NovaPay – Document 01: Geographic Risk Assessment Policy

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Purpose and Scope

This policy defines NovaPay's framework for identifying, assessing, and mitigating geographic AML/CTF risk for all products and channels. It applies to operations in the UK, France, Germany, Spain, Netherlands, and the United States (New York and California), and to cross-border corridors frequently used by our customers.

Jurisdictions of Operation

United Kingdom (HQ); France; Germany; Spain; Netherlands; United States (NY/CA). UK operations are FCA-supervised; EU activity via PSD2 passporting; US activity under MSB registration with FinCEN.

Methodology

Country risk is rated on a 1–5 scale using FATF evaluation outcomes, sanctions exposure (OFSI/OFAC/EU/UN), corruption/transparency indicators, regulatory effectiveness, political stability, and NovaPay's exposure (customer count and volume). Residual risk = inherent risk tempered by control strength (EDD coverage, sanctions/PEP screening, TM scenario strength).

Risk Ratings (2025)

UK – Low residual (inherent 2; controls 4). France – Low residual (2;4). Germany – Medium■Low (2;3). Spain – Medium (3;3). Netherlands – Medium (3;3). USA (NY/CA) – Medium■High (4;3) due to regulatory complexity and volume.

High-Risk Exposure

While NovaPay does not onboard from prohibited jurisdictions, cross■border corridors touch Turkey, UAE, and Nigeria (classified High). These require EDD, senior approval, SoW/SoF corroboration, and quarterly relationship reviews.

EDD Controls for High-Risk Countries

Senior management sign■off; verified SoW/SoF with independent evidence; adverse media and sanctions re■screening; transaction pattern analytics; quarterly enhanced monitoring; automatic block rules for prohibited regions (e.g., DPRK, Iran, Syria, Crimea/Donetsk/Luhansk, Myanmar).

Governance and Reporting

The MLRO owns the country risk register. Quarterly summaries go to the Compliance Committee and Board Audit & Risk Committee. Material FATF or sanctions changes trigger interim review and communication to first■line teams.

Review Cadence and Metrics

Target: annual comprehensive review; EDD completeness 100%; restricted■jurisdiction alert review within 4 hours; high■risk transaction share <5% of total.

Known Weaknesses

(1) The comprehensive country assessment is 14 months old (should be ≤12 months). (2) No automated alerts when FATF/sanctions categories change; reliance on manual checks. (3) Country ratings tracked in spreadsheets without version control. (4) Limited linkage between ratings and TM thresholds, causing uneven risk■tiering. (5) In two sampled files, EDD documentation incomplete at onboarding.

Restricted/Prohibited Lists

Prohibited: DPRK, Iran, Syria, Myanmar, Crimea/Donetsk/Luhansk. Restricted (EDD): Turkey, Nigeria, Pakistan, UAE, Russia (including opaque ownership structures). Payment attempts to prohibited regions are auto■blocked and reviewed within four hours.

Conclusion

Residual geographic risk is Medium. Automating list■change ingestion and completing the overdue review are immediate priorities to align with FCA/JMLSG expectations.