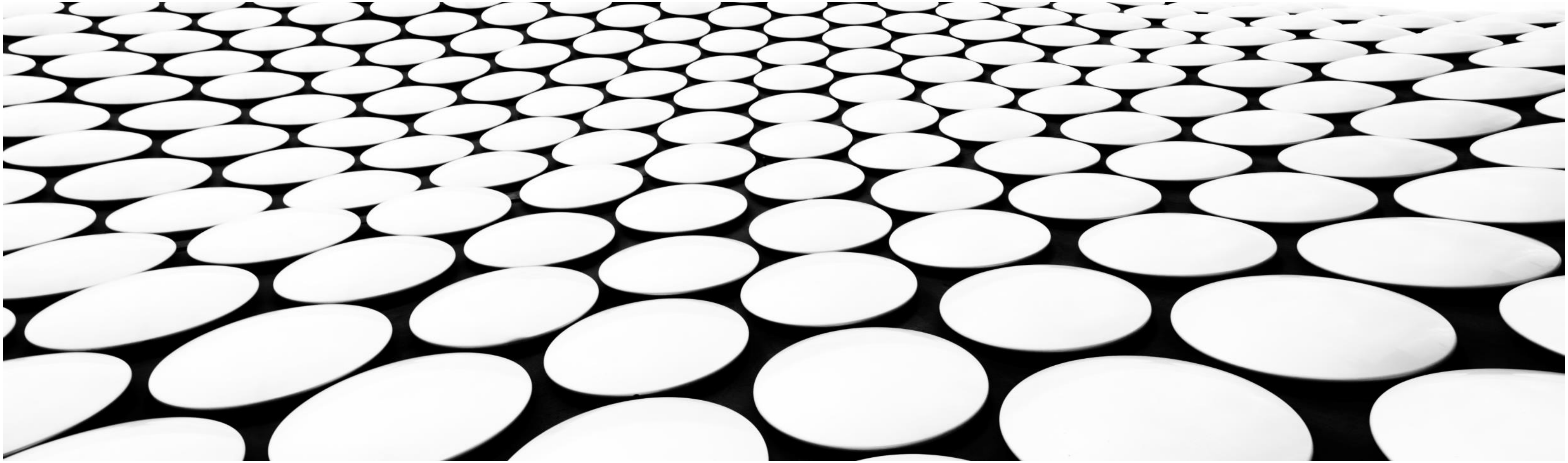
FINANCIAL INTELLIGENCE CENTRE ACT, 38 OF 2001
ACCOUNTABLE INSTITUTION
PALM HOLLANDER INC

JANUARY 2024



PURPOSE OF FICA POLICY AND ACCOUNTABLE INSTITUTIONS

PURPOSE

- Create intolerance to money laundering
- Avoid terrorist acts and funding of terrorist organizations.
- Avoid proliferation through curtailing of funds to individuals, entities, countries or governments which may assist in their purchasing of weapons of mass destruction.

ACCOUNTABLE INSTITUTIONS

- PH Inc acknowledges that as an accountable institution it is vulnerable to abuse by criminals for money laundering, terrorist financing or proliferation financing purposes.

POTENTIAL RISK INDICATORS OF MONEY LAUNDERING, TERRORIST FINANCING AND PROLIFERATION FINANCING

THE FOLLOWING RISK AREAS HAVE BEEN IDENTIFIED TO EVALUATE THE RISK ATTACHED TO A TRANSACTION:

1. Client's geographical location in relation to the attorney without logical or economic reason
2. Inexperience or lack of expert knowledge iro referred subject matter
3. Excessive fee arrangements
4. Continued change of legal providers within a short period
5. Refusal of another legal practitioner to assist
6. Instructions in conflict with size and experience of legal provider
7. Significant difference in declared and actual values of movable / immovable property
8. Transactions involve large amounts of cash inconsistent with client profile
9. Client represented without logical or economic reason
10. Cash payments into trust account
11. Transfer of funds from or to a foreign high risk geographical area with no economical or logical reason
12. Crypto assets
13. Legal practitioner's fees funded by third party or government entity
14. Deferred payment with no guarantee, logical or economic reason
15. Payment over an excessive period
16. Property purchased cash and thereafter used as security for loan
17. Change in payment method or type without logical economic reason
18. Client recently incorporated or established with large capital that does not match client source of funds
19. Large capital donations without a logical explanation
20. Excessively high or low price attached to securities transferred without regard to any circumstance indicating such excess or with regards to the sum declared in another operation
21. Transaction involving a foreign politically exposed person, domestic politically exposed person or a prominent influential person as beneficial owner of the client

RISK SCENARIOS SUMMARISED

CLIENT RISKS

- Clients trying to conceal their identities
- Transactions inconsistent with their stated income or occupation
- Clients use an unusual source of funds to transact
- Transactions do not have a legitimate or economic reason
- Clients cease their business relationships upon a request for customer due diligence (CDD) information

TRANSACTION RISKS

- Involving cash or crypto currency
- Transaction reversal and request to repay funds
- Do transactions make economic and business sense and are prices market related?

PRODUCT AND SERVICE RISKS

- Conveyancing
- Investments that do not materialize
- Formation and management of legal entities fictitious or otherwise
- Payment method

RISK SCENARIOS SUMMARISED

DELIVERY CHANNELS

- Concealment of client identity
- No face-to-face onboarding
- Intermediary used to onboard clients
- Specific checks when clients sourced through social media
- Checks must be done when clients sourced through service providers to ensure identification and verification correctly done and source of funds identified

GEOGRAPHIC RISK

- Identify clients from high-risk areas and examples jurisdictions with travel bans
- Which the Financial Action Task Force3 regards as having high ML risk
- Areas that are regarded as high secrecy jurisdictions
- Jurisdictions regarded as “tax havens”
- Countries known to have high levels of organized crime, corruption or from which terrorist organizations are known to operate

RISK SCENARIOS SUMMARISED

TERRORIST FINANCING RISKS

- Source of funds of NPO and NGO identified
- Clients not on UN sanction list

INDICATORS OF MONEY LAUNDERING AND TERRORIST FINANCING ACTIVITY FOR THE SECTOR

- Use of cash for payment of services or payment into trust accounts
- Anonymity of clients and transactions that are complex in nature for which legal advice is provided by legal practitioners
- New payment technologies, for example crypto currencies
- Lack of ML and TF awareness of the legal practitioners
- Trusts, shell companies and other legal arrangements with a potential to conceal the true identity of the ultimate beneficial owners of the clients
- International payments received from clients
- High-risk customers and jurisdictions, such as clients linked to institutions or jurisdictions on the sanctions lists
- FPPOs, DPIPs, and high net worth individuals, which are internationally regarded as high-risk clients
- Organized crime can use legal practitioners to conceal proceeds of crime, obscure ultimate ownership through complex layers and legal entity structures, avoid paying tax, work around financial regulatory controls, create a veneer of legitimacy to criminal activity, create distance between criminal entities and their illicit income or wealth, avoid detection and confiscation of assets, and hinder law enforcement investigations

INDICATORS OF MONEY LAUNDERING AND TERRORIST FINANCING ACTIVITY FOR THE SECTOR (CONTINUED)

- Clients who offer to or do pay extraordinary fees for services that would not warrant such fees
- Payments from non-associated or unknown third parties and payments for fees in cash where this practice is not typical
- Where legal practitioners, including those acting as financial intermediaries, physically handle the receipt and transmission of funds through accounts they control, they may be requested to transfer real estate between parties in an unusually short period, thereby hindering the know-your-client process and potentially contribute to concealing the beneficial ownership of the client or other parties to the transactions(s) from competent authorities
- Funds are received from or sent to a foreign country when there is no apparent connection between the country and the client
- The client is using multiple bank accounts or foreign accounts without good reason
- Possible involvement of FPPOs and DPIPs in instances where the entity, structure or relationships of the client make it difficult to identify its beneficial owner or controlling interests (e.g. the unexplained use of legal persons or legal arrangements)
- Instances where clients, for no apparent reasons change the way in which transactions are concluded or change their instructions to the legal practitioners on short notice or in a manner that does not make economic sense.

RISK RATING

Overall money laundering risks facing legal practitioners – Rating heat map

Likelihood scale (probability)	5 Almost certain likelihood/ probability	11	16	20	23	25
	4 Highly probable likelihood	7	12	17	21 Products/ services/ client risk	24
	3 Possible likelihood	4	8	13 Geographic risk	18 Compliance risk	22
	2 Unlikely probability	3	5	9	14	19
	1 Improbable likelihood	1	2	6	10	15
		1 Low impact	2 Minor impact	3 Moderate impact	4 Major impact Significant	5 Severe impact
	Consequence scale (impact)					

DUTIES OF ACCOUNTABLE INSTITUTIONS

- Registration
  - PH Inc is registered as an accountable institution

- Record-keeping
  - Records relating to client identification and verification information to be kept for five years from date of termination of the business relationship
  - Records relating to transactional information to be kept for five years from date on which the transaction is concluded
  - Regulatory reports submitted to FIC to be kept for five years from date of submitting transaction or activity report
  - Records are kept electronically and are accessible on request by the Centre

- Account monitoring and reporting to the FIC
  - Reports to be submitted:
    - Cash threshold: cash received or issued exceeding R49 999.00
    - Suspicious and unusual transactions: were suspected ML, TF or contravention of financial sanctions are involved
    - Terrorist property: a report iro of property of a designated person in possession of the accountable institution
  - Scrutinize each single transaction and check whether they are aligned with knowledge of client and its business

- Politically exposed persons
  - Determine whether clients are foreign prominent public officials (FPPO) or domestic influential persons (DPIP)

DUTIES OF ACCOUNTABLE INSTITUTIONS

- Targeted financial sanctions
  - Published in terms of sec 26A of FIC Act and on FIC website
  - Also published in terms of section 25 of the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 33 of 2004 found on the UNSC website
  - This is not a risk-based requirement but applies to all clients irrespective of risk
  - No services to be provided to such persons / entities

- Customer due diligence
  - Identify and verify clients
  - CDD to understand the client and its business
  - Level determined by client's risk profile

- Risk-based approach (RBA)
  - Implement controls relevant to the level of ML, TF and PF identified
  - Conduct risk assessments on a business and client level having regard to products and processes

- Develop, implement and maintain a Risk Management and Compliance Program (RMCP)