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**Trade Due Diligence Review Form Completion Tips and FAQ**  (last updated: 13 Apr 2016)

**<header>1. Completion Tips<header>**

* Trade Due Diligence Review Form comprises of two parts: Part 1 Trade Summary Sheet, and Part 2 Trade Annex. It should be attached to CARM Remarks section for approval.
* Trade Summary Sheet completion is mandatory for all RM-managed trade customers with or without trade facility, excluding portfolio-managed (DSD segment) and sole Receivables Finance customers. It is for information sharing between RM and GTRF on customer’s trade partners, business pattern, tariff and S.I. to effectively assess transactions for AML, sanction & fraud risks.
* Trade Annex completion is mandatory for all new / annual CARM renewal (excluding interim review) for all trade customers with trade or factoring limit.
* CARM for customer group with different entities engaging in same industry segment can be handled collectively under same Trade Due Diligence Review Form. Otherwise, different Forms should be used for entities in different industry segment.
* Control checking:

Trade Summary Sheet:

* Trade Summary Sheet will be prepared by GTRF Sales Manager and reviewed by GTRF BDM Team Head before seeking RLM approval.
* On receipt of approved CARM or stand-alone Trade Summary Sheet (for non-borrowing customers), GTRF BSS will check to ensure Trade Summary Sheet is attached, and inform respective RM and GTRF BDM for correction if no TSS is attached.

Trade Annex:

* CMB RSO will assist with the first level of checking on Trade Annex before informing respective RM to arrange for CARM approval.
* On receipt of approved CARM, GTRF BSS will check the completeness of Trade Annex and inform RLM of any missing part for correction. No action will be taken by GTRF BSS for any CARM received with incomplete Trade Annex (except removal of pre-approved counterparties).
* Team Head when endorsing / approving related CARM with Trade Annex must also review the completeness and quality of Trade Annex. GTRF will report to CMB BRCC meeting on the result of Trade Annex checking.

Trade Annex completion tips:

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| \*|1.1 Pre-approved ITL/ETL Trade Counterparties List Review/Updates: \*|Must be completed by RMs unless either one of the ‘N/A’ boxes is checked \*|All check steps must be checked to evidence due diligence checking on trade counterparties. \*|If there is any special ITL/ETL disbursement arrangement, RM should verify against that as documented in section 1.6 & 1.7 in Part 1 Trade Summary Sheet, and notify GTRF BDM to update TSS if there is any inconsistency. \*|1.2 Post Disbursement Controls on ETL (for CARM renewal only) \*|Must be completed by RMs unless either one of the ‘N/A’ boxes is checked \*|At least 1 existing ETL buyer should be provided. This will be cross checked with section 1.7 (Pre-Approved Buyers) in Part 1 by RSO. \*|Check step (i), (ii) & (iii) must be checked. For significant difference in step (iii), the “Explanatory and justification stated in CARM buyer/seller section for significant discrepancy” box must be checked. \*|2 Due Diligence Review and Trade Turnover Analysis on Top Buyers/Suppliers financed by HASE \*|Must be completed by RMs unless either one of the ‘N/A’ boxes is checked \*|Check step i ,ii & iii must be checked; Check step iv could be blank but justification must be provided in “Remarks” field| |

**<header>2. FAQ<header>**

Q1. Who are required to complete Trade Due Diligence Review Form?

Answer – For Trade Summary Sheet, completion by GTRF BDM is mandatory for all RM-managed trade customers with or without trade facility, excluding portfolio-managed (DSD segment) and sole Receivables Finance customers. For Trade Annex, all CMB RMs should complete Trade Annex upon annual CARM review and new CARM approval for customers with trade and factoring limit granted (for GTRF BSS reference only – Trade Annex is not applicable to GBS trade customers.)

For clarity, trade relationship with guarantee or SBDC limit only does not require the use of Trade Annex.

Trade Annex is also not required for interim review.

Q2. What is the difference between Trade Summary Sheet and Trade Annex?

Answer – Trade Summary Sheet is for information sharing between RM and GTRF on customer’s trade partners, business pattern, tariff and S.I. to effectively assess transactions for AML, sanction & fraud risks (to be prepared by GTRF BDM and approved by RLM, mandatory for all trade customers with / without trade facility). Trade Annex is for RM to evidence due diligence check on customer’s trade counterparties (to be completed by RM, and mandatory for all customers with trade facility).

Q3. When will GTRF BDM prepare the Trade Summary Sheet for RM to approve and attach in CARM?

Answer – Based on the CARM annual review list sent by CAN 2 months in advance, GTRF BDM will complete Trade Summary Sheet 1 month in advance for RM.

Q4. For multi borrowers under the same group, should I list the pre-approved buyers/suppliers separately for each borrower?

Answer – Yes. GTRF BDM should list pre-approved suppliers/buyers for each borrower separately in section 1.6 & 1.7 of Part 1 Trade Summary Sheet. It will replace the Annex 1 “Counterparties of Local LC/Trade Loan/Order Packing Loan” section in Annex 1 in CARM Remarks.

Q5. What does ‘GTRF trade analysis report(s)’ mentioned in check step i (section 1.1) and check step iii (section 2) refers to?

Answer – GTRF’s analysis reports include: Beneficiary/Drawee Statistics Report as provided by CAN / GTRF SMG or CNS), IRTT transactions report of ETL customers provided by GTRF BMO, etc.

Q6. When is the commencement date to use Trade Due Diligence Review Form in CARM proposal?

Answer – It is mandatory to use Trade Due Diligence Review Form for all new CARM proposal / annual review of CARM with new application date / CARM annual review date on or after 18 Apr 2016.

For information – Trade Annex has been solely implemented on 1 Jun 2015 which is required for all new CARM proposal/annual review of CARM thereafter.

Q7. Is Trade Annex required if the trade facility has zero utilization?

Answer – If zero ITL/ETL utilization for the past 12 months, RMs can skip section 1.1 and 1.2. RMs should also review any need to maintain the ITL/ETL line due to zero utilization. Yet, section 2 is still required for completion.

Q8. Is Trade Annex required if any of the trade accounts is closed?

Answer – Yes, as long as ITL/ETL limit exists.

Q9. Is Trade Annex required if the customer is under credit monitoring with trade facility held?

Answer – Yes, unless the trade relationship will soon to be exit.

Q10. How to conduct counterparties due diligence to obtain company search / Trade Credit Information (TCI)?

Answer – Quoted from Guideline for Invoice Financing (ITL, OPC and ETL) KYC section: *“TCI (e.g. trade credit report by acceptable agencies such as Sinotrust/ D&B) / Company search should be obtained / conducted for all relevant parties (customers, local/overseas suppliers, buyers, etc.), use of reliable public information which can identify the shareholders / directors is acceptable in lieu of TCI / company search. Please refer to relevant sections in Corporate Lending Guideline for details.”*

Q11. Is due diligence required for overseas counterparties?

Answer – Yes

Q12. How to complete section 1.1 of Trade Annex if there is no pre-approved counterparties list?

Answer – RMs must tick the relevant ‘N/A’ checkbox in section 1.1, but completion of section 1.2 and section 2 are still required. However, as per WCR’s Guideline for Invoice Financing (ITL, OPC and ETL), *“For those non-preapproved counterparties with frequent transactions, RMs should consider seeking formal approval to add them into the pre-approved list by submitting credit proposal.”*

Q13. What will happen if Trade Annex is incomplete or missing from CARM proposal with trade facilities?

Answer – RSO would assist with the first level of checking and should ensure Trade Annex has been completed before informing RM/TH submission for approval. GTRF will check the completeness of Trade Annex on received, and for incompletion cases would notify RMs (coping TH/DH) for rectification, which must be completed within 2 weeks.

GTRF BSS will provide statistics report for completeness of Trade Annex to CMB management, and GTRF BRCM will report the deficiency rate in CMB BRCC meeting for management attention and guidance.

Prepared by GTRF BMO