New Wave Payments Inc.
(O/A “Nefin”)
CLIENT BASED RISK

Revision history

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

Document properties

Company name	**New Wave Payments Inc.**
Title	Risk Assessment
Owner Name	
Owner Title	Compliance Officer
Date created	April 6, 2024

Risk Assessment

- This risk assessment provides a high-level view of Nefin current position regarding industries serviced, geographies serviced, customer intake and service delivery.
- Regulatory guidance, business strategy, operating model, and volumetric considerations were all factored in determining inherent risk in each category.
- Nefin does not enter into agreements with, nor use the services of, any shell banks or corporations.
- Note that this assessment may not be exhaustive/current, but all efforts are made to ensure it is regularly revisited and updated.
- Further note that Nefin does not accept cash from clients or end customers.
- Level of inherent risk present for each applicable risk factor is determined as described above and assigned a rating of Low, Medium or High.
- Nefin has appetite to support low and medium risk business, while high-risk clients are accepted on case-by-case basis with the presence of enhanced due dilligince.

Risk Rating	Definition
Low	Risk is "Low" when a customer, service, or geography contains minimal inherent risks irrespective of any consideration for internal controls intended to mitigate relevant regulatory, financial, or reputation risks.
Medium	Risk is "Medium" when a customer, service, or geography contains some inherent risks before the threat of financial loss, regulatory exposure, or damage to the reputation of the organization is mitigated.
High	Risk is "High" when a customer, service, or geography contains significant inherent risks before considering mitigating controls. The threat of financial loss, regulatory exposure, or damage to the reputation of the organization is significant.

Client Based Risk

Industry: Business client

Nefin is a Money Services Business specializes in providing payment services to international businesses in Canada and worldwide. Prioritizing automotive parts, textile, agricultural and consumer electronics companies and other international traders.

They are broken down into three groups representing a different level of risk associated with those industries in terms of legality, financial stability, and services.

- Low-Risk Industries

- Restricted Industries
- Prohibited Industries

These lists are also based on factors such as geopolitical stability, regulatory compliance, economic conditions, and other risk-related criteria. Nefin has specific risk mitigation procedures tailored to ensure business operations run smoothly.

By implementing these measures, Nefin aims to mitigate location-related risks, ensure compliance with regulations, and maintain a level of security and stability in its operations across various markets while adhering to international standards and regulations. By implementing these measures, Nefin aims to mitigate location-related risks, ensure compliance with regulations, and maintain a level of security and stability in its operations across various markets while adhering to international standards and regulations.

Nefin's services revolve around facilitating cross-border transactions, enabling international trading companies to conduct business smoothly and efficiently. This might include services such as international fund transfers, currency exchange, and other financial solutions necessary for global trade.

Please consult with Country Acceptance Policy and Business Client Acceptance Policy for more information.

Risk Comment	Risk Rating
Clients are identified commensurate with current legislation at usage thresholds.	**Low**
Clients are checked against watch lists at onboarding.	**Low**
Cash purchases are not facilitated at this time.	**Low**
All funds, client and customer inclusive, are processed through recognized/reputable financial institutions and/or payment processors.	**Low**
Services only provided to clients that have passed Nefin due diligence procedure.	**Low**
Number and value of transactions are monitored and, where necessary controlled, maximum transaction value is limited.	**Low**

Specific source of funds is not known but all funds come from recognized financial institutions and/or payment processors.	**Low**
No transactions are conducted in a face-to-face exchange therefore reducing the probability of transactions on behalf of third party.	**Low**
Transaction amounts are typically high and attractive for high volume money laundering, smurfing activity is prevented via velocity controls and transaction monitoring.	**Medium-High**
Clients with locations in high risk and/or non-compliant jurisdictions are not accepted.	**Low**
Clients that are a match to any regulatory or government watch list in the world are not serviced under any circumstance.	**Low**

Industry: High risk industries/locations

Risk Comment	Risk Rating
Some clients come from high-risk industries and jurisdictions	**High**
No cash payments allowed thereby reducing risk of illegal placement of funds.	**Low**
All funds, clients and customers inclusive, are processed through recognized/reputable financial institutions and/or payment processors.	**Low**
Payments are for services provided by clients that have passed Nefin due diligence procedure.	**Low**
Number and value of transactions are monitored and, where necessary controlled,	**Low**

high value transactions and high-volume repeat customers are subject to review and reporting where relevant.	
Specific source of funds is not known but all funds come from recognized financial institutions and/or payment processors.	**Medium**
Ultimate beneficial owners of clients may reside in or frequent restricted or banned locations without the knowledge of Nefin.	**Medium**
No transactions are conducted in a face-to-face exchange therefore reducing the probability of transactions on behalf of third party.	**Low**
Fraud risk exists whereby customer could maliciously defraud Nefin with their own or a stolen payment instrument and readily monetize the crime with product received.	**Medium**
Clients with locations in high risk and/or non-compliant jurisdictions are not accepted.	**Low**
Clients that are a match to any regulatory or government watch list in the world are not serviced under any circumstance.	**Low**
Majority of payments are done against the invoices which can be verified	**Low**

Payment Risk

1. Nefin provides multiple payment currencies to all its customer:
    - CAD
    - EUR
    - USD
    - GBP
    - SGD
    - HKD
    - AED
    - JPY
    - AUD

- CHF
- CNY
- SEK
- NZD
- MXN
- Other Tier -1 and Tier -2 currencies

2. Currency exchange between currency above
3. Payments
    - SEPA for EUR transactions
    - SWIFT for international transfers
    - International transfers via non-SWIFT payment rails
    - Local types of payments (e.g. e-transfer, EFT, other local clearing methods)
4. Cards (Prepaid / Debit)

Payment instrument: Bank wires

Risk Comment	Risk Rating
Wires are not accepted from high-risk countries or shell banks decreasing the risk of ML/TF.	**Low**
Ultimate source of funds is not known for wire clients, but funds pass through a known/reputable FIs.	**Medium**
Service is only provided to clients that have validated their identity to an acceptable level.	**Low**
Number and value of transactions are monitored and, where necessary, controlled. High volume clients may be subject to enhanced due diligence.	**Low**
Ultimate beneficial owners of clients may reside in or frequent restricted or banned locations without the knowledge of Nefin.	**Low**
Clients with locations in high risk and/or non-compliant jurisdictions are not accepted.	**Low**
Client KYC is reviewed in detail prior to acceptance.	**Low**

Bank wire slips are reviewed, and name matching performed as well as purpose of payment, reference line, and other aspects stringently reviewed.	**Low**
Customers that attempt high value wires in their first few transactions are subject to increased scrutiny and due diligence.	**Low**
High value bank wires from at risk cohorts, such as seniors, are confirmed via phone call.	**Low-Medium**

Payment instrument: Other

Payment Instrument	Risk Comment	Risk Rating
Credit Card Top Ups • American Express • China Union Pay • Diners • MasterCard • Visa	Credit card payments are not accepted at this time.	**Low**
Debit Card Top Ups	Debit card payments are not accepted at this time.	**Low**
Vouchers – Flexepin, Neosurf	Vouchers – Flexepin, Neosurf are not accepted at this time.	**Low**
Bank Draft	Bank drafts are not accepted at this time.	**Low**
Email Transfer/Interac	Email Transfer/Interac are accepted but are limited to small amounts.	**Low**
Cryptocurrencies	Cryptocurrencies are not accepted at this time.	**Low**
NFTs	NFTs are not accepted at this time.	**Low**

Card Issuing

Risk Comment	Risk Rating
Cards issued by Visa / Mastercard licensed providers with industry highest anti-fraud measures.	**Low**
Clients have the ability to lock the card from the app and web portal in case it gets lost or stolen.	**Low**
Card information may be obtained by bad actors and used for fraudulent transactions.	**High**

Operational Risk

Issue: Employee error

Risk Comment	Risk Rating
Regularly scheduled AML training for all employees using an externally accredited training software.	**Low**
Ongoing review of transactions for suspicious factors.	**Medium**

Issue: Employee commits fraud

Risk Comment	Risk Rating
Team is cohesive and trusted.	**Medium**
Clients are reasonably validated and vetted prior to sales, risk of non-payment from a broker is low.	**Low**
Employee accepts a bribe or other inducement to bend rules for a customer.	**Low**

Issue: System failure

Risk Comment	Risk Rating
Backup servers, cloud storage etc. manage this risk.	**Low**

Risk Assessment Summary

- Based on the preceding assessment of inherent risk factors the risk of money laundering/terrorist financing is rated as medium-high.
    - Some of the supported industries imply high ML/TF risks.
    - Transactions have been monitored for factors indicative of ML/TF since inception.
    - To date client reviews suggests that neither Nefin or their clients are being used for the purposes of money laundering/terrorist financing.
    - PEP activity to date is logical and free of indicators of suspicious activity.
    - There have been no fraudulent transactions to date.
    - Transaction monitoring is focused on high value transactions and frequency.
    - Customers transacting in high volumes are subject to enhanced due diligence.

Risk Mitigation

- There are several points at which client risk is assessed and mitigated accordingly
- These are:
    - Client intake and due diligence
    - Identification of customers
    - Enhanced due diligence for high-risk clients
    - Ongoing client monitoring
        - Customer transaction monitoring and risk assessment
- Many of the controls outlined below are described to a high level of detail in other documents, please consult earlier sections of this document or the updated policy table for further information.
- It is Nefin policy to conduct due diligence via the customer intake process on all clients regardless of their risk profile, references, or history with brokers, acquirers and other 3rd parties that may be known to Nefin.
- Full information regarding the client/merchant intake process is contained within Customer Intake, this typically includes:
- Business Clients/Vendors
    - Confirmation of a client's business information/incorporation details.
        - Validation of the entity's current status in state/provincial/federal register.
        - Where client is deemed high risk OR online validation is not readily available a copy of incorporation document may be requested.
    - Identification of information related to the business' reputation where possible.
    - Assessment of the inherent risk presented by the product/industry.

        - This addresses fulfillment times, prevailing regulations, product reputation, and other factors.
    - Ownership of the business.
        - Background checks on owners including watch lists, reputation, and business history.
        - This includes using information in the public and private domains as well as conducting checks on watch lists and excluded party lists.
    - Reason for account opening.
    - Review of any websites associated to the business.
    - Validation of the client address as compliant with VISA location guidelines/not being a shell.
    - Review of operational aspects of the business.
    - Review of regulatory risks presented by the client's industry and assessment of how to mitigate same.
- Where a prospective merchant/client is deemed potentially high-risk additional materials/information may be requested/reviewed including.
    - Industry references
    - Copies of agreements with suppliers
    - Bank statements/references
    - Copy of incorporation document
    - Government issued identity documents for owners
    - Share certificates/registers
    - Copies of supply agreements
- All traffic and transactions are monitored by our Risk team.
- Where concerning trends or suspicious indicators are present the client, and their customers, may be subject to more stringent reviews.
- Where transaction amounts are high, enhanced due diligence is conducted.
- STRs, ASTRs, EFTRs or other reports will be filed according to internal process where required.
- Individual Customers
    - Nefin issues negotiable instruments, foreign currencies, to their customers in exchange for Canadian currency, as such the attendant FINTRAC guidance applies.
    - Nefin is required to positively identify customers per FINTRAC guidance when:
        - $1000.00 or more in funds have been moved by the MSB on behalf of the customer.
        - A "business relationship" has been established, typically when 2 or more transactions have been carried out at the direction of a customer.
    - Nefin directly collects the following from customers that are transacting above $1 000.00 in value or have made multiple purchases:
        - Government issued photo ID.
        - Current utility bill/bank statement/government mailing.

    - Bank wire slip where applicable.
    - Selfie/proof of life.
- For all transactions Nefin will review all information submitted in depth prior to the client being serviced.

Residual Risk

- The residual risk is the overall risk remaining after factoring in the adequacy, appropriateness, and applicability of risk mitigation controls related to the risk factors identified.
- Nefin has a low-medium residual risk rating. This is because Nefin has some medium and high rated risks that are inherent however with mitigating controls these risks are appeased. Without controls in place, risks will be heightened.

Next Update

April 6, 2025