**ADS Securities Hong Kong Limited**

**KYC and Account Opening & Closing Procedures**

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# 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.

# 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 not a Chinese citizen who ordinarily resides in mainland China;
* 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.

## 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 Sales Officer, who holds RA3 license under SFC, the potential client will have to make an appointment with the Sales 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.

## *2.1.2 Apply by post*

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

## Individual Account Application

Before the applicant begins the 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 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. Only one applicant should be nominated to receive login username and password.

Other than Account Application Form, the applicant is also required to complete the Client Risk Profiling Questionnaire (“RPQ”) and W-8Ben. For applicants who are not holder of HK permanent ID card, they have to complete the CRS form as well.

By doing the RPQ, applicants will be categorized into 3 risk tolerance level: High, Medium and Low. As SFC considered LFX as complex products, we can only allow applicants who have medium or above level of risk tolerance to onboard.

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

## Complete and Sign on the Application Form

An applicant who choose to go for face-to-face account opening can complete the Application Form in the following ways:

* Complete the Account Application Form on client portal, print it out and bring it to our Company.
* Complete the Account Application Form on client portal, ask the Sales Officer to print it out when the applicant visits the Company for the purpose of account opening.
* Complete the Account Application Form in person under the guidance of the Sales Officer.

The completed Account Application Form must be signed in the presence of the Sales Officer. Applicants should not sign the forms prior to visiting our office. To confirm that the Sales 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.

## 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. If the applicant chooses to apply in person, the Sales 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. HK Permanent ID card holders who reside in HK are exempted from providing the proof of residential address.

C) For account opening by post, the applicant is required to further fulfill option I or II below for signature and identity verification purposes.

*I. Personal cheque*

All personal cheques are to be submitted by post. 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".

## 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 general information about the applicant including company information, shareholder and director information.

For applicants applying in person, the application process will be guided by the assigned Sales Officer. The signing of the completed Account Application Form must be signed in the presence of the Sales Officer. To confirm that the Sales 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.

## 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 Sales 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 25% or above ownership

• Organization Structure Chart showing all the Beneficial Owners with 25% or above ownership

• US Tax Certificate if any

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 25% 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 25% or above ownership

• US Tax Certificate if any

## Receipt of Application Documents

Sales Officer will scan the application forms and documents and upload on Salesforce before passing the application to Onboarding Officer. Onboarding Officer 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 Sales Officer will need to record the details of the cheque in Salesforce as follows:

• Cheque number

• Currency

• Amount

After the details have been entered, Onboarding 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*

For face-to-face approach, once all documents have been duly received and data input on client portal has been completed, the system will send an automatic email to the applicant, notifying him / her that the application is being processed and he / she will get another email about the application result within 1-2 business days.

## *2.7.4* *Risk Disclosure*

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

For face-to-face approach

Sales 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

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

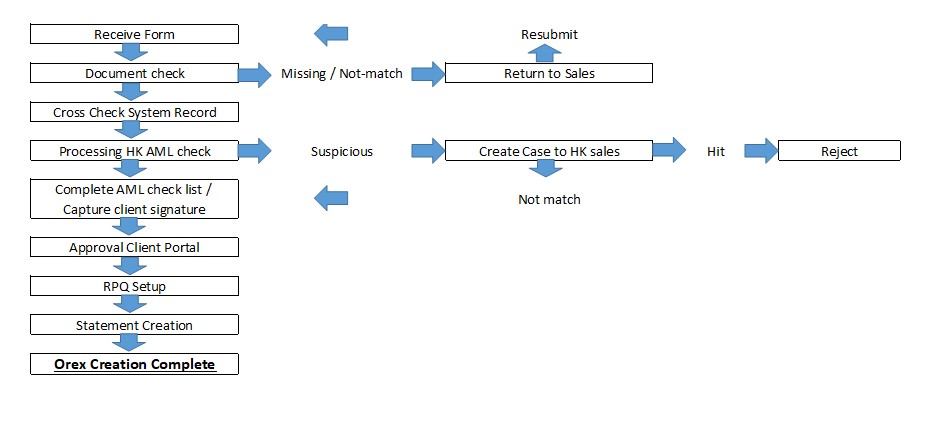
For Applicants age 70 years old or above

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

For face-to-face approach, the whole conversation of risk disclosure between the applicant and Sales Officer will be recorded.

If Sales Officer is satisfied with the risk tolerance level and the truthiness of the information provided by the applicant, he will pass the account application to the CEO for seeking approval of onboarding the client.

# Account Opening Procedures



# Know Your Client

Having obtained information disclosed by the applicant in the Account Application Form, the Sales officer and onboarding 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.

## 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 and reviewed by Sales officer and Onboarding Officer respectively.

Based on the checklist, should there be any discrepancies in the personal information or supporting documents provided by the applicant, the Onboarding Officer should put the application process on hold and ask Sales Officer to 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*.*

## *4.1.1 Ongoing monitoring*

According to HKSFC guideline on Anti-Money Laundering and Counter-Terrorist Financing issued in Nov 2018, 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.

According to AML Matrix, we classify clients into three different AML risk level - high, medium and low, when they onboard. Name screening will be processed regularly to ensure that there is no change on the clients’ AML risk level. For high risk clients we will perform World Check and Google search once per year, and perform World Check for medium risk and low risk clients once per two years and once per three years respectively.

Any potential hits will be passed to Sales Department to clarify and confirm with clients. Clients have to reply within 7 days, otherwise, the account status will be changed to frozen and clients will need to complete Customer Due Diligence Form (“CDD”) for reactivation. If the hit is confirmed to be a true hit, onboarding officer and sales officer will notice senior management and RO for further action.

## *4.1.1.1 Client information update*

Onboarding Officers send an email to client with an attachment of Change of Information Request Form, standing authority renewal and RPQ renewal in January every year. Client will return the form with updated personal information if the account information is no longer up-to-date. If the company does not receive any updates from the client, it is assumed that the account information remain unchanged.

## Money Laundering (“ML”) / Terrorist Financing (“TF”) Risk Assessment

After Sales Officer gathers all the required information from the applicant, the applicant’s profile will be passed to Onboarding Department for review. The Onboarding 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 Onboarding 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. Onboarding Officer will also run a name search on Google and SFC website for further assessment.

For Corporate Application, Onboarding Officer will conduct the same AML check for individual application on all the company directors, shareholders and beneficiary owners as well as company search.

A client risk rating will be assigned to each applicant according to the Account Opening AML/CFT Checklist and AML Risk Rating Matrix. The applicant’s risk rating will be recorded in Salesforces by the Onboarding Officer.

**AML Risk Rating**

## *4.2.1 High Risk*

## *4.2.1.1 Occupation*

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

## *4.2.1.2 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.

## *4.2.1.3 Country*

The applicant resides or holds citizenship in any

* ADS blocked countries
* UN sanctioned countries
* Corruption Perception Index Third Tier countries

## *4.2.1.4 Clients over 70 years old*

All client over 70 years old are classified as high risk clients.

## *4.2.2 Medium Risk*

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

Unemployed with regular income?

## *4.2.3 Low Risk*

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

## Client Profile Matching Check

After finishing AML risk assessment, Onboarding will process the 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 Onboarding Officer should put the application process on hold and return to the Sales Officer.

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

After the Onboarding 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. Sales 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 Onboarding 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 Onboarding Officer 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.

# Customer Acceptance

## Approval of Application

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

Then, Onboarding officer will pass the application to the Operation Department to create an account for the applicant.

## Completion of Account Opening

## *5.2.1 Documents by email*

System will issue the account activation notice automatically to inform the client that he / she has successfully opened an account with ADSS HK.

## *5.2.2 Other confidential information*

Upon the account is created, the Sales 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.

## 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.

# 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 Onboarding team.

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 Onboarding Officer that the case is closed.

# Refusing Application

Subject to approval by the Onboarding Officer, 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 Onboarding Officer and a notification will be sent to the applicant by email. Rejection application will pass to Compliance Department for record keeping.

# Account Closing Procedures

Client may request to terminate his account via phone or E-mail. Sales 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, Sales 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. Settlement Officer will re-check the account balance and confirm to arrange withdrawal to client, if any. Onboarding Officer will verify client’s signature against the signature record in Salesforce, and ensure that client account has no open position nor cash balance in the account. Onboarding Officer will approve the account termination and Operations Officer will terminate the account and stop the statement delivery. All documents of the closed account will be kept by Compliance Department for at least 7 years.

# Update of Information by Client

Clients need to fill in the Change of Information Request Form if there is any update of their personal information. Upon receipt of a request by the client to update their information, the Sales Officer and Onboarding Officer have to carry out the same KYC procedure, if necessary, to confirm that the updated information provided by the client is accurate and reassess the client’s risk level.

# 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 Onboarding Officer 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 Onboarding officer. Upon approval, the Onboarding Officer should ensure that existing manuals are correctly updated and made available to all members of the Onboarding team, and ensure that all members are fully aware of the new changes implemented.

# Appendix 1: 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);

• 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.