



# Datasoft AML Compliance Suite

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A Complete Anti-Money Laundering Solution

DATASOFT GROUP OF COMPANIES

**Dated**

**9/1/2010**

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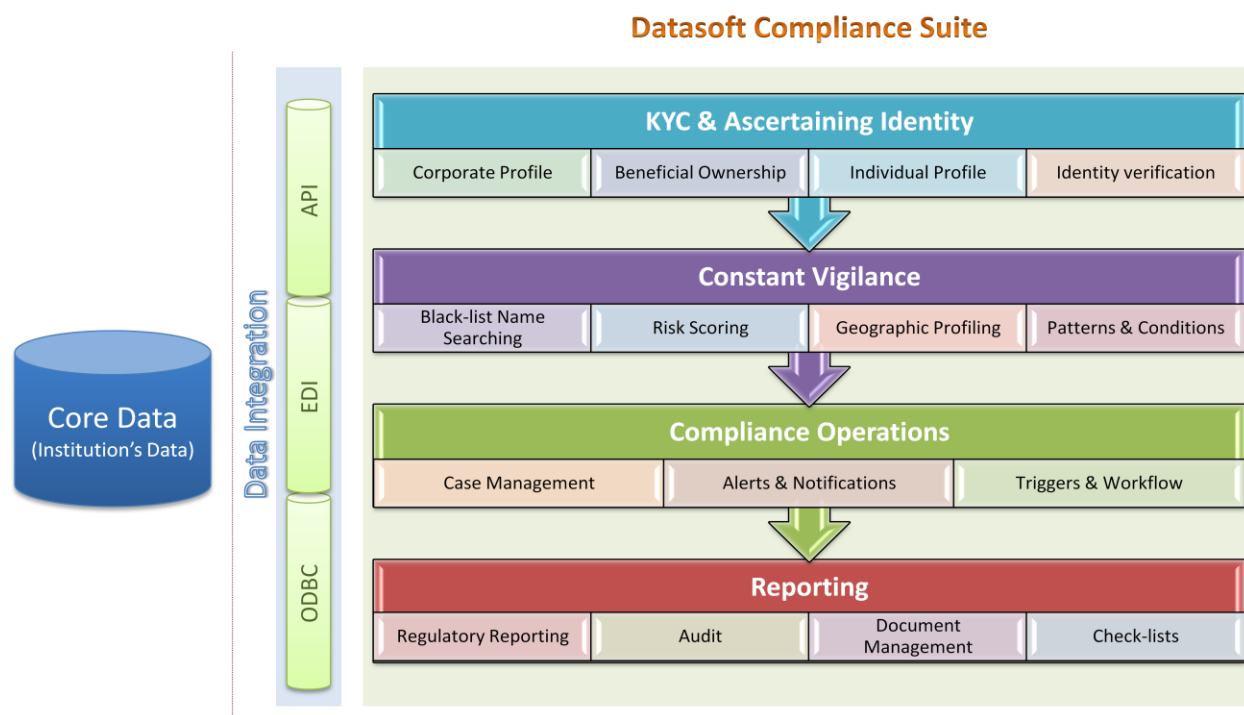


# Operational Overview

## Operational Overview: Introduction

Datasoft Compliance Suite's functionality spans from client on-boarding through regulatory reporting and delivers a complete AML solution. The risk-based methodologies combine with workflow and business modeling modules to enforce desired policies and procedures of the AML Regime. A flexible and fully customizable risk scoring engine derives level of risk on the basis of client information and perpetually computes as transactions occur. Risk scoring combined with real-time black-list name searching secures a constant vigilance environment which immediately triggers compliance cases, escalation and alerts on suspicious activity, non-compliance or exceptions to policies and procedures.

Datasoft Compliance Suite is summarized in the diagram below.



The operational aspect of each module is very flexible and virtually any process can be customized to fit specific needs. Datasoft also provides operating templates that will allow for rapid implementation and immediate adoption for turn-key functionality.



Supporting operational modules such as Document Management, Check-lists and Dashboards streamline AML operations further solidifying compliance procedures and management.

## Know Your Client and Recordkeeping

Datssoft Compliance Suite Provides a Know Your Client (“KYC”) program that governs and reasonably proves the true identity of each client and the profile of transactions the client will likely undertake. The complete process of collecting and verifying information of each corporate or individual customer is streamlined in Datssoft’s KYC methodology. Workflow enforcement and other management tools ensure completeness of KYC processes and identify incomplete elements.

## Customer On-boarding

The processes surrounding creating new customers are systematically defined and controlled using Datssoft Compliance Suite template KYC approach. Templates can be easily modified to suit specific needs.

## Corporate Customers

The following processes, which are modifiable, are defined in the Corporate Customer KYC procedure:

- a. Completion of corporate application forms (scanned into Document Management library)
- b. Information on corporate profile
- c. Proof of corporations existence (scanned into Document Management library)
- d. Information on directors (and scanned personal identification copies if applicable)
- e. Information on beneficial owners (and scanned personal identification copies if applicable)
- f. Confirmation of primary address and existence
- g. Initial black-list name search and Politically Exposed Foreign Persons (“PEFP”) search
- h. Initial risk score calculation prior to account approval



Dashboard Compliance Corporate Profile Corporate Profile

Compliance >> Corporate Profile Created By Sugeertha Ganeshan {6/1/2010 12:01:56 PM}  
Last Updated By Sugeertha Ganeshan {6/1/2010 3:54:46 PM}

### Corporate Profile

**Entity \*** ELITE AUTO WHOLESALERS INC.

**Legal Name \*** ELITE AUTO WHOLESALERS INC.

**Trade Name \*** ELITE AUTO WHOLESALERS INC.

**Acquisition Method** Compliance

**Acquisition Details**

**Nature of Business Classification \*** Automotive

**Nature of Business Description**

**Risk Score** 200.00 / 900.00

**Organizational Structure \*** Corporation

**Organizational Jurisdiction \*** Canada

**Date of Incorporation** 6/ 1/2010

Onsite Visit

Is account used by or on the behalf of a third party?

## Individual Customers

The following processes, which are modifiable, are defined in the Corporate Customer KYC procedure:

- Completion of individual application forms (scanned into Document Management library)
- Information on individual profile
- Government issues photo identification (scanned into Document Management library)
- Initial black-list name search and Politically Exposed Foreign Persons ("PEFP") search
- Initial risk score calculation prior to account approval



Dashboard Compliance Individual Client Individual Client Detail Individual Profile Detail\*

Dealing >> Parameters >> Individual Client

### Individual Profile

Entity \* Mehboob Harji

Risk Score N/A

Name of Employer Price Water House Coopers

Position Manager

Occupation \* Accountant

Date of Birth \* 6/ 9/1950

Employee Since 6/ 9/2000

Acquisition Method Business Development

Acquisition Details

Face to Face

Is account used by or on the behalf of a third party?

#### Employer's Address

Address \* 123 Front Street

City \* Toronto

Province ON

Other

Country \* Canada

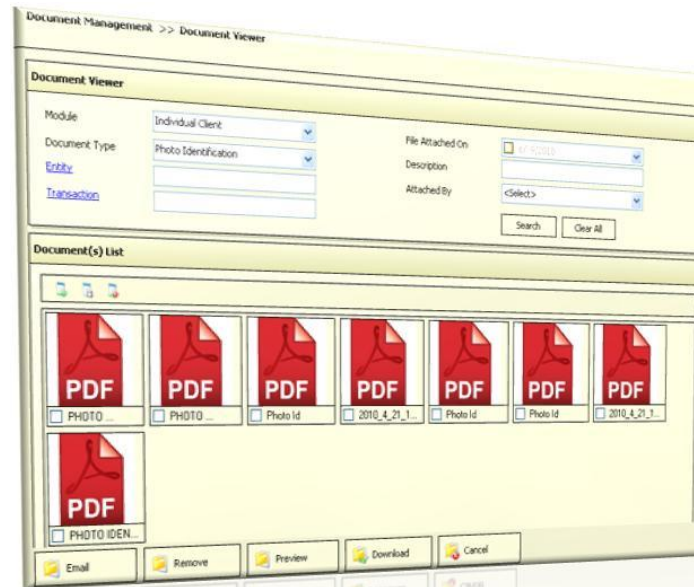
Zipcode

## Historical Customers

Existing customers may have adhered to prior AML Regimes and with evolving AML guidelines and practices, operational migration or adoption of new requirements for older customers is necessary. Datasoft Compliance Suite creates a platform whereby customers that have incomplete KYC records can enforce an account suspension until the customer is made compliant or simply present action items via email notification or CRM interfaces.

## Document Management (DART)

Datasoft Compliance Suite comes integrated with an electronic document management system (referred to as "DART" – Document- Archive-Retrieve-Track) which integrates to all AML modules such that documents are accessible on-demand for each specific screen. DART allows for document workflow creation and the implementation of control functions to enforce specific document related workflow. Digitizing AML regimes through imaging and electronic storage creates a truly integrated compliance platform with streamlined collection, storage and access of KYC documentation.



## Risk Analysis and Assessment

Datasoft Compliance Suite uses a risk-based approach to identify potential money laundering risks. This includes the profiling of customer data, segmenting corporate customers, frequency and volume of transactions, and deposit and withdrawal channels. Risk scores determine and implement proportionate measures and controls to mitigate these risks. While a risk assessment is routinely performed at the inception of a customer relationship, a comprehensive risk profile may only become evident through the analysis of transactions. Thus, the systematic monitoring of transactions and ongoing vigilance is a fundamental component of the platform.

Datasoft measures money laundering and terrorist financing risks using several predefined categories; these categories can be modified and added to with ease. The application of risk categories provides a strategy for managing potential risks and will trigger customers to proportionate controls and oversight. Risk weight given to each category (individually or in combination) and will comprise the overall composite risk. Composite risk can be configured with limitless flexibility to fit unique circumstances.



Entity Name	Country	Wire - EDD Country	Org. Structure	Nature of Business	By Order of AUTO False	OPEN Compliance
Test Client	100.00	200.00	100.00	0.00	0.00	
MTFX Global Inc	0.00	0.00	100.00	0.00	100.00	
GATEWAYS INTERNATIONAL	0.00	200.00	0.00	0.00	0.00	
MEB	0.00	0.00	100.00	0.00	0.00	
WIRE GUARD INC	0.00	0.00	0.00	0.00	0.00	
BERMKA IMPORTS INC	0.00	0.00	0.00	0.00	0.00	
ALEXI CLOTHING	0.00	0.00	0.00	0.00	0.00	
SMARTEVES DIRECT INC	0.00	0.00	0.00	0.00	0.00	
TNT WOMAN THE NEW TREND LTD	0.00	0.00	0.00	0.00	0.00	
ELITE AUTO WHOLESALERS INC	0.00	0.00	0.00	0.00	0.00	
BRANDVENTURE INC	0.00	0.00	0.00	0.00	0.00	
HILLSIDE GARDENS LTD	0.00	0.00	0.00	0.00	0.00	
MT BUSINESS SOLUTIONS INC	0.00	0.00	0.00	0.00	0.00	
COCONUT GROVE PADS INC	0.00	0.00	0.00	0.00	0.00	
COTTON HOUSE INC	0.00	0.00	0.00	0.00	0.00	
CPD ACCESSORIES INC	0.00	0.00	0.00	0.00	0.00	
FRANCO METAL INC	0.00	0.00	0.00	0.00	0.00	

## Country or Geographic Risk

Country risk, in conjunction with other risk factors, provides useful information as to potential money laundering and terrorist financing risks. Factors that may result in a determination that a country poses a higher risk include:

- Countries subject to sanctions, embargoes or similar measures issued by regulatory bodies;
- Countries identified that lack appropriate AML laws, regulations and other measures;
- Countries identified by regulatory bodies as providing funding or support for terrorist activities that have designated terrorist organizations operating within them;
- Countries identified as having significant levels of corruption, or other criminal activity; or
- Financial secrecy havens

Datasoft Compliance Suite has embedded “watch-list” and “block-list” functionality within its ISO3166 country configuration. This feature can be used in various manners including granular integration into risk scoring, business rules to enforce prevention, triggers to create compliance cases or workflow simply warn users. Based on policies and procedures, various forms of business rules can add supplemental block-list of countries.

## Customer Risk

Determining the potential money laundering or terrorist financing risks posed by a customers or profiles of customers is a vital component of Datasoft Compliance Suite. Using a robust risk scoring engine, Datasoft Compliance Suite is able to determine whether a particular customer poses a higher risk and will continually monitor all customer profiles immediately effecting risk scores with profile changes. Datasoft provides modifiable template customer risk configuration which includes but not limited to:





- a. Customers conducting their business relationship or transactions in unusual circumstances, such as:
  - A customer does not merit the movement of funds or the execution transactions in relation to the size of the customer's operations;
  - Significant and unexplained geographic distance between the customer and the location of the branch; and
  - Frequent and unexplained transfers of funds to different local and international financial institutions.
- b. The structure or nature of the entity or relationship makes it difficult to identify the true owner or controlling interests of the customer.
- c. Incomplete or insufficient KYC data.
- d. Cash (and cash equivalent) intensive businesses including:
  - Money services businesses (e.g. remittance houses, currency exchange houses, casas de cambio, bureaux de change, money transfer agents and bank note traders or other businesses offering money transfer facilities);
  - Casinos, betting and other gambling related activities; and
  - Businesses that while not normally cash intensive generate substantial amounts of cash for certain transactions.
- e. Charities and other "not for profit" organizations which may not subject to monitoring or supervision (especially those operating on a "cross border" basis).
- f. "Gatekeepers" such as accountants, lawyers, or other professionals, acting on behalf of their customers, and unreasonable reliance is placed on the gatekeeper.
- g. Customers that are Politically Exposed Foreign Persons (PEFPs).
- h. Shell corporations.

In all cases where customer data elements are collected (such as name, address, related parties), submission of this data to the Black-List Name Search engine is done immediately and matches are promptly reported. Matches would trigger enhanced due diligence by creating a compliance case. In the event of positive matches or unverifiable matches, the incorporation of appropriate incremental score is reflected in the customer composite risk score.

## Product and Service Risk

Product and Service Risk includes the determination of potential risks presented by products and services offered. The volume, frequency, ultimate source of funds and ultimate beneficiary of funds are all components that require scrutiny and risk assessment. Datasoft Compliance Suite's modifiable templates for product and service risk scoring include (but not limited to):

- a. Products and services identified by competent authorities or other credible sources as being potentially higher risk, including, for example:
  - Transactions involving payments for non-clients (for example, making a payment on behalf of an unknown third party);
  - Large cash transactions; and



- Split transactions – typically under \$10,000 in a short timeframe.
- b. Products and services that inherently have provided more anonymity or can readily cross international borders. Some examples are:
  - Electronic payments such as SWIFT payments, SEPA, FED and EFTs;
  - Bank drafts that mask the origin of funds; and
  - Large cash transactions.

In all cases where the transaction data elements are collected (such as payee names, beneficiary details, by-order-of details and intermediary bank data), submission of this data to the Black-List Name Search engine is done immediately and matches are promptly reported. Matches would trigger enhanced due diligence by creating a compliance case. In the event of positive matches or unverifiable matches, the incorporation of appropriate incremental score is reflected in the customer composite risk score.

### Other Risk Variables

Datasoft Compliance Suite's risk based approach methodology may take into account other risk variables specific to a particular customer or transaction. These variables may increase or decrease the perceived risk posed by a particular customer or transaction and may include:

- a. The size of transactions undertaken. Unusually large transactions compared to what might reasonably be expected of clients with a similar profile may indicate that a client not otherwise seen as higher risk should be treated as such.
- b. Regularity or duration of the relationship. Long standing relationships involving frequent client contact throughout the relationship may present less risk from a money laundering perspective.
- c. Familiarity AML laws, regulations and rules, in addition to the structure and extent of AML guidelines and law as published by regulatory bodies while making efforts to avoid recordkeeping or reporting requirements.
- d. Structures that have no apparent commercial or other rationale or that unnecessarily increase the complexity or otherwise result in a lack of transparency. The use of such vehicles or structures, without an acceptable explanation, increases the risk.

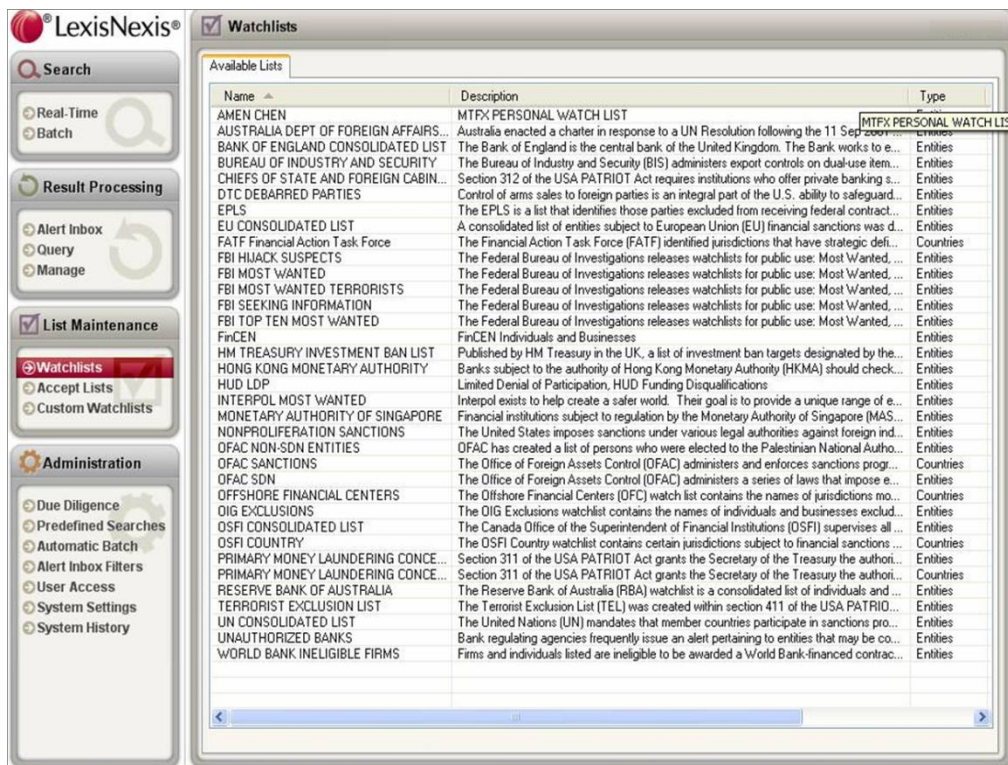
### Black-List Name Searching

Datasoft Compliance Suite interfaces with Lexis Nexis Choicepoint Bridger<sup>1</sup> or Worldcheck<sup>2</sup> to perform name searches. Each service provides the most current lists and the ability to search through a number of databases. For instance, Choicepoint Bridger has a number of lists from various regulatory and enforcement bodies as follows:

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<sup>1</sup> <http://www.lexisnexis.com/risk/solutions/bridger-insight.aspx>

<sup>2</sup> <http://www.world-check.com/>

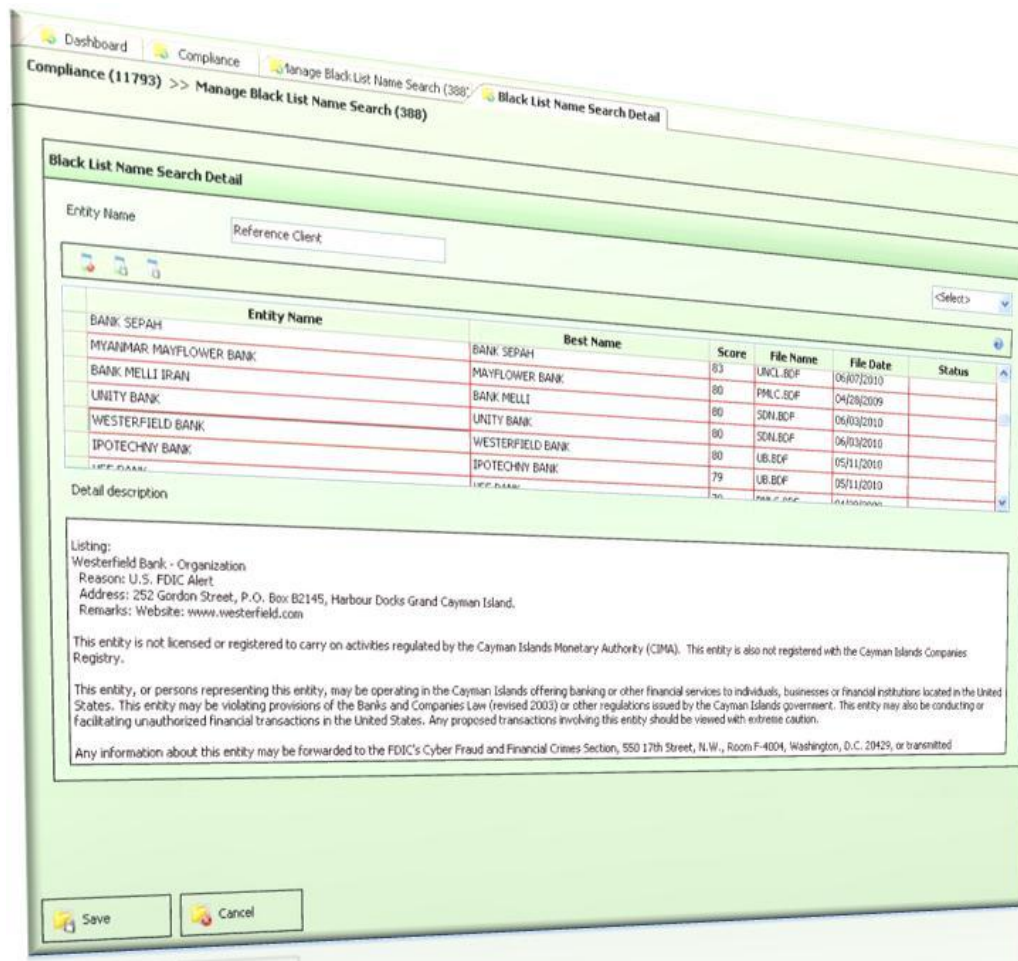


Custom “in-house” negative lists can be imported to the list of databases and will be searched against along with all the other vendor managed lists. Very sophisticated search algorithms are utilized taking into account variance in data and phonetic and linguistic factors. To minimize false-positive matches, results use fuzzy logic to score matches and provide filter tools to disregard low scoring matches.

Datasoft Compliance Suite provides the capability to configure custom envelopes that allow for multiple data elements and are easy to reconfigure. Template envelopes provided include:

- Name
- Name + address
- MT103 messages
- Business name
- Business name + address
- Others

Searches can be done on demand, on saving of records or in batch at a schedule time. XML SOAP technology is used to securely send envelopes over the internet. Responses received use the same technology with very quick response times.



All matches are stored inside Datasoft Compliance Suite including a white-list repository that tracks all false-positive matches. This prevents re-reviews of matches already deemed to be false-positive thereby streamlining the process.

## Regulatory Reporting

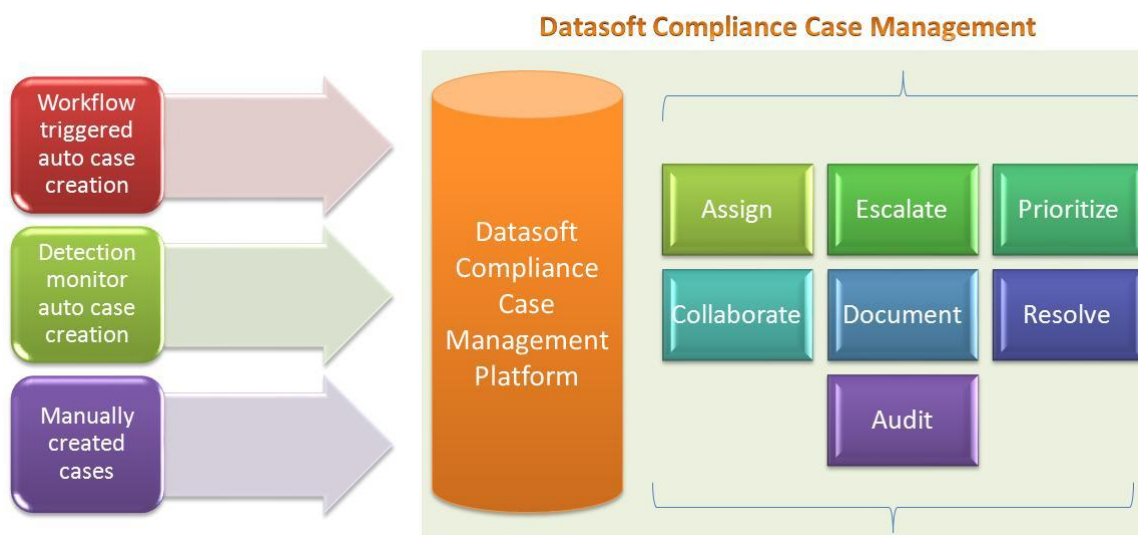
Datasoft Compliance Suite has an electronic data interface library and is able to automatically generate regulatory reports and customized to specific proprietary formats. The platform can generate several types of reports:

- Electronic Funds Transfers Outbound (EFTO) Reporting – inclusive of split transactions
- Electronic Funds Transfers Inbound (EFTI) Reporting – inclusive of split transactions
- Large Cash Transactions Reporting (LCTR)
- Suspicious Transaction Reports (STR)
- Suspicious Attempted Transaction Reports (SATR)
- Others



## Case Management

Datasoft Compliance Suite Case Management module provides a centralized workflow driven platform to systemize AML operations. Cases are received through multiple channels including automatic workflow triggers, detection filters, external sources or directly from employees. Using workflow rules and business modeling, cases can be easily prioritized, assigned or escalated to the appropriate people. Dashboards and task enforcement ensure that every case is resolved and serves as a platform for collaboration or task-segmented case handling. The Case Management Module can be summarized as follows:



Internal and external auditors and regulators require ready access to supporting evidence and documentation in order to prove adherence to policies and procedures. The centralized nature of the Case Management data, the cross-referencing to transactional or customer data and the embedded Document Management create a reliable platform for audits and evidentiary requests.

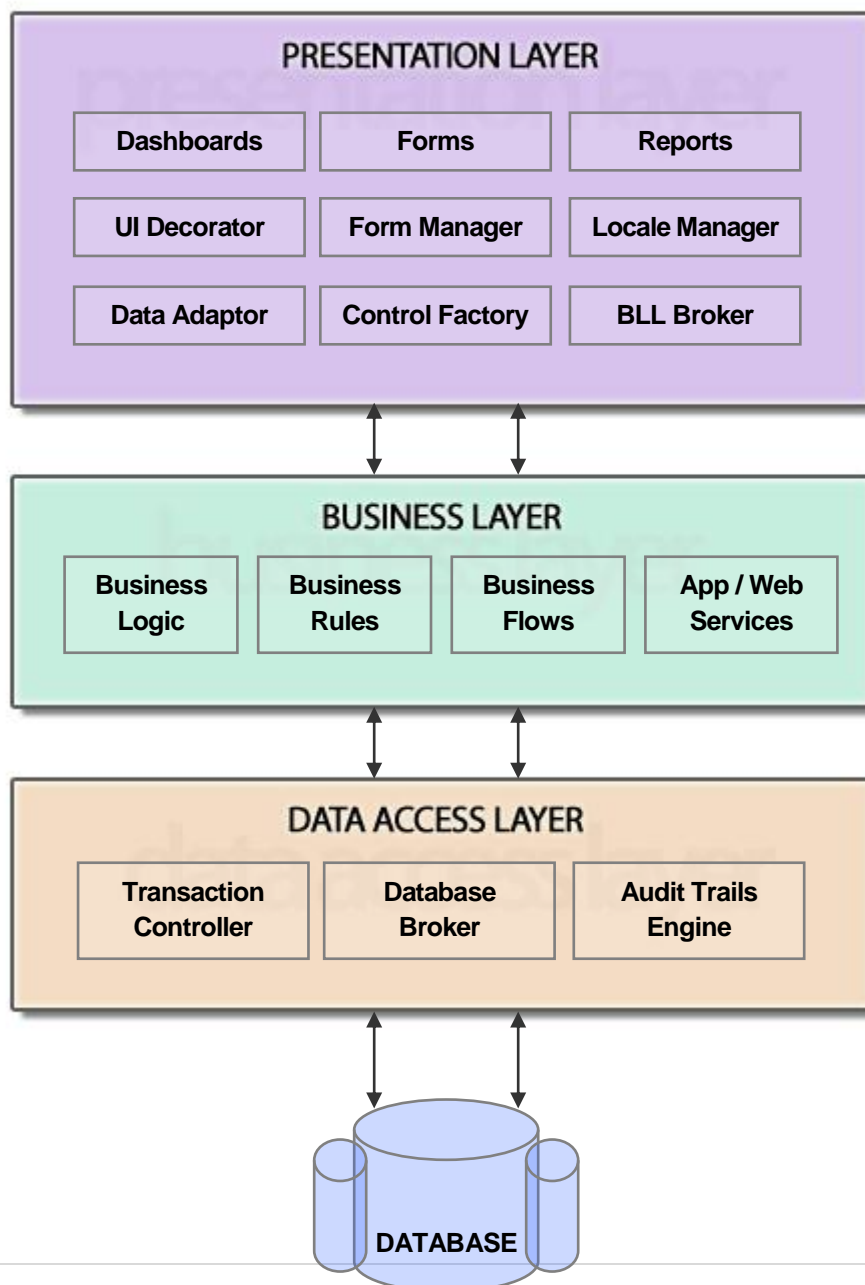


# Technical Overview

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## Technical Overview: Summary

Datasoft FxOffice (which includes the Compliance Suite) is a database independent enterprise platform engineering on the .NET framework using a 3-tier object-oriented model. Database independence is achieved through the separation of the data access layer from business logic and presentation layer as follows:





The Compliance Suite is a subset of Datssoft FxOffice which is an end-to-end corporate banking platform. The platform is highly customizable and scalable with each macro-module integrating with a universal framework layer. This full breadth of FxOffice is summarized in the following diagram:



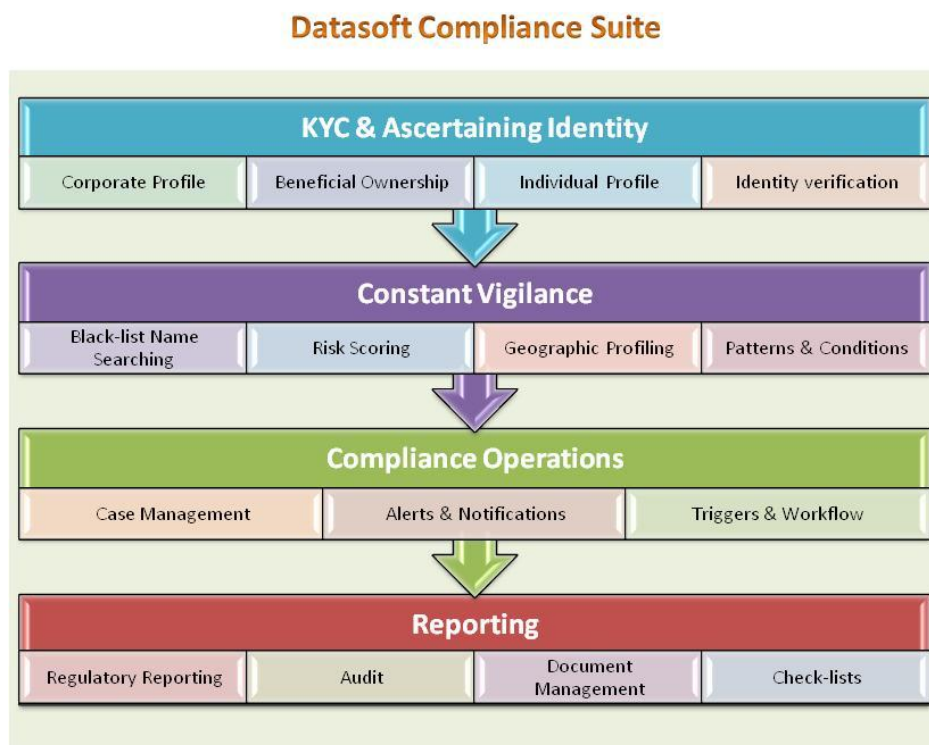
Datssoft FxOffice Suite delivers rich functionality to banks and financial institutions. There are a comprehensive set of modules spanning core banking, treasury, eBanking, eTrading and cash management. The platform has been built to operate in global markets and can run in multiple languages. Datssoft FxOffice emphatically delivers end-to-end functionality that fully integrates financial institutions in a straight-through-processing environment.

The Compliance Suite is built in a modular fashion within Datssoft FxOffice and shares an elaborate base framework whose functionality ranges from security, document management, business analytics,



dashboards and business modeling tools. Therefore, Datasoft Compliance Suite therefore leverages enterprise-grade tools that further enhance the AML functionality.

Datasoft Compliance Suite has the following module schema and functional illustration:







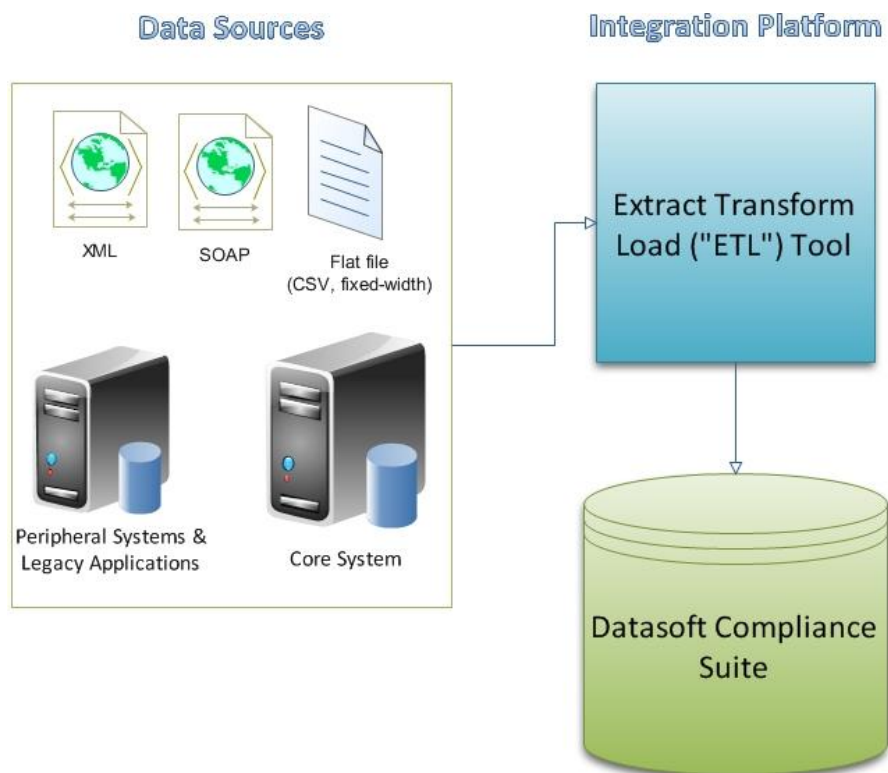
## Integration Layer

Several models of data integration exist to unify data from a combination of data sources and regions. Datasoft's integration technology is capable of connecting to a wide variety of platforms and is able to scale to massive volumes of data. Unlimited connectivity is achieved by applying any one or a combination of these methods through the Extract Transform Load modules ("ETL"):

- Direct Connectivity with ODBC Compliant source databases
- Electronic Data Interchange ("EDI") import functionality
  - XML
  - SOAP
  - CSV
  - Global flat-file formats
- Application Programming Interfaces ("API")
  - Pushed utilizing Datasoft's API
  - Pulled by Datasoft API Execution methods

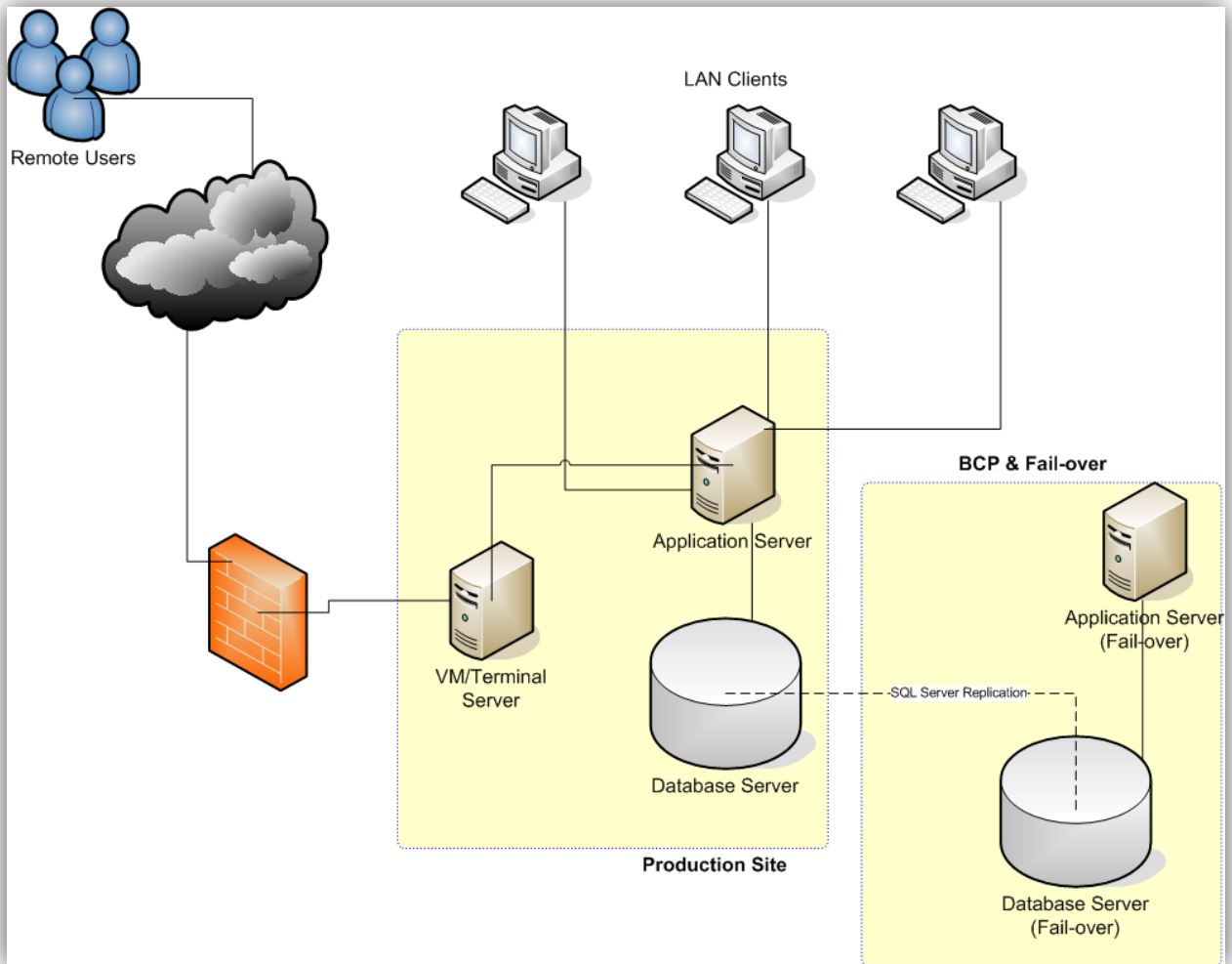
The ETL uses intelligent algorithms to analyze data while validating and filtering for only relevant data; purified data is then transformed and inserted into Datasoft Compliance Suite's data layer. Choosing the optimal ETL methodology provides for various modes of integration: continuous; event-driven or routine scheduled.

The integration ETL channels can be run as services, web services or listeners.





## Recommended Server Topology





# About Datasoft

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## About Datasoft Solutions

Datasoft is an international software engineering firm delivering next generation enterprise software solutions to the financial services and banking sector. After applying over 10 years of ERP systems knowledge, we have now released our ERP to several other sectors such as the trade and import/export sector. Datasoft ERP allows tight real-time integration of applications and processes across your enterprise. ise.

The Datasoft Group originated in Toronto, Canada in 1999 and today has its head office in Dubai, UAE with offices in North America and Asia.

## What we do

Our two major areas of focus are:

- Datasoft ERP for the manufacturing and trade industry.
- Datasoft FXOffice catering to financial services institutions.

We design and develop software applications for medium to large size corporations around the world and provide outsourcing and technology consulting services.

We are a leading provider of corporate banking, treasury and payment solutions to banks, credit unions, and mid-market organizations in the financial services industry.

Datasoft ERP covers a full range of business requirements including accounting, customer relationship management, warehouse management, and specialized needs of our clients. Our software runs globally active corporations in the trading and manufacturing sector.

## What we want to achieve

Today, our employees, our partners and our management are tied together by one common denominator: to help our customers succeed without boundaries or borders. Tomorrow, we want Datasoft ERP and Datasoft FXOffice to be recognized global giants built on our absolute commitment to quality, our integrity and our unrelenting pursuit of innovation and improvement

## Historical Background

Datasoft was founded in 1999 in Toronto, Canada, initially focusing on engineering decision support systems and anti-money laundering regulatory software for the financial services sector. In 2002, these modules were extended to form an end-to-end dealing platform addressing front-office, back-office and regulatory requirements of foreign exchange firms.



At the same time, the impact of growth in international trade presented compelling opportunities for Datasoft to provide solutions for businesses seeking increased sales from exports and/or reduced costs from imports. In 2002, Datasoft released its ERP complete with purchasing, sales, multicurrency financials and MIS management modules.

Armed with extensive experience and expertise, we re-engineered the next generation of Datasoft software. In 2007, built using the best-of-class technology and engineering methods, the company released Datasoft ERP and Datasoft FXOffice which provided clients improved enterprise-wide integration and operations control.

In 2007, Datasoft was established in Dubai, UAE, serving new markets in the Middle East, Africa and Asia and putting Datasoft on the map as a global provider. Today Datasoft has local presence in three continents supporting clients all over the world. Datasoft is proud of its longstanding leadership in the trade and banking industry and continually strives to bring innovative software and solutions to the market.