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Implementing an AML/CTF Audit Program

for Non-Financial Institutions in Mainland China

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Content

Executive Summary

The current (2016/2017) Chinese market is filled with numerous new payment products and services (NPPS), which are provided by non-financial institutions (NFIs). These NFIs have strong innovative capabilities and continuously add new payment products and services to their portfolio. Some examples include online payments, prepaid issuance and acceptance, peer-to-peer (P2P) money transfers and investment financial products, which allow for convenient payments.

However, the business feature for NFIs and financial institutions (FIs) is different. For example:

- NFI's business model is more complex
- NFI's innovative capability is strong but its risk control experience is weak
- NFI's NPPS features make it hard to trace the source of funds.

Given these differences, NFIs, FIs and regulators are challenged with how AML/CTF should be conducted for NFIs.

Common audit principles and practices are primarily based on regulation and they do not fit NFIs with NPPS. To help NFIs mitigate money laundering/terrorist financing (ML/TF) risks appropriately, a risk-based AML audit approach should be applied. However, since risk-based AML audit is a comparatively new approach, there is no template or existing methodology for NFI's audit to reference.

In this white paper we are researching new ways to enhance the efficiency of AML/CTF audit. As both methods (regulation-based and risk-based AML/CTF audit) have disadvantages, in our research we have investigated a hybrid approach that takes good points from both the regulatory as well as the risk-based approach.

The suggested audit solution for NFIs is based on how ML/TF risks can be evaluated and how mitigation measures can be validated. The "risk-based AML/CTF audit" and the "regulation-based AML/CTF audit" hybrid will provide a much more effective and efficient approach to audit NFIs rather than solely relying on a "regulation-based AML/CTF audit" approach.

1 Background

This white paper discusses how an effective audit program for NFIs in the Chinese mainland can be established. In the last six years, e-commerce outfits have introduced new payment products and services, and this has had a significant impact on how goods are bought and how people pay for them.

New payment products and services (NPPS) are becoming more and more popular for people completing payments during their daily life in the Chinese mainland. People can easily pay for lunch/dinner bills, credit card debts, taxi fees, real estate maintenance fees and so on, via their mobile phones. The e-commerce outfits that provide these financial or payment services are called NFIs and they are governed by the People’s Bank of China (PBOC).

However, the NPPS provided by NFIs are also easier ways and stronger tools for ML/TF activities due to the following product features:

1. Non-face-to-face and anonymous;
2. Quick fund transferring
3. Mixed account nature, such as investment account and purchase account

In addition, NFIs, as “new participants” with little AML/CTF understanding and experience, work very differently compared to financial institutions. It is very important for NFIs to identify the ML/TF risks and to take appropriate actions to mitigate these risks. An efficient audit program will be helpful to promote NFIs enhance their internal control and improve AML/CTF identification and mitigation measures.

With the publication of *Non-Financial Institution Payment Services Management Approach Guidelines* by PBOC in 2010, NFIs were brought under the supervision of PBOC. In turn, this affected the payment industry in the Chinese mainland.

What are non-financial institutions?

NFIs serve as an intermediary between payers and payees by providing payment services and parts of integrated financial services.

NFIs are required to apply for a business license prior to launching a business, which may include one or more payment products or services, such as:

Online Payment

Online payment service relies on the public network or private network transfer of money in the collection of funds between the payer's activity, including currency exchange, payments through the internet, mobile phones, fixed phones and digital TV.

Prepaid Card Issuance and Acceptance

Prepaid cards are store-valued cards issued for commercial purposes, other than the issuer to purchase prepaid value of goods or services. The prepaid card could be close-loop/open-loop for acceptance, including POS and online payment.

POS Acceptance

POS acceptance is through the point-of-sale (POS) terminals to conduct merchant acquiring business.

Others

Others payment service includes integrated financial services, and others.

2 Challenges of AML/CTF Audit for NFIs

A common AML/CTF audit is conducted by the internal audit team or external audit entities under the guidance of local regulations related to business or institutions type. It can be called a "regulation-based audit approach." With the rapid development of NFI's NPPS, we find that this common audit program would not be sufficient to spot all potential ML/TF risks in an efficient way. The reasons behind this are observed below:

2.1 Regulation is Not Mature yet

Current regulation covers basic requirements for NFIs and it is still immature, leaving room for loopholes that can be abused. Some areas where regulation can be improved are:

- AML/CTF regulation for NFIs is established on a general basis. There are no detail guidelines or best practices on know your customer, customer due diligence, enhanced due diligence, etc.
- The ML/TF risk feature and risk level across different products and services are different. There are no guidelines on how to establish solid internal controls for different products and services.
- The mismatch between new products and the regulatory requirements. Therefore, for new or innovative high-risk products or business models, there are legal guidelines to identify potential violations. To correct this gap, audit should take the AML/CTF risk-based approach when reviewing these NPPS.

2.2 Business Model is Complex

ML/TF groups tends to utilize complex channels to conduct ML/TF activities due to the shortage of transaction transparency. It would be a big challenge for NFIs to identify the ML/TF risks and even tougher for audit teams to find out whether it is enough for the mitigation. NFIs transaction channels can be split into two business models, including the "open-loop" model and the "close-loop" model (Appendix 1). For the "open-loop model," there are many participants. The issuer and acquirer are financial institutions or non-financial institutions, which makes the business model complex. NFIs could select different transaction channels based on products and pricing factors. The "open-loop" model is easier to integrate the illegal funds into the financial system while the "close-loop" model is limited. However, the "open-loop" model is under stricter guidance from financial institutions while the "close-loop" model is controlled by NFIs with little guidance experience compared to financial institutions.

2.3 The Feature of NPPS of NFIs is Hard to Trace the Source of Funds

It is hard to trace the source of funds since NFI's features are non-face-to-face, anonymous, and their funds transfers are quick and there is a mixture of account type. It is very easy for ML/TF groups to use these combined features in order to conduct complex ML/TF activity during the layering stage. When facing the combined ML/TF behavior, it is a challenge for audit to find out the potential shortage of the business.

3 Principle of Risk-based AML/CTF Audit for NFIs

In this paper, we describe a hybrid "risk-based AML/CTF Audit approach" that can be used in conjunction with the regular regulation-based AML/CTF audit required by PBOC.

3.1 Definition

According to FATF guidance, published on October 2014, "Risk-based approach to AML/CTF means that countries, competent authorities and financial institutions are expected to identify, assess and understand the ML/TF risks to which they are exposed and take AML/CTF measures commensurate to those risks in order to mitigate them effectively."[1]

This risk-based AML/CTF audit principle means that the risk-based AML/CTF audit approach must be used to identify risk factors, assess the impact of risks and check whether the entity is taking appropriate measures to mitigate risks.

The table below explores the differences between "risk-based AML/CTF Audit" and "regulation-based AML/CTF Audit."

Items	*Risk-Based AML/CFT Audit*	*Regulation-Based AML/CFT Audit*
Regulation-Binding	**Not** very tightly	Very tightly
Risk Identification	Flexible	Based on what is listed on the regulation
Implementation	Hard to define methodology	Clear on the methodology
Audit Finding	Easy to find out the shortage of the business	Easy to neglect potential risk of the business
Procedure	Identification-Assessment- Mitigation Audit	Compare the policy and implementation with regulations

3.2 Benefits and Challenges

Based on the table above, the challenges mentioned in Chapter 2 could be solved appropriately.

1. Risk-based AML/CTF audit is helpful to avoid the challenge of an immature regulation.

The risk-based AML/CTF audit is based on risk and mitigation solutions instead of regulations. There is no global standard and methodology for conducting risk-based AML/CTF audits for NFIs. Hence, even if there are some AML/CTF regulation immaturities for NFIs, it will not significantly affect the audit result.

2. Risk-based AML/CTF audit could solve challenges from complex business mode.

[1] FATF Guidance, Risk-based Approach guidance for the banking sector

The risk-based AML/CTF audit identifies risk factors as thoroughly as possible via an appropriate method. This means that no matter how complicated the business mode is, it will have less impact on AML/CTF audit findings.

3. Risk-based AML/CTF audit could help to mitigate risks from product/service features.
The new payment products and services is designed to provide a convenient payment experience, which would always be fast, convenient and anonymous. It is unchangeable for the product features while the only way is to take some mitigation actions. The key purpose for risk-based AML/CTF audit is to mitigate the ML/TF risks and to check whether the institution takes enough action. It will be helpful to overcome challenges from product/service features.

In this case, every advantage can also bring disadvantages. For example, If the audit for NFIs only relies on the risk-based audit, it would have some challenges of its own:

- There is no existing template or methodology for risk-based audit for NFIs.
- Risk-based audit requires that audit be fully equipped to handle NFI's business and risks.
- Solid regulations should be focused and not just on risk factors.

3.3 Solution

The best solution is to introduce a risk-based approach audit into the whole audit procedure. The best solution for NFI's audit is:

1. Introduce the risk-based AML/CTF audit for NFIs. The risk-based AML/CTF audit is an enhanced measure for deeply understanding the entire business mode, risk factor and mitigation action, even though this methodology is just starting and there is currently no existing template for NFIs audit. I will introduce the template for risk-based AML/CTF audit for NFIs in Chapter 4.
2. Keep the regulation-based AML/CTF audit for NFIs. The regulation-based AML/CTF audit for NFIs is basic to understanding whether the NFIs conducting the business are fully compliant with the existing regulation.

4 Risk-Based Audit Program for NFIs

As mentioned in Chapter 3, risk-based audit is a new approach. There is no template for NFI's audit. This section of the white paper illustrates how to utilize a risk-based audit approach to identify, assess and mitigate the ML/TF risk for NFIs.

4.1 Risk Identification

For NFI's audit, the level of awareness and the ability to identify the risk factor is essential. The ideal situation is that NFIs have a specific guidance on how to identify each risk factor for each product. When introducing new products, it should also establish a procedure to identify the risk factor and adequately analyze the cause of risk.

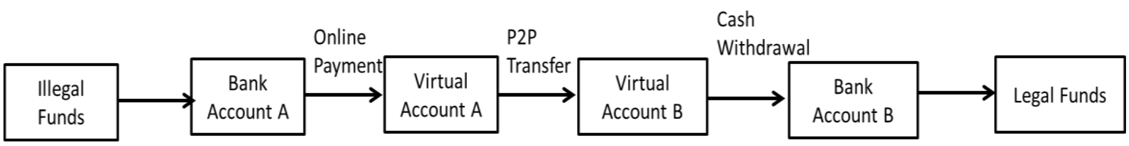
Per FATF and Wolfsberg's guidance on the risk-based approach, the risk factors should be separated into four parts: product/service, customer, country and industry. Combined with NFI's features, below is an illustration of the risk factors from four dimensions, including the product/service, the business model, the geography and the customer.

1. Product and Service

In order to make audit better, we must understand how money laundering is used through products and services.

Online Payment

NFIs' online payment business is non-face-to-face, convenient and has a lack of strong control measures. These features form the channel to conduct money laundering Below is an example illustrating money laundering activity. Illegal funds are laundering into legal funds by online payment and P2P transfer within the virtual account system under the same or different person(s).

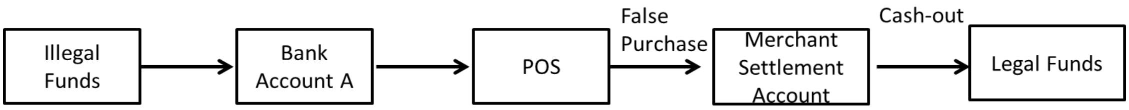


Risk Factors:

1) Non-face-to-face relationships
2) P2P, P2B, or Virtual Account 2 Bank Account (V2B)
3) Quick Funds Transferring
4) Outsourcing business to agent/third party

POS Acceptance

The ML/TF risk of POS Acceptance involves merchant conspiracy fraud. The fraudster shares false identity information to apply a POS terminal and conducts a cash-out transaction via false POS transactions. The illegal funds successfully turn into legal funds and are transferred from the individual's account into the merchant's account.

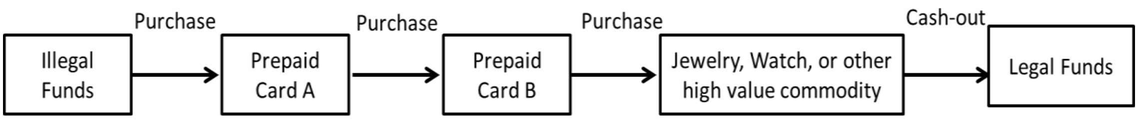


Risk Factors:

1) False application of merchant
2) Cash-out
3) Illegal activities (gambling, pyramid selling, drug, smuggling)

Prepaid Card Issuance and Acceptance

The ML/TF risk of prepaid cards is related to know your customer and the card's function. There are different kinds of prepaid cards (registered and non-registered, open loop and close loop). The open loop and non-registered card poses the highest risk.. Since prepaid card with association logos are forbidden in China, there are no open loop prepaid cards. Thus, the ML/TF risk of NFI's prepaid card is limited. The chart below illustrates the ML/TF activity of prepaid cards.

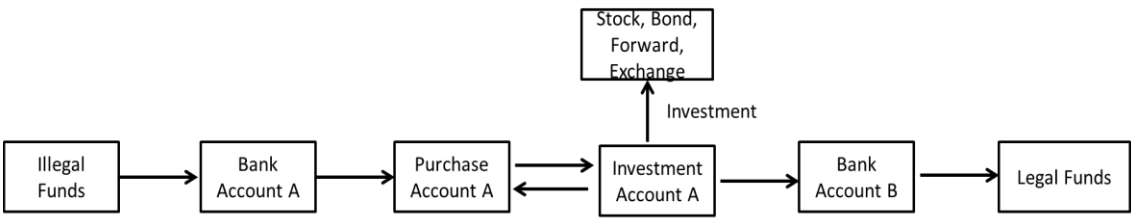


Risk Factors:

1) Anonymity
2) Method of funding (cash, credit card)
3) Access to cash
4) Distribution method (direct distribution, outsourcing distribution, etc.)
5) Open-loop
6) Reloadable

Integrated Financial Service

Since 2013, Alipay promotes its value-added product, Yu'e Bao, which helps users invest funds in Alipay's wallet by purchasing money market funds. After the start of Alipay most NFIs began to follow Alipay and they created lots of similar products. The key ML/TF risk under the integrated financial services holds the same principle of "Shadow Bank." It is very difficult to



trace which funds are invested into which financial product, since NFIs serve as the intermediary between users.

Risk Factors:

1) FinancialiInvestment
2) Mixed account type (investment account and purchase account)

2. Business Model

As per NFIs' business model in Appendix 1, there are many participants within the entire payment. ML/TF risk factors of different business models are analyzed below.

Business Model	Risk Factor
Open Loop	1. Multiple options for ML/TF of illegal funds 2. Hard to trace cash flow among NFIs and FIs 3. Loose control on the source of funds for NFIs
Close Loop	1. Loose control on the source of funds and purpose of funds for NFIs 2. Easy to realize layering stage of ML/TF by the combination of different channels and products within NFIs 3. No strict KYC and internal control

3. Geography

The geography of the source of funds and the usage of funds are very essential in the risk identification. If NFIs' business scope is limited domestically, ML/TF risk will be limited as it is under the same legal and regulation framework. Meanwhile, if it were global, ML/TF risk would be multiple. The geography should be put into consideration on high-risk countries per FATF, the U.N., the U.S., the EU and as the Chinese mainland.

4. Customer

Compared to FIs, NFIs lack data sources and the ability to conduct efficient KYC, CDD and EDD, and therefore, the customer risk becomes a big issue for NFIs, especially for overseas PEPs and "non-dorm" residents. First, although there are many matured products for identity verification and sanctions scanning, they would be limited by the spelling of accountholders' names and identification skills. Second, due to the different global data privacy requirements, especially with PEPs, it would be a big problem for NFIs to conduct further EDD procedures.

4.2 Risk Assessment

Risk assessment is based on the adequate risk identification, which includes risk level assessment and risk impact assessment. Audit programs will focus on whether NFIs have the capability of creating an assessment standard, whether there is product risk level segmentation and whether it set up a matrix to assess the combined risk level. Per *FATF's Typologies Report on Money Laundering Using New Payment Methods* (2010), it is important to take a holistic approach when assessing the risk associated with particular NPPS. Rather than considering the risk factors listed in the matrix one-by-one, all risk factors should be considered together to determine whether the product poses a high or low ML/TF risk. For a matrix for NFIs risk factors, please refer to Appendix 2, which is the reference for audit program.

What is more, another essential procedure for audit would be to review whether the matrix is enough after the audit program is finished with its audit findings. If it is not enough, audit needs to improve the matrix, so that it can fit more scenarios.

4.3 Risk Mitigation

From an audit standpoint, it is very important that NFIs adopt the risk-based approach in order to mitigate ML/TF risk. Especially after analyzing the risk factor and assessing the risk by different levels, the audit point should focus on whether risk mitigation measures are proportionate to the level of risk posed by the product or service.

Combined with risk identification in Section 4.1, this section will introduce the mitigation measures for four risk dimensions, including CDD/EDD for customer risk; product/service risk control for product/service risk; sanctions scanning and licensing/registration for geographic risk; and suspicious transaction monitoring, recordkeeping, internal control policy for business model risk.

1. Customer Due Diligence (CDD)/Enhanced Due Diligence (EDD)

The CDD/EDD should be based on the risk of customers. The following should be considered: types of customers, countries or geographic areas, the functionality of products and services, transactions or delivery channels. NFIs should establish the risk scoring and risk level criteria in relation to the level of due diligence. The due diligence level is related to the approval level and procedures. For each product or service, the risk factor should be scoring and separating the customer into different levels of risk. The greater the functionality of the product/service, the more enhanced CDD may be need. The key point for audit for CDD/EDD is to check the policy and procedure, system or scoring matrix, CDD/EDD criteria, level of approval, etc. The customer with the following high-risk product should move into the EDD procedure.

- ✓ Reloadable prepaid card over a certain amount
- ✓ Prepaid card access to cash/remittance
- ✓ Open-loop prepaid card
- ✓ Online payments establish customer relation by non-face-to-face and the same channel is used for loading funds into virtual account
- ✓ Virtual account supporting P2P/ V2B
- ✓ Virtual account supporting financial investment
- ✓ POS merchant with cash-out
- ✓ Other high-risk products

2. Product/Services Risk Control

Placing restriction on the products/services NFIs offer can be an effective mechanism to mitigate ML/TF risk. From an audit standpoint, the risk control should be set up in relation to the risk level and the product/service's feature, instead of the same restriction. For example, limit the transaction amount in a very low level.

- ✓ Risk Control for Online Payment
  - Whether to control the maximum amount held in virtual account
  - Whether to set the limitation on quasi-cash services
  - Whether to set the maximum amount and frequency for P2P/V2B transferring
  - Whether to set geographical or purchasing limitations
  - Whether to commonly provide tiered structure to customers
  - Whether to set the prohibited industry or high-risk industry (gaming, gambling, etc.)
  - Others
- ✓ Risk Control for Prepaid Card Issuance and Acceptance
  - Whether there are criteria on the anonymous and registered prepaid card
  - Whether to set up a transaction limitation for open-loop prepaid card
  - Whether to set up a limitation on the cash access or remittance
  - Whether to set up a reload limitation for reloadable prepaid card
  - Whether to set up a geographic limitation for issuing, distribution and usage
  - Others
- ✓ Risk Control for POS
  - Whether there are internal guidelines for identification of the prohibited merchant category, high-risk merchant category and others.
  - Whether there is a control method to better manage POS relocation

    - How to control high-risk industry (merchants with high-value products, auction, charity, etc.)
- ✓ Risk Control for Integrated Financial Services
    - Whether there is an internal control policy for integrated financial services
    - How to control the actual person involved in an investment
    - Whether there is any limitations on personal investment accounts

3. Sanctions Scanning

The best solution to fighting against geographic risk is to set up a sanctions scanning procedure. There are several sanctions lists published by the U.N., the U.S., the EU, and the U.K. In addition, FATF provides a list of high-risk countries. Moreover, besides the importance of selecting the correct list and setting up the scanning procedures, it is also important to set up the strategy for the business launching by considering geographic factors. This should be balanced between the business development and the risk appetite for the high-risk regions/countries. Then, different region/country risk levels should be set up.

4. Licensing/ Registration

FATF Recommendation 14 notes that countries should take measures to ensure that natural or legal persons that provide money or value transfer services (MVTS) are licensed or registered. Within a non-financial institution payment service management approach, NFIs must apply for the business license before the business launches. The business license will show four elements, including: the entity's legal name, the business scope, the business region and the expiration date. The audit point should include the following items:

- ✓ The license of NFIs issued by PBOC is consistent with the publication on PBOC official website
- ✓ The expiration date is valid
- ✓ The legal entity is consistent with the licensed objective
- ✓ The true business scope is consistent with the licensed scope
- ✓ The business region is under the licensed business scope

5. Suspicious Transaction Monitoring, Recordkeeping and Internal Control Policy

Suspicious transaction monitoring is a direct way for NFIs to find out the ML/TF risks. From the view of audit, it is important for NFIs to build a suspicious transaction monitoring system and involve all the transactions into this system. Monitoring rules should be set up according to product/services features and suspicious features. The following items are important for NFIs audit:

- ✓ Could the transactions be separated by products/services within NFIs business scope?
- ✓ Are the suspicious transaction monitoring rules defined according to the features of each products/services?
- ✓ Does the monitoring rule cover all cross-product transactions?
- ✓ Does the monitoring rule set up geographic features of different products/services?
- ✓ Is there a separated rule for cash access transactions, funding transactions, fund transferring transactions and open-loop/close-loop?
- ✓ What is the mechanism for new products onboarding with suspicious transaction monitoring?

Recordkeeping is essential to mitigate business model risk. From an audit view point, audit should focus on the customer profile record, source of funds and transaction channels in a transparent way and keep the record for at least five years.

As to internal control policy, according to the Anti-Money Laundering Regulation for Non-Financial Institution Clause 5, NFIs should establish a holistic internal control policy and report to PBOC for record, which should include KYC, data and customer record retention, suspicious transaction monitoring standard and analysis procedure, internal audit/training/promulgation, investigation procedure, data privacy and other measures.

Conclusion

Based on the research performed, it can be concluded that auditing NFIs with NPPS is a big challenge for internal and external auditors under the immature regulation, complex business model and product features. The common audit program for financial institutions does not fit NFIs appropriatedly. In this white paper, I have been researching a solution for NFIs audit methodology.

During my research I have been comparing the advantages and disadvantages of a risk-based AML/CTF audit principle with common audit practice. Where the latter is only based on "regulation-based AML/CTF Audit." The risk-based AML/CTF audit overcomes many challenges for NFIs, but it also has some shortcomings as it demands higher requirements on risk and audit experience, and deep knowledge on the impact of regulation.

The best solution for NFIs AML/CTF audit is to utilize a risk-based AML/CTF audit and regulation-based AML/CTF audit a hybrid model. In order foraudit to better understand how to implement a risk-based AML/CTF audit, this white paper provides a template for a risk-based regulation driven AML/CTF audit program.

The risk-based AML/CTF audit program involves three stages, including risk identification, risk assessment and risk mitigation. For risk identification for NFIs, four dimensions of risk factors are introduced, including product/service, business model, geography and customer. For risk assessment, an effective risk matrix is designed based on NFIs' risk factors. For risk mitigation, mitigation measures are proposed/combined with NFIs and their NPPS features and risks.

As a risk-based approach is the preferred approach method by FATF, it might still be challenging to NFIs to adapt to it due to a lack of experience on this approach. During the research it turned out that when it is utilized in the audit for complicated business mode, it will provide huge advantages to properly assess the risks associated with product/service, customer, geographic and business model.

In conclusion, the best solution for NFIs audit is to take a hybrid approach from both the regulatory as well as the risk management approach. Looking even further, this hybrid audit approach could be introduced within the whole life cycle of NPPS. Before launching the new product, this approach should be utilized to assess ML/TF risks and to ensure that the risk control frontline is enough. During product launching, this approach could be used to re-assess the product ML/TF risks and to enhance AML/CTF control measures.

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Abbreviations and Acronyms

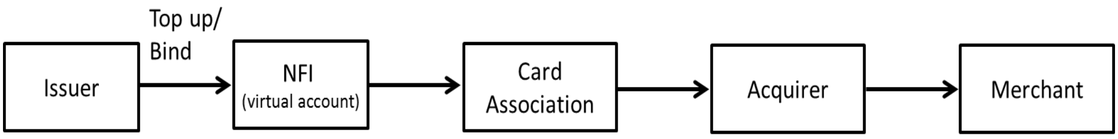
AML	Anti-Money Laundering
CFT	Counter Financing Terrorist
ML	Money Laundering
TF	Terrorism Financing
NPPS	New Payment Products and Services
NFI	Non-Financing Institution
FI	Financing Institution
PBOC	People's Bank of China
POS	Point-of-Sale
KYC	Know-Your-Customer
CDD	Customer Due Diligence
EDD	Enhanced Customer Due Diligence
P2P	Peer-to-Peer
P2B	Personal Account-to-Bank Account
V2B	Virtual Account –to-Bank Account
FATF	Financial Action Task Force
UN	United Union
EU	European Union
US	United States
PEP	Politically Exposed Person

Appendix 1 Business Model for NFIs in Mainland China

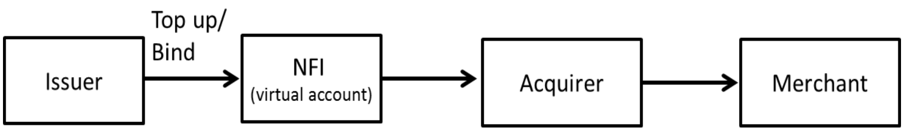
"Open Loop" Model

User could choose top-up or link the card on a virtual account. The settlement flow is completed by NFIs who handle the settlement with card association as traditional POS acceptance flow, or settles directly with Acquirer.

Mode 1: 5-Party Business Model (Issuing bank, NFI, Card Association, Acquiring Institution, Merchant)



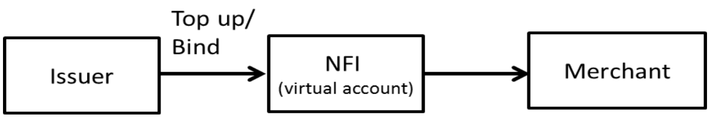
Mode 2: 4-Party Business Model (Issuer, NFI, Acquirer, Merchant)



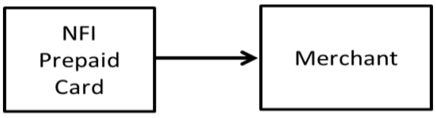
"Close Loop" Model

User could choose top-up or link the card on the virtual account. The settlement flow is NFI completing the settlement with its accepting merchants.

Mode 3: 3-Party Business Model (Issuer, NFI, Merchant)



Mode 4: Prepaid Card Model (NFI prepaid issuance and acceptance)



Appendix 2 Matrix for NFIs Risk Factors

Criteria		**Higher Risk Factors**	**Lower Risk Factors**
Product/Service	Customer Identification	Anonymous	Identified
	Identity Verification	-Non-face-to-face -No liable and independent source document for KYC	Face-to-face Liable and independent source document for KYC
	Dynamic KYC	None	Dynamic KYC
	Fund Loading Frequency	Reloadable	Non-reloadable
	Fund Loading Limits	None	Set up per transaction, per person loading limitation
	Fund Loading Method	-Cash, Money orders, Prepaid Cards; - No KYC	- Funding through accounts held at regulated financial institutions
	Cash/Quasi-Cash Access	ATM withdrawal, Cash-out, Remittance, and others	None
	Fund Transferring	P2P, V2B, P2B, online usage	P2B, online usage, no P2P and V2B
	Usage Limits	None	Limited by amount per transaction both sender and recipient.
	Investment	Invest financial products, including bonds, stocks, and so on.	None
	Merchant Acceptance	Illegal industry, including gambling, pyramid selling, pornography, drug, and so on	None illegal industry
Business Model	Open Loop	-No limitation on industry; -No transaction amount/frequency limitation -No record keeping	-Limitation on industry; -Transaction amount/frequency limitation; - Customer and transaction data recorded over 5 years

Criteria		Higher Risk Factors	Lower Risk Factors
		-No strict control on source of funds	-Strict Control on source of funds
	Close Loop	-No Strict Control on source of funds and purpose of funds -No Strict Control on combination of different products/channels (such as p2p2b, NFIs to NFIs account) - No Strict KYC and internal control	- Strict control on cash flow; - Strict control on different products combination - Strict KYC and internal control
Geography	Geographic Limits	None (supporting funds transferring cross nations)	Limited within one nation
	Business Region/Countries	High risk regions /countries on FATF/UN/EU/US/Others	Lower risk regions /countries on FATF/UN/EU/US/Others
Customer	KYC/CDD/EDD internal control	None	Strict Control
	Sanction Scanning	Listed on sanction list Penalty by regulators	None
	PEP	Listed as PEP with non-performing news	Not PEP