



PEMSEA RESOURCE FACILITY

Procedures Manual: Know Your Client

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	Revision No.	000
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3. OBJECTIVE

PEMSEA Resource Facility (PRF) commits to prevent money-laundering and the financing of terrorism and the trafficking and sale of drugs, human beings, weapons in its practices and transactions. It has established this Know Your Partner/Client (heretofore known as KYC) procedures to identify every organization that it deals with, to understand the legitimacy of our business relationships and to prevent and/or act on any unusual or suspicious activities. The PRF developed this KYC process in the context of applicable anti-money laundering regulations (i.e., The Philippine Anti Money Laundering Act of 2001 (AMLA) and international conventions (United Nations Convention Against Transnational Organized Crime). This KYC is also set to assess and monitor PRF's partners' and clients' risk and all relevant requirements needed both for existing and prospective partners and clients.

4. SCOPE

This KYC process applies to all PRF's existing and prospective partners and clients. KYC is a risk-based process to gather relevant information about PRF's existing and prospective partners and clients and their business and financial activities. This KYC process aims to:

- Identify client/partner and verify client's/partner's identity
- Understand the client's/partner's profile and associated money laundering risks
- Ensure that appropriate controls for detection and reporting suspicious activities in accordance with applicable laws are in place
- Compliance with applicable laws and regulations
- Ensure that concerned staff is adequately trained in KYC/AML procedures; this policy is to be read in conjunction with related operational guidelines issued from time to time.

5. DEFINITION and KEY ELEMENTS

Client Acceptance Policy (CAP) – CAP lays down the criteria for acceptance of client/partner.

Client Identification Procedures (CIP) – CIP is the collection and analysis of basic client's/partner's information

6. RELEVANT RECORDS

6.1. Records of pertinent Client's/Partner's Information

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7. POLICIES AND PROCEDURES

5.1 Client Acceptance Policy (CAP)

- 5.1.1 PRF will only enter into a relationship with a client/partner once the client's/partner's identity has been verified as specified in the Client Identification Procedures.
- 5.1.2 Where the identity of the client/partner cannot be verified and/or documents/information required cannot be obtained/confirmed due to non-cooperation of the client/partner; appropriate safeguards shall be instituted such as taking reasonable measures to verify the key information provided by the client/partner through reliable independent sources.
- 5.1.3 PRF will not enter into or continue to conduct business transactions to clients/partners who provides false, inconsistent/conflicting information where the inconsistency cannot be resolved after reasonable inquiry.

5.2 Client Identification Procedures (CIP)

- 5.2.1 The PRF shall establish and verify the identity of any client/partner with or for whom it acts or proposes to act. The PRF shall collect and record all pertinent information regarding existing and prospective clients/partners including beneficial owners, intermediaries and other interested parties. Minimum information/documents required:
- Name of the entity/client/partner;
 - Name, address, and citizenship or nationality of beneficial owner, if applicable, and authorized signatories;
 - Official address;
 - Contact numbers or information;
 - Nature of business;
 - Certificates of Registration issued by the Department of Trade and Industry (DTI) for single proprietors, or by the Securities and Exchange Commission (SEC) for corporations and partnerships or its equivalent as in the case of PEMSEA country partners and/or project partners in other countries;
 - Secondary license or certificate of authority issued by the supervising authority or other government agency;
 - Articles of incorporation/partnership;
 - Audited Financial Statement in the last two years;
 - Reference from two previous clients/partners
 - Latest General Information Sheet; and,
 - For entities registered outside of the Philippines, similar documents and/or information shall be obtained, duly authenticated and/or endorsed by the PEMSEA Country Focal Point or by a senior officer or the designated officer of the covered person assigned in the country of registration; in the absence of said officer, the documents should be authenticated by the Philippine

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Consulate, company register or notary public, where said entities are registered.

- Identification and Verification of Agents and Authorized Representatives. PRF shall verify that any person purporting to act on behalf of a client/partner is so authorized and shall identify and verify the identity of that person. For this purpose, PRF shall obtain the name, address and citizenship or nationality of agents and authorized representatives.

5.2.2 Before conducting any transactions or entering any business relationships, the PRF shall verify the identity of the client/partner on the basis of original or properly certified documents, data or information issued by client/partner or obtained from a reliable and independent source.

5.2.3 The PRF shall take reasonable measures to verify the identity of the clients/partners. This should include taking reasonable measures to understand the ownership and control structure of the client/partner. In the event of a client claiming to be acting on behalf of another organization/firm, it must be verified and established that this person has the proper legal authority to do so.

5.2.4 The PRF shall seek to understand source of wealth and source of funds of the client/partner. As a general rule, but particularly in the case of high-risk counterparties, The PRF should obtain:

- Information regarding the origin of the funds;
- Information regarding the structure of the funds, if loans or credit finance;
- Information regarding the source of wealth and income.

5.2.5 The PRF shall establish the purpose and intended nature of each business transactions.

5.2.6 Where applicable, record the type, volume and frequency of expected activity and make inquiries on the source of incoming funds or assets.

5.2.7 The extent of such measures will be determined on a risk sensitive basis depending on the type of client/partner, product or services provided and business transactions.

5.2.8 When there is a suspicion of money laundering or terrorist or trafficking financing regardless of the amount of transaction, due diligence procedure shall apply.

5.2.8 The following may indicate suspicious activity:

- Non-transparent or unusually complex ownership structure;
- Client/partner and/or its funds originate from high-risk countries;
- Payment in cash;
- Client/partner has an unusual income (e.g., the client/partner has no income or there is an inconsistency in the client's/partner's income and standard of living)

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- Unusual rise in client's/partner's financial means
- Transactions are anonymous
- Use of front organization/companies, shell companies, trusts and other corporate structures to purchase property
- Use of complex loans, credit finance, or mortgage schemes to purchase property
- Reliance on third parties to conduct a sale or purchase of a property on a client's/partner's behalf
- Manipulation of the property's valuation (e.g., successive sales on the same property at higher prices)

5.3 Client Due Diligence

5.3.1 In conducting client/partner due diligence, a risk-based approach shall be undertaken depending on the type of client/partner, business relationship or nature of the product, transaction, or activity. In this regard, the PRF shall maintain a system that will ensure the conduct of client/partner due diligence which shall include:

- Identifying the client/partner and verifying the true identity of the client/partner based on official documents or other reliable, independent source documents, data or information. In case of corporate and juridical entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf;
- Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship;
- Conducting ongoing due diligence on the business relationship and scrutiny of actions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the covered person's knowledge of the client/partner, their business, and risk profile, including, where necessary, the source of funds.

5.4 **Monitoring and Updating of Client Information** – monitor clients'/partners activity to identify and report transactions that maybe indicative of illegal activity. Regularly update client's/partner's information on business activities; when changes in a client's/partner's financial behavior become apparent, take necessary steps to determine the underlying reasons of such behavior.

5.5 **Common vulnerabilities and suggested actions** - To meet heightened expectations, PRF through MANCOM will periodically reassess and enhance their KYC policy to ensure it meets or exceeds current regulatory expectations and risk profile. It should include clear accountability and describe major KYC requirements for client/partner acceptance, identification, and standard and enhanced due diligence.

5.6 **Risk Management** – PRF will adopt, implement and regularly update a risk-based approach in managing the risk. The risk management system involves adequate management oversight, appropriate policies and procedures, monitoring, comprehensive audit and internal control.

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8. OVERSIGHT BY PRF's MANAGEMENT COMMITTEE (MANCOM)

- 6.1 PRF MANCOM is responsible for ensuring that appropriate policies are in place and are properly implemented at all times.
- 6.2 MANCOM shall designate a senior officer who shall be responsible for monitoring and reporting of all transactions as required. The designated a senior officer is accountable for confirming identity, recording, verifying and updating client/partner information.
- 6.3 In special circumstances MANCOM may rely on another party, either internal or external to PRF, to perform parts of the KYC processes. In these cases, the basis for such reliance should be documented, including those processes that provide management with reasonable assurance that these responsibilities have been reliably preformed. Where reliance is placed on a party external to PRF, arrangements should be subject to written agreements that clearly define responsibilities for collecting and verifying client/partner information. The records should contain all the information required under this policy.

9. REGULAR REPORTING TO THE EAS PARTNERSHIP COUNCIL

The PRF Executive Director will report on all partnerships and major contractual agreements (USD 500,000 and above) and/or collaborative partnerships entered into by the PEMSEA Resource Facility on behalf of PEMSEA to the Annual EAS Partnership Council.