

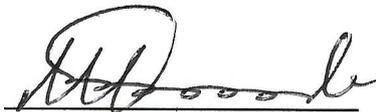
22 November 2019

To all Real Estate Professionals

GUIDANCE NOTES ON SUSPICIOUS TRANSACTIONS REPORTING (STRs) BY REAL ESTATE PROFESSIONALS TO THE FINANCIAL INTELLIGENCE AGENCY (FIA)

1. We refer to the above captioned matter.
2. Botswana has an obligation to support international efforts to combat money laundering, prevent, suppress and disrupt proliferation of weapons of mass destruction and the financing of terrorism.
3. The purpose of this communicate is to disseminate and submit guidance notes on real estate professionals to serve as guidance to comply with their STR obligations.
4. The guidance notes are issued by REAC as a Supervisory Authority, in line with Section 44 (1) of the Financial Intelligence Act 2019, to issue instructions, guidelines or recommendations to help specified parties to comply with their obligations under the Act.
5. The guidance notes contain Real Estate Professionals STR obligations, what constitutes STRs, procedure for reporting with the FIA as well as consequences of non-compliance.
6. For further clarity kindly contact 3111994, email communications@reac.co.bw

Yours faithfully



M.B TUMAGOLE
REGISTRAR



RECOGNITION AND REPORTING OF SUSPICIOUS TRANSACTIONS

GUIDANCE NOTE 01 OF 2019 FOR REAL ESTATE PROFESSIONALS



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1. INTERPRETATION

In this document, unless the context otherwise requires;

“**CDD**” means customer due diligence

“**FIA**” means Financial Intelligence Agency

“**FI ACT**” means Financials Intelligence Act

“**FI REGULATIONS**” means Financials Intelligence Regulations

“**MONEY LAUNDERING**” is broadly referred to as the process of creating the appearance that large amounts of money obtained from serious crimes, such as drug trafficking or terrorist activity, originated from a legitimate source.

“**PROPERTY**” means money or any other movable, immovable, corporeal or incorporeal thing whether located in Botswana or elsewhere and includes any rights securities and any interest in privileges and claims over that thing as well as;

Any currency , whether or not the currency is legal tender in Botswana, and any bill, security ,bond, negotiable instrument or any instrument capable of being negotiated in which is payable to bearer whether expressed in Botswana currency or otherwise.

Any balance held in Botswana currency in accounts with any bank which carries on business in Botswana or elsewhere.

Any balance held in Botswana currency in accounts with a bank which carries on business in Botswana.

Any balance held in any currency with a bank outside Botswana

Motor vehicles, ships , aircrafts, works of art, jewellery, precious metals or any other item of value, any right or interest in property ; and

Funds or other assets including all property and any interest, dividends or income on or value accruing or generated by such funds or assets.

“**SUSPICIOUS TRANSACTIONS**” means a truncation which

Gives rise to a reasonable suspicion that it may involve financial offence

Gives rise to a reasonable suspicion that it may involve property connected to, or to be used to finance terrorism, whether or not the property represent the proceeds of an offence.



Is made in circumstances of unusual or unjustified complexity

Appears to have no justification or lawful objective

Is made by or on behalf of a person whose identity has not been established to the satisfaction the person with whom the transaction is made; or

Gives rise to suspicion for any other reason;

Causes a feeling of apprehension or mistrust about its legality;

Is unusual activity in terms of customer profile with no reasonable explanation; and

Arouses suspicion that a transaction may be connected with activities prohibited by the law.

“STR” means Suspicious Transaction Report

“TRANSACTION” includes opening an account, renting a safe deposit box, entering into a fiduciary relationship or establishing any other business relationship, as well as a proposed transaction.



2. OVERVIEW

Botswana has an obligation as a member of Eastern and Southern Africa Anti-Money laundering Group (“ESAAMLG”) to put in measures in place to combat ML/TF. ESAAMLG is an associate member of the Financial Action Task Force (“FATF”) which is inter-governmental body whose objectives are to set international standards for adoption and effective implementation of the standards by the countries. In turn, Botswana is required to put in place legal, regulatory and operational measures for combating ML/TF and other related threats to the integrity of the financial system of Botswana and the world over, consistent with the set international standards. It is therefore vital that all financial institutions in Botswana exercise appropriate care and diligence to ensure that neither they nor any services offered by them are used by criminals or whose intentions are to launder the proceeds of crime to engage in TF.

As part of the integrated global financial system Botswana’s ability to engage in cross border trade and financial flows is heavily dependent on promoting and maintaining the integrity of its financial system and this requires the financial institutions to put in place adequate mitigating controls to detect and prevent occurrences of ML/TF.

The Financial Intelligence act is primary legal framework for combating ML/TF in Botswana. The Financial Intelligence Agency’s main focus is to provide for the reporting of suspicious transactions and other cash transactions and to facilitate mutual assistance with comparable bodies outside Botswana in relation to financial information and for matter connected therewith and incidental thereto. The Agency is the central unit responsible for requesting, receiving and analyzing and disseminating to an Investigatory Authority, Supervisory Authority or comparable body, disclosures of financial information.

3. PURPOSE OF THE RECOGNITION AND REPORTING OF SUSPICIOUS TRANSACTIONS GUIDANCE NOTE

The purpose of the guide notes is to give guidance to Real Estate Professionals to properly discharge the mandatory reporting obligations in relation to suspicious transactions involving ML/TF and associated crimes. Therefore the purpose of this guide notes is to assist specified parties/regulated REPs to comply with their AML/CFT obligation under the FI Act in the following manner;

By providing REPs with comprehensive guidance on implementing internal policies and procedures to detect and report high quality suspicious transactions without tipping the customer off; and



By providing indicators that may be taken into consideration when determining whether a transaction should give rise to a suspicion.

4. RESPONSIBILITIES OF THE ML/TF COMPLIANCE OFFICER

The FI Act provides that a specified party shall designate a Compliance Officer at management level who will be in charge of implementation of internal programs and procedures.

There is an obligation on all employees to report in writing to the AML/CFT Compliance Officer suspicious of money laundering and terrorist financing. All REPs have a clear obligation to ensure that each relevant employee knows to which person s/he should report suspicions and that there is a clear reporting chain under which those suspicions will be passed directly and without delay to the AML/CFT Compliance Officer. Sufficient guidance should therefore be given to employees to enable them to recognize suspicious transactions. Once the employee has reported their suspicion to the AML/CFT Compliance Officer, they will have fully satisfied and discharged their statutory obligation.

The AML/CFT Compliance Officer must be endowed with a significant degree of responsibility and independence. S/he is required to determine whether the information or other matters contained in the transaction report they have received gives rise to knowledge or reasonable suspicion that a customer is engaged in money laundering or financing of terrorism.

In making this judgment, they should consider all other relevant information available within the organisation concerning the person or business to whom the initial report relates. This includes making a review of other transaction patterns and volumes through the account or accounts in the same name, the length of the business relationship and referral to identification records held. If, after completing this review, it is decided that there are no facts that would negate the suspicion, then they must report the suspicious transaction to the FIA. Nevertheless, care should be taken to guard against a report being submitted as a matter of routine without undertaking reasonable internal inquiries to determine that all available information has been taken into account. In addition, the AML/CFT officer should distinguish between the making of a suspicious transaction reports in respect of money laundering or the financing of terrorism and the lodging of a complaint or allegation of crime with the police for investigation.

In the event that the AML/CFT compliance officer makes a decision not to make a report to the FIA, the reasons for such decision must be documented and retained with REAC.



5. PURPOSE OF FILLING STR

The FI Act requires that international finance services center accredited entities, insurance entities, investment institutions, micro lending entities and retirement funds detect and report transaction that are suspected of involving or relating or relating to funds generated through unlawful means as they could be used by criminals for laundering or financing of terrorism purposes. Upon receipt of the STR, the FIA conducts an analysis of all information submitted to it by the regulated entity and where there is indication of a financial offence, disseminates the results of the analysis in the form of a financial intelligence report to law enforcement agencies. The FIA also disseminates intelligence products Botswana Revenue Services and to the Directorate of Intelligence and Security where it has reasonable grounds suspect that the information would be relevant to the national security. REAC therefore plays an integral role in ensuring that the financial integrity of Botswana is safeguarded against criminality and as a result, gains global recognition for conducting a safe and sound financial sector in compliance with international best practice.

The failure to detect and report STR s severely damages the viability of FIA and the integrity of Botswana's financial system (in general) as it becomes associated with money laundering and the financing of terrorism.

It is a criminal offense for REAC to fail to take measures as reasonably necessary to prevent its institution or the services its institution provides from being used to commit or to facilitate the commission of ML/TF as provided for in Section 33 (1) of FI Act. Section 41 of the FI Act prescribes penalties for failure to comply with the obligation to make STRs and other reports such as cash and electronic transfer threshold reports. The penalties are a fine, suspension or revocation of REP operating certificate or both. There is also provision of personal liability for the person REAC charged with making STRs and has failed to do so, the penalty is a fine and or imprisonment.

The guidance note is therefore a statement of the minimum standard expected of REAC failure for REAC to comply and therefore allow itself to become a loop hole for ML/TF will greatly affect Botswana's reputation and lead to international blacklisting which will cut off Botswana from the global financial market due to it being regarded as a ML/TF high risk area. This will limit REAC's ability to timeously carry out transaction and in some cases be unable to transact at all. In summary, failure to report a suspicious transaction can therefore lead to the following consequences;

i. Criminal Prosecution



There are penalties as stated above for breaches of the provisions of the money laundering and the terrorism prevention legislation, whether by firms, individuals or employees.

ii. Commercial Loss

The institution may incur non-productive costs to address issues arising out of investigations into alleged money laundering and/or terrorist financing, costs to defend prosecutions, and costs to repair the institution's public image.

iii. Negative Publicity

Institutions which, even inadvertently, become involved in money laundering and/or terrorist financing risk loss of their good reputation in the market. This may occur as a result of media coverage of the circumstances.

6. HOW TO COMPLETE THE SUSPICIOUS TRANSACTION REPORT FORM

The report is to be made in the form set out in the schedule to the FI regulations (and attached thereto) and be sent to the FIA through the electronic portal provided by the FIA. For REPs that have no access to this portal, the report can be sent by facsimile, hand delivered or any other method determined by the FIA- maybe it should be moved to the next section. Professionals/ Compliance officer must also register on GoAML for reporting of suspicious transactions.

The STR form should fully be completed in order to aid the FIA to investigate any suspicious activity. The FIA Act also makes provision for the content of the SRT report, which is embedded in the STR form fields that REPs will be completing when making an STR.

The identification of the customer and other party to the transaction;

The description of the nature of the transaction;

The amount of the transaction;

Circumstances giving rise to the suspicion;

The business relationship of the customer to the person making the report;

Where the customer is an insider, whether such customer is still affiliated with the REP;

Any voluntary statement as to the origin, source or destination of the proceeds;

The impact of the suspicious transaction on the financial soundness of the REP; and

The names of all the officers, employees or agents dealing with the transaction.



REPs are strongly advised to contact the FIA should they have any problems completing the form or if they do not understand certain fields.

7. INDEMNITY AND PROTECTION OF IDENTITY OF PERSONS AND INFORMATION RELATING TO STRs

The FI Act protects those reporting or receiving reports of suspicious transactions of ML/TF or additional information thereon from claims in respect of any alleged breach of client confidentiality or for disclosure of confidential information.

The FIA Act also provides immunity from civil or criminal proceedings against any person who has, in good faith reported any suspicions they may have had whether or not the suspicion proves to be well founded upon investigation, any person who has supplied the FIA with any information pursuant to the request made by FIA is also indemnified.

In addition to the above, no administrative or disciplinary proceedings for breach of professional secrecy or contract shall be taken against any person for submitting a complete STR form in good faith or in compliance with directions given by the legislation.

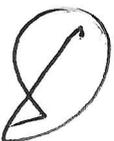
The identity of the person who files an STR with the FIA shall not be disclosed to any person. The FI Act prohibits the disclosure of the staff of the FIA or of REP from doing so or provide any evidence concerning the identity of a person who has made, initiated or contributed to a report under the FI Act or who has furnished additional information concerning the report. The FI Act goes on to prohibit the identity of the person making the report or providing information to the FIA from being admissible as evidence in proceedings before a court unless the person testifies at the proceedings.

8. APPLICATION

The guide notes apply to all REPs registered/exempted or intending to apply for recognition under the provision of the registration regulations of REAC. These REPs have been specified Parties in accordance with the first schedule to the FI Act.

The relevance and usefulness of the guide notes will be kept under review and it may be necessary to issue amendments from time to time.

PART ONE



9. WHAT IS A SUSPICIOUS TRANSACTION?

Whenever a REP processes a transaction to which there is reasonable grounds to suspect that it may fit the definition of a suspicious transaction, it should reasonable measures to ascertain the purpose of that transaction and submit a suspicious transaction report to the FIA without tipping the customer off.

“Reasonable grounds to suspect” is determined by what is reasonable in a REP’s circumstances, including normal business practices and systems within your industry. The context in which the transaction occurs or is attempted, is a significant factor in assessing suspicion. This will vary from business to business and from one customer to another. You should evaluate transactions in terms of what seems appropriate and is within normal practice within your particular line of business and based on your knowledge of your customers’ business, financial history, background and behavior.

Evidence of potential money laundering activity often occurs in the form of unusual or unexpected patterns of transactional activity. Adherence to satisfactory CDD measures provides the foundation for the recognition of such activity. In addition to recognizing those registered to identify and manage the risks inherent in certain customer relationships, adequate CDD measures enable those registered to know enough about customers, to be able to recognize unusual or unexpected activity, as or before it occurs.

10. PROHIBITION AGAINST TIPPING OFF

The FI Act prohibits any person who is directly or indirectly involved in the reporting of a suspicious transactions from divulging to any person involved in the transaction or to any unauthorized third party, that the transaction has been reported.

Unauthorized disclosure in this case may comprise of;

Where a person knows or suspects that a report has been made to the FIA and discloses this information to an unauthorized person.

Disclosure to an unauthorized person of an investigation which one knows or suspects that the FIA is acting or proposing to act and is being conducted or about to be conducted in relation to financing terrorism.

Where one discloses information to an officer other than the AML/CFT compliance officer even if in accordance with the policies and procedures of the institution, that person is guilty of an offence if s/he discloses information or other matters relating to such a disclosure.

It is however not deemed an authorized disclosure if one discloses information or any matter relating to a report, investigation or disclosure, for the purpose of facilitating the investigation or any proceedings which might be conducted following the report.



11. PART TWO

iv. HOW TO IDENTIFY A SUSPICIOUS TRANSACTION

When conducting a business relationship or engaging in a once-off transaction a suspicious transaction will often be one which is inconsistent with the customer's known, legitimate or personal activities or with their normal business. Therefore, the first key to recognition is knowing enough about your customer and their business to recognize that a transaction or series of transactions are unusual.

Satisfactory CDD will enable the REP to gain knowledge about the risk profile of its customers for ML/TF risks. It also assists the REPs to know if their customers are conducting transactions that are inconsistent with the knowledge already formed of them by the REP. this inconsistency may give rise to the filling of an STR with the FIA.

Reliance what should be reported is largely on one's assessment, based on knowledge and experience, as well as the circumstances of the transactions. The assessment should therefore be based on a reasonable evaluation of relevant factors, including the knowledge of the customer's business, their financial history, background and behavior. The person reporting does not need to know the activity underlying the money laundering and/or terrorist financing or that the funds themselves definitely arose from a criminal offence.

The paragraphs below provide a non-exhaustive list of general indicators of suspicious transactions which apply to all sectors. There is also a list of sector specific suspicious transaction indicators in the capital markets, investment institutions, lending, retirement funds and the insurance sectors.

These indicators are not intended to cover every possible scenario and are not to be viewed in isolation. As such, a single indicator is not necessarily indicative of reasonable grounds to suspect ML/TF. Taken together, the presence of one or more indicators as well as knowledge of your customer's business or financial affairs may help you to identify suspicious transactions.

12. GENERAL INDICATORS ON ML/TF

In addition to the indicators, below are some questions a REP can consider when determining whether an established customers' transactions might be suspicious;

- ✓ Is the volume and/or size of the transactions and/or value of the property consistent with the normal pattern of activity for the customer?
- ✓ Is the receipt of the property or transaction in the context of the customer's business or personal activities and their stated commercial objectives;



- ✓ Has the pattern of transactions conducted by customer changed; and
- ✓ Where the transaction is international by nature, does the customer have any obvious reason for conducting business with the other country involved.

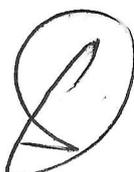
REPs are reminded that although not all unusual or unexpected activity is necessarily suspicious, employees are expected to be able to recognize unusual activity as a result of effective CDD checks conducted on an on-going basis. Suspicions need not only be based on transactions or activities within the business relationship, but also on information from other sources, including the media, intermediaries, or the customer him/herself. Employees must analyse the transaction/activity in more detail to ascertain whether it is suspicious.

13. GENERAL INDICATORS OF SUSPICIOUS TRANSACTIONS

The FI Act defines a suspicious transaction in its interpretation section as a transaction. In addition to the above definition, other general indicators are;

You are aware that the customer is the subject of a ML/TF investigation;

- i. You are aware or become aware, from a reliable source (that can include media or other open sources), that a customer is suspected of involved in illegal activity.
- ii. A new or prospective customer is known to you as having a questionable legal reputation or criminal background;
- iii. Customer admits to or makes statements about involvement in criminal activities;
- iv. A customer who is reluctant to provide identifying information when purchasing a product or provides minimal or seemingly fictitious information;
- v. Customer provides false information or information that you believe is unreliable;
- vi. Any apparent unnecessary use of an intermediary in the transaction;
- vii. Customer is quick to volunteer that funds are “clean” or “not being laundered”;
- viii. Customer shows uncommon curiosity and/or knowledge about internal systems, controls and policies;
- ix. Large sums being transferred from overseas for making payments;
- x. Customer insists that a transaction be done quickly;
- xi. Stated occupation of the customer is not in keeping with the level or type of activity;
- xii. Unusual activity in accounts compared to past transactions;



- xiii. Multiple transactions are carried out on the same day at the same branch but with an apparent attempt to use different tellers;
- xiv. The transaction does not appear to make sense or it is out of keeping with usual or expected activity for the customer;
- xv. Where the transaction being requested by the customer, without reasonable explanation is out of the ordinary range of services normally requested or is outside the experience of the financial services business in relation to the particular customer;
- xvi. Where without justifiable explanation, the size of the pattern of transactions is out of line with any pattern that has previously emerged;
- xvii. Where a customer who has entered a business relationship uses the relationship for a single transaction or for only a short period of time without reasonable explanation;
- xviii. The extensive use of trusts or offshore structures in circumstances where the customer's needs are inconsistent with the use of such services;
- xix. Transfers to and from high risk jurisdictions without reasonable explanation which are inconsistent with the customers declared business dealings or interests;
- xx. Unnecessary routing of funds or other property to/from third parties or through third party accounts;
- xxi. The customer does not want correspondence sent to their home address;
- xxii. The customer conducts transactions at different physical locations in an apparent attempt to avoid detection;
- xxiii. The customer repeatedly uses an address but frequently changes the names involved;
- xxiv. The customer is accompanied and watched at relevant times;
- xxv. The customer presents confusing details about the transaction or knows few details about its purpose;
- xxvi. The customer over justifies or explains the transaction;
- xxvii. The customer is secretive and is reluctant to meet in person;
- xxviii. The customer is nervous, not in touch with the transaction and/or only has vague knowledge of the amount of a transaction;
- xxix. The customer's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact customer shortly after opening account;
- xxx. Normal attempts to verify the background of a new or prospective customer are difficult;
- xxxi. The customer appears to be acting on behalf of a third party, but does not tell you;
- xxxii. Inconsistencies appear in the customer's presentation of the transaction;



- xxxiii. The customer attempts to develop rapport with staff;
- xxxiv. The customer uses aliases and a variety of similar but different addresses;
- xxxv. The customer presents different identification documents each time a transaction is conducted;
- xxxvi. The customer offers you money, gratuities or unusual favors for the provision of services that may appear unusual or suspicious;
- xxxvii. The transaction involves a suspected shell entity (that is, a corporation that has no assets, operations other reasons to exist);

14. GENERAL INDICATORS OF SUSPICIOUS TRANSACTIONS IN REPORTING OR RECORD KEEPING REQUIREMENTS

Customer makes inquiries that would indicate a desire to avoid reporting;

Customer attempts to convince an employee not to complete any documentation required for the transaction;

Customer has unusual knowledge of the law in relation to suspicious transaction reporting;

Customer appears to be structuring amounts to avoid record keeping, customer identification or reporting thresholds; and

Customer appears to be collaborating with others to avoid record keeping, customer identification or reporting thresholds.

15. GENERAL INDICATORS OF SUSPICIOUS TRANSACTIONS IN IDENTITY REQUIREMENTS

Customer provides doubtful or vague information

Customer produces seemingly false identification or identification that appears to be counterfeited, altered or inaccurate;

Customer to refuses to produce personal or corporate identification documents or refuses to cooperate with the CDD and/or ongoing monitoring process;

Customer presents different identification documents each time a transaction is conducted

Customer only submits copies of personal identification documents;

Customer wants to establish identity using something other than his or her personal identification documents;

Customer supporting documentation lacks important details such as phone number;



Customer inordinately delays presenting personal or corporate documents;

Customer refuses to have foreign document notarized for purposes of certification; and

All identification documents presented appear new or have recent issue dates.

16. INDICATORS OF SUSPICIOUS TRANSACTIONS IN CASH TRANSACTIONS

- Customer starts conducting frequent cash transactions in large amounts when this has not been a normal activity for the customer in the past;
- Customer frequently exchanges small notes for large ones;

