is who he claims to be. According to the FICA, identities must be established and verified for both prospective clients and existing clients with whom the accountable institution has established a business relationship prior to the FICA taking effect. Identity generally means a set of attributes, which together uniquely identify a natural or legal person. **Refer to Annexure A**

The FICA states "*An accountable institution may not establish a business relationship or conclude a single transaction with a client unless the accountable institution has taken the prescribed steps to establish and verify the identity of the client*".

As a rule of thumb, Enhance IFA will not establish a business relationship until:

- A. The identity of all relevant parties to the relationship have been established and verified.
- B. The nature of the business they expect to conduct has been established

The customer identification process does not start and end at the point of application. Any updated information obtained should be recorded and kept with the customer's records to ensure that current customer information is easily accessible, in so far as is practicable. The draft guidance notes for the financial services sector suggests that confirmation is obtained in writing from clients every two years that identification information has not changed.

The process of confirming and updating identity, address and additional KYC (know your client) information also depends on the nature of the product and service being offered. Accountable institutions need to take a business risk-based approach to the KYC requirements.

The nature and extent of business may be implicit or self evident due to the type of investment that is undertaken, e.g. with credit cards, savings accounts and pension funds. With a policy-wrapped investment, for example, the investment purpose may not be clear. An example of the type of information required to establish the nature and extent of business are listed in the following table.

1. Nature and Extent of Business
2. Purpose or reason for opening the account or establishing the relationship
3. Anticipated extent and nature of business to be undertaken
4. Expected origin of funds to be used within the business relationship
5. Source of wealth or income

In terms of our business code and practice Enhance IFA Solutions (Pty) Ltd adheres to the standards as adopted above and applies the accepted forms of identification and verification as set out in Annexure A

RISK RATING CLIENTS

Enhance IFA follows a risk based approach to determine the profile of their clients. Clients are differentiated as high, medium and low risk, based on the following factors:

- A. Business activity of client
- B. Jurisdiction of the client
- C. Type of entity
- D. Establishment of client relationship - Cold call, referral, walk-in client
- E. The duration of the relationship with the client
- F. Availability of proof of source of funds
- G. Transaction frequency and value
- H. Product type
- I. Whether client is on the UN list of terrorists
- J. Independent review of client data

In most cases a combination of different factors will lead to the conclusion that the client is a money laundering risk. If client is high risk, no business will be conducted with such client and if any suspicion exists the FIC will be informed accordingly. The company will, in the event of any transaction that concerns a large investment (in excess of R25 000), perform risk profiling procedures:

- a) To ensure the source of the funds of the client can be confirmed,
- b) To Conduct an ITC test to confirm the identity of the client and to assist in compiling a risk profile of the client to reduce or prevent money laundering.
- c) That a manager is involved in the transaction to assist the employee or representative in performing the relevant procedures and where possible involve the Insurer for assistance as well

POLITICALLY EXPOSED PERSONS (PEP'S)

A light definition of PEPS would be: *Individuals who have or have had positions of public trust such as government officials, senior executives of government corporations, politicians, important political party officials, etc. and their families and close associates require heightened scrutiny.*

The following FAQs are designed to ensure you understand the subject a little better.

The term "politically exposed persons" ("PEP") applies to persons who perform important public functions for a state. The term should be understood to include persons whose current or former position can attract publicity beyond the borders of the country concerned and whose financial circumstances may be the subject of additional public interest. In specific cases, local factors in the country concerned, such as the political and social environment, should be considered when deciding whether a person falls within the definition. The following examples are intended to serve as a guide only:

- A. Heads of state, government and cabinet ministers;
- B. Influential functionaries in nationalized industries and government administration;
- C. Senior judges;
- D. Senior party functionaries;
- E. Senior and/or influential officials, functionaries and military leaders and people with similar functions in international or supranational organizations;

- F. Members of ruling royal families;
- G. Senior and/or influential representatives of religious organizations (if these functions are connected with political, judicial, military or administrative responsibilities)

The following prompts might - in addition to the standardized KYC procedures we all know - be appropriate to recognise a PEP:

- A. The question of whether clients or other persons involved in the business relationship (see below) perform a political function should form part of the standardised account opening process, especially in cases of clients from corruption-prone countries.
- B. To let client advisor deal exclusively with clients from a specific country/region might improve their knowledge and understanding of the political situation in that country/region.
- C. The issue of Politically Exposed Persons can form part of the regular KYC training programmes.

What is meant by "heightened scrutiny"?

Heightened scrutiny has to be applied whenever the PEPs/families/ associates is the contracting party of the Bank or the beneficial owner of the assets concerned, or has power of disposal over said assets by virtue of a power of attorney or signature authorization.

Identifying PEP clients

It is expected that where Enhance IFA in the course of its normal KYC measures identifies factors that prompt a more detailed investigation into the client's background, it will be able to rely on a number of resources to establish whether the client is a Politically Exposed Person.

These may range from probing-asking a set of additional questions, and undertaking a simple internet search, to subscription to commercially available databases where Enhance IFA has a high level of PEP exposure

IDENTIFY AND VERIFY CLIENTS

The FICA does not specify original documents or certified copies; however, verification is more effective with them. Enhance IFA may reach a business decision to accept copies if original documents or certified are not available. In this case, copies should have no obvious flaws, which may indicate that they are forgeries, e.g. smudges, correctional fluid marks. **(Good Practice is to obtain a certified copy)** If the application to conduct business is not made in person additional measures are necessary to verify identity.

Because no single form of identification can easily be fully guaranteed as genuinely representing correct identity, the identification process needs to be **cumulative**.

Accumulation of evidence

Therefore, more than one document must be used to verify identity, and no single document must be used to verify both name and permanent address.

Identification of Natural Persons – A Summary

Who is the client?
 Where does the client live?
 What authority does the agent have to represent “someone else”
 Who is the “someone else”
 Who are the principal signatories?
 Who are the intermediaries?

What does identity comprise?

According to the South African Money Laundering Control Regulations, a natural person’s identity comprises:

Full name
 Date of birth
 Identity number (identity document for SA citizens and residents otherwise a passport)
 Residential address

Information concerning residency and /or nationality is also useful. If a passport is taken the identity document evidencing identity, the number, date of issue and country of issue should be recorded.

Identification

A person’s identity consists of a number of principal identifiers, although it is two elements that comprise identity that absolutely must be confirmed as correct when verifying identity.

Principal Identifiers – Natural Persons

Who is the client? Basic identifiers
 Full name
 Date of birth

Nationality
 Identity document no.
 Physical appearance matches photograph on the identity document.

Where does the client live?

Current permanent home address

What does client do?
 Business address
 Occupation
 Marital status

How to contact the client?
 Telephone numbers
 Email address

An effective way for Enhance IFA to verify the prospective client's name and determine that the name applies to the applicant is to refer to an official identity documentation bearing a photograph of the person during a face to face meeting with the client / prospective client. Where a South African identity document is unavailable for what is considered an acceptable reason (which must be noted), Enhance IFA may accept another form of identity document such as a valid passport or drivers licence (according to the South African guidance notes).

The principle is that the document should reflect the person's basic identifiers, i.e. name, date of birth, photograph.

Refer to Annexure A

FACE-TO-FACE VERIFICATION:

Regulation 4 concerning the verification of a person's identity is based on the presumption that the customer is met **face-to-face** when his or her particulars are obtained. This implies that the original identity document and originals or certified copies of other documents will be sighted as part of the verification process. Copies can be made then for record keeping purposes. The person from Enhance IFA verifies ID, name and address etc. face-to face. He/She then takes a photocopy of the docs (at least two such docs one of which being either the SA ID book or a valid passport) **and should write on the copies the date and signs (plus print name) that the ID doc etc. has been verified.**

NON FACE-TO-FACE VERIFICATION:

Regulation 18 provides for instances in which client information is obtained in a **non face-to-face** situation. In such cases, Enhance IFA must take reasonable steps to confirm the existence of the client and to verify the identity of the natural person, legal person, partnership or trust involved. Enhance IFA should apply customer identification procedures to non face-to-face customers that are as effective as those that were applied to customers who were available for interview; and Enhance IFA must have specific and adequate measures in place to mitigate the higher risk that is imminent. According to the **core principles, examples of measures to mitigate risk include:**

- A. Certification of documents presented;
- B. Requisition of additional documents to complement those that are required for face-to-face customers;
- C. Independent contact with customer by Enhance IFA

Faxed copies of documents may be relevant in instances when client information is obtained in a non face-to-face situation. In such cases, the principles discussed in paragraph 8.2 above would apply. This implies that documents that

are certified as true copies of originals may be accepted, but a Enhance IFA would have to take additional steps to confirm that the said documents are in fact those of the client in question.

There are doubts when the copy of the faxed document is of such a poor quality that reading is almost impossible (illegible) Enhance IFA cannot accept such copies. The other problem is whether to accept faxed copies of documents that do not show the certification stamp of the commissioner of oaths. Furthermore Enhance IFA cannot accept an accompanying affidavit as it would not be acceptable in such an instance.

THE PHASES OF MONEY LAUNDERING

The money laundering activity is known to take place in three phases - placement, layering and integration, as laid out below:

Placement

This phase of the money laundering activity entails the physical disposal of the funds generated from illegal activities by depositing it with financial or other institutions such as companies, insurance houses and casinos etc.

Layering

During this phase attempts are made to complicate the audit trail and to disguise the true nature of the funds by using numerous layers of financial transactions such as annuity policies, transfers between business entities and purchase and negotiation of bearer instruments.

Integration

The third phase of the activity is characterised by the introduction of the proceeds into the economy, seemingly as funds from a legitimate business activity.

REPORT SUSPICIOUS TRANSACTIONS

The following sets and summarises out the events or transactions that Enhance IFA must report to the FIC within a period of 15 working days of knowledge or suspicion of the event or transaction being acquired or arising.

- A. If the business has or is about to receive the proceeds of unlawful activities.
- B. A transaction or series of transactions that facilitates or is likely to facilitate the transfer of the proceeds of unlawful activities.
- C. Any transaction or series of transactions that has no obvious business or lawful purpose.
- D. Any transaction or series of transactions that are concluded in such a way as to avoid giving rise to a reporting duty under the FICA.
- E. Any transaction or series of transactions that appears to be an evasion or attempt to evade the duty to pay any tax, duty or levy imposed by the SARS.
- F. If the business has been used or is about to be used in any way for the purpose of money laundering.

The person who has made/must make/knows or suspects that a report has been/is to be made may not disclose knowledge of the report to anyone, including the person to whom the report relates (unless it is for the purpose of complying with the FICA or for the purposes of legal proceedings).

The person to whom the report relates or another party may not be tipped off that a suspicion has been aroused and that an internal or external report is in progress.

Tipping off is normally undertaken with a knowledge or suspicion of the consequences of disclosure, or alternatively with a wilful disregard to the consequences of disclosure of the suspicion report.

Tipping off cannot take place unless a person knows or suspects that a suspicion report has been or is due to be made either internally or externally.

If a suspicion report has already been made, care must be taken when undertaking further enquiries to not disclose that a suspicion has been raised. The assumption should be made that an internal suspicion report has been passed onto the external authorities unless staff are advised otherwise.

Enhance IFA may continue with and execute the transaction unless the FIC intervenes and directs the institution not to proceed with the transaction. This directive not to proceed with the transaction is made in writing to Enhance IFA Solutions (Pty) Ltd for a period of not more than five working days. During this period the FIC makes any necessary inquiries concerning the transaction and informs an investigating authority, if necessary.

Examples of a suspicious transactions and indicators of money laundering can be explained as:

1. Large once off transactions
2. Overseas business from higher – risk jurisdictions e.g. "tax havens", international offshore financial centres and countries known for their terrorist activities
3. Client's lack of concern for expensive charges and or other costs
4. Stated purpose for transacting is inconsistent with the nature of the transaction – carelessness of criminals in not devising a plausible story
5. Payments for products or services made by parties other than the customer or client
6. Multiple sources of funds to pay for products or services
7. Unusual and unexplained transactional patterns – criminals may use institutions or other individual members of the public to launder the proceeds of crime either on a once off basis or systematically.
8. Customers profile – both financial and personal is the primary yardstick against which the overall reasonableness or suspicious of a particular transaction or business relationship may be assessed.
9. Things that don't make business sense
10. Use of false information – check key personal data
11. Use of complex corporate structures
12. Transaction inconsistent with the customer or clients profile
13. Customer or client is a well known criminal or related to or associated with a known criminal – there is a high correlation
14. Erratic or unusual behaviour by the customer or client.
15. Extraordinary concern for secrecy
16. Refusal or reluctance to indicate the source of funds or the nature of the business conducted
17. Undue interest in early termination or early withdrawal options when money has been invested for a fixed period
18. Client's level of income is inconsistent with line of work or profession.

19. Extreme changes in transactional behaviour

If the organisation is already in possession of funds that relate to a suspicious transaction or the organisation suspects the funds do not rightly belong to the client, no refund should be made until guidance or consent is received from the regulating authorities.

An employee's obligation is discharged through reporting the suspicion in accordance with the internal anti-money laundering procedures established by the employer.

Suspicion reports by the staff of accountable institutions should be made to the Money Laundering Compliance Officer (MLCO) or the "appropriate person" referred to **Annexure B**.

All staff must know the appropriate person to whom suspicions should be reported namely the **MLCO**, and organisations must take reasonable steps to ensure that staff make suspicion reports promptly or face disciplinary procedures.

All suspicion reports will be documented, even if they follow an initial discussion via the telephone. If a knowledge or suspicion of money laundering remains after an internal suspicion report has been considered together with other relevant KYC information, the MLCO must make an external report.

Enhance IFA through the MLCO must make any suspicion disclosure report to the FIC via an internet or fax submission. A suspicion report must contain certain prescribed information and takes a standard form. It encompasses detailed information on the following:

- A. The grounds for the knowledge or suspicion.
- B. The suspicious transaction including the account holder involved, date of the transaction, amount of the transaction, and any account activity within the previous 180 days that was considered for reporting, whether it was or not.
- C. The client, person acting on behalf of the client, person on whose behalf the client is acting, broker, intermediary, trustee or any other party involved in the transaction.

The reporting form is available on the website: www.fic.gov.za, refer to **Annexure D**

Enhance IFA Solutions (Pty) Ltd is defined as an accountable institution under section 8 of schedule 1 of FICA.

Due diligence is carried out for all clients and FICA documents are kept.

The business does not in any way hold or collect premiums in any form including cash transactions. All financials transactions as concluded between the product provider and client, where the accountable institution only acts in the capacity of intermediary service facilitating such transactions. Although this minimises the risk of suspicious transactions it does not mitigate such risk, thus in terms of the business we have identified the following possible scenarios where suspicious transaction could arise.

TERRORISM FINANCING and POCDATARA

Protection of Constitutional Democracy Against Terrorist and Related Activities Act 33 of 2004.

The Financial Intelligence Centre (FIC), South Africa's financial intelligence unit, anti-money laundering regulator and policy maker, announced that two new terrorist financing reporting obligations have come into operation with the

commencement of the new terrorism legislation, the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, Act 33 of 2004 ("POCDATARA"), on Friday, 20 May 2005.

The **POCDATARA** provides for two new reporting obligations under section 28A and section 29 of the FICA. The Money Laundering Control Regulations under the Financial Intelligence Centre Act, 38 of 2001 (FICA), have also been amended, with effect 20 May 2005, for this purpose. The amended regulations now provide for detailed terrorist financing reporting requirements under the new section 28A and section 29 of FICA.

The **POCDATARA** amends section 29 of FICA to extend the reporting of suspicious and unusual transactions to cover transactions relating to "**property which is connected to an offence relating to the financing of terrorist and related activities**" or to "**the financing of terrorist and related activities**".

Reports under section 28A or section 29 of FICA must be made by means of internet based reporting to the FIC at: <http://www.fic.gov.za>. Only in exceptional cases may reports be sent by fax or manually delivered to the FIC.

POCDATARA REPORTING FORM AND MANNER

Enhance IFA Solutions (Pty) Ltd adopts two forms of reporting namely Terrorist Reporting Processes and Cash Threshold Reporting.

Employees are required to ensure that where clients have been identified as terrorist under the UN sanction list for Al-Qaida and Taliban, that these transactions are reported to both line management and Money Laundering Compliance Officer as set out under Reporting Duties. The form of reporting will follow the internal processes by completing the Enhance IFA transaction report, this to be submitted within 24 hours of the incident to the MLCO.

The MLCO then undertakes to ensure that the manner as prescribed in Section 28 is complied with; record of such reporting is saved on internal system and communicated to both executive management and compliance officer.

POLICY ON WHISTLE BLOWING:

Enhance IFA supports any effort to report any suspicious transactions, fraud, and dishonesty and support any effort by any person to report such acts. In any event where a person reported any act of dishonesty, fraud or suspicious transactions, the company will keep the information of the person that provided the information as confidential. The information must be reported to the Managing Director or Money laundering Compliance Officer of the company who will be responsible to take the appropriate steps to investigate the information and act accordingly

CASH THRESHOLD REPORTING

Purpose of Cash Threshold Reporting

CTR provides a mechanism to monitor reported cash transactions so that potential proceeds of crime are identified and investigated. Section 28 of FICA requires that Enhance IFA (schedule 1) must, within the prescribed period, report to the FIC the prescribed particulars concerning a transaction concluded with a client if in terms of the transaction an amount of cash in excess of the prescribed amount:

- (a) *Is paid by the accountable institution or reporting institution to the client, or to a person acting on behalf of the client, or to a person on whose behalf the client is acting; or*
- (b) *Is received by the accountable institution or reporting institution from the client, or from a person acting on behalf of the client, or from a person on whose behalf the client is acting,*

Definition of Cash

Cash, as defined in FICA, does **not** include negotiable instruments, transfer of funds by means of bank cheque, bank draft, electronic funds transfer, wire transfer or other written order that does not involve the physical transfer of cash. These methods of transferring funds will not be covered by the CTR obligation under section 28 of FICA.

When does the obligation to report in terms of S 28 arise?

When a cash transaction is concluded where the cash amount exceeds R24 999 and is paid or received by the accountable or reporting institution as well as when it pays or receives it via a third party

For example:

The amount is paid by the accountable or reporting institution to the client, or to a person acting on behalf of the client, or to a person on whose behalf the client is acting; or

The amount is received by the accountable or reporting institution from the client, or from a person acting on behalf of the client, or from a person on whose behalf the client is acting.

Prescribed amount

Regulation 22B: R24 999.99 or the equivalent foreign denomination value (at time of transaction) is the LIMIT. All cash transactions exceeding R24 999.99 (being R25 000 or more) must be reported by Enhance IFA.

Where foreign currency forms part of a cash transaction that requires the completion of a CTR, Enhance IFA will apply the exchange rate in effect for the business day of the transaction to calculate the amount in Rands. Note that aggregation is applied to the threshold amount. The threshold amount can be a single cash transaction to the value of R25 000 or an aggregation, where multiples of smaller amounts would add up to the threshold amount of R25 000. The smaller amounts have to constitute fractions of one transaction. The calculation of aggregated transactions is directional, i.e. either an inward or outward direction of cash, but not a combination of the two. It is either.

Enhance IFA Solutions (Pty) Ltd does not accept cash from clients.

MONEY LAUNDERING COMPLIANCE OFFICER (MLCO)

This "appropriate person" may also be appointed as the Money Laundering Reporting Officer (MLRO), which is required in terms of the FSA Money Laundering Rules. The MLRO is responsible for overseeing the accountable institution's anti-money laundering activities

The MLCO is Enhance IFA's key person in the implementation of strategies and policies related to combating money laundering. This person would be a senior employee within Enhance IFA and free to act of his/hers own authority. At Enhance IFA the MLCO is Marius Kilian.

Marius must be informed of any knowledge or suspicion of money laundering and pass on any information he/she thinks appropriate to the appropriate regulating authorities.

Employees working for Enhance IFA must report their knowledge or suspicion of money laundering to Marius. The identity of the person making the report is kept confidential, and once a report is made to the appropriate person the employee's legal obligation is discharged.

Marius will assess the validity of the suspicion and determines whether an external report should be made to the Financial Intelligent Centre (FIC).

He will monitor the daily implementation of Enhance IFA's anti-money laundering policies and respond promptly to any external anti-money laundering authorities' requests for information.

He will take reasonable steps to establish and maintain awareness and training programs.

Marius will, from time to time, issue directives relating to:

- A. types of transactions
- B. types of policyholders

he shall ensure that all such information is not only scanned for purposes of electronic record keeping, but is also provided to the compliance officer in accordance with the directives issued by Enhance IFA from time to time.

REPORTING DUTY

The rules stipulates firstly how employee/representatives must go about should the Financial Intelligence Centre request records from an employee/representative and basically stipulates that the employee/representative must contact Marius

to ensure that the necessary records are provided to the Financial Intelligence Centre unless the Financial Intelligence Centre directs the employee/representative specifically to provide it directly with the necessary information.

Due to the fact that it is cash that is involved in money laundering activities, a general reporting duty is placed on all employee/representatives to report to the Financial Intelligence Centre cash received or cash paid out above certain limits.

Marius will, from time to time, issue employees and representatives with information regarding the limits above which a reporting duty becomes applicable.

The **procedure** prescribed to be followed in such circumstances is set out below with regards to reporting suspicious transactions. It is a very important rule and the reporting duties in respect thereof is stipulated below:

In the event that any employee receives a formal request from the Financial Intelligence Centre for the supply of information relating to policyholders and clients, the employee shall, unless otherwise directed by the Financial Intelligence Centre, immediately inform the compliance officer of the request.

The money laundering compliance officer may be informed of the request either by e-mail or by way of a written internal memorandum, provided that should Marius be notified orally by the employee, a written or e-mail confirmation must be provided.

In the event that the request for information by the Financial Intelligence Centre was made in writing to the employee, such written document must be forwarded to Marius. He shall ensure that the requested information is provided to the Financial Intelligence Centre, subject to the provisions stipulated in the relevant laws.

RECORD KEEPING

An essential component in the war against money laundering is having an audit trail via which criminal funds passing through the financial system can be linked to the original crime.

Enhance IFA is legally required to retain records relating to client identification, verification and transactions, to serve as evidence in a money laundering investigation. Without this documentary evidence, confiscation of the illicit funds cannot take place.

The objective of record keeping is to ensure that in any ensuing investigation Enhance IFA can provide the authorities with its part of the audit trail.

The type of account detail that must be kept on record can be determined in terms of the type of information Enhance IFA may have to supply in the event of a money laundering investigation. During the course of such an investigation, Enhance IFA may find it has to provide the following information about an account:

- A. The name of the account holder
- B. The beneficial owner of the account, especially if a legal entity is involved
- C. The signatories to an account
- D. Any connected accounts, e.g. all accounts held by members of the same family
- E. The volume of funds and level of transactions taking place in the account

The type of transaction detail that must be kept on record can be determined in terms of the type of information Enhance IFA may have to supply in the event of a money laundering investigation. During the course of such an investigation, Enhance IFA will have to provide the following information about a transaction:

- A. The source and the destination of the funds
- B. The form of funds deposited or withdrawn, e.g. cash
- C. The identity of the person undertaking the transaction
- D. The type of instruction or transaction authorization

Whenever Enhance IFA establishes a business relationship or concludes even one single transaction for a client, Enhance IFA must keep certain records, either in paper or electronic form as set out in the minimum operating standards. The records that Enhance IFA must maintain are related to the identification and verification of the following:

- A. The client
- B. The client's agent
- C. The person the client is representing
- D. The name of the person who identified and verified the client on behalf of the Accountable Institution.
- E. The nature of the business relationship or amount and parties involved in the transaction.
- F. All accounts involved in the business relationship or transaction including electronic payments and messages and transaction records in support of entries in the accounts.

Enhance IFA must maintain these required records for a minimum of five years from the dates the relationship is terminated (business relationship records) or the date the transaction is concluded (transaction records)

A third party may keep the records that must be maintained in terms of the law on behalf of Enhance IFA. However, this is only on the basis that:

- A. Access to the information contained in the records is easy.
- B. The AI retains responsibility for meeting its record keeping obligations.
- C. The FIC is informed of the third party appointed by Enhance IFA to maintain its records.

Enhance IFA Solutions (Pty) Ltd process caters for the recording of any transactions including records as required by section 21 (verification and identification) as per the accepted documents as set out in Annexure A.

All staff, whose responsibility it is to ensure that the verification documentation as directed, are scanned for purposes of electronic record keeping, must ensure that such process is done effectively and in accordance with the minimum operating standards and directives of Enhance IFA

It will be the responsibility of the MLCO to ensure that the records are properly stored in electronic format and that the information is secured by a proper backup procedure as set out the Disaster Recovery Plan.

It will further be the duties of all staff to ensure that all such electronic records are kept for a period of at least 5 (five) years from the date upon which the last policy of a policyholder lapses or is terminated.

TRANSACTIONS EXEMPTED

Any long term insurance policy which is a fund policy or a fund member policy as defined in the Long-term Insurance Act, 1998 and the regulations thereto and in respect of which the policyholder is a pension fund, provident fund or retirement annuity fund approved in terms of the Income Tax Act, 1962.

Any unit trust or linked product investment effected by a pension fund, provident fund or a retirement annuity fund. Any annuity purchased as a compulsory annuity in terms of the rules of a pension fund, provident fund or a retirement annuity fund.

Any reinsurance policy issued to another accountable institution.

Assistance policies as defined in the Long-term Insurance Act, 1998

Any long term insurance policy providing benefits only for death, disability, sickness or injury of the life insured.

Any long term insurance policy with recurring premiums not exceeding R25,000 per annum.

Any long term insurance policy with a single premium not exceeding R50, 000.

Recurring payments for unit trusts or linked product investments not exceeding R25, 000 per annum.

Unit trust or linked product investments with a once off payment not exceeding R50, 000 per annum.

Any long term insurance policy where within the first three years the surrender value does not exceed 20% of the value of the premiums paid in respect of that policy.

It is important to remember that these exemptions only apply to the client identification, verification and record keeping of that information. It does not exclude these transactions from the reporting of suspicious or unusual transactions. These exemptions only apply to a certain point in time. If certain events occur on a policy, client identification, verification and record keeping must be complied with:

Recurring premium on a long term insurance policy increases so that the annual amount exceeds R25 000 or such a policy is surrendered within three years after commencement or the insured offers the policy as security for a loan within three years of commencement.

A policy with a single premium not exceeding R50 000 is surrendered within three years of its commencement or such a policy is offered as security.

AWARENESS TRAINING

The communication of Enhance IFA Solutions (Pty) Ltd's internal money laundering policy and the training of its staff in how to apply those procedures is the keystone to the effective implementation of that policy. Enhance IFA will implement the following training criteria:

All newly appointed representatives and employees will receive the appropriate training in all aspects of legislation within 30-days of the appointment.

All staff will be required to successfully complete an annual FICA assessment..

The MLCO or delegated person is responsible to ensure proper record keeping procedures are in place as to what the employees and representatives were trained on with regards to FICA and other legislation. Records of training will be kept in the training register of the company and report cases of non-compliance to the MLCO. The MLCO will also ensure all training material is available in a separate filing system for record keeping purposes.

FAILURE TO COMPLY WITH THESE RULES

Failure to comply with these Rules by any employee of Enhance IFA, will constitute misconduct on behalf of the employee, and may, depending on the severity of the misconduct, lead to disciplinary steps being instituted by Enhance IFA against the relevant employee

REFERENCES

The FICA Rules have been drafted with assistance from the following sources:

KPMG Money laundering Control Service
South African Money laundering and Terror Financing Law
Plumb line Risk Alignment (Pty) Ltd User Guide
Financial Intelligence Centre Act
Fica Training Manual B Spitz – Lexis Nexus 2008

ANNEXURE A - IDENTIFICATION & VERIFICATION DOCUMENTS

CLIENT TYPE	INFORMATION REQUIRED	VERIFICATION DOCUMENTATION
<p><u>NATURAL PERSON – SA RESIDENT</u> <u>Primary Identification:</u> Valid SA ID Book</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Full names <input type="checkbox"/> Date of birth <input type="checkbox"/> Identity number <input type="checkbox"/> Residential address <input type="checkbox"/> <u>The following information does not need to be verified:</u> <input type="checkbox"/> Source of funds 	<p>Combination from the list below depending on the information, which needs to be verified.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Utility bill <input type="checkbox"/> Company statement <input type="checkbox"/> Recent lease or rental agreement <input type="checkbox"/> Municipal rates and taxes invoice <input type="checkbox"/> Telkom account
<p><u>NATURAL PERSON – FOREIGN NATIONALS</u> <u>Primary Identification:</u> Valid Passport</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Full names <input type="checkbox"/> Date of birth <input type="checkbox"/> Passport number <input type="checkbox"/> Nationality <input type="checkbox"/> Residential address (If non resident then they do not need to submit proof of residential 	<p>Combination from the list below depending on the information, which needs to be verified.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Utility bill <input type="checkbox"/> Company statement <input type="checkbox"/> Recent lease or rental agreement
	<p><u>information does not need to be verified:</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Residential Address <input type="checkbox"/> Source of funds 	<p>taxes invoice</p> <ul style="list-style-type: none"> <input type="checkbox"/> Telkom account <input type="checkbox"/> Valid television license, etc.
<p><u>SA COMPANIES</u> <u>Primary Identification:</u> Most recent version of the Certificate of Incorporation (form CM1) and Notice of Registered Office and Postal address (form CM22) if applicable, bearing the stamp of the Registrar of Companies and signed by the company secretary.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Registration name <input type="checkbox"/> Registration number <input type="checkbox"/> Registered address <input type="checkbox"/> Name under which business is conducted <input type="checkbox"/> The address from which you operate <input type="checkbox"/> Personal details <input type="checkbox"/> The manager/CEO of the company <input type="checkbox"/> The mandate officials who are authorized to establish a business relationship <input type="checkbox"/> <u>The following information does not need to be verified:</u> <input type="checkbox"/> Residential/business address & contact particulars of manager, each natural person who purports to be authorized to establish a business relationship, natural person or legal person, partnership or trust holding more than 25% voting rights 	<p>Combination from the list below depending on the information, which needs to be verified.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Utility bill <input type="checkbox"/> Company statement <input type="checkbox"/> Recent lease or rental agreement <input type="checkbox"/> Municipal rates and taxes invoice <input type="checkbox"/> Telkom account

<p>FOREIGN COMPANIES <u>Primary Identification:</u> Official document issued by an authority for recording the incorporation of the companies of the country of incorporation of the foreign company, witnessing its name and number of incorporation and the address where it is situated for purposes of its incorporation</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Name under which incorporated <input type="checkbox"/> The address where you are situated for purposes of incorporation <input type="checkbox"/> Name under which you conduct business in the country where incorporated <input type="checkbox"/> Name under which you conduct business in the Republic <input type="checkbox"/> Address where you operate from <input type="checkbox"/> Address from which you operate from in the Republic <input type="checkbox"/> Full names, date of birth & ID number or full names, date of birth & nationality <input type="checkbox"/> <u>The following information does not need to be verified:</u> <input type="checkbox"/> Residential/business address & contact particulars of manager of affairs in SA, each natural person who purports to be authorized to establish a 	<p>Combination from the list below depending on the information, which needs to be verified.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Utility bill <input type="checkbox"/> Company statement <input type="checkbox"/> Recent lease or rental agreement <input type="checkbox"/> Municipal rates and taxes invoice <input type="checkbox"/> Telkom account
	<p>business relationship, natural person or legal person, partnership or trust holding more than 25% voting rights</p>	
<p>CLOSED CORPORATIONS <u>Primary Identification:</u> Most recent version of the Founding Statement and Certificate of Incorporation (form CK1) Amended Founding statement (form CK2) if applicable, bearing the stamp of the Registrar of Close Corporations and signed by the company secretary</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Registration name <input type="checkbox"/> Registration number <input type="checkbox"/> Registered address <input type="checkbox"/> The address from which you operate <input type="checkbox"/> Name under which business is conducted <input type="checkbox"/> Personal details of <input type="checkbox"/> Each member <input type="checkbox"/> <u>The following information does not need to be verified:</u> <input type="checkbox"/> Residential/business address & contact particulars of each member, each natural person who purports to be authorized to establish the relationship. 	<p>Combination from the list below depending on the information, which needs to be verified.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Utility bill <input type="checkbox"/> Company statement <input type="checkbox"/> Recent lease or rental agreement <input type="checkbox"/> Municipal rates and taxes invoice <input type="checkbox"/> Telkom account

<p>TRUSTS <u>Primary Identification:</u> Trust deed or other founding document in terms of which the trust is created recording the trust name, trust number, and address of the master where the trust is registered if applicable.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Name of Trust <input type="checkbox"/> Trust Number <input type="checkbox"/> Address of high Court Master where trust is registered <input type="checkbox"/> Personal details of the founder of the trust <input type="checkbox"/> Personal Details of each mandated/authorised individual <input type="checkbox"/> Personal Details of each trustee <input type="checkbox"/> Personal Details of each beneficiary <input type="checkbox"/> <u>The following information does not need to be verified:</u> <input type="checkbox"/> Residential/business address & contact particulars of each trustee, each natural person who purports to be authorized to establish a business relationship, each beneficiary of the trust referred to by name in the trust deed or other founding document. 	<p>Combination from the list below depending on the information which needs to be verified</p> <ul style="list-style-type: none"> <input type="checkbox"/> Utility bill <input type="checkbox"/> Company statement <input type="checkbox"/> Recent lease or rental agreement <input type="checkbox"/> Municipal rates and taxes invoice <input type="checkbox"/> Telkom account
<p>PARTNERSHIPS <u>Primary Identification:</u> The most recent version of the partnership agreement.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Name of Partnership against partnership agreement and the terms under which it was formed <input type="checkbox"/> Details of all partners <input type="checkbox"/> Personal details of the person(s) that exercise executive control over 	<p>Combination from the list below depending on the information which needs to be verified</p> <ul style="list-style-type: none"> <input type="checkbox"/> Utility bill <input type="checkbox"/> Company statement <input type="checkbox"/> Recent lease or rental agreement <input type="checkbox"/> Municipal rates and
	<p>the partnership or mandated to enter into business transactions</p> <p>This excludes partnerships formed by qualified persons to carry on a profession and designated by notice in the gazette by virtue of Section 30(2) of the Companies Act 1973</p> <ul style="list-style-type: none"> <input type="checkbox"/> <u>The following information does not need to be verified:</u> <input type="checkbox"/> Partnership contact details 	<p>taxes invoice</p> <ul style="list-style-type: none"> <input type="checkbox"/> Telkom account

ANNEXURE B - MONEY LAUNDERING COMPLIANCE OFFICER **AND** **RESPONSIBLE PERSONS**

MONEY LAUNDERING COMPLIANCE OFFICER	
Full Name	Marius Kilian
ID Number	690506 5267 084
Position in Enhance IFA Solutions (Pty) Ltd	Key Individual
Contact Number	021 914 1331
Email Address	marius@2ip.co.za
Date Appointed	February 2015
Accountable Institution (AI)	
Name of validator	

RESPONSIBLE PERSONS	
FULL NAME	POSITION AND ROLE

In accordance with section 43 of FICA I, Marius Kilian, (being the approved Money Laundering Compliance Officer of Enhance IFA Solutions (Pty) Ltd hereby confirm that all the information contained in the internal rules have been adopted by Enhance IFA Solutions (Pty) Ltd.

Signed _____

Dated _____

ANNEXURE C - INDIVIDUALS, GROUPS, UNDERTAKINGS AND OTHER ENTITIES ASSOCIATED WITH AL-QAIDA SANCTION and TALIBAN LIST

The Security Council Committee established pursuant to paragraph 6 of resolution 1267 (1999) (hereafter referred to as the Committee) oversees the implementation by States of the three sanctions measures (assets freeze, travel ban and arms embargo) imposed by the Security Council on individuals and entities associated with the Al-Qaida organization. The Committee maintains a List of individuals and entities subject to the sanctions measures. By resolutions the Security Council has obliged all States to:

- freeze without delay the funds and other financial assets or economic resources, including funds derived from property owned or controlled directly or indirectly
- prevent the entry into or the transit through their territories
- prevent the direct or indirect supply, sale, or transfer of arms and related material, including military and paramilitary equipment, technical advice, assistance or training related to military activities, with regard to the individuals, groups, undertakings and entities placed on the Al-Qaida Sanctions List.

The sanction list of Al-Qaida associates can be obtained from

<http://www.un.org/sc/committees/1267/AQList.htm#alqaedaind>

The sanction list of all known Taliban Associates can be obtained from

<http://www.un.org/sc/committees/1988/1988List.htm#talibanind>

ANNEXURE D - SUSPICIOUS OR UNUSUAL TRANSACTION REPORT FORM

The following form must be completed by any employee of sales representative that identified a suspicious or unusual transaction as mentioned in these rules

Please email the completed report to the MLCO at marius@2ip.co.za

Report number: (to be supplied by Enhance IFA Solutions (Pty) Ltd) _____

Date of report: _____

A: Particulars of Person Reporting Suspicious or Unusual Transactions:

1. Title: _____ 2. Full name/Entity: _____ 3. Surname: _____

4. ID Number: _____ 5. Country of Residence: _____

6. Country of origin (if other than South Africa): _____

7. Occupation: _____ 8. Type of business: _____

9. Physical Address:

10. Postal Address:

11. Contact detail:

Work: _____

Home: _____

Cellular number: _____

Fax number: _____

Email: _____

B: Particulars of person/entity being reported:

Person's involvement:

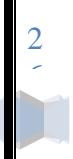
Individual _____ On behalf of another person _____ On behalf of a legal entity _____

1. Title: _____ 2. Full name/Entity: _____ 3. Surname: _____

4. ID Number: _____ 5. Country of Residence: _____

6. Country of origin (if other than South Africa): _____

7. Occupation: _____ 8. Type of business: _____



9. Physical Address:

10. Postal Address:

11. Contact detail:

Work: _____

Home: _____

Cellular number: _____

Fax number: _____

Email: _____

C: Particulars of the transaction involved:

1. Date: _____ 2. Time: _____

3. Transaction Type: _____ 4. Transaction manner: _____

5. Transaction currency: _____

D: Funds involved in the transaction:

1. Amount of funds (Rand value): _____ Estimated Value? Yes/No _____

2. Funds disposed of? Yes _____ No _____ Unknown _____ Unavailable _____

If yes, complete questions 3, 4 and 5

3. Manner in which Funds disposed of: _____

4. Amount of funds disposed: _____

Estimated Value? Yes/No _____

5. Currency of funds disposed: _____

6. Where is the transaction taking place:

Physical Address:

Postal Address:

7. Purpose of transaction: _____

E: Particulars of the account:

Specify if this account holder is the payer or the beneficiary account:

Payer's Account: _____ Beneficiary Account: _____

1. Name of Bank: _____

2. Name of Branch: _____

3. Account number: _____

4. Type of account: _____

5. Date opened: _____

6. Account Balance immediately before the transaction was carried out: _____

7. Account Balance on date of report: _____

8. Account unit status before transaction:

Active _____ Inactive _____ Suspended _____ Closed _____ Unknown _____ Other _____

9. When suspended account:

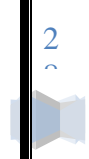
By client _____ By institution _____ Through legal process _____ Other _____

10. Previous activity in past 180 days concerning this account considered for reporting:

11. Account transaction summary for the 3 calendar months preceding this report:

Month Highest amount of paid into account paid out of payments made payments made account into account out of account

12. Account holder: _____



F: Particulars of account holder - Person/Entity:

Associate account with this account holder:

Account number: _____

Person's involvement: _____

Individual _____ on behalf of another person _____ on behalf of a legal entity _____

1. Title: _____ 2. Full name/Entity: _____ 3. Surname: _____

4. ID Number: _____ 5. Country of Residence: _____

6. Country of origin (if other than South Africa): _____

7. Occupation: _____ 8. Type of business: _____

9. Physical Address:

10. Postal Address:

11. Contact detail:

Work: _____ Home: _____

Cellular number: _____ Fax number: _____

G: Particulars of suspicious or unusual activity:

1. Provide clearly and completely the events that led to the formation of the conclusion that the relevant activity is suspicious or unusual and state the reasons for the conclusion being formed and, what crime do you suspect has been committed.



H: Particulars of actions taken:

1. Internal actions – provide clearly and completely the action taken:

2. Which external agency has this been reported to:

3. External actions – provide clearly and completely the actions taken:

I: List of available documents and reference numbers:

1. Provide a list of all available documents related to this report:

2. Specify any reference numbers previously allocated by Enhance IFA Solutions (Pty) Ltd with regards to this incident, transaction or report:
