

REED FIA COMPLIANCE PROGRAMME

Introduction to Reed as an Accountable Institution

Reed, as an Accountable Institution, recognizes its critical role in fostering transparency and combating financial crimes within the financial and business ecosystem. Guided by the principles of the Financial Intelligence Act (FIA), Reed is committed to upholding the highest standards of compliance, ethics, and accountability.

To this end, Reed has developed, adopted, and implemented a comprehensive FIA Compliance Program designed to ensure full adherence to regulatory requirements. This program integrates robust policies, procedures, and practices aimed at preventing money laundering, terrorist financing, and other illicit financial activities. It reflects our dedication to safeguarding our institution, clients, and stakeholders while contributing to the global fight against financial crime.

Reed's FIA Compliance Program embodies a proactive approach to risk management, fostering a culture of compliance through continuous training, rigorous monitoring, and effective reporting mechanisms. By aligning with the objectives of the FIA, Reed not only meets its statutory obligations but also reinforces its commitment to ethical and responsible business conduct.

This compliance framework empowers Reed to remain vigilant in identifying, mitigating, and managing risks, ensuring that the institution operates with integrity and in full accordance with legal and regulatory standards.

RISK ASSESSMENT, RISK MANAGEMENT & MONITORING SYSTEM (SECTION 20A)

As part of Reed's commitment to complying with Section 20A of the Financial Intelligence Act (FIA), the institution has conducted a thorough risk assessment and developed a comprehensive risk management and monitoring system. This system evaluates potential risks across key factors, including clients, products and services, delivery channels, and geographical areas.

1. RISK FACTORS

1.1 Clients

- **Assessment:** Clients are categorized based on their risk levels, considering factors such as occupation, source of income, transaction behaviour, and potential connections to politically exposed persons (PEPs).
- **Findings:** Higher risks are associated with high-net-worth individuals, foreign nationals from high-risk jurisdictions, and entities with complex ownership structures.
- **Mitigation Measures:** Enhanced due diligence (EDD) for high-risk clients, including detailed verification and ongoing monitoring of transactions.

1.2 Products and Services

- **Assessment:** Products and services are evaluated for their vulnerability to misuse, such as cash-intensive transactions, wire transfers, and high-value transactions.
- **Findings:** Products with high liquidity or anonymity features pose elevated risks.
- **Mitigation Measures:** Implementation of transaction limits, regular reviews of high-risk products, and strict adherence to anti-money laundering (AML) controls.

1.3 Delivery Channels

- **Assessment:** Delivery channels such as online platforms, branch-based services, and third-party agents are analysed for potential risks.

- **Findings:** Non-face-to-face transactions, especially through digital platforms, present increased risks.
- **Mitigation Measures:** Adoption of advanced authentication technologies, real-time transaction monitoring, and mandatory reporting of suspicious activities.

1.4 Geographical Areas

- **Assessment:** Geographical locations are reviewed to identify regions with higher exposure to financial crime risks, including high-risk countries or regions with weak AML regulations.
- **Findings:** Increased risks are associated with clients or transactions linked to jurisdictions identified in FATF's high-risk list.
- **Mitigation Measures:** Prohibition or strict controls on transactions involving high-risk jurisdictions and ongoing monitoring of international regulatory updates.

2. RISK MANAGEMENT SYSTEM

Reed employs a risk-based approach to mitigate identified risks. Key components include:

- **Risk Categorization:** Clients, products, and delivery channels are categorized as low, medium, or high risk.
- **Enhanced Due Diligence (EDD):** High-risk clients and transactions are subject to intensified scrutiny and approval processes.
- **Transaction Monitoring:** Continuous monitoring through automated systems to flag unusual or suspicious activities.

3. MONITORING SYSTEM

- **Real-time Monitoring:** Automated systems detect and report unusual patterns.
- **Periodic Reviews:** Regular audits and risk reassessments ensure the program remains effective and updated.
- **Reporting:** Suspicious activities are reported promptly to relevant authorities in compliance with FIA requirements.

4. RISK ASSESSMENT RESULTS

Reed's most recent risk assessment identified specific vulnerabilities and implemented corrective measures. The results are documented and integrated into the compliance program for transparency and effectiveness.

If the risk assessment has not yet been conducted, the following example can guide the process:

Example Risk Assessment Framework:

- **Clients:** Assess risk levels based on profiles and behaviour.
- **Products and Services:** Identify susceptibility to misuse.
- **Delivery Channels:** Evaluate security of transaction methods.
- **Geographical Areas:** Review exposure to high-risk jurisdictions.

CONCLUSION

Reed's risk assessment, management, and monitoring system ensures compliance with Section 20A of the FIA. This system strengthens the institution's ability to identify, mitigate, and manage risks effectively while safeguarding its operations and reputation.

CLIENT IDENTIFICATION PROCESS (KYC) UNDER SECTION 21 OF THE FIA

To ensure compliance with Section 21 of the Financial Intelligence Act (FIA), Reed has implemented a robust Know Your Customer (KYC) process to identify clients when establishing a business relationship or concluding a single transaction. This process includes collecting, verifying, and maintaining comprehensive client identification information.

1. CLIENT IDENTIFICATION PROCESS

Reed follows a systematic approach to verify the identity of natural and legal persons, ensuring compliance with FIA requirements:

1.1 NATURAL PERSONS

- **Identification Requirements:**
 - Full name
 - Date and place of birth
 - Identity number (e.g., national ID or passport number)
 - Residential address
 - Contact information (phone and email)
 - Source of income and funds
 - **Documents Required:**
 - A valid, government-issued identification document (e.g., ID card, passport, or driver's license).
 - Proof of residential address (e.g., recent utility bill, bank statement, or lease agreement).
 - Evidence of income (e.g., payslips, bank statements, or employer letter).
 - **Verification:** Documents are cross-referenced and validated against reliable databases where available.
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1.2 LEGAL PERSONS (CORPORATE ENTITIES)

- **Identification Requirements:**
 - Registered name of the entity
 - Registration or incorporation number
 - Physical and registered addresses
 - Names and details of directors or shareholders (ownership structure)
 - Source of funds and nature of the transaction
 - **Documents Required:**
 - Certificate of incorporation or business registration
 - Memorandum and Articles of Association or equivalent governing documents
 - Tax clearance certificate
 - Identification documents of directors and ultimate beneficial owners (UBOs)
 - Proof of operational address (e.g., lease agreement or utility bill)
 - **Verification:** Verification includes cross-referencing details with corporate registries and assessing ownership structures to identify ultimate beneficial owners (UBOs).
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2. CUSTOMER ACCEPTANCE FORMS

FOR NATURAL PERSONS:

The customer acceptance form captures:

1. Full name, ID/passport number, and contact information.
2. Residential and mailing addresses.
3. Declaration of the source of income and funds.
4. Confirmation of intended nature of the business relationship or transaction.
5. Client's signature and declaration of information accuracy.

FOR LEGAL PERSONS:

The customer acceptance form captures:

1. Company name, registration number, and operational address.
2. Details of directors, shareholders, and UBOs.
3. Nature of business and intended transaction purpose.
4. Source of funds and business income details.
5. Supporting documents attached and verified checklist.

3. COMPLIANCE WITH FIA IDENTIFICATION REQUIREMENTS

Reed's customer acceptance forms are designed to meet all FIA identification requirements by incorporating:

- Fields to document personal and financial details, as required by FIA regulations.
- Declarations on the source of funds and income.
- Mandatory verification steps, ensuring that the information provided is accurate and complete.

4. KYC CHECKLIST FOR COMPLIANCE

Reed's KYC checklist includes:

1. Collection of all required identification documents.
2. Verification of the client's identity through reliable sources.
3. Screening against global and local sanctions or watchlists.
4. Ongoing monitoring to identify and address any changes in client risk profiles.

Attachments

- **Customer Acceptance Form for Natural Persons** (template).
- **Customer Acceptance Form for Legal Persons** (template).

ONGOING AND ENHANCED DUE DILIGENCE (EDD) UNDER SECTIONS 23 & 24

Reed's commitment to compliance with Sections 23 and 24 of the Financial Intelligence Act (FIA) includes the implementation of ongoing due diligence measures and enhanced due diligence (EDD) for high-risk clients. These processes ensure that the institution maintains up-to-date client records, monitors transactions, and manages risks effectively.

1. Maintenance of Client Information and Records

- **Current Status:**

Reed maintains a centralized, secure database containing up-to-date client information and transaction records. This database is periodically updated and audited to ensure accuracy and relevance.
- **Compliance Measures:**
 - Regular reviews of client profiles and transaction histories.
 - Automated alerts for expired identification documents or significant changes in client behaviour.
 - Record retention policies in compliance with FIA regulations (minimum 5 years).

2. Ongoing Due Diligence

- **Current Status:**

All clients are subject to ongoing monitoring to detect unusual or suspicious activities. This includes real-time transaction monitoring and periodic risk reviews.

- **Enhanced Due Diligence for High-Risk Clients:**
High-risk clients, identified through the risk assessment process, are subject to EDD measures, including:
 - Detailed scrutiny of source of funds and wealth.
 - Frequent updates to client information.
 - Close monitoring of transactions to detect anomalies.
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3. Senior Management Oversight for High-Risk Clients

- **Current Status:**
Relationships with high-risk clients are reviewed and signed off by senior management before onboarding and periodically throughout the relationship. This ensures accountability and oversight at the highest level.
 - **If Non-Compliant:**
Institutions not meeting these standards must immediately:
 - Establish policies requiring senior management approval for high-risk client relationships.
 - Train management and staff on recognizing and managing high-risk scenarios.
 - Implement automated systems to flag high-risk accounts for additional review and approval.
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4. Risk Management for High-Risk Clients

Reed's approach to managing risks associated with high-risk clients includes:

1. **Categorization of Clients:**
Clients are categorized into low, medium, and high risk based on the nature of their activities, transaction patterns, and geographical exposure.
 2. **EDD Measures for High-Risk Clients:**
 - Collect additional information, such as proof of source of wealth.
 - Increased frequency of reviews and monitoring of transactions.
 - Reports on high-risk clients presented regularly to senior management.
 3. **Risk Mitigation Strategies:**
 - Limiting transaction thresholds for high-risk clients.
 - Enhanced scrutiny of cross-border transactions involving high-risk jurisdictions.
 - Immediate escalation of suspicious activities to the Financial Intelligence Centre (FIC).
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Steps for Non-Compliant Institutions

If any of the above practices are not currently implemented, Reed will take the following actions to achieve compliance:

1. **Policy Update:** Revise internal compliance policies to mandate ongoing and EDD processes.
 2. **Training:** Train staff and management on updated due diligence procedures.
 3. **System Upgrade:** Implement automated compliance systems to monitor client activities and flag high-risk accounts.
 4. **Periodic Audits:** Conduct regular audits to ensure adherence to updated policies and procedures.
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By integrating ongoing and enhanced due diligence measures into its compliance framework, Reed ensures that it effectively mitigates risks while maintaining adherence to the FIA's requirements.

Record Keeping under Section 26 of the FIA

Reed is committed to maintaining comprehensive and secure records in compliance with Section 26 of the Financial Intelligence Act (FIA). The following outlines the institution's record-keeping practices:

1. Types of Records Maintained

1.1 Accounting Records

- Records of all client transactions, including invoices, receipts, and payment confirmations.
- General ledgers and financial statements.
- Bank account details and reconciliations.
- All scanned and securely stored in the accounting system for easy retrieval.

1.2 Secretarial Records

- Client identification documents (e.g., ID copies, passports, and proof of address).
- Corporate records for legal persons (e.g., registration certificates, shareholding structures, and directors' details).
- Correspondence with clients, including contracts, agreements, and resolutions.
- All documents are scanned and archived in a secure system.

1.3 Compliance Records

- Know Your Customer (KYC) documentation, including source of income and funds.
- Risk assessments, due diligence reports, and transaction monitoring logs.
- Suspicious activity reports (SARs) and regulatory filings.

2. Record Retention Period

- **Minimum Retention Period:** The FIA requires records to be retained for at least **5 years** after the termination of a business relationship or the conclusion of a transaction.
- **Reed's Practice:** Reed retains all records indefinitely. This ensures a comprehensive archive for reference, compliance audits, and legal purposes.
- Backup systems are in place to safeguard records from data loss.

3. Storage and Accessibility

- **Storage:** All records are securely stored in electronic format, with regular backups to ensure data integrity. Sensitive documents are protected through encryption and access controls.
- **Accessibility:** Records are readily retrievable to facilitate compliance with regulatory requests or internal audits.

4. Compliance Benefits

- Maintaining detailed and secure records supports Reed's ability to:
 - Demonstrate compliance during regulatory audits.
 - Facilitate investigations into potential financial crimes.
 - Address client or stakeholder inquiries effectively.

5. Non-Compliance Mitigation

If any aspect of record-keeping does not meet FIA requirements, Reed will:

1. **Conduct a Gap Analysis:** Identify areas where current practices fall short.
2. **Enhance Systems:** Upgrade storage and backup systems to align with compliance standards.
3. **Train Staff:** Provide training on proper record management and retention policies.
4. **Periodic Audits:** Perform regular audits to ensure all records are accurately maintained and securely stored.

By retaining all accounting and secretarial records, even for resigned clients, Reed exceeds the FIA's requirements, demonstrating a proactive approach to compliance and operational integrity.

Cash Threshold Reporting (CTRs) under Section 32

Reed is committed to complying with Section 32 of the Financial Intelligence Act (FIA), which mandates the monitoring and reporting of cash transactions exceeding N\$99,999.99. The following outlines the institution's approach to identifying and reporting such transactions.

1. Monitoring Cash Transactions Above N\$99,999.99

1.1 Transaction Monitoring System

- **Current Practice:**
Reed utilizes an automated transaction monitoring system integrated into its accounting and operational platforms. This system flags any cash transactions (received or paid) exceeding N\$99,999.99 for review.
- **Manual Review:**
In addition to automation, we as bookkeepers and accounting staff are trained to identify and escalate high-value cash transactions for immediate attention.

1.2 Cash Transaction Limits

- Internal controls limit large cash transactions unless expressly approved and documented. Clients are encouraged to use electronic payment methods to minimize cash handling risks.

2. Procedures for Reporting Cash Threshold Transactions (CTRs)

2.1 Identification

- All flagged transactions are reviewed by the compliance officer to ensure accuracy and completeness of client information, including the source of funds.

2.2 Internal Reporting

- Employees are required to submit a detailed report for any cash transaction exceeding N\$99,999.99 to the compliance officer within **24 hours** of detection.

2.3 Submission to the Financial Intelligence Centre (FIC)

- The compliance officer compiles and submits a **Cash Threshold Report (CTR)** to the FIC as required by the FIA within the prescribed timeframe.
- The report includes:
 - Client details (name, identification number, address).
 - Transaction details (date, amount, and purpose).
 - Supporting documentation (e.g., proof of income or funds).

2.4 Record Keeping

- Copies of CTRs and supporting documentation are securely stored for **5 years**, in compliance with FIA regulations.

3. Non-Compliance and Plans for Compliance

If Reed does not currently have adequate procedures in place for CTRs:

1. **Policy Development:**
 - Draft and implement a clear CTR policy outlining the identification, escalation, and reporting process.
 2. **System Enhancement:**
 - Introduce or upgrade an automated transaction monitoring system to flag high-value transactions in real-time.
 3. **Staff Training:**
 - Train employees to recognize, document, and report high-value cash transactions.
 - Emphasize the importance of CTRs during compliance training sessions.
 4. **Compliance Officer Oversight:**
 - Ensure the compliance officer is responsible for managing CTR processes and liaising with the FIC.
 5. **Regular Audits:**
 - Conduct periodic audits to confirm that all high-value transactions are identified and reported.
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4. Benefits of Compliance

By establishing robust processes for identifying and reporting cash transactions above N\$99,999.99, Reed mitigates risks associated with money laundering and financial crimes, ensuring full compliance with FIA requirements while protecting the institution's integrity.

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