

RMCP 2021/010 (RMCP REPORT ISSUE)

Hough Bremner aims at an effective risk management system that reduce uncertainty by identifying and treating risks. This gives Hough Bremner Inc an opportunity to pursue its Vision, Mission and Goal while operating within its risk approach policy structure set out as follows:

Process:

Depicted below are the underlying processes that Hough Bremner Inc follows in Enterprise Risk Management:

- Setting of Strategy and objectives
- Risk event identification
- Risk assessment
- Risk treatment
- Risk reporting
- Risk communication and training
- Risk performance monitoring

1. **Adoption of a Risk-based approach on Customer Due Diligence measures (CDD)**

A Risk-based approach requires to understand the exposure to money laundering and terrorist financing risks. Hough & Bremner will not only protect and maintain our company's integrity but will also contribute to the integrity of the South African financial system.

- a) Money Laundering (ML) - Manipulation of money or property in order to disguise its true source.

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- b) Financing Terrorism (FT) - Involves the solicitation, collection and the providing of funds and other assets with the intention that it may be used to support terrorist acts and to conceal both the financing and the nature of the activity being financed.
- c) Risk – a function of three factors: threat, vulnerability and consequence. Risk can therefore be transferred, tolerated, treated or terminated. High risk, (Enhanced due diligence- EDD), Low Risk (Simplified due diligence -SDD).

2. **Applying a risk-based approach (Procedures and Processes)**

- a) Completing form RMCP01/2021 (Risk assessment) when dealing with new, existing, and ongoing clients is compulsory (facing or non-facing clients).
- b) Refer to Company Policy RMCP001,002,003 when dealing with new, existing, and ongoing clients.
- c) When dealing with a client ensure that resources are directed in accordance with priorities, so that the greatest risk receive the highest attention. This improves the efficacy of measures to combat ML/FT while promoting financial inclusion without undermining Anti-Money Laundering (AML) and Combating the Financing of Terrorist and related activity (CFT), objectives.
- d) The risk-based approach is not a “zero failure” approach as there may be occasions where Hough & Bremner has taken all measures to identify and mitigate ML/TF risks, but it is still exploited for money laundering or terrorist financing purposes.
- e) Record keeping – 5 years.

3. **High risk measures to be applied:**

- a) Increased automated transaction monitoring.

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- b) Increased intensity of CDD measures.
- c) Increased revised periods of client information.
- d) Using more of higher quality sources for the vetting of information.
- e) Senior management involvement in decisions to on board clients.
- f) Mandatory site visits.
- g) Dedicated specialist staff managing enhanced due diligence for specific clients.
- h) Notification via the online porthole to FIC (report to senior management).
- i) Limited reliance on another accountable institution's controls.
- j) Notify senior management.

4. **Customer Due Diligence (CDD) (Gathering information)**

- a) Know who your client is doing business with.
- b) Know who benefits from the business it does with its clients.
- c) Understand the nature of business it does with its clients.
- d) Know how your client will be paying fees (Cash, EFT, Loans).
- e) Identification and verification of the client, beneficiaries and next of kin by comparing this information with information contained in documents or electronic data issued or created by reliable and independent third-party sources.
- f) Identify single Transaction threshold - anonymous clients and clients acting under a false name or fictitious names.
- g) Bank confirmed letters. (Date, stamped) not older than 3 months.
- h) The expected source and origin of the funds to be used in the business relationship.
- i) The anticipated level and nature of the activity that is to be undertaken during the business relationship.
- j) Ongoing due diligence (ODD). Identify activities of clients during the course of business relationships which are not consistent with the accountable institution's knowledge of the client or the purpose and intended nature of the business relationship.

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- k) A beneficial owner is defined in respect of a legal person as the natural person who, independently or together with another person's, owns the legal person, or exercises effective control of the legal person

5. **Identify the client (Sec 21 of the (FIC) Financial Intelligence Centre, act)**

- a) Natural person -

- Full Names, date of birth and a unique identifying number issued by a Government source,
- Place of birth, Proof of residential address, family circumstances,
- Place of employment or business, Payslip, Occupation,
- Contact numbers, e-mail addresses and social media,
- Refer to step 4.

- b) Legal person -

Nature of the client's business, the ownership and control structure of the client and the beneficial ownership of clients.

- Who is the natural person. Follow steps in paragraph 4 and 5a,
- The name under which the legal person has been incorporated,
- Its form, e.g., whether it is a company or a close corporation,
- The registration number under which it is incorporated (CIPC),
- The address of its registered office,
- The powers that regulate and bind the legal person,
- Its directors and ID numbers (In case of a company),
- Its senior management e.g., its chief executive officer,
- Its trading name if it is different from the name under which it has been incorporated,
- Its business address if it is different from the address of its registered office,
- Its income tax and value added tax numbers.

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c) Partnerships –

Nature of the client's business, the ownership and control structure of the client and the beneficial ownership of clients. Partnerships are not incorporated entities.

- How the partnership is generally known,
- The partnerships agreement,
- Membership and functioning,
- Business correspondence of the partnership,
- Promotional material advertising,
- Who is the natural person. Refer steps in paragraph 4 and 5a.

d) Trusts –

Nature of the client's business, the ownership and control structure of the client and the beneficial ownership of clients. Trusts are not incorporated and do not have legal personality.

- Who is the natural person. Follow steps in paragraph 4 and 5a,
- Unique name or description,
- The identity of the founder,
- The identities of each trustee and each natural person who purports to be authorised to enter into a single transaction or establish a business relationship with the accountable institution on behalf of the trust, and
- The identities of each beneficiary referred to by name in the trust deed or other founding instrument in terms of which the trust is created: or
- If the beneficiaries are not referred to by name in the trust deed or other founding instrument in terms of which the trust is created, the particulars of how the beneficiaries of the trust are determined.

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- e) Foreign Prominent Public officials and Domestic Prominent Influential persons -FPPO and -
- Business relationships with foreign prominent public officials must always be considered high risk,
 - Senior Management's approval must be obtained to establish the business relationship,
 - Establish the source of wealth and source of funds of the client and conduct enhanced ongoing monitoring of the business relationship and
 - Include in the personal file and use as basis for enhanced ongoing monitoring.
 - Who is the natural person - follow steps in paragraph 4 and 5a,
 - These requirements also apply to immediate family members and known close associates of such prominent public officials.
 - Determine the size, structure and nature of the institution,
 - A person is considered to be a domestic prominent influential person if he or she holds the position in the country, including in an acting position for a period exceeding 6 months, or has held the position for a period of at least 12 months after the date on which that person ceased to hold that position,
 - Immediate family members, Business Partners or associates, beneficial ownership.
6. Sanctions

Accessibility of sanctions list will be available on its website and which will reflect available identity particulars of persons and entities contained in notices published by the Director.

Office Manager/Finance

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