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The logo for KOMPPLY, featuring the word "KOMPPLY" in a bold, sans-serif font. The letter "O" is replaced by a yellow square containing a black checkmark.

Conducting Customer Due Diligence (Part I)

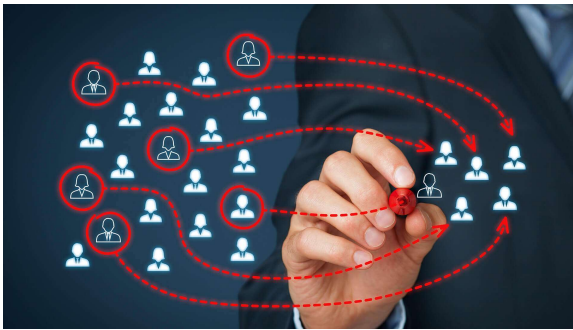
A stylized illustration of two human figures. The figure on the left is grey and partially obscured by a thick red curved line. The figure on the right is also grey and partially obscured by a thick dark blue curved line. The background is light grey with faint hexagonal patterns.

5th November 2020

The logo for 21 Academy, featuring a blue square with the number "21" in white, and the word "ACADEMY" in small blue letters below it. The entire logo is enclosed in a thin black border.

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Agenda



- Overview of CDD
- Understanding the value of CDD
- Defining Customer and the concept of Beneficial Ownership
- Identification and Verification
 - Natural Persons
 - Legal Persons
 - Legal Arrangements

The logo for KOMPPLY, featuring the word "KOMPPLY" in a sans-serif font. The letter "O" is replaced by a green square containing a white checkmark.

Introduction

The logo for 21st Century Learning, featuring the number "21" in a blue square, with the words "21st Century Learning" in a smaller font below it.
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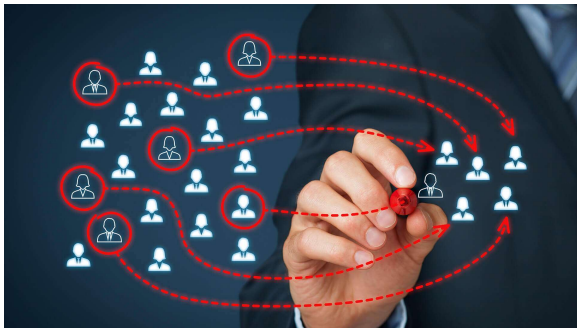


What is Customer Due Diligence?



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What is Customer Due Diligence (CDD)?



- CDD is the gathering of all relevant information about a customer and his affairs
- It is the information that enables a Subject Person to assess the extent to which a customer exposes them to a range of risks – including the risk of involvement in money laundering / financing of terrorism (ML/FT)

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Why?

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Why do we carry out CDD?

- To determine and reasonably certain that the customers are who they say they are;
- To determine that it is appropriate to provide them with the requested service or product;
- To determine whether such person is acting on behalf of another person, or whether underlying BOs are involved;
- To guard against fraud, including impersonation and identity fraud;
- To assess the legitimacy of the funds/assets to be used in a relationship;
- To help identify what is unusual and to enable the unusual to be examined;
- To comply with the applicable AML/CFT & Sanctions legislation and regulations.
- To be in a position to assist law enforcement through the provision of relevant info/docs



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Benefits

- To safeguard against:
 - services/products being misused or being used for ML/FT
 - reputational, operational and financial repercussions
 - potential enforcement action




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Who?


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CDD Relevant Parties

- Customers
- Intermediaries/Agents
- Beneficial Owners
- Other Involved Parties

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Who is the Customer?

- A **legal** or **natural** person,
- Whether acting as **principal** or **agent**,
- Who has formed or who seeks to form a **business relationship**
- For whom an **occasional transaction** is carried out,



Type of Customer

Customers will fall within one of the following categories:

- Natural Persons
- Legal Persons
- Legal Arrangements


Due to their nature, different identification and verification requirements apply



Intermediary/Agent

- Where any person (natural or legal person) is or appears to be acting on behalf of a customer, subject persons are required to identify and verify the identity of such person.
- Subject persons are also required to ensure that any such person is authorised in writing to act on behalf of the customer.






Customer Business relationship vs Occasional Transaction

Business Relationship
3 cumulative elements

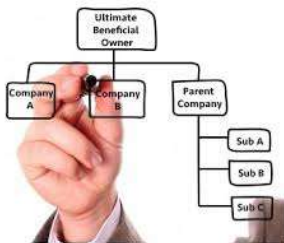
- Relationship is of a business/professional/commercial nature;
- Must subsist for a period of time; and
- One of the parties is a Subject Person.

Occasional Transaction
A transaction outside a business relationship

- Single transaction of a specified amount (€15,000, €10,000, €1,000, €2,000) according to the nature of the relevant activity/SP;
- A series of linked transactions that add up to the specified amount;
- Specific activities, irrespective of the amount/s involved – tax advice and formation of legal persons & arrangements


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Beneficial Owner/s



- A natural person who ultimately owns or controls the customer.
- A natural person on whose behalf or for the benefit of whom a transaction is being conducted.



Customer Due Diligence Measures





Identification & Verification Natural Persons



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Identification & Verification

Natural Person Identify

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- Official full name
- Date and place of birth
- Permanent residential address
- Identity reference number
- Nationality

Identification & Verification

Natural Person Verification of Identity



A **valid and unexpired, Government-issued (or recognised) document** containing **photographic evidence** of identity, such as:

- A national or other government-issued identity card;
- A passport;
- A residence card; and
- A driving license.



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Identification & Verification






Natural Person Verification of Address



- Bank statement or reference letter
- Utility bill
- Correspondence from a central or local government authority, department or agency
- Any government-issued or recognised document to verify identity, where a clear indication of residential address is provided
- An official conduct certificate
- Lease contract or agreement (*the 6-month rule does not apply for lease agreements*)
- Any other document as may be specified in sectoral implementing procedures



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Non-Face-To-Face

Verification on **the basis of documents**:

- Additional documentation; and/or
- Requiring certified/apostilled documentation.

Subject persons needs to:

- Carry out authenticity checks;
- Consider the **relevant risks** in relation to the certifier and country of origin, and take any necessary countermeasures; and
- Certification needs to include all the necessary details as per Implementing Procedures.



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Non-Face-To-Face Other modes of Verification



Confirmation of
automatically generated
codes/PINs



First payment & transaction
carried out through the
customer's bank account



Verification of IP address or
geo-location of mobile
devices



Use of video conferencing
tools



Use of identity verification
software



Electronic verification e.g. e-
IDs & Identity Platforms



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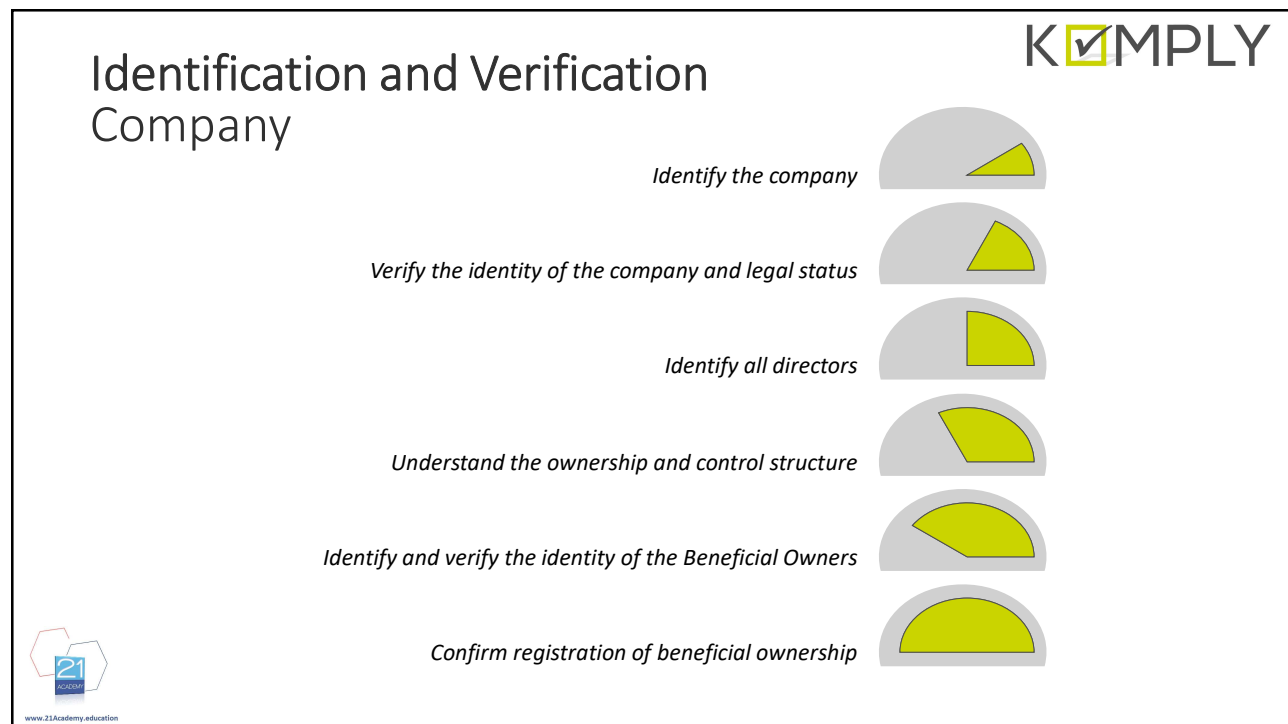


Identification & Verification

Legal Persons



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Confirm registration of Beneficial Owners

The screenshot shows the Malta Business Registry (MBR) website. The header includes navigation links: Home, About, Contact Us, Careers, Legislation, Log In, and Register. The main navigation bar lists: Other Links, Beneficial Owners, Searches, Company Details, Authorised Shares, Involved Parties, Beneficial Owners, and Documents. The left sidebar contains: Company Search, Search Beneficial Owners, and Companies. The main content area is titled 'Beneficial Owners' and contains the following text and form fields:

Company Registration Number

Enter your email address before proceeding to pay to view the BO Details. After payment is verified, you can view the details from here or access the link received by email

Kindly note that viewing of the BO Details will only be available for 1 hour from confirmation of payment.

Email Address

Confirm Email Address

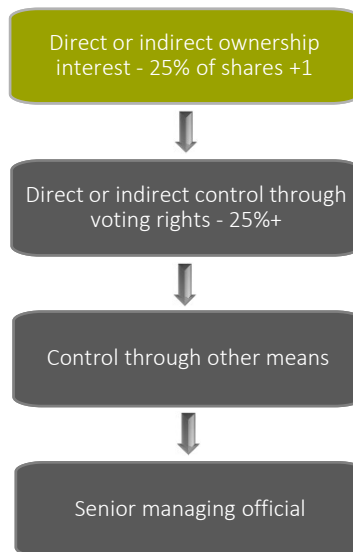
Kindly click on this link to pay in order to view the Beneficial Owners of the company

By continuing, you are agreeing that you are using the system in terms of the Prevention of Money Laundering and Funding of Terrorism Regulations providing services in or from Malta, and that you are accessing the information on the beneficial ownership of the company for the purpose of carrying out customer due diligence in accordance with the said regulations.

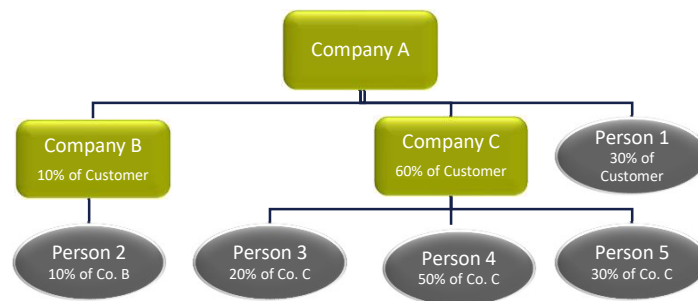


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Beneficial Ownership Legal Persons

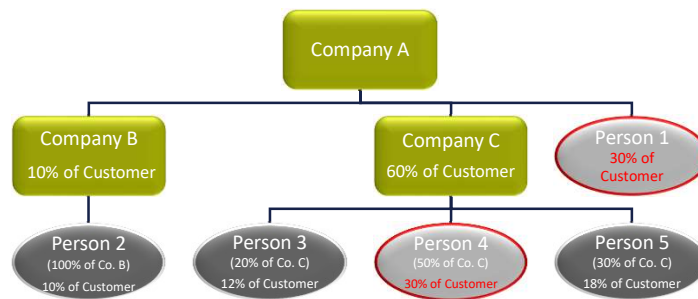


Beneficial Owner/s Ownership

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Beneficial Owner/s Ownership

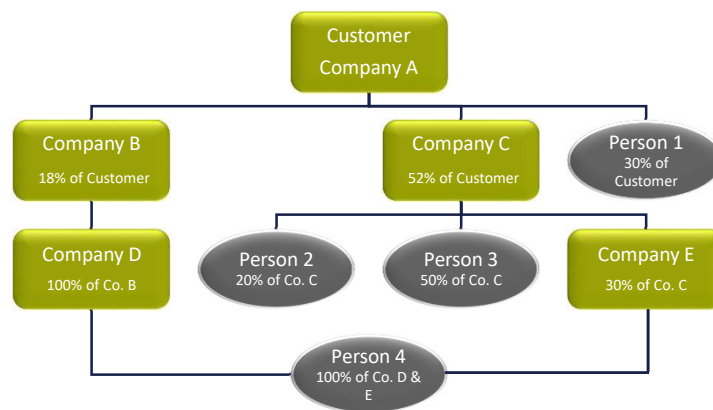
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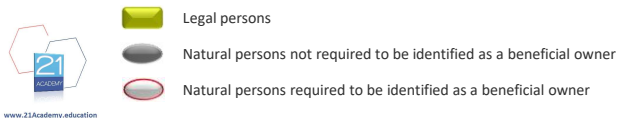
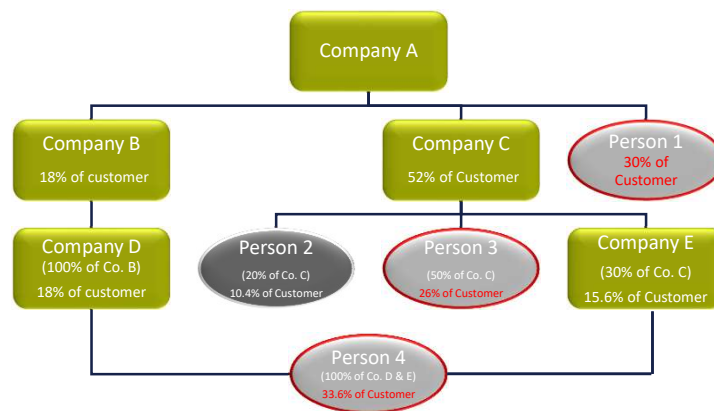
- Legal persons
- Natural persons not required to be identified as a beneficial owner
- Natural persons required to be identified as a beneficial owner

Beneficial Owner/s Ownership

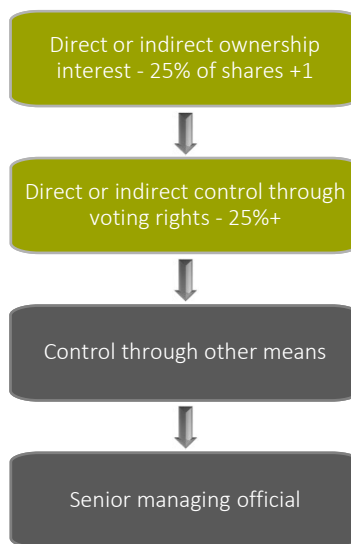
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Beneficial Owner/s Ownership

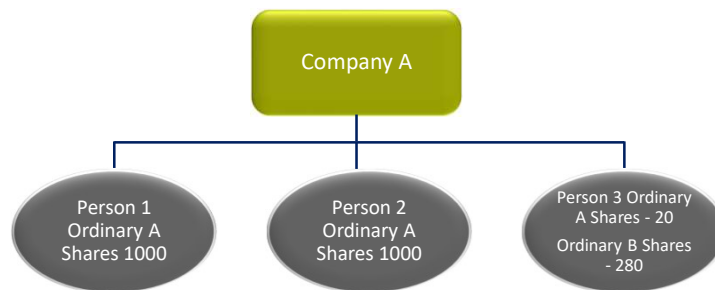
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Identification of Beneficial Owner/s Legal Persons

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Beneficial Owner/s Ownership and Voting Rights

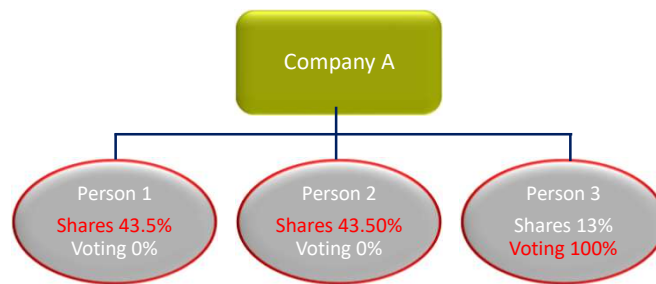


Voting rights:

- A shares – no voting rights
- B shares – 1 voting right per share
- No difference in nominal value



Beneficial Owner/s Ownership and Voting Rights



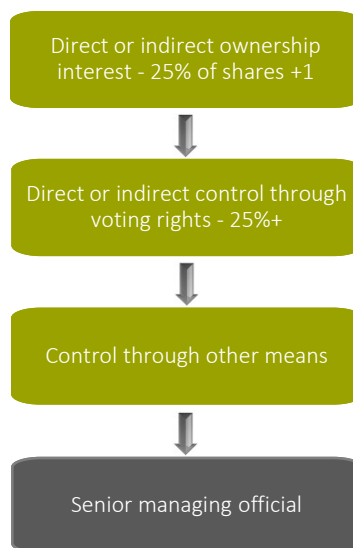
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Legal persons

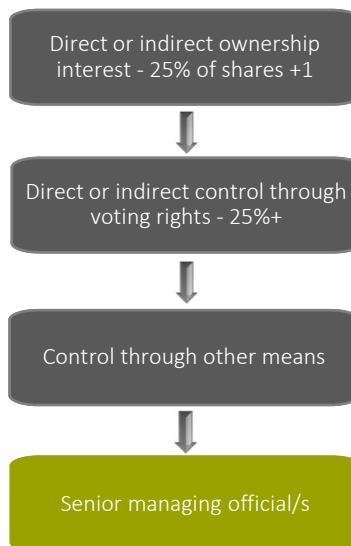
Natural persons not required to be identified as a beneficial owner

Natural persons required to be identified as a beneficial owner

Identification of Beneficial Owner/s Legal Persons

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Identification of Beneficial Owner/s Legal Persons

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Identification of BO/s Legal Persons

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- The beneficial owner/s are always natural persons.
- 'Open' all companies within the structure of the customer until you have identified all the natural persons.
- Nominee shareholding – subject person must still obtain information and evidence of beneficial ownership.
- Make sure that you have all relevant documentation – check the records on the business registry when possible.
- Clear control and ownership corporate structure chart, particularly in the case of complex and multi-tiered structures.

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Identification & Verification Trusts



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Identification and Verification Trust

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Identify the trust



*Verify the identity details of the
trust*




*Identify and verify the identity
details of ALL beneficial owners*



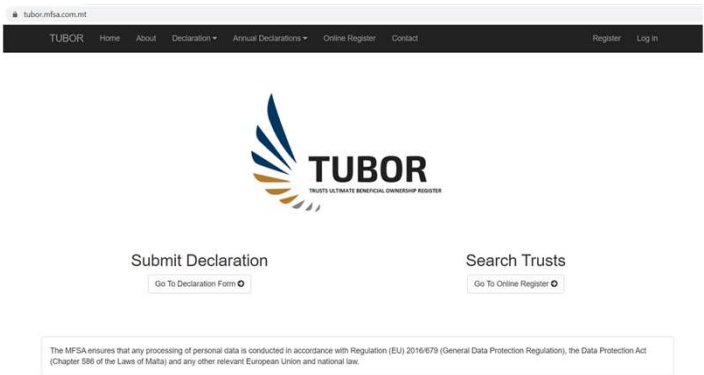
*Confirm registration of
beneficial ownership*



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Confirm registration of Beneficial Owners



The screenshot shows the TUBOR (Trusts Ultimate Beneficial Ownership Register) website. At the top, there is a navigation bar with links: TUBOR, Home, About, Declaration, Annual Declarations, Online Register, and Contact. On the right side of the bar are links for Register and Log In. Below the navigation bar is the TUBOR logo, which consists of a stylized blue and orange wing-like graphic next to the word 'TUBOR' and the text 'TRUSTS ULTIMATE BENEFICIAL OWNERSHIP REGISTER'. Under the logo, there are two main sections: 'Submit Declaration' with a button 'Go To Declaration Form' and 'Search Trusts' with a button 'Go To Online Register'. At the bottom of the page, there is a small disclaimer box stating: 'The MFSA ensures that any processing of personal data is conducted in accordance with Regulation (EU) 2016/679 (General Data Protection Regulation), the Data Protection Act (Chapter 886 of the Laws of Malta) and any other relevant European Union and national law.'



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Trusts

Beneficial Ownership

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- The settlor(s);
- The trustee or trustees;
- The protector(s) (where applicable);
- The beneficiaries or class of persons in whose main interest the trust is set up and operates;
- Any other natural person exercising ultimate control over the trust.

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Identification & Verification Associations/Foundation



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Identification and Verification Association/Foundation

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Identify the foundation



Verify the identification details of the foundation



Understand the ownership and control structure



Identify and verify the identity of ALL beneficial owners



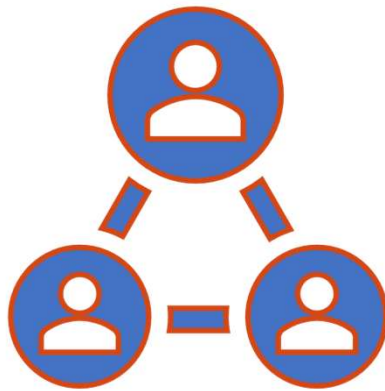
Confirm registration of beneficial ownership



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Foundation Beneficial Ownership

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- The Founder;
- The Administrator;
- Member(s) of supervisory council;
- Beneficiaries in whose main interest the foundation is set up and operates;
- Any other natural person exercising ultimate control.

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Questions?


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Thank you





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