



Anti-Money Laundering and Counter Terrorist Financing Policy

28 January 2019

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).

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 United Kingdom to Nigeria. 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 diaspora with their friends, family, and counterparts in Nigeria. Our service is quick, easy and reliable offering highly competitive exchange rates and low transfer fees on a technologically advanced and safe platform.

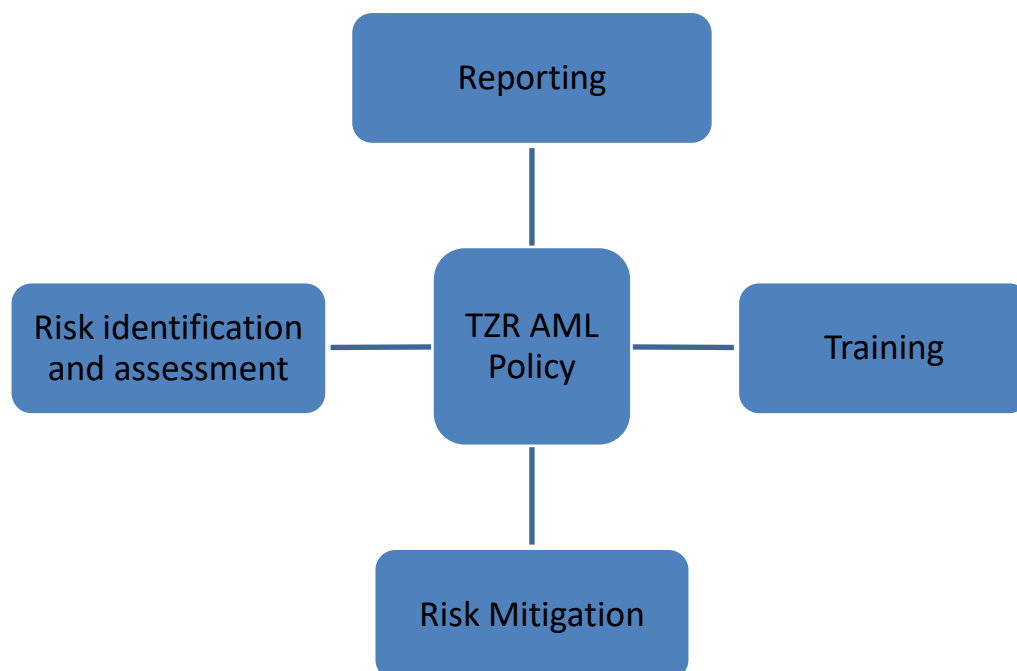
2. How we are regulated

Our primary regulator/or supervisor is HMRC which supervises us for money laundering purposes under the Money Laundering Regulation. As a 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.

3. 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.

4. 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 to Nigeria, 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 to Nigeria and vice versa

These risks arise from the fact that TZR services enables UK customers to transfer £ from the UK to Nigeria whilst enabling the transfer of Naira out of Nigeria. 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 and /or Nigeria.

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-authorized counterparties in Nigeria

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

5. 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) 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 Bank of Nigeria (CBN) authorised and regulated counterparties

TZR only sources Naira from CBN 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 Nigeria's Financial Intelligence Unit (FIU).

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 are made to accounts held in the name of the recipient with a CBN authorized and regulated commercial bank;
- The GBP equivalent of Naira sourced from counterparties in Nigeria which is due to them are paid to either their GBP domiciliary account held in their name with a CBN authorized and regulated institution in Nigeria or with an account, held in their name, at their

correspondent bank in the UK. TZR does not make 3rd 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.

6. 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.

7. 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 the National Crime Agency, 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