

scUSdo

Fiat currencies on the SCDO blockchain

Abstract.

A digital token backed by fiat currency provides individuals and organizations with a robust and decentralized method of exchanging value while using a familiar accounting unit. The innovation of blockchains is an auditable and cryptographically secured global ledger. Asset-backed token issuers and other market participants can take advantage of blockchain technology, along with embedded consensus systems, to transact in familiar, less volatile currencies and assets. In order to maintain accountability and to ensure stability in exchange price, we propose a method to maintain a one-to-one reserve ratio between a cryptocurrency token, called scUSdo, and its associated real-world asset, fiat currency. This method uses the scdo blockchain, Proof of Reserves, and other audit methods to prove that issued tokens are fully backed and reserved at all times.

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Introduction

There exists a vast array of assets in the world which people freely choose as a store-of-value, a transactional medium, or an investment. We believe the scdo blockchain is a better technology for transacting, storing, and accounting for these assets.

Primary advantages of scUSdo are: low transaction costs, international borderless transferability and convertibility, trustless ownership and exchange, pseudo-anonymity, real-time transparency.

The idea for asset-pegged cryptocurrencies was initially popularized² in the community we're starting to see these ideas built with the exchanges and wallets which allow you to hold value as a fiat currency already provide a *similar* service in that users can avoid the volatility (or other traits) of a particular cryptocurrency by selling them for fiat currency, gold, or another asset. Further, almost all types of existing financial institutions, payment providers, etc, which allow you to hold fiat value (or other assets) subsequently provide a similar service. In this white paper we focus on applications wherein the fiat value is stored and transmitted with software that is open-source, cryptographically secure, and uses distributed ledger technology, i.e. a true cryptocurrency.

While the goal of any successful cryptocurrency is to completely eliminate the requirement of trust, each of the aforementioned implementations either rely on a trusted third party or have other technical, market-based, or process-based drawbacks and limitations.

In our solution, fiat-pegged cryptocurrencies are called “scUSdo”. All scUSdo will initially be issued on the scdo blockchain via the SCDO Layer protocol and so they exist as a cryptocurrency token. Each scUSdo unit issued into circulation is backed in a one-to-one ratio (i.e. one scUSdo=one US dollar) by the corresponding fiat currency unit held in deposit by tether . scUSdo may be redeemable/exchangeable for the underlying fiat currency pursuant to scUSdo ’s terms, if the holder prefers, the equivalent spot value in tether. Once a scUSdo has been issued, it can be transferred, stored, spent, etc just like tether or any other cryptocurrency.

The fiat currency on reserve has gained the properties of a cryptocurrency and its price is permanently *scUSdoed* to the price of the fiat currency.

Our implementation has the following advantages over other fiat-pegged cryptocurrencies:

- scUSdo exist on the scdo blockchain rather than a less developed/tested SCDO blockchain nor within closed-source software running on centralized, private databases.
- scUSdo can be used just like Tether, i.e. in a p2p, pseudo-anonymous, decentralized, cryptographically secure environment.
- scUSdo can be integrated with merchants, exchanges, and wallets just as easily as tether or any other cryptocurrencies can be integrated.
- scUSdo inherit the properties of the SCDO Layer protocol which include: a decentralized exchange; browser-based, open-source, wallet encryption; SCDO-based transparency, accountability, multi-party security and reporting functions.
- scUSdo simple but effective approach for conducting Proof of Reserves which significantly reduces our counterparty risk as the custodian of the reserve assets.
- scUSdo issuance or redemption will not face any pricing or liquidity constraints. Users can buy or sell as many scUSdo as they want, quickly, and with very low fees.
- scUSdo will not face any market risks such as Black Swan events, liquidity crunches, etc as reserves are maintained in a one-to-one ratio rather than relying on market forces.
- scUSdo’s one-to-one backing implementation is easier for non-technical users to understand as opposed to collateralization techniques or derivative strategies.

At any given time the balance of fiat currency held in our reserves will be equal to (or greater than) the number of scUSdo in circulation. This simple configuration most easily supports a reliable Proof of Reserves process; a process which is fundamental to maintaining the price-parity between scUSdo in circulation and the underlying fiat currency held in reserves. In this paper we provide evidence that shows exchange and

wallet audits (in their current state) are very unreliable (i.e. flaws in Proof of Solvency methods) and instead propose that exchanges and wallets *outsource* the custody of user funds to us via scUSdo.

Users can purchase scUSdo from our wallet or from supported exchanges who support scUSdo as a deposit and withdrawal method. Users can also transact and store scUSdo with any Layer enabled wallet . Other exchanges, wallets, and merchants are encouraged to reach out to us about integrating scUSdo as a surrogate for traditional fiat payment methods.

We recognize that our implementation isn't perfectly decentralized⁷ since scUSdo must act as a centralized custodian of reserve assets (albeit scUSdo in circulation exist as a decentralized digital currency). However, we believe this implementation sets the foundation for building future innovations that will

eliminate these weaknesses, create a robust platform for new products and services, and support the growth and utility of the scdo blockchain over the long run. Some of these innovations include:

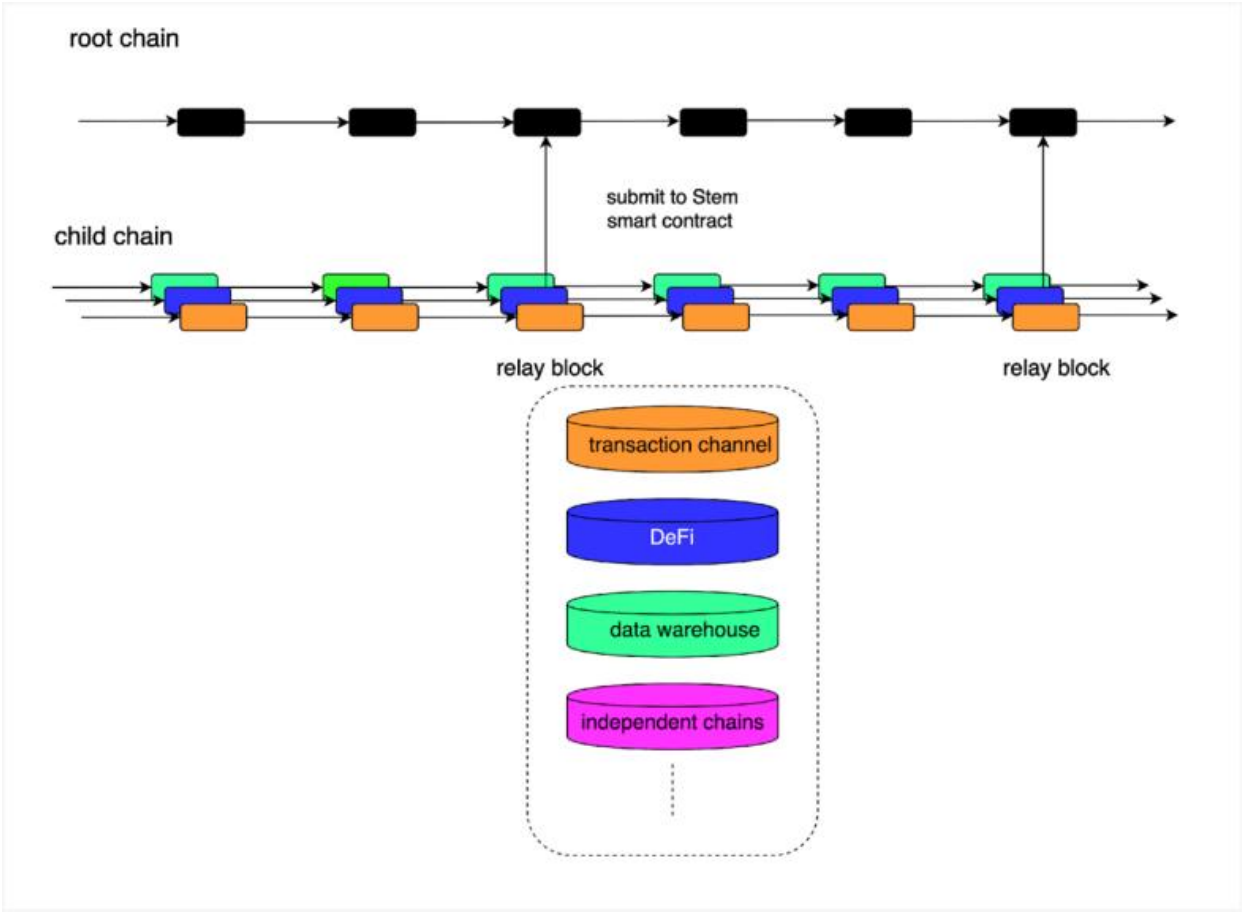
- Mobile payment facilitation between users and other parties, including other users and merchants
- Instant or near-instant fiat value transfer between decentralized parties (such as multiple exchanges)
- Introduction to the use of smart contracts and multi-signature capabilities to further improve the general security process, Proof of Reserves, and enable new features.

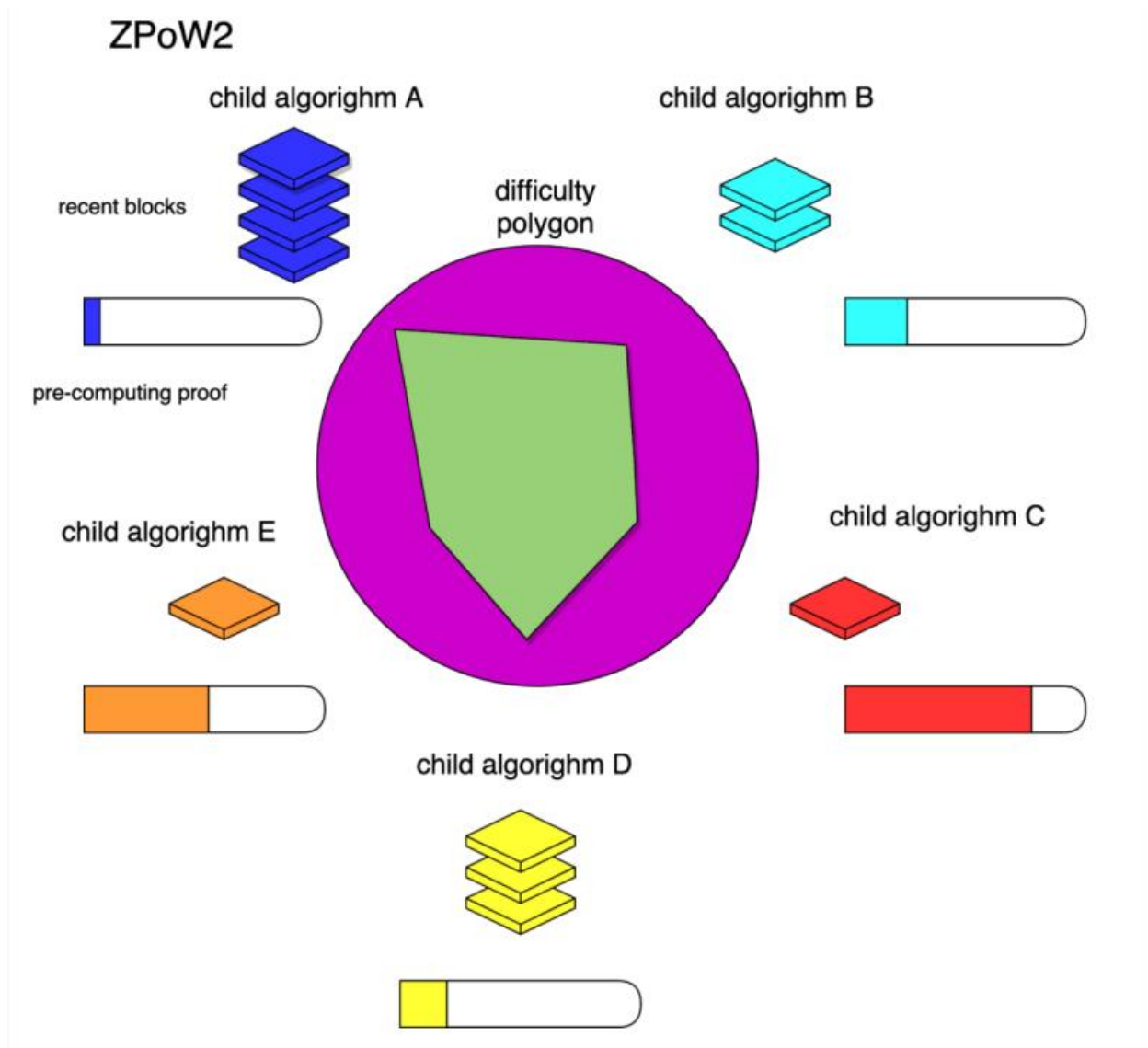
Technology Stack and Processes

Each scUSdo issued into circulation will be backed in a one-to-one ratio with the equivalent amount of corresponding fiat currency held in reserves by Tether. As the custodian of the backing asset we are acting as a trusted third party responsible for that asset. This risk is mitigated by a simple implementation that collectively reduces the complexity of conducting both fiat and crypto audits while increasing the security, provability, and transparency of these audits.

scUSdo Technology Stack

The stack layers, and numerous features, best understood via a diagram





Here is a review of each layer.

- 1) The first layer is the scdo blockchain. The scUSdo transactional ledger is embedded in the scdo blockchain as meta-data via the embedded consensus system.

- 2) The second layer is protocol is a foundational technology that can:
 - a) Grant (create) and revoke (destroy) digital tokens represented as meta-data embedded in the scdo blockchain; in this case, fiat-pegged digital tokens.
 - b) Track and report the circulation of scUSdo API.
 - c) Enable users to transact and store scUSdo and other assets/tokens in a:
 - i) p2p, pseudo-anonymous, cryptographically secure environment.

ii) open-source, browser-based, encrypted web-wallet: SCDO
Wallet. Multi-signature and offline cold storage-supporting system

3) The third layer is our business entity primarily responsible for:

- a) Accepting fiat deposits and issuing the corresponding scUSdo
- b) Sending fiat withdrawals and revoking the corresponding scUSdo
- c) Custody of the fiat reserves that back all scUSdo in circulation

- d) Publicly reporting Proof of Reserves and other audit results
- e) Initiating and managing integrations with existing blockchain wallets, exchanges, and merchants.
- f) Operating scUSdo.to, a web-wallet which allows users to send, receive, store, and convert scUSdo conveniently.

Flow of Funds Process

There are five steps in the lifecycle of a scUSdo.

Step 1 - User deposits fiat currency into scUSdo Limited's bank account.

Step 2 - scUSdo generates and credits the user's scUSdo account. scUSdo enter circulation. Amount of fiat currency deposited by user = amount of scUSdo issued to user (i.e. 10k USD deposited = 10k scUSdoUSD issued).

Step 3 - Users transact with scUSdo⁸. The user can transfer, exchange, and store scUSdo via a p2p open-source, pseudo-anonymous platform.

Step 4 - The user deposits scUSdo redemption into fiat currency.

Step 5 - scUSdo destroys the scUSdo and sends fiat currency to the user's bank account.

Users can obtain scUSdo outside of the aforementioned process via an exchange or another individual. Once a scUSdo enters circulation it can be traded freely between any business or individual.

The main concept to be conveyed by the Flow of Funds diagram is the only party who can issue scUSdo into circulation (create them) or take them out of circulation (destroy them). This is the main process by which the system solvency is maintained.

Proof of Reserves Process

Proof of Solvency, Proof of Reserves, Real-Time Transparency, and other similar phrases have been growing and resonating across the cryptocurrency industry.

Exchange and wallets audits, in their current form, are very unreliable. Insolvency has occurred numerous times in the ETH ecosystem, either via hacks, mismanagement, or outright fraud. Users must be diligent with their exchange selection and vigilant in their use of exchanges. Even then, a savvy user will not be able to fully eliminate the risks. Further, there are exchange users like traders and businesses who must keep non-trivial fiat balances in exchanges at all times. In financial language, this is known as the “counterparty risk” of storing value with a third party.

We believe it's safe to conclude that exchange and wallet audits in their current form are not very reliable. These processes do not guarantee users that a custodian or exchange is solvent. Although there have been great contributions to improving the exchange audit processes, like the Merkle tree approach, major flaws still remain.

scUSdo's Proof of Reserves configuration is novel because it simplifies the process of proving that the total number of scUSdo in circulation (liabilities) are always fully backed by an equal amount of fiat currency held

in reserve (assets). In our configuration, each scUSdo in circulation represents one USdollar held in our reserves (i.e. a one-to-one ratio) which means the system is fully reserved when the sum of all scUSdo in existence (at any point in time) is exactly equal to the balance of USD held in our reserve. Since scUSdo live on the scdo blockchain, the provability and accounting of scUSdo at any given point in time is trivial. Conversely, the corresponding total amount of USD held in our reserves is proved by publishing the bank balance and undergoing periodic audits by professionals. Find this implementation further detailed below:

- scUSdo issues all scUSdo via the SCDO Layer protocol. SCDO operates on top of the SCDO blockchain and therefore all issued, redeemed, and existing scUSdo, including transactional history, are publicly auditable via the tools provided at SCDO.

- scUSdo Limited has a bank account which will receive and send fiat currency to users who purchase/redeem scUSdo directly with us.
 - Let the total amount deposited into this account be denoted as scUSdodepo
 - Let the total amount withdrawn from this account be denoted as scUSdowithd
 - Let the dollar balance of this bank account be denoted as US
 - $scUSdo = scUSdodepo - scUSdowithd$

- Each scUSdo issued will be backed by the equivalent amount of currency unit (one scUSdo equals one dollar). By combining the above crypto and fiat accounting processes, we conclude the “Solvency Equation” for the scUSdo System.
 - The Solvency Equation is simply $scUSdo = USD$.
 - Every scUSdo issued or redeemed, as publicly recorded by the scdo blockchain will correspond to a deposit or withdrawal of funds from the bank account.
 - The provability of TUSD relies on the scdo blockchain as discussed previously.
 - The provability of DUSD will rely on several processes:
 - We publish the bank account balance on our website’s Transparency page.
 - Professional auditors will regularly verify, sign, and publish our underlying bank balance and financial transfer statement.

Users will be able to view this information from our Transparency Page

For clarity, we'd like to acknowledge that the scUSdo System is different than the scUSdo.to web-wallet in terms of Proof of Reserves. In this paper, we mostly focus on Proof of Reserves for the scUSdo System; The scUSdo.to wallet is a consumer facing web-wallet operating on closed-source code and centralized servers. Conducting a Proof of Reserves for this wallet is fundamentally different than what we've outlined for the scUSdo System.

We're planning the deployment of a PoR-based transparency solution for the scUSdo.to wallet. We believe it will be the most advanced PoR system in existence today. It overcomes almost all of the challenges outlined in the appendix on this topic. Mind you, users can always secure scUSdo through managing the private keys themselves or through scdo Wallet.

Implementation Weaknesses

We understand that our implementation doesn't immediately create a fully trustless cryptocurrency system. Mainly because users must trust scUSdo and our corresponding legacy banking institution to be the custodian of the reserve assets. However, almost all exchanges and wallets (assuming they hold USD/fiats) are subject to the same weaknesses. Users of these services are already subject to these risks. Here is a summary of the weaknesses in our approach:

- We could go bankrupt
- Our bank could go insolvent
- Our bank could freeze or confiscate the funds
- We could abscond with the reserve funds

- Re-centralized of risk to a single point of failure

Observe that almost all digital currency exchanges and wallets (assuming they hold USD/fiat) already face many of these challenges. Therefore, users of these services are already subject to these risks. Below we describe how each of these concerns are being addressed.

We could go bankrupt - In this case, the business entity scUSdo would go bankrupt but client funds would be safe, and subsequently, all scUSdo will remain redeemable. Most security breaches businesses have targeted cryptocurrencies rather than bank accounts. Since all scUSdo exist on the scdo blockchain they can be stored by individuals directly through securing their own private keys.

Our bank could go insolvent - This is a risk faced by all users of the legacy financial system and by all exchange operators. scUSdo currently has accounts with Cathay Bank, both of whom are aware and confident that scUSdo's business model is acceptable. Additional banking partners are being established in other jurisdictions to further mitigate this concern.

Our bank could freeze or confiscate the funds - banks are NOT aware of the nature of Bitcoin and are NOT accepting of Bitcoin businesses. The KYC/AML processes we follow are also used by the other digital currency exchanges they currently bank. They have assured us we are in full compliance.

We could abscond with the reserve assets - The corporate charter is public as well as the business owners names, locations, and reputations. Ownership of the account is legally bound to the corporate charter. Any transfers in or out of the bank account will have the associated traces and are bound by rigid internal policies.

Re-centralization of risk to a single point of failure - We have some ideas on how to overcome this and we'll be sharing them in upcoming blog and product updates. There are many ways to tackle this problem. For now, this initial implementation gets us on the right track to realize these innovations in following versions. By leveraging the platforms we have chosen, we have reduced the centralization risk to one singular responsibility: the creation and redemption of tokens. All other aspects of the system are decentralized.

Main Applications

In this section we'll summarize and discuss the main applications of scUSdo across the blockchain ecosystem and for other consumers globally. We break up the beneficiaries into three user groups:

Exchanges, Individuals, and Merchants.

The main benefits, applicable to all groups:

- Properties of scUSdo bestowed upon other asset classes
- Less volatile, familiar unit of account
- World's assets migrate to the scdo blockchain

For Exchanges

Exchange operators understand that accepting fiat deposits and withdrawals using legacy financial systems can be complicated, risky, slow, and expensive. Some of these issues include:

- Identifying the right payment providers for your exchange
 - irreversible transactions, fraud protection, lowest fees, etc
- Integrating the platform with banks who have no APIs
- Liaising with these banks to coordinate compliance, security, and to build trust
- Prohibitive costs for small value transfers
- 3-7 days for international wire transfers to clear
- Poor and unfavorable currency conversion fees

By offering scUSdo, an exchange can relieve themselves of the above complications and gain additional benefits, such as:

- Accept OTC crypto-fiats as deposit/withdrawal/storage method rather than using a legacy bank or payment provider
 - Allows users to move fiat in and out of exchange more freely, quickly, cheaply
- Outsource fiat custodial risk to scUSdo -just manage cryptos
- Easily add other scUSdoed fiat currencies as trading pairs to the platform
- Secure customer assets purely through accepted crypto-processes
 - Multi-signature security, cold and hot wallets, HD wallets, etc

- Conduct audits easier and more securely in a purely crypto environment
- Anything one can do with Bitcoin as an exchange can be done with scUSdo

Exchange users know how risky it can be to hold fiat currencies on an exchange. With the growing number of insolvency events it can be quite dangerous. As mentioned previously, we believe that using scUSdo exposes exchange users to less counterparty risk than continually holding fiat on exchanges. Additionally, there are other benefits to holding scUSdo, explained in the next section.

For Individuals

For each of these individuals, we believe scUSdo are useful in similar ways, like:

- Transact in USD/fiat value, pseudo-anonymously, without any middlemen/intermediaries
- Cold store USD/fiat value by securing one's own private keys
- Avoid the risk of storing fiat on exchanges - move crypto-fiat in and out of exchanges easily
- Avoid having to open a fiat bank account to store fiat value
- Easily enhance applications that work with blockchain to also support scUSdo
- Anything one can do with Bitcoin as an individual one can also do with scUSdo

For Merchants

Merchants want to focus on their business, not on payments. The lack of global, inexpensive, ubiquitous payment solutions continue to plague merchants around the world both large and small. Merchants deserve more. Here are some of the ways scUSdo can help them:

- Price goods in USD/fiat value rather than Bitcoin (no moving conversion rates/purchase windows)
- Avoid conversion from Bitcoin to USD/fiat and associated fees and processes
- Prevent chargebacks, reduce fees, and gain greater privacy
- Provide novel services because of fiat-crypto features
 - Microtipping, gift cards, more
- Anything one can do with Bitcoin as a merchant one can also do with scUSdo

Future Innovations

Multi-sig and Smart Contracts

Proof of Solvency Innovations

Conclusion

scUSdo constitutes the scdo based fiat-pegged cryptocurrencies in existence today. scUSdo is based on the scdo blockchain, the most secure and well-tested blockchain and public ledger in existence. scUSdo are fully reserved in a one-to-one ratio, completely independent of market forces, pricing, or liquidity constraints. scUSdo has a simple and reliable Proof of Reserves implementation and undergoes regular professional audits. Our underlying banking relationships, compliance, and legal structure provide a secure foundation for us to be the custodian of reserve assets and issuer of scUSdo. Our team is composed of experienced and respected entrepreneurs from the scdo ecosystem and beyond.

We are focused on arranging integrations with existing businesses in the cryptocurrency space. Business like exchanges, wallets, merchants, and others. Please reach out to us to find out more.

Legal and Compliance

scUSdo is a limited company incorporated pursuant to the Australian Companies Ordinance. It is wholly owned by **APEC Capital**.

APEC Capital is registered as a Crypto Services Business with the Financial Crimes Enforcement Network of the

*© Commonwealth of Australia - AUSTRAC 2023. (AUSTRAC No.DCE100714503-001). **APEC Capital** is establishing a relationship with AUSTRAC is responsible for preventing, detecting and responding to criminal abuse of the financial system to protect the community from serious and organised crime.*

Through these and other measures, **APEC Capital** is undertaking customer due diligence, record-keeping, and reporting procedures consistent with law and with the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance.

APEC Capital currently has accounts with Bank.

These banks are satisfied with our processes and also satisfied that our business operates in accordance with off-shore banking regulations, as all of the banks had been requested to check this with their own legal, compliance and head-office before opening accounts (also at our own request). It was our goal from the beginning to have a compliant operation and to provide the maximum level of comfort to our banking partners here. In addition these banks have and are working with businesses.

Anti-Money Laundering and Counter-Terrorism Financing Policy

INTRODUCTION

1. OVERVIEW

- 1.1 The *Anti-Money Laundering (“AML”) and Counter-Terrorism Financing (“CTF”) Act 2006 (“AML/CTF Act”)* received Royal Assent on 12 December 2006. The broad purpose of the AML/CTF Act is to regulate financial transactions in a way that will help identify, mitigate and manage money laundering and terrorism financing risks.
- 1.2 The AML/CTF Act provides general principles and obligations while detailed operating rules are covered in Rules made by the Australian Transaction Reports and Analysis Centre (“AUSTRAC”). AUSTRAC is the government agency responsible for administering the AML/CTF Act.
- 1.3 Money laundering involves the injection of funds generated from illegal activities into the legitimate financial system in order to hide or disguise the criminal source of those funds. Terrorism Financing is the use of money, which may or may not be generated from criminal activity, for financing terrorist activities. In the past, remittance dealers have been used by criminals to launder the proceeds of crime and/or facilitate the financing of terrorism.

2. ABOUT THE AML/CTF ACT

- 2.1 The AML/CTF Act applies to persons who provide specified services (known as “**designated services**”). Persons providing designated services are called “reporting entities”.
- 2.2 Digital currency exchange providers provide a designated service listed in the AML/CTF Act and are thereby reporting entities. The registrable digital currency exchange service is included in the AML/CTF Act because it is vulnerable to abuse by criminals for money laundering or terrorism financing purposes.
- 2.3 The AML/CTF Act adopts a risk-based approach. This approach means that the reporting entity will decide how best to identify, mitigate and manage the risk of money laundering and terrorism financing through its business. Reporting entities will therefore need to undertake a comprehensive assessment of these risks relative to their businesses. Reporting entities will need to be able to demonstrate to AUSTRAC that they have carried out such an assessment and have a documented program in place to identify, mitigate and manage the risk of their products or services being used to facilitate money laundering or terrorism financing.

3. SUMMARY OF GENERAL OBLIGATIONS

- 3.1 Reporting entities must:
 - (a) have and carry out prescribed procedures to verify a customer’s identity before providing a designated service;
 - (b) adopt and maintain an AML/CTF program;
 - (c) have an AML/CTF Compliance Officer;
 - (d) enrol and register with AUSTRAC;
 - (e) report suspicious matters to AUSTRAC’s Chief Executive Officer (“**CEO**”); and
 - (f) undertake ongoing customer due diligence.

4. DEFINITIONS

- 4.1 Words and phrases defined in the AML/CTF Act or Rules have the same meaning when used in 9Y(Pty Ltd (“**APEC Capital**”) AML/CTF Program (“**Program**”) unless otherwise specified.
- 4.2 **Australian Government Entity** means:
 - (a) the Commonwealth, a State or a Territory; or

- (b) an agency or authority of:
 - (i) the Commonwealth; or
 - (ii) a State; or
 - (iii) a local governing body established by or under a law of the Commonwealth, a State or Territory, other than a body whose sole or principal function is to provide a particular service, such as the supply of electricity or water;

4.3 **Authorised Officer:** in accordance with section 5 of the AML/CTF Act, an authorised officer is 'the AUSTRAC CEO or a person for whom an appointment as an authorised officer is in force under section 145'.

4.4 **Beneficial Owner:**

- (a) of a person who is a reporting entity, means an individual who owns or controls (directly or indirectly) the reporting entity;
- (b) of a person who is a customer of a reporting entity, means an individual who ultimately owns or controls (directly or indirectly) the customer;
- (c) in this definition, *control* includes control as a result of, or by means of, trusts, agreements, arrangements, understandings and practices, whether or not having legal or equitable force and whether or not based on legal or equitable rights, and includes exercising control through the capacity to determine decisions about financial and operating policies; and
- (d) in this definition, *owns* means ownership (either directly or indirectly) of 25% or more of a person.

4.5 **Digital currency exchange service / digital currency exchange service provider** is a service that accepts digital currency in exchange for money (Australian or a foreign currency) or accepts money (Australian or a foreign currency) in exchange for digital currency.

4.6 **Politically Exposed Persons ("PEP")** means an individual:

- (a) who holds a prominent public position or function in a government body or an international organisation, including:
 - (i) Head of State or head of a country or government; or
 - (ii) government minister or equivalent senior politician; or
 - (iii) senior government official; or
 - (iv) Judge of the High Court of Australia, the Federal Court of Australia or a Supreme Court of a State or Territory, or a Judge of a court of equivalent seniority in a foreign country or international organisation; or
 - (v) governor of a central bank or any other position that has comparable influence to the Governor of the Reserve Bank of Australia; or
 - (vi) senior foreign representative, ambassador, or high commissioner; or
 - (vii) high-ranking member of the armed forces; or
 - (viii) board chair, chief executive, or chief financial officer of, or any other position that has comparable influence in, any State enterprise or international organisation; and
- (b) who is an immediate family member of a person referred to in paragraph 4.6(a), including:
 - (i) a spouse; or
 - (ii) a de facto partner; or

- (iii) a child and a child's spouse or de facto partner; or
 - (iv) a parent; and
- (c) who is a close associate of a person referred to in paragraph 4.6(b), which means any individual who is known (having regard to information that is public or readily available) to have:
- (i) joint beneficial ownership of a legal entity or legal arrangement with a person referred to in paragraph 4.6(b); or
 - (ii) sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of a person described in paragraph 4.6(b).
- (d) In this Policy:
- (i) *domestic politically exposed person* means a politically exposed person of an Australian government body;
 - (ii) *foreign politically exposed person* means a politically exposed person of a government body of a foreign country;
 - (iii) *international organisation politically exposed person* means a politically exposed person of an international organisation.
- (e) In this definition *international organisation* means an organisation:
- (i) established by formal political agreement by two or more countries and that agreement has the status of an international treaty; and
 - (ii) recognised in the law of the countries which are members of the organisation.

4.7 **Reasonable measures** means appropriate measures which are commensurate with the money laundering or terrorism financing risks.

4.8 **Senior managing official** means an individual who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of a customer of a reporting entity or who has the capacity to affect significantly the financial standing of a customer of a reporting entity.

5. DESIGNATED BUSINESS GROUP

5.1 APEC Capital, a reporting entity, does not currently share obligations with another person, for the purposes of forming a Designated Business Group (“**DBG**”) under the AML/CTF Act and Rules.

5.2 Another entity can join with APEC Capital to form APEC Capital’s DBG if:

- (a) that entity is:
 - (i) related to each other member of APEC Capital’s DBG within the meaning of section 50 of the *Corporations Act 2001* (Cth);
 - (ii) either:
 - (A) a reporting entity;
 - (B) a company in a foreign country which if it were resident in Australia would be a reporting entity; or
 - (C) providing a designated service pursuant to a joint venture agreement, to which each member of APEC Capital’s DBG is a party; and
 - (iii) not a member of another DBG; or
- (b) otherwise permitted by the AML/CTF Act or Rules.

- 5.3 In order to join APEC Capital's DBG, a director or officer of the other entity will need to elect in writing (on behalf of that entity) to be a member of APEC Capital's DBG by completing the election form as specified by AUSTRAC at the time. The AML/CTF Compliance Officer will provide the completed form to AUSTRAC in the method specified by AUSTRAC.
- 5.4 When any of the following changes in APEC Capital's DBG occurs, the AML/CTF Compliance Officer must notify AUSTRAC's CEO, in writing, by completing the approved notification form:
- (a) a withdrawal of a member from APEC Capital's DBG;
 - (b) an election of a new member to join APEC Capital's DBG;
 - (c) the termination of APEC Capital's DBG; or
 - (d) any other change in the details previously notified to AUSTRAC's CEO in respect of the Nominated Contact Officer or APEC Capital's DBG.
- 5.5 Any of the changes listed in Section 5.4 of Anti-Money Laundering and Counter-Terrorism Financing Policy ("**Policy**") must be approved by the Board of Directors of APEC Capital.
- 5.6 The AML/CTF Compliance Officer must provide the notification to AUSTRAC no later than fourteen (14) business days from the date the change takes effect.

6. AML/CTF PROGRAM

- 6.1 APEC Capital adopts Parts A and B of this Policy as its AML/CTF program ("**APEC Capital's AML/CTF Program**") for the purposes of the AML/CTF Act. On and from 29 September 2020, APEC Capital must comply with APEC Capital's AML/CTF Program, as varied from time to time.

7. RECORDS RELATING TO APEC CAPITAL'S AML/CTF PROGRAM

- 7.1 The AML/CTF Compliance Officer will ensure that the following records are retained for APEC Capital:
- (a) this Policy, APEC Capital's AML/CTF Program and each variation to them;
 - (b) Board of Directors approval of this Policy, APEC Capital's AML/CTF Program and each variation to them;
 - (c) AUSTRAC's feedback and correspondence;
 - (d) external and internal AML/CTF reviews; and
 - (e) correspondence with external lawyers on AML/CTF issues.
- 7.2 The records referred to in Section 7.1 of this Policy will be retained:
- (a) in the case of records relating to the adoption of each variation to this Policy and APEC Capital's AML/CTF Program, during the period it or any part of it remains in force and for seven (7) years after it ceases to be in force; and
 - (b) for the period of time determined by the AML/CTF Compliance Officer for all other records.

8. AUSTRAC ENROLMENT AND REGISTRATION

- 8.1 Digital currency exchange providers are required to enrol **and** register with AUSTRAC. Enrolling and registering are separate legal requirements and both must be completed.

8.2 Enrolling

- (a) The AML/CTF Compliance Officer must enrol APEC Capital with AUSTRAC within twenty eight (28) days of providing or commencing to provide a designated service.
- (b) The AML/CTF Compliance Officer must keep APEC Capital's enrolment details up to date and notify AUSTRAC within fourteen (14) days of any changes to APEC Capital's details.

8.3 Registering

- (a) The AML/CTF Compliance Officer must register APEC Capital as a digital currency exchange provider of digital currency exchange service with AUSTRAC prior to providing or commencing to provide a designated service.
- (b) A registrable digital currency exchange service must not be provided if APEC Capital has not registered with AUSTRAC. Failure to register may constitute the commission of a criminal offence.

9. AML/CTF COMPLIANCE REPORTING

- 9.1 The AML/CTF Compliance Officer must submit, on behalf of APEC Capital, an AML/CTF Compliance Report to AUSTRAC within three (3) months of the end of each Reporting Period ("**Reporting Period**"), or otherwise as specified by AUSTRAC.
- 9.2 The AML/CTF Compliance Report must cover each of APEC Capital's compliance with the AML/CTF Act and Rules during the Reporting Period and take the form to be specified by AUSTRAC (if any).

10. PENALTIES

- 10.1 Failure to comply with the obligations under the AML/CTF Act may result in civil or criminal penalties.
- 10.2 Civil penalties for contravention of the AML/CTF Act range up to \$3.4 million for an individual and up to \$17 million for a corporation.
- 10.3 The penalties for criminal offences include imprisonment for up to 10 years and/or fines up to \$1.7 million.

PART A – GENERAL

11. INTRODUCTION

11.1 Part A of this Program is designed to identify, mitigate and manage the risk which APEC Capital may reasonably face that the provision of its designated service at or through a permanent establishment of that entity in Australia might involve or facilitate money laundering or terrorism financing. Additionally, Part A of this Program helps APEC Capital's staff to understand the nature and purpose of the business relationship with its customer types, including, as appropriate, the collection of information relevant to that understanding.

12. ANALYSIS OF DESIGNATED SERVICES AND MONEY LAUNDERING OR TERRORISM FINANCING RISK

12.1 In determining and putting in place appropriate risk-based systems and controls to identify, mitigate and manage money laundering or terrorism financing risks in Part A of this Program, APEC Capital has had regard to the following factors, the:

- (a) nature, size and complexity of its business; and
- (b) type of money laundering or terrorism financing risk that it might reasonably face.

12.2 APEC Capital has also considered the following factors when identifying APEC Capital's exposure to money laundering or terrorism financing, the:

- (a) customer types, including any politically exposed persons;

APEC Capital will primarily deal with customers who are Australian individuals and companies;

- (b) types of designated services provided;

APEC Capital will offer clients an "over the counter" service to exchange digital currencies to fiat currency issued by the Australian government or vice-versa;

- (c) methods by which those services are delivered; and

APEC Capital will deliver the majority of its services online via videoconferencing or face to face and confirming instructions and communications via electronic messaging;

- (d) jurisdictions in which those services are delivered;

APEC Capital has identified two different customer types with whom APEC Capital may transact, as specified in clause 26.2 of this Program. The jurisdictions that APEC Capital intends to deal with is Australia;

- (e) Responsible third parties to whom APEC Capital outsources its AML/CTF obligations

APEC Capital may engage third party to carry out verification of customer information as specified in Section 17.4 of the Program.

12.3 When identifying APEC Capital's exposure to money laundering and terrorism financing, APEC Capital:

- (a) identifies significant changes in money laundering or terrorism financing risk;
- (b) recognises such changes in money laundering or terrorism financing risk for the purposes of the requirements of this Program; and
- (c) assesses the money laundering and terrorism financing risk posed by:
 - (i) all new designated services prior to introducing them to the market;

- (ii) all new methods of designated service delivery prior to adopting them; and
- (iii) all new or developing technologies used for the provision of a designated service prior to adopting them.

12.4 Where APEC Capital notices that any of the following significant changes to the customer's business has taken place, they must obtain further details in writing from the client to satisfy themselves that the client does not present an unacceptable risk. Significant changes can be identified as one of the following:

- (a) Changes in the nature of the customer's business or business relationship;
- (b) Changes in the customer's control structure;
- (c) Changes in the customer's beneficial ownership; or
- (d) Changes in the way a customer conducts transactions.

12.5 APEC Capital provides the designated services at item 50A of section 6 of the AML/CTF Act.

12.6 Prior to a new designated service being introduced to the market by APEC Capital, the AML/CTF Compliance Officer will assess it to determine whether it involves the provision of a designated service. Where it is determined that a new service involves the provision of a designated service, the AML/CTF Compliance Officer will assess the money laundering or terrorism financing risk involved in the provision of the designated service.

12.7 An assessment of the AML/CTF risk(s) posed to the Compliance Officer must also be conducted for all new:

- (a) methods of designated service delivery prior to adopting them (for example, using a non-face-to-face method or the use of electronic funds transfers);
- (b) or developing technologies used for the provision of a designated service prior to adopting them; and
- (c) changes arising in the nature of the business relationship, control structure or beneficial ownership of APEC Capital's customers.

12.8 The Board of Directors' approval must be received before a new designated service is introduced to the market by APEC Capital. The Board of Directors must be given a copy of the risk assessment conducted under Section 12.7 of this Program, before the approval is granted.

12.9 APEC Capital's Risk Assessment and Management Matrix which forms part of this Program takes into account:

- (a) the nature, size and complexity of the business; and
- (b) the type of money laundering or terrorism financing risk that might be reasonably faced by APEC Capital.

12.10 APEC Capital's Risk Assessment and Management Matrix should be read in conjunction with this Program and identifies:

- (a) The types of designated services provided by APEC Capital;
- (b) The methods of delivery of APEC Capital's services; and
- (c) The foreign jurisdictions which APEC Capital deals with (if applicable).

13. APPLICATION OF PART A

13.1 Part A of this Program applies to APEC Capital in relation to all areas of its business that are involved in the provision of a designated service, including any functions carried out by a responsible third

party. APEC Capital does not currently engage any responsible third parties to carry out any functions as outlined in part A of the Program.

13.2 The procedures in Part A apply on and from 29 September 2020.

14. THE AML/CTF COMPLIANCE OFFICER

14.1 APEC Capital has appointed Ying Zhang, as its AML/CTF Compliance Officer.

14.2 APEC Capital's AML/CTF Compliance Officer is:

- (a) the AML/CTF Compliance Officer for the purposes of the AML/CTF Act and Rules; and
- (b) appointed by APEC Capital as its Nominated Contact Manager for the purposes of the AML/CTF Rules.

14.3 The AML/CTF Compliance Officer will at all times:

- (a) be part of the management of APEC Capital; and
- (b) possess sufficient skills and experience to carry out the role of the AML/CTF Compliance Officer.

14.4 The AML/CTF Compliance Officer is responsible for implementing and over-seeing APEC Capital's obligations under the AML/CTF Act and Rules in accordance with APEC Capital's compliance procedures.

14.5 The AML/CTF Compliance Officer is authorised to delegate any of its responsibilities under this Program, the AML/CTF Act or Rules to another APEC Capital employee, agent or responsible third party provided it is reasonable to do so. The AML/CTF Compliance Officer's responsibilities may be undertaken in conjunction with an external compliance consultant.

15. EMPLOYEE DUE DILIGENCE PROGRAM

15.1 APEC Capital does not have any existing employees who are currently in a position to facilitate the commission of a money laundering or terrorism financing offence as it does not currently employ any employees. If it did, it is intended that such employee will not be able to authorise any funds transfers.

15.2 New Employees

- (a) The AML/CTF Compliance Officer must be informed of all prospective new employees before they are issued with an employment contract.
- (b) For all newly created roles or previously existing roles that are to be filled with a new employee, a risk assessment must be undertaken of that role to determine whether they will be in a position to facilitate the commission of a money laundering or terrorism financing offence.
- (c) In respect to all prospective employees who, if employed (to fill a newly created role that is able to facilitate a money laundering or terrorism financing transaction, or a previously-existing role that is now able to facilitate a money laundering or terrorism financing transaction), may be in a position to facilitate the commission of a money laundering or terrorism financing offence in connection with the provision of a designated service, the AML/CTF Compliance Officer will:
 - (i) collect information about and verify the identity of the employee in accordance with Part B as if they were a new individual customer;
 - (ii) obtain a copy of the prospective employee's visa where the employee is not an Australian citizen;
 - (iii) carry out at least two (2) reference checks;

- (iv) obtain copies of all tertiary educational qualifications or, if none, the person's highest educational qualification;
 - (v) carry out a criminal history check with the Australian Federal Police (“**AFP**”) (subject to 15.2(e) below); and
 - (vi) carry out a bankruptcy/credit check;
- (d) Steps (i), (ii) and (iii) in Section 15.2(c) of this Program will be carried out for all prospective employees regardless of their position at APEC Capital.
 - (e) Steps (iv), (v) and (vi) in Section 15.2(c) this Program will be carried out at the discretion of the AML/CTF Compliance Officer having regard to the money laundering or terrorism financing risk associated with the position of the prospective employee.
 - (f) The procedures in Section 15.2 of this Program will be carried out before an employment offer is made unless the AML/CTF Compliance Officer decides otherwise having regard to the reason(s) why they cannot be completed beforehand and the money laundering or terrorism financing risk associated with the position of the prospective employee.
 - (g) If a prospective employee fails, without reasonable excuse, to comply with these procedures, then APEC Capital may decide not to offer that person employment.
 - (h) Employment contracts issued after 29 September 2020 will include a clause stating that employment within APEC Capital is conditional on passing the checks outlined in APEC Capital’s AML/CTF Policy.
 - (i) If an offer of employment has already been made, and the prospective employee does not co-operate with the above procedures or the results of the checks are not satisfactory, then APEC Capital may withdraw the offer.

15.3 Existing Employees

- (a) Where it is proposed that an employee will be transferred or promoted to a new role, a risk assessment must be undertaken of that role to determine whether they will be in a position to facilitate the commission of a money laundering or terrorism financing offence.
- (b) Where an employee is transferred or promoted to a role that may put them in a position to facilitate the commission of a money laundering or terrorism financing offence in connection with the provision of a designated service, the AML/CTF Compliance Officer will:
 - (i) obtain an updated copy of the employee's visa where the employee is not an Australian citizen; and
 - (ii) carry out any other identification, reference, criminal history checks with the AFP or credit checks that are deemed necessary by the AML/CTF Compliance Officer.
- (c) Employees who fail to comply with the procedures above will be reported to APEC Capital’s Compliance Officer. Appropriate disciplinary action, including termination of employment, will occur where it is deemed necessary.

15.4 Copies of employee checks undertaken in accordance with Sections 15.2 and 15.3 of this Program will be kept in accordance with the APEC Capital’s Document Retention Policy.

15.5 Managing Non-Compliance

- (a) APEC Capital will, on an ongoing basis, monitor its employees’ compliance with this Program.
- (b) The employees’ compliance with this Program will be monitored in a number of ways and may include, subject to applicable laws, surveillance of an employee's activities in the workplace.

- (c) An employee who fails to comply with this Program will be reported to the AML/CTF Compliance Officer. Appropriate disciplinary action, including termination of employment, will occur where it is deemed necessary.

16. RISK AWARENESS TRAINING PROGRAM

16.1 The Risk Awareness Training Program (“**RATP**”) is designed to ensure each employee of APEC Capital receives appropriate ongoing training on the money laundering and terrorism financing risk that APEC Capital may face.

16.2 The RATP is designed to enable APEC Capital’s employees to understand:

- (a) APEC Capital’s obligations under the AML/CTF Act and Rules;
- (b) the consequences of non-compliance with the AML/CTF Act and Rules;
- (c) the type of money laundering or terrorism financing risk that APEC Capital might face and the potential consequences of such risk; and
- (d) those processes and procedures provided for by this Program which are relevant to the work carried out by the employee.

16.3 Employees receive training as soon as practicable upon receipt of a copy of this Program which may be an electronic copy. This training also includes training in relation to APEC Capital’s Document Retention Policy.

16.4 Ongoing Compliance Training

- (a) An external compliance consultant provides regular updates on compliance issues, including AML/CTF and AUSTRAC issues.
- (b) These updates are made available to all employees of APEC Capital.

16.5 Employee AML/CTF Seminars

- (a) The AML/CTF Compliance Officer will organise AML/CTF seminars covering the AML/CTF issues faced by APEC Capital. In particular, the seminars will cover issues in Section 16.2(c) and 16.2(d) of this Program.
- (b) The AML/CTF seminars will be conducted as determined by the AML/CTF Compliance Officer. For new employees and employees on leave, a separate seminar may be conducted within a reasonable time of commencing employment if the AML/CTF Compliance Officer determines it is necessary having regard to the money laundering or terrorism financing risk associated with the position of the existing or prospective employee.
- (c) A record will be kept of each employee who attends an AML/CTF seminar in accordance with APEC Capital’s Document Retention Policy.
- (d) At the discretion of the AML/CTF Compliance Officer, additional seminars will be conducted to ensure that all employees remain aware of and up-to-date with changes in the AML/CTF legislation and requirements.
- (e) Non-attendance at an AML/CTF seminar by an employee, without reasonable excuse, will be reported to the Director and appropriate disciplinary action will be taken at the request of the AML/CTF Compliance Officer.
- (f) From time to time some employees, depending on the nature of their role and responsibilities, may be required to undertake additional training as directed by the AML/CTF Compliance Officer.
- (g) The AML/CTF Compliance Officer will make available to all employees a current copy of this Program.

16.6 Document Retention Policy

- (a) The AML/CTF Compliance Officer will require each:
 - (i) new employee to read a copy of APEC Capital's Document Retention Policy within a reasonable time of commencing their employment; and
 - (ii) employee to read a copy of APEC Capital's Document Retention Policy on a regular basis as determined by the AML/CTF Compliance Officer.
- (b) Employees who fail, without reasonable excuse, to read APEC Capital's Document Retention Policy will be reported to the Director. Appropriate disciplinary action will be taken at the request of the AML/CTF Compliance Officer.

17. OUTSOURCING

17.1 APEC Capital does not currently outsource any of its AML/CTF obligations.

17.2 If APEC Capital outsources any of its AML/CTF obligations in the future, it will:

- (a) have an agreement in place with the party to whom the activities are outsourced;
- (b) where relevant, require the parties to whom the activities are outsourced to implement the policies and procedures outlined in this AML/CTF Program;
- (c) assess the money laundering or terrorism financing risk associated with the outsourcing of the particular activity;
- (d) conduct due diligence on the activities outsourced to ensure that outsourcing these activities and services is not increasing the money laundering or terrorism financing risk faced by APEC Capital;
- (e) conduct due diligence on the parties to whom the activities are outsourced to ensure that outsourcing activities to these parties is not increasing the money laundering or terrorism financing risk faced by APEC Capital;
- (f) ensure that all parties to whom the activities and services are outsourced understand:
 - (i) APEC Capital's obligations under the AML/CTF Act and Rules;
 - (ii) the consequences of non-compliance with the AML/CTF Act and Rules;
 - (iii) the type of money laundering or terrorism financing risk APEC Capital might face and the potential consequences of such risk; and
 - (iv) those processes and procedures provided for by this Program that are relevant to the work carried out by the employee.

17.3 Where APEC Capital outsources its customer identification procedures as described in Part B of this Program to a third party under any circumstances it will:

- (a) conduct due diligence on the third party to ensure they hold the appropriate licences and/or registrations with ASIC, AUSTRAC or any other relevant regulator;
- (b) have an agreement in place with the third party to whom the activities are outsourced;
- (c) ensure the third party has an AML/CTF Policy in place which complies with the AML/CTF Rules;
- (d) ensure the agreement in place between APEC Capital and the third party provides APEC Capital access to the KYC records of its clients;
- (e) conduct due diligence on the activities outsourced to ensure that outsourcing these activities and services is not increasing the money laundering or terrorism financing risk faced by APEC Capital.

- 17.4 APEC Capital will assess the ML/TF risk associated with a third party undertaking customer identification procedures on its behalf having regard to the following factors:
- (a) the existence and quality of the third party's AML/CTF Program;
 - (b) the resources of the third party, including the number of staff and access to technological resources;
 - (c) the outcome of due diligence undertaken in respect of the third party; and
 - (d) quotes received and references from former and current partners of the third party.

18. PROVISION OF DESIGNATED SERVICES THROUGH PERMANENT ESTABLISHMENTS IN FOREIGN COUNTRIES

- 18.1 APEC Capital does not provide designated services through permanent establishments in foreign countries.
- 18.2 If at any time APEC Capital begins to provide designated services at or through permanent establishments in foreign countries, the AML/CTF Compliance Officer will determine which parts of this Program will apply to the permanent establishments and will amend this Program accordingly.

19. RECORD KEEPING OBLIGATIONS RELATING TO CUSTOMER IDENTIFICATION AND THE PROVISION OF DESIGNATED SERVICES

- 19.1 When a customer identification procedure is required to be undertaken in accordance with Part B of this Program, a record of the following must be made:
- (a) the procedures undertaken; and
 - (b) information obtained in the course of carrying out the procedures; and
- 19.2 A copy of these records will be retained for at least seven (7) years after APEC Capital has ceased to provide designated services to the relevant customer.
- 19.3 Records to be retained under this Section (whether in electronic or hard copy form) must be easily identifiable, easily located and easily retrievable, in order to:
- (a) to provide the record to an AUSTRAC authorised officer within a reasonable period; and
 - (b) to demonstrate to the AUSTRAC authorised officer that the reporting entity has complied with the obligations under subsection 112(2) AML/CTF Act.
- 19.4 A copy of any other record made by APEC Capital or received from a customer in relation to the provision of a designated service to the customer must be retained for seven (7) years after the record is made or received.

20. TRANSACTION MONITORING

- 20.1 APEC Capital has a transaction risk-based monitoring process to identify suspicious transactions which have no economic or lawful purpose. These include:
- (a) Complex, unusual, large transactions; and/or
 - (b) Unusual patterns of transactions.
- 20.2 APEC Capital's transaction monitoring system consists of three steps:
- (a) Monitoring all customer transactions in accordance with APEC Capital's policies, systems and procedures;
 - (b) Identify all suspicious transactions; and
 - (c) Take the appropriate action.

20.3 All APEC Capital employees receive training to be vigilant in monitoring suspicious matters. Under Section 16 of this Program, employees receive appropriate ongoing training on the money laundering or terrorism financing risk that APEC Capital may face.

20.4 The following table provides a summary of the reporting obligations of APEC Capital and the systems and controls in place to ensure compliance.

APEC Capital's Reporting Obligations					
Compliance Obligations	Reference	Requirements to maintain Compliance	Compliance Action	Responsible Officer	Frequency
AML/CTF Compliance Reports	AML/CTF Part 3, Division 5	Submit compliance report to AUSTRAC	Ensure that AML/CTF Compliance reports are completed in line with AUSTRAC regulations and are submitted accordingly.	AML/CTF Compliance Officer	Annually
Changes to APEC Capital's AUSTRAC enrolment and/or registration	AML/CTF Part 3A	Notify AUSTRAC of change in enrolment and/or registration details	Ensure that changes to APEC Capital's enrolment and/or registration details are reported to AUSTRAC within fourteen (14) days.	AML/CTF Compliance Officer	As required
Suspicious Matter Reporting	AML/CTF Part 3, Division 2 and 6	Implement and monitor SMR procedures	Ensure all SMRs are reported to AUSTRAC within the appropriate time frame. An SMR must be submitted within three (3) business days of forming the suspicion. If the suspicion relates to the financing of terrorism, the SMR must be submitted within twenty-four (24) hours of forming the suspicion	AML/CTF Compliance Officer	As required
Threshold Transaction Reporting	AML/CTF Part 3, Division 3 and 6	Implement and monitor TTR procedures	Ensure all TTRs are reported to AUSTRAC within ten (10) business days of the threshold transaction taking place.	AML/CTF Compliance Officer	As required

20.5 APEC Capital has implemented the following systems and controls to ensure compliance with the reporting obligations in section 20.4:

- (a) APEC Capital's Director maintains overall responsibility for all reporting obligations and the AML/CTF Compliance Officer is responsible for completing and lodging the reports within the required timeframes;
- (b) **AML/CTF Compliance Reports:** APEC Capital maintains a compliance calendar which includes a number of key dates to ensure the reporting obligations are lodged within the required timeframes;
- (c) **Changes to APEC Capital's AUSTRAC enrolment or registration details:** the Director is responsible for notifying the AML/CTF Compliance Officer of any changes to APEC Capital's enrolment or registration details and the AML/CTF Compliance Officer must ensure AUSTRAC is notified within fourteen (14) days. The AML/CTF Compliance Officer conducts monthly reviews of APEC Capital's enrolment and registration details;
- (d) **Suspicious Matter Reports:** APEC Capital undertakes transaction monitoring as described in section 28 of this Program. Where the AML/CTF Compliance Officer identifies a transaction which is suspicious, they will report the matter to AUSTRAC in accordance with section 21.
- (e) **Threshold Transaction Reports:** APEC Capital undertakes transaction monitoring as described in section 28 of this Program. Where the AML/CTF Compliance Officer identifies a threshold transaction, they will report the matter to AUSTRAC in accordance with section 22.

21. SUSPICIOUS MATTER REPORTING

21.1 If an employee or representative of APEC Capital suspects that:

- (a) an existing, new or potential customer, or the agent of an existing, new or potential customer, is not who they claim to be; or
- (b) information about the provision (or prospective provision) of a service to a customer may be:
 - (i) relevant to the investigation or prosecution of a person for:
 - (A) an offence against a law of the Commonwealth, a State or Territory;
 - (B) an evasion, or an attempted evasion, of a taxation law (as defined in the *Taxation Administration Act 1953 (Cth)*) or a law of a State or Territory that deals with taxation; or
 - (C) a money laundering or terrorism financing offence;
 - (ii) of assistance in the enforcement of laws relating to proceeds of crime; or
 - (iii) the provision of a service to a customer may be preparatory to the commission of a money laundering or terrorism financing offence,

the employee who forms the suspicion must **immediately** notify the AML/CTF Compliance Officer of their suspicion.

21.2 Reporting suspicious matters is subject to 'tipping off' provisions. It is an offence under section 123 of the AML/CTF Act for a reporting entity, or an employee of a reporting entity, to let the person about whom you formed the suspicion, another person, or organisation:

- (a) know that an SMR has been reported to AUSTRAC;
- (b) know that a reportable suspicion has been formed regarding a particular matter;
- (c) infer that a suspicion has been made; and

(d) know that information and/or documentation has been supplied to AUSTRAC.

21.3 Under no circumstances should the employee or representative discuss the matter with any person other than their immediate supervisor, unless authorised by the AML/CTF Compliance Officer. This is described as the offence of 'tipping off' and is prohibited under the AML/CTF Act.

21.4 Under section 123 of the AML/CTF Act, if:

- (a) a suspicious matter reporting obligation arises or has arisen for APEC Capital in relation to a person; and
- (b) APEC Capital has communicated the information the AUSTRAC CEO under their suspicious matter reporting obligations;

APEC Capital must not disclose to someone other than the AUSTRAC CEO or a member of the staff of AUSTRAC that the information has been communicated to the AUSTRAC CEO.

21.5 If the AML/CTF Compliance Officer receives a notification from an employee or representative under Section 21.1 of this Program, the AML/CTF Compliance Officer must assess the information which led the employee to form a suspicion and determine whether a suspicious matter report should be lodged.

21.6 If the AML/CTF Compliance Officer determines that a suspicious matter report must be lodged in relation to a customer, APEC Capital will:

- (a) apply the enhanced customer due diligence program outlined in this Program; and
- (b) report the suspicion to AUSTRAC's CEO:
 - (i) within twenty-four (24) hours after the time when the AML/CTF Compliance Officer forms the relevant suspicion, if the matter relates to terrorism financing; or
 - (ii) in all other cases, within three (3) business days after the time when the AML/CTF Compliance Officer forms the relevant suspicion.¹

21.7 If the AML/CTF Compliance Officer is notified of a suspicion relating to the identity of the customer, the AML/CTF Compliance Officer must, within fourteen (14) days commencing after the day on which the AML/CTF Compliance Officer was notified of the suspicion, do one (1) of the following for the purpose of enabling APEC Capital to be reasonably satisfied that the customer is the person that he or she claims to be:

- (a) collect additional Know Your Customer ("KYC") Information in respect of the customer;
- (b) re-verify, from a reliable and independent source, any KYC Information that has been obtained in respect of the customer; or
- (c) verify, from a reliable and independent source, any previously unverified KYC Information that has been obtained in respect of the customer.²

21.8 If:

- (a) after collecting additional KYC Information from a customer in accordance with Section 21.7 of this Program, the AML/CTF Compliance Officer is still not satisfied that the customer is who they claim to be; or
- (b) the AML/CTF Compliance Officer is unable to collect any additional information from the customer,

then the AML/CTF Compliance Officer must make a suspicious matter report to AUSTRAC.

¹ Section 42(3)(a) of the AML/CTF Act

² Section 35 of the AML/CTF Act; Rules Part 6.2.

- 21.9 If the AML/CTF Compliance Officer makes a suspicious matter report to AUSTRAC in relation to a customer, the AML/CTF Compliance Officer must also consult with AUSTRAC and other relevant enforcement agencies to determine how best to deal with the customer.
- 21.10 APEC Capital must continue to transact with the customer on the usual basis until further advised by AUSTRAC and other relevant enforcement agencies.
- 21.11 A report to AUSTRAC's CEO of any of the matters set out at Section 21.1 of this Program must be in the approved form and sent in accordance with the requirements of the AML/CTF Act and Rules.
- 21.12 A representative of APEC Capital must not disclose to someone other than AUSTRAC's CEO or an AUSTRAC staff member:
- (a) that APEC Capital has reported, or is required to report, information to AUSTRAC's CEO under section 41 of the AML/CTF Act;
 - (b) that APEC Capital has formed a suspicion, under section 41 of the AML/CTF Act, about a transaction or matter;
 - (c) any other information from which the person to whom the information is disclosed could reasonably be expected to infer that information has been communicated to AUSTRAC's CEO under section 41 of the AML/CTF Act or the suspicion has been formed; or
 - (d) that information or documentation has been given or produced under section 49 of the AML/CTF Act.
- 21.13 If the AML/CTF Compliance Officer, on behalf of APEC Capital, forms a reasonable suspicion relating to one of the matters set out in Section 21.1 of this Program in respect of an existing customer (that is, a person who was a customer of APEC Capital as at 12 December 2007), the AML/CTF Compliance Officer must, within fourteen (14) days commencing after the day on which the AML/CTF Compliance Officer formed the suspicion, carry out the applicable customer identification procedures in Part B of this Program unless the AML/CTF Compliance Officer determines that APEC Capital has previously carried out or been deemed to have carried out that procedure or a comparable procedure.
- 21.14 The AML/CTF Compliance Officer must examine the background, purpose and circumstances of suspicious matters that they have detected and reported and determine whether any changes should be made to this Program. This should occur periodically (at least annually) and whenever a particularly unusual suspicious matter is identified.

22. THRESHOLD TRANSACTION REPORTS ("TTR")

- 22.1 In this Section:
- (a) 'Fiat currency' is the coin or printed money of Australia or another country which is designated as legal tender.
 - (b) 'Digital currency' is a digital representation of value that functions as a medium of exchange, a store of economic value, or unit of account.
- 22.2 Under the AML/CTF Act, if a reporting entity provides a designated service to a customer which involves the transfer of a 'fiat currency' or 'digital currency' of AUD10,000 or more (or the foreign currency equivalent), the reporting entity must submit a threshold transaction report (TTR) to AUSTRAC. Note: if a customer deposits fiat currency of AUD10,000 or more directly into APEC Capital's bank account (as opposed to payment in cash), then APEC Capital does not need to submit a TTR.
- 22.3 All employees of APEC Capital must notify the Compliance Officer of any transactions relating to 'fiat currency' or 'digital currency' with a value of AUD10,000 or more (or the foreign currency equivalent) immediately.
- 22.4 When the AML/CTF Compliance Officer receives a notification from an employee of APEC Capital regarding a threshold transaction, the AML/CTF Compliance Officer will submit a TTR to the AUSTRAC CEO within ten (10) business days of the threshold transaction taking place.

- 22.5 A report to AUSTRAC in relation to the TTR must be in the approved form and sent in accordance with the requirements of the AML/CTF Rules. These include:
- (a) The date of the threshold transaction;
 - (b) A description of the designated service provided or commenced to be provided by the reporting entity to the customer which involves the threshold transaction;
 - (c) The total of the funds provided to or received from the customer.
 - (d) Details of the threshold transaction, including whether it involved fiat currency or digital currency.
- 22.6 If the customer of the designated service is an individual these include:
- (a) the customer's full name;
 - (b) any other name used by the customer, if known;
 - (c) any business name(s) under which the customer operates, if known;
 - (d) the customer's date of birth;
 - (e) the customer's full address (not being a post box address);
 - (f) the postal address of the customer if different from their full address;
 - (g) the customer's telephone number, if known;
 - (h) the ABN of the customer, if known;
 - (i) if the person conducting the threshold transaction is not the customer, the details for the person specified in part 22.6(a) and if applicable, part 22.6(b) and 22.6(c).
- 22.7 If the customer conducting the transaction is a business, the details required in the TTR include:
- (a) The name of the customer and any business name(s) under which the customer operates;
 - (b) A description of the legal form of the customer and any business structure it is a part of, if known;
 - (c) The full address of the customer's principle place of business;
 - (d) The postal address of the customer if different from the full address;
 - (e) The ACN, ARBN and/or ABN of the customer, if known;
 - (f) The customer's telephone number, if known;
 - (g) The details of the person conducting the threshold transaction.

23. AML/CTF COMPLIANCE REPORTS

- 23.1 APEC Capital is required to submit an AML/CTF Compliance Report to AUSTRAC by the specified due date. AUSTRAC will inform APEC Capital of the AML/CTF Compliance report due date.
- 23.2 An AML/CTF Compliance Report outlines the appropriateness of APEC Capital's AML/CTF risk assessment and the effectiveness of APEC Capital's AML/CTF program.
- 23.3 APEC Capital's will submit an AML/CTF Compliance Report on behalf of APEC Capital's DBG.

24. CHANGES TO APEC CAPITAL'S AUSTRAC ENROLMENT/REGISTRATION DETAILS

- 24.1 Chapter 64 of the AML/CTF Rules outlines the changes in enrolment details APEC Capital must report to AUSTRAC changes in the enrolment details set out in Part A of the Schedule of Chapter 63 of the Rules.
- 24.2 APEC Capital is required to notify AUSTRAC of a change in APEC Capital's circumstances within fourteen (14) days of the change in detail.
- 24.3 Changes to APEC Capital's AUSTRAC details should be completed electronically through APEC Capital's AUSTRAC Online account.
- 24.4 Notification of a change of APEC Capital's enrolment details may be made by an agent of APEC Capital where:
- (a) there is a current written agreement in place between the agent of APEC Capital and APEC Capital, or APEC Capital has provided to the agent of APEC Capital a written authority;
 - (b) that agreement or written authority authorises the agent to notify, on behalf of APEC Capital, a change in the enrolment details of APEC Capital on the Reporting Entities Roll; and
 - (c) the notification of a change in APEC Capital's enrolment details includes a declaration by the agent that the information is true, accurate and complete.

25. REQUEST TO OBTAIN INFORMATION FROM A CUSTOMER

- 25.1 Where APEC Capital has provided or is providing a designated service to a customer and the AML/CTF Compliance Officer believes, on reasonable grounds, that a customer has information that may assist APEC Capital in the identification, management and mitigation of money laundering or terrorism financing risk, the AML/CTF Compliance Officer may request the customer to provide APEC Capital with any such information. The request must be provided in writing and notify the customer that if the request is not complied with, then APEC Capital may do any or all of the following until the information, covered by the request, is provided:
- (a) refuse to continue to provide a designated service;
 - (b) refuse to commence to provide a designated service; or
 - (c) restrict or limit the provision of the designated service to the customer.
- 25.2 If the customer does not comply with the request within a reasonable time then the AML/CTF Compliance Officer may determine that, until the information covered by the request is provided, APEC Capital will:
- (a) refuse to continue to provide the designated service;
 - (b) refuse to commence to provide the designated service; or
 - (c) restrict or limit the provision of the designated service to the customer.
- 25.3 In these circumstances, the AML/CTF Compliance Officer will determine whether the matter should be reported to AUSTRAC as a suspicious matter (refer to Section 21 of this Program).

26. ONGOING CUSTOMER DUE DILIGENCE – OVERVIEW

- 26.1 APEC Capital will monitor its customers with a view to identifying, mitigating and managing the risk that the provision of a designated service at or through a permanent establishment in Australia may involve or facilitate money laundering or terrorism financing.
- 26.2 APEC Capital has identified the following customer types that it will provide services to when determining its AML/CTF Risk:
- (a) Individuals; and
 - (b) Companies.

- 26.3 APEC Capital has identified the following customer types that it does not currently provide services to but may provide services to in the future:
- (a) Trusts;
 - (b) Trustees and beneficiaries;
 - (c) Partnerships;
 - (d) Associations;
 - (e) Agents;
 - (f) Registered cooperatives; and
 - (g) Government bodies.
- 26.4 APEC Capital will monitor its customers by implementing systems to:
- (a) collect further KYC Information for ongoing customer due diligence processes;
 - (b) update and verify KYC Information for ongoing customer due diligence purposes;
 - (c) monitor the transactions of customers; and
 - (d) conduct enhanced customer due diligence in respect of high risk customers and customers about whom a suspicion has been formed.
- 26.5 As part of implementing systems for ongoing customer due diligence purposes, APEC Capital will group its customers according to their level of risk assessed as part of the risk assessment procedures outlined in this Program. The risk grouping will determine:
- (a) what further KYC Information needs to be collected for ongoing customer due diligence purposes in respect of a particular customer;
 - (b) what level of transaction monitoring needs to be conducted in relation to a customer; and
 - (c) whether the enhanced customer due diligence program needs to be applied.

27. ADDITIONAL KYC INFORMATION

- 27.1 In undertaking the risk assessment for new activities and technologies referred to in Section 12 of this Program, the AML/CTF Compliance Officer will determine whether any additional KYC Information or Beneficial Owner information should be collected from relevant customers either before any designated services are provided to the customer or during the course of APEC Capital's relationship with the customer. These requirements will be incorporated into the relevant customer procedures.
- 27.2 Based on the assessed level of the money laundering and terrorism financing risk involved in the provision of designated services provided by APEC Capital on the date that this Section of this Program was adopted, APEC Capital has determined that no additional KYC Information needs to be collected in relation to low risk customers. The AML/CTF Compliance Officer will determine what additional KYC Information or Beneficial Owner information will be collected, in respect of medium and high risk customers, prior to the provision of any designated service to assist APEC Capital to undertake ongoing customer due diligence.
- 27.3 In respect of a new customer, the additional KYC Information will be collected at the same time as and in the same manner as the KYC Information is required to be collected under Part B. Failure to provide additional KYC Information will be treated in the same way as the failure to provide any other KYC Information collected under Part B.
- 27.4 In respect of an existing customer, APEC Capital will update and re-verify KYC Information by requesting additional KYC Information where the AML/CTF Compliance Officer considers the KYC Information is no longer up-to-date, incomplete or unreliable. APEC Capital will also request

additional KYC information where the scope of the services provided to an existing customer changes.

- 27.5 APEC Capital will update and re-verify KYC Information in respect of a customer where:
- (a) the AML/CTF Compliance Officer considers that KYC Information held in respect of a customer or Beneficial Owner is likely to be incomplete or unreliable;
 - (b) a representative of APEC Capital becomes aware that KYC Information held in respect of a customer or Beneficial Owner has or is likely to have changed;
 - (c) the customer engages in a significant transaction or series of transactions with one or more reporting entities, where a significant transaction occurs if a transaction, or series of transactions conducted within any calendar month exceeds [fifty Thousand Dollars (\$50,000.00)] of digital currency or fiat currency in value; or
 - (d) a significant change occurs in the way the customer conducts transactions, where a significant change occurs if the number of transactions carried out by a customer increases by 100% within a five (5) calendar day period.
- 27.6 Where one of the above circumstances arises in respect of a customer and the applicable customer identification procedure has not previously been carried out in respect of a customer (i.e. the customer is a pre-commencement customer), APEC Capital will carry out the applicable customer identification procedure in accordance with Part B of this Program and collect the relevant additional KYC Information.
- 27.7 Where a change in customer information relates to in the case of:
- (a) individual customers, the customer's:
 - (i) name;
 - (ii) date of birth; or
 - (iii) residential address;
 - (b) a company:
 - (i) the company's name; or
 - (ii) the company's registration number;
 - (c) a trust (if applicable):
 - (i) the trustee; or
 - (ii) the name of the trust; and
 - (d) in the case of a partnership (if applicable), the identity of a partner.
- 27.8 APEC Capital will seek to verify the updated KYC Information using reliable and independent documentation in accordance with Section 63 of this Program.

28. TRANSACTION MONITORING PROGRAM

- 28.1 This Section describes the transaction monitoring program adopted by APEC Capital which includes risk-based systems and controls to monitor the transactions of customers, for the purpose of identifying any transaction that appears to be suspicious under section 41 of the AML/CTF Act (refer to Section 21 of this Program).
- 28.2 The Director has overall responsibility and oversight of APEC Capital's transaction monitoring program. APEC Capital conducts transaction monitoring on a daily basis.

- 28.3 The AML/CTF Compliance Officer must identify money laundering and terrorism financing risk factors relevant to customers of particular services and products provided by APEC Capital, which may involve the provision of a designated service and to representatives of such customers. Such risk factors include the:
- (a) value of the transaction exceeds fifty Thousand Dollars (\$50,000.00) of digital currency or fiat currency in value;
 - (b) volume of transactions conducted by a customer within a five (5) calendar day period has increased by more than one hundred per cent (100%);
 - (c) transaction involves foreign countries, customers or third parties against whom sanctions have been imposed or have been included on the lists maintained by the Department of Foreign Affairs and Trade under the Charter of United Nations (Terrorism and Dealings with Assets) Regulations 2002 (Cth);
 - (d) transaction involves a customer or third party who is a PEP (refer to Section 69 of this Program).
- 28.4 In addition to the Risk Awareness Training referred to in Section 16 of this Program, the AML/CTF Compliance Officer will ensure that all employees of APEC Capital, who have direct contact with customers or their representatives, receive regular training in the identification of relevant money laundering or terrorism financing risk factors.
- 28.5 An employee of APEC Capital must immediately inform the AML/CTF Compliance Officer when any money laundering or terrorism financing risk factor(s) are identified in relation to a customer or a customer's representative.
- 28.6 The AML/CTF Compliance Officer will then liaise with APEC Capital's Director in relation to any further action by APEC Capital including, but not limited to the items actions listed in 28.8.
- 28.7 Where an employee of APEC Capital identifies a customer or third party of a kind specified in Section 28.3(c) or 28.3(c) of this Program, the AML/CTF Compliance Officer will take such appropriate action as is necessary, including seeking further information from the customer or their representative or from another source, to determine, with a reasonable degree of certainty, whether the customer or third party is that person.
- 28.8 If it is determined, as a result of transaction monitoring, that:
- (a) a customer should be placed in a higher risk grouping, APEC Capital will collect additional KYC Information if required as referred to in Section 27 of this Program;
 - (b) KYC Information needs to be updated or verified in respect of a customer, APEC Capital will update or verify the required information in accordance with Section 27 of this Program;
 - (c) a customer is a high risk customer, APEC Capital will apply the enhanced customer due diligence program in accordance with Section 29 of this Program; or
 - (d) a suspicious matter report needs to be lodged in respect of a customer, APEC Capital will follow the procedure outlined in Section 21 of this Program.
- 28.9 The AML/CTF Compliance Officer, in consultation with the Director, must regularly assess APEC Capital's transaction monitoring program and should take steps to have this Program modified appropriately:
- (a) where there has been a significant change in the money laundering or terrorism financing risk relating to designated services provided by APEC Capital;
 - (b) prior to APEC Capital introducing a new designated service to the market;
 - (c) prior to APEC Capital adopting a new method of delivering a designated service;
 - (d) prior to APEC Capital adopting a new technology or developing technology used for the provision of an existing or new designated service; and

- (e) where the AML/CTF Compliance Officer identifies changes arising in the nature of the business relationship, control structure or beneficial ownership of APEC Capital's customers.

29. ENHANCED CUSTOMER DUE DILIGENCE PROGRAM

29.1 Where the AML/CTF Compliance Officer determines that:

- (a) the money laundering or terrorism financing risk associated with a particular designated service, customer, delivery method or jurisdiction is high, including but not limited to when the customer:
 - (i) is engaged in business which involves a significant number of cash transactions or amounts of cash;
 - (ii) uses a complex business ownership structure for no apparent commercial or other legitimate reason, especially if the Beneficial Owners of the legal entity cannot be determined;
 - (iii) is based in, or conducts business through or in, a high-risk jurisdiction;
 - (iv) cannot provide information to verify the source of funds;
 - (v) requests an undue level of secrecy in relation to a designated service;
 - (vi) is a PEP; or
- (b) a designated service is being provided to a customer who is or who has a Beneficial Owner who is, a foreign politically exposed person; or
- (c) a suspicion has arisen for the purposes of section 41 of the AML/CTF Act (refer to Section 21 of this Program);
- (d) APEC Capital is entering into or proposing to enter into a transaction and a party to the transaction is physically present, or is a company incorporated in, a prescribed foreign country.

29.2 Where one or more of the circumstances in Section 29.1 arises the AML/CTF Compliance Officer will arrange for one or more of the following due diligence procedures to occur:

- (a) seek further information from the customer or from third party sources in order to:
 - (i) clarify or update the customer's KYC Information or Beneficial Owner information already collected from the customer, in accordance with Section 27 of this Program;
 - (ii) obtain any further KYC Information or Beneficial Owner information in accordance with Section 27 of this Program, including where appropriate, taking reasonable measures to identify:
 - (A) the source of the customer's and each Beneficial Owner's wealth; and
 - (B) the source of the customer's and each Beneficial Owner's funds; and
 - (iii) clarify the nature of the customer's ongoing business with APEC Capital.
- (b) conduct more detailed analysis in respect of the customer's KYC Information and Beneficial Owner information taking reasonable measures to identify:
 - (i) the source of the customer's and each Beneficial Owner's wealth; and
 - (ii) the source of the customer's and each Beneficial Owner's funds;
- (c) verify or re-verify KYC Information or Beneficial Owner information in accordance with the customer identification program outlined in Part B of this Program;

- (d) conduct more detailed analysis and monitoring in respect of the customer's activities and transactions – both past and future, including but not limited to:
 - (i) the purpose, reasons for, or nature of specific transactions;
 - (ii) the expected nature and level of transaction behaviour, including future transactions;
- (e) consider whether a suspicious matter report ought to be lodged in accordance with section 41 of the AML/CTF Act (refer to Section 21 of this Program);
- (f) seek senior manager approval for:
 - (i) continuing a business relationship with a customer; and
 - (ii) whether a designated service should continue to be provided to the customer; and
- (g) consider whether a transaction or particular transactions should be processed.

30. REVIEW OF APEC CAPITAL'S AML/CTF PROGRAM

30.1 The AML/CTF Compliance Officer must regularly assess APEC Capital's money laundering or terrorism financing risk and should take steps to have this Program modified appropriately:

- (a) where the AML/CTF Compliance Officer identifies that there has been a significant change in the money laundering or terrorism financing risk relating to designated services provided by APEC Capital;
- (b) prior to APEC Capital introducing a new designated service to the market;
- (c) prior to APEC Capital adopting a new method of delivering a designated service;
- (d) prior to APEC Capital adopting a new technology or developing technology used for the provision of an existing or new designated service; and
- (e) where the AML/CTF Compliance Officer identifies changes arising in the nature of the business relationship, control structure or beneficial ownership of APEC Capital's customers.

30.2 An independent review must take place on an annual basis. Due to the small number of staff members at APEC Capital, internal reviews will not be carried out unless the AML/CTF Compliance Officer considers it necessary or subject to Section 30.3 of this Program.

30.3 Internal reviews may be carried out where required by an independent internal party.

- (a) The party conducting the review should:
 - (i) have unlimited access to the records, personnel and property of APEC Capital within the context of APEC Capital's obligations under the *Privacy Act 1988*; and
 - (ii) be impartial and objective in performing their duties and should not be inappropriately influenced by management of APEC Capital.
- (b) The AML/CTF Compliance Officer will report the results of the independent review to the Director of APEC Capital.
- (c) The review will:
 - (i) assess the effectiveness of Part A of this Program having regard to the money laundering or terrorism financing risk of APEC Capital;
 - (ii) assess whether Part A of this Program complies with the AML/CTF Rules;
 - (iii) assess whether Part A of this Program has been effectively implemented;
 - (iv) assess whether APEC Capital has complied with Part A of this Program;

- (v) assess the risk management resources available to APEC Capital including, but not limited to:
 - (D) funding; and
 - (E) staff allocation;
 - (vi) identify any future needs relevant to the nature, size and complexity of APEC Capital; and
 - (vii) assess the ongoing risk management procedures and controls in order to identify any failures.
- (d) When assessing ongoing risk management procedures and controls in order to identify any failures, the independent party conducting the review may have regard to:
- (i) any market information relevant to the global AML/CTF environment which may have an impact on the money laundering or terrorism financing risk faced by APEC Capital;
 - (ii) failure to include all mandatory legislative components in APEC Capital's AML/CTF Policy;
 - (iii) failure to gain approval from APEC Capital's Director of this Program;
 - (iv) insufficient or inappropriate employee due diligence;
 - (v) frequency and level of risk awareness training not aligned with potential exposure to AML/CTF risk(s);
 - (vi) changes in business functions which are not reflected in this Program (for example, the introduction of a new product or distribution channel);
 - (vii) failure to consider feedback from AUSTRAC (for example, advice regarding an emerging AML/CTF risk);
 - (viii) failure to undertake an independent review (at an appropriate level and frequency) of the content and application of this Program;
 - (ix) legislation incorrectly interpreted and applied in relation to a customer identification procedure;
 - (x) customer identification and monitoring systems, policies and procedures that fail to:
 - (F) prompt, if appropriate, for further identification and/or verification to be carried out when the AML/CTF risk posed by a customer increases;
 - (G) detect where a customer has not been sufficiently identified and prevent the customer from receiving the designated service;
 - (H) take appropriate action where a customer provides insufficient or suspicious information in relation to an identification check;
 - (I) take appropriate action where the identification document provided is neither an original nor a certified copy;
 - (J) recognise foreign identification issued by a high-risk jurisdiction;
 - (K) record details of identification documents, for example, the date of issue;
 - (L) consult appropriate resources in order to identify high-risk customers;
 - (M) identify when an expired or old identification document (for example, a driver's licence) has been used;

- (N) collect any other name(s) by which the customer is known;
- (O) be subject to regular review;
- (xi) lack of access to information sources to assist in identifying higher risk customers (and the jurisdiction in which they may reside), such as PEPs, terrorists and narcotics traffickers;
- (xii) lack of ability to consistently and correctly train staff and/or third parties, particularly in areas with high turnover in:
 - (P) customer identification policies, procedures and systems; and
 - (Q) identifying potential AML/CTF risks;
- (xiii) assess the acceptance of documentation that may not be readily verifiable.
- (e) If the independent reviewer determines it is appropriate, the review may also:
 - (i) assess whether the risk-based procedures and processes adopted in this Program have changed such that alterations need to be made to the this Policy;
 - (ii) assess whether Part B of this Program is sufficient to cover the money laundering or terrorism financing risks posed by existing and potential customers of APEC Capital; and
 - (iii) assess whether any additional changes need to be made to this Program as a result of changes to AML/CTF regulations and legislation and the AML/CTF environment generally.

31. AUSTRAC FEEDBACK

31.1 Where AUSTRAC provides APEC Capital with feedback regarding performance on the management of money laundering or terrorism financing risk, the AML/CTF Compliance Officer will assess AUSTRAC's feedback to determine if any changes to this Program are required and implement any such changes as soon as reasonably practicable, subject to complying with the procedures in Section 32 of this Program.

32. OVERSIGHT BY THE DIRECTOR / UPDATING THE PROGRAM

32.1 This Program is approved by the Director of APEC Capital whilst the Board of Directors is informed of any changes made to this Program.

32.2 The AML/CTF Compliance Officer will report to the Director of APEC Capital on a regular basis in relation to:

- (a) significant changes to the money laundering or terrorism financing risks affecting APEC Capital's Reporting Entities;
- (b) compliance with this Program, the AML/CTF Act and Rules by APEC Capital;
- (c) the results of and any report produced for any internal or external review of this Program;
- (d) any AUSTRAC feedback; and
- (e) changes to relevant legislation.

32.3 The AML/CTF Compliance Officer will propose amendments to this Program when required by the Program, AML/CT Act or Rules or as a result of any of the matters in Section 32.2 of this Program. Subject to Section 32.4 of this Program, such amendments should be considered and approved by the Director of APEC Capital before they become effective.

32.4 The AML/CTF Compliance Officer can implement a change to this Program immediately if the AML/CTF Compliance Officer believes a change needs to be made before the Director's approval

can occur. In these circumstances, the AML/CTF Compliance Officer should seek the Director's approval, of a change, as soon as reasonably practical after it is made.

PART B – CUSTOMER IDENTIFICATION

33. INTRODUCTION

33.1 **Part B** of this Program sets out the customer identification procedures for APEC Capital’s customers.

33.2 These procedures include:

- (a) prescribed processes for the collection and verification of KYC Information; and
- (b) risk based systems and controls to determine what (if any) other information will be collected and verified in relation to a customer, having regard to the money laundering or terrorism financing risk relevant to the provision of APEC Capital’s designated services.

33.3 APEC Capital will consider the following factors when identifying its exposure to money laundering or terrorism financing and developing its customer identification procedures:

- (a) its customer types; including:
 - (i) Beneficial Owners of customers; and
 - (ii) any politically exposed persons;
- (b) APEC Capital’s customers’ sources of funds and wealth;
- (c) the nature and purpose of the business relationship with its customers, including, as appropriate, the collection of information relevant to that consideration;
- (d) the control structure of its non-individual customers;
- (e) the types of designated services it provides; and
- (f) the methods by which it delivers designated services.

33.4 AUSTRAC considers the Customer types relevant for risk assessment purposes as follows:

Low risk	Medium risk	High risk
Individuals	Unincorporated associations	Politically exposed persons
Regulated trusts	Private company trusts (other than regulated trusts)	Foreign companies (except where listed company)
Government agency	Foreign customers	Customers from non-compliant jurisdictions
Listed company		
Registered managed investment schemes		
Public company		
Partnerships		
Incorporated associations		

33.5 AUSTRAC considers the following methods of delivery relevant for risk assessment purposes as follows:

Low risk	Medium risk	High risk
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Face to face	Internet and email (Australian Customers)	Internet and email (foreign Customer)
Regular contact with client	Mail	
	Phone	
	Facsimile	

34. APPLICATION OF PART B

Part B of this Program applies to APEC Capital, including any functions carried out by a responsible third party.

35. KYC – CUSTOMER IDENTIFICATION AND VERIFICATION PROCEDURES

35.1 The customer identification and verification procedures must be carried out by APEC Capital or a responsible third party:

- (a) prior to commencing to provide a designated service to a customer (other than an existing customer), unless APEC Capital has already carried out the applicable customer identification procedure in respect of the customer; and
- (b) when APEC Capital's employee is responsible for the customer (or another APEC Capital employee on their behalf), unless the AML/CTF Compliance Officer authorises that these procedures can be conducted by an external party.

35.2 The same KYC procedures will be applied across all APEC Capital customers in order to ensure that additional procedures do not need to be carried out where a customer uses more than one of APEC Capital's designated services.

36. KNOW YOUR CUSTOMER – CONSIDERATIONS

36.1 Once information relating to a customer has been collected and verified, APEC Capital will re-assess the money laundering or terrorism financing risk posed by the customer.

36.2 In re-assessing the AML/CTF Customer Type Risk for APEC Capital, it may consider, where appropriate and among other factors, whether:

- (a) the customer is unwilling to produce evidence of identification or produces unsatisfactory evidence of identification;
- (b) the customer wishes to deal only in large amounts of cash and not in traceable bank transfers;
- (c) the customer's normal exchange behaviour changes and they are unwilling to explain the reason for this or the source of the increase funds;
- (d) the customer is involved in a complex business ownership structure with no legitimate commercial rationale;
- (e) the non-individual customer (for example, a trust, company or partnership) has a complex business structure with little commercial justification, which obscures the identity of the ultimate beneficiaries of the customer;
- (f) the customer is in a position which may expose APEC Capital to the possibility of corruption;
- (g) the customer is based in, or conducting business through or in, a high-risk jurisdiction;

- (h) the customer is engaged in business which involves significant amounts of cash;
- (i) there is no clear commercial rationale for the customer seeking a designated service;
- (j) the customer is a PEP;
- (k) an undue level of secrecy is requested regarding a designated service;
- (l) the source of funds is difficult to verify;
- (m) the Beneficial Owners of a non-individual customer are difficult to identify and/or verify;
- (n) the Beneficial Owners of the non-individual customer are a resident in a high-risk jurisdiction;
- (o) there is a one-off transaction in comparison with an ongoing business relationship or series of transactions;
- (p) a designated service can be used for money laundering or terrorism financing (and the extent to which it can be used);
- (q) the customer has income which is not employment-based or from a regular known source;
- (r) the customer is new, rather than having a long-term and active business relationship with APEC Capital;
- (s) the customer's business is registered in a foreign jurisdiction with no local operations or domicile;
- (t) the customer's business is an unregistered charity, foundation or cultural association;
- (u) the customer is represented by another person, such as under a power of attorney.

37. INDIVIDUALS: CUSTOMER IDENTIFICATION PROCEDURES

37.1 Where a new customer is an individual (other than an individual who notifies APEC Capital that he or she is a customer in his or her capacity as a sole trader), APEC Capital must collect, at a minimum, the customer's:

- (a) must collect, at a minimum, the customer's:
 - (i) full name;
 - (ii) date of birth; and
 - (iii) residential address; and

37.2 Where a new customer notifies APEC Capital that he or she is a customer in his or her capacity as a sole trader, APEC Capital must collect, at a minimum, the:

- (a) customer's full name;
- (b) customer's date of birth;
- (c) full business name (if any) under which the customer carries on his or her business;
- (d) full address of the customer's principal place of business (if any) or the customer's residential address; and

(e) ABN issued to the customer.

37.3 Where the money laundering or terrorism financing risk posed by the provision of a designated service to a particular individual is assessed as medium or high under Section 36.1 of this Program, the AML/CTF Compliance Officer may require APEC Capital's employee to be responsible for the customer. One or more of the following pieces of information will be collected:

- (a) any alias names used by the customer;
- (b) the customer's occupation or business activities;
- (c) the source of the customer's funds including the origin of funds;
- (d) income and assets of the customer;
- (e) the nature and level of the customer's intended transaction behaviour;
- (f) the beneficial ownership of the funds used by the customer/the customer's account with APEC Capital; and
- (g) details of the customer's employment (e.g. name of employer, length of employment, type of institution).

37.4 The information collection requirements in this Section are not intended to conflict with any other obligation APEC Capital has under other legislation including the *Privacy Act* 1988. Any conflicts, which arise, should be immediately notified to the AML/CTF Compliance Officer.

38. INDIVIDUALS: VERIFICATION – PRINCIPLES

38.1 At a minimum, the following KYC Information about a customer in Section 37, of this Program, must be verified:

- (a) the customer's full name; and
- (b) either the customer's:
 - (i) date of birth; or
 - (ii) residential address.

38.2 Where it has been determined that the money laundering or terrorism financing risk posed by the provision of a designated service to an individual is **medium or high** under the assessment carried out under Section 36.1 of this Program and additional KYC Information has been collected in respect of that customer, it may be necessary to verify some or all of the additional KYC Information which has been collected. The AML/CTF Compliance Officer will determine what additional KYC Information will be verified in respect of that customer.

38.3 Information which is required to be verified as indicated in Section 38.1, of this Program, must be based on:

- (a) reliable and independent documentation;
- (b) reliable and independent electronic data; or
- (c) a combination of (a) and (b) above.

39. INDIVIDUALS: VERIFICATION – PROCEDURES

- 39.1 The following verification procedures need to be followed for individuals:
- (a) Government database verification (Section 65 of this Program);
 - (b) PEP verification (Section 69 of this Program);
 - (c) Foreign high-risk jurisdiction verification (Section 64 of this Program); and
- 39.2 Where it has been determined that the money laundering or terrorism financing risk posed by the provision of a designated service to an individual is **medium or lower**, APEC Capital will comply with the safe harbour procedures and conduct a document identification procedure (a 'standard customer identification procedure' outlined in Sections 39.3 and 39.4 of this Program, should be conducted in all cases where possible).
- 39.3 **Standard domestic documentation identification procedure:** The information in Section 38.1, of this Program, can be verified from either an original or certified copy of a current:
- (a) Australian driver's licence containing a photograph of the person;
 - (b) Australian passport (it is also permissible for a passport to be issued by the Commonwealth to have expired within the preceding 2 years); or
 - (c) Card issued under a State or Territory law, for the purpose of proving a person's age, containing a photograph of the person in whose name the card is issued.
- 39.4 **Standard foreign documentation identification procedure:** The information in Section 38.1, of this Program, can be verified from either an original or certified copy of a current foreign government issued passport or similar travel document. Where any document relied on as part of this procedure is in a language that is not English, it may be accompanied by an English translation prepared by an accredited translator.
- 39.5 **Non-standard customer identification procedures:** The procedures in Sections 39.6 and 39.7, of this Program, should only be conducted where:
- (a) a 'standard customer identification procedure' in Section 39.3 and 39.4 of this Program, was unable to be conducted;
 - (b) the AML/CTF Compliance Officer forms the view that a discrepancy arose from the information collected and verified during a 'standard customer identification procedure'; or
 - (c) having conducted the 'standard customer identification procedure', the AML/CTF Compliance Officer is not reasonably satisfied that the customer is the individual he or she claims to be.
- 39.6 **Acceptable 'non-standard domestic documentation identification procedure':** An acceptable 'non-standard domestic documentation identification procedure' would be based on:
- (a) an original or certified copy of:
 - (i) Australian Birth Certificate;
 - (ii) Australian Citizenship Certificate; or
 - (iii) both:
 - (A) Pension card issued by Centrelink; and

- (B) an original notice issued to an individual, of a kind listed below, that contains the name of the individual and his or her residential address:
 - (I) issued by the Commonwealth or a State or Territory within the preceding twelve (12) months that records the provision of financial benefits; or
 - (II) issued by the Australian Taxation Office within the preceding twelve (12) months; or
 - (III) issued by a local government body or utilities provider within the preceding three (3) months that records the provision of services to that address or to that person.

39.7 **Acceptable 'non-standard foreign documentation identification procedure':** 'non-standard foreign documentation identification procedure' would be based on either an original or certified copy of a current:

- (a) National Identity Card issued by a foreign government containing a photograph of the person in whose name the card is issued;
- (b) Foreign driver's licence which contains a photograph of the person in whose name it was issued; and
- (c) Where any document relied on as part of the procedure is in a language that is not English, it may be accompanied by an English translation prepared by an accredited translator.

39.8 When determining whether to accept non-standard foreign documentation, the AML/CTF Compliance Officer should have regard to the money laundering or terrorism financing risk posed by the provision of a designated service to a customer from that particular foreign country.

39.9 For the purposes of verification of an individual, APEC Capital must have regard to the money laundering or terrorism financing risk relevant to the provision of the designated services being provided (or potentially provided). These factors will be deemed to have been sufficiently considered when the AML/CTF Compliance Officer gives final sign-off as required in Section 70 of this Program.

40. COMPANIES: CUSTOMER IDENTIFICATION PROCEDURES

40.1 Where a new customer is a company, APEC Capital will carry out the due diligence measures in accordance with Sections 40 to 46 below.

40.2 For a new customer that is a company, either domestic or foreign, it is necessary for APEC Capital's employee who is responsible for that customer:

- (a) to identify the customer as:
 - (i) an individual director of a company; or
 - (ii) a corporate director; and
- (b) to be reasonably satisfied that:
 - (i) the company exists; and
 - (ii) in respect of Beneficial Owners, APEC Capital has complied with the requirements specified in Sections 66 and 67 of this Program.

40.3 **Information Collection:** The following KYC Information must be collected by APEC Capital for a customer that is a company, at a minimum, in order to determine its existence:

- (a) in the case of a domestic company:
 - (i) the full name of the company as registered by the Australian Securities and Investments Commission (“**ASIC**”);
 - (ii) the full address of the company’s registered office;
 - (iii) the full address of the company’s principal place of business (if any);
 - (iv) the ACN issued to the company;
 - (v) the AFSL number issued to the company (if relevant);
 - (vi) whether the company is registered by ASIC as a proprietary or public company; and
 - (vii) if the company is registered as a proprietary company, the name of each Director of the company.

- (b) in the case of a registered foreign company:
 - (i) the full name of the company as registered by ASIC;
 - (ii) the full address of the company’s registered office in Australia;
 - (iii) the full address of the company’s principal place of business in Australia (if any) or the full name and address of the company’s local agent in Australia (if any);
 - (iv) the ARBN issued to the company;
 - (v) the AFSL number issued to the company (if relevant);
 - (vi) the country in which the company was formed, incorporated or registered;
 - (vii) whether the company is registered by the relevant foreign registration body and if so whether it is registered as a private or public company or some other type of company; and
 - (viii) if the company is registered as a private company by the relevant foreign registration body - the name of each Director of the company.

- (c) in the case of an unregistered foreign company:
 - (i) the full name of the company;
 - (ii) the country in which the company was formed, incorporated or registered;
 - (iii) whether the company is registered by the relevant foreign registration body and if so:
 - (A) any identification number issued to the company by the relevant foreign registration body upon the company’s formation, incorporation or registration;

- (B) the full address of the company in its country of formation, incorporation or registration as registered by the relevant foreign registration body; and
- (C) whether it is registered as a private or public company or some other type of company by the relevant foreign registration body;
- (iv) if the company is registered as a private company by the relevant foreign registration body – the name of each Director of the company; and
- (v) if the company is not registered by the relevant foreign registration body, the full address of the principal place of business of the company in its country of formation or incorporation.

40.4 Where the money laundering or terrorism financing risk posed by the provision of a designated service to a particular company is assessed as medium or high under Section 36.1 of this Program, the AML/CTF Compliance Officer may require APEC Capital will collect one or more pieces of the following information:

- (a) all business names used by the company;
- (b) if the company is a public company, the name of each director of the company;
- (c) the nature of the business activities conducted by the company;
- (d) the source of the customer's funds including the origin of funds;
- (e) the nature and level of the customer's intended transaction behaviour;
- (f) the name of the company secretary;
- (g) the name of the Director;
- (h) in the case of a foreign company:
 - (i) the name of the relevant foreign registration body;
 - (ii) any identification number issued to the company by the relevant foreign registration body;
- (i) for an unlisted public company other than an Australian regulated company, the full name and address of each Beneficial Owner;
- (j) in the case of listed companies other than domestic listed companies and companies listed on a recognised foreign stock exchange and their majority owned subsidiaries (**approved listed companies**) and Australian regulated companies, the full name and address of the Beneficial Owners of the top twenty (20) shareholdings;
- (k) details of any current or recent prosecutions and inquiries related to ML, terrorist links, tax offences and corruption in respect of the company.

40.5 The AML/CTF Compliance Officer may also determine, where the money laundering or terrorism financing risk posed by the company is medium or high, that the individuals referred to in Sections 40.4(f) and 40.4(g), of this Program, must be screened against the lists mentioned in Section 65.1 of this Program.

40.6 The verification procedures in Section 41, of this Program, must also be followed, having regard to the money laundering or terrorism financing risk relevant to the provision of the designated service.

41. COMPANIES: VERIFICATION – PROCEDURES

41.1 The following verification procedures need to be followed for companies:

- (a) Government database verification (refer to Section 65 of this Program); and
- (b) PEP verification (refer to Section 69 of this Program); and
- (c) Foreign high-risk jurisdiction verification (refer to Section 64 of this Program); and
- (d) A document identification procedure (refer to Section 41.2 of this Program).

41.2 At a minimum, the following KYC Information about a customer in Section 40 of this Program must be verified:

- (a) in the case of a domestic company:
 - (i) the full name of the company as registered by ASIC;
 - (ii) whether the company is registered by ASIC as a proprietary or public company; and
 - (iii) the ACN issued to the company;
- (b) in the case of a registered foreign company:
 - (i) the full name of the company as registered by ASIC;
 - (ii) whether the company is registered by the relevant foreign registration body and if so, whether it is registered as a private or public company or some other type of company; and
 - (iii) the ARBN issued to the company;
- (c) in the case of an unregistered foreign company:
 - (i) the full name of the company;
 - (ii) whether the company is registered by the relevant foreign registration body and if so:
 - (A) any identification number issued to the company by the relevant foreign registration body upon the company's formation, incorporation or registration; and
 - (B) whether it is registered as a private or public company or some other type of company by the relevant foreign registration body.

41.3 Where the money laundering or terrorism financing risk posed by the provision of a designated service to a particular company is assessed as medium or high under Section 36.1 of this Program, the AML/CTF Compliance Officer may require APEC Capital employee responsible for the customer will collect one or more pieces of the following information:

- (a) in the case of a domestic company:
 - (i) the full address of the company's registered office;
 - (ii) the full address of the company's principal place of business, if any;

- (iii) if the company is registered as a proprietary company, the name of each director of the company;
 - (b) in the case of a registered foreign company:
 - (i) the full address of the company's principal place of business in Australia (if any) or the full name and address of the company's local agent in Australia;
 - (ii) the country in which the company was formed, incorporated or registered;
 - (iii) if the company is registered as a private company by the relevant foreign registration body – the name of each director of the company; and
 - (c) in the case of an unregistered foreign company:
 - (i) the country in which the company was formed, incorporated or registered;
 - (ii) whether the company is registered by the relevant foreign registration body and if so:
 - (A) the full address of the company in its country of formation, incorporation or registration as registered by the relevant foreign registration body; and
 - (iii) if the company is registered as a private company by the relevant foreign registration body – the name of each director of the company; and
 - (iv) if the company is not registered by the relevant foreign registration body, the full address of the principal place of business of the company in its country of formation or incorporation.
- 41.4 If the company is an unregistered foreign company, the AML/CTF Compliance Officer may determine that it is necessary to seek an explanation as to why the company is not registered.
- 41.5 Where it has been determined under an assessment conducted under Section 36.1, of this Program, that the money laundering or terrorism financing risk posed by the provision of a designated service to a company is medium or high and additional KYC Information has been collected in respect of that customer, it may be necessary to verify some or all of the additional KYC Information that has been collected. The AML/CTF Compliance Officer will determine what additional KYC Information will be verified in respect of that customer.
- 41.6 For information that is required to be verified as indicated in Sections 41.2 and 41.3 of this Program and, the following can be used:
- (a) reliable and independent documentation (refer to Section 42 of this Program);
 - (b) reliable and independent electronic data (refer to Section 44 of this Program); or
 - (c) a combination of (a) and (b) above.
- 41.7 For the purposes of Section 41.6, 'reliable and independent documentation' includes a disclosure certificate that verifies information about the Beneficial Owners of a company if a reporting entity is permitted to obtain a disclosure certificate as described in Section 72 of this Program.

42. COMPANIES: SIMPLIFIED VERIFICATION PROCEDURES

42.1 The criteria in Section 41, of this Program, does not have to be satisfied where APEC Capital confirms that the company is:

- (a) a domestic listed public company;
- (b) a majority owned subsidiary of a domestic listed public company; or
- (c) licensed and subject to regulatory oversight of a Commonwealth, State or Territory regulator in relation to its activities as a company,

by obtaining one (1) or a combination of the following:

- (d) a search of the relevant domestic stock exchange;
- (e) a public document issued by the relevant company;
- (f) a search of the relevant ASIC database; or
- (g) a search of the licence or other records of the relevant regulator.

43. COMPANIES: VERIFICATION – RELIABLE AND INDEPENDENT DOCUMENTATION

43.1 The following types of reliable and independent documentation are acceptable for verification of company information:

- (a) an original and currently valid Australian financial services licence issued by ASIC;
- (b) an original and currently valid company registration certificate issued by ASIC; or
- (c) in relation to the beneficial ownership of a company, a disclosure certificate that verifies information about the beneficial ownership of a company (subject to Section 43.2 of this Program).

43.2 Disclosure Certificates:

- (a) For a company other than a foreign company, i.e. an Australian company, a disclosure certificate will be 'reliable and independent documentation' for the purposes of this Program to verify additional information collected in respect of a company.
- (b) For a foreign company where other reliable verification information is not otherwise reasonably available, a disclosure certificate verifying information about a foreign company can be relied upon by APEC Capital for new customer KYC verification if given approval by the AML/CTF Compliance Officer. The AML/CTF Compliance Officer will take into consideration the money laundering or terrorism financing risk relevant to the provision of the designated service, including the jurisdiction of incorporation of the company as well as the jurisdiction of the primary operations of the company and the location of the foreign stock or equivalent exchange (if any), and the activities undertaken by the company and the availability of evidence about the activities and existence of the company.

44. COMPANIES: VERIFICATION – RELIABLE AND INDEPENDENT ELECTRONIC DATA

44.1 When verifying KYC Information collected from a customer by means of reliable and independent electronic data, the procedures below need to be followed.

- 44.2 For the purposes of verification of a company other than a foreign company, the following sources are considered to provide reliable and independent electronic data, having regard to the matters outlined in Section 45.1 of this Program:
- (a) ASIC (www.asic.gov.au);
 - (b) ASX (www.asx.com.au); and
 - (c) APRA (www.apra.gov.au).
- 44.3 For the purposes of verification of a foreign company, the following sources are considered to provide reliable and independent electronic data, having regard to the matters outlined in Section 45.1 of this Program:
- (a) a search of the relevant foreign stock or equivalent exchange (if any) – refer to Section 44.4 of this Program; and
 - (b) a search of the records of the relevant regulator.
- 44.4 A relevant foreign stock or equivalent exchange is one that is approved by ASIC for recognition, including, but not limited to the following financial markets:
- (a) American Stock Exchange;
 - (b) Borsa Italiana;
 - (c) Bourse de Paris;
 - (d) Bursa Malaysia Main Board and Bursa Malaysia Second Board;
 - (e) Eurex Amsterdam;
 - (f) Frankfurt Stock Exchange;
 - (g) Hong Kong Stock Exchange;
 - (h) JSE Securities Exchange;
 - (i) London Stock Exchange;
 - (j) NASDAQ National Market;
 - (k) New York Stock Exchange;
 - (l) New Zealand Stock Exchange;
 - (m) Stock Exchange of Singapore;
 - (n) SWX Swiss Exchange;
 - (o) Tokyo Stock Exchange; and
 - (p) Toronto Stock Exchange.
- 44.5 For the purposes of verification of a foreign listed public company, APEC Capital must have regard to the money laundering or terrorism financing risk relevant to the provision of the designated services being provided (or potentially provided), including the location of the foreign stock or equivalent exchange (if any). These factors will be deemed to have been sufficiently

considered when the AML/CTF Compliance Officer gives final sign-off as required in Section 70 of this Program.

45. COMPANIES: VERIFICATION – ALTERNATIVE DATA

45.1 Where the data in Sections 42 and 44, of this Program, cannot be obtained or is not sufficient to verify the required data listed in Sections 40.1 and 41 of this Program, in consultation with the AML/CTF Compliance Officer, APEC Capital's employee responsible for the customer will determine whether alternative sources of data can be obtained. This alternative data must be reliable and independent such that it can be accepted into the verification process. In making this determination, the following factors need to be taken into account:

- (a) the accuracy of the data;
- (b) how secure the data is;
- (c) how the data is kept up-to-date;
- (d) how comprehensive the data is (for example, by reference to the range of persons included in the data and the period over which the data has been collected);
- (e) whether the data has been verified from a reliable and independent source;
- (f) whether the data is maintained by a government body or pursuant to legislation; and
- (g) whether the electronic data can be additionally authenticated.

46. COMPANIES: VERIFICATION – INDEPENDENT CONTACT

46.1 To verify KYC Information collected from a customer, APEC Capital's employee responsible for the customer will independently initiate contact with the company. This contact will be made using information contained in public resources such as the:

- (a) White Pages Directory;
- (b) Yellow Pages Directory;
- (c) ASIC Database;
- (d) internet searches; and
- (e) APRA database.

46.2 Any of the electronic data in Sections 44.2 or 44.3, of this Program, can also be used for the purposes of this Section.

47. TRUSTS: CUSTOMER IDENTIFICATION PRINCIPLES

47.1 APEC Capital does not currently provide any services to customers identified as trustees of trusts. If APEC Capital decides to provide services to trusts in the future, APEC Capital will carry the due diligence measures in accordance with Sections 48 and 49 below.

47.2 For a new customer that acts in the capacity of a trustee of a trust, it is necessary for APEC Capital to be reasonably satisfied that:

- (a) the trust exists (refer to Section 48 of this Program); and

- (b) the name of each trustee and beneficiary, or a description of each class of beneficiary, of the trust has been provided.

48. TRUSTS: IDENTIFICATION PROCEDURES

48.1 In accordance with Section 47.2(a) of this Program, the following KYC Information must be collected from a customer:

- (a) the full name of the trust;
- (b) the full business name (if any) of the trustee in respect of the trust;
- (c) the type of the trust;
- (d) the country in which the trust was established;
- (e) the full name of the settlor of the trust, unless:
 - (i) the material asset contribution to the trust by the settlor at the time the trust is established is less than \$10,000.00; or
 - (ii) the settlor is deceased; or
 - (iii) the trust is verified using the simplified trustee verification procedure under Section 50 of this Program.
- (f) if any of the trustees is an individual, then in respect of one of those individuals – the information required to be collected from an individual is under Sections 37 to 39 of this Program;
- (g) if any of the trustees is a company, then in respect of one of those companies – the information required to be collected from a company is under Sections 40 to 46 of this Program;
- (h) if the trustees comprise of individuals and companies then in respect of either an individual or a company – the information required to be collected from the individual or company (as the case may be) is under the applicable customer identification procedures in Sections 37 to 39 of this Program.

48.2 Where it is determined under an assessment carried out under Section 36.1, of this Program, that the money laundering or terrorism financing risk posed by the provision of a designated service to a trustee of a trust is medium or high, the AML/CTF Compliance Officer may require APEC Capital's employee responsible for the customer will collect one or more pieces of the following information:

- (a) all business names used by the trusts and any other name under which the trust operates;
- (b) the nature of the business activities conducted by the trust;
- (c) the source of the customer's funds including the origin of funds;
- (d) the jurisdiction in which the trust was established;
- (e) details of any current or recent prosecutions and inquiries related to money laundering, terrorist links, tax offences and corruption in respect of the trust;
- (f) the nature and level of the customer's intended transaction behaviour;

- (g) the income and assets (including location) of the trust;
- (h) details of any parties with which the trust owns property, is in partnership or undertakes a joint venture.

49. TRUSTS: VERIFICATION PROCEDURES

49.1 The following verification procedures need to be followed for trusts:

- (a) Government database verification (refer to Section 65 of this Program);
- (b) PEP verification (refer to Section 69 of this Program);
- (c) Foreign high-risk jurisdiction verification (refer to Section 64 of this Program); and
- (d) a document identification procedure (refer to Section 49.2 of this Program).

49.2 At a minimum, the following KYC Information about a customer in Section 47 of this Program must be verified:

- (a) the full name of the trust from a trust deed, certified copy or certified extract of the trust deed, reliable and independent documents relating to the trust or reliable and independent electronic data;
- (b) if any of the trustees is an individual, then in respect of one of those individuals – information about the individual is in accordance with the customer identification procedures in Sections 37 to 39 of this Program;
- (c) if any of the trustees is a company, then in respect of one of those companies – information about the company is in accordance with the procedures in Sections 40 to 46 of this Program;
- (d) if the trustees comprise individuals and companies then in respect of either an individual or a company – the information about the individual or company (as the case may be) is in accordance with the applicable procedures in Sections 37 to 46 of this Program;
- (e) the full name of the settlor of the trust unless;
 - (i) the material asset contribution to the trust by the settlor at the time the trust is established is less than \$10,000.00;
 - (ii) the settlor is deceased;
 - (iii) the trust is verified using the simplified trustee verification procedure under Section 50 of this Program.

49.3 Where it has been determined under an assessment carried out under Section 36.1, of this Program, that the money laundering or terrorism financing risk posed by the provision of a designated service to a trustee of a trust is medium or high and additional KYC Information has been collected in respect of that customer, it may be necessary to verify some or all of the additional KYC Information that has been collected. The AML/CTF Compliance Officer will determine what additional KYC Information will be verified in respect of that customer.

49.4 A Disclosure Certificate will be 'reliable and independent documentation' for the purposes of Section 49.2 of this Program to verify additional information collected in respect of a company where:

- (a) the verification is for the purposes of a procedures of Section 48 of this Program; and

- (b) the information is not otherwise reasonably available from the sources described in Section 49.2 of this Program.

50. TRUSTS: SIMPLIFIED VERIFICATION – PROCEDURES

50.1 The criteria in Section 48 and 52 of this Program will not need to be satisfied where it can be verified that a trustee falls into one of the following categories:

- (a) a managed investment scheme registered by ASIC;
- (b) a managed investment scheme that is not registered by ASIC and that:
 - (i) only has wholesale customers; and
 - (ii) does not make small scale offerings to which section 1012E of the *Corporations Act 2001* (Cth) applies;
- (c) registered and subject to the regulatory oversight of a Commonwealth statutory regulator in relation to its activities as a trust; or
- (d) a government superannuation fund established by legislation.

51. TRUSTEES AND BENEFICIARIES: IDENTIFICATION PROCEDURES

51.1 In accordance with Section 47.2(b) of this Program, the following KYC Information must be collected from a customer:

- (a) the full name and address of each trustee in respect of the trust; and
- (b) either the:
 - (i) full name of each beneficiary of the trust; or
 - (ii) if the terms of the trust identify the beneficiaries by reference to membership of a class – details of the class.

52. TRUSTEES AND BENEFICIARIES: VERIFICATION PROCEDURES

52.1 The information collected under Section 50 of this Program must be verified by:

- (a) a trust deed, certified copy or certified extract of a trust deed;
- (b) reliable and independent documents relating to the trust;
- (c) reliable and independent electronic data; or
- (d) a combination of (a) to (c) above.

52.2 For the purposes of Sections 52.1(b) and 52.1(c) of this Program, 'reliable and independent documents relating to the trust' includes a disclosure certificate that verifies information about a trust where:

- (a) the verification is being conducted as a result of a risk-based assessment in Section 33.2(b) of this Program determining that additional information is required about the trustee; and
- (b) the information to be verified is not otherwise reasonably available from the sources in Section 52.1 of this Program.

52.3 For the purposes of verification of a trustee, APEC Capital must have regard to the money laundering or terrorism financing risk relevant to the provision of the designated services being provided (or potentially provided). These factors will be deemed to have been sufficiently considered when the AML/CTF Compliance Officer gives final sign-off as required in Section 70 of this Program.

53. PARTNERHIPS: CUSTOMER IDENTIFICATION PROCEDURES

53.1 APEC Capital does not currently provide any services to customers identified as a partnership. If APEC Capital decides to provide services to partnerships in the future, APEC Capital will carry out the due diligence measures in accordance with Sections 53 and 54 below.

53.2 For a new customer that is a partnership, it is necessary for APEC Capital to be reasonably satisfied that:

- (a) the partnership exists; and
- (b) the name of each of the partners in the partnership has been provided in accordance with Section 53.3(e).

53.3 The following KYC Information must be collected by APEC Capital for a customer that is a partnership, at a minimum:

- (a) full name of the partnership;
- (b) the full business name (if any) of the partnership as registered under any State or Territory business names legislation
- (c) the country in which the partnership was established;
- (d) in respect of one of the partners – the information required to be collected under Section 37; and
- (e) the full name and residential address of each partner in the partnership except where the regulated status of the partnership is confirmed through reference to the current membership directory of the relevant professional association

53.4 Where the money laundering or terrorism financing risk posed by the provision of a designated service to a particular partnership is assessed as medium or high under Section 36.1 of this Program, the AML/CTF Compliance Officer may require APEC Capital's employee to be responsible for the customer. One or more of the following pieces of information will be collected:

- (a) any alias names used by the partner;
- (b) the partnership's business activities;
- (c) the source of the partnership's funds including the origin of funds;
- (d) income and assets of the partnership;
- (e) the nature and level of the partnership's intended transaction behaviour; and
- (f) the beneficial ownership of the funds used by the partnership/the partnership's account with APEC Capital.

53.5 The information collection requirements in this Section are not intended to conflict with any other obligation APEC Capital has under other legislation including the *Privacy Act* 1988. Any conflicts, which arise, should be immediately notified to the AML/CTF Compliance Officer.

54. PARTNERSHIPS: VERIFICATION – PRINCIPLES

- 54.1 At a minimum, the following KYC Information about a customer in Section 53 of this Program, must be verified:
- (a) the full name of the partnership from the partnership agreement, certified copy or certified extract of the partnership agreement, reliable and independent documents relating to the partnership or reliable and independent electronic data;
 - (b) information about one of the partners in accordance with the applicable customer identification procedure with respect to individuals set Section 37.
- 54.2 Information which is required to be verified as indicated in Section 54.1 of this Program, must be based on:
- (a) a partnership agreement, certified copy or certified extract of a partnership agreement;
 - (b) a certified copy or certified extract of minutes of a partnership meeting;
 - (c) reliable and independent documentation;
 - (d) reliable and independent electronic data; or
 - (e) a combination of (a) to (d) above.
- 54.3 For the purposes of Section 54.2 'reliable and independent documentation' includes a disclosure certificate that verifies information about the Beneficial Owners of a company if a reporting entity is permitted to obtain a disclosure certificate as described in Section 72 of this Program.

55. ASSOCIATIONS: CUSTOMER IDENTIFICATION PROCEDURES

- 55.1 APEC Capital does not currently provide any services to customers identified as associations. If APEC Capital decides to provide services to associations in the future, APEC Capital will carry out the due diligence measures in accordance with Sections 55 and 56 below.
- 55.2 Where a new customer is an incorporated or unincorporated association, it is necessary for APEC Capital to be reasonably satisfied that:
- (a) the association exists; and
 - (b) the names of any members of the governing committee (howsoever described) of the association have been provided.
- 55.3 The following KYC Information must be collected by APEC Capital for a customer that is an incorporated association, at a minimum:
- (a) the full name of the association;
 - (b) the full address of the association's principal place of administration or registered office (if any) or the residential address of the association's public officer or (if there is no such person) the association's president, secretary or treasurer;
 - (c) any unique identifying number issued to the association upon its incorporation by the State, Territory or overseas body responsible for the incorporation of the association; and
 - (d) the full name of the chairman, secretary and treasurer or equivalent officer in each case of the association.

- 55.4 The following KYC Information must be collected by APEC Capital's employee who is responsible for a customer that is a member of an unincorporated association, at a minimum:
- (a) the full name of the association;
 - (b) the full address of the association's principal place of administration (if any);
 - (c) the full name of the chairman, secretary and treasurer or equivalent officer in each case of the association; and
 - (d) in respect of the member – the information required to be collected from an individual under the applicable customer identification procedure with respect to individuals set out in an AML/CTF program.
- 55.5 Where the money laundering or terrorism financing risk posed by the provision of a designated service to a particular association is assessed as medium or high under Section 36.1 of this Program, the AML/CTF Compliance Officer may require APEC Capital's employee to be responsible for the customer. One or more of the following pieces of information will be collected:
- (a) any alias names used by the member of the association;
 - (b) the association's business activities;
 - (c) the source of the association's funds including the origin of funds;
 - (d) income and assets of the association;
 - (e) the nature and level of the association's intended transaction behaviour; and
 - (f) the beneficial ownership of the funds used by the member/the association's account with APEC Capital.
- 55.6 The information collection requirements in this Section are not intended to conflict with any other obligation APEC Capital has under other legislation including the *Privacy Act 1988*. Any conflicts, which arise, should be immediately notified to the AML/CTF Compliance Officer.

56. ASSOCIATIONS: VERIFICATION – PRINCIPLES

- 56.1 At a minimum, the following KYC Information about a customer who is an incorporated association, must be verified:
- (a) the full name of the incorporated association; and
 - (b) any unique identifying number issued to the incorporated association upon its incorporation;

from information provided by ASIC or by the State, Territory or overseas body responsible for the incorporation of the association or from the rules or constitution of the association or from a certified copy or certified extract of the rules or constitution of the association or from reliable and independent documents relating to the association or from reliable and independent electronic data.
- 56.2 At a minimum, the following KYC Information about a customer who is an unincorporated association, must be verified:
- (a) the full name (if any) of the association from the rules or constitution of the association or from a certified copy or certified extract of the rules or constitution of the association or

from reliable and independent documents relating to the association or from reliable and independent electronic data; and

- (b) information about the member in accordance with the applicable customer identification procedure with respect to individuals set out in Section 35.

56.3 Information which is required to be verified as indicated in Section 56.1 of this Program, must be based on:

- (a) the constitution or rules of the association or a certified copy or certified extract of the constitution or rules of the association;
- (b) the minutes of meeting of the association or a certified copy or certified extract of minutes of meeting of the association;
- (c) in the case of an incorporated association, information provided by ASIC or by the State, Territory or overseas body responsible for the incorporation of the association;
- (d) reliable and independent documentation;
- (e) reliable and independent electronic data; or
- (f) a combination of (a) to (e) above.

56.4 For the purposes of Section 56.3 'reliable and independent documentation' includes a disclosure certificate that verifies information about the Beneficial Owners of a company if a reporting entity is permitted to obtain a disclosure certificate as described in Section 72 of this Program.

57. REGISTERED COOPERATIVES: CUSTOMER IDENTIFICATION PROCEDURES

57.1 APEC Capital does not currently provide any services to customers identified as registered cooperatives. If APEC Capital decides to provide services to registered cooperatives in the future, APEC Capital will carry out the due diligence measures in accordance with Sections 57 and 58 below.

57.2 Where a new customer is a registered co-operative, it is necessary for APEC Capital to be reasonably satisfied that:

- (a) the co-operative exists; and
- (b) the names of the chairman, secretary or equivalent in each case of the co-operative have been provided.

57.3 The following KYC Information must be collected by APEC Capital for a customer that is a registered co-operative, at a minimum:

- (a) the full name of the co-operative;
- (b) the full address of the co-operative's registered office or principal place of operations (if any) or the residential address of the co-operative's secretary or (if there is no such person) the co-operative's president or treasurer;
- (c) any unique identifying number issued to the co-operative upon its registration by the State, Territory or overseas body responsible for the registration of the co-operative; and
- (d) the full name of the chairman, secretary and treasurer or equivalent officer in each case of the co-operative.

- 57.4 Where the money laundering or terrorism financing risk posed by the provision of a designated service to a particular association is assessed as medium or high under Section 36.1 of this Program, the AML/CTF Compliance Officer may require APEC Capital's employee to be responsible for the customer. One or more of the following pieces of information will be collected:
- (a) any alias names used by the member of the co-operative;
 - (b) the co-operative's business activities;
 - (c) the source of the co-operative's funds including the origin of funds;
 - (d) income and assets of the co-operative;
 - (e) the nature and level of the co-operative's intended transaction behaviour; and
 - (f) the beneficial ownership of the funds used by the member/the co-operative's account with APEC Capital.
- 57.5 The information collection requirements in this Section are not intended to conflict with any other obligation APEC Capital has under other legislation including the *Privacy Act* 1988. Any conflicts, which arise, should be immediately notified to the AML/CTF Compliance Officer.

58. REGISTERED COOPERATIVES: VERIFICATION – PRINCIPLES

- 58.1 At a minimum, the following KYC Information about a customer who is an incorporated association, must be verified:
- (a) the full name of the co-operative; and
 - (b) any unique identifying number issued to the co-operative upon its incorporation;

from information provided by ASIC or by the State, Territory or overseas body responsible for the registration of the co-operative or from any register maintained by the co-operative or from a certified copy or certified extract of any register maintained by the co-operative or from reliable and independent documents relating to the co-operative or from reliable and independent electronic data.
- 58.2 Information which is required to be verified as indicated in Section 58.1 of this Program, must be based on:
- (a) any register maintained by the co-operative or a certified copy or certified extract of any register maintained by the co-operative;
 - (b) the minutes of meeting of the co-operative or a certified copy or certified extract of minutes of meeting of the co-operative;
 - (c) information provided by the State, Territory or overseas body responsible for the registration of the co-operative;
 - (d) reliable and independent documentation;
 - (e) reliable and independent electronic data; or
 - (f) a combination of (a) to (e) above.
- 58.3 For the purposes of Section 58.2 'reliable and independent documentation' includes a disclosure certificate that verifies information about the Beneficial Owners of a company if a reporting entity is permitted to obtain a disclosure certificate as described in Section 72 of this Program.

59. GOVERNMENT BODIES: CUSTOMER IDENTIFICATION PROCEDURES

- 59.1 APEC Capital does not currently provide any services to customers identified as government bodies. If APEC Capital decides to provide any services to government bodies in the future, APEC Capital will carry out the due diligence measures in accordance with Sections 59 and 60 below.
- 59.2 Where a new customer is a government body, it is necessary for APEC Capital to be reasonably satisfied that:
- (a) the government body exists; and
 - (b) in the case of certain kinds of government bodies – information about the beneficial owners of the government body.
- 59.3 The following KYC Information must be collected by APEC Capital for a customer that is an government body, at a minimum:
- (a) the full name of the government body;
 - (b) the full address of the government body's principal place of operations;
 - (c) whether the government body is an entity or emanation, or is established under legislation, of the Commonwealth; and
 - (d) whether the government body is an entity or emanation, or is established under legislation, of a State, Territory, or a foreign country and the name of that State, Territory or country.
- 59.4 Where the money laundering or terrorism financing risk posed by the provision of a designated service to a particular government body is assessed as medium or high under Section 36.1 of this Program, the AML/CTF Compliance Officer may require APEC Capital's employee to be responsible for the customer. One or more of the following pieces of information will be collected:
- (a) any alias names used by the member of the government body;
 - (b) the government body's business activities;
 - (c) the source of the government body's funds including the origin of funds;
 - (d) income and assets of the government body;
 - (e) the nature and level of the government body's intended transaction behaviour; and
 - (f) the beneficial ownership of the funds used by the member/the government body's account with APEC Capital.

59.5 The information collection requirements in this Section are not intended to conflict with any other obligation APEC Capital has under other legislation including the *Privacy Act* 1988. Any conflicts, which arise, should be immediately notified to the AML/CTF Compliance Officer.

60. GOVERNMENT BODIES: VERIFICATION – PRINCIPLES

- 60.1 At a minimum, the following KYC Information about a customer who is a government body, must be verified:
- (a) the full name of the government body;

- (b) the full address of the government body's principal place of operations;
- (c) whether the government body is an entity or emanation, or is established under legislation, of the Commonwealth; and
- (d) whether the government body is an entity or emanation, or is established under legislation, of a State, Territory, or a foreign country and the name of that State, Territory or country.

60.2 Information which is required to be verified as indicated in Section 60.1 of this Program, must be based on:

- (a) reliable and independent documentation;
- (b) reliable and independent electronic data; or
- (c) a combination of (a) and (b) above.

61. AGENTS: IDENTIFICATION PROCEDURES

61.1 Where an agent requests the provision of a designated service on behalf of a customer, APEC Capital must collect, at a minimum the following:

- (a) the full name of each individual who purports to act for or on behalf of the customer with respect to the provision of a designated service by APEC Capital; and
- (b) evidence of the customer's authorisation of any individual to act on its behalf.

61.2 Where an agent requests the provision of a designated service on behalf of a customer, APEC Capital will carry out the relevant customer identification procedure outlined in Part B of this Program, in respect of that customer.

62. AGENTS: VERIFICATION PRINCIPLES

62.1 APEC Capital will not verify the identity of the agent where the money laundering or terrorism financing risk associated with the provision of a designated service is classified as low by the AML/CTF Compliance Officer.

62.2 Where it is determined that the money laundering or terrorism financing risk associated with the provision of a designated service to the particular customer is medium or high, APEC Capital will verify the information specified in Section 61.1 of this Program, in accordance with the requirements of Section 38.3 of this Program.

62.3 APEC Capital will verify the identity of the customer in accordance with its customer identification procedures set out in Part B of this Program.

63. VERIFICATION – RELIABLE AND INDEPENDENT DOCUMENTATION

63.1 It is assumed that any document used to verify KYC Information will be sufficiently contemporaneous unless otherwise specified in the AML/CTF Rules or in this Program. For the purposes of this Program, a document will be sufficiently contemporaneous if it has not expired or, where it does not have an expiry date, is no more than three (3) months old.

63.2 If a customer is unable to provide an original copy of a document for the purposes of verifying KYC Information, the AML/CTF Compliance Officer will need to determine, having regard to the money laundering or terrorism financing risk associated with the provision of a designated service to that customer, whether it is appropriate to rely on a certified copy of the document.

63.3 The AML/CTF Compliance Officer will take steps to determine whether any document produced by a customer has been forged, tampered with, cancelled or stolen.

64. VERIFICATION – FOREIGN JURISDICTIONS

64.1 Where APEC Capital has the prospect to acquire a new customer from a foreign jurisdiction, an assessment must be made as to whether it is a high-risk jurisdiction. The factors that should be considered in this assessment include, but are not limited to:

- (a) whether the customer is based in a country that is a Financial Action Task Force (“**FATF**”) member and any FATF reports about that country;³
- (b) the legal framework and standard AML/CTF controls of the foreign jurisdiction; and
- (c) the economic climate of the foreign jurisdiction.

64.2 The assessment should take into account information from legitimate, respected domestic and/or international bodies.

64.3 Where an assessment is made that the customer is from a high-risk jurisdiction, the matter must be referred to the AML/CTF Compliance Officer who will make a decision as to whether APEC Capital should continue dealing with the customer.

65. VERIFICATION – GOVERNMENT DATABASES

65.1 Where APEC Capital is likely to provide designated services to a new customer, the following procedures must be carried out in addition to the KYC procedures discussed elsewhere in this Program by APEC Capital:

- (a) Department of Foreign Affairs and Trade’s (“**DFAT**”) Consolidated List:
 - (i) the name of a prospective customer must be checked against the DFAT Consolidated List available at <http://dfat.gov.au/international-relations/security/sanctions/pages/sanctions.aspx>;
 - (ii) the DFAT Consolidated List must be accessed directly from the DFAT website every time a prospective customer is checked – a copy of this spreadsheet should not be saved on an employee’s computer in order to ensure that the most recent version of the Consolidated List is used;
 - (iii) alternatively, the DFAT ‘LinkMatch’ software may be used to check the names of a prospective customer – prior to a prospective customer being checked, the most recent version of the ‘LinkMatch’ software must be downloaded from <https://www.dfat.gov.au/international-relations/security/sanctions/Pages/consolidated-list/linkmatch-software-download>;
 - (iv) where there is a match it must be **immediately** referred to the AML/CTF Compliance Officer who will carry out the “What do I need to do?” procedures published at <http://dfat.gov.au/international-relations/security/sanctions/pages/sanctions.aspx>; and

³ For APEC Capital’s assessment purposes, the following countries are members of the FAFT as at November 2017: Australia, Canada, China, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Russian Federation, Singapore, South Africa, United Kingdom and United States. For more countries see: <http://www.fatf-gafi.org/countries/#FATF>.

- (v) where a match is found on the DFAT Consolidated List, there must not be any further dealings with the customer until permitted by the AML/CTF Compliance Officer.
- (b) Australian National Security (“**ANS**”):
- (i) the name of the new customer must be checked against the ANS Listing of Terrorist Organisations available at <http://www.nationalsecurity.gov.au/Listedterroristorganisations/Pages/default.aspx>;
 - (ii) the ANS Listing of Terrorist Organisations must be accessed directly from the ANS website listed in Section 65.1(b)(i) of this Program every time a prospective customer is being checked – a copy of this list should not be saved on an employee’s computer in order to ensure that the most recent version is used;
 - (iii) where there is a match it must be **immediately** referred to the AML/CTF Compliance Officer; and
 - (iv) where there is a match with the ANS Listing of Terrorist Organisations, there must not be any further dealings with the customer until permitted by the AML/CTF Compliance Officer.

66. BENEFICIAL OWNERS: IDENTIFICATION PROCEDURES

66.1 For definition of “Beneficial Owner” please see Section 4 of this Program.

66.2 Determining the Beneficial Owner of each customer

66.3 If during the KYC procedures under Section 40 of this Program it is not immediately apparent who the Beneficial Owners of a customer are, APEC Capital’s must identify all that customer’s Beneficial Owners before providing a designated service to that customer or enter into a business relationship with them.

66.4 In identifying the Beneficial Owners of a customer, APEC Capital may:

- (a) collect from the customer information relating to the ownership structure of the customer including but not limited to:
 - (i) information relating to the shareholders of the company;
 - (ii) information relating to the people exercising responsibility for senior management decisions, or similar, of the customer;
 - (iii) information relating to the people with the ability to control the customer and/or dismiss or appoint those in senior management positions;
 - (iv) information relating to those people holding more than 25% of the customer’s rights;
 - (v) information relating to those individuals (for example, the CEO) who hold senior management positions; and
 - (vi) trustees (where applicable).
- (b) if the customer is controlled by other entities (and/or those entities are in turn controlled by further entities) the ownership structure of each entity must also be clarified until APEC

Capital has a clear understanding of who the ultimate Beneficial Owners of the customer are.

- 66.5 APEC Capital must take reasonable measures to collect and verify:
- (a) each Beneficial Owner's full name, and
 - (b) the Beneficial Owner's date of birth; or
 - (c) the Beneficial Owner's full residential address.
- 66.6 The steps in Section 66.5 must be carried out by APEC Capital either before the provision of designated service to the customer or as soon as practicable after the designated service has been provided.
- 66.7 The steps in Section 66.5 do not need to be carried out for a customer who is:
- (a) an individual. APEC Capital may assume that the customer and the Beneficial Owner are one and the same, unless APEC Capital has reasonable grounds to consider otherwise;
 - (b) a company which is verified under the simplified company verification procedure under Section 42 of this Program;
 - (c) a trust which is verified under the simplified trustee verification procedure under 50 of this Program;
 - (d) an Australian Government Entity; or
 - (e) a foreign listed public company subject to disclosure requirements (whether by stock exchange rules or by law or enforceable means) to ensure transparency of beneficial ownership which are, or are comparable to, the requirements in Australia.
- 66.8 The AML/CTF Compliance Officer will determine whether any additional information in addition to the information referred to in Section 66.5 will be collected and verified from a customer about any Beneficial Owner.

67. BENEFICIAL OWNERS: VERIFICATION PROCEDURES

- 67.1 Information which is required to be verified as indicated in Section 66.5, of this Program, must be based on:
- (a) reliable and independent documentation;
 - (b) reliable and independent electronic data; or
 - (c) a combination of (a) and (b) above.
- 67.2 Where it has been determined that the money laundering or terrorism financing risk posed by the provision of a designated service to an individual and Beneficial Owner is medium or lower, APEC Capital will comply with the safe harbour procedures and conduct a document identification procedure (a 'standard customer identification procedure' outlined in Sections 67.3 and 67.4 of this Program, should be conducted in all cases where possible).
- 67.3 **Standard domestic documentation identification procedure:** The information in Section 66.5, of this Program, can be verified from either an original or certified copy of a current:
- (a) Australian driver's licence containing a photograph of the person;

- (b) Australian passport (it is also permissible for a passport to be issued by the Commonwealth to have expired within the preceding 2 years); or
 - (c) Card issued under a State or Territory law, for the purpose of proving a person's age, containing a photograph of the person in whose name the card is issued.
- 67.4 **Standard foreign documentation identification procedure:** The information in Section 66.2, of this Program, can be verified from either an original or certified copy of a current foreign government issued passport or similar travel document. Where any document relied on as part of this procedure is in a language that is not English, it may be accompanied by an English translation prepared by an accredited translator.
- 67.5 **Non-standard customer identification procedures:** The procedures in Sections 67.6 and 67.7, of this Program, should be conducted where:
- (a) a 'standard customer identification procedure' in Sections 67.3 and 67.4 of this Program, was unable to be conducted;
 - (b) the AML/CTF Compliance Officer forms the view that a discrepancy arose from the information collected and verified during a 'standard customer identification procedure'; or
 - (c) having conducted the 'standard customer identification procedure', the AML/CTF Compliance Officer is not reasonably satisfied that the customer is the individual he or she claims to be.
- 67.6 **Acceptable 'non-standard domestic documentation identification procedure':** An acceptable 'non-standard domestic documentation identification procedure' would be based on:
- (a) an original or certified copy of:
 - (i) Australian Birth Certificate;
 - (ii) Australian Citizenship Certificate; or
 - (iii) both:
 - (A) Pension card issued by Centrelink; and
 - (B) an original notice issued to an individual, of a kind listed below, that contains the name of the individual and his or her residential address:
 - (I) issued by the Commonwealth or a State or Territory within the preceding twelve (12) months that records the provision of financial benefits; or
 - (II) issued by the Australian Taxation Office within the preceding twelve (12) months; or
 - (III) issued by a local government body or utilities provider within the preceding three (3) months that records the provision of services to that address or to that person.
- 67.7 **Acceptable 'non-standard foreign documentation identification procedure':** Acceptable 'non-standard foreign documentation identification procedure' would be based on either an original or certified copy of a current:
- (a) National Identity Card issued by a foreign government containing a photograph of the person in whose name the card is issued;

- (b) Foreign driver's licence which contains a photograph of the person in whose name it was issued; and
 - (c) Where any document relied on as part of the procedure is in a language that is not English, it may be accompanied by an English translation prepared by an accredited translator.
- 67.8 When determining whether to accept non-standard foreign documentation, the AML/CTF Compliance Officer should have regard to the money laundering or terrorism financing risk posed by the provision of a designated service to a customer from that particular foreign country.
- 67.9 For the purposes of verification of an individual, APEC Capital must have regard to the money laundering or terrorism financing risk relevant to the provision of the designated services being provided (or potentially provided). These factors will be deemed to have been sufficiently considered when the AML/CTF Compliance Officer gives final sign-off as required in Section 70 of this Program.
- 67.10 **Discrepancies:** Where, during the KYC Information collection and verification process, a director, officer or employee of APEC Capital discovers any discrepancies in the KYC Information provided by the new customer, the matter should be immediately notified to the AML/CTF Compliance Officer. The discrepancy must not be raised with the new customer without first consulting the AML/CTF Compliance Officer.
- 67.11 The AML/CTF Compliance Officer must then collect from the customer whatever additional information they consider necessary to verify that the Beneficial Owner is the person that the customer claims they are.

68. PROCEDURE TO FOLLOW WHERE UNABLE TO DETERMINE THE IDENTITY OF THE BENEFICIAL OWNER

- 68.1 If APEC Capital is unable to ascertain a Beneficial Owner, the reporting entity must identify and take reasonable measures to verify:
- (a) for a company (other than a company which is verified under the simplified company verification procedure under Section 42 of this Program) or a partnership, any individual who:
 - (i) is entitled (either directly or indirectly) to exercise 25% or more of the voting rights, including power to veto, or
 - (ii) holds the position of senior managing official (or equivalent);
 - (b) for a trust (other than a trust which is verified under the simplified trustee verification procedure under Section 50 of this Program), any individual who holds the power to appoint or remove the trustees of the trust;
 - (c) for an association or a registered co-operative, any individual who:
 - (i) is entitled (either directly or indirectly) to exercise 25% or more of the voting rights including a power of veto, or
 - (ii) would be entitled on dissolution to 25% or more of the property of the association or registered co-operative, or
 - (iii) holds the position of senior managing official (or equivalent).

69. PEP: IDENTIFICATION AND VERIFICATION PROCEDURES

- 69.1 See the Definitions section of this Program for the definitions of various PEPs.
- 69.2 If when conducting the risk analysis in Part A of this Policy, APEC Capital has reason to suspect that a customer is a PEP, the AML/CTF Compliance Officer, must conduct in relation to that customer additional checks to determine whether the customer is a PEP. These checks may include but are not limited to:
- (a) a customer self-declaration regarding their PEP status;
 - (b) an internet and media search;
 - (c) a search of relevant commercial databases (if available to APEC Capital);
 - (d) Government issued PEP lists relevant to the jurisdiction/s of the customer;
 - (e) Information sharing databases relating to PEP within the Australian financial system; and
 - (f) asset disclosure systems.
- 69.3 If APEC Capital determines that a customer is a domestic PEP or an international organisation PEP, it must carry out the following procedures in relation to that customer:
- (a) in the case of a Beneficial Owner, comply with the identification requirements specified in Section 37 of this Program as if the PEP was the customer;
 - (b) determine whether the customer is of high money laundering or terrorism financing risk; and
 - (c) if the customer is determined to be of high money laundering or terrorism financing risk, then, in addition to the action specified in Section 69.3(a), carry out the actions in Sections 69.4(b) - 69.4(c) below.
- 69.4 If APEC Capital determines that a customer is a foreign PEP, it must carry out the following procedures in relation to that customer:
- (a) in the case of a Beneficial Owner, comply with the identification requirements specified in Section 37 of this Program as if the PEP was a customer; and
 - (b) obtain the Board of Directors approval before establishing or continuing a business relationship with the individual and before the provision, or continued provision, of a designated service to the customer;
 - (c) take reasonable measures to establish the politically exposed person's source of wealth and source of funds; and
 - (d) comply with the ongoing due diligence obligations as per Part A of this Program.
- 69.5 **Discrepancies:** Where, during the KYC Information collection and verification process, a director, officer or employee of APEC Capital discovers any discrepancies in the KYC Information provided by the new customer, the matter should be immediately notified to the AML/CTF Compliance Officer. The discrepancy must not be raised with the new customer without first consulting the AML/CTF Compliance Officer.
- 69.6 The AML/CTF Compliance Officer must then collect from the customer whatever additional information they consider necessary to verify that the PEP is the person that the customer claim they are.

70. NOTIFICATION OF ALL NEW CUSTOMERS TO THE AML/CTF COMPLIANCE OFFICER

- 70.1 The AML/CTF Compliance Officer must be notified of all new customers.
- 70.2 Sign-off for each new customer should be obtained from the AML/CTF Compliance Officer certifying that no additional KYC Information relating to the customer's existence needs to be verified.

71. TOLERANCE OF DISCREPANCIES AND ERRORS

- 71.1 **Tolerance of discrepancies:** Where, during the KYC Information collection and verification process, a director, officer or employee of APEC Capital discovers any discrepancies in the KYC Information provided by the new customer, the matter should be immediately notified to the AML/CTF Compliance Officer. The discrepancy must not be raised with the new customer without first consulting the AML/CTF Compliance Officer.
- 71.2 **Pre-defined tolerance levels for matches and errors:** APEC Capital will allow for obvious typographical errors in customer information other than name, company registration or identification number, or date of birth. Where the error relates to name, company registration or identification number, or date of birth, the AML/CTF Compliance Officer should be notified and independent contact should be initiated with the customer to clarify the information.

72. DISCLOSURE CERTIFICATES

- 72.1 Disclosure certificates may only be requested from customers in the following circumstances:
- (a) APEC Capital has determined that the information cannot otherwise be reasonably obtained or verified;
 - (b) the information to be provided or verified is reasonably required under this Program;
 - (c) APEC Capital has applied the relevant procedures and requirements of this Program, but has been unable to obtain or verify the information; and
 - (d) the information is one or more of the items of information specified in Sections 72.2 – 72.8 below.
- 72.2 **Domestic Companies**
- 72.3 For the purposes of Section 41.7, a disclosure certificate for a domestic company must:
- (a) be signed or otherwise authenticated by a Director or secretary or AML/CTF Compliance Officer or equivalent officer of the company; and
 - (b) contain the full name and full residential address of each Beneficial Owner of the company.
- 72.4 **Foreign companies**
- 72.5 For the purposes of Sections 43.1 and 43.2, a disclosure certificate for a foreign company registered in Australia must:
- (a) be signed or otherwise authenticated by a director or secretary or AML/CTF Compliance Officer or equivalent officer of the company;
 - (b) contain information about whether the company is registered by the relevant foreign registration body and if so, whether it is registered as a private or public company or some other type of company; and
 - (c) contain the full name and full residential address of each Beneficial Owner.

72.6 For a foreign company not registered in Australia a disclosure certificate must be signed or otherwise authenticated by a director or secretary or AML/CTF Compliance Officer or equivalent officer of the company and contain information about:

- (a) the full name of the company; and
- (b) whether the company is registered by the relevant foreign registration body and if so:
 - (i) any identification number issued to the company by the relevant foreign registration body upon the company's formation, incorporation or registration;
 - (ii) whether it is registered as a private or public company or some other type of company by the relevant foreign registration body;
 - (iii) the jurisdiction of incorporation of the foreign company as well as the jurisdiction of the primary operations of the foreign company and the location of the foreign stock or equivalent exchange (if any); and
 - (iv) contain the full name and full residential address of each Beneficial Owner.

72.7 **Trusts**

72.8 For the purposes of Section 49.4, a disclosure certificate for a trust must:

- (a) be signed or otherwise authenticated by a trustee of the trust;
- (b) verify KYC information about a trust, where the verification is for the purposes of a procedure of a kind described in Sections 48 and 49, if the KYC information to be verified is not otherwise reasonably available from the sources described in Section 49.2; and
- (c) contain the full name and full residential address of each Beneficial Owner.

Issued by the Board of Directors of APEC Capital

29 September 2020

APPENDIX 1 – LIST OF CERTIFIERS

A **certified copy** means a document that has been certified as a true copy of an original document by one of the following persons:

- (a) a person who is enrolled on the roll of the Supreme Court of a State or Territory, or the High Court of Australia, as a legal practitioner (however described);
- (b) a judge of a court;
- (c) a magistrate;
- (d) a chief executive officer of a Commonwealth court;
- (e) a registrar or deputy registrar of a court;
- (f) a Justice of the Peace;
- (g) a notary public (for the purposes of the Statutory Declaration Regulations 1993);
- (h) a police officer;
- (i) an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- (j) a permanent employee of the Australian Postal Corporation with 2 or more years of continuous service who is employed in an office supplying postal services to the public;
- (k) an Australian consular officer or an Australian diplomatic officer (within the meaning of the Consular Fees Act 1955);
- (l) an officer with 2 or more continuous years of service with one or more financial institutions (for the purposes of the Statutory Declaration Regulations 1993);
- (m) a finance company officer with 2 or more continuous years of service with one or more finance companies (for the purposes of the Statutory Declaration Regulations 1993);
- (n) an officer with, or authorised representative of, a holder of an Australian financial services licence, having 2 or more continuous years of service with one or more licensees.
- (o) a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership.