

ANTI-MONEY LAUNDERING, KNOW YOUR CUSTOMER AND COUNTER-TERRORISM FINANCING POLICY

Updated January 2024

Introduction to the Policy

TIMEZONE FINANCIAL CORPORATION LTD (TFCORP LTD) is required under the Money Laundering Regulations applicable in the CEMAC sub-region to put in place appropriate systems and controls to forestall money laundering and terrorist financing. This policy contains the procedures that we have developed in order to comply with these obligations.

The Money Laundering Regulations require that an organisation ensures that there is up-to-date knowledge of issues relating to Anti-Money Laundering and Counter-Terrorist Financing throughout the organisation, implement appropriate policies and procedures and receive reports of suspicious activity.

What is money laundering and terrorist financing?

Money laundering is the process through which proceeds of crime and their true origin and ownership are changed so that the proceeds appear legitimate. Terrorist financing is providing or collecting funds, from legitimate or illegitimate sources, to be used to carry out an act of terrorism.

Why is anti-money laundering and counter-terrorist financing policy important to TFCORP LTD?

The anti-money laundering (AML) and counter-terrorist financing (CTF) regime is designed to prevent our services being used by criminals. You have obligations under the AML/CTF regime to spot and report money laundering and terrorist financing. Failure to meet these obligations can lead to criminal penalties, substantial fines and untold damage to your own and TFCORP LTD's reputation.

How does money get laundered?

Typically money laundering involves three stages:

Placement:

The process of placing criminal property into the financial system. This might be done by breaking up large sums of cash into smaller amounts or by using a series of financial instruments (such as cheques or money orders) which are deposited at different locations.

Layering:

The process of moving money that has been placed in the financial system in order to obscure its criminal origin. This is usually achieved through multiple complex transactions often involving complicated offshore company structures and trusts.



3rd Floor, The House of Gideon,
Boulevard Jean Paul II, Golf-Bastos,
BP 35097, Yaoundé, Cameroon



(+237) 222 211 720
(+237) 674 300 086



timezone.group@outlook.com

TIMEZONE FINANCIAL CORPORATION LTD • RCCM: RC/YAO/2022/M/36 • NIU: M032118514513Y

Authorisations: Bureau de Change No.00000278/MINFI OF 27/02/2023 • Operation of Online Games
No.000026/O/MINAT/SG/DAP/SDLP/SJ OF 22/03/2023 • Operation of a Public Lottery Concession Agreement
No.000004 OF 22/03/2023 • Operation of Sports Betting Concession Agreement No.000005 of 22/03/2023

Integration:

Once the origin of the money is disguised it ultimately must reappear in the financial system as legitimate funds. This process involves investing the money in legitimate businesses and other investments such as property purchases or setting up trusts.

We are most likely to become involved in the layering stage but potentially could be involved in any stage.

How do I know if my matter involves money laundering or terrorist financing?

You do not have to behave like a police officer but you do have to remain alert to the warning signs of money laundering and terrorist financing and make the sort of enquiries that a reasonable person (with the same qualifications, knowledge and experience as you) would make.

Typical signs of money laundering and terrorist financing are:

- Obstructive or secretive clients
- Instructions outside our usual range of expertise, i.e. why is the client using us?
- Clients based a long way from us with no apparent reason for using us
- Cases or instructions that change unexpectedly or for no logical reason, especially where:
 - The client has deposited funds with us
 - The source of funds changes at the last moment
 - You are asked to return funds or send funds to a third party
- Loss-making transactions where the loss is avoidable
- Complex or unusually large transactions
- Transactions with no apparent logical, economic or legal purpose
- Large amounts of cash being used
- Money transfers where there is a variation between the account holder and signatory
- Payments to or from third parties where there is no logical connection to the client
- Movement of funds between accounts, institutions or jurisdictions without reason
- Large payment on account of fees with instructions terminated shortly after and the client requesting the funds are returned

Criminals are always developing new techniques so this list can never be exhaustive.

What is suspicious activity?

Any client activity outside the normal or expected activity should be considered unusual and must be investigated. Understanding the business or client profile is crucial. Unusual activity or transactions outside the established profile should be considered as a potential indicator of suspicious activity. Investigations should establish the reasons for the unusual activity or transaction. This may either remove or confirm your suspicion. If it is confirmed, you must report it to the competent authorities.



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What to do if you have a suspicion?

Report it to your Compliance Officer. Do not carry out the transaction or proceed unless you have consent from the Compliance Officer. They will review the suspicion and, if required, submit a Suspicious Activity Report (SAR). Once you have reported your suspicion to the Compliance Officer, they will send you an acknowledgement within 24 hours. If more information is required, the Compliance Officer will request it from you.

If the Compliance Officer gives you consent to proceed with a transaction, then that consent only applies to that specific transaction. If the client requests further activities or transactions, further consent is required from the Compliance Officer even if you do not have a suspicion.

SAR

This is a suspicious activity report which financial institutions must make if they suspect something in a transaction is illegal. The agency in charge is **L'Agence Nationale d'Investigation Financière (ANIF)** which will make a decision after a SAR has been submitted. It may be a tipping off offence to reveal to the customer that a SAR has been submitted. A SAR should be submitted within 48 hours of a suspicion being formed.

Information that a SAR has been made should never be placed on a client file.

Tipping off

It is an offence for someone to tip off (inform) a person suspected of money laundering that a Suspicious Activity Report (SAR) has been made or there is a money laundering investigation taking place. There are a number of defences and exceptions that apply, but in general a tipping off offence would occur when the action is likely to prejudice an investigation that's taking place.

A tipping off offence cannot be committed if a report has not been submitted and you liaise with clients or colleagues as part of your enquiries into an unusual activity. However, you cannot mention the word suspicious.

The Money Laundering Regulation

The relevant law which regulates anti-money laundering & counter terrorist financing is Regulation **No.01103- CEMAC-UMAC-CM**. It also sets administrative requirements which require us to have systems and controls to forestall money laundering and terrorist financing.

Client Due Diligence (CDD)

Client Due Diligence is:

- Identifying and verifying the client's identity
- Identifying the beneficial owner where this is not the client
- Obtaining details of the purpose and intended nature of the business relationship



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- Conducting ongoing monitoring of the business relationship

When do I have to conduct CDD?

You must carry out CDD:

- Before you establish a business relationship with a client
- Before you carry out a one-off transaction for a client including company formation
- Where there is reason to believe that CDD carried out on an existing client is inadequate
- Where the client's identifying details (e.g. name and address) have changed
- Where the client has not been in regular contact with us
- Where someone is purporting to act on behalf of a client
- Where you suspect money laundering or terrorist financing

You must also identify the beneficial owner and verify them. You must obtain and verify the names of the body corporate, its registration number, registered address and principal place of business. Reasonable measures must also be taken to determine and verify the law to which it is subject, its constitution and the names of its board of directors and senior management.

How do I conduct CDD?

You must start with assessing the risk of money laundering or terrorist financing posed by the client and complete a risk assessment. Once this is complete, you must decide what level of CDD is necessary. This will then inform your next steps.

Simplified Due Diligence (SDD)

Simplified Due Diligence applies where there is little chance of money laundering or terrorist financing. This means that we can carry out a reduced Client Due Diligence exercise, which simply involves obtaining evidence of why SDD applies.

Enhanced Due Diligence (EDD)

We are required to carry out Enhanced Due Diligence where there is a greater perceived risk of money laundering or terrorist financing. This requires us to take additional steps to understand the ownership and control of the client and, in some cases, the source of funds involved in the matter. There is also greater focus on ongoing monitoring.

You must conduct EDD on:

- individual clients who you do not meet face-to-face
- Politically Exposed Persons (PEPs): these are persons entrusted, in the last year, with one of the following positions in a country: heads of state, heads of government, ministers or deputy or assistant ministers:
 - Members of Parliament (MPs)
 - Judiciary whose decisions are not generally subject to further appeal
 - Members of courts of auditors or the boards of central banks



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- Ambassadors
- High-ranking officers in the armed forces
- Members of administrative, management or supervisory bodies of state-owned enterprises
- Family members or close associates of the above
- It does not include middle-ranking or more junior individuals in these categories
- We also apply EDD to PEPs on a risk sensitive basis. If you receive instructions from a PEP please discuss the Client Due Diligence requirements with the Compliance Officer

Regular Due Diligence (RDD)

Regular due diligence applies where Simplified and Enhanced Due Diligence do not.

Source of funds

Understanding your client's source of funds is an important step in the CDD process.

When am I required to look into the source of funds in a transaction?

You are not required to interrogate all clients about their entire financial history but you are required to take additional steps to ensure that the transaction is consistent with your knowledge of the client. This is part of the ongoing monitoring exercise which you must conduct on all matters; see further Ongoing monitoring below.

You are required to establish the source of funds and source of wealth in every matter where you are acting for a Politically Exposed Person (PEP).

What steps should I take?

Scrutinising the source of funds is more than asking for the money to come from a bank account in the clients' name. Your focus should be on understanding how the client can legitimately fund the transaction.

For transactions involving PEPs you should consider whether there:

- Are any warning signs of corruption
- Is any evidence that government or state funds are being used inappropriately

Where a third party is providing funding to your client you may need to establish the source of funds. See "When can I accept funds from a third party?" below. You must document your investigations into the source of funds, including any questions asked, responses received and supporting evidence provided.

If you have any concerns about the source of funds you must consider whether you need to submit an SAR to the Compliance Officer.

CDD on beneficial owners

CDD on beneficial owners is different from CDD on clients. You must:



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- Identify any beneficial owners, and then
- Validate their identity on a risk sensitive basis

What is a beneficial owner?

Where you are instructed by an agent or representative of an individual, the beneficial owner is the underlying individual on whose behalf the agent or representative is instructing you.

How do I conduct CDD on beneficial owners?

You must first identify the beneficial owners. You can do this through a reliable public source (e.g. Companies Register) or by asking the client. Unless there is any reason to doubt the information given you can rely on the client's word. You must then consider the client's risk profile, the structure of the business and the nature of the transaction. This will help you to decide what steps you need to take to verify the beneficial owner's identity. In assessing the risk, you should consider:

- Why your client is acting on behalf of someone else
- How well you know your client
- The type of business structure and its location
- The nature and risk profile of the matter

The key is to understand the ownership and control of the client.

The level of verification required will depend on your assessment of your client's risk profile. When verifying the beneficial owner you can:

- Look at organisation charts from the website, annual reports or the client
- Review the trust deed or partnership agreement
- Discuss beneficial ownership with the client and record the results of your discussion

If the beneficial owner of a client is a company, you will need to establish the individual at the top of the corporate tree.

What happens if I cannot conclude the CDD exercise?

Where we are unable to apply CDD measures, the general rule is that we must:

- Not carry out a transaction for the client
- Not establish a business relationship with a client
- Not accept funds from or transfer funds to a client or third party (see below: Receiving funds)
- Terminate any existing business relationship with the client
- Consider whether a SAR is required.

There are very limited circumstances in which this may not apply, e.g. we may be able to verify the client's identity during the establishment of a business relationship if this is necessary to avoid interrupting the normal course of business and there is little risk of money laundering--this is on condition that the verification is completed as soon as practicable after contact is first established.



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You must never unilaterally decide that it is acceptable to delay completion of CDD. If you are unable to apply or complete CDD on any matter, you should immediately seek advice from the Compliance Officer.

Purpose and intended nature of the business relationship

You must understand the purpose and intended nature of the business relationship. This is a key part of the CDD process. It will enable you to perform your risk assessment of the client and retainer and help you to determine appropriate CDD measures.

Knowing more about the client and their normal activities will help you to spot something unusual.

A transaction which appears to serve no purpose could be a money laundering or terrorist financing warning flag.

Ongoing monitoring

What is ongoing monitoring?

Ongoing monitoring is an intrinsic part of the CDD process. It must be performed on all matters, regardless of their individual risk rating, in order to detect unusual or suspicious transactions.

How do I conduct ongoing monitoring?

You should:

- Scrutinise transactions undertaken (including, where necessary, the source of funds) to ensure that the transactions are consistent with your knowledge of the client, their business and risk profile
- Stay alert to changes in the client's risk profile and anything that gives rise to suspicion
- Keep documents, data and information used for CDD purposes up to date

Receiving funds

We do not provide banking facilities through our client account. Payments into, transfers to or withdrawals from our account must be in respect of instructions relating to a transaction or other service. We will not accept funds in any other circumstance from any source whatsoever.

When can I accept funds from my client?

You must not accept funds from or transfer funds to a client until the CDD process is complete.

When can I accept funds from a third party?

Payments from third parties where you cannot verify the source of the funds or where no legitimate reason appears, this may be a warning sign of money laundering or terrorist financing.

You should satisfy yourself that the third party funds are coming from a legitimate source for legitimate reasons. As a first step you should consider:



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- are there any obvious warning signs?
- what do you know about the client, the third party and their relationship?
- why is the third party giving money to the client?
- what is the proportion of funding being provided by the third party?
- how did the third party obtain the funds?
- Whether it is appropriate to conduct CDD on the third party and/or ask for evidence to support any explanations provided by the client

Supporting evidence might include:

- bank statements
- filed business accounts
- information confirming the sale of a house or shares
- confirmation of inheritance or judicial award.

Where this is provided, you should check that the evidence is consistent with the client's explanation. Where there is any inconsistency you must consider whether you need to submit a SAR to the Nominated Officer.

If you are in any doubt please contact the Compliance Officer.

Training

Who will receive training? All relevant staff will receive training.

What does the training involve?

It covers:

- The law relating to money laundering and terrorist financing
- Our policy and procedures
- Guidance on detecting money laundering and terrorist financing

Is completion of training compulsory?

Completion of training is compulsory.

How often will training be provided?

All new joiners will receive training as part of the induction process. Further training will be provided as required.

The Compliance Officer will continually monitor training needs but if you feel that you need further training on any aspect of the relevant law or our AML/CTF policy and procedures, please contact the Compliance Officer.



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Policy compliance and review

How will compliance with this policy be monitored?

Compliance will be continually monitored through any or all of the following methods:

- File audits
- Review of records maintained by the Compliance Officer
- Reports or feedback from staff
- Any other method

What are the consequences for failing to comply?

Failure to comply puts both you and the organisation at risk. You may commit a criminal offence if you fail to comply with this policy. The AML and CTF regimes carry heavy criminal penalties. We take compliance with this policy very seriously. Because of the importance of this policy, failure to comply with any requirement may lead to disciplinary action under our procedures, which may result in dismissal.

When will this policy be reviewed?

We will review this policy at least annually as part of our overall risk management process. We will also review this policy if:

- There are any major changes in the law or practice
- We identify or are alerted to a weakness in the policy
- There are changes in the nature of our business, our clients or other changes which impact on this policy

Where can I get further advice on AML/CTF matters?

You can get further advice and guidance from the Compliance Officer.

Relevant Jurisdiction

TFCORP abides to all the AML and CTF regulations in all the jurisdictions where it carries out its activities.



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