# New Wave Payments

# (O/A “Nefin”)

# Customer Intake Policy

## Revision history

| Version | Revision Date | Revised by | Changes | Recommendations |
|---|---|---|---|---|
| **0.5** | April 6, 2024 | Advapay, Ihor Kreshchenko | Original draft created | None |
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| | | | | |

## Document properties

| Company name | New Wave Payments Inc. |
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| **Title** | Customer Intake Policy |
| **Owner Name** | |
| **Owner Title** | Compliance Officer |
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# 1. Document Details

## 1.1 PROCESS NAME

Client Acceptance – contains:

- Overview
  - Purpose
  - Regulations & Framework
  - Acceptable Use & Excluded Parties
- Client Signup Process
- Identification Requirements
- Client Probation/Investigation
  - Client Suspension
  - Client Termination
  - Client Re-activation

## 1.2 OBJECTIVE/GOAL

Process objective is to outline the customer intake and monitoring processes at a high level.

## 1.3 DESCRIPTION

This process codifies customer intake and monitoring processes and outlines paths for low, medium, and high-risk clients to use the Nefin service.

## 1.4 PARENT PROCESS

AML-CTF Policy

# 2. Overview

## 2.1 Summary

- Nefin, is registered as a money services business (MSB) in Canada, operating MSB activities of foreign exchange, money transferring and payment services.
- Note that Nefin, ONLY provides the above services at this time; no other services are provided.
- Nefin follows the rules and regulations defined by Canada's Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and adopt MSB best practices where possible.
- Nefin, provides services to business entities only.
    - Nefin service delivery channels are remote/non face to face.
- The primary focus of Nefin is to operate as a payment service provider, principally for Canadian businesses that are dealing in automotive, textile, agricultural and consumer electronics industries.
- The customer intake process exists for the following purposes:
    - To ensure compliance with FINTRAC guidelines for customer identification.
    - To contribute to the Nefin compliance regime.
    - To ensure that clients are identified to an extent commensurate with the service provided.
    - To protect Nefin's banking and other critical relationships.
    - To ensure that Nefin can report on suspicious activity and assist with any enforcement and investigation to the fullest extent possible.
    - To mitigate fraud, money laundering, terrorist financing, and brand risk.
    - To deter and limit money laundering and terrorist financing in the world at large.
- The customer intake process, and related policies, contributes to the compliance and fraud prevention goals of Nefin as a whole and apply to all new business relationships.
- Nefin does not have any agents at this time and does not intend to add any in the foreseeable future.

## 2.2. Regulatory Framework

- Nefin, is a registered MSB in Canada and strives to attain best practice with regard to customer identification per the guidelines governing MSBs.
- FINTRAC dictates that acceptable identification of organizations consists of:
    - Confirming the organization's existence
    - Obtaining the ownership information
- Where possible the organization's existence is confirmed online via:
    - State/province/country public registry
    - Taxable entity search

    - Employer search
    - Review of a copy of the certificate of incorporation
- If a copy of the certificate of incorporation is obtained, it is stored according to the Document Retention Policy.
- Ownership information is self-reported and self-certified by the applicant at time of application
- Applicants self-report whether they are applying on behalf of a 3rd party and if any of the owners are politically exposed.
- Applicants self-report if any of the owners have a criminal record.
- Directors, owners, and entity names are checked against multiple watch lists during boarding including the OFAC SDN and Consolidated Canadian Autonomous Sanctions List.
- Watch list and sanction screening is conducted using an online screening service (currently Sumsub) at onboarding and on an ongoing basis, with alert checks being conducted daily by compliance.
- All business clients must be identified at the beginning of the business relationship regardless of the transaction type and amount.
- Compliance approval is needed to complete the client intake process.

2.3. Client Acceptance

- Nefin only accepts clients that:
    - Operate within legal and acceptable industries/jurisdictions
    - Do not present brand risks
    - Operate within acceptable locations
- Where a client operates within a high-risk industry, enhanced due diligence will be conducted by Nefin or the client will be denied service.
- For full details, see the current Client Acceptance Policy & Country Acceptance Policy

# 3. Procedures

3.1. Client Signup

- Business account applications and supported documentation are received via online signup.
- Using the below list, a review is done on all documentation and information supplied by the applicant.
- The required information for all clients includes, but is not limited to:
    - Client signup information
        - Ownership information including:
            - Name and address of directors and any party/entity owning 25% or more (directly or indirectly) of applying entity

        - Incorporation information
            - Name of corporation
            - Reference number
            - Registered address
        - Contact/support information
    - Proof of incorporation
        - Where possible, incorporation is confirmed using online sources
        - If not, a copy of the certificate of incorporation is requested and stored securely
    - Where applying entity is a publicly traded entity the following applies
        - Board resolution identifying/naming signatories should be collected
        - Individual submitting application must submit ID
- All applicants are required to provide additional information including, but not limited to:
    - Copy of current, unexpired government-issued photo identification for all directors and persons owning 25% or more of the applying entity
        - Please note that Nefin accepts photocopies of the government-issued photo identification documents on case-by-case basis.
    - Current articles of incorporation / memorandum of association (or equivalent web validation of corporation number) (for Canadian companies + other countries if applicable)
    - Where client is a licensed entity or provides licensable services, a copy of the license/registration may be requested or verified using public records (if required, see Appendix A: Business Knowledge Bank for further info)
    - If the customer is located in a high-risk country (refer: Country Acceptance Policy) or operates in high-risk industry (refer: Client Acceptance Policy), then Enhanced Due Diligence (EDD) measures are applied.
    - References may be requested and verified in full
- Where an applying entity is owned by another entity, a group structure chart (including full name of each company, country of incorporation, and percentage ownership) must be submitted, up to the 25% UBOs (or equivalent, e.g. shareholder registries)
- All information is reviewed and as much useful intelligence is gleaned as possible
    - Information reviewed as part of intake process – see Appendix A: Review Guidance
- Any information gathered is stated in a factual, non-speculative matter
- High-level registration flow is as follows:
    - Client signs up for account online and submits:
        - Completed application forms/documents
        - KYC for directors and any owner over 25%
            - Current unexpired government issue photo ID in color

        - Current (last 90 days) business bank statement or utility bill for business
        - Where client is a licensed entity or provides licensable services a copy of the license/registration may be requested or verified using public records
        - Onboarding package relayed to Compliance for review
    - Intake asset prepared focusing on client type, location, and service delivery channel
        - If client is deemed low risk
            - Client access to account is granted
        - If client is deemed high risk
            - EDD measures are applied
                - If client passes EDD, they may be granted account access
                - If client does not provide additional documents OR EDD is failed, they are declined/denied service

3.2. Understanding Risks

- Nefin reviews all client and end customer activity on a regular basis for suspicious behavior and factors. These may include:
    - High risk industries such as crypto exchange, adult services, weapons, gambling, or drugs related business.
    - High risk industries such as other financial service where the provider does not properly identify its clients
    - Frequent bank account changes
    - Requesting that Nefin accept cash
    - Displaying unusual interest in Nefin policies and identification thresholds
    - Referring a high number of clients demonstrating high-risk behavior
    - Frequent personal purchases shown on business bank statements
    - Reluctance to provide ownership information
    - One or more majority owner is a trust

3.3. Client full intake

- Application information including any documents are received by Nefin team
- Application information and client are screened by 3rd party vendors (including Sumsub) for sanctions, PEPs, and adverse media
- Reasonable measures are taken to verify the information in the application. These measures may include the following:
    - Google search
    - Social media search
    - Public registry Search

    - For more information, refer to Appendix A
- Nefin determines if client presents elevated risk
- Nefin may provide recommendations or requirements where client is high risk
- Intake file is reviewed by the CEO (or their delegate) and the compliance department prior to approval
- Client will be deemed:
    - Low risk
    - Medium risk
    - High risk
- If client is declined by Nefin, notification is issued to them to confirm
- If client is approved by Nefin, client able to "go live"

3.4. Post-onboarding Process

- Post approval onboarding is a multi-faceted process that involves the entire Nefin team.
- All of the steps contained in this process are beyond the scope of this document; for further information refer to the technical documentation for the software utilized by Nefin
- Regardless of risk level calculated at onboarding, clients will be strictly reviewed for the first 90 days, or more, of their relationship with Nefin
- See Probation section for specific guidance.

3.5. Probation

<u>INITIAL CONTROLS</u>

- Client risk is mitigated in several ways
- Clients may be subject to the following controls prior to any transactions being submitted:
    - Processing/volume caps
    - Settlement blackout
- Client transactions are reviewed for suspicious or unusual activity by Nefin staff, on random basis.
- Clients may be suspended if suspect activity cannot be explained
    - Flags of suspicious activity include:
        - High incidence of declined or returned transactions
        - High velocity of smaller transactions
        - Unexplained peaks and valleys, periods of dormancy
        - Frequently updated/changed settlement account details
        - Multiple transactions that appear to be related (i.e. smurfing)
- Client traffic is subject to review for money laundering/terrorist financing activity

<u>AGGREGATE REVIEW</u>

- Client activity is reviewed for discrepancies on an ongoing basis by the Nefin team

BUSINESS ACTIVITY AND REPUTATION MONITORING

- The business activity of the client, including the content of their website, may be monitored on an ad hoc basis to ensure that the client remains compliant with regulations and Nefin guidelines.
- Where possible, the client's online reputation is also monitored to ensure that any customer complaints or otherwise unfavorable online postings are investigated and reported to management in a timely fashion.
- Content is monitored via a combination of methods including:
    - Sumsub or similar
        - Key attributes corresponding to client principal(s), website, address, phone number and other details are monitored to ensure a pro-active response to complaints
    - Manual review by Nefin when warranted
- Exceptions and/or discrepancies are dealt with on a case-by-case basis by Nefin
- Incident reports related to business activity and reputation issues will be stored in the client file maintained by Compliance
- Remediation steps include, but are not limited to:
    - Client suspension
    - Client termination
    - Contacting client to advise of the problem, and seeking remedy
    - Limiting service options available to client

DORMANT ACCOUNTS

- Nefin Customer Success monitors account activity on an ongoing basis to identify dormant clients.
- Where a client has been dormant for 365 days and wishes to resume regular transactions, a KYC refresh/new onboard is conducted.

3.6 Client Investigation

IDENTIFICATION

- If discrepancies with client behavior have come to light via either probation/audit, inbound complaint, or transaction issues including returned transactions:
    - Staff member reviews similar transactions to support findings.
    - If client is found to be in breach of Nefin's Terms of Use or operating in a suspicious manner, follow Client Suspension process.
- An incident report is completed where relevant.

- Compliance will decide when incident reports are warranted and guide the completion of them.

CONFIRMATION & REMEDIATION

- Client transactional behavior and signup/onboarding details reviewed.
- Manual verification of transactions via review steps, outbound calls, and/or requesting ID from customers is conducted at the discretion of Nefin
- All correspondence with client is documented.
- Results of investigation are documented in an incident report where necessary.
    - If cause for concern revealed, follow Client Suspension process.
- Where issues that do not warrant suspension are located, recommendations may be submitted to the client direct to avoid future issues of a similar nature.
- If issues recur frequently, client may be suspended and/or terminated at executive discretion.

3.7. Client Suspension

PRE-CONDITIONS

- If client has previously been suspended 2 or more times, follow Client Termination process.
- Clients may not be suspended without the presence of one, or more, of the following conditions:
    - Failed probation/investigation/audit
    - Client is in direct violation of Terms of Use
    - Three or more STRs were filed
    - Sufficient extenuating circumstances not covered here
    - Client has not transacted for a period of 365 days

NOTIFICATION & SUSPENSION

- Client is issued a notice, detailing how to lift suspension.
- Client transactional behavior and application details reviewed.
- Manual verification of transactions via review steps, outbound calls, and/or requesting/reviewing documents from client is conducted where necessary.
- All correspondence with clients is documented.
- Results of investigation are documented in an incident report where applicable.
- Where additional issues that do not warrant suspension are located, recommendations may be submitted to the client directly to avoid future issues of a similar nature.
- Where a client has been suspended for dormancy, a notice may not be issued.

3.8. Client Reactivation

PRE-CONDITIONS

- Clients may not be reactivated without satisfying the conditions detailed at the time of suspension.
    - If any client has been suspended 3 or more times, termination is immediate.
- Where a client has been suspended for dormancy, they may reactivate by request
    - If a client has not transacted in the 365 days preceding the request, a KYC refresh/new onboard is conducted.

REACTIVATION

- Parameters governing reactivation are agreed upon by Nefin and communicated to client.
- Client must acknowledge receipt and understanding of terms.
- Client is reactivated and notified.

3.9. Client Termination

PRE-CONDITIONS

- Clients may not be terminated without the presence of one, or more, of the following conditions:
    - Client has been suspended and has not rectified suspension issue
    - Client has been abusive of staff
    - Client is endangering critical external relationships
    - Sufficient extenuating circumstances not covered here
    - Executive have approved termination
    - Client determined dormant

TERMINATION

- Client is issued a notice detailing terms
- Results of suspension/termination are documented in an incident report where necessary
- Future applications are tracked for links to terminated clients

3.10. REPORTING

- Nefin will file the necessary reports for funds received electronically in excess of reporting thresholds, suspicious activity, terrorist property and other reportable events within 30 calendar days of suspicious event taking place.
- Where an EFTR or similar cross border wire report is required, this is filed within 15 days
    - Note that per FINTRAC guidance, reports are NOT required when Nefin moves their own funds cross border for liquidity purchase or other operating expenses.

- Nefin staff are aware of their responsibility to not disclose the existence of an investigation nor any reports that have been filed to a customer as this would be "tipping off."

# 4. APPENDIX A – REVIEW GUIDANCE

Disclaimer: This guidance is provided to encourage as consistent a result as possible from the manual review process that may be completed by various members of the Nefin team.

**Industry Rating**

- Industry types are primarily static as a majority of clients are financial service providers
- Where a client industry represents an elevated risk or is outside typical client acceptance parameters, they are treated as high risk
- Client Website(s) Review
- Site Appearance & Professionalism
    - Does the site have spelling/grammatical errors? Do flows from page to page make sense? Is the site easy to navigate for a "normal" user?
    - Is the company name/address/customer support information clearly displayed?
    - Is the site a clear WordPress/Tumblr/etc. template? Is there any default text/content present? (Lorem ipsum etc.)
    - Does the content make sense for the client industry and business model? Is the site complete?
    - Are the terms of use/privacy/refund/other relevant policies clearly displayed and readily available to the customer?
    - Does the website list all goods and services sold? Is there any content that could be misleading/deceptive such as "too good to be true" claims about the product's efficacy?
- Site Functionality & Content
    - Go through the site and manually click a sample of available links
        - Where client is high risk, test site more thoroughly
    - Ensure that each link takes you to an active page populated with reasonable content for the business model
    - Scan the content on each page, look for links leading to other pages, unencrypted payment links/pages and other red flags
    - If applicable, check the payment page, confirm that no cross sales or pre-ticked boxes are present. Ensure that billing/price/currency/shipping/taxes/fees and other items are clearly displayed
- WHOIS Data
    - Use Domain Tools or Who.is for this check
    - Take note of when the site was registered/last updated

- Recently registered websites OR those that have not been updated for a long period of time should be scored higher than long term/frequently updated sites
- If the domain registrant details are not protected, conduct a reverse lookup on all available details including
  - Registrant name
  - Address
  - Phone number
  - Email address
  - Company name
- If name server details correspond to another URL, look into it as well
- Take note of any companies or websites that are linked, ask the client about these during a compliance call as required
- Note the hosting IP address, look at other sites on this hosting IP

- Terms of Use & Privacy Policies
  - Review all policies present on the site with the following questions in mind:
    - If there is a risk to using the service (forex, crypto, etc.) is this risk clearly communicated to the customer?
    - Are disputes, liability, complaints, and refunds clearly addressed?
    - Do the policies allow the merchant to sell/share customer data to/with other companies?
    - Are the responsibilities of the customer and client clearly outlined?
    - Would you personally agree to the policies if you were a consumer?
  - Copy sections of both policies and do a quick Google search, if you get a positive match review the other sites and:
    - Determine if this is a linked business the client has not disclosed or if the client has plagiarized the content
    - Where it is clear that content has been stolen from another site the application should be treated as high risk or declined altogether
- Public Information
  - Investigate all attributes of the application/business available on the website including:
    - URL
    - Support phone number/email address
    - Company/entity names
  - Each term should be searched exhaustively and combined with the following modifiers:
    - <Attribute> + scam
    - <Attribute> + ripoff
    - <Attribute> + complaint
    - <Attribute> + insolvent

        - Etc.
    - Check the BBB and other consumer review sites like ripoffreport.com, scam.com, pissedconsumer.com, etc.
    - Check industry forums such as webhostingtalk.com and Reddit
    - Review any negatives that may be linked to the client and note the following:
        - How old is the posting? Has the client changed their business model/operations since?
        - Has the client responded to the negative posting?
        - Is the negative information about a related website/corporate entity? Is it likely that the client has rebranded or not disclosed all brands/URLs/entities to deceive Nefin?
        - Read the posting thoroughly -- is the customer expectation realistic? Does the customer appear unstable/to be overreacting? Is the posting rife with spelling errors, grammatical errors or lowbrow language indicative of a customer that does not read terms & conditions?
        - Is the scenario that led to the complaint covered/disclosed in the client's terms of use?

**Applicant Review**

- Public Information
    - Run similar checks to those you did on the URL, check the consumer review forums and other sites for hits, if the client has a history of bad business practice and a negative reputation score the application accordingly
    - Get creative with your searches, use common misspellings, abbreviations and the "contains" modifier
    - Use combined searches such as the client name with the state/province/country of physical and incorporation addresses
    - Additional search terms:
        - <Applicant name> + disqualified
        - <Applicant name> + bankrupt
        - <Applicant name> + SEC
        - <Applicant name> + FTC
        - Etc.
    - Confirm the phone number, address, IP address and other information are real
        - Does the area code match the client address?
        - Do IP addresses match to client address?
        - Is it possible that the client is transacting on behalf of a third party?
- Identity Documents
    - Follow the below steps to validate an identity document:
        - If the document is a passport, does the MRZ conform to the algorithm?

        - If the client has not provided a passport, request one
    - Is the document in color?
    - Are the fonts consistent throughout the document? With other examples on file from the same country?
    - Are watermarks and holograms visible?
    - Does the address on the document exist?
    - Does the signature appear pixelated?
    - Crop the face out and do a Google image search, note any positive matches and investigate
  - If two identity documents have been submitted:
    - Do the photos match/appear to be the same person?
    - Do a Google Image search on the photo, does this photo appear to have been sourced online?
    - Does the DOB match on both documents?
  - Can you confirm the document against an external source?
    - Do a Google search and consult internal files to confirm what the identity document should look like, does the document submitted match to these previous examples?
    - Use identity checking guides where possible
    - Use Sumsub or other ID&V providers to validate IDs
- Other Documentation
  - Confirm the utility service/bank exists
    - Find the website, confirm the logos on the statement match
    - Compare the fonts throughout the document and ensure they are consistent
    - Do any of the words/numbers/images appear pixelated
  - If a bank reference has been provided, then, if possible:
    - Call the bank
    - Confirm the signatory of bank reference was employed when reference obtained
  - Confirm the billing amount is logical for the service
  - Where a business bank statement has been provided, review the line items:
    - Does the client spend company money responsibly? Is there a high incidence of purchases that could be of a personal nature?
    - Where wire transfer and 3rd party deposit details are present, investigate the other parties
      - Where are they located?
      - Check public information -- is there a negative reputation?
      - Is the entity/individual on any watch lists?
- Location

- Location scoring is relatively static -- if a client has a footprint in multiple jurisdictions/locations, the highest-risk location should be logged and scored
  - For example, a US-based business with a UK corporation and bank in Belize would be scored as if the entire business were located in Belize
  - Key attributes for this category are:
    - Country of incorporation of applicant
    - Physical address
    - Location of settlement bank account
- Applicants that have any presence in a controlled, restricted, or banned country/region are classified as high risk

**Operational Review**

- Referral Avenue
  - Sales channels are reviewed regularly. Where any referral avenue has submitted a high volume of fraudulent/dormant/declined or otherwise problematic applications, this category will be reviewed more closely
  - Applicants that originate from high-risk intake channels are classified as high risk
- Inferred Target Market
  - This category is designed to capture and deter clients that target at-risk demographics such as:
    - Seniors/elders
    - Low-income individuals/households
    - People with bad/no credit
    - Unbanked or underbanked people
  - The billing model and product should be reviewed thoroughly; if the model appears to be predatory and/or the target market is a vulnerable sector, the application is deemed high risk
- Product/Price Comparison
  - Locate a sample of competitor sites and compare prices to those on the client site
    - If they are inconsistent, try to identify why (sales, wholesale, etc.)
    - Make notes and cover this with the client on a follow-up call where necessary

**Business Viability & Regulatory Risk**

- History
  - Go through all statements furnished by the client as part of the application
    - Don’t cut corners -- if totals are not readily available in the statements, do the math yourself
  - Pay attention to any returns or rejected items

        - Businesses with a high rate of refund/return may be unstable or otherwise not viable
    - Review any entities or individuals listed on statements
        - Are there online negatives for this business?
        - Can you identify evidence the counterparty is sanctioned or provides high risk services?
    - If the client has provided references, call them
- Credit Check
    - Where necessary, credit check the applying entity and review the information returned
    - Clients with poor credit may present a heightened risk or be otherwise unviable
    - Clients without long-term established credit should not be penalized or otherwise scored negatively
- Industry Trends
    - Familiarize yourself with the trends in all industries we are servicing
    - Clients appearing to support security tokens, for example, should be scored higher than other categories due to high incidence of consumer complaint and exposure to ever-changing regulations
- Product Controls & Regulations
    - Assess the regulations governing the client's industry
        - Review the import/export regulations in target markets and physical locations
        - If the product/industry allows the customer to purchase a stored value product (e-wallet, forex, currency, crypto, etc.) review the domestic currency controls for the target market/countries serviced
            - Note the flow of funds and citizenship of owners; where a client is attempting to circumvent capital controls, they may be declined
        - Is a business license required? Confirm the client has one for all relevant jurisdictions
        - Where specific terms govern provision of service, confirm the client is compliant
        - If possible, identify past incidents where fines or other regulatory action have been taken against clients in the same industry, assume that non-compliance would have the same consequences for Nefin
            - Is this risk acceptable as compared to the revenue opportunity presented by the client?
- Reputational Consequence of Non-Compliance
    - Assess and project the reputational impact of servicing the applicant
    - Where product is illegal or present on the banned/suppressed list, deny the application

    - Where product is personally distasteful, tread lightly and keep reviews fact based and non-speculative
    - Where deceptive marketing/low quality products/high incidence of dissatisfaction is present, assume that this will affect Nefin negatively
    - Think about brand risk -- is the revenue opportunity significant enough to justify any brand risk?
    - If client is prone to a high incidence of dispute/displays high return ratios, project how many labor hours will be required to support the client – weigh this cost against the total revenue opportunity
    - Ensure the client has resources and tools to identify and respond to complaints
- Financial Consequence of Non-Compliance
    - Assess the risk of fines from government bodies and/or regulators
    - If a fine is possible, confirm the agreement sufficiently addresses this and that client is liable for any fines assessed
        - Confirm the client is in a jurisdiction where recovery of fines is likely to be supported/possible via civil action
    - Where fines are possible, ensure the client processes a high enough volume to allow fine amounts to be recovered from settlement or decline application outright
- Extent of Possible Mitigation
    - Review the client business model and information gained during review carefully
    - Confirm that both client & Nefin have sufficient resources to respond to any worst-case scenarios that may eventuate
    - If the risk presented by the merchant can not be effectively mitigated, decline the application

# 5. NEXT UPDATE

April 6, 2025