



Your Gateway to Wealth

# FXGate Ltd.

*(Federal Territory of Labuan, Malaysia)*

## Anti – Money Laundering Policy

*(as per Labuan IBFC AML & CFT Compliance / AMLATFA Act 2001)*

## 1. PREAMBLE

The policy is formulated in accordance with the provisions of the Anti-Money Laundering and Anti – Terrorism Financing Act 2001 (AMLATFA) and the Financial Action Task Force 40 Recommendations and is intended to ensure that reporting institutions under Labuan IBFC understands and comply with the requirements and obligations imposed on them.

Money laundering and terrorism financing (ML/TF) continues to be an on-going threat which has the potential to adversely affect the country's reputation and investment climate which may lead to economic and social consequences.

Since the formation of the National Coordination Committee to Counter Money Laundering (NCC), efforts have been undertaken to effectively enhance the Anti – Money Laundering and Counter Financing of Terrorism (AML/CFT) compliance framework in the introduction of the Standard Guidelines on AML /CFT.

Besides bringing the recommendation up to date in addressing new and emerging threats, the 2012 revision of the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (FATF 40 Recommendations), sought to clarify and strengthen many of its existing obligations as well as to reduce duplication of the Recommendations. One of the new Recommendations introduced is on the obligation of countries to adopt a risk – based approach in identifying, assessing and understanding the countries' ML/TF risks, which places further expectation to assess and mitigate ML/ TF risks.

Labuan IBFC has issued necessary directives vide circulars from time to time, covering issues related to Know your Client (KYC norms), Anti- Money Laundering (AML), Client Due Diligence (CDD) and combating Financing Terrorism (CFT).

Pursuant to:

Section 13,14,15,16,17,18,19,20,66E and 83 of the AMLATFA; and

Section 4B of the Labuan Financial Services Authority Act 1996 (LFSAA).

## 2. Definition of Money Laundering

2.1 Section 4 of the Malaysia AML /CFT Act 2001 has defined the "Offence of money laundering" as under:

*"Any person who engages, directly or indirectly, in a transaction that involves proceeds of an unlawful activity or projecting it as untainted property shall be guilty of offence of money laundering"*

2.2 Money launderers use the Mutual Fund / financial institutions for cleansing 'dirty money' obtained from criminal activities with the objective of hiding / disguising its source. The process of money laundering involves creating a web of financial transactions to hide the origin and the true nature of these funds.

2.3 For the purpose of this document, the term 'money laundering' would also cover financial transactions where the end use of funds goes for terrorist financing irrespective of the source of funds.

2.4 Money Laundering Cycle: The process of Money Laundering regardless of its degree of complexity, is accomplished in three stages, namely, (a) the placement stage, (b) Layering stage, and (c) Integration Stage.

a.) **Placement:** Physical disposal of criminal proceeds (large amount of cash) and initial introduction of illicit funds into a financial services institution.

b.) **Layering:** Movement of funds (e.g. through multiple transactions) from institution to institution to hide the source and ownership of funds and to separate the criminal proceeds from their source by the creation of layers of transactions designed to disguise the audit trail and provide the appearance of legitimacy.

c.) **Integration:** The placing of laundered proceeds back into the economy in such a way that they re-enter the market appearing as normal and legitimate funds.

## 3. Obligations under AML / CFT Act 2001

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### 3 | FXGate Ltd. / AML Policy (Compliance Manual)

Section 13 of AML / CFT Act 2001 places certain obligations on every Financial Institution / Intermediary / banking company which include:

- (i) Maintaining a record of prescribed transactions
- (ii) Furnishing information of prescribed transactions to the specified Authority
- (iii) Verifying and maintaining records of the identity of the investors /customers
- (iv) Preserving records in respect of (i), (ii), (iii) above for a period of six years from the date of cessation of transactions i.e. the date of termination of account or business relationship between the client / investor and the intermediary.

## 4. Policy Objectives

- 4.1 To prevent criminal elements from using the Mutual Fund System for money laundering activities.
- 4.2 To enable FXGate Ltd as intermediary to keep track of the financial transactions of the investors and report them to AML Council of LFSA.
- 4.3 To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures.
- 4.4 To comply and assist LFSA in complying laws and regulatory guidelines.
- 4.5 To take necessary steps to ensure that the concerned staff is adequately trained in KYC and AML procedures., Financial

## 5. Money Laundering – Risk Perception

5.1 Money laundering activities expose the Intermediary / Financial Institution to various risks such as:

### a. Reputation Risk

Risk of loss due to severe impact on the reputation of the Financial Institution, AML Council and Intermediary. This may be of particular concern given the nature of the business in Mutual Fund industry, which requires the confidence of investor public.

### b. Compliance Risk

Risk of loss due to failure of compliance with key regulations governing the Capital Markets Registry activities.

**c. Operational Risk**

Risk of loss resulting from inadequate or failed internal processes, people and Systems or from external events.

**d. Legal Risk**

Risk of loss due to any legal action, the AML Council or its staff may face due to failure to comply with the law.

**6. Scope**

This policy is for FXGate Ltd. directors, officers and staff handling the private mutual funds services in conjunction with related to operational guidelines / regulations issued by Labuan Financial Services Authority and Bank Negara Malaysia from time to time.

**7. Implementation of Anti Money Laundering Activities at FXGate Ltd.**

7.1 FXGate appointed a Compliance Manager responsible for complying with the LFSA Anti Money Laundering Guidelines. The Compliance Manager will define / implement appropriate criterion for identifying the suspicious transactions and reporting of the same to Financial Intelligence Unit (FIU), Malaysia.

7.2 The main object of this policy is the Customer Due Diligence (CDD) which means:

- 7.2.1 obtaining enough information about the client / customer / investor in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is made;
- 7.2.2 verify the customer's identity using reliable, independent source, document, data or information.
- 7.2.3 conduct on – going due diligence and scrutiny of the account / client to ensure that the transaction conducted are consistent with the client's background / financial status, its activities and risk profile.

7.3 The CDD Process includes FIVE specific parameters:

- a. Policy for Acceptance of Clients / Customers / Investors;
- b. Suspicious Transactions identifications & reporting;

- c. Risk based approach;
- d. Client of special category;
- e. Client Identification procedure

For reference, Labuan FSA has prescribed KYC norms to all reporting institutions with respect to the requirements imposed under the AMLATFA, as shown in Annex 1 to this document.

#### 7.4 KYC Norms

With a view to bring uniformity in the KYC requirements for the securities markets, LFSA has introduced usage of uniform KYC by all LFSA registered institution. In this regard, LFSA, Bank Negara Malaysia (BNM) vide a gazette notification dated 5 July 2001 AML /CFT Act 2001, an act to provide for the offence of money laundering, the measures to be taken for the prevention of money laundering and terrorism financing.

By virtue of the above Regulations, an investor (client) who is desirous of opening an account / trade / deal with the LFSA registered intermediary is required to submit the KYC details through the KYC Registration form and supporting documents. The intermediary shall perform the verification and upload the details in a customer relationship manager system.

Apart from carrying out the KYC as explained above, the intermediary is required to perform a final verification including via third party source verification.

## 8. Suspicious Transaction Monitoring & Reporting

8.1 Once an investor invests in any of the schemes of LFSA handled by FXGate, it is necessary to keep track of their transactions in order to ensure that they are not indulging in any of the activities prohibited under law. It is incumbent on the part of FXGate to identify the Suspicious Transaction and report the same to the Financial Investigation Unit, Bank Negara Malaysia and to AML Compliance Unit of Labuan FSA.

8.2 Through the primary responsibility of identifying suspicious transactions vests with the LFSA, as its regulator, FXGate has to provide details sought by the LFSA for proper compliance of AML regulations. Regardless of the amount, reasons to suspect that the transaction could be as follows:

- 8.2.1 appears unusual;
- 8.2.2 has no clear economic purpose;
- 8.2.3 appears illegal;
- 8.2.4 involves proceeds from an unlawful activity; or
- 8.2.5 indicates that the customer is involved in ML / FT.

8.3 The criterion for identifying the Suspicious Transactions is reviewed by Financial Intelligence Unit and may refer to the **Appendix 1** to this document.

## 9. Reporting of Suspicious Transaction

9.1 The transactions as per the specified criterion shall be reported to AMLC – LFSA in the format prescribed by FIU. Once the AML – LFSA identify a transaction as suspicious, we have to prepare a Suspicious Transaction Report (FIU format) and provide the same to FIU, Malaysia.

9.2 The Compliance Manager is responsible for channeling all internal suspicious transaction reports received from the employees. Upon receiving any internal suspicious transaction, the Compliance Manager must evaluate the grounds of suspicion, once it is confirmed, the Compliance Manager must submit the STR. In case, there is no reasonable grounds, Compliance Manager must document and file the decision, supported by relevant documents.

9.3 The Compliance Manager must submit the suspicious transaction report in the specified STR form through the following modes:

Mail: Director  
Financial Intelligence & Enforcement Department  
Bank Negara Malaysia, Jalan Dato'on 50480 Kuala Lumpur  
(To be opened by addresses only)

Fax: +603-2693 3625

Email: [str@bnm.gov.my](mailto:str@bnm.gov.my)

AND

Mail: Director  
Supervision and Enforcement Department  
Labuan Financial Services Authority  
Level 17, Main Office Tower, Financial Park Complex  
Jalan Merdeka, 87000, Labuan Federal Territory  
Attention to: Anti Money Laundering Compliance Unit  
(To be opened by addresses only)

Fax: +6087-411496

Email: [aml@labuanfsa.gov.my](mailto:aml@labuanfsa.gov.my)

9.4 Where applicable and upon the advice of the Financial Intelligence and Enforcement Department, Bank Negara Malaysia and/or AML Compliance Unit Labuan FSA, the Compliance Manager of FXGate must submit its suspicious transaction reports on-line: Website: <https://bnmapp.bnm.gov.my/fins2>

9.4.1 The Compliance Manager must ensure the suspicious transaction report is submitted within the next working day; from the date the Compliance Manager establishes the suspicion.

9.4.2 The compliance Manager must ensure that the suspicious transaction reporting mechanism is operated in secured environment to maintain confidentiality and preserve secrecy.

## 10. Maintenance of Records

10.1 FXGate must establish a mechanism to keep the relevant records including any account, files and business correspondence and documents relating to transactions, those obtained during CDD process.

The Compliance Manager shall ensure that the records related to Suspicious Transaction are preserved and maintained, for a period of six years and must include the following information:

- a.) nature of the transactions;
- b.) amount of the transactions;
- c.) date on which the transaction was conducted;



- d.) parties to the transaction;
- e.) all suspicious transactions, whether or not made in cash.

## 11. Retention of records

11.1 The records are required to be kept including the corresponding / relevant records have to be maintained for a period of six years.

11.2 Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards including driving license, or any other government issued identity cards), account files and business correspondence should also be kept for the same period.

11.3 In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case is closed / decided / adjudicated.

## 12. Review of the Policy

The Compliance Manager along with the Internal Audit Head or any other authority responsible for over – all monitoring of the level of compliance activities by FXGate shall review this policy as and when any changes take place either in the AML Act and/ or the regulations issued by Labuan FSA.

## 13. Training

The Compliance Manager shall ensure that adequate training is imparted to all the concerned Officers handling the activities of private mutual fund business so as to ensure that the contents of the guidelines are understood and to develop awareness and vigilance to guard against money laundering and terrorist financing.

## 14. Sanctions List

A sanction list checks needs to be completed for every Client, regardless of the type of entity. The Compliance Manager must check against the Labuan FSA, list and where applicable against the United States Treasury's Office of Foreign Assets Control (OFAC); as well as the United Sanctions List.

OFAC: <https://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>



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UN: <https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>

If you have any questions about this policy document, please address all correspondence:  
For the attention of FXGate Compliance Department: [compliance@fxgate.com](mailto:compliance@fxgate.com)