



**Anti-Money Laundering & Combating the
Financing of Terrorism (AML/CFT) Policy**

November, 2017

1.0 POLICY

The Anti-Money Laundering & Combating the Financing of Terrorism Policy (“**AMF/CFT Policy**”) sets out the guidelines for FMDQ’s compliance with AML/CFT obligations under the law, as well as regulatory directives, and actively prevents any transaction that facilitates criminal activities.

1.1 DESCRIPTION

Money laundering and financing terrorism are financial crimes with economic effects. It requires an underlying primary profit-making crime such as corruption, drug trafficking, market manipulation, fraud, tax evasion, etc., with the intent to conceal the proceeds of the crime and to further the criminal enterprise. AML/CFT compliance programme helps mitigate the adverse effects of criminal economic activity and promote integrity and stability in financial markets. It is also critical to preserving the Company’s corporate integrity, reputation and operational efficiency.

1.2 DEFINITIONS

- **Money Laundering** – Money laundering (ML) has been defined as the process whereby criminals attempt to conceal the illegal origin and/or illegitimate ownership of property and assets that are the proceeds of their criminal activities. It is, thus, a derivative crime (Central Bank of Nigeria Manual)
- **Terrorism Financing** – includes both legitimate and illegitimate money characterised by concealment of the origin or intended criminal use of the funds
- **Know Your Customer** – This entails obtaining and verifying customer identity, preservation of records of customers, mandatory disclosure of transactions to authorised statutory bodies
- **Customer Due Diligence** – This covers steps taken by FMDQ to identify its clients and validate their identities
- **Nigeria Financial Intelligence Unit** – The Nigerian arm of the global Financial Intelligence Unit (FIU)
- **Politically Exposed Persons** – Individuals who are or have been entrusted with prominent public functions in any country; generally presenting a higher risk for potential involvement in bribery and corruption by virtue of their position and the influence that they may hold

1.3 PURPOSE

The purpose of this Policy manual is to:

- Provide guidance on the standards of conduct and practice that must be followed in the implementation of the Know Your Customer (KYC) and Customer Due Diligence (CDD) requirements of the capital market
- Protect the Company against fraud, reputational and other financial market risks
- Minimise the risks faced by the Company from proceeds of crime

- Protect the integrity of the securities market against all forms of abuse, fraudulent and unfair trade practices

1.4 POLICY STATEMENT

The following statements shall guide the principles and procedures for AML/CFT compliance programme. FMDQ shall:

- Formulate and implement internal controls and other procedures that will deter criminals from using its facilities for money laundering and terrorist financing and to ensure that its obligations under subsisting laws and Regulations are met
- Designate AML/CFT Chief Compliance Officer at the Management level, with the relevant competence, authority and independence to implement the institution's AML/CFT compliance programme
- Comply with the requirements of the Money Laundering (Prohibition) Act, 2011 (as amended), Terrorism (Prevention) Act, 2011 (as amended) and Terrorism Prevention (Freezing of International Terrorists Funds and other Related Measures) Regulations 2013, including related laws and Regulations
- Comply promptly with all the requests made pursuant to subsisting laws and Regulations and shall provide relevant information to the Securities and Exchange Commission (SEC), the Nigerian Financial Intelligence Unit (NFIU) and other relevant law enforcement agencies on AML/CFT matters
- Identify and report to the NFIU, in the course of its business, any suspicious transactions derived from the criminal activities defined in AML/CFT SEC Regulations
- Ensure the implementation of the requirements of the AML/CFT Act are not inhibited through the Company's Confidentiality Agreement or Policy
- Exit relationships which pose heightened money laundering risks to FMDQ
- Effectively communicate this Policy to raise the level of staff awareness on AML/CFT issues

1.4.1 KNOW YOUR CUSTOMER (KYC)

KYC is the due diligence that Financial Institutions, Financial Market Operators, Capital Market Operators, Financial Market Infrastructures and other regulated companies must perform to identify their clients and ascertain relevant information before carrying-out any financial businesses with them. A client for the purposes of KYC policy is defined as:

- An entity that has a business relationship with FMDQ
- Any entity connected with a financial transaction, which can pose a significant reputational or other risk to FMDQ

Specifically, FMDQ's KYC policies and procedures emphasise the following:

- Obtaining the necessary documents and information from every client (any one who FMDQ receives money from to provide a business)
- Obligation to report to the regulatory authorities on suspicious transactions, which may ultimately have a bearing on money laundering activities
- Updating client information as frequently as practicable
- Identifying the client as well as their beneficial owners and verifying such client's identity using reliable, independent source documents, data or information
- Independent verification of legal status of incorporated entities and sole proprietorships with the Corporate Affairs Commission, in writing
- Refusal to transact business with "shell companies" as described under the International Conventions
- Performing enhanced due diligence for higher risk clients, business relationships or transactions including:
 - Politically Exposed Persons (PEP), cross border transactions and business relationships
 - Any other businesses, activities or professions as may be prescribed by regulatory, supervisory and competent authorities

1.4.2 RECORD KEEPING AND RETENTION REQUIREMENTS

FMDQ shall maintain all necessary records of transactions, both domestic and international for at least five (5) years after completion of the transactions or such a longer period as may be required by SEC or NFIU. Records of all suspicious transactions shall be kept for the same period.

1.4.3 REQUESTS FOR AML RECORDS BY REGULATORY AND LAW ENFORCEMENT AGENCIES

Upon request by a regulatory or law enforcement agency, FMDQ shall make available records related to AML/CFT compliance or its clients as soon as possible from the date of the request.

1.4.4 TRANSACTION REPORTING

FMDQ shall exercise due diligence in identifying and reporting a suspicious transaction. Suspicious transactions shall include:

- Transactions which are structured to avoid reporting and record keeping requirements
- Altered or false identification or inconsistent information or any transaction involving criminal activity in FMDQ's view
- Entity that belongs to a person or organisation considered as terrorist

FMDQ shall ensure timely and accurate rendition of all AML/CFT returns as specified in the SEC AML/CFT Rules and Regulations as well as other relevant Regulations/Act/Guidelines/Circulars that may be issued from time to time by various government agencies.

1.4.5 AWARENESS AND TRAINING

FMDQ shall create awareness amongst its employees on AML/CFT through a robust training program that will include formal courses, workshops and newsletters. Such trainings shall incorporate current developments and changes to relevant guidelines as well as internal Policies, procedures, processes and monitoring systems.

FMDQ shall also utilise other avenues such as e-mails, laptop screensavers, display screens, posters etc. to disseminate compliance issues arising from new rules and regulations to all Staff members.

1.4.6 POLITICALLY EXPOSED PERSONS (PEPs)

Business relationships with family members or close associates of PEPs involve reputation risks similar to those PEPs themselves. FMDQ shall evaluate the risks to its business operations when dealing with PEPs. The following factors shall guide identification of PEPs' risk characteristics:

- Nature of the client and the client's businesses - The source of the client's wealth, the nature of the client's business and the extent to which the client's business history presents an increased risk for money-laundering and terrorist financing
- Purpose and activity – The size, purpose, services involved in the relationship
- Relationship – The nature and duration of FMDQ's relationship with the client
- Client's corporate structure
- Public information – Information is known or reasonably available to FMDQ about the client

1.5 RESPONSIBILITIES

I. Board of Directors

The roles and responsibilities of the Board of Directors with respect to AML/CFT compliance include, but are not limited to:

- Ensuring that a comprehensive operational AML/CFT Compliance Policy is formulated by Management
- Ratifying the AML/CFT Compliance Policy as approved by the Board Regulation and Risk Management Committee (BRRMC)
- Decision-making based on quarterly reports received on AML/CFT matters

II. Board Regulation and Risk Management Committee (BRRMC)

BRRMC is tasked with the responsibility of:

- Approving the AML/CFT Compliance Policy
- Reviewing all periodic report on AML/CFT matters
- Ensuring that Management forwards all required periodic reports to the relevant regulatory authorities
- Providing guidelines regarding the management of AML/CFT compliance risks

III. The Executive Committee (ExCo) – Risk

ExCo-Risk responsibilities would include the following:

- Setting the tone from the top in enforcing and in fostering open and receptive attitude towards compliance
- Ensuring that adequate controls are in place to mitigate the identified compliance risks
- Ensuring sufficient resources and support to the Compliance & Risk Management Group (CRG) to carry out its functions
- Encouraging active cooperation and feedback among all FMDQ staff by creating open lines of communication with Compliance & Risk Management Group (CRG) and Control & Audit Group (CAG)

IV. Group Head, CRG

The duties of the Group Head, CRG in FMDQ include:

- Developing an AML/CFT Compliance Programme
- Informing ExCo-Risk of AML/CFT compliance efforts, compliance failures and the status of corrective actions
- Ensuring implementation of Board decisions on compliance matters
- Ensuring that regulatory changes are highlighted to ExCo-Risk and effectively implemented by FMDQ
- Ensuring that compliance requirements are integrated into the day-to-day activities of FMDQ and that processes are efficient and in accordance with applicable laws and policies
- Coordinating the development of staff in AML/CFT awareness, detection methods and reporting requirements

V. Compliance Officer

- Coordinating and monitoring day-to-day compliance with applicable money laundering laws and regulations
- Monitoring transactions to detect unusual suspicious activities
- Prompt preparation and delivery of all relevant returns to the regulatory bodies in line with SEC and FIU Rules and Regulations
- Communicating AML/CFT issues to all stakeholders

VI. Internal Audit

- Incorporating compliance testing in their normal audit program
- Reporting on results of the independent testing to the Board through the MD/CEO, as well as and the Audit Committee
- Carrying out independent review of this Policy and providing assurance to Board, Audit Committee and Management

VII. All Staff Members

- Familiarising themselves with guidelines, policies and best practices relating to their respective areas of responsibility
- Implementing the measures and approaches diligently and to the best of their ability
- Reporting any legal violations or other forms of misconduct in accordance with FMDQ Policies and Procedures

1.6 SCOPE

This Policy manual applies to FMDQ and its Board of Directors, Management and Staff with respect to compliance with rules and regulations that govern its operations. Specifically, the AML/CFT Compliance Procedures shall be incorporated into the operations of Business Marketing, Business Origination, Market Regulation, Examination Groups, as well as any other relevant Groups in FMDQ.

1.7 CONSEQUENCES

A breach of the anti-money laundering and combating the financing of terrorism laws is a serious offence and could result in lengthy investigations, significant fines and criminal sanctions (including imprisonment of employees)

1.8 REFERENCES

This Policy is in line with the requirements of the Securities and Exchanges Commission (SEC) regulations on Capital Market Operators Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).