GLOBAL FUND SERVICES

Investor Risk Ratings Guidance Note

Introduction

In line with relevant legislation a firm's obligation to adopt measures to prevent and detect money laundering and terrorist financing, Customer Due Diligence (CDD) is conducted on all investors and Beneficial Owners as applicable (including key controllers) investing into funds.

Identification procedures are designed to meet the following key objectives:

- Establish the identity of the investor - who the investor is and where they permanently reside.
- Verify the identity of the investor.
- Establish the identity of the Beneficial Owner(s) (which by definition may include controllers or senior management officials).
- Verify the identity of the Beneficial Owner(s) on a risk adjusted basis; and
- Establish the nature and intended purpose of the investment. This information is generally available on the application form/other fund documentation (e.g. NSCC has no application from).

Each firm must have documented procedures and processes for identifying and maintaining business relationships with investors.

Risk Assessments of an investor which may include a financial intermediary should be based on a holistic review of specified risk factors and mitigants to those risk factors where appropriate, with no single factor determining a requirement for the due diligence level to be applied including for Enhanced Due Diligence. The exception to this is where specific legislative requirements exist e.g. EU High Risk Third Country 'HRTC' and Politically Exposed Persons 'PEP'. In addition, some firms may determine other risk exposures require enhanced due diligence per their own risk appetite e.g. certain business activities.

Factors which may be Considered in Risk Rating

Geographic Risk	Geographic / Country Risk Factors Sanctioned Countries EUHRTC/UKHRTC
Investor Type	Business & Profession Reputation (Adverse Media) Nature & Behaviour
Product/Service Transaction	Value of Investment Timing of the Investment Payment Information
Distribution Channel	Non Face to Face Customer relationship Investors acting on behalf of third parties

Other high or low Risk Factors	Screening results – e.g. PEP, Sanctions, Negative Media Overly opaque or complex structure without legitimate reason
Ongoing Monitoring	Investor Subject to a Suspicious Activity Report Designation of prescribed high risk third country status New doubts over documentation veracity New material negative news Investor type change/changes to structure

Sample CDD Approaches based on Risk Ratings

Risk	Customer Type	Risk Rating of Jurisdiction	Level of Due Diligence
High	• Retail (Individual) • Clubs & Societies • Collective Investment Schemes • Financial Institution (not listed/regulated in approved country) • Partnership • Public Body (Outside of fund jurisdiction) • Registered Charity/Foundation • Sovereign Wealth Fund (outside of fund jurisdiction) • Offshore Trust	• Very High-Risk Countries • EUHRTC • Sanctioned Country	EDD
Medium	• Retail (Individual) • Collective Investment Schemes • Financial Institution (listed/regulated in approved country) • Nominee/Intermediary • Partnership • Pension Scheme (unregulated or regulated outside of fund jurisdiction) • Limited Company • Public Body (EU) • Sovereign Wealth Fund (within Fund jurisdiction)	• Medium Risk Countries	CDD/EDD

	• Family Offices		
Low	• Retail (Individual) • Financial Institution acting on its own behalf (listed/regulated in approved country) • Nominee/Intermediary (Regulated/within fund jurisdiction) • Pension Scheme (Regulated within fund jurisdiction) • Limited Company listed on recognised exchange • Public Body (within fund jurisdiction) • Sovereign Wealth Fund (within fund jurisdiction)	• Low Risk Countries	SDD/CDD

***fund jurisdiction refers to regional specific territory e.g. EU, UK, APAC, US.**

Glossary:

EDD	Enhanced Due Diligence
CDD	Customer Due Diligence
SDD	Simplified Due Diligence

Regulatory Obligations:

Under all in scope regulations, it is an offence for the firm **not** to do all of the following:

- Adopt measures to prevent and assist in the detection of money laundering and terrorist financing and financial sanctions obligations.
- Report Suspicious Transactions.
- Adequately train all staff in the prevention of money laundering and terrorist financing.
- Maintain all Customer Due Diligence ("CDD") documentation for a minimum period of at least 5 years after the end of the relationship; and
- Avoid Tipping off.

Important Information

The above guideline is based on the general consensus across our member firms. Member firms may have different checks than detailed above and use different risk rating methodologies, depending upon their risk-based approach of their clients.