

**iFOREX BROKERAGE LTD.  
RULES AND REGULATIONS**

**ON PREVENTING AND STOPPING MONEY LAUNDERING**

**Number and date of PSZÁF resolution approving the original Rules and Regulations:**

**III/73.059-3/2002 and III/73.059-4/2002.**

**10 May 2002.**

**Modified: 1 December 2010**



iFOREX Brokerage Ltd.

Authorized and regulated by the Hungarian Financial Services Authority

HFSA Register number: III/73.059-4/2002

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## I. OBJECTIVE

Pursuant to Act CXXXVI/2007 on preventing and stopping money laundering and financing terrorism (hereinafter Pmt.), enterprises engaged in investment services, in supplementary services and stock exchange services (hereinafter: investment services) must prepare internal rules and regulations.

## II. OBLIGATION OF PRESERVING DOCUMENTS

Due to its obligation of Client transparency and mandatory reporting of the Client, iFOREX Befektetési Szolgáltató Zártkörűen működő Részvénytársaság (1054 Budapest, Szabadság tér 14.; hereinafter, "iFOREX Brokerage Ltd." shall preserve all documents and - if agreed by the Client - copies of these documents for a period of eight years, calculated from the date of terminating the business relation.

Documents and copies of proofs of fulfilling this mandatory reporting obligation and documents certifying the suspension of ordering a transaction must also be preserved for a period of eight years, calculated from the date of the report or suspension.

iFOREX Brokerage Ltd. shall keep records of and preserve all commissions completed in cash (HUF or foreign exchange) in excess of three million and six hundred thousand Hungarian Forints for a period of eight years. Information must be preserved in a traceable format. When data is modified or replaced, old data must be preserved in a format suitable for unanimously retrieving old, superseded data, as well as dates of amendments made by the service provider.

## III. DEFINITIONS

**European Union:** The European Union and the European Economic Area.

**Member of the European Union:** member state of the European Union and any other state included in the agreement concluded on the European Economic Area.

**Third countries:** states outside the European Union.

**Client:** pursuant to Paragraph 3 of Pmt., any person who signs a written contract with the service provider on services listed within activities specified by Paragraph 1.(1) or orders a transaction from the service provider.

**Business relation:** a permanent legal relation between the Client and the service provider, which has been established by a written contract on rendering services within the scope of activity of the service provider.



**Transaction order:** a casual legal relation between the Client and the service provider, which has been established by a contract on rendering services within the scope of activity of the service provider.

**Interrelated multiple-transaction orders:** transactions which are ordered by the Client within one year and which cover the same subject under the same title.

**Client-audit:** in cases specified in Paragraphs 6 of the Pmt., and by performing the Client audit pursuant to Paragraph 7-10 of the Pmt. Accordingly, when the business relation is established or when a transaction is completed in excess of three million six hundred thousand Hungarian Forints - taking into account actual and interrelated transactions - and when any information suggests money laundering or financing terrorism and when the Client has not been audited or when the validity or reliability of some of formerly registered particulars of the Client is uncertain, the service provider shall record in writing personal particulars of the Client and his/her authorized agent or representative and shall check the validity of particulars of the actual owner and shall check data of personal identification, shall record personal identification particulars of the actual owner; if these particulars are uncertain, he shall check these particulars. He shall record information about the business relation and the transaction and shall continuously monitor the progress of the transaction. Identification information must be recorded reliably and traceable in electronic or printed form.

**Identification:** making written records of information specified in Paragraphs 7. (2)-(3) and 8. (2)-(4) of Pmt.

**Official document suitable for personal identification:** personal ID, passport and driver's license.

**Checking identity:** to check the identity of the Client, an authorized agent, a person authorized to act on his/her behalf and a representative using documents specified in Paragraph 7. (4)-(6) of Pmt. and to check the identity of the owner in the registry as specified by Paragraph 8. (5).

**Actual owner:** any natural person who orders the execution of a transaction.

In addition, we regard as actual owner that natural person who is in the possession of minimum 25 % of voting rights or ownership in a legal entity or in an organization without legal entity, when the organization is not incorporated in the regulated market, where publishing requirements in harmony with public legal regulations or equivalent international regulations are mandatory; as well as that natural person who is the member of a legal entity or organization without legal entity, or who is a shareholder and authorized to vote for or recall the majority of directors or members of the supervisory board of the legal entity, or who is holding alone more than fifty percent of the votes on the basis of an agreement signed with other members or shareholders of the legal entity (Civil Code 685/B.§ (2)).

In case of foundations, the actual owner is that natural person who is the beneficiary of minimum 25 % of the foundation's assets, when the future beneficiaries are defined; and the foundation is established and operated in his interest, when the beneficiaries are not defined or who is member of the manager of the foundation, or who has got a decisive influence on minimum 25 % of the foundation's asset or is authorized to represent the foundation.



**High-ranking public figure:** any natural person with foreign abode who plays significant public role, or played significant public role within a year from completing actions on Client's audit; and any close relation of such a person or a person in close association with him/her. Persons with significant public role: head of state, prime minister, minister, deputy minister, state secretary, member of the parliament, member of the high court, constitutional court and any body of judges where no appeal can be lodged against their judgment, General Comptroller, member of the Comptrollers, member of the Board of Directors of the Central Bank, ambassador, chargé d'affaires, professional field officer of general of the army, members of administrative, managerial or supervisory bodies of companies with majority state ownership.

Close relative is defined by Paragraph 685. (b) of the Civil Code; common-law wife or husband are also close relatives.

Persons qualified as in close contact with public figures: any natural person who shares actual ownership with the same legal entity or owned by an organization without legal entity or who is in close business relation with the person above; or any natural person who is the sole owner of an organization of such a legal entity or organization without legal entity which has been established for the benefit of the public figure.

**Authority acting as financial information unit:** this is a unit of the Customs Department engaged in financial information management as specified by Government Decree 314/2006 (XII.23.). The authority acting as financial information unit - as an obligation imposed by Pmt. - shall receive and process reports submitted by the service provider and, in case of suspended transactions, it will perform checking tasks, will request data from the service provider and from other authorities and shall fulfill the tasks of the organization responsible for implementing financial and asset limiting measures based on financial and asset limiting measures ordered by the European Union pursuant to Act CLXXX/2007.

Tasks of the authority acting as financial information unit shall be performed by the Central Criminal Investigation Headquarters of the Hungarian Customs and Finance Guard. Non-criminal investigation tasks of the authority acting as financial information unit shall be performed by the Financial Information Department (hereinafter authority acting as financial information unit).

#### **IV. INFORMATION ASSOCIATED WITH FINANCIAL TRANSFERS**

iFOREX Brokerage Ltd. applies regulations of EC Decree 1781/2006 on Client's information associated with financial transfers (hereinafter the "Decree"). This Decree is applicable directly in every member state as part of domestic legislations; no special legal interpretation is necessary. Paragraph 22 of Pmt. is aimed to execute the above Decree.



## V. MEASURES APPLICABLE ON BRANCHES AND SUBSIDIARIES ESTABLISHED IN A THIRD COUNTRY

iFOREX Brokerage Ltd. ensures that Client-auditing and record-keeping regulations equal to this Act shall be applicable on its branches and subsidiaries located in a third country; in addition, the Company provides information about its internal monitoring and information system and the content of its internal rules and regulations.

If the legal system of the third country does not allow the implementation of the above measures, iFOREX Brokerage Ltd. shall inform the Hungarian Financial Supervisory Authority (herein after the "Authority") about this fact and shall prepare a detailed analysis about its branch or subsidiary.

## VI. OBLIGATION IMPOSED BY PMT. ON CLIENT-AUDIT

iFOREX Brokerage Ltd. is obliged to implement Client-audit measures

at the time the business relationship is established;

or when the value of a business transaction initiated by a Client that does not have a business relation with iFOREX Brokerage Ltd., reaches or exceeds three million six hundred thousand Hungarian Forints (included here are also those business transactions that are actually related to each other, as long as the combined value of such related transactions reaches or exceeds the above mentioned value limit). When any information suggests money laundering or financing terrorism and when the Client has not been audited or when the validity or reliability of some of formerly registered particulars of the Client is uncertain, iFOREX Brokerage Ltd. shall also audit the Client.

Transaction order in excess of three million six hundred thousand Hungarian Forints maybe accepted from and business relation maybe established only and exclusively with a Client who has been audited by the investment service provider.

In cases of the above mentioned mandatory audit, iFOREX Brokerage Ltd. shall identify the Client and shall check his ID documents; in addition, the Company shall identify the actual owner and, if his identity is in doubt, shall check his ID documents. In addition, the Company shall register information about the business relation and the transaction and shall monitor the progress of transaction on an ongoing basis.

iFOREX Brokerage Ltd. shall determine the scope of Client-audit measures on the basis of sensitivity to risks. As far as this obligation is concerned, Pmt. determined minimum and maximum scope of information covering identification of a Client, of the actual owner and the scope of information to be registered as part of a business relation and a transaction. Consequently, the investment service provider shall identify the Client with recording at least those information which has been specified in Paragraph 7.(2) of Pmt., in case of actual owner in Paragraph 8. (2) of Pmt and in case of business relation and transaction by 9.(1) of Pmt. (minimum scope of data). In addition, the investment service provider may register more information (maximum scope of data) on Clients 7.(2) and 7.(3) of Pmt., on



the actual owner 8.(2) and 8.(3) of Pmt. and on business relation and transaction 9.(1) and 9.(2) of Pmt. Maximum scope of information may be registered by the service provider when this information is necessary in order to identify the Client, the business relation and the transaction on the basis of the nature of the business relation or the transaction or on the circumstances of the Client and when money laundering or financing terrorism is prevented or stopped as specified by the internal Rules and Regulations (hereinafter: Client-audit based on sensitivity to risks). iFOREX Brokerage Ltd., depending on the method of establishing the business relation, in most cases may request the Client to provide information within the maximum scope of data.

When iFOREX Brokerage Ltd. is not capable for auditing the Client, iFOREX Brokerage Ltd. shall reject the transaction ordered by the Client via the bank account, the establishment of a business relation and the execution of the transaction and must terminate the existing business relation.

In case of certain Clients and transactions with low risk of money laundering or financing terrorism, only a simplified Client-audit is required by Pmt. In case of this simplified Client-audit measurements, the Client-audit shall be implemented only when any fact, data or circumstance indicating money laundering or financing terrorism is revealed, but the monitoring the progress of business relation on an ongoing basis is always mandatory.

In case of certain Clients and transactions with high risk of money laundering or financing terrorism, a high-level Client-audit is required by Pmt. In case of high-level audit, all Client-audit measures defined by Pmt. must be implemented as well as executing additional measures.

With the exception of monitoring the progress of business relation on an ongoing basis, repeated Client-audits shall be unnecessary when iFOREX Brokerage Ltd. already audited the Client, the authorized agent or the representative of the Client as part of a transaction order and, as part of the transaction in question, the identity of the Client, the authorized agent or representative has been established as a result of the ID document checking procedure and the supplied information has not been changed.

When no transaction has been credited or debited to and from the account held at iFOREX Brokerage Ltd. over a period of two calendar years, – with the exception of transactions carried over several years - iFOREX Brokerage Ltd. shall notify the Client in writing within 30 days or at the time of the next regular notification and shall ask for providing possible changes in his particulars. When particulars of the Client has changed and the Client fails in notifying iFOREX Brokerage Ltd. in writing as required by the regulation, iFOREX Brokerage Ltd. shall register the changes in data at the next personal appearance of the Client.

At the time of signing a contract, iFOREX Brokerage Ltd. shall warn all Clients about their mandatory identification obligation.



### **VI.1. The internal Client-audit procedure**

When a Client expressed his/her intention to open an account at iFOREX Brokerage Ltd., the audit can be completed (1) with visiting personally the head office, or (2) when the Client does not appear personally, the result of high-level Client-audit or Client-identification by other service provider must be accepted.

As part of the identification process, the service provider always registers the Client's particulars specified within the minimum scope of data. When high-level Client-audit is mandatory, the service provider shall register particulars within the maximum scope of data as specified by Paragraphs 7. (2)-(3), 8.(2)-(3) and 9.(2)-(3) of Pmt. Data shall be registered on a separate printed form or in electronic format.

After the Client's particulars are registered, an employee of the service provider or another investment enterprise who renders his services to the local service provider or an agent of iFOREX Brokerage Ltd (or under certain circumstances a third party having been approved by the competent supervisory authority to perform complete client identification activity) - in harmony with legislations applicable in his country - shall complete the identification procedure and or the personal identification verification procedure.

As far as iFOREX Brokerage Ltd. is concerned, the employee who opens the account shall complete the identification procedure. In case of personal visit, he/she asks the Client to produce ID documents and checks their originality and validity according to his/her best knowledge. The following documents shall be scanned or photocopied to register the particulars electronically or on a hard copy. When the Client does not visit the office personally, he/she must submit certified copies of ID documents to the service provider according to Clause VI.7.1. of these Rules and Regulations.

Identification and checking ID documents could be completed as a result of Client-audit completed by another service provider as specified in Clause VI.8. of these Rules and Regulations, but in this case the Company may request the Client to submit copies of his/her ID documents.

If the Client refuses to make a statement or his/her full identification can not be completed, the service provider must not execute the transactions and must not establish a business relation with the Client.

As part of the identification procedure the Client must make a written statement to the service provider about the person who is the beneficiary of the asset management, representation or other agreement (when acts as a representative) or when no such agreement is presented (when the actual owner is acting).

According to relevant regulation of Pmt., as part of the identification procedure, the service provider asks the Client to make a statement whether he/she orders the transaction in his own name or acts as a representative of someone else. This statement can be incorporated into the contract or presented on a separate printed form; in essence, the Client must make this statement under criminal responsibility.



When the identity of the actual owner is questioned during the period of business relation, the service provider shall ask the Client to make a repeated statement, unless he reported the suspicion of money laundering to the police and this action should hinder the criminal investigation.

iFOREX Brokerage Ltd. shall not accept money transfer from a person other than the Client and money transfer arriving with insufficient information about the Client. As far as Client's information related to money transfers is concerned, the service provider shall follow Client-identification regulations covering the identifications of the Client, checking of his/her particulars and administering and forwarding such information.

Service provider shall manage personal information obtained during the identification of the Client or during accepting data from identification performed by another service provider according to confidentiality and data protection regulations specified by relevant legislation; he shall register such information within his internal electronic system or on the data sheet kept in the Client's folder. Only properly authorized administrators may have access to this information. Data shall be stored according to Data Protection and Management Regulations. The service provider will make these Data Protection and Management Regulations available to his Client at his webpage and at his head office.

The service provider shall monitor business relations on an ongoing basis and shall register changes in particulars. During the business relation the Client, as soon as he/she becomes in aware of, but not later than within 5 working days, shall inform the service provider about any changes in information provided as part of the identification or in the person of the actual owner. The service provider lists this requirement in his business regulations.

## **VI.2. Definition of code of conduct for employees in contact with customers**

As far as authorized employees are concerned, iFOREX Brokerage Ltd. imposes the following obligations:

Employees of iFOREX Brokerage Ltd., when the following transaction or Client assessment guidelines return an unfavorable condition, ***and any information, fact or circumstances indicates money laundering or financing terrorism***, must report this fact immediately to the Operative Director of iFOREX Brokerage Ltd. with using the report sheet. The Director shall fulfill the Company's reporting obligation.

Assessment guidelines:

- is the transaction usual or unusual;
- does the business activity of the Client supports the transaction;
- is the appearance, action of the Client realistic, is it harmony with the given transaction;





- does the given transaction present sudden change in the financial pattern of the Client;
- is the Client subject of financial and asset limitation, or will the subject of financial and asset limitation enjoy any financial advantage as a result of the transaction.

The employee who executed the transaction or concluded the contract shall be responsible for registering identifications information, for filling out the data sheet and for recording the statement, as well as for mailing them to the assigned person.

The employee, when any information, fact or circumstance indicating money laundering or financing terrorism on the basis of the above guidelines, must forward the report sheet filled by him/her to the person assigned to make the report.

### **VI.3. Client-audit in case of natural persons**

When establishing a business relation, when executing a transaction reaching or exceeding three million and six hundred thousand Hungarian Forints, including several actually associated transactions, when any information, fact or circumstance indicate money laundering or financing terrorism, when the Client-audit yet to be completed and when validity or reliability of some of formerly registered particulars of the Client become uncertain, iFOREX Brokerage Ltd. must identify the Client, his/her representative or the authorized agent and must check his/her ID documents.

In case of a natural person iFOREX Brokerage Ltd. must register the following information (minimum scope of data):

- surname and first name (maiden name);
- nationality;
- address (as shown on the ID card or on official address card; if no address, "without adobe" not is entered);
- in case of a foreigner, address in Hungary;
- serial number(s) and type(s) of ID documents.

In case of high-level Client-audit iFOREX Brokerage Ltd. must register the following information (maximum scope of data):

- date and place of birth;
- mother's maiden name.



In case of a foreigner natural person the above particulars must be registered on the basis of the ID document. The Hungarian address (if available) must also be documented.

In order to check ID documents, iFOREX Brokerage Ltd. may demand presentation of the following documents:

In case of a natural person:

- Hungarian citizen: official ID and address cards;
- Foreigner, natural person: passport or ID card, when it entitles to stay in Hungary; or the document entitles to stay in Hungary, or a certificate of right of stay.

iFOREX Brokerage Ltd. must check the validity of presented ID documents.

iFOREX Brokerage Ltd. must obtain information about the aim and planned nature of the business relation and the transaction.

In order to achieve the above, the following information (minimum scope of data) will be registered:

- in case of business relation: type, subject and period of the contract;
- in case of a transaction: subject and amount of the transaction.

In case of high-level Client-audit, iFOREX Brokerage Ltd. shall register conditions (location, time, method) of the execution.

Business relations must be monitored all the time in order to ensure the harmony between given transactions and Client's data on the basis of relevant legislations. This monitoring shall include the analysis of transactions completed over the entire period of the business relation.

#### **VI.4. Client-audit in case of a legal entity or organization with no legal entity**

In order to identify the Client, iFOREX Brokerage Ltd. shall register the following information (minimum scope of data) about the Client:

- name and abbreviated name;
- address, in case of a company with foreign headquarters, the address of its branch in Hungary;
- company registration number or in case of other legal entity, the resolution number or registration number of the incorporation or registration.

In case of high-level audit iFOREX Brokerage Ltd. shall register the following information (maximum scope of data) about the Client:



- main activity;
- name and position of authorized representatives;
- particulars of the authorized delivery person which are suitable for his/her identification.

In case of a legal entity or other organization without legal entity - in addition to presenting documents of the representative(s) or authorized agent(s) - iFOREX Brokerage Ltd. may demand certifying the following with presentation of documents not older than 30 days:

1. the domestic economic organization has been registered in the Company Register or an application for register has been submitted; in case of private enterprise, the entrepreneur received the certificate of private enterprise or the application for obtaining the certificate of private enterprise has been submitted to the notary of the region in question;
2. in case of other domestic legal entity, if establishing this entity required official or legal registration, the proof of such registration;
3. in case of foreign legal entity or other organization without legal entity, the proof of such registration as completed in the country in question;
4. before presenting the application for official or legal registration of the company, the articles of association (foundation document, rules) of the legal entity or organization without legal entity.

In order to identify any foreign legal entity or organization without legal entity, a certificate of registration of the country in question, not older than 30 days, must be presented. If iFOREX Brokerage Ltd. does not have a translator who is - according to the assessment of iFOREX Brokerage Ltd. - capable for preparing a reliable translation of the registration or certificate or when iFOREX Brokerage Ltd. believes that the text of registration or certificate is unclear, iFOREX Brokerage Ltd. shall accept any such registration of certificate only with its certified translation.

In case defined in Clause 4, within 30 days from the date of the official or legal registration, the legal entity or the organization without legal entity must present a certificate of company registration and iFOREX Brokerage Ltd. must enter the company or other registration number in its records.

Following the audit of a legal entity or organization without legal entity, iFOREX Brokerage Ltd. shall also audit the person authorized to represent the legal entity or organization without legal entity in question.

When checking an identity, the Company must check the validity of the presented ID document as well.

If not all the particulars are listed in the accepted document or the Client does not present an Address Card, this fact must be recorded.



iFOREX Brokerage Ltd. must obtain information about the business relation and about the purpose and planned nature of the transaction. In order to achieve this, the Company must register at least the following (minimum scope of data) information:

- in case of business relation: type, subject and period of the contract;
- in case of transaction: subject and amount of the transaction.

In case of high-level audit iFOREX Brokerage Ltd. shall register the circumstances of execution (location, date, method).

In order to ensure that given transactions are in harmony with information available about the Client according to relevant regulations, business relations must be monitored on an ongoing basis. Analysis of transactions completed since the establishment of the business relation is included in the above monitoring obligation.

#### **VI.5. Identification of the actual owner and checking his/her identity**

As part of Client-audit, iFOREX Brokerage Ltd. must obtain a written statement from the Client, in which the Client declares that he/she orders the transaction by himself or on the order of a third person.

When the Client in his/her written statement delivered to the service provider declares that he/she acts in the name or in the interest of the actual owner, this written statement must include the following particulars (minimum scope of data) of the actual owner:

- name;
- address;
- nationality of the actual owner.

If the above particulars are not clear from presented documents, iFOREX Brokerage Ltd. shall request the above three particulars about the actual owner of the legal entity or organization without legal entity.

In the basis of sensitivity to risk, iFOREX Brokerage Ltd. may register the following (maximum scope of data) information as well:

- type and number of ID document;
- in case of foreign natural person, address in Hungary;
- date and place of birth;



- mother's maiden name.

This statement can be incorporated into the contract or presented on a separate printed form; in essence, the Client must make this statement under criminal responsibility.

When the Client refuses to make the statement or iFOREX Brokerage Ltd. is not capable for auditing the Client, iFOREX Brokerage Ltd. shall reject the transaction, shall not establishment the business relation or terminates the existing business relation.

When the identity of the actual owner is uncertain, iFOREX Brokerage Ltd. shall ask the Client to repeat a written statement. If the identity is in doubt, the Company must implement measures to check the identity on the basis of available or public records, based on legislation referring to the identification of the actual owner.

During the business relation, the Client shall inform the service provider about any changes in the person of the actual owner as soon as he/she becomes in aware of, but not later than within 5 working days. iFOREX Brokerage Ltd. lists this requirement in his business regulations.

#### **VI.6. Simplified Client-audit**

Pursuant to Paragraph 12 of Pmt., in case of Clients with low risk of money laundering or financing terrorism, the Company may use simplified Client-audit. In this case the Company is obliged to monitor only the business relation and additional audit will be required only in case of revealing any fact, information or circumstance indicating money laundering or financing terrorism.

When the Client is engaged in the following activities within the territory of the European Union, iFOREX Brokerage Ltd. may use simplified Client-audit: financial or supplementary financial services, investment broker or supplementary investment broker services, insurance, insurance broker and employer's pension services, stock-exchange broker, receiving and delivering international postal orders and agent of voluntary mutual pension fund.

In addition, simplified Client-audit could be applied when the service provider is registered in a third country and engaged in the following activities (with requirements equivalent to conditions listed in Pmt. and these conditions are supervised): financial or supplementary financial services, investment broker or supplementary investment broker services, insurance, insurance broker and employer's pension services, stock-exchange broker, receiving and delivering international postal orders and agent of voluntary mutual pension fund.

Furthermore, iFOREX Brokerage Ltd. may use simplified Client-audit when the Client is a company with securities introduced on regulated markets of one or more member state or a company registered in a third country where publishing requirements are in harmony with the Union's legislation. Similar conditions apply when the Client is a supervisory organization employed by Pmt., such as Hungarian



Financial Supervisory Authority, National Bank of Hungary, Chamber of Hungarian Auditors, Hungarian Tax and Financial Control Administration, Hungarian Commercial Permit Office, Central Criminal Investigation Headquarters of the Hungarian Customs and Finance Guard, in case of lawyers at the Chamber, where the lawyer is question is a member, in case of public notaries, the Chamber, where the notary is question is a member.

In addition, the investment service provider shall apply the simplified Client-audit when his Client is a central state administration organization, local Municipality, any institution of the European Community, European Economic and Social Committee, Committee of Regions, European Central Bank and the European Investment Bank.

### **VI.7. High-level Client-audit**

In case of Clients and transactions with high risk of money laundering and financing terrorism iFOREX Brokerage Ltd. must apply the high-level audit procedure.

In the following two cases iFOREX Brokerage Ltd. must demand the application of high-level audit:

1. When the Client does present himself personally to identify his/himself;
2. When a business relation is established with a high-ranking public figure living in another member state or in a third country and when a transaction is executed to the benefit of such a person.

Since iFOREX Brokerage Ltd. communicates with the Client mainly via its homepage, in most cases the Client does not visit the Company personally to identification. As a result of this practice, in the case of most of the Clients iFOREX Brokerage Ltd. applies the high-level audit.

#### **1. Client-audit when the Client does not present himself personally**

As part of the identification procedure, when a domestic or foreign Client is absent iFOREX Brokerage Ltd. must record the maximum scope of data defined in the identification procedure.

In order to check identification documents, the Client must provide certified copies of required identification documents to the service provider. Certified copy could be accepted for identification and checking identification document only when the certified copy has been prepared by an official of the Hungarian Consulate or a Public Notary, and when they certified that the copy has been identical to the original document presented to them. As part of the checking procedure, such a copy can also be accepted which has been prepared by an authority authorized to prepare certified copies by the state where the original document was issued and – unless international treaties demand otherwise - the signature and stamp of this authority on the copy was certified by an official of the Hungarian Consulate.



## 2. Audit of foreign high-ranking public figures

A Client with foreign abode always must make a written statement to iFOREX Brokerage Ltd. whether he/she is qualified by the law of his/her country as a high-ranking public figure and if so, on what level.

Before accepting the establishment of a business relation with a high-ranking foreign public figure, the approval of the manager specified in the Rules and Regulations of iFOREX Brokerage Ltd. must be obtained.

If iFOREX Brokerage Ltd. believes that the statement is not correct, the Company must implement measures to check the statement on the basis of available or public records, based on legislation referring to making such a statement.

In case of a high-ranking foreign public figure iFOREX Brokerage Ltd. shall complete all available Client-audit measures; they shall register the minimum scope of data on the basis of the presented ID document and may decide, on the basis of sensitivity to risk, to register additional information; shall check ID documents and shall inform the actual owner; the identity of the actual owner is in doubt, shall check his/her identity, shall register information about the business relation and the transaction and shall monitor the progress of the business relation on an ongoing basis.

### VI.8. Client-audits completed by another service provider

Pmt. allows accepting the result of Client-audit performed by another service provider, but the service provider accepting the result of the audit completed by another service provider shall be responsible for fulfilling requirements of the Client-audit procedure.

Within the territory of the Hungarian Republic, in another member state of the European Union and in countries which apply Client-audit regulations defined by or equal to the applicable law iFOREX Brokerage Ltd. is entitled to accept the results of Client-audits performed by service provider specified by Paragraph 1. (1)(a)-(e) and Clause 1 of Pmt - with the exception of services provider engaged in cash transfers and money change - which is acceptable even when the cope of information and documents based on the requirements is not identical to specifications listed in Pmt. When accepting the result of Client-audit completed by another service provider, the approval of the Client must be obtained, because the service provider, with the Client's consent, is authorized to forward information required for completing the Client-audit to another service provider.

As part of the Client identification procedure, iFOREX Brokerage Ltd. shall accept the result of Client-audit completed on the territory of the Hungarian Republic, in another member state of the European Union by service providers specified by Paragraph 1. (1)(a)-(e) and Clause 1 of Pmt - with the exception of services providers engaged in cash transfers and money change - when these service providers



complete the procedure of Client-audit in harmony with local legislations, in harmony with local requirements and available documents.

iFOREX Brokerage Ltd. may accept the result of Client-audit performed by a service provider located in a third country when

when the audit was performed by a service provider which satisfied requirements listed in Paragraph 18.(6) of Pmt.; it was included in the mandatory professional register and applied Client-audit and recording conditions listed in or equivalent to legal requirements; and which was supervised in harmony with requirements listed by or equivalent with Ptm, or which was located in a third country where applicable requirements are equal to requirements defined by Ptm.

When a service provider located in a third country which applies the above requirements, iFOREX Brokerage Ltd. shall inform the Hungarian Financial Supervisory Authority.

iFOREX Brokerage Ltd. shall not make any information obtained as a result of Client-audits to another service provider, even if the Client approves to do so.

Audit performed by an agent of iFOREX Brokerage Ltd. shall not constitute to an audit performed by another service provider, because, according to the law, the agent is part of the service provider's organization. Client-audits performed by such an agent shall be regarded as audits performed by iFOREX Brokerage Ltd.

## **VII. REPORTING OBLIGATION**

Pursuant to Paragraph 23.(1) of Pmt., when any information, fact or circumstance indicates money laundering of financing terrorism, the manager or employee of the iFOREX Brokerage Ltd. organization shall audit the Client regardless to the limit on the value of transaction, unless this audit was completed before; they shall report the information, fact or circumstance indicating money laundering of financing terrorism as soon as possible with filling out and forwarding the attached printed form. The person in question must not refuse forwarding this report.

Employees must report any suspicious events or transactions listed above to the Operative Director at iFOREX Brokerage Ltd., who shall forward these reports as soon as possible to the authority acting as financial information unit. In addition, the Director shall participate in organizing trainings to the employees and in leading the fight against money laundering and financing terrorism.

The Operative Director shall be available for the employee of the service provider during regular working hours and shall forward reports as soon as possible to the authority acting as financial information unit.





iFOREX Brokerage Ltd. shall provide information about the name and position of the assigned employee, including changes in these information, to the authority acting as financial information unit, within five working days.

The Operative Director, - on the basis of confidentiality regulations covering the investment service provider - shall forward the report in the form of a secured e-mail, by registered mail or fax, or when delay is dangerous, by telephone.

From 25 December 2008 reports must be forwarded to the authority acting as financial information unit only and exclusively in the form of secured e-mail.

Information registered during Client-audit, such as particulars of the Client and the actual owner, in case of a business relation, the type, subject and period of the relation, in case of a transaction, the subject and amount of the transaction and the location, time and method of possible execution of the transaction must always be registered, including description of information and circumstances referring money laundering of financing terrorism.

iFOREX Brokerage Ltd. must not execute the transaction in question before forwarding the report, unless the transaction can not be stopped or if the report is forwarded before executing the transaction should jeopardize the tracing of the actual owner.

### **VII.1. Suspension of a transaction**

Pursuant to Paragraph 24 of Pmt., iFOREX Brokerage Ltd. shall suspend the execution of any transaction connected to information, fact or circumstance related to money laundering or financing terrorism when the authority acting as financial information unit responsible for checking information, fact or circumstance refers to money laundering or financing terrorism believes that immediate action is necessary. Official measures must be deemed necessary when the authority acting as financial information unit sends a protected electronic notice to iFOREX in relation to any transaction connected to information, fact or circumstance related to money laundering or financing terrorism.

In parallel with this suspension, the authority acting as financial information unit must be informed. The assigned person shall report the transaction in question by a secured e-mail, by registered mail or fax, or when delay is dangerous, by telephone.

iFOREX Brokerage Ltd. shall execute the suspended transaction when the authority acting as financial information unit notifies the Company that no resolution required by the Criminal Code has been brought down, or when one working day has passed since the suspension of a domestic transaction or when two working days has passed since the suspension of a foreign transaction without receiving a notice from the authority acting as financial information unit.



## **VII.2. Duties, rights and responsibilities of employees of iFOREX Brokerage Ltd. as part of actions taken to prevent money laundering and financing terrorism**

### **VII.2.1. Administrators in direct contact with the Client and engaged in establishing business relations, processing payment and business transactions**

#### Duties:

- to complete the audit procedure, such as, when identifying the Client, to register particulars, to fill out the data sheet, or in case of identifying Client, to check his/her identity, to check ID documents, when identifying the actual owner, in case of doubt, to check his/her identity, to monitor activities surveying the objective and planned nature of a business relation and to monitor the business relation on an ongoing basis;
- when any information, fact or circumstance indicates money laundering or financing terrorism, to fill out the report sheet;
- in this report, to provide detailed and correct definition of the information, fact or circumstance indicating money laundering or financing terrorism;
- to forward the completed report sheet to the Operative Director as soon as possible;
- never reveal the report of the investigation to the Client.

#### Rights:

- right to anonymity; the name of the employee acting in case must never be revealed on the reports. In the relevant field of the reporting sheet indicate: "ügygazda" (case officer). The Operative Director must reveal particulars of the employee initiating the report to the authority only and exclusively on the request the authority action as a financial information unit;
- exemption from keeping securities confidential when initiating the submission of a bone fide report, regardless whether the report was substantiated or not; he/she must not be responsible for the consequences.

### **VII.2.2. The Executive Director**

#### Duties:

- to forward received reports to the authority acts as financial information unit as soon as possible;



Responsibilities:

- when information is obtained about an unusual transaction from another source, to request information about the account manager and to forward these information as a report;
- to organize regular - to be kept at least once a year - vocational training session(s) pursuant to Paragraph 32§ (3) of Pmt., on behalf of employees in order to pass actual experiences;
- when officially requested for, to liaise with assigned units of the authority acting as financial information unit with regard to reported accounts, to Clients, to contractual relations and to transactions not listed in the report (the official request must be in harmony with requirements specified by other legislations, such as regulations in Act CXXXVIII/2007 on investment enterprises and stock exchange brokers and their activities and Act XIX/1998 on criminal activities);
- to work out the purpose, aim, order and regulations of checks related to money laundering and financing terrorism.

**VII.2.3. Compliance**

Duties:

- to investigate observing regulations covering money laundering and financing terrorism on a regular basis but at least once a year and, within this, to pay special attention to correct Client-audit and to investigate training courses and the screening system;
- to inform the Board of Supervisors about the conclusions of the above investigations.

Rights:

- right to have access to information when investigating money laundering and financing terrorism.

**VII.2.5. Content of the report (printed form, annex):**

- name and particulars of the investment service provider, name, address at the workplace and telephone number of the person who prepared the report;
- date of the report;
- date of the transaction;
- personal particulars registered as a result of mandatory audits;



- data used for identification of economic associations;
- data of the transactions, especially the type of transaction - cash credited or debited, bank transfer, conversion, transfer between accounts etc.);
- detailed description of information, fact or circumstance indicating money laundering or financing terrorism, which must not be limited to define the name of the unusual transaction at the level of typology; if possible, bank-account transfers of the period in question, experience gained from the Client, his/her general behavior, connection between accounts and any information that may help the authority acting as financial information unit should be added to the annex.

Reports must be submitted to the authority acting as financial information unit, in harmony with requirements listed in Pmt.

When any information, fact or circumstance indicates money laundering or financing terrorism, the authority acting as financial information unit may request additional information from the service provider or other service providers involved in the report and under the jurisdiction of Pmt.

### **VII. 3. The Internal Reporting Procedure**

When any suspicion is raised, the employee in direct contact with the Client, the employee responsible for the audit, for checking and processing documents and the manager, who, as a result of his/her position at the Company, can detect information, fact or circumstances indicating money laundering or financing terrorism and the employee detecting the administration of transactions money laundering shall immediately identify the Client - unless he/she has been identified before - using the relevant legal identification procedure. As soon as the Client leaves the office, the employee shall fill out the report sheet in 2 copies and shall deliver it to the Operative Director.

The Operative Director shall forward one copy of the report sheet to the assigned unit of the authority acting as financial information unit in the form of secured e-mail; and shall save the second copy of the report, the e-mail, possible requests of the authority acting as financial information unit at the same location, including the date. This record shall be kept confidential for a period of 8 years. After the period of 8 years the report sheet and all associated electronic information must be deleted and this act must be documented.

The employee must ensure that the Client does not detect that he/she has been the subject of a report.

After a transaction has been reported, domestic transaction shall not be executed for one working day and foreign transaction for two working days, the transaction being the subject of the report can not be executed. The suspended transaction may be executed after receipt of the a notice from the authority acting as financial information unit indicating that the authority based on the applicable rules of criminal procedure did not initiate criminal action against the person being the subject of the report. The



suspended transaction must also be executed, if iFOREX does not receive any notice from the authority acting as financial information unit, within the above specified deadline.

## VIII. CONFIDENTIALITY REGULATIONS

Fulfilling the reporting obligation shall not constitute breaching the confidentiality of securities or breaching any limitation on providing data or information covered by other legislations or contracts.

Confidentiality of securities covers every information made available about specific Clients to the investment fund manager, to the hedge-fund management, to the stock exchange, to the organization acting as discount-house, central security depositor as one party of the contract; information related to the identification, particulars, financial position, business investments, economic activity, ownership conditions of the Client; and related to contracts, accounts or balances held at and transactions completed with his/her investment fund manager, hedge-fund manager, stock exchange broker, with organization acting as discount-house and central security depositor.

Any investment enterprise, stock exchange brokerage and manager and employees of such investment enterprises and stock exchange brokerages and any other person who obtained the securities by any other means shall keep all relevant information confidential without any limitation on time.

Any person who is obliged keeping securities confidential and who makes such information available to an unauthorized person in order to gain unlawful personal advantage or to harm any other person, including a person who obtains, uses, reveals to a third party or makes public business secrets in order to gain unlawful personal advantage or to harm any other person, shall be regarded as a criminal and punished by imprisonment up to three years.

When any information, fact or circumstance indicates money laundering to financing terrorism, the authority acting and financial information unit may request information or data subject of bank, security or business confidentiality from the investment service provider, who must obey to such a request.

Any person who, when fulfills his/her obligation of or initiates an act of reporting any information, fact or circumstance indicating money laundering of financing terrorism, shall not be punishable for breaching confidentiality of business secrecy or security, even if the bona fide report turns out to be unsubstantiated.

## IX. PROHIBITION OF REVELATION

Pursuant to Paragraph 27.(1) of Pmt, iFOREX Brokerage Ltd. must not provide any information to the Client or any other third party or organization about reports submitted by the Company and about fulfilling a request on providing information, about the content of such information, about suspension



of a transaction, about the identity of the reporter and about whether has any criminal investigation been initiated against the Client. In addition, the Company must ensure that the fact of submitting a report, the content of the report and the identity of the reporter shall not be revealed.

The Hungarian Financial Supervisory Authority and the authority engaged in investigating criminal activity - when they request information in order to fulfill their legal obligation - shall be exempt from the above prohibition.

In case of supervisor of cumulated fund or financial conglomerate defined by Tpt., data forwarded with regard to the supplementary supervisor when information is revealed between enterprises in member states and in a third country where equal legal requirements are applicable and as far as these requirements are concerned, they are under supervision, the above prohibition shall not be applicable.

The following service providers are also exempt from the above prohibition: financial or supplementary financial services, investment broker or supplementary investment broker services, insurance, insurance broker and employer's pension services, stock-exchange broker, agent receiving and delivering international postal orders and agent of voluntary mutual pension fund, when information is exchanged between one or more service providers under the following conditions:

- information covers the same Client and transaction;
- at least one of two or more involved service providers are engaged in services under the jurisdiction of Pmt. and when the other service providers are located in another member state or in a third country where requirements equal to this legislations are applicable;
- all involved service providers are engaged in the same activity as specified by specific clauses of Paragraph 1.(1) of Pmt.;
- where - as far as professional confidentiality and protection of personal identity are concerned - requirements identical to domestic legislations are applicable to service providers.

When a third country fulfilled the demand for equal requirements specified in this Act (Paragraph 27.(30)-(5) of Pmt.), iFOREX Brokerage Ltd. shall inform Hungarian Financial Supervisory Authority.

## **X. THE SCREENING SYSTEM**

In order to prevent business relations and transactions aimed to or allowing money laundering or financing terrorism, the service provider shall operate an internal monitoring and information screening system to help in Client-audits, in executing transactions and in fulfilling reporting obligations.

iFOREX Brokerage Ltd.'s mandatory monitoring activity - which monitors iFOREX Brokerage Ltd.'s business relations on an ongoing basis, including the analysis of completed transactions over the entire



period of the business relation - which is aimed to establish whether the given transaction is in harmony with information available to the service provider about the Client, shall be distinguished from the Company's screening obligation required by law.

In order to fulfill legal obligations of monitoring as much as possible, iFOREX Brokerage Ltd. operates an automatic background screening system within its IT system, which screens unusual transactions in the account systems and forwards them to analysis to the Operative Director. The Operative Director is responsible for establishing and operating checking mechanisms, which are essential for the application of the monitoring system. The Operative Director shall analyze transactions suspected by the screening. When any information, fact or circumstance indicates money laundering or financing terrorism, the Operative Director shall report the transaction in question without delay.

The following screening conditions may apply on transactions:

- transactions to and from off-shore institutions;
- amount of the transaction;
- economic relation unusual in the economic sphere in question;
- frequency and size of transactions;
- type and number of target accounts;
- in case of economic associations with foreign headquarters, transaction in excess of HUF 10 million between foreign bank accounts;
- official international lists published in by the EU, the UN and other countries and other "suspicious conditions".

## **XI. EXECUTION OF MEASURES ORDERED BY THE EUROPEAN UNION TO LIMIT FINANCIAL ACTIVITIES AND ASSETS**

***The service provider shall act in harmony with orders or measures imposed by the European Union to limit financial activities and assets and in harmony with regulations of Act CLXXX/2007 on amending some of the relevant legislations.***

This act is aimed to freeze economic resources and financial instruments of natural persons and legal entities and other groups and organizations as a result of fighting against terrorism. This newly introduced legal institution allows asset freezing by administrative methods, independent of any criminal procedure. Freezing does not mean final deprivation of financial and material assets, but suspends only their authorizations.



This freezing, regulated by the Act, must not be ordered independently, it covers only the execution of limitations on financial activities and assets ordered by the European Union. If the order of the Community or a Community Resolution brought down on the basis of the decree orders any limitation, it must be executed according to this Act and in harmony with the act on executing the above Act by the Court.

According to Paragraph 10 of this Act, the investment service provider shall make a report without delay to the authority acting as financial information unit about any information, fact or circumstance that indicates that the subject of the financial and asset limitation is in the possession of financial instruments or economic resources within the territory of the Hungarian Republic.

The authority acting as financial information unit shall investigate the report submitted by the service provider - with providing personal particulars as required by Paragraph 7.(1) of the Act - within one working day (in case of a domestic transactions) or within two working days (in case of a foreign transaction) from the date of submission.

As part of this investigation, the authority shall establish whether - within the territory of the Hungarian Republic - the subject of limiting financial activity and assets is in the possession of financial instruments or economic resources under the jurisdiction of this limitation or whether the subject of limiting financial activity and assets will obtain financial gains from the transaction. In addition, the authority will assess whether information in the report is identical to information listed in the community's legal action made on ordering the limitation of financial activity and assets. On the basis of this investigation, the authority acting as financial information unit shall initiate a foreclosure and shall inform the service provider that submitted the report; or the authority shall inform the service provider that conditions are not sufficient for initiating the foreclosure.

The investment service provider must not execute that transaction for one working day (in case of a domestic transaction) or for two working days (in case of a foreign transaction) from the date of submission which may involve financial instruments or economic resources subject of limitation of financial activities or assets as a result of information, fact or circumstance revealed by the report, unless the authority acting as financial information unit informs the service provider within the deadline that the transaction is not subject of the order imposed on limiting financial activities and assets.

The investment service provider may execute that transaction within one working day (in case of a domestic transaction) or within two working days (in case of a foreign transaction) from the date of submission when they receive information within the above deadline that the involved transaction is not subject of any financial or asset limitation.

The transaction must be executed within one working day (in case of a domestic transaction) or within two working days (in case of a foreign transaction) from the date of submission unless they receive information within the above deadline that the involved transaction is subject of any financial or asset limitation.





When implementing regulations of Act CLXXX/2007 (on the execution of measures limiting financial activity and assets ordered by the European Union and on the amendment of related acts), iFOREX Brokerage Ltd. shall apply relevant regulations of Pmt., especially clauses of mandatory reporting, prohibition of revelation, the screening system and obligations of administration and preservation of documents, whereas the Company shall incorporate familiarization with this act into its vocational training services.

The procedure applicable on persons and organizations listed in relation of limiting measures ordered by the European Union must be distinguished from measures applicable on persons and organizations listed by the UN and the USA.

In case of lists prepared by the European Union we talk about list specified in the annexes of European Community Decrees (881/2002/EC and 2580/2001/EC) brought down in order to fight against terrorism. In case of persons and organizations present on these lists iFOREX Brokerage Ltd. shall apply regulations of Act CLXXX/2007.

iFOREX Brokerage Ltd., as part of fighting against financing terrorism, shall perform screening on the basis of additional list. In case of persons and organizations listed here, the Company shall prepare a report on the basis of Paragraph 23.(1) of Pmt when any information, fact or circumstance indicates financing terrorism, supposing that there is no match of information between persons and organizations listed in the annexes of Council Decrees applicable directly on the order of the European union as part of fighting against financing terrorism.

## **XII. KEEPING OF RECORDS**

Pursuant to Paragraph 28 of Pmt., iFOREX Brokerage Ltd. must keep records about information obtained from Client-audits and must preserve this information for a period of minimum five years from the date of terminating the business relation or executing the transaction.

These records must include all information and documents obtained by iFOREX Brokerage Ltd. as the result of Client-audits, or - with the Client's consent - copies of these documents, records about fulfilling mandatory reporting obligations of providing information required by the authority acting as financial information unit, as well as documents certifying the suspension of a transactions and the copies of these documents, which the service provider must preserve for a period of eight years, calculated from the date of recording the information or from the submission of the report (suspension of transaction).

Records kept by iFOREX Brokerage Ltd. shall include transactions executed in reaching or in excess of three million six hundred thousand Hungarian Forints in cash (in HUF or in any other foreign exchange).

iFOREX Brokerage Ltd. shall keep separate, traceable and checkable records on scope of minimum data obtained in the process of identifying the Client pursuant to Paragraph 7.(1) of Pmt., including those



cases when high-level Client-audit was performed on Clients and transactions with high risk of financing terrorism and when the service provider accepted audit measures implemented by other organizations.

### **XIII. REGULAR AND VOCATIONAL TRAININGS**

iFOREX Brokerage Ltd. shall ensure that employees of the Company engaged in activities defined in Paragraph 1.(1) of Pmt will be familiar with legislations introduced in relation of money laundering and financing terrorism, will recognize business connections or transactions allowing money laundering of financing terrorism and, in case of learning about any information, fact or circumstance indicating money laundering or financing terrorism, will act in harmony with the law.

The Operative Director formulated regulations on regular and vocational training. These regulations ensure that newly engaged employees are properly trained, participate at regular, organized trainings to be held at least once a year and that these training are properly registered, documented and learned subjects are checked.

Annexes to these Rules and Regulations:

1. typology of unusual transactions
2. pre-printed identification form
3. pre-printed report form
4. access to the authority acting as financial information unit (administrators, telephone number, fax number) and to authorities of the European Union, the UN and other countries and access to international list published officially in Hungary
5. name, position and telephone number of persons in contact with the authority acting as financial unit
6. pre-printed format of reports related to limiting asset management
7. European Community Decree 1781/2006/EC on particulars of Clients attached to money transfers



**Annex No. 1.****UNUSUAL TRANSACTIONS**

**The typology of all unusual transactions revealed so far by the trade and under the jurisdiction of Pmt is listed in this Annex in a uniform structure.**

**1.) Money laundering with using unusual cash transactions**

- a) Depositing or withdrawing unusually large cash by a natural person, especially when such actions are in contrary to the occupation of the person in question. The outlook of the Client itself does not make the unusual cash deposit free of suspicion. For example: the passport and outlook of a criminal are always in good order, because he/she would not risk two things unnecessarily.
- b) Sudden jump in cash deposits or withdrawals, either by a private person or by a company.
- c) Clients with large number of small bank accounts, which in total reach a significant amount.
- d) Frequent change of cash to other foreign exchange.
- e) Significant money movement on a previously sleeping account.
- f) Clients arriving together and executing cash or foreign exchange transactions at the same bank.
- g) Regular cash transactions directly below the limit of identification requirement.
- h) Cash deposit and withdrawing on the same day or within a short period of time without actual transfer of cash with involving accounts of several Clients.

**2.) Money laundering with using bank accounts**

- a) A Client opens several bank accounts at the bank which are not supported by his/her business activity. Monies are frequently transferred between these accounts without any rational reason. Transfers executed for making accounting easier could be such a rational reason.
- b) Monies transferred to the accounts of natural persons or legal entities are not backed by any business activity; significant amounts are deposited or transferred without any obvious purpose.
- c) Using general banking services under unusual conditions, for example, waiving interest payable on a large deposit.



- d) Several persons make deposits regularly or deposit large amount of monies to the same account.
- e) Small amount of cash is deposited by several persons, sometimes regularly to the same account and these deposits are transferred to a third account with no clear relation to the given account.
- f) Making large amount of deposit which is offered by the owner of the account as collateral.

### **3.) Suspicious transactions of economic associations**

- a) In case of change of ownership, the background of the new owners (homeless, etc. people) is not in harmony with the company's activity. Following the change of ownership, financial activity of the company changes suddenly.
- b) A company with significantly different financial indicators in comparison to similar companies.
- c) The owner of a business makes several deposits at a number of banks on the same day.
- d) An account where transactions are executed without any rational business purpose or transactions are not in harmony with the company or the history of the account holder (deposits and withdrawals to and from countries regarded as tax heavens).
- e) An account where large number of small deposits or money transfers is made and later the full amount is transferred, when this activity is not in harmony with the company or history of the Client.
- f) The company frequently makes deposits of large amounts and large amounts are held on the account without using other services of the bank, such as loans, credits, transfers of wages or taxes etc.
- g) Financial transactions executed by financial instruments instead of cash; these transactions are not fully documented using fictive beneficiaries or transferors.
- h) Unusual cash transfers between interrelated accounts or between accounts of companies where the owners are in relation over and above their regular business connections.
- i) The level, method and frequency of cash deposits are in contrary to the activity of a company.
- j) The company is managed by a person - also authorized to execute company signatures - who is obviously incapable to do so (contradiction in appearance, education), especially when the account is managed by a person not employed by the company.
- k) The same person or group manages accounts of several companies and regular transactions are executed in these accounts.



- l) Frequent refunds to the account caused by frustrated contracts or incorrect transfers.
- m) After incorporation, a company with little share capital enjoys extraordinary high turnover or receives large amount of loan from another bank.
- n) Shareholders offer regular and unreasonable high loans to the company; each of these loans or the total amount is suspiciously high.
- o) Credits made to a bank account, money transferred in one lump sum between companies with closed ownership of financing relations on the same day and at the end of the day the amount is returned to the bank account of the company which initiated the transfer.

**4.) Money laundering with using investment-related transactions**

- a) Increased demand for investment services when the source of capital is not clear or is in contrary to the business activity of the Client.
- b) Purchase of large securities for cash or purchase in several installments, each under the limit of identification requirements.
- c) Buying, holding and selling securities without reasons or under unusual circumstances, for example selling is not required by the financial position of the company.
- d) Buying-selling illiquid securities without market quotation, buying securities which are impossible or difficult to purchase from public sources and when the transaction or series of transactions are in contrary to the Client's profile.
- e) Ordering of derivatives when the Client makes always profit or loss with deals executed with the same group of customers.
- f) Initiating complex transactions involving several bank accounts and companies outside the Client's profile, in many cases transaction of securities is also included.
- g) Transactions with regular loss, especially when executed in contrary to explicit warning of the broker.
- h) Transactions initiated with depositing unusually large amount of cash.
- i) Cross-deals and interrelated transactions initiated by several interrelated Clients (in general, an economic association).
- j) Several securities accounts held by the same Client, when none of these accounts shows significant turnover, but the total of invested amount is significant.



- k) The Client holds physical securities with unreasonably high value or volume despite the opportunity to manage these securities by electronic means.
- l) Withdrawal or transfer of cash after selling securities, followed by a similar or larger transaction with a new deposit.

**5.) Money laundering using loans**

- a) Clients who repay doubtful loans unexpectedly.
- b) To ask for a loan with collateral when the origin of the collateral is not known or the collateral is not in harmony with the financial position of the Client.
- c) To ask finance from a financial institution when the source of financial contribution of the Client is unknown.
- d) To ask for a loan when significant liquid cash is available on other accounts of the applicant.
- e) Using money obtained from a loan to a purpose in contrary to the declared aim of the loan.
- f) Asking loan for an off-shore company or asking for a loan secured by collateral offered by an off-shore bank.
- g) The purpose of the loan declared by the Client does not make any economic sense, or the Client offers cash collateral for a loan without revealing the purpose of the loan.
- h) The Client purchases deposit certificates and offers these certificates as collateral for a loan.
- i) The Client offers cash deposit as collateral for a loan.
- j) The Client uses cash collateral deposited at an off-shore financial institution for raising a loan.
- k) Cash loans are unexpectedly redirected to an off-shore area.
- l) The Client suddenly repays a loan, or large part of it, without any economic history detected by the bank.
- m) A person without any financial association with the Client pays the loan back.

**6.) Money laundering with using international activities**

- a) Appearance of companies with large amount of cash which are located in countries engaged in trading narcotics.



- b) The Client manages large bank accounts not in harmony with his/her regular business turnover; large amount of cash transfer to a foreign country.
- c) As parts of his foreign trade practice, the Client uses payment methods unusual in countries in question.
- d) A Client with significant cash flow in countries engaged in producing or trading narcotics is suspicious, especially when the business profile of the Client is not in harmony with economic or trading structure of the countries in question.
- e) Transactions involving off-shore or "shell" banks, when the name of such banks is very similar to major, legal and respected financial institutions.
- f) Frequent transactions or transactions of large amounts when the beneficiary or the obligor is an off-shore institution and when these transactions are in contrary to the known enterprise of the Client.
- g) The Client transfers or receives monies to and from countries regarded as tax heavens, especially when these transfers are clearly not supported by any business activity or when they are not in harmony with the Client's business or history. Typical case, when an off-shore re-insurance agent transfer large amount of commission to a private person.
- h) Regular, repeated bank transfers from the account(s) of a natural person to countries regarded as tax heavens.
- i) The Client transfers and receives monies just below the limit of reporting obligation or involving the services of several banks, but these transactions are not related to the Client's activity or history.

## **7.) Insufficient or suspicious information**

- a) The economic association is reluctant to provide full-scale information about the purpose of its business, about its former banking relations, about its executives, directors or about the location of its activity.
- b) The Client does not provide information when opening an account or when purchases financial instruments above a certain limit to replace cash.
- c) The Client wants to open an account without providing references or local personal identification (passport, driver's license or Social Security Card), or when the Client denies providing any other information required for opening an account.



- d) The applicant is reluctant or refuses to disclose the purpose of the loan or the source of repayment or the disclosed purpose or source is doubtful.
- e) The Client offers very little or false-looking information or the bank faces difficulties or incapable of checking this information, especially information about the Client's identity.
- f) The applicant is reluctant or refuses to provide references or the references can not be checked or contacted.
- g) The person who does not indicate his/her present to past occupation on the loan application.

**8.) Unusual conditions or activities**

- a) A bank account held at a bank of branch far from the Client's address, especially when a branch is available closer and there is no logical explanation for selecting a far away location.
- b) When large amount of cash packed and stamped by another bank is deposited to the account of the Client.
- c) The account holder almost never appears at the bank, he/she employs several couriers to deposit cash.
- d) Significant, unexplained differences from traditional banking methods.
- e) The Client takes unusually high, sudden risk different from his/her usual practice.

**9.) Attempts made to avoid reporting or registering requirements**

- a) The Client attempts to execute certain transaction above a certain limit and when informed about reporting or registering obligations, he/she withdraws some of the money to keep the transaction below the limit.
- b) The person takes cash to the financial institute and insist not fill out required reporting or registration forms.
- c) The Client deposits several amounts to a single account under the limit of identification, or distributes a large amount between several accounts in order to avoid the reporting obligation.
- d) The Client is reluctant to provide information for his/her identification or stops the transaction when asked to identify him or herself.





- e) The Client enforces or attempts to enforce the bank's employee to neglect required registration of reporting forms.

**10.) Money laundering with using life insurance**

- a) Sudden increase of extraordinary deposits/withdrawals by private persons or legal entities.
- b) When the life insurance is associated with investment portfolios outside the Client's profile.
- c) Regular transactions directly below the limit of identification.
- d) Deposits or withdrawals outside the Client's profile.
- e) When banking services different from general practices are required.
- f) The economic association is reluctant to provide full-scale information about its business purpose, about its previous banking connections, about its executives, directors or the location of its activities.
- g) The Client who refuses providing information when taking out a policy.
- h) The Client wants to sign a policy without providing references or local personal identification (passport, driver's license or Social Security Card), or when the Client denies providing any other information required by the insurance company for the policy.
- i) The Client offers very little or false-looking information or the insurance company faces difficulties or incapable of checking this information, especially information about the Client's identity.
- j) Significant, unexplained differences from traditional insurance methods.
- k) The Client attempts to execute certain transaction or sign a policy above a certain limit and when informed about reporting or registering obligations, he/she cancels the procedure to keep the transaction below the limit.
- l) The person wants to deposit cash and insist not fill out required reporting or registration forms.
- m) The Client signs several policies under the limit of identification.
- n) The Client is reluctant to provide information for his/her identification or stops the deal when asked to identify him or herself.
- o) The Client enforces or attempts to enforce the bank's employee to neglect required registration of reporting forms.



**11.) Money laundering with using money change**

- a) Obtaining unusually high amount of cash which is in contrary to the appearance and behavior of the Client.
- b) Regular change of large amount of monies.
- c) Clients arriving together and change large amount on monies at the same time.
- d) Subsequent transactions directly below the limit of identification.
- e) Large amount or regular change of rarely used foreign exchanges.
- f) The Client is reluctant to identify him or herself.
- g) The Client attempts to change money above a certain limit and when informed about reporting or registering obligations, he/she withdraws some of the money to keep the transaction below the limit.
- h) Changing small denominations to larger ones, selling small denominations or purchasing other foreign exchange at the same time.

**12.) Money laundering using pawn transactions**

- a) Clients who repay large pawns unexpectedly.
- b) Clients who regularly pawn large number of objects, each of them representing small amounts, but in total, the value is significant and generally never taken out from pawn.
- c) When the behavior of the Client suggests that he/she is not the owner of the object to pawn.
- d) The Client is very disturbed and his/her behavior raises the suspicion of money laundering.
- e) Dress or behavior of the Client is not in harmony with the quality of the pawned object.
- f) When asked to identify his or herself, the Client stops the deal.
- g) The purpose given by the Client when raising a loan does not make any economic sense or the Client refuses to reveal the purpose of the loan.
- h) The Client purchases deposit certificates and offers these certificates as collateral for a loan.
- i) The Client's headquarter is located, or he/she is living in one of the countries listed in Annex 4.



- j) Another person attempts to take out the pawned object without any acceptable explanation.

### **13.) Transactions suspect of financing terrorism**

In general, terrorist pay special attention to avoid any suspicion as a result of their behavior and lifestyle with no suspicious connections or financial activity. Consequently, the description of typical transactions is impossible or difficult to define.

Terrorist may use illegal or specific, legal sources to collect money: beyond collecting protection monies, using blackmail or trading in arms or drugs, they may operate legal foundations, non-profit organizations, may collect membership fees or sell publications.

- a) For example, suspicious could be the following pattern: a foreign citizen, when opening a bank account, obtains several credit cards. A long period of time - up to several months - passes after opening the account before any money is deposited or transferred to the account, which is quickly withdrawn in cash with using credit cards at ATMs. After another long period of time this pattern is repeated.
- b) Another suspicious transaction: several persons cancel their life insurance policies and ask to pay the money to the same beneficiary.



**IDENTIFICATION SHEET – TO BE FILLED OUT ONLY AND EXCLUSIVELY BY THE SERVICE PROVIDER!****to satisfy mandatory registration required by Paragraph 7 of Act CXXXVI/2007.**Particulars of a natural person (Use X in required fields, *indented letters mean optional*):

first and last name:																				
name when born <sup>1</sup> :																				
nationality:	Hungarian:	<input type="checkbox"/>	other	<input type="checkbox"/>																
address:																				
type of ID document	<b>Personal ID</b>	<input type="checkbox"/>	<b>Address Card</b>	<input type="checkbox"/>	<b>Driver's license</b>	<input type="checkbox"/>	<b>Passport</b>	<input type="checkbox"/>	<b>Official certificate of personal identity</b>	<input type="checkbox"/>	<b>Other</b>	<input type="checkbox"/>								
Description of the other document																				
serial number(s) in sequence:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>				
<i>place and date of birth:</i>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<b>year</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<b>month</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<b>day</b>
<i>mother's maiden name:</i>																				

1: Previous name, maiden name

Particular of a legal entity or other organization without legal entity (private entrepreneur must also fill out)



Name, abbreviated name:	
Address / address of branch in Hungary: <sup>1</sup>	
Company reg. No./resolution No./registration No.:	
<i>Main activity:</i>	
<i>Name and position of authorized representative:</i>	
<i>Identification of delivery agent:</i>	

1: in case of foreign enterprise, the address of branch in Hungary:

The above information was registered by:

#### Declaration of Client with foreign abode

I declare hereby that I am not a political figure (mark with X)	
I declare hereby that I am a political figure (indicated the code of category listed below)	

<b>2a)</b>	head of state, prime minister, minister, deputy minister, state secretary,
<b>2b)</b>	member of Parliament
<b>2c)</b>	member of the High Court, Constitutional Court or any body of judges where no appeal can be lodged against their judgment,
<b>2d)</b>	General Comptroller, member of the Comptrollers, member of the Board of Directors of the Central Bank,
<b>2e)</b>	ambassador, chargé d'affaires, professional field officer of general of the army,
<b>2f)</b>	members of administrative, managerial or supervisory bodies of companies with majority state ownership



<b>3)</b>	close relative of a person listed in Clauses 1) as close relative defined in Paragraph 685.(b) of the Civil Code or a de facto
<b>4a)</b>	any natural person, who shares actual ownership with persons listed on Clauses, jointly with the same legal entity or organization without legal entity or is in close relation with such a person
<b>4b)</b>	any natural person, who is the sole owner of such a legal entity or organization without legal entity which has been established in the interest of any person listed in Clause (2)

**Date:**

.....

signature



**CLIENT'S DECLARATION ON ACTUAL OWNERSHIP (Paragraph 8.) – TO BE FILLED OUT BY THE CLIENT!**

Undersigned ....., (as representative of\*.....)\* I declare under criminal responsibility that

- 1.) as a natural person, I act on my behalf.\*
- 2.) as a natural person, I act on behalf of the following person(s):\*
- 3.) I act on behalf of a legal entity or organization without legal entity.\*\*
- 4.) the legal entity or organization without legal entity acts on behalf of the following person(s).\*\*

1:		1:	
2:		2:	
3:		3:	
4:	5:	4:	5:
6:		6:	
7:		7:	
8:		8:	
9:		9:	
10:		10:	
11:		11:	
12:		12:	
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19:		19:	
20:		20:	



8:		8:	
9:		9:	
10:		10:	
11:		11:	

\*: Underline or delete as required.

\*\* : In case of a legal entity, the declaration must be made by the legal entity and signed as a company.

1: Surname and second name

2: Name at birth (if different)

3: Address

4: Nationality

5: Hungarian – mark with X, omit field 6.

6: Other (if not Hungarian, indicate your nationality):

=====

7: *Type of ID document*

8: *Number of ID document*

9: *Address in Hungary (only for foreigners)*

10: *Place and date of birth*

11: *Mother's maiden name*

*Particulars specified by Paragraph 8.(3) of Pmt. are shown indented*

**I hereby acknowledge that I must report changes in the above information on in my particulars to the service provider within 5 (five) working days and I shall be responsible for all damages caused by failing to do so.**

**Date:**

.....

signature





**REPORTING SUSPICIOUS CIRCUMSTANCES INDICATING MONEY LAUNDERING OR FINANCING  
TERRORISM**

1. Name, address and telephone number of the investment broker:	<b><i>iFOREX Befektetési Szolgáltató Zrt., 1054 Budapest, Szabadság tér 14., Hungary, +36-1-880-8400</i></b>
1.1. Name and address of the branch which detected the transaction (If not the same as "1"):	
1.2. Name, address and phone number of additional branches involved in the transaction	
1.3. Date and time when the broker detected the transaction	
1.4. Date and time when the broker made the report	
1.5. Ref. numbers and dates of previously made reports about the same transaction (Client) (if available):	
1.6. Name, address and (work) phone number of the authorized person:	<b><i>Kauffmann Lajos, 1054 Budapest, Szabadság tér 14., Hungary, +36-1-880-8421</i></b>
2. ID documents held at the investment service provider about the Client involved in the transaction (as specified by Paragraph 7. and (2).(a)(b) or, if available, particulars as listed in Clause (3)).	
2.1. Is all ID information available from the Client:	Yes/No
2.2 Is any other financial institution involved in the transaction? If yes, please provide details:  <i>Please, in addition, indicate here the person - if available - who is the beneficiary of the transaction.</i>	



<b>3. Description of the transaction (type, full amount of each foreign exchange, all details)</b>	
3.1. Type(s) and number(s) of cash and securities of the transaction (Client and beneficiary)	
If more than one amount is involved, all amount(s) and their full value	
Description of transaction(s) (deposit, transfer of security, receiving money, cash withdrawal etc.)	
3.4. Description of information, fact or circumstance indicating money laundering.  <i>Please describe the condition which made the Client suspicious, what was unusual in the transaction in question and what was the why was it reported</i>	
4. Other conditions - not listed above - indicating money laundering	
5. Measures implemented by iFOREX Brokerage Ltd.	

In necessary, please attach minimum 6 months long history of the Client (copy of statements mailed to the Client during the past 6 months), copy if his/her contracts signed with the service provider, copies of sample signatures, any other details, comments and memos available at the service provider.



**AUTHORITY ACTING AS FINANCIAL INFORMATION UNIT**

Hungarian Customs and Finance Guard

Central Criminal Investigation Headquarters

Financial Information Department

Address: 1122 Budapest, Hajnóczy u. 7 – 9.

Telephone: +36 -1- 4568 – 111

Fax: +36 – 1- 4568 - 154

E – mail: [vpkbp.fiu@mail.vpop.hu](mailto:vpkbp.fiu@mail.vpop.hu) , [fiu@mail.vpop.hu](mailto:fiu@mail.vpop.hu)



iFOREX Brokerage Ltd.

Authorized and regulated by the Hungarian Financial Services Authority

HFSA Register number: III/73.059-4/2002

Address: 1054 Budapest, Szabadság tér 14, Hungary. Phone: +36-1-8808-400, Fax: +36-1-8808-440

Email: [info@iforex.com](mailto:info@iforex.com), Website: [www.iFOREX.com](http://www.iFOREX.com)

Person - or his/her deputy - who is responsible for submitting report to the authority acting as financial information unit at **iFOREX Brokerage Ltd.** investment service provider.

Name:	<b>Lajos Kaufmann</b>	Name of deputy:	<b>Ferenc Tóth</b>
Position:	<b>Operative Director</b>	Position:	<b>accountant</b>
Telephone:	<b>+36-1-880-8421</b>	Telephone:	<b>+36-1-880-8418</b>

*Person responsible for enforcing and monitoring legislations aimed to prevent and stop money laundering and financing terrorism:*

*Name:* Szabolcs Hallai  
*Position:* **Internal Inspector**  
*Telephone:* +36-1-880-8400

*Person responsible for updating the regulation:*

Name: *Lajos Kaufmann*  
Position: *Operative Director*  
Telepnoe: +36-1-880-8421



**REPORT MADE ON THE BASIS OF MEASURE IMPLEMENTED TO LIMIT ASSETS AND FINANCIAL ACTIVITIES**

- 1.1 Name, address and telephone of the involved service provider who must submit the report:
- 1.2 Date of detecting the financial instrument of economic resource:
- 1.3 Date of reporting:
- 1.4 Name, position and telephone of the assigned person:
2. ID particulars of the subject of financial and asset limitations

Client's particulars:

First name at birth:	
Family name at birth:	
Name when married:	
Place of birth:	
Date of birth:	
Address:	
Present abode:	
Other ID particulars published by Community's Legal Institute ordering the financial an asset limitation:	



3. Particulars of the natural person authorized to manage financial instruments and economic resources subject of the order to limit finances and assets:

Particulars of the natural person authorized to act

First name at birth:	
Family name at birth:	
Name when married:	
Place of birth:	
Date of birth:	
Address:	
Present abode:	

4. Particulars of the legal entity or economic association with no legal entity subject of the order to limit finances and assets:

Particulars of the economic association:

Name:	
Address:	
Branch in Hungary:	

5. Any other information, fact or circumstance which indicates that the subject of financial and asset measure would enjoy financial advantages as the result of the given transaction

6. Description of the financial instrument or economic resource under limitation of finance and assets:

Value of the instrument:	
Currency of the instrument:	
Depositing method of the instrument:	



Information about the economic resource:	
- subject:	
- other information suitable for identification:	



DECREE No.1781/2006/EC OF THE EUROPEAN PARLIAMENT AND COUNCIL dated on 15  
November 2006.

on Client's information attached to financial transactions

**(Text covers the European Economic Area)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,  
referring to the Agreement which established the European Community, especially its Article 95,  
with regard to the proposal submitted by the Committee,  
with regard to the opinion of the European Economic and Social Committee,  
with regard to the opinion of the European Central Bank,  
in harmony the procedure specified in Article 251 of the Agreement,  
such as :

(1) The significant cash-flow in the black market realized by bank transactions may damage the stability of the financial sector and its reputation and may jeopardize the domestic market as well. Terrorism attacks the foundations of our society. Efforts made by criminals and their associates to hide their income generated by crime and to conceal cash transactions aimed to help terrorism present significant danger to the efficiency, integrity and stability of the entire money transfer system and severely damage the trust in the financial system.

(2) In order to help their criminal activity, people participating in money laundering and financing terrorism may exploit the free movement of capital - which is essential in the entire financial region - if certain coordination measures would not be accepted by the entire community. As a result of the magnitude of common efforts made by the community, Special Recommendation VII, hereinafter: SR VII, on electronic bank transfers, defined by the Financial Action Task Force, hereinafter: FATF, established at the Paris meeting of G7 at 1989, must be accepted by the community in the entire European Union. Especially important to make no distinction between domestic transaction made within member states and transactions effected over the borders, between individual states. Regulations of financial transactions implemented by individual states across borders without harmonization may seriously hinder the smooth operation of financial transactions at EU level and as such, could have detrimental impact on financial services of the domestic market.





(3) Following the terrorist acts against the USA on 11 September 2001, the European Council - at its extraordinary meeting held on 21 September 2001 - reinforced that fighting against terrorism was one of the key aim of the European Union. The European Council approved an action plan, which included increase in the cooperation between the police and justice organization, preparation of international legal methods against terrorism, prevention of financing terrorism, reinforcement of safety of air travel and increasing consistency between relevant policies. Following the terror attacks in Madrid on 11 March 2004, the European Council revised the action plan. As a result, the plan introduced actual measures to satisfy the demand to harmonize the legal framework established by the Community in order to improve the connection between fighting against terrorism and justice organization with the nine special recommendations to fight financing terrorism, which have been accepted by FATF.

(4) A few measures in order to prevent financing terrorism have been introduced, such as freezing financial assets and economic resources of specific individuals, groups and legal entities by Council Decrees 2580/2001/EC and 881/2002/EC. Similar measures have been introduced for the same purpose in order to protect the financial system from redirecting financial instruments and economic resources for terrorism. European Parliament and Council Guideline 2005/60/EC includes a number of measures aimed to fight abusing the financial system for the purpose of money laundering and financing terrorism. But these measures were not successful in fully preventing terrorists and other criminals to have access to the financial system in order to complete their transactions.

(5) In order to help consequent approach to fighting against money laundering and financing terrorism on international level, future actions of the Community must take into account the progress at this level, namely the nine special recommendations approved by FATF to fight against financing terrorism, especially SR VII and the detailed interpretation of its execution.

(6) Comprehensive traceability of financial transactions could be a valuable tool in the prevention, investigation and detection of money laundering or financing terrorism. In order to ensure forwarding information about the Clients all along the line of transactions, the preparation of such a system is recommended which enforces service providers to attach exact and useful information about Clients to each financial transaction.

(7) Regulations of this Decree must be implemented without violating European Parliament and Council Guideline 95/46/EC. For example, information collected and stored as a result of this Decree must not be used for commercial purposes.

(8) People engaged in transferring only hard copies of documents into electronic information on the basis of contracts signed with a payment service provider are outside the scope of this Decree; the same applies to those natural persons and legal entities, who and which operate message and other support systems related to transfer of financial instruments or operate account settlement or performance systems on behalf of payment service providers.

(9) Transactions with low risk of money laundering or financing terrorism should also be exempt from this Decree. Such exemptions should be credit or debit cards, monies withdrawn from Automatic Teller Machines (ATM), money collection orders, electronically processed checks, payments of taxes, penalties



and other duties and those money transfers when both the Client and the beneficiary are service providers acting on their own behalf. Beyond the above, in order to reflect the nature of their national financial systems, member states may make exempt payments effected within their clearing system, supposing that every transfer can be traced back to the Client. If member states apply the exemption opportunity allowed by Guideline 2005/60/EC covering electronic money, this exemption must be applicable within this Decree as well when the transferred amount is less than Euro 1 000.

(10) The exemption of electronic money defined by European Parliament and Council Guideline 2000/46/EC may cover any type of electronic financial instrument regardless whether the issuer of the instrument enjoys or not exemption pursuant to Article 8 of the above mentioned Guideline.

(11) In order to avoid reduction in the efficiency of transactions systems, requirements on checking data must be distinguished between transactions made from an account and transactions without an account. Since too strict identification requirements applied on minor transactions in order to fight possible terrorism may direct such transactions to illegal channels, in order to counterbalance this risk, the requirement on checking the correctness information about the Client in case of transactions without an account - without violating obligations listed in Guideline 2005/60/EC - shall be applicable only on individual transactions in excess of Euro 1 000. In case of transactions from an existing account payment service providers shall not be forced to check the correctness of the Client in each and every transaction when obligations listed in Guideline 2005/60/EC are fulfilled.

(12) Pursuant to European Parliament and Council Decree 2560/2001/EC and on the basis of Committee communication titled „New legal framework of payments in the domestic market", it will be sufficient to ensure that transactions within the Community shall be accompanied only with simplified information about the Client.

(13) In order to allow authorities operating in third countries and engaged in the fight against money laundering and financing terrorism searching for the source of such financial instruments, in case of transactions effected from the Community outside the Community full-scale information must be included about the Client. These authorities may obtain full-scale information about the Client only in order to prevent, investigate or reveal money laundering or financing terrorism.

(14) In order to forward transactions simultaneously and cheaply from a single Client to several beneficiaries - in a batch file containing individual transactions - from the Community outside the Community, in case of such individual transactions it should be sufficient to include only the account number of the Client or his/her special identification to each transaction if full-scale information about the Client is attached to the batch file.

(15) In order to check that mandatory information about the Client attached to transactions is available and to help in identifying suspicious deals, the service provider of the beneficiary must apply effective methods to detect the lack of information about the Client.

(16) Since in case of anonym transactions when the potential risk of financing terrorism is present, the service provider of the beneficiary should be empowered - when information about the Client is missing



or insufficient - to avoid or remedy such situations. In this case actions should be flexible, depending on the risk level of information provided about the Client. In addition, the service provider of the Client should remain responsible for providing correct and reliable information about the Client. If the service provider of the Client is located outside the territory of the Community, the Client must be subjected to high-level audit in harmony with Guideline 2005/60/EC in case of every transaction made by a correspondent bank to a foreign country.

(17) If relevant national authorities provide guidelines about the obligation of suspending further transactions arriving a payment service provider who regularly fails in forwarding particulars of Clients or when possible limitation or termination of business relations with the given service provider is an option, this guideline must be based on applying the best practical solutions and - without violating the aims of fighting successfully against money laundering and financing terrorism - and taken into account the fact that the interpretation of SR VII by FAT is allowed to be reworked in case of third countries, the authorities may establish a lower limit of Euro 1000 or USD 1000 on the obligation of providing particulars of Clients.

(18) The service provider of the Client must always act with special care - with analyzing risks - when detecting the lack of or shortcoming in particulars of Clients. In case of detecting suspicious deals, the service provider must submit the report to relevant authorities in harmony with his/her reporting obligations specified in Guideline 2005/60/EC and in national execution orders.

(19) Regulations covering financial transactions arriving without - or with insufficient - particulars about the Client shall be applicable without violating any obligation which forces the service provider to suspend and/or reject financial transactions which breach civil, public administration or criminal legislations.

(20) Until those technical limitations which hinder the agents of service providers in fulfilling their obligations of forwarding every information received about their Clients are not eliminated, the agents of service providers must keep and safeguard this information. These limits will be eliminated in parallel with the improvement of modernization of transaction systems.

(21) Since in criminal investigations necessary information or involved people could sometimes be identified only months or years after the date of the original transaction, service providers should be enforced to preserve particulars of Clients in order to prevent, investigate and reveal money laundering or financing terrorism. This period of preserving information must be limited.

(22) In order to help quick action in the fight against terrorism, service providers must respond immediately to requests of relevant authorities which are responsible for fighting against money laundering and financing terrorism in the member state in question when they asking for particulars of Clients.

(23) The number of working days in the member state of the service provider shall be applicable on the deadline to be imposed on providing a response regarding particulars about Clients.



(24) In case of violating this decree, the member states - taking into account the importance of the fight against money laundering and financing terrorism - must apply effective, proportional and deterring sanctions.

(25) Measures required to the execution of this decree must be accepted in harmony with Council Decree 1999/468/EC dated on 28 June 1999 on procedures of exercising the authority of execution.

(26) Some of the countries and territories outside the Community which has formed some sort of monetary union with one of the member states or located within the currency zone of one of these states or has signed a monetary agreement with one of the states representing the European Union and service providers in these areas participate - directly or indirectly - in financial or accounting systems of one of the member states. In order to avoid that the application of this decree on financial transactions conducted between member states and these countries or territories should make any negative impact on the economy of these countries or territories, an appropriate opportunity should be provided to allow handling these transactions as money transfers within the given member states.

(27) In order to avoid encouragement of charities, member states should make service providers of transactions not exceeding Euro 150 within their territories exempt from obtaining, checking, registering and forwarding particulars of Clients. In additional, this condition should be applied on requirement to be fulfilled by non-profit organizations - in this case member states could ensure that terrorist could not abuse this exemption to hide or help financing their activities.

(28) Since member states alone are not capable for reaching the aims of this decree at a satisfactory level, due to the magnitude and impact of the measures these aim could be reached better at Community level, the Community may introduce measures in harmony with the principle of subsidiarity as specified in Article 5 of the Agreement. In harmony with the principle of proportional treatment specified in the above Article, this Decree must not exceed the level necessary to reach the above aims.

(29) In order to ensure consequent approach to the fight against money laundering and financing terrorism, all regulations of this Decree should enter into force on the very same day as relevant regulations accepted on international level.

**THIS DECREE HAS BEEN ACCEPTED BY:**

## **CHAPTER I.**

### **SUBJECT, DEFINITIONS AND SCOPE**

#### *Article 1.*

#### **Subject**

This Decree establishes regulations covering Client's particulars to be attached to financial transactions in order to prevent, investigate and reveal money laundering and financing terrorism.



*Article 2.*

Definitions

The following definitions shall be applicable when applying this Decree:

1. „financing terrorism”: collecting and making available financial instruments in harmony with Article 1. (4) of European Community Guideline 2005/60/EC;
2. „money laundering”: any act which - in case of willful action of the perpetrator - is qualified as money laundering as specified in Article 1. (2) and (3) of Guideline 2005/60/EC;
3. „Client”: natural person or legal entity, account owner, who or which permits transactions from the given account or, in case of no account, the natural person or legal entity who or which orders the transaction;
4. „beneficiary”: natural person or legal entity who is the final addressee of the transferred money;
5. „service provider”: natural person or legal entity who or which is engaged in providing financial transactions as part of his its business activity;
6. „agent service provider”: service provider who or which is not engaged either by the Client or the beneficiary but participates in completing the transaction;
7. „transaction”: an electronic deal conducted by the service provider authorized by the Client; aimed to make money available to the beneficiary at a service provider regardless whether the Client and the beneficiary are the same or not;
8. „batch file transfer”: several individual transactions to be forwarded simultaneously in a single action;
9. „individual identifier”: specific combination of letters, numbers and symbols - prepared in harmony with the protocol used in the payment and accounting system used for executing the transaction - used by the service provider.

*Article 3.*

Scope

(1) This Decree shall be applicable on financial transactions sent or received in any currency by service providers with a residence in the Community.

(2) This shall be applicable on financial transactions concluded with credit or debit cards, when:

a) the beneficiary has agreed with the service provider to allow paying for goods or services;

and



b) any such transaction is accompanied by an individual identification, which enables tracing the deal back to the Client.

(3) When a member state enjoys the exemption offered by Article 11. (5)(d) of European Community Guideline 2005/60/EC, then this Decree shall not be applicable on financial transactions using electronic money subject of the above mentioned exemption, unless the amount of the transaction exceeds Euro 1000.

(4) Without violating Paragraph (3) this Decree shall not be applicable on financial transactions executed by mobile telephone or by any other digital or IT tools when transfers are pre-paid and not exceed Euro 150.

(5) This Decree shall not be applicable on financial transactions executed by mobile telephone or by any other digital or IT tools when transfers are post-paid and satisfy all of the following requirements:

a) the beneficiary has agreed with the service provider to allow paying for goods or services;

b) any such transaction is accompanied by an individual identification, which enables tracing the deal back to the Client;

and

c) the service provider is under obligations defined by Guideline 2005/60/EC.

(6) Member states may decide not applying this Decree on transactions within the given state when the transaction is concluded with paying to the beneficiary's bank account for goods and services, when:

a) the service provider is under obligations defined by Guideline 2005/60/EC;

b) the service provider of the beneficiary is capable for tracing the transaction, with the help of an individual reference number, from the legal entity or natural person - via the beneficiary - which or who signed an agreement with the beneficiary on providing goods and services;

and

c) the transferred amount is less than Euro 1000.

Member states using this exemption shall inform the Committee.

(7) This Decree shall not be applicable on the following transactions:

a) when the Client withdraws cash from his/her own bank account;

b) when the two parties are authorized to charge each other, which enables settling mutual payments between their bank accounts, supposing that these transactions are accompanied by an individual identification which allows tracing back the identities of natural persons or legal entities;

c) when the transaction is concluded with checks processed electronically;



- d) when the transaction is aimed to pay taxes, penalties or other dues within one member state;
- e) when both the Client and the beneficiary are service providers acting on their own behalf.

## **CHAPTER II.**

### **OBLIGATIONS OF THE CLIENT'S SERVICE PROVIDER**

#### *Article 4.*

##### Full-scale information about the Client

- (1) The full-scale information about the Client shall include the name, address and bank account number of the Client.
- (2) Address of the Client could be replaced by his/her place and date of birth, Client ID number and his/her national identification number.
- (3) When the Client does not have a bank account, the Client's service provider shall replace the account number by an individual identification which is suitable for tracing the transaction back to the Client.

#### *Article 5.*

##### Information attached to transactions and registering this information

- (1) Service providers must ensure that all financial transactions are accompanied with full-scale information about the Clients.
- (2) Before completing any transactions, the Client's service provider must check all information about the Client based on reliable documents obtained from independent sources, on other data and available information.
- (3) When transactions are completed from a bank account, checking of information shall be acceptable if:
  - a) the identity of the Client has been checked when the account was opened and information obtained during the check has been stored in harmony with obligations listed in Article 30. (a) and Article 8. (2) of Guideline 2005/60/EC;or
  - b) the Client is under the jurisdiction of Article 9. (6) of Guideline 2005/60/EC.
- (4) But in case of completing transactions without a bank account, the Client's service provider must check particulars of the Client - without violating Article 7. (c) of Guideline 2005/60/EC - only when the amount exceeds Euro 1000, with the exception of a deal which is made up by seemingly interrelated amounts in excess of Euro 1000.



(5) Service provider of the Client must keep the records of full-scale information about the Client for a period of five years.

*Article 6.*

Transactions conducted within the Community

(1) When the Client's service provider and the beneficiary are both located within the Community, Article 5. (1) could be omitted and the bank account number of the Client or an individual identifier is sufficient to be added to the transaction which enables tracing the transaction back to the Client.

(2) But, if requested by the service provider of the beneficiary, the Client's service provider must delivery full-scale information about the Client to the service provider of the beneficiary within three working days.

*Article 7.*

Transactions conducted outside the Community

(1) All such transactions when the service provider of the beneficiary is located outside the Community must be accompanied with full-scale information about the Client.

(2) In case of transactions ordered by a single Client and forwarded in batch file, when service providers of the beneficiaries are located outside the Community, Clause (1) shall not be applicable on individual transactions collected in one batch file, with the exception of the case when this information is attached to the batch file and the bank account number or individual identifier is attached to each transactions in the batch file.

**CHAPTER III.**

**OBLIGATIONS OF THE BENEFICIARY'S SERVICE PROVIDER**

*Article 8.*

Detecting the lack of information about the Client

The beneficiary's service provider must check whether appropriate fields of the Client's particulars used in the message or payment and accounting system of transactions have been properly filled out, I harmony with using characters and input data approved by the regulations of the given message or payment and accounting system. The beneficiary's service provider must be in the possession of effective methods to detect possible lack of the following particulars of the Client:

a) in case of transactions when the Client's service provider is located within the Community, particulars defined by Article 6.;





b) in case of transactions when the Client's service provider is located outside the Community, full-scale information about the Client as listed in Article 4 or in a given case, as defined by Article 13.;

and

c) in case of transactions conducted in batch file and when the Client's service provider is located outside the Community, full-scale information about the Client as mentioned in Article 4, which are attached only and exclusively to the batch file transfer, not to individual transactions within this batch file.

*Article 9.*

Transactions with no information or with insufficient information

(1) When the beneficiary's service providers learns that mandatory information about the Client is missing from or insufficient in the incoming transaction, he must reject the transaction and request full-scale information about the Client. In each and every case the service provider of the beneficiary must satisfy regulations or administrative orders related to money laundering or financing terrorism, especially Decrees 2580/2001/EC and 881/2002/EC, Guideline 2005/60/EC and execution orders of the member state in question.

(2) When a service provider regularly neglects sending required information about the Client, the beneficiary's service provider must take action. The first action could be a reminder and imposing deadlines before rejecting future transactions from the given service provider. Later he may decide to limit or terminate his business relation with the given service provider.

Service provider of the beneficiary must report this incident to the authorities responsible for fighting against money laundering and financing terrorism.

*Article 10.*

Assessment based on risk

When assessing a transaction, the service provider of the beneficiary must take into account missing or insufficient information. If a transaction or other related deal is suspicious, this fact must be reported to - in harmony with Chapter III of Guideline 2005/60/EC - the authorities responsible for fighting against money laundering and financing terrorism.

*Article 11.*

Administration of information

Service provider of the beneficiary must keep all information about the Client for a period of five years.



**CHAPTER IV.**

**OBLIGATIONS OF AGENTS OF SERVICE PROVIDERS**

*Article 12.*

Attaching Client's information to transactions

The agent of service providers must ensure that all information received about the Client remains attached to the transactions.

*Article 13.*

Technical limitations

(1) This Article shall be applicable when the Client's service provider is located outside the Community but the agent of the service provider is inside the Community.

(2) When the agent of the service provider does not learn that information about the Client required by this Decree is missing or insufficient when receiving a transaction, he may use such a technically limited transfer system for forwarding transactions to the beneficiary's service provider which does not allow sending information about the Client along with the transactions.

(3) When the agent of the service provider learns that information about the Client required by this Decree is missing or insufficient when receiving a transaction, he may use a technically limited transfer system only when he can inform the beneficiary's service provider about this fact - using either the message or the financial transfer system suitable for sending this information - supposing that this method of communication has been accepted or agreed by both service providers.

(4) When the agent of the service provider uses a technically limited transactions system, the service provider - on the request of the Beneficiary's service provider - must make all information (regardless whether full-scale or not) about the Client available within three working days, calculated from the date of receiving the request.

In cases listed in Clauses (5), (2) and (3), the agent of the service provider must preserve all received information in his records for a period of five years.



## CHAPTER V.

### GENERAL OBLIGATIONS AND SCOPE OF EXECUTION RIGHTS

#### *Article 14.*

##### Cooperation obligations

Service providers must respond completely and immediately to any request submitted by authorities responsible for fighting money laundering and financing terrorism asking for information about Clients of specific transactions and about related records, in harmony with national administrative regulations in force in their member state.

These authorities may use the above information only and exclusively for preventing, investigating or revealing money laundering and financing terrorism without violating national criminal law and basic human rights.

#### *Article 15.*

##### Sanctions and monitoring

(1) Each member state shall establish regulations governing sanctions applicable on cases of breaching this Decree and shall implement every necessary measure to enforce them. These sanctions must be effective, proportional and deterring. Sanctions shall be applicable from 15 December 2007.

(2) Members states shall inform the Committee about regulations mentioned in Clause (1) and about the authorities responsible for enforcing them not later than by 14 December 2007. In addition, they must inform the Committee about any amendment without delay.

(3) Member states hereby declare, that relevant authorities must successfully monitor observation of regulations listed in this Decree and implement every step required to ensure the above.

#### *Article 16.*

##### Procedure of the Committee

(1) „The Committee shall be helped by the committee (hereinafter: the committee) established by Guideline 2005/60/EC in order to prevent money laundering and financing terrorism.

(2) When referring to this Clause, Articles 5 and 7 of Resolution 1999/468/EC shall be applicable with regard to regulations listed in Article 8, supposing that execution orders approved in harmony with this procedure do not change significant regulations of this decree.

The deadline specified by Article 5. (6) of Resolution 1999/468/EC shall be three months.



## CHAPTER VI.

### DIVERGENCES

#### *Article 17.*

Agreements signed with territories or countries outside the Community

(1) The Committee may allow any member state to sign agreements - based on the law of the nation in question - with countries or territories outside the Community (as specified by Article 299 of the Agreement), which contain divergences from this Decree. This could be necessary to allow treating transactions between the given territory or country and the member state in question as transactions within the given member state.

This kind of agreements shall be allowed if:

a) the country or territory in question forms a monetary union with the member state in question it is located within the foreign exchange zone of one of the member states or it signed a monetary agreement with the European Community represented by one of the member states;

b) service providers located in the country or territory in question participate - directly or indirectly - in the financial or accounting system of the member state in question;

and

c) legal authorities of the country or territory in question require the service provider under their jurisdiction to apply the same regulations as regulations specified by this Decree.

(2) The member state intending to sign an Agreement described in Clause (1) shall submit an application to the Committee, and provides any required information.

As soon as the application of the member states arrives to the Committee, transactions between the given member state and the country or territory in question shall be treated temporarily as transactions between member states until a resolution is brought down in harmony with the procedure described in this article.

If the Committee believes that the provided information is insufficient, it will contact the member state in question within two months from the date of receiving the application and will determine the required information.

When the Committee receives all information required for assessing the application, it will notify the member state, the applicant and will forward the application to the rest of the member states.

(3) In harmony with the procedure described in Article 16. (2), the Committee shall bring down a resolution - within 3 months from the date of notification described in the fourth paragraph of Clause (2) of this article - about giving permission to the member state in question to sign the agreement described in Clause (1) of this article.



The resolution described in the first paragraph must be accepted within eighteen months from the date when the Committee received the application.

*Article 18.*

Transactions within member states when the beneficiary is a non-profit organization

(1) When the beneficiary of a transaction is a non-profit organization engaged in charitable, religious, cultural, educational, social, scientific activities or in mutual funds, member states may exempt service providers located within their territory from obligations listed in Article 5, if the organization prepares mandatory profit and loss account and audited by an external auditor; the organization is an authority governed by public law or supervised by a self-regulating body approved by international law and when a single transaction does not exceed Euro 150 and the transactions are concluded only and exclusively within the member state in question.

(2) Member states which apply this article shall inform the Committee about measures implemented in order to apply the opportunity defined in Clause (1) and shall provide a list of organizations which have been exempt, as well as the names of natural persons who actually control the given organizations. In addition, they shall describe the method used for updating this list. They will make this information available to authorities responsible for fighting money laundering and financing terrorism.

(3) The member state in question shall inform service providers operating in the state in question about the updated list of exempt organizations.

*Article 19.*

Revision Clause

(1) The Committee shall submit a report to the European Parliament and Council before 28 December 2011. This report shall include full economic and legal assessment about the application of this Decree. If appropriate, proposal to amend or cancel the Decree shall also be attached to this report.

(2) This report shall assess, first of all, the following:

a) consequences of applying Article 3, regarding additional experiences gained from possible abusing electronic money (defined in Article 1. (3) of Guideline 2000/46/EC) and other, newly developed financial instruments used for money laundering or financing terrorism. If there was any risk of abuse, the Committee would submit a proposal on amending this Decree;

b) application of Article 13, with regard to technical limitations which may hinder forwarding all information about the Client to the beneficiary's service provider. If, in the light of development in the field of financial services, there was an opportunity to eliminate these limitations and taking into account relevant expenses of service providers, the Committee shall submit a proposal on amending this Decree.



**CHAPTER VII.**

**FINAL CLAUSES**

*Article 20.*

Entering into force

This Decree shall enter into force on the twentieth day from the date of publishing it in the *Official Gazette of the European Union*, but not before 1 January 2007.

This Decree shall be mandatory and directly applicable in every member state.

Dated in Strasbourg, 15 November 2006.

<i>on behalf of the European Parliament</i>	on behalf of the Council
<i>President</i>	President
J. BORRELL FONTELLES	P. LEHTOMÄKI

