

**ADS Securities Hong Kong Limited**

**KYC and Account Opening & Closing Procedures**

"KYC and Account Opening & Closing Procedures" is reviewed and approved by

Signature		
Date	28 FEB 2017	28 FEB 2017
Approver	Francis Lee	Ray Sun
Designation	RO & Managing Director	Compliance Manager
Organization	ADS HK	ADS HK

## 1 PURPOSE

The purpose of this manual is to ensure that ADS Securities Hong Kong Limited ("ADS HK") and its employees are acting in the best interests of the client in accordance with the general principles of the Code. In addition, these procedures are set in place based on ADS HK's "Prevention of Money Laundering and terrorist Financing Policy" ("AML Policy") to ensure that ADS HK and ADS HK's employees are not subject to being misused as a vehicle by money launderers, financial criminals or financiers of terrorism. The client screening procedures are implemented to ensure that ADS HK is not subject to significant reputation or legal risks.

## 2 TYPE OF ACCOUNTS

Individual & Joint accounts ("Individual Account") and Corporate accounts for leveraged foreign exchange trading only. To open an account, the applicant must meet ADS HK's eligibility requirements. ADS HK only accepts an individual who:

- is not a citizen or resident of ADS Blocked Countries;
- holds a government issued identification with photo (e.g. Hong Kong Permanent Identity Card or passport);
- is not a U.S. citizen;
- is legally capable of validly enter into contractual agreements;
- must be aged over 18;
- has access to the internet and capable to execute transaction through internet on his / her own;
- has a personal email address and phone number;
- is the beneficiary account holder;
- has agreed to the Terms of Business.

## ACCOUNT OPENING

Account opening procedures is available on our website.

### 2.1 How to Apply

#### 2.1.1 Apply in Person

This will be the primary account opening channel for potential clients to open a Leveraged Foreign Exchange trading account with ADS HK. In the event that a potential client would like to open an account with the assistance from the Company's Client Services Officer, who holds RA3 license under SFC, the potential client will have to make an appointment with the Client Services Officer prior to any visit to the Company office to open a Leveraged Foreign Exchange trading account through face-to-face channel. The applicant will be required to bring along the required documents when visiting ADS HK for account opening. Please refer to Section 2.4 and 2.6 for more details on required documents.

### **2.1.1 Apply by post**

Individual Account and Corporate Account applicant can download the Account Application Form on our website and then send the completed Account Application Form along with the required documents to ADS HK by post.

### **2.2 Individual Account Application**

Before the applicant begins the online application process, the applicant will be advised to read the terms and conditions set out in the Individual Account Application Form together with the Terms of Business, Risk Disclosure Statements, Personal Information Collection Statement, and the Order Execution Policy. Thereafter, the applicant is required to complete the online Account Application Form with the following personal particulars:

General information about the applicant's including his/her full name, HKID or passport number and other required personal particulars;

- Residential address (P.O. box is not allowed);
- Mailing address;
- Contact details(e.g. Telephone No., Fax No. and Email address);
- Bank account information for withdrawal instructions(if applicable);
- Employment details;
- Financial position;
- Knowledge on Leveraged Foreign Exchange trading and investment objectives.

For Joint Account, applicants will need to submit two separate Account Application Forms. One applicant should be nominated to receive login username and password.

For applicants applying in person, the online application process will be guided by the assigned Client Services Officer.

### **2.3 Print Account Application Form**

Upon submission of the online application, the applicant is required to print the completed Account Application Form through either options of his/her choice:

- Print out the completed Account Application Form without signing the form.
- Client Services Officer will print applicant's completed Account Application Form when the applicant visits the Company for account opening.

For applications completed in person under the guidance of the Client Services Officer, this step will be arranged by the accompanying officer.

The signing of the completed Account Application Form must be signed in the presence of the Client Services Officer. To confirm that the Client Services Officer has invited the applicant to read the risk disclosure statement provided in a language of the client's choice (English or Chinese), ask questions and take independent advice if the applicant wishes, the officer will declare by signing and dating the declaration on the applicant's Account Application Form.

### **2.4 Required Documents for Individual Application**

The applicant will be required to submit the signed and certified physical copy of the Account Application Form along with the certified supporting documents to ADS HK by post. If the applicant chooses to apply in person, the Client Services Officer will collect the supporting documents from the applicant.

Supporting documents will include:

A) *Identification Proof*-Copy of a valid, government issued ID with photo such as Hong Kong permanent identity card or relevant sections of the applicant's passport issued by a competent government agency.

B) *Proof of Residence*-Bank statement, utilities bill, or credit card statements bearing the applicant's name and current residential address, issued within the previous three months. Applicant may choose to send a copy of residential proof via email.

C) For non-face-to-face account opening, the applicant is required to fulfill option I or II for signature and identity verification purposes.

#### *I. Personal cheque*

All personal cheques are to be submitted by post only. The applicant must submit a personal cheque if the Account Application Form and supporting documents are not certified by the professional.

The cheque should:

- bears the applicant's full name;
- is made payable to "ADS Securities Hong Kong Limited";
- issued a minimum amount of HKD 10,000 or more;
- drawn on the applicant's account with a licensed bank in Hong Kong;
- encashable; and
- Signature on the cheque has to be the same as the one signed on the Account Application Form.

If the applicant chooses to submit the personal cheque, certification requirements for identification proof will be exempted. The applicant may submit the identification proof via email. The applicant will also be informed that the new account will not be activated until the cheque is cleared.

#### *II. Certification*

The application should arrange for a witness, who is recognized by the Commission, to:

- complete and sign the Witness and Declaration by Professional section in the Account Application Form after witnessing the applicant's signature; and
- sign and state "CERTIFIED TRUE COPY" on the identification and residence proof as detailed in A & B.

If the applicant chooses this option, both the signed and certified Account Application Form, identification and residential proof must be submitted to ADS HK by post.

#### *D) Employer Consent Letter*

In the case where the individual is a Licensed Person or an employee of another SFC Licensed Person, an official consent letter from his employer is required.

E) *Hong Kong Bank Account Proof* (e.g. copy of ATM card, bank statement, cheque for current account ,etc.)

In the case where applicant opt to pre-register for "Withdrawal Request".

## **2.5 Corporate Account Application**

Corporate Account Application must be submitted by at least one Authorized Signer if the application is submitted in person.

The Authorized Signer will be advised to read the terms and conditions set out in the Corporate Account Application Form together with the Terms of Business, Risk Disclosure Statements, Personal Information Collection Statement, and the Order Execution Policy. Thereafter, the Authorized Signer is required to complete the Account Application Form with the following: General information about the applicant's including company information, shareholder and director information.

For applicants applying in person, the application process will be guided by the assigned Client Services Officer.

For applications completed in person under the guidance of the Client Services Officer, this step will be arranged by the accompanying officer.

The signing of the completed Account Application Form must be signed in the presence of the Client Services Officer. To confirm that the Client Services Officer has invited the applicant to read the risk disclosure statement provided in a language of the client's choice (English or Chinese), ask questions and take independent advice if the applicant wishes, the officer will declare by signing and dating the declaration on the applicant's Corporate Account Application Form.

For applicants applying by post, the applicant will complete the Corporate Account Application Form which is available for download on our website and submit the Account Application Form along with the required documents by post to ADS HK. The Account Application Form and the required documents must be certified by a professional who will sign and complete the Witness and Declaration by Professional section in the Account Application Form.

## **2.6 Required Documents for Corporate Account Application**

The Authorized Signer will be required to submit the signed and certified physical copy of the Corporate Account Application Form along with the certified supporting documents to ADS HK. If the applicant chooses to apply in person, the Client Services Officer will collect the supporting documents from the applicant.

Supporting documents will include:

### Company Registered in Hong Kong

- Original or certified true copy of Business Registration Certification
- Original or certified true copy of Certificate of Incorporation
- Original or certified true copy of Latest Audited Accounts
- Original or certified true copy of Memorandum & Article of Association
- Original or certified true copy of the latest Annual Return
- Original or certified true copy of Address Proof (Principal Business Address ) within the past 3 months
- Original or certified\* true copy of company bank account proof for licensed bank under Hong Kong Monetary Authority or equivalent jurisdiction (e.g. bank statement or cheque)

- Original or certified true copy of Board Resolution (For account opening, appointment of authorized signer, authorized trading persons and other operation instructions)
- Original or certified true copy of ID/Passport and Address Proof within the past 3 months of Director(s), Authorized Signer(s), Authorized Trading Person(s) and Ultimate Beneficial Owner(s) with 10% or above ownership
- Organization Structure Chart showing all the Beneficial Owners with 10% or above ownership

**Company Registered outside Hong Kong**

- Original or certified true copy of Certificate of Incorporation
- Original or certified true copy of Memorandum & Article of Association
- Original or certified true copy of Address Proof (Principal Business Address ) within the past 3 months
- Original or certified true copy of company bank account proof for licensed bank under Hong Kong Monetary Authority or equivalent jurisdiction (e.g. bank statement or cheque)
- Original or certified true copy of Board Resolution (For account opening, appointment of authorized signer, authorized trading persons and other operation instructions)
- Original or certified true copy of ID/Passport and Address Proof within the past 3 months of Director(s), Authorized Signer(s), Authorized Trading Person(s) and Ultimate Beneficial Owner(s) with 10% or above ownership
- Original or certified true copy of Appointment of First Director
- Original or certified true copy of Register of Directors
- Original or certified true copy of Register of Members/Shareholders
- Original or certified true copy of Incumbency issued by the registered agent within the past 3 months
- Organization Structure Chart showing all the Beneficial Owners with 10% or above ownership

**2.7 Receipt of Application Documents**

Client Services Officers will manage the application status of every applicant through the Salesforce.

**2.7.1 Applicant's Signature**

Signature on the Account Application Form should be scanned and uploaded to Salesforce.

**2.7.2 Receipt of Cheque (for Individual Application and non-face-to-face approach)**

The Client Services Officer will need to record the details of the cheque in Salesforce as follows:

- Cheque number
- Currency
- Amount

After the details have been entered, another Client Services Officer is required to verify the details before submitting the details into Salesforce. Upon submission of the cheque details, an email notification will be sent to the applicant.

A copy of the cheque should be made and kept together with the physical copy of the applicant's Account Application Form and other supporting documents.

**2.7.3 Date Received**

Upon receipt of the applicant's Account Application Form and supporting documents, the Client Services Officer will record the date received for each document type in Salesforce.

For face-to-face approach, once all documents have been duly received, the Client Services Officer will inform the applicant that he or she will be notified by email within 1-2 business days whether the application has been successfully processed.

#### **2.7.4 Risk Disclosure**

Client Services Officer must ensure the applicant has read and understood the Risk Disclosure Statement or Client Services Officer has performed Risk Disclosure to the applicant.

##### *For face-to-face approach*

Client Services Officer will invite the applicant to read the Risk Disclosure Statement provided in a language of the client's choice (English or Chinese).

##### *For non-face-to-face approach*

Client Services Officer will perform phone recording for the Risk Disclosure for LFX trading.

##### *For Applicants age 70 years old or above*

Regardless of face-to-face or non-face-to-face approach, Client Services Officers will perform phone recording for the Risk Disclosure for LFX trading.

For face-to-face approach, the whole conversation of account opening between the applicant and Client Services Officer will be recorded.

If Client Services Officer is satisfied that the information provided by the applicant is true, he will process the account application documents to the Client Services Manager for review.

Client Services Manager will then pull out the telephone record and verify that the applicant has acknowledged the risk disclosure and disclaimer.

### **3 KNOW YOUR CLIENT**

Having obtained information disclosed by the applicant in the Account Application Form, the Client Services Officers and Compliance Officer will take reasonable steps to establish the true and full identity of the applicant as well as their financial situation, investment experience and investment objectives using the risk-based approach.

#### **3.1 Client Identity Verification**

The identity of the applicant should be properly verified by cross-checking the information provided by the applicant using the KYC Checklist. It will be managed by Client Services Officers and monitored by Client Services Manager.

Based on the checklist, should there be any discrepancies in the personal information or supporting documents provided by the applicant, the Client Services Officer should put a hold on the application process and contact the applicant to re-submit the required documents as soon as available. The applicant will be contacted by email or phone. Invalid documents will be returned to the applicant by post.

##### **3.1.1 Ongoing Monitoring**

According to HKSF guideline on Anti-Money Laundering and Counter-Terrorist Financing issued in July 2012, chapter 5.1, an FI must continuously monitor its business relationship



with a customer by reviewing from time to time documents, data and information to ensure that they are up-to-date and relevant.

#### Client information Annual Update

- i. Client Services Officers send an email to client with an attachment of Change of Information Request Form in the anniversary month every year (Anniversary date is found on Salesforce). Client will return the form if the account information is no longer up-to-date. If the company does not receive any updates from the client, the account information will remain unchanged.
- ii. Client Services Officer will call on recorded phones to clients over 70 years old on their respective account anniversary date to re-do the Risk Disclosure so as to ensure that they are still in sound mind and capable of executing trades.
- iii. Compliance Department will run a name check on World Check system, Google search and SFC website on the anniversary day for every single client each year to ensure the client has no exception.

### **3.2 Assessment of Knowledge in Leveraged Foreign Exchange Trading**

Having established that the applicant's identity is true and accurate, the Client Services Officer will assess the applicant's knowledge of leveraged foreign exchange trading.

To assess the applicant's knowledge of Leveraged Foreign Exchange, the Client Services Officer is required to refer to the information provided by the applicant in the Account Application Form – "Trading Information and Investment Objective" section.

Regardless whether the applicant possesses any knowledge of leveraged foreign exchange trading, the Client Services Officer has to contact the applicant to explain the terms and risks of leveraged foreign exchange trading, risk disclosure statement and answer any questions that the applicant may have.

Records of the communication with the applicant and the applicant's final acknowledgement to open the account will be kept and retained by the phone recording system.

#### *3.2.1 Applicant chooses to cancel the application*

In the event that the applicant indicates intention to cancel the application, the Client Services Officer should confirm applicant's intention immediately and log the conversation in Salesforce and notify the Client Services Manager the cancellation request. The Client Services Manager will cancel the application and close the case on Salesforce. The Client Services Officer should then issue an email notification to the applicant that the account application has been cancelled. Account Application Form, supporting documents and other information provided by the applicant will be stamped with VOID stamp on every single page and retained on file by compliance department for at least six years.

#### *3.2.2 Professional Investors*

ADS HK will not provide any requirement waivers on customers who are eligible to be classified as Professional Investors. They are subject to the same requirements as that of a normal client.

For details of Professional Investors, please refer to ADS HK Compliance Manual section 5.3.

Should the Client Services Manager determine that the information provided by the applicant is inaccurate and/or insufficient, he will instruct the Client Services Officer for re-assessment. On a case-by-case basis, the Client Services Manager may reject the application if the applicant does not satisfy ADS HK's account opening eligibility requirements.

Once the review is complete and the Client Services Manager confirms that the assessment work done is consistent and accurate, he shall pass the applicant's application and supporting documents to the Compliance Department for AML Risk Assessment.

### **3.3 Money Laundering ("ML") / Terrorist Financing ("TF") Risk Assessment**

After Client Services Department gathers all the required information from the applicant, the applicant profile will be passed to Compliance Department for review. The Compliance Officer would evaluate the ML / TF risk of the applicant based on his/her identity background, occupation, means of payment and other information and prepares an Account Opening AML/CFT Checklist. The Compliance officer will conduct an AML check on the applicant through the use of Thomson Reuters World Check to determine whether the applicant is a PEP or under sanctioned by the authorities. Compliance Officer will also run a name search on Google and SFC website for further assessment. For Corporate Application, Compliance Officer will conduct the same AML check for individual application on all the company directors, shareholders and beneficiary owners as well as company search. The assessment will be reviewed by the Compliance Manager before proceeding the application to Operation Department.

A client risk rating will be assigned to each applicant according to the Account Opening AML/CFT Checklist and AML Risk Rating Matrix. Should the applicant fall under any of the items in the High Risk criteria, he/she will be classified as a "High-risk" applicant and this classification will be recorded in Salesforces by the Compliance Officer. The Compliance Officer will then report the case to the Compliance Manager who will then review and escalate the case to the Client Services Manager whether to reject or reassess the application. The Client Services Manager will then notify the applicant that the account opening application has been rejected.

### **AML Risk Rating**

#### **3.3.1 High Risk**

##### **3.3.1.1 Occupation**

- Politically Exposed Persons ("PEPs")
- Background or profile of applicant is linked to PEPs
- Nature of the business (e.g., casino, money changer, etc.)

##### **3.3.1.2 Payment method**

Means of payment and type of payment whereby the bank information provided for withdrawal instruction belongs to a third-party who is considered to be of high risk level. If there is more than one exception noted in the Account Opening AML/CFT Checklist, the applicant will be classified as "High Risk". Exceptional report will be generated daily for managerial review.

##### **3.3.1.3 Country**

The applicant resides or holds citizenship in any

- ADS blocked countries
- UN sanctioned countries
- Corruption P index Third Tier countries

#### 3.3.1.4 Corporate Account

All corporate accounts are classified as high risk account.

#### 3.3.2 Medium Risk

If applicant resides / his citizenship is under Corruption P Index Second Tier or employed with irregular income, unemployed, self-employed, retired or student, the applicant will be classified as "Medium Risk".

#### 3.3.3 Low Risk

If there is no exception (resides / his citizenship is under Corruption P Index First Tier or has regular income) in the AML Account Opening checklist, the applicant will be classified as "Low Risk".

### 3.4 Client Profile Matching Check

After finishing AML risk assessment, Compliance should then pass the documents to Client Services Department for Client Profile Check. The profile of the applicant should be appropriately verified by cross-checking the information with the supporting documents.

Should there be any inconsistencies with the personal information provided by the applicant, the Client Services Officer should put the application process on hold and report to the Client Services Manager. The Client Services manager will be responsible for reviewing the report before proceeding to take on subsequent escalation steps to follow up with the Compliance Manager who will then determine whether to reassess the applicant's information or reject the application.

### 3.5 Processing Cheque(if any cheque has been submitted)

After the Client Services Officer has verified and is satisfied under reasonable grounds that all information provided by the applicant is true and accurate, the cheque submitted by the applicant will be sent for bank clearance. Client Services Officer will create a case in Salesforce. Finance Department will verify and match the transaction with Salesforce record after the fund has been deposited to ADS HK Segregated Client Account. The Client Services Officer must be aware that the applicant's account can only be activated after the cheque has been successfully cleared. After the cheque has been cleared, the Finance Department will close the case on Salesforce or notify Client Services Department via Salesforce if the cheque has been rejected by the bank. Non-identified funds credited into ADS HK's Segregated Client Account must be transferred to ADS HK's House Account within one business day. This is to be carried out by the Manager of Finance Department.

### 3.6 Confirm Position Limits

#### 3.6.1 Determining Trading Limits

Trading limits refer to the maximum (open) position size which the client is allowed to hold at any one time. The applicant's financial situation will be assessed to ensure that the applicant has sufficient capacity to make regular contributions to meet margin requirements in order to maintain open positions held.

Based on the applicant's financial situation (i.e., liquid assets), the applicant will be sorted into the corresponding category based on the criteria set by ADS HK. Trading limit will be assigned to the applicant according to the financial information provided by the applicant.

The higher the liquid assets that the applicant has, the higher the maximum limit of open positions he can hold at any time.

Subject to approval by the Managing Director, the maximum size of open positions in base currency units which the applicant may hold at any time during the trading day are allocated to different categories predetermined by the Client Services Manager from time to time.

### **3.6.2 Changes to Trading Limits**

Preliminary trading limits assigned to each client during account opening are subject to changes. Any changes made to the limits assigned to the client will be subject to prior approval by the Client Services Manager.

The clients may also request to change their trading limits by contacting the Client Services Officer. Upon receiving such a request, the Client Service Officer will forward the request to the Compliance Manager to review the client's information and determine whether the trading limits can be changed according to the client's request. Any changes to be made will be subject to prior approval by the Client Services Manager.

Such changes are determined based on ongoing updates and reviews of the client profile, taking into consideration of the client's latest financial situation, trading objectives, level of risk tolerance and trading patterns. Upon any changes made to the client's maximum trading limit, the client shall be notified in advance in writing via email.

## **4 CUSTOMER ACCEPTANCE**

### **4.1 Approval of Application**

All applications are subject to final approval by the Client Services Manager. The Client Services manager should review the client information, verify whether the screening processes are appropriately carried out and ensure that the trading limits are appropriate.

Client Services manager will then file the telephone record along with the application.

The Client Services manager is to authorize the application by updating the approval status in Salesforce that can only be accessed and updated by the Client Services Manager. The Client Services manager will be the only authorized personnel to approve, reject or send the application back to the KYC process.

The Client Service Manager will pass the application to the Operation Department to create an account for the applicant.

### **4.2 Completion of Account Opening**

#### **4.2.1 Documents by email**

The Client Services Officer will issue the account activation notice along with a copy of the signed and completed Account Application Form, the Terms of Business, Personal Information Collection Statement and Order Execution Policy by email.

#### **4.2.2 Other confidential information**

Upon the account is created, the Client Services will issue password and login ID to the client's registered email address.

Client's up-to-date personal information and account details will be made available to the client after logging in to the trading account through the trading platform.

#### **4.3 Client Login**

The client shall be recommended to change the password issued to him in the account activation notice upon his initial login. The client is also strongly advised to verify his personal information in the trading platform after changing the password.

#### **5 RECORD-KEEPING AND RETENTION**

Documents including Account Application Form, copies of identity documents and cheques provided by the clients are to be retained on file in the cabinet managed by the Compliance Department.

All above records on client identification (e.g., copies or records of official identification documents like passports, identity cards or similar documents), account files and business correspondence should be kept for at least seven years after the account is closed.

In cases where records relate to on-going investigations which are subject of suspicious transaction reporting, they should be retained until it is confirmed by the Compliance Officer that the case is closed.

#### **6 STATUS UPDATES**

Notifications will be sent to the applicant by email. This function will also serve as a validation process to verify that the email address provided by the client is true. Notifications will be issued to inform the applicant on the application status when:

- online application has been completed;
- Account Application Form and supporting documents have been received;
- notice on invalid documents that are to be re-submitted;
- documents required for re-submission have been received;
- application is under process; and
- account opening process has been completed.

#### **7 REFUSING APPLICATION**

Subject to approval by the Client Services Manager, ADS HK reserves the right to refuse an application if the applicant does not fulfill any of the requirements set at different stages of the account opening process.

Reason for rejecting any application will be logged in Salesforce by the Client Services Department and a notification will be sent to the applicant by email. Rejection application will pass to Compliance Department for record keeping.

#### **8 ACCOUNT CLOSING PROCEDURES**

Client may request to terminate his account via phone or E-mail. Client Services Offices should log the conversation in Salesforce when they receive an account termination request from client by E-mail or phone call. After confirming the request with the client, Client Services Officer will email the Account Termination Form to the client. Client will return the completed and signed form to ADS HK by post, email or fax to proceed. Client Services Officer will verify client's signature against the signature record in Salesforce. Client Services Officer will ensure client account has no position and eligible to withdraw money, if any. Client Services Manager will re-check the account balance and

confirm to arrange withdrawal to client, if any. Client Services Office will monitor client's account until it is terminated and the withdrawal is processed. Client Services Manager will approve and terminate the account. After the account is terminated, Client Services Officer will send an email notification to client. Client Services Officer will pass the form to Compliance Department for the purpose of record keeping. All Account Application Forms, supporting documents and relevant documents will be stamped with Account Closed stamp. All documents of the closed account will be kept by Compliance Department for at least 6 years.

## **9 PERIODIC AND AD HOC REVIEWS**

### **9.1 Review of existing customer records**

The Client Services Officer should undertake periodic reviews of existing customer records at least once a year or at a frequency determined by the Compliance officer and the Managing Director. After obtaining updated information from the client, the Compliance officer is to review the client's personal information and consider whether to re-classify the client's risk level.

### **9.2 Update of information by Client**

Upon receipt of a request by the client to update their information, the Client Services Officer and Compliance Officer are to carry out the same KYC procedure to confirm that the updated information provided by the client is accurate and reassess the client's risk level.

## **10. TRAINING PROGRAM**

All new Client Services Officers and Compliance Officers should be well-informed of the steps involved in the account opening procedures. As such, subject to approval by the Managing Director, a well-formulated training program should be prepared and carried out by the Client Services Manager and Compliance Manager.

## **11. AMENDMENTS TO THE PROCEDURE**

Any changes in the provisions of the account opening documents (Account Application Form and/or Terms of Business, Personal Information Collection Statement and Order Execution Policy) or checklists and criteria should be adequately updated and reviewed by the Client Services Manager from time to time. Such changes should be verified by the Compliance Department, and is subject to approval by the Managing Director. These changes are to be recorded and managed by the Client Services Manager.

Upon approval, the Client Services Manager should ensure that existing manuals are correctly updated and made available to all members of the Client Services Department, and ensure that all members are fully aware of the new changes implemented.

**APPENDIX - Characteristics of Suspicious Transactions during Account Opening**  
(This is not an exhaustive list)

**1. For Politically exposed persons (PEPs)**

- Particular concern over the country where the PEPs are from, taking into account his position
- Unexplained sources of wealth or income where value of assets owned are not in line with the PEPs' income level
- Source of wealth described as commission earned on government contracts
- Use of accounts at a government-related bank or government accounts as the source of funds

**2. Other characteristics may include but not limited to the following:**

- Existing client who wants to create another account but does not have a valid reason to substantiate the purpose of having multiple accounts;
- Refusal to provide information required, provides information that is difficult to verify;
- Stated occupation of the client does not match the level or type of activity (e.g., student or unemployed with high income or net worth);
- Usage of safe deposit box;
- Unexplained inconsistencies during client identification or verification (e.g., country of residence, country of issue of passport, countries visited, documents furnished to confirm name, address and date of birth);
- Opening of accounts from locations of specific concern;
- The use of an address which is not the customer's permanent address;
- Requests by customers for investment management services (LFX trading) where the source of the funds is unclear or not consistent with the customers' apparent standing;
- Customer's business occupations are business premises that of - remittance agencies, money changers, casinos etc.;
- Customer who are members of staff of secretarial companies as authorized signatories, accounts of "shelf" companies, and law company customer accounts; and
- High net-worth clients - ascertain customer's source of funds (vs. expected income) when opening such accounts.



# REVISION HISTORY

Version	Content	Revision Type	Date	Updated By
1.0 (2014)	New Draft	New	12/11/2014	Phyllis Cheung
2.0 (2017)	Remove Online Application	Revision	Feb 2017	Catherine Ng