

KALIB M. LOY

Secret Book of DD

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# Introduction to DD

due dil-i-gence

*noun*

LAW

1. reasonable steps taken by a person in order to satisfy a legal requirement, especially in buying or selling something.

This is the how to avoid wasting your time with people that won't perform. If you want to learn how to maximize your time and energy then doing well with due diligence is key.

# 1

## The 5 Minute DD

CIS Customer Information Sheet: 3:30 min

I received an email from a friend. The subject line read, “\$10 Billion USD Cash in HSCB London”. So I opened the email and began to read it intently, I was use to these types of outlandish claims being sent to me, any normal person would have marked it as spam and gone on with their day.

I immediately opened the attachment and saw a very big number. Butterflies ran through my body like a an electric current. Eager to review the deal I printed everything out. A bank statement signed and stamped, from a note worthy bank, showing ten billion USD clean, clear and ready to be placed on a private trade. I stared at the tear sheet in my hand, analyzing the details intently.

It seemed so beautiful, I was going to become a billionaire overnight and would become the philanthropic king of the world, all of my dreams were coming true and it was perfect! At the time I was working with clients who invested in security grade paper which is a verifiable way to prove that something has worth

by backing (value) and documenting that value onto a security grade paper (paper). Similar to a title that a piece of property or any type of real estate would have. The title to property (paper) is not the actual property itself, it's the claim to the house (value). There are many types of paper that can carry value such as Bonds, Insurances, Mid Term Notes, Safe Keeping Receipts and many others.

When I saw that there was an account of money (value) was not attached to any type of (paper) I knew the opportunity for using those funds were big and I was ready to roll. All day long I was picturing myself driving behind the wheel of a super car or walking into my very own mansion or holding pounds of the gems or gold coins for the fun of it, not that I'm a weirdo about those things I am simply saying that even in mind I was a ready and willing to be an arbitrage professional and, obviously, I still had a lot to learn.

In the beginning of my consulting career, I did very little vetting. It was a minimum background check or a minor reporting of the client and it's mind blowing how many people work international deals without knowing about U.S. laws and enforcement's. The United States alone has a broad range of economic sanctions involving multiple countries and more than 3,500 organizations within those countries not to mention any entity associated with those businesses or people who run them.

I can't speak for everyone in the world, but most people in U.S.A. aren't able to deal with nations that have an unfriendly relationship with the U. S. it's always a good idea to check out sanctions and other related restrictions. Government sites such as ([www.home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information](http://www.home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information)) is a great place to start looking.

**TIP:** Don't get in trouble for something that can be easily avoided.

So there I was, excited to work on this huge incredible deal that was going to change my life forever! I was going to work with an amazing, real, personable and compassionate client, a perfect set up. Shortly after reviewing all the documents I received a call from the person running all of my due diligence (DD) for the group I was working with.

The call went something like this:

**DD:** "yeah, uh...that client?"

**ME:** "Mr. 10 Billion!, oh yeah, what's up?"

**DD:** "Well, he's a wedding photographer..."

**ME:** "ha-ha, very funny....(awkward pause)...Wait like a hobby type of thing?"

**DD:** "No...Yeah, he's a local wedding photographer, a good one! lives in an apartment complex. I also found pictures of him on Social Media driving his car."

**ME:** "Bently?"

**DD:** "Nissan Altima"

**ME:** "...So, he's a humble guy, Jeff Bezos drove an accord forever right?!"

**DD:** “Kalib, no, stop.....It’s a fraudulent file.”

**ME:** “What about the bank statement!?”

**DD:** “...That’s a fake, you can see the pixilation where it was edited.”

**ME:** “Sooooooo, what do you mean?”

**DD:** “...Throw it away and move on.”

**ME:** “Dang.”

**DD:** “We will go ahead and issue a Cease and Desist (C&D), do you agree?”

**ME:** “Sigh...yes.”

Talk about a total waste of time and energy! I couldn’t believe it. I was mad about it for nearly a week, until I decided to become smarter and begin operating like a pro. If I was going to work on these files worth hundreds of millions of dollars then I needed to figure out a way to stop wasting my time and simply produce results. I decided to choose and still choose today to start my business relationships with a Customer Information Sheet (CIS). If that’s what most high level business relationships use, then I should take note and pay attention. There is a reason why the top companies in the world require an introduction packet which normally includes the Customer Information Sheet (CIS) which shares the foundational information of the entity or people that are wanting to begin communications with another person or

entity.

Pre-qualifying clients quickly and efficiently allows you to prequalify deals and move forward to the close. The Customer Information Sheet (CIS) is basically a credit application without the Social Security number. It is how the client introduces themselves, or their business, to you in a professional setting. It is required in most settings. Without it, no one is able to take the deal further... Besides, who wants to do business with a ghost or a fraud, right? It's important for you to know who you're talking to. It only takes one conversation with the wrong person to cause an unwanted headache.

**Here are some real examples of common mistakes:**

1. Your company sends you and some of your employees to a meeting and expo show held at a high end hotel on Malta. During the trip, you learn the place you are staying is owned by a group of companies with a minor connection to the Libyan government. Your people leave your high end hotel immediately. You however, now have to respond to a formal inquiry from the U.S. government Treasury Department for violating federal law by exchanging business with the wrong people.
2. A Texas company uses a broker to ship coffee from Chile and deliver them to Japan. However, the Texas company doesn't know the shipment owner, and the owner has ties to the Cuban government. The Texas company is hit with a \$50,000 fine by the U.S. government for violating U.S. sanctions against Cuba.
3. A Denver company delivers 9 shipments of computer hardware to a company in Panama. The Panamanian company

unfortunately has ties to the Cuban government. The Denver company is charged with a \$300,000 fine for violating the Trading with the Enemy Act.

**NOTE:** You must protect yourself, your family and your business. If people are nervous to provide a CIS there is a reason why.

Keep in mind that this CIS business form was actually intended to benefit the Client and should be presented as such. Make sure you let your client understand that it's in their best interest to provide a completed CIS in the beginning of a business relationship. The CIS gives control to the Client to tell everyone who they are, where they are from and what they currently do. The CIS should come only from the client or the client's signatory.

**Example script of someone asking a client for CIS for Due Diligence:**

“Thank you for your time today Mr. Smith. In order for us to continue our progress I will need a few things from you. In the event of a successful relationship in the future we will need to receive a Customer Information Sheet or a CIS. I will need to receive the CIS from the same email that you decide to reference on the CIS. Do you have a Customer Information Sheet you already use or would you like for me to forward you a blank one so we can begin?”

**TIP:** Be careful working with mandates, signatories, and beneficiaries. Most of them won't be able to provide the proper documentation like the actual Power of Attorney (POA) or

registered agent for example.

**STRICTLY AN EXAMPLE: CIS found below**

**CLIENT INFORMATION SHEET**

YOUR COMPANY NAME/LOGO

NOTE: ALL PERSONAL INFORMATION IS HELD SECURELY IN ACCORDANCE WITH THE APPROPRIATE LEGISLATION, IS CONFIDENTIAL AND TREATED APPROPRIATELY

**CLIENT INFORMATION**

MR/MRS/MISS/MS/OTHER \_\_\_\_\_ LAST NAME \_\_\_\_\_  
NAME YOU LIKE TO BE CALLED \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
\_\_\_\_\_

**TELEPHONE NUMBERS/CONTACT DETAILS**

HOME \_\_\_\_\_ WORK \_\_\_\_\_  
CELLPHONE \_\_\_\_\_ PAGER \_\_\_\_\_  
FAX \_\_\_\_\_ EMAIL/S \_\_\_\_\_  
PREFERRED CONTACT MODE/S \_\_\_\_\_

**COMPANY INFORMATION**

OCCUPATION \_\_\_\_\_  
EMPLOYER NAME \_\_\_\_\_  
EMPLOYER ADDRESS \_\_\_\_\_

**PERSONAL INFORMATION**

DATE OF BIRTH \_\_\_\_\_  
PASSPORT NUMBER \_\_\_\_\_  
SOCIAL MEDIA PAGES \_\_\_\_\_

\_\_\_\_\_  
SIGNED FIRST AND LAST DATE  
TITLE

In the beginning of my trade finance career I started consulting for public companies. It took a while, but when I finally understood the value of the Letter of Intent (LOI) and once I learned how to navigate how it's used I began to excel. The Letter of Intent is very similar to placing a signed Offer on real estate. When you place an offer of real estate you are claiming that you will do something if the other party agrees to it. In most cases it will have contingencies or disclaimers that will shape the deal. Once I understood that the Letter of Intent was more of a weapon of negotiation I had felt as if I had graduated from the kiddie pool and went straight to the high dive and did a back flip into the deep end.

I will never forget when I negotiated with my first completed Letter of Intent (LOI). Company (A) was representing a client that possessed a large amount of a single commodity. They were selling it for a discounted rate to Company (B). My goal was to have all parties (A,B, and myself) sign a Letter of Intent (LOI) so I could move forward to prepare a Full Corporate Offer (FCO). A full corporate offer (FCO) is basically the draft to the contract. It goes into greater details than the Letter of Intent (LOI) does and is provided by the seller instead of the buyer. Looking back, these companies were giants, some of these transactions were at the top of the U.S. economy, reaching over five hundred million USD (\$500,000,000.00). It was so epic seeing my name alongside these behemoth names, I couldn't believe how easy it was to get it done and that's when the Aaaha clicked.

Its fact that this is how most of these top 1% companies behave and they have a process that they have adopted and it communicates good will and clear reason. Maybe they don't close every deal this way but they get what they are seeking after and their process begins and includes a Letter of Intent.

**NOTE:** Getting a buyer to sign an LOI is must have to moving onto the next step.

When an Letter of Intent (LOI) is signed it lays out the preliminary offer made by the buyer (sometimes a seller can as well but not often), for the sake of confusion let's call the entity that issues the Letter of Intent the (Issuing party)c. In most cases the Letter of Intent is non-binding which means there is zero penalty if either party backs away from the table. The Letter of Intent should outline the business terms hat the Issuing party want so, which will later become the foundation for and part of the Purchase Agreement (final contract).

The Letter of Intent (LOI) between company (A and B) went back and forth several time and took nearly three weeks before it was finally accepted In most financial arenas they call an Letter of Intent a (commitment) because it expresses the commitment from the issuing party..

An LOI serves many purposes, besides documenting the business deal, including the following:

- It is a record of the progress and pre-meditation of the initial negotiations;
- Identifies the need or problem seeking resolution in order to reach a preliminary agreement prior to due diligence(DD).
- Frequently outlines a non shop provision or standstill period during which the seller is precluded from negotiating with other parties;
- Minimizes the waste of time and money by both parties because they cannot reach an agreement on specific terms and conditions of the transaction in the letter, there is

almost zero probability of negotiating the other definitive documents;

- Performs as the cornerstone for the buyer to obtain financing from a lender; and
- Defines timeframes and deadlines to that the transaction can move towards a closing while managing expectations from both parties.

**NOTE:** At the very least, an LOI should address the following three items so that there is no misunderstanding between the buyer and seller at a later date:

- Who is the seller?
- Who is the Buyer?
- What is the form of purchase (asset, commodity, historical asset, etc.)?

The LOI must perfectly line out what is being offered or what is intended. Collecting this document is a professional practice that benefits and protects both you and the client from being misrepresented or misunderstood. When a client wants to hire me for consultation services I ask for a Letter of Intent to prove premeditation and non-solicitation in the event of an audit to the file in the future.

**NOTE:** Know your market! You can't ask for a Letter of Intent if the client is a GOLD buyer for example. You can get into trouble if you solicit incorrectly. Consult with an attorney if you involve yourself in different "things". There are too many moving parts to know it all.

## TRIPPLE I LETTER HEAD

123 ABC St. Denver, CO  
123-456-7891  
CONTACT NAME



**DESIRED PRODUCT**

IRON ORE

**DESIRED QUANTITY**

20 Tonnes

**DESIRED BUDGET**

\$350,000,000

**CONTACT ME AT:**

Landline: 123 456 7890  
Mobile: +123 456 7890  
Address: 123 Anywhere St.,  
Any City, State, Country 12345  
Email: hello@reallygreatsite.com  
www.reallygreatsite.com

**DEAR MR. LOY**

My name is John Smith with Tripple I Investments. We are intending to purchase 20 tonnes of iron ore by the end of the calendar year. We have cash and credit to purchase the goods and would like to use bank instruments to facilitate the deal. I require assistance verifying the goods and finalizing the process. I would like to retain your services starting at \$200,000. Thank you for your consideration and we look forward to hearing from you quickly.

---

**JOHN SMITH CEO**

Tripple i Investments

**HERE ARE A FEW WAYS A LETTER OF INTENT (LOI) CAN BE COMMUNICATED:**

### **1. Deliver in an email body or attachment.**

The most efficient way to receive a LOI is to have the Client send an e-mail and include the verbiage of the Letter of Intent within the Body of the E-mail. This isn't always kosher in every business transaction and will ALWAYS require an email verification of some kind. Be sure that all parties involved in the deal agree to an e-mail format for a LOI. I personally am happy to receive these in an e-mail body and/or attachments as long as the the e-mail delivery and receipt are verified. More on this in chapter 12.

### **2. Delivered by certified mail:**

If the Client prefers or requires Certified Mail for legal process, then this is another option. The address on the mail must match the address on the CIS and must be signed by the person listed on the CIS. As well, the document should be notarized or an attestation should be provided.

### **3. Bank Instrument**

A letter of intent can be sen via SWIFT from the issuing bank to the receiving bank declaring the nature of the preliminary commitment A SWIFT uses international bank cods that identify other banks worldwide.

If you are planning on sending or receiving money from overseas you'll need this code. Even within your own national boarders SWIFT is a safe and secure way to send and receive communication.

It is important to address all the above-mentioned issues so that there is clear process and understanding between both parties prior to the initiation of due diligence and drafting of

the definitive agreements. Following this process will ensure the maximum probability for the transaction being successfully completed and the minimum probability of misunderstanding and re-negotiations between the parties. Poor process and miscommunication is the number one reason deals are not complete and time is wasted. Avoid the headache by starting the process on the right foot.

**TIP:** Practice doesn't make perfect, perfect practice makes perfect.

### **WEBSITE: 30 seconds**

When I got an email from the President I began to wonder...

It was around 11 PM, I had been working late and was binge watching a T.V. series waiting for my next call when I received an email from POTUS. I reluctantly opened up the email and to my disgrace I fell right into a spam trap. Don't be fooled with emails. Be smart about your craft, especially if you work online and remotely. You have to surround yourself with tools that will protect your time and integrity.

Attorneys that deal with high level finance require verifiable emails from the bankers involved in the transaction. What that means is they need the banker to email directly from the bank branch they work at. Not only does it keep communication on an encrypted level it proves the location in which it was sent.

When you have a moment take a break and search on youtube "deepfake" or search deepfake.com which is way more than faking an email. There are several sites that let you send free

fake emails to anyone you like. All you do is enter the recipient's email address, put whatever email address you want it to come from and boom, you are now talking to the President.

**WEBSITE: 30 seconds**

If the client's file includes a business, then the business should have a website listed online. If not, why not? Not everyone is online but, if you are vetting out multi million dollar deals then the client should be able to handle having a website, don't you think?

Look... there have been clients of mine that I've worked with that don't have websites and they have worked out, so you'll need to be the judge if it matters or not. If they have a website it can be a great way to find out more information and then or their business/institution, so get your checklist out. There is a lot of information provided when searching and vetting, but I mainly look at five things. Four of them can be found on [www.whois.net](http://www.whois.net) and the fifth can be found by doing a basic URL search on google, bing or yahoo.

## WHOIS LOOKUP

**google.com is already registered\***

Domain Name: GOOGLE.COM  
 Registry Domain ID: 21619902-DOMAIN\_COM\_VRSN  
 Registrar WHOIS Server: whois.markmonitor.com  
 Registrar URL: http://www.markmonitor.com  
 Update Date: 2019-09-09T15:39:04Z  
 Creation Date: 1997-09-15T04:00:00Z  
 Registrar Abuse Contact Email: abuse@complaints@markmonitor.com  
 Registrar Abuse Contact Phone: +1.2083895740  
 Registrar IANA ID: 292  
 Registrar WHOIS Contact Email: abuse@complaints@markmonitor.com  
 Registrar WHOIS Contact Phone: +1.2083895740

Domain Status: clientDeleteProhibited https://icann.org/epp#clientDeleteProhibited  
 Domain Status: clientTransferProhibited https://icann.org/epp#clientTransferProhibited  
 Domain Status: clientUpdateProhibited https://icann.org/epp#clientUpdateProhibited  
 Domain Status: serverDeleteProhibited https://icann.org/epp#serverDeleteProhibited  
 Domain Status: serverTransferProhibited https://icann.org/epp#serverTransferProhibited  
 Domain Status: serverUpdateProhibited https://icann.org/epp#serverUpdateProhibited

Name Server: NS1.GOOGLE.COM  
 Name Server: NS2.GOOGLE.COM  
 Name Server: NS3.GOOGLE.COM  
 Name Server: NS4.GOOGLE.COM  
 DNSSEC: unsigned  
 URL of the ICANN Whois Inaccuracy Complaint Form: https://www.icann.org/wicf  
 >>> Last update of whois database: 2020-04-14T21:14:59Z <<<

For more information on Whois status codes, please visit https://icann.org/epp

NOTICE: The expiration date displayed in this record is the date the

**DATE CREATED**

**WHO'S THE OWNER**

**CONTACT INFO**

**SERVER IN USE**

**Popular**  
 No Results Found

*Above is a lookup of Google.com made on whois.net*

## Here is a quick checklist that I use to verify websites:

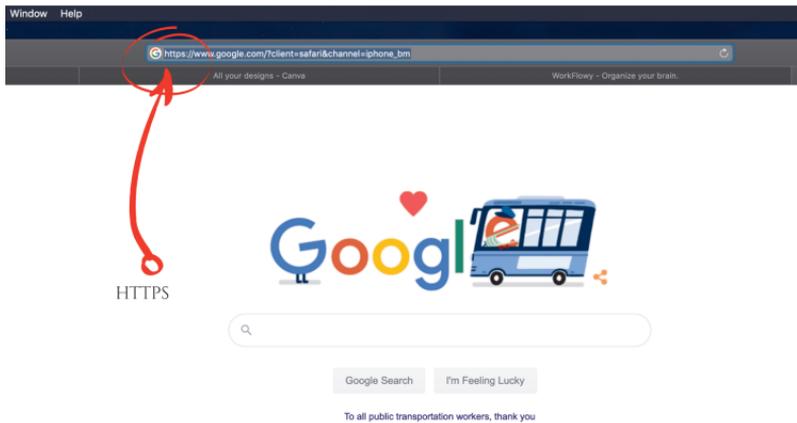
- 1) Name of the owner:** It makes sense for someone to own their own website. If the info on the Letter of Intent is different than what is stated online than this would be worth questioning.
- 2) Contact info:** The business contact info on the site should match the CIS perfectly. There aren't very many reasons I can think of, why the contact info provided on a formal document would be any different than the information found on their website.
- 3) Server Used:** This is the real reason why we look up the website using the WHOIS network. If the email doesn't match the server on the whois.net site, it's often because someone is trying to fake it. Check the server and verify that the SERVER

matches the email verification (see ch. 12 on emails for more).

**Example:** If you receive an email from a banker (im-dave@hsbc.com) and the server doesn't match the bank branch, then they have a bad case of the "fake-a-tie-tis". It's what I tell my kids when they "fake" being sick.

**4) Has the site been owned for over 1 year?:** I've seen a lot of scammers open popup sites to create a narrative. Of course verifying the business registration is the end all but it's a good thing to check and see if it's brand new and if so, why?

**NOTE:** The longer the clients have been established, the easier it will be to get the deal done.

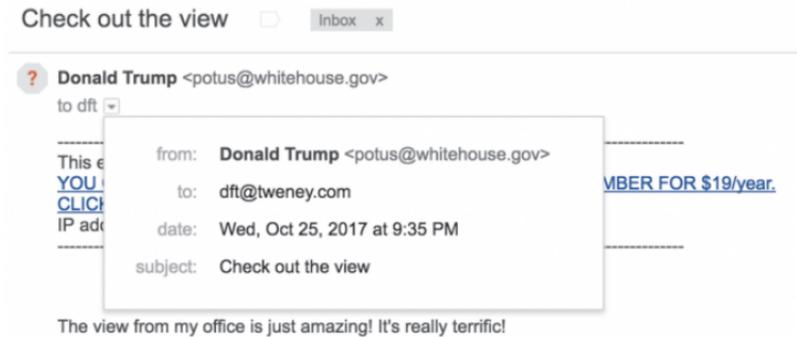


*Check at the top of the page for the (S) at the end of http.*

**5) Is the website secured “http(s)” ?:** Unsecured websites are used to hack information easier. When a website is not secured (http) only, that means that it’s not encrypted. Making it a cesspool for hackers and scammers to leach scappers that gain information and planters that place viruses. These hackers lure people that are working big deals, like in the millions to review their site. Meanwhile, they are hacking your computer and stealing data. This is the last thing you need if you are working high valued files. Think “S” for “Safe”.

### Here’s How They Do It: 30 seconds

Here’s a message using President Trump’s address.



### Command Line

This is an easy scam, all you will need to have is a source that

is set up with mailing services. You can forge a from address with one line. All you need to do is type this:

```
mail -aFrom:whatever@anydomain.com
```

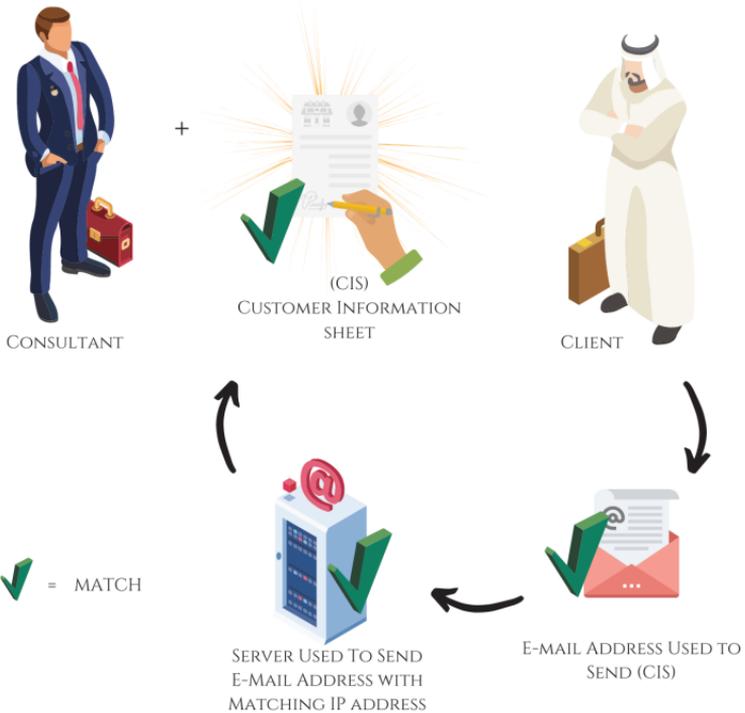
This makes it say “whatever@anydomain.com” in the From field. Type in a subject line and message, press Ctrl-D as soon as you are finished, and your message is sent.

### **and That's it!**

I remember when the email space was reliable and trusting. Some of it's fine but the reality is commands like Unix can hide anyone which makes it tough to vet this out and verify an address. One solution to preventing people from using your domain name is authentication using a standard DMARC. It keeps people from using your domain when it's published to DMARC. This will prevent nearly every server like Yahoo or Gmail from receiving the email. It will block it entirely.

Unfortunately for most URL owners, they haven't taken steps like that and many of them can be easily faked by email scammers with access to a Unix command line or some basic PHP skills. Below are good standard practices to vetting out an email address from a client that is in a different country than you. The email listed on the CIS should be the same as the authenticated email where it is sent from. The client must be required to send the CIS from the address listed on the CIS.

## THE 5 MINUTE DD



### HERE ARE SOME GOOD E-MAIL PRACTICES:

**A) Email verification:** This basically forces the person to opt-in proving that they have control over the email address. E-mail verification can be done with many types of software.

**Here are some companies that offer email verification:**

[www.pandadoc.com](http://www.pandadoc.com)

[www.docusign.com](http://www.docusign.com)

[www.webbula.com](http://www.webbula.com)

**[www.listwisehq.com](http://www.listwisehq.com)**  
**[www.emailistverify.com](http://www.emailistverify.com)**  
**[www.blazeverify.com](http://www.blazeverify.com)**

**B)** The e-mail must be sent directly from the e-mail that is listed on the Customer Information Sheet (CIS). At no point can the e-mail be sent by a different e-mail address. If they refuse to send it directly then this usually means they aren't real or won't be willing to follow process easily. This pre qualification will reveal if you are working directly with the Client or a smoke screen.

**C)** The e-mail must be received directly. At no point can the e-mail be forwarded by a third person. This is a common scam that is created by simple software to make it appear to be the preferred e-mail.

**NOTE:** It's way too easy to fake emails from most sources. Authenticate your emails today!

To learn more about DMARC you can visit [dmarc.org](http://dmarc.org)

## 2

# KYC Compliance

**KYC:** Know your Customer

### **Fulfilling regulatory requirements**

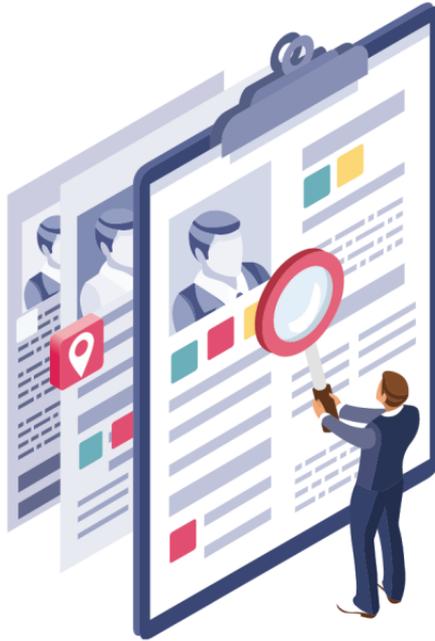
Financial consultants and service companies work in strict and highly regulated markets that hold everyone involved accountable. Know your Customer (KYC) along with, Counter-Terrorist Financing (CTF) and Anti-Money Laundering (AML) regulations are key parts in keeping terrorists, drugs and other shady figures from highjacking the financial system in attempts to launder money.

International authorities closely watch institutions and services providers, especially in the most recent years. The intense oversight from these authorities has surfaced several mistakes and flat out irresponsible decisions that have exposed weaknesses within compliance programs, with these regulating entities fining these big banks with billions of dollars in regulatory fines.

Even with massive fines, these banks and institutions have been put in a position to upgrade their compliance processes.

It seems, at the time, complying to KYC, AML and CTF rules has never been more serious. Just to give you an idea, if you send a file with a KYC inside and the deal fails compliance it forces your organization to file against exacting costs and fines. Not only that but you can bet that it will carry reputation damage as well as a drop in credibility value. Rest assured I will show you how to avoid this from ever happening. Not only is it important to handle clean files it's crucial to offering professional experiences for your customers. According to Deloitte, 38 percent of new banking customers will abandon the account creation process if they find that the onboarding process is taking too long, or requires more information than they are prepared to disclose.

Traditionally, onboarding new customers was a process that was time-consuming, labor-intensive and manual process, that involved departments of people to complete. These are unneeded delays and this type of frustration can be avoided.



## IMPORTANCE OF COMPLIANCE

**It's 2021, approving customers should be a breeze and there's finally a way.**

There have been a multitude of studies conducted within the banking industry that have proven how a seamless onboarding is an important part to building great relationships. If a customer comes to you looking for a solution and you are unable to perform within a reasonable time frame the customer WILL move on. They won't wait for you to figure it out and the number one reason why deals are killed is because of poor due diligence practices. At least 26% of customers, which is a pretty big

number believe that if onboarding is easy they will continue working with you.

Now that legacy companies are digital, creating an online solution for their banking that allowed their clients to start accounts were still slowed down with delays. The clients were still required to show up in person with all of the documentation the bank required to open an account. In person? What is this 1955? As clever as we all may be, if the the client isn't able to travel and open account the second best is for their Power of Attorney to handle the task, which adds more steps to the DD process and takes even longer to complete. Everyone working international banking agrees that AML and KYC verifications should be legit and done well, but not at the cost of the customer.

**TIP:** If you are going to collect KYC's be sure you are able to act fast.

### **Fulfilling regulatory compliance requirements without burdening customers.**

The nature of banking and financial services is changing rapidly; in places like Europe, new market entrants and effective technology companies have been effectively influencing legislative changes like open banking and revised payment services directive that is undoubtedly threatening legacy financial institutions and services.

With today's tools and availability to network on a global scale we are able to give customers an amazing experience without coming off suspicious or unprofessional.

### **Improve your customers experience**



## ONLINE VERIFICATION

Online identity verification is fast, secure, reliable and easy. Manually verifying customers takes way too long and most people that receive KYC's in their email don't even bother verifying the email listed to see if it even works. Hiring an attorney team to vet out a file can take weeks if there are over four people involved.

Be sure that you are working with companies that use online identity verification and that can substantially reduce processing delays by keeping the need for manual verifications to a minimum. This will ensure fast, frictionless onboarding

for greater customer satisfaction, increased conversion rates, reduced false negatives and increased repeat business

## **Fraud prevention**



FRAUD PREVENTION

In most cases and I mean most, fraud is found after the fact. Preventing it indeed is the operative word because it's normally too late. By using identity verification solutions at the beginning of the customer onboarding process, organizations can know

precisely who the customer is and gain a better understanding of the risks that they pose.

Getting your customer onboarded and passed through due diligence is the first step to a successful close and long term lifestyle.

**Build a layer of trust with your customers**



BUILD TRUST

Everyone knows about identity theft and the upsell insurance

everyone offers for it. Consumers have become keenly aware of this issue and data breaches as a result of extensive media coverage. Most successful companies that adhere to strict regulatory compliance requirements like AML/KYC and use reliable IDV solutions prove trustworthy and you can allow yourself the opportunity to becoming successfully prequalified by your client.

### **Using IDV service providers and the Ease of use**



IDV SERVICE

When you come to terms and decide to permanently use an IDV service provider, it is most important to consider the influence on your business. There should be minimal disruption of current business operations. Much like using an app on your phone it should be addition to your tools not a system that requires you to adapt to it. If able, using APIs and batch processing is known to be the best type of integration option.

If you aren't an institution then you will have the option of using a 3rd party provider that can charge a fee per file that is submitted within their system.

**Enable rapid and easy expansion into foreign markets**



## FOREIGN MARKETS

We don't need to wait years to grow into foreign markets. If you use the right online ID verification provider you will have access to global coverage. This will allow you to vet out your customers in nearly every market around the world, and is easy to handle difficulties around cross-border regulation compliance.

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## KYB Compliance

**KYB:** Know Your Business

### **Intro**

KYB compliance is designed for customers that are representing a business of any kind (LLC, Inc, Ltd, Public, etc.). The idea of KYB is to know who all of the parties are that make up the business. When multiple shareholders or stakeholders are listed then you will be required to know who is who and bring proof of who is really in charge. The KYB process requires a level of expert dd that is designed by complex control policies, corporate governance, and compliance with national regulations. It's also important to identify and verify third parties involved mainly due to the fact that they are considered a risk because they can take advantage of business structures that allows room for "questionable business." If you don't do a good job with DD, it can yield unknowing involvement with terrorist financing, laundering, fraud and other nefarious business practices.

Just the perception of engaging in nefarious business practices can have a negative impact on a company's brand or reputation.

Don't be naive either, unintentional association with malicious actors can result in fines and other sanctions as well. Along side these business consequences, poor KYB procedures can have regulatory ramifications.

**Note:** Most private files are not listed under an individual name rather a business. These types of files require expert assistance for the deal to finalize.

Today free market dynamics provoke private businesses to seek attention on making profits while national governments codify legislation to maximize the chance that the business landscape is fair for all participants. This game of back and forth has motivated companies to think outside the box with innovative corporate structures from nominee shareholders, to dual ownership and trusts, to the use of shell corporations to gain a competitive advantage through tax avoidance schemes, leverage government subsidiaries, and to enter restricted markets. For these reasons, identifying the overarching ownership of a company can be very challenging and should be a service that is paid for prior to starting any practice or service.

Over the last two decades, the requirement to know what business you are ultimately transacting with has greatly increased. There are three main focuses and they are:

**Online Globalization:** The online Globalization has sky rocketed the number of cross-border relationships, creating more sophisticated opportunities to exploit potential advantages of their business's operations.



## ONLINE GLOBALIZATION

**Press Release:** Press Releases and news stories uncovered a series of nefarious and illegal activities being covered up by complex business structures. [1][2]



## PRESS AND NEWS

**Enforcement:** Increased enforcement of national governments and trade organization regulations to combat money laundering and terrorist financing.



## NATIONAL GOVERNMENT REGULATIONS

As a result, these developments have regulators and the public demanding that companies clearly prove who they are before transacting with at a business or entity level. Sounds reasonable enough right? So you have to ask yourself, have you been running your opportunities through DD properly? If not, why not? None of your deals will go down if they don't pass DD. You would think it would be the first thing we handle on our pre-qual list, but in most cases it's not. Most private files are shopped around like a drop shipment that was purchased through a chain of suppliers.

However, if you are working with a real client then they always

play nice, especially if you have something they need or want. Once you identify the owner, those markers are known as the Ultimate Beneficial Owner (UBO) - sometimes referred to as Persons of Significant Control (PSC).

### **What is due diligence for business and why is it necessary?**

If you are working with a customer that requires funds to be involved in completing their deal then you need to know who they are and collect proof to why you believe you know who they are. Once you have collected the required documentation and information proving their existence and ownership, you have your alibi and can move forward.

To collect all of the required information you must create and implement robust KYB policies and procedures with a risk-based due diligence approach.

A risk-based KYB approach agrees that low-risk transactions should not require the same level of due diligence as that of high-risk transactions. Risk assessment strategies are constructed to identify high-risk transactions and/or profiles to inform a company of potential risks that they ought to subsequently plan for. Also, risk methods can vary by industry and country.

The first step is to perform CDD. This is the process of gathering relevant data attributes to distinguish and verify the identity of third parties with which a company transacts.

Typical CDD information may include but is not limited to:

1. Company name
2. Corporate address
3. Full list of key management
4. Business registration number
5. Personnel telephone number

6. Date of incorporation
7. Data to identify and verify UBOS

When you have collected this information an evaluation should be performed to find out if there is risk to the deal. If the risk is low it's easier, if it's higher, then you will be required to collect more information. That additional information required will depend on the institutions and governments you are dealing with. When a deeper level of DD is required it is call "Enhanced Due Diligence" (EDD). Avoid this if possible, however, most private wealth agreements that involve transactions like MT103-202 or private placements will require them everytime. So if that is you, just get use to it, because it's only getting harder.

EDD criteria will be company specific, but from time to time you may get a politically exposed persons (PEPs), their family members, people deemed to be close associates, and correspondent banking relationships with shell banks. EDD measures require collecting additional information to provide a deeper understanding of a customer or business activity to mitigate associated risks.

**EDD includes but is not limited to:**

1. Additional information about a customer.
2. Additional information on the intended nature of the business relationship.
3. Information on the source of funds or source of wealth of the customer.
4. Information about the reasons for the intended or performed transactions.
5. Approval from senior management in order to establish or

continue the relationship.

6. Enhanced monitoring of the relationship.

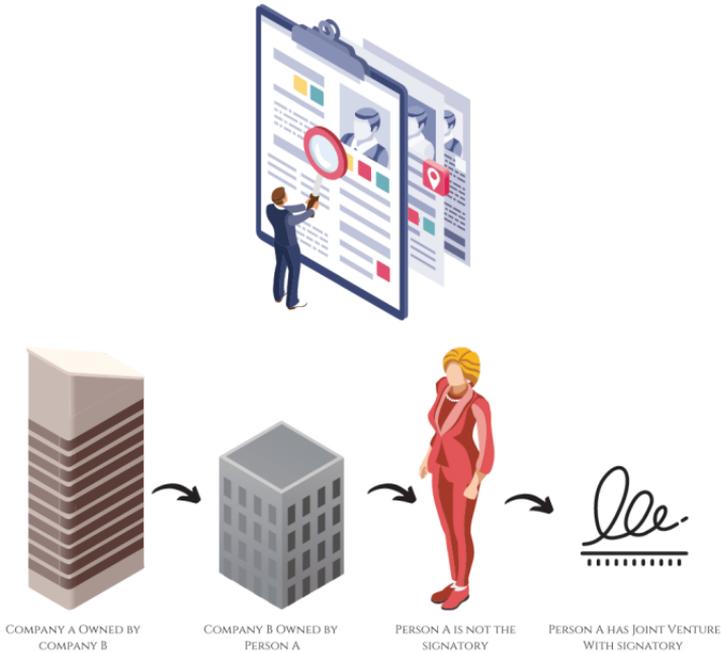
Additionally, identifying and evaluating a UBO is an important step in completing EDD. This process is also known as Know Your Customer's Customer (KYCC). The definition of the UBO is country and industry specific, but commonly is determined by percent of ownership.

**Identifying UBOs can be particularly challenging for several reasons:**

**Complex ownership structures**

Companies often have multiple levels of ownership and even use other companies or business structures to increase the number of entities that need to be verified.

## KYB COMPLIANCE



## COMPLEX OWNERSHIP

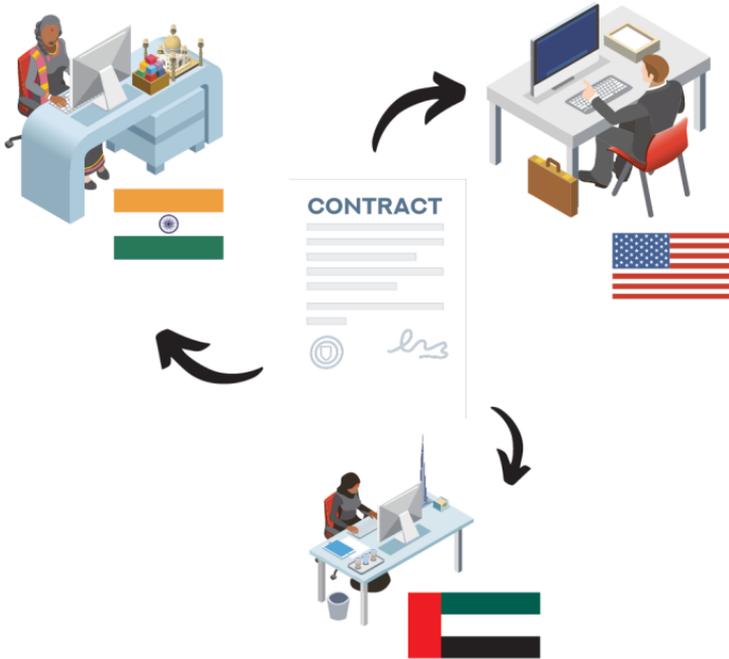
### **False declarations**

Declarations of ownership by account holders can be found to be false or misrepresented. Before investing time and energy with an opportunity you should be included to determine the risks of the transaction.

### **Multiple jurisdictions**

In addition to having more than one level of ownership, the owners themselves - or shell companies - may be located in disparate jurisdictions, often in tax havens such as Panama or the Cayman Islands. Rules and legislations vary by jurisdiction,

and some companies may not have the ability or the expertise to identify the UBO effectively or implement adequate controls.



### MULTIPLE JURISDICTIONS

#### Limited or missing information

Every country has different laws and regulations that influence the documentation required to verify businesses. When dealing with offshore jurisdictions it's possible that you will have NO shareholding information available. These type of challenges can amplify when lacking the right resources. If you don't have the knowledge, expertise or resources to find out

about these types of things, then it's nearly impossible to do it right and you can bet your commission you will be circumvented, cause chances are, you aren't dealing with the actual owner of the funds and this would be why they are taking you through the ringer and waster your time getting something for nothing.

Handling KYB compliance is hard but it's paramount to closing a deal. If it doesn't vet it won't close. Shouldn't it be the first thing that you check off the list? Let's not be coy, complex business structures have been leveraged by heads of state, wealthy business owners, terrorist organizations, arms dealers, and countries to obscure the nature of their transactions. In 2015, the publication of the Panama Papers exposed the dangers that complex business structures can have.

The Panama Papers are a compilation of 11.5 million documents detailing specific financial and contractual dealings across more than 214,488 offshore entities[3]. Included in the Papers was substantial evidence illuminating intricate tax haven structures world leaders were leveraging to evade paying taxes, as well as evidence of arm dealings, terrorist financing, and money laundering. Complex company structures, a product of leveraging technical legal loopholes, enabled these transactions. Moreover, a lack of due diligence or available information was the main reason many of these bad actors were able to conduct business with well-intentioned to Screen institutions and evade detection for so long.

### **How to perform business verification and emerging opportunities through ELDV**

Due to these robust regulatory requirements - coupled with consumer demands for ethical business practices - companies are increasingly prioritizing digital identity solutions that will

help identify and verify UBOS.

**The traditional process of identifying a UBO is:**

1. During the account opening process, require the point of contact to provide basic CDD requirements to identify and verify the parent organization with which a company is transacting with.
2. For higher levels of assurance, obtain a copy of shareholder disclosures to analyze for potential UBOs. If there are shell or holding companies included, the shareholder information for each one of them ought to be obtained as well
3. Perform necessary due diligence over identified UBOs depending on country, industry, and internal requirements.
4. Manually, this process is complicated, time consuming, and expensive.

Due to the lack of professionalism and inadequacy, new electronic identity verification platforms (eIDV) have been created to automate CDD and EDD requirements. These programs use analytics, machine learning, and other data-driven approaches to help solve the challenges associated with beneficial ownership identification. Companies can integrate eIDV platforms into their systems also, program unique rulesets, and customize unique parameter requirements, to efficiently identify a new account. This allows them to vet out specific information that may be more suitable to the solutions that are offering their customers.

The digital process is fairly easy to understand. How they verify the identity is that they work with these automated platforms

that reconcile the details against aggregated data set from open or paid API access to company registers, eIDV platforms offer account owners a secure and seamless experience, while enabling companies to cost-effectively meet various regulatory standards and mitigate the imposed risks of knowing UBOS.

## AML Compliance

### AML: Anti-money laundering

AML refers to the laws, regulations and procedures that were created to prevent criminals from hiding illegally obtained funds and making them seem as legitimate income. Though anti-money laundering laws cover a limited types of transactions and behavior, their implications are pretty far-reaching. For example, AML regulations require banks and institutions that issue credit or accept customer deposits to follow rules that ensure they are not aiding money-laundering.



## ANTI MONEY LAUNDERING

### How Anti Money Laundering Works

AML laws and regulations are triggered by specific activities including market manipulation, trade in illegal goods, corruption of public funds and tax evasion.

Criminals typically have to launder money they obtain through illegal acts such as drug trafficking so the funds cannot be easily traced back to them. One way they do this is by running the money through a legitimate cash-based business owned by the criminal organization(s). The front business deposits the

money, which the criminals can then withdraw.

Money launderers can also just sneak the money into foreign countries and then deposit the funds into a bank account when they get there. They do this successfully by depositing in smaller increments to avoid arousing suspicion, or use illicit cash to buy other cash instruments. Launderers will sometimes create a fake investment for the money, using honest brokers in return for large commissions.

One rule in place is the AML holding period, which requires deposits to remain in an account for a minimum of five trading days. This holding period is intended to help in anti-money laundering and risk management.

## MONEY LAUNDERING EXAMPLES



DRUG TRAFFICKING



SNEAKING MONEY INTO FOREIGN COUNTRIES



CASH BUSINESSES AND TAX EVASION

### Reporting Suspicious Activity

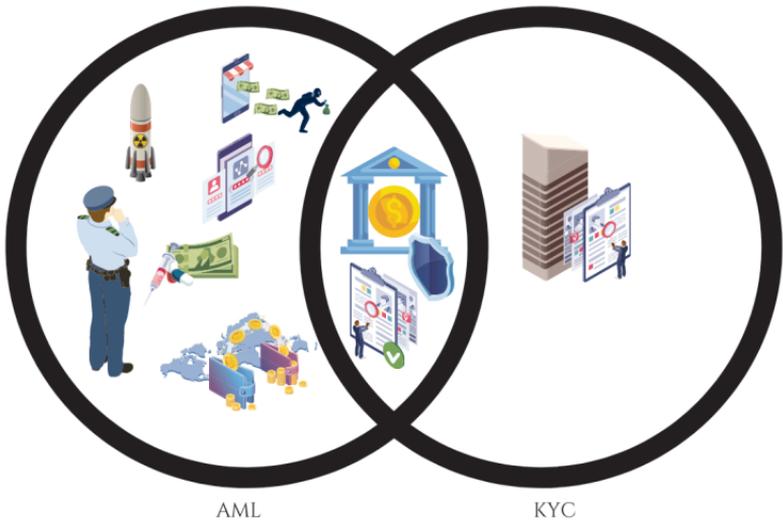
It's the responsibility of the financial institutions to monitor customer deposits and other transactions. They are there to ensure they aren't part of a money-laundering scheme. The banks have to verify the origin of large sums as well, this is why in most files, an attestation of the origination of funds is required. They also monitor suspicious activities, and report cash transactions exceeding \$10,000.<sup>2</sup> In addition to complying with AML laws, financial institutions must ensure clients are

aware of them.

When law enforcement gets involved you can be assured they will scrutinize records in search for inconsistencies or suspicious behaviour. Today's regulations require that extensive records be kept on nearly every large financial transaction. They do this in the event of law enforcement needing a paper trail in the future such as robbery, embezzlement or larceny.

### AML vs. KYC

Even though they are nearly the same the main difference is that the KYC rules are for institutions that are required to verify customers. AML is much more broad, they are additional steps that institutions take to prevent and fight money laundering, terrorism financing and other financial crimes. They are both used by banks for compliance to maintain secure processes.



## AML vs. KYC

### History of Anti Money Laundering

AML task forces increased around the world in 1989, when a small group of countries and organizations formed what is called the Financial Action Task Force (FATF). Their mission is to devise international standards to prevent money laundering and promote their practices. In October 2001, following the 9/11 terrorist attacks, FATF grew even larger to include combating terrorist financing.<sup>5</sup>

Another important organization in the fight against money

laundering is the International Monetary Fund (IMF). Like the FATF, the IMF has pressed its 189 member countries to comply with international standards to thwart terrorist financing.<sup>6</sup>

### **Europe's 4th AML directive**

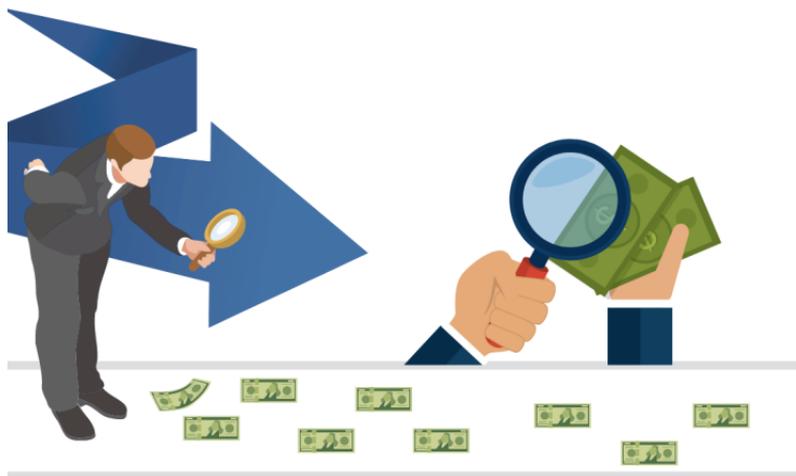
Europe's 4th Anti-Money Laundering Directive (4AMLD) began in June of 2015 and was fully operational on June 26, 2017.

The key points of the updated reform are:

- Implementation of a risk-based approach for Customer Due Diligence (CDD)
- Increased requirements to prove and understand beneficial ownership
- Strengthened ability of governing agencies to impose and uphold sanctions

### **Global regulatory trends**

Governments have grown tired of companies exploiting technical loopholes to gain an unfair advantage of the system, or even worse, enact harm on citizens. As such, national governments - namely the European Union and the United States - have responded in recent years with more robust regulatory regimes aimed at mitigating these risks.



## FOLLOW THE MONEY TRAIL

### **Beneficial ownership**

The beneficial ownership is located and defined in 4AMLD as “any natural person(s) who ultimately owns or controls the customer and/or the natural person(s) on whose behalf a transaction or activity is being conducted and includes at least.” As it relates to corporate entities, controlling interest is defined by 25 percent and one share of ownership interest, with the caveat that member states have the ability to adjust the definition of ownership based on specific legal criteria.

4AMLD also inhibits the onus on member states to hold all

legal docs regarding company incorporation and ownership in a repository that is central. This database must be accessible to Financial Intelligence Units (“FIU”), entities required to perform KYC/KYB and other authorities. Also keep in mind that the register’s structure, the sending and receiving of data, and what data is available has to be compliant with the latest member state data privacy laws and like anything else, is susceptible to a fee.

This central repository allows parties to investigate beneficial ownership relationships across the EU and make it easier to analyse business relationships to streamline CDD and EDD. Finally a way to pre-qualify before meeting at the table empty handed.

### **Increased sanctions**

The success of AML regulations depends on the participation of companies within the system. To ensure participation in 4AMLD, the European Commission has created more aggressive sanctions for non-compliance users. As an example, the max penalty for systemic failure to adhere to 4AMLD could result in a fine valued at twice the amount of the benefit derived, or at least €1,000,000 (USD \$1,163,650.00) [6]. For credit and financial institutions this penalty is €5,000,000 (USD \$5,818,900.00) or 10% of annual turnover. The European Commission takes a very serious approach to these challenges, noting the vast abuse of the system for tax evasion means, terrorist financing plots, and money laundering schemes.

### **FinCEN’S CDD final rule**

On July 11th, 2016, the U.S. Financial Crimes Enforcement Network (FinCEN) created a final rule under the Bank Secrecy Act to

govern customer due diligence requirements, with compliance required by May 11, 2018. All of the players covered by these new rules are banks, brokers or dealers in securities, mutual funds, and futures commission merchants and introducing brokers in commodities.

The rules contain explicit CDD requirements standards and include a new requirement to identify and verify the identity of beneficial owners of legal entity customers (subject to certain exclusions and exemptions).

**FinCEN states four core elements to CDD, which include:**

1. Customer identification and verification
2. Ongoing monitoring for reporting of suspicious transactions and, on a risk-basis, maintaining and updating customer information
3. Beneficial ownership identification and verification
4. Understanding the nature and purpose of customer relationships in order to develop a customer profile

Something else to consider, FinCEN insists that these EDD requirements are critical for reasons of national security and in supporting criminal investigations. The availability of beneficial ownership information enables financial institutions, law enforcement, and the intelligence community to found out crucial information about the assets and accounts of terrorist organizations, corrupt actors, money launderers, drug kingpins, proliferators of weapons of mass destruction, and other national security threats. Not only that, but FinCEN is intended to promote consistency of CDD - implementation, risk mitigation, and regulatory enforcement - across the financial sector.

## Repercussions of non-compliance

Failure to properly identify and verify the business you are transacting with can lead to serious damage to a company's brand, corporate reputation, fraud, and can result in significant fines.

1. **Brand integrity and corporate reputation:** Evidence of fraud or other corrupt activity discovered by regulators or from an external audit would negatively affect a company's brand and reputation. More likely than not, this news would affect supplier and investor relations, as well as business partnerships, both current and future. Furthermore, the modern consumer is more informed than they have ever been before. As such, they demand a high ethical standard from the institutions, financial or otherwise, that they interact with. Consumers would be less likely to transact with a brand that is associated with these types of activities.
2. **Fines and other penalties:** As evident through 4AMLD, governments around the world are beginning to institute more expensive fines and penalties for non-compliance. Companies and individuals have proven what they are capable of, with the Panama Papers, and governments are taking a more aggressive stance in combating these activities.
3. **Fraud:** Fraudulent activities can lead to the misrepresentation of a company's financial performance to its stakeholders. This occurrence can result in either felony charges – jail time, fines, probation – or civil penalties – restitution requirements, or even more severe financial ramifications, Clearly, the consequences of poor identification and ver-

ification protocols for client businesses and UBOs have serious repercussions.

## Mobile Processes

### **Mobile ID**

With today's consumers being mobile with smartphones reaching over 80 percent as the first choice in communication it's apparently clear that we need a process that can be adopted with nothing more than a mobile phone. But does it exist? In order for Bluhe Shire™ to do business with thin-file customers in developed and developing markets we had to partner with over 20 of the world's largest mobile network operators (MNOs) and take advantage of reliable and trusted data sources available with big data companies.

There are only a few international Mobile KYC solutions available and the solutions that are currently out there should offer access to MNO data with enhanced coverage and convenience for identity matching, fraud prevention, compliance requirements, proximity location, device information, and call forwarding statuses.

1. Deliver a secured and user friendly experience
2. Onboard new customers instantly without receiving out-

dated and useless forms.

3. Automate complex checks and workflows to keep your customer on track
4. Streamline your AML/KYC compliance processes by keeping everything in one place
5. Verify 5 billion customers, including 1.8 billion mobile users, in 195+ countries with MNO.
6. You should have 1 contract, 1 API, 1 solution, to assist with all your due diligence and compliance needs

## FACIAL RECOGNITION



### The future of identity is mobile ID Here's why:

1. Mobile processes add trust that enhances your verification and fraud prevention processes
2. You can verify 1.8 billion mobile users across major markets
3. It's powered by reliable MNO data

4. It's fully integrated into the world's largest Mobile Network Operators (MNOS)
5. Able to combine network carrier data with existing KYC compliant sources
6. Able to access and validate hard-to-reach consumers

### **MobileID adds a layer of trust and convenience.**

With Mobile ID processes available risk of fraud is reduced and improvement to customer experience increases. Many online companies offer these types of solutions and are available to anyone capable of subscribing. Blue Shire™ has partners with dozens of the world's largest Mobile Network Operators (MNOs) to strengthen an already robust suite of trusted data sources available on identity verification platforms. As long as the service provider is networking with MNOs you will be prepared to onboard with MobileID.

MNO data is offered through multiple carriers within the marketplace of identity services. Together with hundreds of independent consumer data sources – such as credit, government, consumer files, public records and banking – MNO data provides an additional layer of verification during customer onboarding.

### **Reduce the risk of fraud**

In North American, European, and Asia-Pacific countries, nearly 80% of mobile phone users access the internet on their phone. Mobile has a greater reach than any other technology, and smartphones account for over half of total connections globally (5.1 billion smartphone connections).

High mobile use presents a great opportunity for businesses during their customer onboarding process. They can reduce

fraud by immediately verifying their customers using MNO data.

### **The future of KYC is mobile ID**

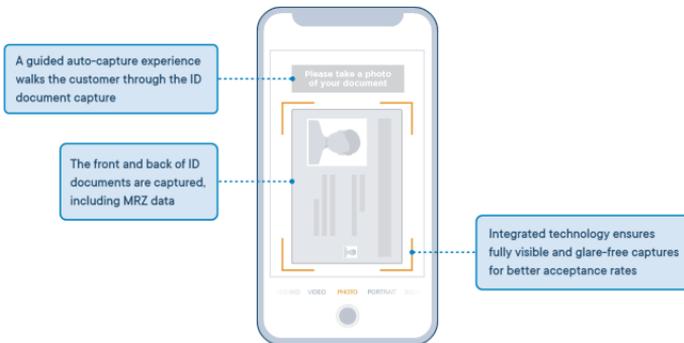
The insights that MNO data offers into fraud sets itself apart from regular KYC sources. Businesses can now confirm client data and receive a risk audit on the customer at the same time. For example, if a customer's personally identifiable information (PII) doesn't match with the mobile number they provide, that can raise concern to identity fraud.

The cool part about MobileID is that even without PII, MobileID processes can still return data about the mobile phone number in appended fields:

1. **Operator:** Premium carriers often demand a certain level of individual credibility before offering long term plans. If the individual is with a premium carrier, it is safe to assume a base level of credit worthiness.
2. **Phone Contract Type:** This field returns a Prepaid or Postpaid status. Prepaid can be a warning of potential fraud or financial instability in the customer.
3. **Phone Contract Status:** To reduce the risk of fraud and ensure data accuracy, businesses should only onboard those with active plans.
4. **Phone Type:** This field returns the type of phone line, such as Fixed, Mobile, Premium/Restricted, or VOIP. Avoiding Premium numbers is valuable for businesses that have to call customers during onboarding, since calls to Premium numbers can incur additional costs.
5. **Mobile risk score:** Businesses can also use GlobalGateway MobileID to identify riskier telephone transactions. The

Mobile Risk Score source takes up to three phone numbers per transaction and returns a reputation score for each phone number. The mobile risk score is based on phone number intelligence, traffic patterns, machine learning and a global data consortium.

6. **SIM swap fraud detection:** SIM swap fraud detection helps you determine whether or not the SIM card associated with a phone number has been swapped and if so, at what point. Using qualitative and quantitative measures, GlobalGateway evaluates the likelihood that the SIM swap was done for a fraudulent transaction. The information returned in the response includes:
  7. **RiskLevel:** this field indicates level of risk associated with the SIM swap being carried out for fraudulent reasons
  8. **RiskDescription:** this field returns the timeline for when the SIM swap occurred
  9. **MobileSimSwapDate** - this field returns the exact date and time of SIM swap



Vet out a potential customer in minutes.

When you are someone like a private consultant you can get overwhelmed with opportunity and some files can take up a lot of time trying to structure only to find out that the deal isn't going to perform because you didn't check to see if the client was real or not. If you are going to verify ID documents online then it needs to be done quickly and it needs to be precise. You can do this by using intuitive image capture and automated verification technology. It can allow you to onboard legitimate customers quickly and securely.

If you are working with customers that are familiar with private placement programs then you will need to be an expert at ID document verification which also means having the confidence that you're catching forged, expired and stolen IDs before they can be used to commit fraud.

And when you have customers all over the world, you need a solution or professional that can do it for you. ID documents change from place to place and there's one thing that does not. That is the customers expectations and attitudes toward privacy, speed and security. If you are taking in your customers information and sending it in an email, stop. There are services online that connect you to a network of identity verification services to offer the most comprehensive global coverage for ID document verification. We can now capture, analyze and authenticate over 4,200 types of identity documents for customers in nearly every country with new technology open and available for us to use.

Here's how we Bluhe Shire runs effective document checks on a global scale.

1. Customers use guided prompts to capture images of ID documents using a mobile device or high-quality webcam:

- Driver's licenses
- Passports
- Identity cards
- Resident permits
- Voter ID cards

2.The images are authenticated through a global network of document verification services, leveraging artificial intelligence and machine learning.

3.Customers can also submit a selfie, which is checked for liveness and compared to the image on their ID to make sure it belongs to them.

4.Onboard is verified with customers with confidence.

**Fun Fact:** According to consumer research in the U.S. and UK, 85% of customers say they feel safer when online sites want to verify their identity.

## 6

### Bankers

#### **A bank came up for sale in New Zealand and so I said, why not?**

It was a smaller bank with zero debt and physical locations. I liked small banks and credit unions, most of the small and mid sized banks hustle paper for the big guys anyways so you have to look at the smaller banks like an affiliate or partner. Yeah, not special, just easy. The money that is used for any type of funding comes from a line of credit that normally comes from a bigger bank or large private security grade paper and small percentages of each transaction is paid as profit share.

A common professional who takes advantage of arbitrated monies are mortgage brokers. They find someone that needs money for a house, they match that person up with the best fitted lender and the lender then pays him a percentage of the borrowed monies. The mortgage broker never lends his own money, in fact, most banks don't either. This is what is called a white label. White label is when one company will produce the goods or services (Company A) and another company will sell

the goods or services to the public (Company B) and the public doesn't see (Company A) they only see they are doing business with (Company B). In a banking transaction **(Company A)** is the Issuing Bank otherwise known as the sender, **(Company B)** is called the Corresponding Bank **(Company B)** and the Party receiving the funds is the Receiving Bank

### **So how do you know which banks have money and which banks are white labeled?**

Most people who work in high level finance or trade finance live by the 100 rule. Which is to work with the top 100 banks only. This is a nice standard, until you're working with HSBC for instance. You see, the ranking of the bank only matters when it's in the right location. HSBC in London has a far better ranking today than the HSBC location out of Hong Kong. A lower ranking doesn't keep transactions from happening it's just easier with a higher ranking.

This is why I suggest working with the 59 registered security companies listed on Freddie Mac & Fannie Mae including their subsidiaries. Yes, I work with minor banks in places like Thailand, Philippines, New Zealand, or Switzerland. While working private trade deals I quickly learned the people running the banks have a job to do. Their job is to limit risk and make money for the bank. If you speak with the CEO of banks, to get deals done, then I suggest you offer them solutions that will onboard clients to their bank. In return they may offer customized deals specifically to you.

For reassurance, I normally ask for a "back screen." A back screen is a login on the back end of their secured website that shows all of their monies, insurances, licenses and everything

you would need to know if you were someone like a stockholder.

**NOTE:** These banks commonly offer this “back screen” to investors or buyers allowing the investors to review the bank credentials to see if they are good fit.

This back screen login is commonly used between bank to bank and bank to high profile clients. If this type of relationship hasn't been established yet, then looking up the banks public credentials online will have to do.

Your deal can be a slippery slope if your client doesn't have a relationship with their bank or banker. It's always better to have clients who have a healthy texting or email relationship with bankers. That way they are able to communicate with them anytime and trust has already been established.

When working with Bank instruments or specifically a Ready Willing and Able (RWA) instrument, you will need to have 2 banker business cards provided to you. The cards must be a picture of the physical card without edits or blemishes. The address on the card should be the same address listed on the business registration from the office in which they perform. All numbers, emails and people listed on the cards should be working ways of contacting them and they should be able to respond if contacted. Too many deals die at the bank simply because the bankers don't communicate. If the bankers won't talk to you now, what makes you think they will talk to you later. If communication with the banker is dead, then the deal is dead.



Another step that we have adopted in the perfect process is an initial communication with the banker proving their cooperation. You aren't asking for a Ready Willing and Able (RWA) to be signed in wet blue ink just yet, you are just confirming, over the phone or in an email, that they will do what the client is trying to do. If the client is trying to buy something overseas and wants to use SWIFT to complete the transaction for example, then you will want to confirm, with the banker, that the client's account

has the capacity to deliver.

**Example of confirming cooperation:**

**Client** “Hello Mr. Banker, can I use SWIFT with my account?”

**Banker** “of course! what are you trying to do?”

**Client** “I can’t go into details yet, just need to know what my options are. If I wanted to do a private transaction and deliver the funds via SWIFT is that possible?”

**Banker** “yes, you can use several options on your account but you are limited to a few. You can use MT760, MT103, MT110, and MT199 and MT799 of course.”

**Client** “That sounds great, do I have any limitations on the amount I can send?”

**Banker** “Your account is insured for up to fifty million USD.”

**Client** “if I need more than that can I increase my insurance?”

**Banker** “yes, you can increase your account up to five billion USD.”

**Client** “okay, and are there any fees charged by the bank for me to do something like this?”

**Banker** “yes, it will depend on the SWIFT you use but worse case scenario would be two percent of the total amount in use.”

**Client** “great, thank you Mr. Banker I’ll be circling back on this shortly.”

I suggest having this conversation over email so that the confirmation given by the banker is recorded. This gives the client leverage in the event of the bank going south on the plan. Not only that, but the client will have a clear expectation of the banking fees required and will be able to make decisions to move forward.

**TIP:** You must work directly with the banker to get the deal done.

## Proving Funds & Products

### **Proof of Funds (POF)**

What do you do if someone tells you they have Proof of Funds (POF)? How do you collect that proof right then and there? It's a pretty big step in the process and too many people work for free without verifying that the client has the funds to perform. So when this happens you need to be able to figure it out and quickly.

Here are a few processes and sources to receiving Proof of Funds (POF). There are relaxed ways of receiving POF like a tear sheet of an account statement or screen shot of the bank account. These "lazy" methods are not explained here because I don't believe they are legitimate ways to Prove Funds. Documents can be edited in a matter of minutes. Be sure you have adequate confidence before spending any time if the client only offers you "lazy" methods of proving funds. They must prove to you that they can perform before continuing your relationship further.

### **Proof of Product (POP)**

Proof of product is a pretty big deal and too many people work for free without verifying that their client has the ability to perform. There are a few ways and sources to obtain Proof of Product (POP). Some ways of obtaining POP like reports or Full Corporate Offers are not explained here because they are not considered real ways of proving product. Documents can be edited in a matter of minutes, be sure you have adequate confidence before spending time with your client. Make sure they can prove to you that they are able perform before continuing your relationship.

### **1) Attestations**

Attestation work for proof of product if the attestation is provided by an attorney group that is located in a country where they are held accountable. An Attorney Attestation is a formal document attesting to their witness on behalf of their client and are willing to put their license on the line for it. It sounds nice, but like I mentioned earlier, it only matters when you're in a country where the attorney can be held accountable. The attorney can attest to anything their clients ask them to attest to, so be clever and make sure that the verbiage of the attestation includes "irrefutable evidence" as proof that the attorney has "seen" enough evidence of proof of product, that if called upon in court it would be classified as irrefutable evidence.

**NOTE:** Be careful with attestations. Attorneys can have expert knowledge in several markets but scammers use naive victims. A scammer can hire any attorney they want and give the attorney enough made up documents as proof of product. Again, to me, there's too much loosey goosey so it's not my first pick.

## PROVING FUNDS & PRODUCTS



### 2) Safe Keeping Receipt

Safe Keeping Receipts (SKR) are great when proving products held with a safe keeping company. An entity that provides safe keeping services provides real estate for anything that needs locked inside a vault. Some companies are sealed underground and some have security guards with automatic weapons. A Safe Keeping Receipt (SKR) is a Receipt from the Keepers of the Safe that attest to the existence of the claimed items that are held as well as physical security and insurances in the event of a loss.

When someone says they have assets in an SKR it means

there's something of value like a pile of gold or bag of diamonds in a vault somewhere that is insured and is being kept by the safe keeping company who is charged with keeping it safe and still.

With SKR's you must start with vetting out the company who is holding the product in their vault or safe. The safe keeping company is only held responsible for the loss of the physical item itself and applies insurances based on the clients needs. What this means is that when a someone with a bar of gold goes to a safe keeping company and tells them to keep the gold in their safe they will but it does not mean they attest to the validity. Instead the client instructs the safe keeping company on what they are storing and the size of the insurance policy placed on the item in the event of a loss. This results in the safe keeping company remaining off the hook in the event of the product in safe keeping being fake or diluted in any way.

It's imperative to send a real person to verify the products and review all items one by one is the true nature of safe keeping. After the product or item has been verified at the vault you can proceed working with the product and establish verifiable documents reinforcing your claim.

Sometimes products require multiple professionals or consultants in order to move forward in confidence. If this is the case, make sure you have quoted your client the correct expenses and include everyone you might need involved to get the deal done. Consultants in the gems and precious metals market charge anywhere from \$10,000 - \$100,000 to vet and verify high end or luxury items.

**TIP:** Insurance can be placed on most value within an SKR that can be monetized without having to remove the product or item

out of the vault.

Safe Keeping Receipts (SKR) are for the Elite players. They can take time to create and can be costly to manage. But in the end can be worth it. If the client is proving funds via SKR then that means there is a pile of cash in a vault somewhere. Same as proving products you must start with vetting out the company holding the vault. If anything on the deal defaults then it's not on the safe keeping company. For this reason the best course of action is to send a real person to verify the funds and count each pallet of cash, one by one. Once money is counted and verified by a third party then you can proceed to working with the funds.



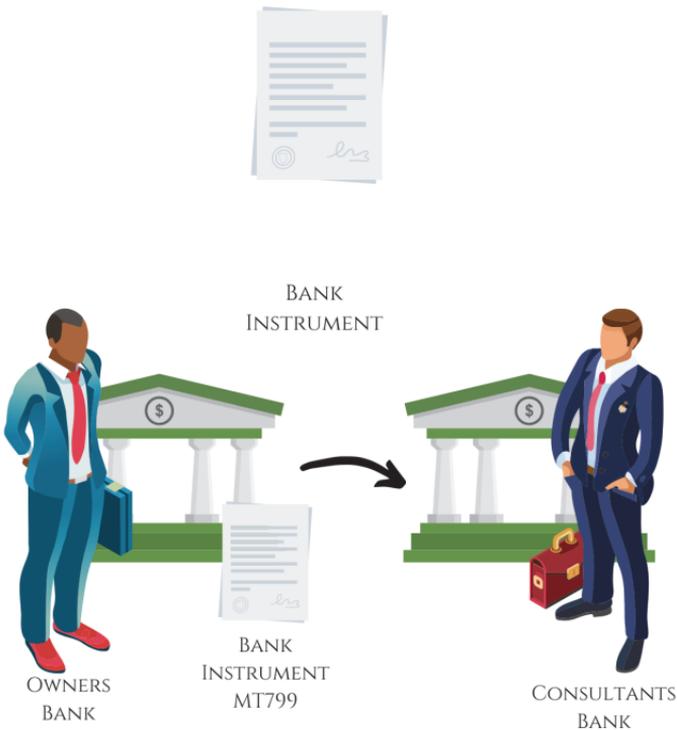
### 3) Bank Instrument

Saving the best for last! Bank Instruments are quick, reliable and easy. Always ask for a bank instrument to be sent to your banker to prove product and/or funds if possible. If they won't do it for you now, they won't do it for you later. It's not a deal breaker, it's just easier to trust good process that lead to transaction rather than buying something from a stranger on craigslist. By including a bank into the deal it brings additional value and reliability to the table.

It's a big deal if they can verify the product through the bank by the way. It means there is enough documentation on their

product that the bank was comfortable enough to attest to the verified declaration made by the client. Deals that have this type of documentation typically are ready to finalize now so if you get it in your email box there's most likely something fishy going on.

**TIP:** If you have a client that can prove products via bank instrument then you've got a keeper.



## **Proof of Residency (POR)**

Proving residency is easy unless your client wants to mask their location then it can be a little tricky. Utility agreements or bills are easy to acquire and verify. If the client is willing to provide a utility bill the name on the account must match with the name of the person or entity you are dealing with. The utility agreement or bill should be no more than 30 days old.



If the client is an entity or business you can easily google their business. Google requires businesses to go through a

verification process that proves their address by confirming a verified IP address or if they are a newly established business they will require verification by physical mail only. If your customer's business is verified by google then it's been validated in person or by a verified USPS address.

If the client is unable to claim the business this often means they are most likely working remotely and it is not a real location. In the event of a clients file claiming to have a physical location, using google verified address is an easy way to check.

**TIP:** Check the address quick and make it stick.

Here are a few other traditional ways to confirm an address.

**1) Notary:**

This must be done at a popular bank.

**2) Bank Instrument**

This must be done between banker and banker.

**3) Attorney Attestation**

This is where an Attorney would sign verifying the witness of the signing of a formal document and that it was properly signed by those bound by its contents. It is a legal verification of the document and that the proper process was followed.

**4) Verified Email with IP tag**

This must be done using a software see chapter 12 for more.

# 8

## Beneficial Answers

### Transaction Contingencies and Conditions

There are many potential transaction contingencies and conditions. Be sure to review your file and take the time to answer important questions. You should be able to answer any of the following key questions which are:

- Does the seller need to meet any thresholds to receive the purchase price?
- Is the transaction subject to the satisfactory completion of due diligence?
- How will due diligence be scheduled?
- Is there an “adverse change in the business condition” clause?
- What is the outside date for execution of the purchase agreement and closing?
- What information is to be considered confidential?
- Is the transaction subject to board of directors or lender

approval?

- Is approval required by a legislative body?
- Is there an exclusivity period?
- If there is to be a press release, when will it be issued and will the content be subject to mutual agreement?
- Who will be responsible for the various costs of completing the transaction, including any audit, brokerage or consulting fees?
- How will the purchase price be allocated so that each party can understand the tax ramifications of the transaction?
- Can the LOI be extended if deadlines are not met?

# Definitions

## DISCLAIMER:

**“These Definitions are used within Bluhe University™ to help teach and reference information. These definitions should not be represented in a lawful manner.”**

**-Kalib Loy**

## SCO

-Soft Corporate Offer: An offer presented by a seller with some of the details of the assets, process and people involved. This is not usually signed by anyone.

## FCO

-Full Corporate Offer: An offer presented by a seller with All of the details of the assets process and people involved. This is usually signed by the signatory or owner.

## DEFINITIONS

### *LOI*

-Letter of Intent: An offer presented by the a buyer with all of the details of the intent including the process and people involved

### *CIS*

-Customer Information Sheet: A document presented by a new customer client or partner with all of the details of the customer, client or partner.

### *BLUE INK*

-Blue Ink: Signing a document in wet blue ink.

### *GIA*

-The Gemological Institute of America (GIA) is a nonprofit institute dedicated to research and education in the field of gemology and the jewelry arts and based in Carlsbad, California.

### *POF*

Proof of Funds: The sufficient evidence of proof that the funds in question are 100% real.

## *POP*

**Proof of Product:** The sufficient evidence of proof that the products in question are 100% real.

## *POA*

**Proof of Address:** The sufficient evidence of proof that the address of the person or entity in question is 100% real.

## *Beneficiary*

Beneficiary is a term that is used within the banking industry. The beneficiary typically can sign and make decisions at the bank. They may or may not be the decision maker but most definitely a person who can do the deal.

## *Mandate*

Mandates are a term that are used mainly in the Asia market. In Private trade they normally do not exist and are used as a decoy to collect information. Real Mandates have Primary Intermediary agreements between them and the beneficiary or the owner. Mandates can sign preliminary papers and can negotiate the deal within the parameters of the beneficiary or owner.

## *Signatory*

Signatory is a term that is more popular within private banking like, trust fund groups and hedge fund groups. Some banks use the term Signatory instead of Beneficiary. In the private world a signatory is looked at more like a key that unlocks the box. Signatories can be looked at like a Power of Attorney with limited access.

## *SWIFT*

SWIFT stands for the Society for Worldwide Interbank Financial Telecommunication. It's an organization that was founded in Brussels in 1973 to establish some common processes and standards for financial transactions such as MT760, MT199, MT799, etc.

## *Attestation*

Attestations are documents that are provided by someone that has skin in the game, like an attorney. This is why most attestations come from an attorney. The attestation is a legal binding document that promises the proof of life or proof of evidence without having to show it to you. Instead of seeing the bar of gold you may receive an attention from an attorney. If the bar of gold is not real then the attorney loses their license, hence the skin in the game.

## *P.I.*

The Primary Intermediary is the term that is most commonly used within banks and legal court systems. This is the correct global term for a mandate and has the same capacity as a mandate (see mandate)

## *I.P. address*

Internet Protocol Address is a set of rules governing the format of data sent over the Internet or other network proving the location and validity to things like email addresses and websites.

## *HTTPS*

Hypertext Transfer Protocol Secure (HTTPS) is an extension of the Hypertext Transfer Protocol(HTTP). It is used for secure communication over a computer network, and is widely used on the Internet.

## *encrypted communication*

Encryption is the process of encoding information to prevent anyone other than its intended recipient from viewing it

## SKR

Safe Keeping Receipt is a document that is given to the beneficiary of a vault that is completely owned or shared with another entity to protect their possessions with a valuable attestation from the company that owns the vault (see attestation)

## *Consultant*

Consultants are people who provides expert advice professionally.

## *Client*

Clients are people who pay for expert advise professionally.

## *Bank Instrument*

Bank Instruments are tools and processes used within the banking system for clients and other entities.

## CR

Corporate Resolutions are documents that provide every person in charge of the company. It also has their signatures agreeing to appoint only One of them as the beneficiary or signatory.

### *Cease and Desist*

A cease and desist is a document that denotes the legal enforceable order from a court or government agency directing someone to stop engaging in a particular activity.

### *White Label*

White label services are provided by companies that will do all of the work for you and put your business name and logo on the work, hence the label being “white”. Meaning that it’s available for your logo instead. This is how most license deals are structured.

### *RWA*

Ready, Willing, and Able is a phrase used to describe someone who is capable of and eager to do something.

### *Scrapping*

Scrapping data online is a process that uses softwares called algorithms that collect information from the internet and provides you with a list of that information that you requested.

# Key

## Key

AML: Anti-Money Laundering

CDD: Customer Due Diligence

CTF: Counter Terrorism Financing

EDD: Enhanced Due Diligence

KYC: Know Your Customer

KYCC: Know Your Customer's Customer

KYB: Know Your Business

PSC: Persons of Significant Control

SDD: Simplified Due Diligence

UBO: Ultimate Beneficial Owner

