

AML PROCEDURE

1. Preamble

- a. On May 15th 2015, Singapore introduced regulation for corporate service providers (“CSPs”) like Healy Consultants in line with Financial Action Task Force (“FATF”) standards;
- b. This new provides a complete framework for conducting due diligence on prospective, new, and existing Clients of Healy Consultants, focusing on preventing the use of Healy Consultants’ services for i) money laundering and ii) the financing of terrorism.
- c. The new compliance requirements codify and expand Healy Consultants’ pre-existing client due diligence process, giving a risk-aware structure with which to assess potential Clients and ongoing business relationships.

2. Money laundering and terrorism financing

- a. Laundering money is any activity that attempts to conceal any criminal source of funds or assets, from drug trafficking to tax evasion.
- b. Sources of terrorism financing may be legitimate or illegitimate; it is the channelling of such funds to terrorist activities that these measures are designed to prevent.
- c. Similar techniques are used for both purposes, typically involving three stages:
 - i. Placement: creating the criminal gain (e.g. selling stolen goods, evading taxes);
 - ii. Layering: making financial transactions to obscure the original source of funds from the current state thereof; and
 - iii. Integration: returning the illicitly-sourced assets into the economy with the appearance of having a legitimate source (e.g. bank deposits, investment gains, real estate).

3. Risks faced by Healy Consultants

- a. The primary risk faced by Healy Consultants in the line of its business is in layering and integration.
- b. Companies can be used to create a series of transactions to mask the original source of assets, and the transfer of companies and their underlying assets can be a way of returning the assets’ value to the economy through a sale or liquidation.

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- c. Corporate bank accounts can also be used to mask the source of funds, for example if Clients use a debit or credit card to make purchases with the assets of an offshore company without declaring that income locally.
- d. Although Healy Consultants has limited visibility into the banking transactions of its Clients, our firm can work in conjunction with banks' compliance departments to ensure that Clients with a high risk of money laundering or terrorism financing ("ML/TF") do not open bank accounts.
- e. Additional risk factors faced by Healy Consultants are listed in Annex B and covered in the company's staff training.

4. Assessing client risks

- a. Healy Consultants must screen its Clients for ML/TF risks at the beginning of the business relationship, or as soon as possible after beginning the Client relationship.
- b. The screening conducted by Healy Consultants can vary according to the risk level assigned to a potential Client. Higher risk factors are indicated in the table below according to category:

Customer risks	Country risks	Service risks
Unusual circumstances of business relationship, e.g. unexplained geographic distance between Healy Consultants and our Client	Credible sources (e.g. FATF) list jurisdiction as having inadequate AML/CTF systems	Anonymous transactions (may include cash)
Non-resident Clients	Sanctioned jurisdictions	Non-face-to-face transactions
Personal asset holding vehicles	Countries identified as having significant corruption and/or criminal activity (e.g. as listed by on Corruption Perceptions Index)	Payment received from unknown or unassociated third parties
Use of nominees or bearer shares without explanation	Credible sources list jurisdiction as providing support for terrorist activities/organisations	Shell companies with nominees
Cash-intensive businesses		Purchase of entities with no obvious commercial purpose

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Excessively complex corporate structure		Fund transfers without provision of goods/services
Frequent unexplained transactions with same persons		Unusually large cash payments where other payment method customary
Client has past convictions for fraud or dishonesty offences		Change in type, volume or frequency of services/transactions in relationship
Involvement of politically exposed person		Service or transaction unusual for type of customer, or don't make commercial sense
Out-of-date company accounts		
Frequent unexplained changes to corporate structure and management		
Substantially loss-making business		
Unusual Client instructions		
Client unwillingness to provide due diligence documentation		
Difficulty determining beneficial owner		

- c. Healy Consultants applies three levels of risk screening to its Clients: simplified (low risk), normal, and enhanced (high risk).
- d. Refer to Healy Consultants' risk classification form for details on how Client risk classifications are made.

5. Due diligence measures

- a. Healy Consultants' due diligence procedures are designed to identify three core pieces of information:
 - i. Identify the customers and agents, verifying their identities using reliable, independent information;

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- ii. If the customer is not the beneficial owner, identify the beneficial owner in a manner similar to the initial customer verification; and
 - iii. Ascertain the purpose and nature of the business relationship.
 - b. Healy Consultants conducts its due diligence procedures:
 - i. At the beginning of Client engagements;
 - ii. When there is a suspicion of ML/FT; or
 - iii. When the veracity or adequacy of documents needed to establish the information in part 5.a. is in doubt.
 - c. Due diligence must be completed prior to commencing a Client engagement, unless i) doing so would interrupt the normal course of business AND ii) Healy Consultants can effectively manage the money laundering risk of the transaction pending the completion of the due diligence process. In such cases, the due diligence process must be completed as soon as practicable.
 - d. Healy Consultants will only begin a Client engagement without full due diligence if:
 - i. The Client is an existing Client of Healy Consultants, on which due diligence screening has been successfully completed over the past two years;
 - ii. The Client is only requesting services of an advisory nature, without formation of a corporate entity, opening of a bank account or any other service subject to AML/CFT regulations;
 - iii. On an exceptional basis and only for Clients deemed as presenting no significant AML/CFT risk. The reasons accounting for the exemption must be reasonable and are to be i) documented in writing by the compliance officer and ii) approved by both the Compliance Officer and Healy Consultants' Managing Director. Full due diligence must be complete within the following month.

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6. Due diligence procedure for new Clients

- a. Healy Consultants must identify all **i)** Clients **ii)** agents (e.g. law firms instructing Healy Consultants on the Client's behalf) and **iii)** beneficial owners.
- b. For individuals, Healy Consultants must obtain and verify the below information. Photographic ID is required:
 - i. Full name (including aliases)
 - ii. Passport number or equivalent (e.g. Singapore IC number)
 - iii. Residential address
 - iv. Telephone number (preferably residential)
 - v. Date of birth
 - vi. Nationality
- c. For corporate Clients, Healy Consultants must obtain the below information:
 - i. Full name (including former names)
 - ii. Registration number
 - iii. Registered address (and place of business, if different)
 - iv. Telephone number
 - v. Date of registration
 - vi. Place of registration
 - vii. Identities of directors

For the avoidance of doubt, the directors of the instructing company (as opposed to the company under incorporation, if any) do not require verification of their identities in the same way as Clients or beneficial owners. A BizFile, certificate of good standing, or similar document listing the directors is sufficient.

- d. Where an agent is instructing Healy Consultants on behalf of a Client or beneficial owner, the agent's authority to act in that capacity must be verified, e.g. through a power of attorney. The agent must also submit due diligence documentation equivalent to that required for the customer or beneficial owner.

7. Identifying beneficial owners

- a. Core to the prevention of money laundering is the effective identification and verification of beneficial owners.

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- b. Healy Consultants must therefore identify every individual who ultimately owns or controls (directly or indirectly, e.g. through holding companies or a trust) 25% of the economic or voting interest in the customer. Healy Consultants may elect to lower this threshold in certain cases, (e.g. higher risk Clients) to 10%.
- c. Individuals who exercise control over the management of the Client entity, e.g. a director, managing partner or trustee, must also be identified. Where a trust or similar fiduciary entity (e.g. a foundation) is involved, the settlor and protector (if any) must also be identified.
- d. Healy Consultants must be vigilant of arrangements that obscure the identity of beneficial owners, e.g. the use of nominees and giving management and control to other individuals through a private instrument such as a power of attorney.
- e. For legal arrangements not envisioned above, Healy Consultants must identify persons in equivalent or similar positions to those described above.
- f. Identification of beneficial owners is not required if the Client falls into one of the categories below. If making such a decision, Healy Consultants must retain records of the basis for determining membership of such category. This exemption does not apply if Healy Consultants suspects that the Client is engaging in ML/FT or that the Client is not providing truthful information.
 - i. A government entity;
 - ii. An entity listed on a regulated stock exchange;
 - iii. A licensed financial institution;
 - iv. An investment vehicle managed by a registered or licensed financial services business subject to FATF-compliant AML/CFT rules.

8. Simplified due diligence for low risk Clients

- a. If Healy Consultants' assessment of a Client engagement deems the business relationship as low risk for ML/TF purposes, Healy Consultants may simplify its due diligence measures.
- b. Where simplified due diligence is appropriate, the following changes to the standard customer due diligence process may be used:
 - i. Conducting the required Client verifications after commencing the engagement;

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- ii. Taking fewer measures to verify beneficial owners' identities;
- iii. Inferring the purpose and intended nature of the business relationship from the circumstances, rather than requesting an Client declaration of the same.

9. Enhanced due diligence for higher risk Clients

- a. Enhanced due diligence on an initial and ongoing basis is mandatory in the following situations:
 - i. Complex or unusually large transactions, or patterns of transactions, with no apparent economic or lawful purpose;
 - ii. The Client is from or in a jurisdiction that has inadequate AML/CFT protections or is on the FATF grey list (or black list, if reintroduced);
 - iii. Healy Consultants' risk framework categorises the Client as a high ML/FT risk;
 - iv. Healy Consultants is dealing with one or more PEPs.

10. Non-face-to-face transactions

- a. As many of Healy Consultants' Clients are not present at our office at any point during the engagement, additional measures are required to mitigate the risks of such business relationships.
- b. Consequently, Healy Consultants requests that Clients not physically present for document verification
 - i. Certify their documentation with an accountant, lawyer, notary or similar professional; and
 - ii. Provide information on their business and source of wealth, e.g. bank statements, invoices with customers and suppliers, etc.
 - iii. Speak with Healy Consultants by Skype or by telephone to explain more about their business and background.

11. Ongoing monitoring

- a. Healy Consultants will perform regular monitoring on all Clients for the duration of the business relationship.

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- b.** In addition to keeping customer due diligence materials up to date (for Clients of all risk levels), ongoing monitoring includes:
 - i.** Ensuring that transactions are consistent with Healy Consultants' understanding of the Client, its business and its risk profile;
 - ii.** Periodically reviewing the risk assessments for all Client relationships;
 - iii.** Taking appropriate action following reviews.
- c.** Control and beneficial ownership are to be re-established during each review of Client files. Corporate documents may be used to confirm that the corporate structure remains the same. In the event of any changes, the new controllers and beneficial owners must be identified according to the customer due diligence procedures above.
- d.** Reviews of high risk Clients must take place at least annually.
- e.** Reviews of all other Clients must take place no less frequently than every 24 months.