

# Magnat Anti- Money Laundering Policy

## 1. Introduction and Purpose

This Policy describes obligations of Magnat in the area of tracking and preventing money laundering and terrorist financing activities through the services provided to customers by Magnat .

This Policy's purpose is to ensure that Magnat, hereafter "Magnat" and its staff based in Malaysia are able to comply with all legal and regulatory requirements relevant to the prevention of financial crimes.

## 2. Definitions and Provisions

- **What is Money Laundering?**

Money laundering involves participation in any transaction aimed at concealing or distorting the origin of funds obtained from illegal activities, such as fraud, corruption, organized criminal or terrorist activities, etc. A predicative money laundering offence is determined by the law.

- **Stages of Money Laundering**

Money laundering consists of only having 3 basic stages but it is important to remember that these stages do not necessarily occur in every case.

**Placement** The physical introduction of cash or other proceeds into the financial system – for example, by depositing cash into a bank account.

**Layering** The process of moving the proceeds through a number of (sometimes complex) financial transactions, so as to make the audit trail more difficult to trace back.

Examples include:

- selling one investment and reinvesting in another;
- moving the money between different institutions or jurisdictions;

- setting up vehicles such as companies and trusts so as to change the apparent ownership of the assets.

**Integration** This is the point at which the funds have been sufficiently distanced from their origin to have achieved the appearance of legitimacy and the money is integrated into the economy.

- **General Provisions on Money Laundering**

The offences listed below could render both employees and the company liable for criminal charges:

- a. **Arrangements relating to criminal property**

it is an offence to permit or assist in acquisition, retention or use of criminal property. An employee may issue a defence that they reported their knowledge or suspicion to the relevant authority(/-ies) in the appropriate way at the earliest opportunity.

- b. **'Tipping-off'**

it is an offence to disclose information that might reasonably be expected to affect investigations; this applies both to informing a person under investigation for or suspicion of money laundering and also any natural or legal person other than law enforcement agencies.

- c. **Acquisition, use or possession of criminal property**

it is an offence to acquire, use or possess criminal property.

- d. **Handling the proceeds of corruption**

major crimes are unavoidably involved in corruption by political leaders and senior officials in the public sector. Handling the proceeds of such figures' corruption is a criminal offence.

- e. **Failure to report**

it is an offence for a person who knows, suspects or has a reasonable basis for these that a person is laundering money not to report this as soon as reasonably possible to the authorities using the appropriate procedure(s).

- **Confidentiality of Clients**

It must be remembered at all times that reporting suspicions of money laundering does not breach the confidentiality requirements otherwise applicable to clients.

- **Specific Provisions for Regulated Activities**

Pursuant to the company's obligations to report suspicions of money laundering, the following primary requirements have been identified:

- a. Verify the identities of new counterparties
- b. Expedite employees' abilities to report any suspicious transactions
- c. Keep thorough records on clients' identities and their transactions
- d. Train and inform employees about these policies and how they should report any relevant suspicions
- e. Appoint a senior person as Anti-Money Laundering Compliance Officer, hereafter "AMLCO". The AMLCO must be permitted to act on their own authority and investigate suspicions full, delegating tasks as required but overall responsible for any such tasks. They are responsible for emphasising to employees their potential liabilities and those of the company should they not observe any of the requirements above.

- **The Anti-Money Laundering Compliance Officer (AMLCO)**

At the proposed opening of Magnat, the compliance officer will function as the AMLCO. They will be responsible for ensuring compliance with the Labuan FSA's requirements for AML. The AMLCO will act with authority and independence and have complete access to all of the information, documentation and other materials required to service these responsibilities. If in the future the company splits the office of AMLCO into a separate position, this manual will be updated to reflect the change. The AMLCO is mainly responsible for the following:

- Serving as a point of report for all relevant suspicions
- Reporting as appropriate said suspicions to the Labuan FSA
- Addressing promptly any relevant request for information made by the Labuan FSA
- Taking all reasonable steps to maintain awareness of AML requirements and procedures among employees

- **Compliance**

It is centrally important that all employees comply with the company's AML procedures. This is because the company's integrity must be upheld and also because the company has

a duty to abide by all relevant laws. Should an employee fail to comply with the requirements in this manual, their suitability for their role should be questioned and they could be dismissed immediately from their post in the case of a clear violation.

The compliance officer is responsible for the following:

- Monitoring the company's AML policies and updating these as required by the regulations
- Ensuring full awareness as relevant of these policies and the regulations among employees
- Training employees to recognise transactions carried out by or for any person appears to be laundering money
- Organising training on these matters for all new employees as soon as reasonably possible after they take up their posts
- Ensuring adherence to the policies in this manual by all of the company's employees and directors

### 3. Adoption to the Risked Based Approach

Identification of money-laundering risks through transactions enables Magnat to identify and implement appropriate measures towards controlling and reducing these risks.

The risk criteria used are as follows:

- a. Risks related to countries:** Together with other risks, the company provides up-to-date information on potential money laundering risks. Factors that determine increased risk associated with a country include:
  - Countries under sanctions, embargoes, and other similar measures.
  - Countries identified by the Financial Action Task Force (FATF) as not cooperating in the fight against money laundering or countries identified by reliable sources as having no relevant anti-money laundering laws and regulations.
  - Countries identified by reliable sources as financing and supporting terrorist activities.
- b. Risks related to customers:** There is no single consensus on how to identify a high-risk client. However, the characteristics of clients that have been identified as having a potentially high risk of being involved in money laundering are listed below:
  - Weapons manufacturers.
  - Persons with capital-intensive enterprises.

- Persons related to unregulated charities and other non-profit organizations.

c. **Risks related to services:** The definition of risks related to money laundering should include consideration of such factors as services identified by regulators, public authorities, and other reliable sources, as potentially high risk in terms of money laundering.

#### 4. Client Account Opening & Due Diligence

##### a. Know Your Customer (KYC) Form:

Is the due diligence that the member firm must perform to identify the client's background and ascertain relevant information pertinent to doing financial business with them.

##### Important Elements for KYC

Five Important key elements are outlined:

###### Client Profiling

Identity of the Client whether he is an individual or it is a Corporate Client and their legal

- status. Accordingly obtain the necessary documentation.

###### Collection of Authentic Information

- Source of Income whether salaried or self-employed for Individual Client.
- The nature of business and the Income levels for Corporate Client.
- Identification of the authorized persons to sign the KYC for Corporate Client.

###### Risk of Appetite of the Client

- For individual Client identify the risk appetite through salary levels.
- For Corporate Client identify the risk appetite through net worth of the company and the Assets base.

###### Country of Domicile

- Clients/ Corporate entity country of domicile to check whether they are in the sanctions list of UN or the federal authorities.
- Citizens of countries, to which FATF sanctions are applied AND/OR listed as "high risk countries" in OECD country risk classification, shall not become a client.

- **The Legal Status**

- To identify whether the individual and the corporate client has been subject to litigation and its current status.
- If the client or lead listed in UNSC List (<https://www.un.org/securitycouncil/content/un-sc-consolidated-list>), our Company shall freeze or block the funds and transactions, submit a suspicious transaction report, and inform the relevant authorities.

**b. Documents Mandatorily be Present in a Client File**

- Account Opening forms / KYC and the supporting documentation as per the requirement of regarding identification of Clients and further to the FATF (4,5,6,7,8,9,10,11) relating to customer due diligence and record keeping.

The supporting documentation that is required to be obtained from the Client is:

**For an Individual Client or Beneficial Owner:**

- Copy of Passport along
- Copy of National Identity Card (for locals) or Copy of any Photo Identity Card
- Occupation Type
- Bills ( telephone, electricity)
- Lease Agreements
- Bank Statements
- name of employer or nature of self-employment/nature of business;
- the purpose of transaction;
- source of wealth (i.e. if the income does not match with
- contact number (home, office or mobile)
- For BO, identification document of director/shareholders with equity more than 25%
- letter of authority or directors' resolution for letter of authority or directors' Resolution

**For Corporate Clients:**

- Registration of Corporate
- Business License
- MOA/AOA
- Company Bank Statement
- Powers that regulate and bind the customer such as directors' resolution, as well as the names of relevant persons having a senior management position;
- Address of the registered office and, if different, from the principal place of business.
- Broker Client Agreements and Risk Disclosure documents

**c. Verification Process of Documents – Address Verification**

- Identify an individual Client with the following documents :
  - Bills (telephone, electricity )
  - Bank Statements
  - Rental lease Agreements
- Identifying Corporate Clients:
  - Registration Corporate
  - Business License

- MOA/AOA
- Company Bank Statement
- Bills ( landline telephone, electricity )
- Lease Agreement
- Bank Statements

#### **d. Continuous Due Diligence Requirements**

- Update of Clients information on-going basis for change in address, country of domicile, change in passport numbers, visa etc.
- Obtain the necessary documentation including the ones which are expired.
- Based on the notices published by the LFSA identify whether their existing Clients are in the list of UN Sanctions and act accordingly.

#### **e. Enhanced Customer Due Diligence**

Where the ML/TF risks are assessed as higher risk. An enhanced CDD is carried out. This ECDD includes following procedures:

- (a) obtaining additional information on the customer and beneficial owner (e.g. volume of assets, occupation, and other information from reliable public database);
- (b) inquiring on the source of wealth or source of funds. In the case of PEPs, both sources are obtained;
- (c) obtaining approval from the senior management of the reporting institution before establishing (or continuing for existing customer) any business relationships with the customer.

#### **5. Customer Activity Monitoring**

In addition to initial comprehensive customer verification, Magnat continues to monitor all customer activities continuously in order to identify any suspicious or fraudulent activities. The implemented monitoring system includes automatic monitoring and manual monitoring of transaction by the personnel of Magnat or by a service provider acting as a contractor. A number of status fields are applied on clients' personal areas. These fields point to the profile inside the system. This procedure is for submitting suspicious activity data (consistent with the regulations of the regulator and the law), which allows employees to send reports to an anti-money laundering specialist if they are sure or suspect or have strong arguments to suspect that the client may be involved in money laundering or financing of terrorism.

This procedure has three stages:

- a. The company's employees should carefully check all information for suspicious or unusual information.
- b. Reports on suspicious transactions and activities must be consistent with laws and regulations of jurisdiction.
- c. An anti-money laundering specialist must be informed of all suspicious transactions and activities on a weekly basis.

## 6. Data Storage

All documents received for the purpose of client identification (the requirements of the "Know Your Customer" policy), and the information for each transaction, as well as any information related to money laundering, should be stored in the company in accordance with the anti money laundering norms and laws. The information to be stored includes reports on suspicious activity, documentation on AML account monitoring, etc.

The records should be kept for at least 6 years.

## 7. Funds Withdrawal Procedure

The funds withdrawal process in Magnat, described below, has strict procedures and rules aimed at ensuring that the funds are delivered exactly to their owner:

- a. Clients of Magnat must fill out a withdrawal request, including correctly filled in information about the account.
- b. All withdrawal requests are sent to the accounting department for processing. The accounting department confirms availability of funds on the account, checks whether there is withdrawal blockage or restriction, and allows execution of the withdrawal request.
- c. The accounting department reviews all withdrawal requests, checks whether the funds are withdrawn in the same way they were deposited, and checks the details of the account owner in the database. Having received a withdrawal request, the accounting department checks the deposit history of the customer's account in order to check for any suspicious activity. He also checks the bank account details in the database.
- d. The accounting department processes withdrawal requests, and funds are withdrawn using the client's specified account details.
- e. If a withdrawal request is flagged as being related to suspicious activity, that withdrawal will be blocked until investigation of the incident by the relevant department of Magnat is completed.

*In opening an account at Magnat, the client:*

- a. Undertakes to comply with all the applicable anti money laundering laws, including the AML/CTF Act.



- b. Confirms that he has no information or suspicions that the funds deposited in his account were obtained from an illegal source or are connected to any money laundering activity or any other criminal activity, and that proceeds from his investments will not be used to terrorism financing or any other illegal activity.
- c. Agrees to immediately provide the company with any information that will be requested in order to implement the anti money laundering policy within the framework of current legislation, international rules and norms.

**Note:** In line with our AML Policy, we categorize our clients into 3 categories: Low-risk, Medium-risk, and High-risk. As part of our vision, we do not work with customers in Medium- and High-risk groups:

- i) Low-risk: Individuals (other than HNW) and entities whose identities and sources of wealth can be easily identified.
- ii) Medium-risk: Customers that are likely to pose a higher than average, depending on background, location of activity, country of origin, and sources of funds.
- iii) High-risk: Non Resident Customers, high Net worth individuals, Companies having close family shareholding, and Politically Exposed Persons (PEPs) of foreign origin

## **8. More About The AML Policy**

Magnat verifies deposits to an account made from bank accounts located outside the customer's country of residence.

The actions of Magnat are governed by FATF's anti-money laundering rules and regulations.

Magnat does not accept or issue cash under any circumstances.

Magnat does not accept deposits from any third parties.

Magnat reserves the right to refuse to conduct a transaction at any stage if there is a suspicion that that transaction may be related to money laundering or any other criminal activity. In accordance with international law, Magnat is not obliged to inform the client about any communication with the relevant law enforcement agencies on the client's suspicious activity.