



**Anti-Money Laundering and Counter-Terrorist Financing Policy**

**May 2022**

## **1. About Tranzfar**

### **A. Regulatory status**

Tranzfar (**TZR**) is an FCA registered Small Payment Institution (**SPI**) (FCA Registration No 770916) and supervised by Her Majesty's Revenue and Customs (**HMRC**) and registered with the Financial Conduct Authority (**FCA**) as a Small Payment Institution (**SPI**).

TZR is a Registered MSB ("Money Service Business") with the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC) with registration number: M2114349

TZR is a registered Financial Service Provider with the Ministry of Business, Innovation and Employment under registration number FSP1001048 to provide money transfer services in New Zealand.

Tranzfar LLC is a Registered MSB with the United States Department of Treasury Financial Crimes Enforcement Network ("FinCEN"). FinCEN is responsible for the regulatory administration of The Bank Secrecy Act 1970 (BSA) and The USA PATRIOT Act of 2001.

### **B. Our business**

TZR's primary business is payment services and remittances i.e. the cross-border transfer of funds to and from the UK on behalf of its customers. This business is commonly referred to as Money Transfer. Our money transfer business is currently focused on one-way money transfers from the US to Nigeria, Ghana & Kenya. Our unique offering is that our business is conducted over the internet and through the TZR app, on mobile devices such as Smart Phones and Tablets e.g. iPad etc, thus providing our users a fast, reliable and customer friendly service.

At TZR we are driven by the need to financially connect the Nigerian, Ghanaian and Kenyan diaspora with their friends, family, and counterparts back home. Our service is quick, easy and reliable offering highly competitive exchange rates and low transfer fees on a technologically advanced and safe platform.

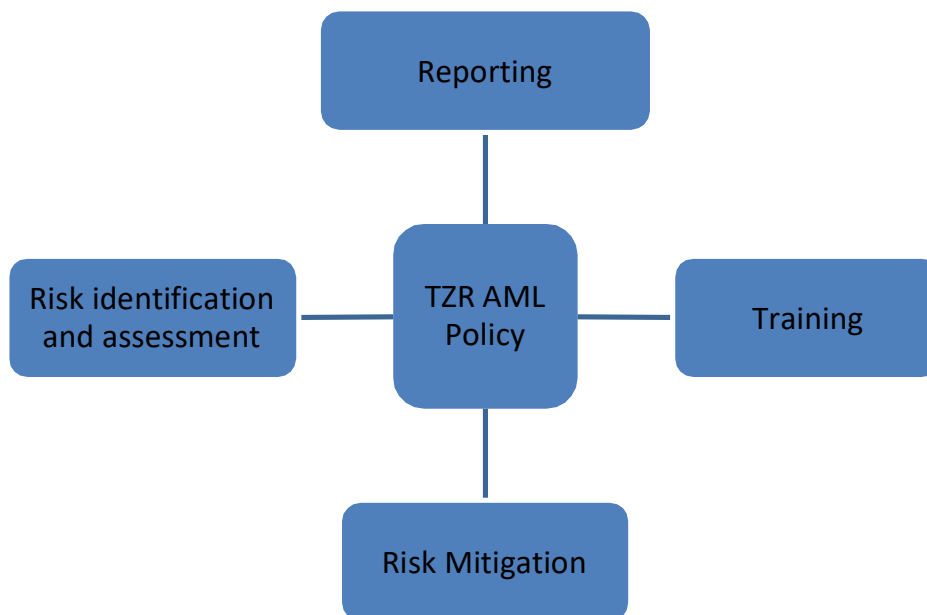
### **C. How we are regulated**

Our primary regulator/or supervisor is HMRC which supervises us for money laundering purposes under the Money Laundering Regulation. As an MSB, TZR is required to comply with the Money Laundering Regulations in every aspect of its business including implementing policies and procedures to prevent its products and services from being used to launder money and finance terrorism.

## **2. Our AML Policy**

TZR's Board of Directors have agreed to have a zero-tolerance policy towards money laundering and to take all reasonable steps including implementing appropriate policies and procedures to reduce the risk of its products and services being used to launder money and/or finance terrorism.

Our AML Policy consist of the following elements described below:



Each element of our AML Policy is described below.

### 3. The identification and assessment of TZR's AML risk

As TZR conducts its business mainly over the internet and is currently focused on the one-way transfer of funds from the UK, Canada New Zealand, US to Nigeria Ghana and Kenya, the Board has identified the following AML risks listed in the table below:

#### I. Fraud risk

TZR's fraud risk includes the following:

- **Use of stolen credit and/or debit cards**

As transactions are conducted over the internet through card payments, there is the risk that a customer may want to transfer funds to Nigeria through fraudulently obtained credit or debit card.

- **Impersonation i.e. the use of false identity documents**

There is the risk that some customers might attempt to use false identity documents e.g. passport to access the TZR service

#### II. Facilitating the transfer of proceeds of crime from UK, Canada New Zealand, US to Nigeria, Ghana and Kenya and vice versa

These risks arise from the fact that TZR services enables customers to transfer their local currencies from the either of UK, Canada New Zealand, US to Nigeria, Ghana and Kenya whilst enabling the transfer of Naira, Cedis and Shillings out of these countries. There is the risk that criminals could use our services, in the absence of checks and vigilance, to facilitate the transfer of proceeds of crime out of the UK, Canada New Zealand, US and /or Nigeria, Ghana and Kenya.

#### III. Inadequate due diligence on customers resulting in the non-identification of Politically Exposed Persons and/or individuals on sanctions list.

Due to the online nature of TZR's business, there is the risk that inadequate due diligence will be undertaken on its customers in the UK. Unlike traditional face-to-face business, where customers are physically present and originals of ID documents can be obtained, the online nature of our business does not enable us to undertake customer due diligence in the same way.

#### IV. Dealing with non-authorised counterparties in Nigeria, Ghana and Kenya

TZR meets its obligations to its customers by obtaining local currencies from counterparties based in Nigeria, Ghana and Kenya. In these African countries, the sale and transfer of local and foreign currencies are controlled by the Apex bank of these countries. However, TZR may not be conversant with foreign exchange regulation(s) and as a result it could end up sourcing local currencies from an unauthorised source, thus inadvertently facilitating money laundering.

#### 4. Risk mitigation

Having identified its AML risks, the Board and management of TZR has implemented the following AML procedures to mitigate its AML risk



Each of the risk mitigation measures are described in detail below:

##### A. Adequate and proportionate electronic customer due diligence (CDD) measures

TZR has partnered with Melissa, a leading provider of global compliance data, quality and identity verification solutions to undertake electronic CDD on its customer(s) as part of its customer on-boarding process. Melissa verifies and confirms personal details provided by customers against global reference data sets including Sanctions lists provided by HM Treasury and the USA Office of Foreign Assets Control. Melissa also checks that customers are not Politically Exposed Persons (PEPs) and flags them up if they are. Melissa also confirms the residential address of customers against UK public data such as the Electoral Roll.

**To be successfully onboarded, TZR customers must be given a confidence score of 100% by Melissa i.e. details provided by clients are genuine and are matched against the reference data. Customers with a 100% score can immediately commence business with TZR.**

**Customers with less than 100 but not below 80 are subjected to a manual review by TZR and then resubmitted for screening and if they score 100%, they are on-boarded. Customers with a less than 80% confidence score are not on-boarded by the business.**

**With regards to PEPs, TZR's current policy is not to deal with customers identified as PEPs**

##### B. Independent Adequate electronic fraud prevention system

To mitigate the risk of fraud i.e. customers using stolen credit and/or debit cards, payments made to TZR via the internet or on mobile devices go through a screening process – **Please see Appendix A for the complete process**, however, an overview of the process is provided below:

- All card payments are 'acquired' by checkout.com ([www.checkout.com](http://www.checkout.com)) an independent and UK FCA authorised and regulated electronic money institution;
- Checkout screens each card payment using its Prism fraud detection software to check that the card is not stolen and that the details provided match i.e. there are no discrepancies;
- After screening the card details, the card is then subjected to 3D Secure i.e. the card issuer is required to ask the customer for a pre-set password (the customer would have been required by the card issuer to set a password when the card was issued) before the payment is released. 3D Secure transfers the liability to the card issuer if it is later discovered to be a case of fraud.

### **C. Central Banks of Nigeria, Ghana & Kenya, authorised and regulated counterparties**

TZR only sources local currencies from authorized and regulated counterparties e.g. Bureau De Change and Commercial Banks who are subject to Anti Money Laundering regulations including the Customer Due Diligence Measures and the reporting of suspicious transactions to crimes/intelligence agencies

### **D. Other risk mitigation measures**

In addition to the measures outlined in A to C; TZR has also implemented the following measures:

- All outbound transfers to Nigeria Ghana and Kenya are made to accounts held in the name of the recipient with a CBN authorized and regulated commercial bank;
- The Forex equivalent of local currency sourced from counterparties in Nigeria, Ghana and Kenya which is due to them are paid to either their domiciliary account held in their name with an authorized and regulated financial institution in Nigeria, Ghana and Kenya or with an account, held in their name, at their correspondent bank. TZR does not make 3<sup>rd</sup> party payments on behalf of a counterparty;
- Whilst customers can have a daily transaction limit of £5k and a £60K monthly limit, TZR currently only allows a customer to make a transfer of £5K without intervention. TZR's system has been configured to require subsequent transfers of £5k and/or multiple transfers by the same customer to be manually approved by a member of TZR's management team.
- Customers are allowed to add as many as 3 debit/credit cards to their TZR account to process transactions. For each time a card is added to a customer's profile for use, the attempt is verified with the issuing bank before the customer is allowed to add the card to the TRZ system. Similarly, cards associated with a particular customer can only be used by the same customer at all times. All cards used in transacting are restricted to the customer that initiated the first transaction with such card.
- Customers are allowed to initiate wholesale transactions on the system. Sums of wholesale transactions range between £10 to 20K maximum. Funding of wholesale transactions is restricted to bank transfers directly into TRZ's designated account. Wholesale transactions cannot be funded with debit cards. Upon receipt of funds for the wholesale transaction, due diligence is conducted by the Compliance Team on the customer as well as the transaction. Thereafter, a decision is taken to process the transaction or otherwise based on the outcome of the due diligence exercise.
- All customers are mandated to disclose the purpose for which the transaction is being made. Without making such disclosure, customers cannot initiate transactions. The purpose of transactions range between "Personal" and "Business" purposes.

### **5. Training**

All TZR employees including customer services representatives will undergo an annual AML training course. New employees will be required to undertake the training as part of the induction process. The AML training will be provided either through E-Learning or a combination of face to face training and E-Learning.

### **6. Reporting**

The reporting aspect of TZR's AML policy consists of 2 parts i.e.

- a. **The identification and reporting of suspicious transactions;**

TZR will identify and report to relevant authorities, suspicious transactions; **and**

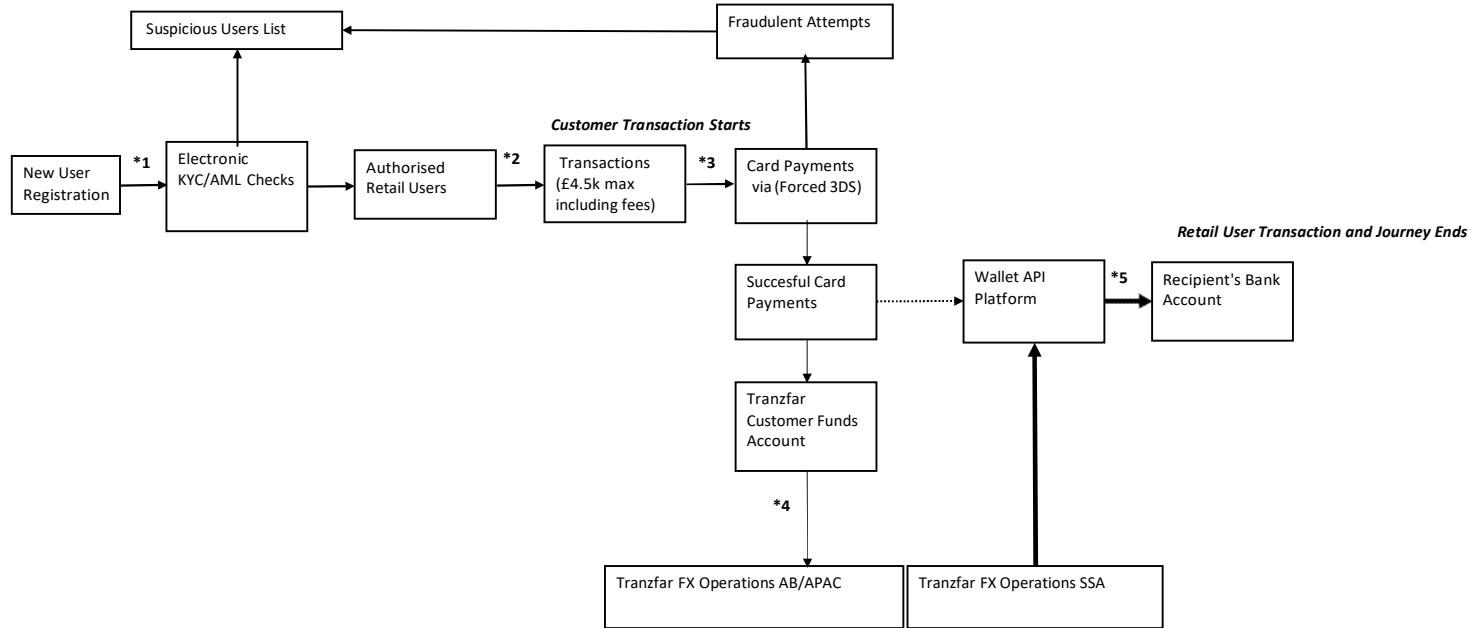
**b. Reporting to senior management and the Board, TZR's compliance with the Money Laundering Regulations.**

TZR's Legal and Compliance Officer will provide the following reports to senior management on a regular basis

- Quarterly Compliance and AML report to the Board of Directors and Senior Management
- Annual AML Report to Senior Management and the Board

Appendix A

### Tranzfar Customer Journey and Flow of Funds



**Flow Chart Key**

Customer Journey	→
GBP Flow	→
Naira Flow	→
Parallel Process	.....→

**Risk Points and Mitigations**

*1	Each new user is run through electronic KYC checks to ensure user profiles are genuine and have not been previously linked to fraud
*2	A £4.5k single transaction limit is set on each retail transaction as a control measure
*3	Card payments go through forced 3DS authentication and AVS match risk rules, fraudulent payments are declined/voided whilst related user profiles are blocked and categorised suspicious
*4	No third party payments are made on behalf of suppliers, suppliers only get paid into their own accounts.
*5	All recipients are validated each time before payment is made to them using the BVN (Bank verification number).

Due to regulatory, tax and other restrictions, Tranzfar does not currently accept any business from residents of the following countries:

Prohibited, Sanctioned (by the Office of Foreign Assets Control 'OFAC' and/or HM Treasury), High Risk Countries & Other Prohibited Countries

Afghanistan <sup>†</sup>	Burundi* <sup>†</sup>	Guatemala	NorthernCyprus	Syria* <sup>†</sup>
Albania	Cambodia Cape	Haiti	Oman	Tajikistan
American Samoa	Verde Cayman	Honduras	Pakistan	Thailand
Andorra	Islands	Hong	Palau <sup>#</sup>	Timor-Leste
Antarctica	Central African	Kong	Panama <sup>#</sup>	Tongo
Antigua & Barbuda	Republic* <sup>†</sup>	India	PapuaNew Guinea	Trinidad & Tobago <sup>#</sup>
Armenia	China	Iran* <sup>†</sup>	Paraguay	Turkmenistan
Aruba	Columbia	Iraq* <sup>†</sup>	Peru	Ukraine* <sup>†</sup>
Azerbaijan	Comoros	Jamaica	Philippines	Uzbekistan
Bahamas	Congo (Democratic People's Republic of)* <sup>†</sup>	Jordan	Russia*	Vanuatu
Bahrain	Crimea*	Kazakhstan	Samoa <sup>#</sup>	Vatican City
Bangladesh	Cuba*	Korea (also referred to as North Korea)* <sup>†</sup>	San Marino	Venezuela*
Barbados	Curacao	Kosovo	Sao Tome & Principe	Vietnam
Belarus* <sup>†</sup>	Djibouti	Kyrgyzstan	SaudiArabia	Yemen* <sup>†</sup> Zimbabwe* <sup>†</sup>
Belize	Dominican Republic	Lebanon* <sup>†</sup>	Serbia*	
Bolivia	Ecuador	Libya* <sup>†</sup>	Singapore	
Brazil	Egypt		SolomonIslands	
British Virgin Islands	El Salvador		Somalia* <sup>†</sup>	
Brunei Darussalam	Fiji		SouthSudan* <sup>†</sup>	
			StKitts&Nevis St Maarten	
			Suriname	

--\* Specific Country Related Sanctions issued by the Office of Foreign Assets Control ("OFAC").

† Country mentioned sanctions issued by UK HM Treasury.

# Country listed on the EU Blacklist of non-cooperative jurisdictions for tax purposes.



## **Prohibited businesses**

We accept a wide range of business models. However, there are have our limits.

Unfortunately there are some businesses we just do not support as the banks that we use, as well as the card schemes, do not allow them.

The following types of merchants and countries are prone to either high levels of financial risk, liability or the banks do not want to associate with them due to reputational reasons, therefore are currently prohibited.

Adoption Agencies	Animals and Live Stock	SKY Repairs
Bail Bonds	Bankruptcy Services	Recovering Bank Charges
Bank Charge Claims	Buying / Shopping Clubs	Pawn shops
Bitcoins	Credit Card ID Theft Claims (CCITP)	Collection Agencies
Detective Agencies	Cyber Currencies	Third Party Businesses
Travel (All inc non ATOL or ABTA)	Firearms	Flights (Airline)
Insurance (non FSA)	ID and Fraud Insurance	
Mortgage Applications	MLM/Pyramid/Ponzi Schemes	
EHIC Applications	Non Supported Gaming	
TV Licence Applications	Call Blockers	
Telemarketing / Cold Calling	Used Car Sales	
Used Car Parts	Virtual Currencies	
Warranties (Non FSA)	Negative Billing / Free Trials *	

## **Risk Appetite Statement and Guidelines in Relation to pertaining to Money Laundering and Terrorist Financing**

### **ML/TF Risk Appetite**

The Tranzfar's Risk Appetite Statement makes reference to "Compliance Risk" and states that Compliance risk is defined as the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal standards and policies and expectations of key stakeholders such as shareholders, customers, employees and society as a whole.

The two main risks concerning ML/TF and the Risk appetite associated with those risks, are:

#### **Financial Crime Compliance Risk**

- Tranzfar maintains zero tolerance for Money Laundering (ML)/ Terrorist Financing (TF) risk. Tranzfar is obliged to transact its business so as to ensure it minimizes the risk of its systems and processes, and those of its affiliates, being used for ML or TF purposes.

#### **Regulatory Compliance Risk**

- Tranzfar ensures that it adopts all regulatory, legal and compliance requirements and values in a proportionate way that satisfies the requirements of the regimes in a pragmatic, cost-effective and ethical manner.
- Tranzfar maintains a zero tolerance for regulatory fines. Consequently, noncompliance to regulatory requirements shall immediately trigger mitigation/rectification actions.
- Tranzfar is committed to and sets out relevant controls and procedures for the protection of its clients and all other stakeholders.