

DUE DILIGENCE REPORT TEMPLATE
BACKGROUND INVESTIGATION OF (Name of Company) AND (Individual Owners)

The Government of the Virgin Islands Division of Banking and Insurance (hereafter GVI) hired the undersigned firm to conduct a background investigation into the * (name of entity) and its owner, (name of owner).

Description of IBE Business

(reprint from Application and/or Business Plan)

Methodology

Contractor's experience as Investigator. Include sub-contractor's used on this Assignment and list their law enforcement or regulatory experience.

The inquiry focused on the following subject areas:

1. Is the applicant's business proposal consistent with the IBE Rules and the enabling legislation?
2. Is the corporate and personal background of * and * acceptable for admittance into the IBE program?
3. Has the Applicant provided a compliant anti money laundering program to comport with local and federal law to prohibit use of the IBE as a vehicle for money laundering?

List the major group of databases used to conduct investigation as well as any supplemental personal interviews.

1. Is the applicant's business proposal consistent with the IBE Rules and the enabling legislation?

Finding:

- Investigator must analyze the statute and rules to determine whether the proposed business comports with the rules, regulations and intent of the program)
- Investigator should review the tax analysis letter provided by the Applicant's attorney. Investigator need not opine on the tax letter other to make note of its

inclusion.. A review of the tax letter should inform the Investigator whether the Applicant's proposed activities are consistent with the IBE statute.

- A positive finding should be accompanied by the following statement:

(Name of Entity)'s proposed business is consistent with the statute and the rules governing IBEs.

2. Is the corporate and personal background of (Entity) and (Individual Owners) acceptable for inclusion in the IBE program?

Finding:

- Investigator must state what the investigator has done to analyze the business and personal background of the entity and its owner(s).
- Investigator must state that he/she "has conducted a thorough background inquiry concerning the Owner's business and personal life."
- "Over ___ databases were queried.
- "No/Yes material negative information was revealed during the inquiry.
- "Owner does/does not have a criminal record and appears not to have (or has had) had problems with any regulatory entity.

3. Has the Applicant provided a compliant anti money laundering (AML) program to comport with local and federal law to prohibit use of the IBE as a vehicle for money laundering?

Finding:

- Investigator must review AML Plan and state whether it is creates a satisfactory framework to prevent the use of the IBE as a vehicle for money laundering.

In addition to the AML Plan, and in reviewing the Applicant's anatomy of a transaction, does it create the risk of any of the following suspicious activities? Note that the IBE will not have engaged in any banking business prior to the issuance of the Certificate and the Investigator should review the anatomy of a transaction to assess risk of the following. The investigator may wish to go over the following list with Applicant to alert the Applicant that these activities will be viewed unfavorably and that the Applicant has a duty to report suspicious transactions to the Financial Crimes Enforcement Network (FinCEN), an agency of the United States Department of the Treasury.

Applicant should be advised that: "Suspicious transactions are financial transactions that you have reasonable grounds to suspect are related to the commission of a **money**

laundrying offense. This includes transactions that you have reasonable grounds to suspect are related to the **attempted** commission of a money laundering offense.”

Wire transfers to/from questionable jurisdictions
Use of offshore or shell banks, especially those located in bank secrecy havens
Substantial deposits or withdrawals of large bills
Use of couriers for bank transactions
Exchanges of cash for monetary instruments
Frequent internal transfers from account to account
Small average balance in account, but frequent activity
Numerous small deposits of cash, wires, monetary instruments or via internal transfer, followed by a large outgoing wire or vice versa
Sending/receiving of wires with no apparent business purpose, to locations that don't make sense, or that are not consistent with customer's business or expected activity
Unusual payoffs or large payments on loans with no reasonable explanation of the source of funds
Cash secured loans
Buying or renting goods, services, vehicles, accommodations with cash or by fraudulent means, or otherwise using false identification or indirect ownership
Engage in sudden withdrawal of funds or closing of accounts with accompanying wire transfers to foreign accounts
Sleeper accounts – dormant for long period & then sudden unexplained activity
Mystery accounts – customer refuses to provide required info
Multiple signature authority w/no relation between signatures
Large cash withdrawals from businesses that don't use cash

Note: Investigator must initiate query of the Applicant to inquire whether Applicant is familiar with the FATCA and OFAC regulations and is willing to comply with the requirements of each.

4. Conclusion

- Investigator must state whether Entity and Owner have good reputations, whether it appears that IBE has taken its regulatory responsibilities seriously; whether the Investigator believes the IBE will be a lawful compliant entry into the program.
- Investigator must recommend IBE for admission or rejection. If Investigator recommends rejection, Investigator must itemize the reasons and document the evidence for rejection.

ADDENDUM ON SUSPICIOUS ACTIVITIES

For use by background investigator

THE FOLLOWING IS ADAPTED AND REPRINTED BY PERMISSION FROM
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1.1.1 Indicators of suspicious transactions

The indicators that follow are provided to help assess whether or not transactions might give rise to reasonable grounds for suspicion. They are examples of common and industry-specific indicators that may be helpful when evaluating transactions, whether completed or attempted. They include indicators based on certain characteristics that have been linked to money laundering or terrorist activities in the past.

These indicators were compiled in consultation with reporting entities, law enforcement agencies and international financial intelligence organizations and were compiled by FINTRAC, a Canadian regulatory agency. They are not intended to cover every possible situation and are not to be viewed in isolation. A single indicator is not necessarily indicative of reasonable grounds to suspect money laundering or terrorist financing activity. However, if a number of indicators are present during a transaction or a series of transactions, then you might want to take a closer look at other factors prior to making the determination as to whether the transaction must be reported.

The indicators have to be assessed in the context in which the transaction occurs or is attempted. Each indicator may contribute to a conclusion that there are reasonable grounds to suspect that the transaction is related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. However, it may also offer no indication of this in light of factors such as the client's occupation, business, financial history and past investment pattern. Taken together, the presence of one or more indicators as well as your knowledge of your client's business or financial affairs may help you identify suspicious transactions.

Some of the indicators provided could result in the transaction being aborted if the client requests a service that is prohibited by your business or by your anti-terrorism measures. Your policies, standards and procedures may already reflect these as inappropriate or questionable.

Becoming aware of certain indicators could trigger reasonable grounds to suspect that one or more transactions from the past (that had not previously seemed suspicious) were related to money laundering or terrorist financing. For example, this could happen if it were reported in the media or some other reliable source that one of your clients is suspected of being involved in illegal activity. If this amounts to suspicion regarding a previous transaction with this client, you would have to report it to FINTRAC within 30 days of detecting this new fact.

1.2 Examples of Common Indicators

The following are examples of common indicators that may point to a suspicious transaction, whether completed or attempted as explained in subsection 3.2. Please read section 6 for general information about identifying suspicious transactions and how to use these indicators.

1.2.1 General

- Client admits or makes statements about involvement in criminal activities.
- Client does not want correspondence sent to home address.
- Client appears to have accounts with several financial institutions in one area for no apparent reason.
- Client conducts transactions at different physical locations in an apparent attempt to avoid detection.
- Client repeatedly uses an address but frequently changes the names involved.
- Client is accompanied and watched.
- Client shows uncommon curiosity about internal systems, controls and policies.
- Client has only vague knowledge of the amount of a deposit.
- Client presents confusing details about the transaction or knows few details about its purpose.
- Client appears to informally record large volume transactions, using unconventional bookkeeping methods or "off-the-record" books.
- Client over justifies or explains the transaction.
- Client is secretive and reluctant to meet in person.
- Client is nervous, not in keeping with the transaction.
- Client is involved in transactions that are suspicious but seems blind to being involved in money laundering activities.
- Client's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client shortly after opening account.
- Normal attempts to verify the background of a new or prospective client are difficult.
- Client appears to be acting on behalf of a third party, but does not tell you.
- Client is involved in activity out-of-keeping for that individual or business.
- Client insists that a transaction be done quickly.
- Inconsistencies appear in the client's presentation of the transaction.
- The transaction does not appear to make sense or is out of keeping with usual or expected activity for the client.
- Client appears to have recently established a series of new relationships with different financial entities.
- Client attempts to develop close rapport with staff.
- Client uses aliases and a variety of similar but different addresses.
- Client spells his or her name differently from one transaction to another.
- Client uses a post office box or General Delivery address, or other type of mail drop address, instead of a street address when this is not the norm for that area.
- Client provides false information or information that you believe is unreliable.
- Client offers you money, gratuities or unusual favours for the provision of services that may appear unusual or suspicious.
- Client pays for services or products using financial instruments, such as money orders or traveller's checks, without relevant entries on the face of the instrument or with unusual symbols, stamps or notes.

- You are aware that a client is the subject of a money laundering or terrorist financing investigation.
- You are aware or you become aware, from a reliable source (that can include media or other open sources), that a client is suspected of being involved in illegal activity.
- A new or prospective client is known to you as having a questionable legal reputation or criminal background.
- Transaction involves a suspected shell entity (that is, a corporation that has no assets, operations or other reason to exist).

1.2.2 Knowledge of reporting or record keeping requirements

- Client attempts to convince employee not to complete any documentation required for the transaction.
- Client makes inquiries that would indicate a desire to avoid reporting.
- Client has unusual knowledge of the law in relation to suspicious transaction reporting.
- Client seems very conversant with money laundering or terrorist activity financing issues.
- Client is quick to volunteer that funds are "clean" or "not being laundered."
- Client appears to be structuring amounts to avoid record keeping, client identification or reporting thresholds.
- Client appears to be collaborating with others to avoid record keeping, client identification or reporting thresholds.
- Client performs two or more cash transactions of less than \$10,000 each just outside of 24 hours apart, seemingly to avoid the 24-hour rule.

1.2.3 Identity documents

- Client provides doubtful or vague information.
- Client produces seemingly false identification or identification that appears to be counterfeited, altered or inaccurate.
- Client refuses to produce personal identification documents.
- Client only submits copies of personal identification documents.
- Client wants to establish identity using something other than his or her personal identification documents.
- Client's supporting documentation lacks important details such as a phone number.
- Client inordinately delays presenting corporate documents.
- All identification presented is foreign or cannot be checked for some reason.
- All identification documents presented appear new or have recent issue dates.
- Client presents different identification documents at different times.
- Client alters the transaction after being asked for identity documents.
- Client presents different identification documents each time a transaction is conducted.

1.2.4 Cash transactions

- Client starts conducting frequent cash transactions in large amounts when this has not been a normal activity for the client in the past.
- Client frequently exchanges small bills for large ones.

- Client uses notes in denominations that are unusual for the client, when the norm in that business is different.
- Client presents notes that are packed or wrapped in a way that is uncommon for the client.
- Client deposits musty or extremely dirty bills.
- Client makes cash transactions of consistently rounded-off large amounts (e.g., \$9,900, \$8,500, etc.).
- Client consistently makes cash transactions that are just under the reporting threshold amount in an apparent attempt to avoid the reporting threshold.
- Client consistently makes cash transactions that are significantly below the reporting threshold amount in an apparent attempt to avoid triggering the identification and reporting requirements.
- Client presents uncounted funds for a transaction. Upon counting, the client reduces the transaction to an amount just below that which could trigger reporting requirements.
- Client conducts a transaction for an amount that is unusual compared to amounts of past transactions.
- Client frequently purchases traveller's checks, foreign currency drafts or other negotiable instruments with cash when this appears to be outside of normal activity for the client.
- Client asks you to hold or transmit large sums of money or other assets when this type of activity is unusual for the client.
- Shared address for individuals involved in cash transactions, particularly when the address is also for a business location, or does not seem to correspond to the stated occupation (i.e., student, unemployed, self-employed, etc.)
- Stated occupation of the client is not in keeping with the level or type of activity (for example a student or an unemployed individual makes daily maximum cash withdrawals at multiple locations over a wide geographic area).
- Cash is transported by a cash courier.
- Large transactions using a variety of denominations.

1.2.5 Economic purpose

- Transaction seems to be inconsistent with the client's apparent financial standing or usual pattern of activities.
- Transaction appears to be out of the normal course for industry practice or does not appear to be economically viable for the client.
- Transaction is unnecessarily complex for its stated purpose.
- Activity is inconsistent with what would be expected from declared business.
- A business client refuses to provide information to qualify for a business discount.
- No business explanation for size of transactions or cash volumes.
- Transactions of financial connections between businesses that are not usually connected (for example, a food importer dealing with an automobile parts exporter).
- Transaction involves non-profit or charitable organization for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity of the organization and the other parties in the transaction.

1.2.6 Transactions involving accounts

- Opening accounts when the client's address is outside the local service area.
- Opening accounts in other people's names.
- Opening accounts with names very close to other established business entities.
- Attempting to open or operating accounts under a false name.
- Account with a large number of small cash deposits and a small number of large cash withdrawals.
- Funds are being deposited into several accounts, consolidated into one and transferred outside the country.
- Client frequently uses many deposit locations outside of the home branch location.
- Multiple transactions are carried out on the same day at the same branch but with an apparent attempt to use different tellers.
- Activity far exceeds activity projected at the time of opening of the account.
- Establishment of multiple accounts, some of which appear to remain dormant for extended periods.
- Account that was reactivated from inactive or dormant status suddenly sees significant activity.
- Reactivated dormant account containing a minimal sum suddenly receives a deposit or series of deposits followed by frequent cash withdrawals until the transferred sum has been removed.
- Unexplained transfers between the client's products and accounts.
- Large transfers from one account to other accounts that appear to be pooling money from different sources.
- Multiple deposits are made to a client's account by third parties.
- Deposits or withdrawals of multiple monetary instruments, particularly if the instruments are sequentially numbered.
- Frequent deposits of bearer instruments (for example, checks, money orders or bearer bonds) in amounts just below \$10,000.
- Unusually large cash deposits by a client with personal or business links to an area associated with drug trafficking.
- Regular return of checks for insufficient funds.
- Correspondent accounts being used as "pass-through" points from foreign jurisdictions with subsequent outgoing funds to another foreign jurisdiction.
- Multiple personal and business accounts are used to collect and then funnel funds to a small number of foreign beneficiaries, particularly when they are in locations of concern, such as countries known or suspected to facilitate money laundering activities.

More information on which countries these characteristics may apply to can be found at the following Web sites:

- The Financial Action Task Force's Web site (<http://www.fatf-gafi.org>) has information about non-cooperative countries and territories in the fight against money laundering and terrorist financing (see "High-risk and non-cooperative jurisdictions" section).

1.2.7 Transactions related to offshore business activity

Any individual or entity that conducts transactions internationally should consider the following indicators.

- Accumulation of large balances, inconsistent with the known turnover of the client's business, and subsequent transfers to overseas account(s).
- Frequent requests for traveller's checks, foreign currency drafts or other negotiable instruments.
- Loans secured by obligations from offshore banks.
- Loans to or from offshore companies.
- Offers of multimillion-dollar deposits from a confidential source to be sent from an offshore bank or somehow guaranteed by an offshore bank.
- Transactions involving an offshore "shell" bank whose name may be very similar to the name of a major legitimate institution.
- Unexplained electronic funds transfers by client on an in-and-out basis.
- Use of letter-of-credit and other method of trade financing to move money between countries when such trade is inconsistent with the client's business.
- Use of a credit card issued by an offshore bank.

1.3 Examples of Industry-Specific Indicators

1.3.1 Industry-specific indicators

In addition to the general indicators outlined above, the following industry-specific indicators may point to a suspicious transaction, whether completed or attempted. Remember that behavior is suspicious, not people. Also, it is the consideration of many factors—not any one factor—that will lead to a conclusion that there are reasonable grounds to suspect that a transaction is related to the commission or attempted commission of a money laundering or terrorist activity financing offence. All circumstances surrounding a transaction should be reviewed, within the context of your knowledge of your client.

1.3.2 Financial entities

The following indicators are for your consideration if you are an institution that opens accounts and holds deposits on behalf of individuals or entities. This includes banks, credit unions, trust companies and loan companies.

Personal transactions

- Client appears to have accounts with several financial institutions in one geographical area.
- Client has no employment history but makes frequent large transactions or maintains a large account balance.
- The flow of income through the account does not match what was expected based on stated occupation of the account holder or intended use of the account.
- Client makes one or more cash deposits to general account of foreign correspondent bank (i.e., pass-through account).

- Client makes frequent or large payments to online payment services.
- Client runs large positive credit card balances.
- Client uses cash advances from a credit card account to purchase money orders or drafts or to wire funds to foreign destinations.
- Client takes cash advance to deposit into savings or checking account.
- Large cash payments for outstanding credit card balances.
- Client makes credit card overpayment and then requests a cash advance.
- Client visits the safety deposit box area immediately before making cash deposits.
- Client wishes to have credit and debit cards sent to international or domestic destinations other than his or her address.
- Client has numerous accounts and deposits cash into each of them with the total credits being a large amount.
- Client deposits large endorsed checks in the name of a third-party.
- Client frequently makes deposits to the account of another individual who is not an employer or family member.
- Client frequently exchanges currencies.
- Client frequently makes automatic banking machine deposits just below the reporting threshold.
- Client's access to the safety deposit facilities increases substantially or is unusual in light of their past usage.
- Many unrelated individuals make payments to one account without rational explanation.
- Third parties make cash payments or deposit checks to a client's credit card.
- Client gives power of attorney to a non-relative to conduct large transactions.
- Client has frequent deposits identified as proceeds of asset sales but assets cannot be substantiated.
- Client acquires significant assets and liquidates them quickly with no explanation.
- Client acquires significant assets and encumbers them with security interests that do not make economic sense.
- Client requests movement of funds that are uneconomical.
- Client makes unusually large hydro bill payments.
- High volume of wire transfers are made or received through the account.

Corporate and business transactions

Some businesses may be susceptible to the mixing of illicit funds with legitimate income. This is a very common method of money laundering. These businesses include those that conduct a significant part of their business in cash, such as restaurants, bars, parking lots, convenience stores and vending machine companies. On opening accounts with the various businesses in your area, you would likely be aware of those that are mainly cash based. Unusual or unexplained increases in cash deposits made by those entities may be indicative of suspicious activity.

- Accounts are used to receive or disburse large sums but show virtually no normal business-related activities, such as the payment of payrolls, invoices, etc.
- Accounts have a large volume of deposits in bank drafts, cashier's checks, money orders or electronic funds transfers, which is inconsistent with the client's business.

- Accounts have deposits in combinations of monetary instruments that are atypical of legitimate business activity (for example, deposits that include a mix of business, payroll, and social security checks).
- Accounts have deposits in combinations of cash and monetary instruments not normally associated with business activity.
- Business does not want to provide complete information regarding its activities.
- Financial statements of the business differ noticeably from those of similar businesses.
- Representatives of the business avoid contact with the branch as much as possible, even when it would be more convenient for them.
- Deposits to or withdrawals from a corporate account are primarily in cash rather than in the form of debit and credit normally associated with commercial operations.
- Client maintains a number of trustee or client accounts that are not consistent with that type of business or not in keeping with normal industry practices.
- Client operates a retail business providing check-cashing services but does not make large draws of cash against checks deposited.
- Client pays in cash or deposits cash to cover bank drafts, money transfers or other negotiable and marketable money instruments.
- Client purchases cashier's checks and money orders with large amounts of cash.
- Client deposits large amounts of currency wrapped in currency straps.
- Client makes a large volume of seemingly unrelated deposits to several accounts and frequently transfers a major portion of the balances to a single account at the same bank or elsewhere.
- Client makes a large volume of cash deposits from a business that is not normally cash-intensive.
- Client makes large cash withdrawals from a business account not normally associated with cash transactions.
- Client consistently makes immediate large withdrawals from an account that has just received a large and unexpected credit from abroad.
- Client makes a single and substantial cash deposit composed of many large bills.
- Small, one-location business makes deposits on the same day at different branches across a broad geographic area that does not appear practical for the business.
- There is a substantial increase in deposits of cash or negotiable instruments by a company offering professional advisory services, especially if the deposits are promptly transferred.
- There is a sudden change in cash transactions or patterns.
- Client wishes to have credit and debit cards sent to international or domestic destinations other than his or her place of business.
- There is a marked increase in transaction volume on an account with significant changes in an account balance that is inconsistent with or not in keeping with normal business practices of the client's account.
- Asset acquisition is accompanied by security arrangements that are not consistent with normal practice.
- Unexplained transactions are repeated between personal and commercial accounts.
- Activity is inconsistent with stated business.
- Account has close connections with other business accounts without any apparent reason for the connection.

- Activity suggests that transactions may offend securities regulations or the business prospectus is not within the requirements.
- A large number of incoming and outgoing wire transfers take place for which there appears to be no logical business or other economic purpose, particularly when this is through or from locations of concern, such as countries known or suspected to facilitate money laundering activities.

Transactions for non-profit organizations (including registered charities)

- Inconsistencies between apparent modest sources of funds of the organization (e.g., communities with modest standard of living) and large amounts of funds raised.
- Inconsistencies between the pattern or size of financial transactions and the stated purpose and activity of the organization.
- Sudden increase in the frequency and amounts of financial transactions for the organization, or the inverse, that is, the organization seems to hold funds in its account for a very long period.
- Large and unexplained cash transactions by the organization.
- Absence of contributions from donors located in Virgin Islands.
- The organization's directors are outside Virgin Islands, particularly if large outgoing transactions are made to the country of origin of the directors and especially if that country is a high-risk jurisdiction.
- Large number of non-profit organizations with unexplained links.
- The non-profit organization appears to have little or no staff, no suitable offices or no telephone number, which is incompatible with their stated purpose and financial flows.
- The non-profit organization has operations in, or transactions to or from, high-risk jurisdictions.

More information on which countries these characteristics may apply to can be found at the following Web sites:

- The Financial Action Task Force's Web site (<http://www.fatf-gafi.org>) has information about non-cooperative countries and territories in the fight against money laundering and terrorist financing (see "High-risk and non-cooperative jurisdictions" section).
- FINTRAC issues advisories or notices concerning countries that may require special attention and increased diligence. These advisories are available on the Media Room page of our Web site (<http://www.fintrac-canafe.gc.ca>).

1.3.3 Businesses who send or receive electronic funds transfers, or remit or transmit funds

If you are involved in the business of electronic funds transfers or the remittance or transmission of funds, consider the following indicators.

- Client is reluctant to give an explanation for the remittance.
- Client orders wire transfers in small amounts in an apparent effort to avoid triggering identification or reporting requirements.

- Client transfers large sums of money to overseas locations with instructions to the foreign entity for payment in cash.
- Client receives large sums of money from an overseas location and the transfers include instructions for payment in cash.
- Client makes frequent or large funds transfers for individuals or entities who have no account relationship with the institution.
- Client receives frequent funds transfers from individuals or entities who have no account relationship with the institution.
- Client receives funds transfers and immediately purchases monetary instruments prepared for payment to a third party which is inconsistent with or outside the normal course of business for the client.
- Client requests payment in cash immediately upon receipt of a large funds transfer.
- Client instructs you to transfer funds abroad and to expect an equal incoming transfer.
- Immediately after transferred funds have cleared, the client moves the funds to another account or to another individual or entity.
- Client shows unusual interest in funds transfer systems and questions the limit of what amount can be transferred.
- Client transfers funds to another country without changing the currency.
- Large incoming wire transfers from foreign jurisdictions are removed immediately by company principals.
- Client sends frequent wire transfers to foreign countries, but does not seem to have connection to such countries.
- Wire transfers are received from entities having no apparent business connection with client.
- Size of funds transfers is inconsistent with normal business transactions for that client.
- Rising volume of remittances exceeds what was expected from the client when the relationship was established.
- Several clients request transfers either on the same day or over a period of two to three days to the same recipient.
- Different clients request transfers that are all paid for by the same client.
- Several clients requesting transfers share common identifiers, such as family name, address or telephone number.
- Several different clients send transfers that are similar in amounts, sender names, test questions, free message text and destination country.
- A client sends or receives multiple transfers to or from the same individual.
- Stated occupation of the client or the client's financial standing is not in keeping with the level or type of activity (for example a student or an unemployed individual who receives or sends large numbers of wire transfers).
- Migrant remittances made outside the usual remittance corridors.
- Personal funds sent at a time not associated with salary payments.
- Country of destination for a wire transfer is not consistent with the nationality of the individual client.
- Client requests transfers to a large number of recipients outside Virgin Islands who do not appear to be family members.
- Client does not appear to know the recipient to whom he or she is sending the transfer.
- Client does not appear to know the sender of the transfer from whom the transfer was received.

- Beneficiaries of wire transfers involve a large group of nationals of countries associated with terrorist activity.
- Client makes funds transfers to free trade zones that are not in line with the client's business.
- Country of destination for a transfer is not a member of the Financial Action Task Force or an FATF Style Regional Body. To find out which countries are members of the FATF, refer to its Web site (<http://www.fatf-gafi.org>).
- Client conducts transactions involving countries known as narcotic source countries or as trans-shipment points for narcotics, or that are known for highly secretive banking and corporate law practices.

1.3.4 Businesses who provide loans

If you are involved in the business of providing loans (including mortgages) or extending credit to individuals or corporations, consider the following indicators.

- Client suddenly repays a problem loan unexpectedly.
- Client makes a large, unexpected loan payment with unknown source of funds, or a source of funds that does not match what you know about the client.
- Client repays a long term loan, such as a mortgage, within a relatively short time period.
- Source of down payment is inconsistent with borrower's background and income.
- Down payment appears to be from an unrelated third party.
- Down payment uses a series of money orders or bank drafts from different financial institutions.
- Client shows income from "foreign sources" on loan application without providing further details.
- Client's employment documentation lacks important details that would make it difficult for you to contact or locate the employer.
- Client's documentation to ascertain identification, support income or verify employment is provided by an intermediary who has no apparent reason to be involved.
- Client has loans with offshore institutions or companies that are outside the ordinary course of business of the client.
- Client offers you large dollar deposits or some other form of incentive in return for favourable treatment of loan request.
- Client asks to borrow against assets held by another financial institution or a third party, when the origin of the assets is not known.
- The loan transaction does not make economic sense (for example, the client has significant assets, and there does not appear to be a sound business reason for the transaction).
- Customer seems unconcerned with terms of credit or costs associated with completion of a loan transaction.
- Client applies for loans on the strength of a financial statement reflecting major investments in or income from businesses incorporated in countries known for highly secretive banking and corporate law and the application is outside the ordinary course of business for the client.
- Down payment or other loan payments are made by a party who is not a relative of the client.

1.3.5 Life insurance companies, brokers and agents

If you provide life insurance or annuities as your main occupation or as one of the many services that you offer, consider the following indicators. Client wants to use cash for a large transaction.

- Client proposes to purchase an insurance product using a check drawn on an account other than his or her personal account.
- Client requests an insurance product that has no discernible purpose and is reluctant to divulge the reason for the investment.
- Client who has other small policies or transactions based on a regular payment structure makes a sudden request to purchase a substantial policy with a lump sum payment.
- Client conducts a transaction that results in a conspicuous increase in investment contributions.
- Scale of investment in insurance products is inconsistent with the client's economic profile.
- Unanticipated and inconsistent modification of client's contractual conditions, including significant or regular premium top-ups.
- Unforeseen deposit of funds or abrupt withdrawal of funds.
- Involvement of one or more third parties in paying the premiums or in any other matters involving the policy.
- Overpayment of a policy premium with a subsequent request to refund the surplus to a third party.
- Funds used to pay policy premiums or deposits originate from different sources.
- Use of life insurance product in a way that resembles use of a bank account, namely making additional premium payments and frequent partial redemptions.
- Client cancels investment or insurance soon after purchase.
- Early redemption takes place in the absence of a reasonable explanation or in a significantly uneconomic manner.
- Client shows more interest in the cancellation or surrender of an insurance contract than in the long-term results of investments or the costs associated with termination of the contract.
- Client makes payments with small denomination notes, uncommonly wrapped, with postal money orders or with similar means of payment.
- The duration of the life insurance contract is less than three years.
- The first (or single) premium is paid from a bank account outside the country.
- Client accepts very unfavourable conditions unrelated to his or her health or age.
- Transaction involves use and payment of a performance bond resulting in a cross-border payment.
- Repeated and unexplained changes in beneficiary.
- Relationship between the policy holder and the beneficiary is not clearly established.

1.3.6 Securities dealers

If you are involved in the business of dealing in securities, segregated fund products or any other financial instruments, including portfolio managers and investment counsellors, consider the following indicators.

- Accounts that have been inactive suddenly experience large investments that are inconsistent with the normal investment practice of the client or their financial ability.
- Any dealing with a third party when the identity of the beneficiary or counterparty is undisclosed.
- Client attempts to purchase investments with cash.
- Client wishes to purchase a number of investments with money orders, traveller's checks, cashier's checks, bank drafts or other bank instruments, especially in amounts that are slightly less than \$10,000, where the transaction is inconsistent with the normal investment practice of the client or their financial ability.
- Client uses securities or futures brokerage firm as a place to hold funds that are not being used in trading of securities or futures for an extended period of time and such activity is inconsistent with the normal investment practice of the client or their financial ability.
- Client wishes monies received through the sale of shares to be deposited into a bank account rather than a trading or brokerage account which is inconsistent with the normal practice of the client.
- Client frequently makes large investments in stocks, bonds, investment trusts or other securities in cash or by check within a short time period, inconsistent with the normal practice of the client.
- Client makes large or unusual settlements of securities in cash.
- The entry of matching buying and selling of particular securities or futures contracts (called match trading), creating the illusion of trading.
- Transfers of funds or securities between accounts not known to be related to the client.
- Several clients open accounts within a short period of time to trade the same stock.
- Client is an institutional trader that trades large blocks of junior or penny stock on behalf of an unidentified party.
- Unrelated clients redirect funds toward the same account.
- Trades conducted by entities that you know have been named or sanctioned by regulators in the past for irregular or inappropriate trading activity.
- Transaction of very large dollar size.
- Client is willing to deposit or invest at rates that are not advantageous or competitive.
- All principals of client are located outside of Virgin Islands.
- Client attempts to purchase investments with instruments in the name of a third party.
- Payments made by way of third party checks are payable to, or endorsed over to, the client.
- Transactions made by your employees, or that you know are made by a relative of your employee, to benefit unknown parties.
- Third-party purchases of shares in other names (i.e., nominee accounts).
- Transactions in which clients make settlements with checks drawn by or remittances from, third parties.
- Unusually large amounts of securities or stock certificates in the names of individuals other than the client.
- Client maintains bank accounts and custodian or brokerage accounts at offshore banking centres with no explanation by client as to the purpose for such relationships.

- Proposed transactions are to be funded by international wire payments, particularly if from countries where there is no effective anti-money-laundering system.

The Financial Action Task Force's Web site (<http://www.fatf-gafi.org>) has information about non-cooperative countries and territories in the fight against money laundering and terrorist financing (see "High-risk and non-cooperative jurisdictions" section).

1.3.7 Money services businesses

If you are involved in the money services business, including foreign exchange dealers, money remitters, issuers of traveller's checks, consider the following indicators.

- Client requests a transaction at a foreign exchange rate that exceeds the posted rate.
- Client wants to pay transaction fees that exceed the posted fees.
- Client exchanges currency and requests the largest possible denomination bills in a foreign currency.
- Client knows little about address and contact details for payee, is reluctant to disclose this information, or requests a bearer instrument.
- Client wants a check issued in the same currency to replace the one being cashed.
- Client wants cash converted to a check and you are not normally involved in issuing checks.
- Client wants to exchange cash for numerous postal money orders in small amounts for numerous other parties.
- Client enters into transactions with counter parties in locations that are unusual for the client.
- Client instructs that funds are to be picked up by a third party on behalf of the payee.
- Client makes large purchases of traveller's checks not consistent with known travel plans.
- Client makes purchases of money orders in large volumes.
- Client requests numerous checks in small amounts and various names, which total the amount of the exchange.
- Client requests that a check or money order be made out to the bearer.
- Client requests that a large amount of foreign currency be exchanged to another foreign currency.

1.3.8 8.8 Accountants and accounting firms

If you are an accountant, consider the following indicators when you are carrying out certain activities on behalf of your client.

- Client appears to be living beyond his or her means.
- Client has checks inconsistent with sales (i.e., unusual payments from unlikely sources).
- Client has a history of changing bookkeepers or accountants yearly.
- Client is uncertain about location of company records.

- Company carries non-existent or satisfied debt that is continually shown as current on financial statements.
- Company has no employees, which is unusual for the type of business.
- Company is paying unusual consultant fees to offshore companies.
- Company records consistently reflect sales at less than cost, thus putting the company into a loss position, but the company continues without reasonable explanation of the continued loss.
- Company shareholder loans are not consistent with business activity.
- Examination of source documents shows misstatements of business activity that cannot be readily traced through the company books.
- Company makes large payments to subsidiaries or similarly controlled companies that are not within the normal course of business.
- Company acquires large personal and consumer assets (i.e., boats, luxury automobiles, personal residences and cottages) when this type of transaction is inconsistent with the ordinary business practice of the client or the practice of that particular industry.
- Company is invoiced by organizations located in a country that does not have adequate money laundering laws and is known as a highly secretive banking and corporate tax haven.

More information on which countries these characteristics may apply to can be found on the Organisation for Economic Co-Operation and Development's Web site (<http://www.oecd.org>), by navigating by topic to locate "Tax" under the area heading "Finance".

1.3.9 Real estate

If you are a real estate developer, consider the following indicators when you sell a new house, a new condominium unit, a new commercial or industrial building or a new multi-unit residential building to the public.

- Client arrives at a real estate closing with a significant amount of cash.
- Client purchases property in someone else's name such as an associate or a relative (other than a spouse).
- Client does not want to put his or her name on any document that would connect him or her with the property or uses different names on Offers to Purchase, closing documents and deposit receipts.
- Client inadequately explains the last minute substitution of the purchasing party's name.
- Client negotiates a purchase for the market value or above the asked price, but requests that a lower value be recorded on documents, paying the difference "under the table".
- Client pays initial deposit with a check from a third party, other than a spouse or a parent.
- Client pays substantial down payment in cash and balance is financed by an unusual source (for example a third party or private lender) or offshore bank.
- Client purchases personal use property through his or her company when this type of transaction is inconsistent with the ordinary business practice of the client.
- Client purchases multiple properties in a short time period, and seems to have few concerns about the location, condition, and anticipated repair costs, etc. of each property.

- Client insists on providing signature on documents by fax only.
- Client over justifies or over explains the purchase.
- Client's home or business telephone number has been disconnected or there is no such number.
- Client uses a post office box or General Delivery address where other options are available.
- Client wants to build a luxury house in non-prime locations.
- Client exhibits unusual concerns regarding the firm's compliance with government reporting requirements and the firm's anti-money laundering policies.
- Client exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- Client persists in representing his financial situation in a way that is unrealistic or that could not be supported by documents.
- Transactions carried out on behalf of minors, incapacitated persons or other persons who, although not included in these categories, appear to lack the economic capacity to make such purchases.
- A transaction involving legal entities, when there does not seem to be any relationship between the transaction and the activity carried out by the buying company, or when the company has no business activity.
- Transactions in which the parties show a strong interest in completing the transaction quickly, without there being good cause.
- Transactions in which the parties are foreign or non-resident for tax purposes and their only purpose is a capital investment (that is, they do not show any interest in living at the property they are buying).
- Transactions involving payments in cash or in negotiable instruments which do not state the true payer (for example, bank drafts), where the accumulated amount is considered to be significant in relation to the total amount of the transaction.
- Transactions in which the party asks for the payment to be divided in to smaller parts with a short interval between them.
- Transactions in which payment is made in cash, bank notes, bearer checks or other anonymous instruments.
- Transactions which are not completed in seeming disregard of a contract clause penalizing the buyer with loss of the deposit if the sale does not go ahead.
- Recording of the sale of a building plot followed by the recording of the declaration of a completely finished new building at the location at an interval less than the minimum time needed to complete the construction, bearing in mind its characteristics.
- Transaction is completely anonymous—transaction conducted by lawyer—all deposit checks drawn on lawyer's trust account.

The following indicators apply to real estate brokers and sales representatives.

- Client sells property below market value with an additional "under the table" payment.
- Client purchases property without inspecting it.
- Client is known to have paid large remodelling or home improvement invoices with cash, on a property for which property management services are provided.
- Client buys back a property that he or she recently sold.

- Frequent change of ownership of same property, particularly between related or acquainted parties.
- If a property is re-sold shortly after purchase at a significantly different purchase price, without corresponding changes in market values in the same area.

1.3.10 Casinos

If you are engaged in the casino business, consider the following indicators.

- Any casino transaction of \$3,000 or more when an individual receives payment in casino checks made out to third parties or without a specified payee.
- Client requests a winnings check in a third party's name.
- Acquaintances bet against each other in even-money games and it appears that they are intentionally losing to one of the party.
- Client attempts to avoid the filing of a report for cash by breaking up the transaction.
- Client requests checks that are not for gaming winnings.
- Client enquires about opening an account with the casino and the ability to transfer the funds to other locations when you do not know the client as a regular, frequent or large volume player.
- Client purchases large volume of chips with cash, participates in limited gambling activity with the intention of creating a perception of significant gambling, and then cashes the chips for a casino check.
- Client puts money into slot machines and claims accumulated credits as a jackpot win.
- Client exchanges small denomination bank notes for large denomination bank notes, chip purchase vouchers or checks.
- Client is known to use multiple names.
- Client requests the transfer of winnings to the bank account of a third party or a known drug source country or to a country where there is no effective anti-money-laundering system.

More information on which countries these characteristics may apply to can be found on the Financial Action Task Force's Web site (<http://www.fatf-gafi.org>). It contains information about non-cooperative countries and territories in the fight against money laundering and terrorist financing (see "High-risk and non-cooperative jurisdictions" section).

1.3.11 Dealers in precious metals and stones

Consider the following indicators if you purchase or sell precious metals, precious stones or jewelry.

General

- Client indiscriminately purchases merchandise without regard for value, size, or color.
- Purchases or sales that are unusual for client or supplier.

- Unusual payment methods, such as large amounts of cash, multiple or sequentially numbered money orders, traveler's checks, or cashier's checks, or payment from third-parties.
- Attempts by client or supplier to maintain high degree of secrecy with respect to the transaction, such as request that normal business records not be kept.
- Client is reluctant to provide adequate identification information when making a purchase.
- Transactions that appear to be structured to avoid reporting requirements.
- A client orders item, pays for them in cash, cancels the order and then receives a large refund.
- A client asking about the possibility of returning goods and obtaining a check (especially if the client requests that check be written to a third party).
- A client paying for high-priced jewellery or precious metal with cash only.
- A client not asking for the reduced price or haggling over the list price.
- Purchase appears to be beyond the means of the client based on his stated or known occupation or income.
- Client may attempt to use a third party check or a third party credit card.
- Funds come from an offshore financial centre rather than a local bank.
- Large or frequent payments made in funds other than Canadian dollars.
- Transaction lacks business sense.
- Purchases or sales that are not in conformity with standard industry practice.

Wholesalers and suppliers

- Over or under-invoicing, structured, complex, or multiple invoice requests, and high-dollar shipments that are over or underinsured.
- Unwillingness by a supplier to provide complete or accurate contact information, financial references or business affiliations.
- Counterpart presence, such as an affiliated store or branch or associate, in non-cooperative countries and territories or country that is the subject of advisories issued by FINTRAC or the Financial Action Task Force.

The Financial Action Task Force's Web site (<http://www.fatf-gafi.org>) has information about non-cooperative countries and territories in the fight against money laundering and terrorist financing (see "High-risk and non-cooperative jurisdictions" section).