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TOPSOURCE WORLDWIDE

KNOW YOUR CLIENT ('KYC') CHECKS

FAQs & Guidelines

1. Why is this request being made?

TopSource Worldwide is a UK registered company which acts as the parent entity for a global network of service providers.

As a large group of companies, we provide a wide array of services including Employer of Record services, Payroll and Accountancy, and Entity Solutions such as incorporation set-up.

Due to the nature of such services, our business is required to have adequate **Anti-Money Laundering** ('**AML**') controls and policies in place, so that we comply with our regulatory obligations.

If you wish to find out more information about the UK AML regulatory framework, please feel free to visit the following website: https://www.gov.uk/topic/business-tax/money-laundering-regulations

2. Why is it important for us to perform AML screenings?

In the UK, payroll agents, accountants, and tax advisers—along with other financial service providers—play a crucial role in safeguarding the economy from misuse by criminal elements like organized crime and terrorist financing.

The 2020 National Risk Assessment Report on Money Laundering and Terrorist Financing, produced by the UK Home Office and HM Treasury, identifies payroll services as a high-risk target for criminal organizations seeking to launder illicit funds.

This risk is particularly pronounced when payroll providers lack well-trained staff in AML practices, rely on non-customer-facing personnel, and receive insufficient information from clients to detect suspicious activity. Notably, between July and December 2022, 83 accountancy service providers in the UK were fined for non-compliance with AML regulations.

In summary, criminals often target payroll providers due to the transactional nature of their services, which can create seemingly legitimate records of money movement.

3. How does this compliance requirement affect our clients?

We are obligated to comply with the Money Laundering Regulations framework and Office of Financial Sanction Implementations ('OFSI') requirements which means we need to run AML screenings, also known as 'Due Diligence ', of our clients for any Business-to-Business transactions.

Such measures mean we then have the correct information about our clients' business on record and, in a broader context, helps to foster a secure economic environment which is in the best interests of everyone involved in the relationship.

4. What does this Due Diligence involve?

We use a key AML control commonly referred to as **Know Your Client** ('**KYC**') checks. Our KYC is a risk-based approach which put simply aims to verify the identity of our clients; help prevent financial crime; and comply with any relevant legal requirements.

To receive our services, we ask our clients to complete the **KYC Form** and, where necessary, provide **supporting documentation** so that we can perform this due diligence exercise.

Please rest assured, our KYC Compliance Team will explain what KYC steps may be needed to help ensure the process is done as smoothly and efficiently as possible where you may be unfamiliar with such exercises.

5. Is the KYC necessary for the Services and the Agreement?

In short, the answer is 'Yes' since we need to complete the KYC to ensure that we fulfil our compliance obligations and provide you, along with the rest of our clients, a secure business environment free from risks of financial crime and money laundering activities.

Please rest assured that when we ask you for any supporting documentation, this will not impact the services – our approach is modelled on a risk-based appetite whereby we consider acceptable risk levels in each case. This involves assessing each of the following factors:

a. Client's industry and the nature of their business;
b. Geographic location of their operations and employees;
c. Transaction volumes and source of funds;
d. Nature of the service delivery.

Any potential 'high' risk cases may require further scrutiny by our KYC Compliance Team, but low risk clients undergo less intensive screening processes.

6. What is the KYC Form?

This is just a short questionnaire which helps us confirm we have the correct legal name and corporate details about your company.

It also includes several 'Yes' or 'No' questions about whether your business might have any AML controls and policies in place. The questions only aim to understand whether there are any possible risks when onboarding new clients. Please be assured that the absence of any AML policies does not stop or suspend any Services from happening – this is purely an information gathering exercise only.

IMPORTANT

please make sure the details you enter on our KYC Form match with the details we have in the Order for Services Form.

When signing the KYC Form, we request that you please use either of the TWO following options:

1. Wet ink signature (simply print, sign, scan and email back to us); OR
2. E-Signature (for example, Adobe Acrobat or DocuSign envelopes).

7. When is Supporting Documentation needed?

In limited circumstances, we might need to ask you for supporting documentation to help us complete the KYC due to the initial findings from our **risk-based assessment.**

This will depend on what information we receive from a client and what we may discover through our due diligence.

Please be assured that our KYC Compliance Team will take appropriate steps to explain when and why such supporting documentation may be needed to help complete the KYC.

For example, if you are asked to provide us with documents under the **Basic (b)** or **Enhanced List of Documents** (**please see the KYC Form**), then we are asking for copies of any documents you would have submitted to a State Business/Company Registry, or Chambers of Commerce, to comply with local commercial regulations.

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For more information, please see the **Annex** of this document where you can find a variety of examples of supporting documentation which the KYC Compliance Team can accept as part of this process.

If you are unable to provide any copies of the latest documents, or you have any concerns about what you can share with us, please inform our KYC-Compliance Team at the earliest opportunity.

We understand not every business may have up-to-date records and will recommend alternative evidence where it is possible to do so.

8. What if our company is an NGO/Charity, do we still need to perform any KYC?

Charities and Non-Governmental Organisations (NGOs) are widely considered as being placed at a higher risk of money laundering and terrorist financing abuse.

This vulnerability is well-documented in various reports and guidelines. The Organisation for Economic Co-operation and Development (OECD) has published a report detailing these risks (https://www.oecd.org/ctp/exchange-of-tax-information/42232037.pdf). Similarly, the Financial Action Task Force (FATF) has issued guidelines on combating abuse in non-profit organisations (BPP-combating-abuse-non-profit-organisations (1).pdf) on this high risk.

NGOs and Charities operate in a complex and diverse environment, often dealing with international transactions, which can make them vulnerable to money laundering related risks.

This vulnerability stems from factors such as the nature of their work, the geographical areas they operate in, and the lack of regulatory oversight.

We may require additional documentation from our NGO and Charity clients to help us understand your operations better and that your activities align with AML regulations.

Please be assured this is by no means a reflection of any sense of mistrust, but only security measure both us and your organisation from any potential AML risks.

9. What is Enhanced Due Diligence ('EDD')?

This might prove necessary under circumstances where we identify a suspected high risk as a result of the KYC checks.

In such cases, we need to perform an 'advanced' set of checks to help mitigate any potential risks which may be likely associated with financial crime, money laundering, or terrorist financing.

These advanced checks are commonly referred to as **Enhanced Due Diligence** ('**EDD**').

To help complete these checks, we would need to identify the following:

(i) the relevant decision makers; and
(ii) any corporate ownership structure details; and
(iii) the source of funds for your business.

Verification of any information we process is performed though our third-party compliance alert system.

We use this tool to screen selected business or individuals (for example, directors and shareholders) applying a minimum of 90% matching score, to generate alerts under the following risk categories: Sanctions, Watchlists, and Enforcement Agencies.

These screening tool results are based on whether the entity searched has any business alias, or individual, aliases including date of birth (with a 12-month tolerance), country, and gender. If some of the data needed to match is not available, the tool assumes the possible matches.

For example, a search for "John Smith" with no residential country, but with a date of birth and a registration as Director of a UK company, gives a 100% match. John Smith is, however, a very common name and often regulators do not store date of births of persons on Watchlists. A 100% match does not mean the Director in question is a match. Therefore, we may need to look at the details of each potential record reported.

10. Why have we been asked to provide Personal Information?

In cases where we consider it necessary to carry out **EDD** checks against clients, we may need to ask to for copies of **proof of identity** and **proof of address** for certain individuals holding senior positions at their business (for example, Directors and Owners etc.).

This may be necessary where the client is operating in a high risk jurisdiction or where we have found a potential compliance alert as a result of the KYC. Such checks may also involve us asking a client for more information about their over-riding ownership structure and Ultimate Beneficial Owners ('UBOs').

11. When do we need to perform Enhanced Due Diligence?

There may be circumstances where we advise that the standard due diligence is required at first, but, as a result of our screening findings, need to request further evidence to complete our risk-based assessment.

Please note that many of the EDD checks usually occur because of "**false positive results**" from our initial screening.

For example, one of your directors may be called "John Smith" – a very common name – but such a name may possibly appear as 95% plus match on a Sanctions List or Compliance Alert flagged by our system.

In such circumstances, we would need to carry out EDD to reduce the risks of possibly engaging in any suspicious activities. As mentioned, however, where dealing with a common name issue, this means we may have to go through the process just to ensure the high match rate is ruled out.

To rule out such a risk means we would normally ask for a valid copy of ID evidence.

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Please refer to the **Annex** of this document for further information and examples of documentation, found under the **List of Enhanced Documents**, which may be supplied to help us complete the EDD checks.

Rest assured, any information you provide us with will be processed accordingly and securely for the purposes of the verification process. Please see our organisations **Privacy Policy** for more information:
https://topsourceworldwide.com/privacy-policy/

12. What happens after the KYC has been completed?

Upon successful completion of the KYC, the services can officially start.

In accordance with our AML policy, and unless we detect any relevant significant changes as part our monitoring processes, we may need to perform reviews for the following client risk categories:

- For clients classified under the **Enhanced Due Diligence** category – we may need to perform an **annual review**
- Clients classified under the **Standard Due Diligence** category - reviews may occur every **2 years**; and
- Where clients are classified under the **Simplified Due Diligence** category - reviews may occur every **3 years**.

The information you provide us with will be checked against various registers to confirm the accuracy of the information and, unless legally required, your information will be kept confidential and in accordance with our **Privacy Policy**.

13. What happens if you do ***not*** complete the KYC requirements?

The KYC checks are part of a **mandatory** due diligence process required by each client entering into an agreement with TopSource Worldwide as per our Standard Terms and Conditions.

Failure to comply with the process, including any issues with supplying requested information, providing incorrect or unsigned KYC Forms, may result in delays with the delivery of services or potentially terminate the engagement with our organisation in accordance with our Standard Terms and Conditions.

Further Information

Should you require any assistance with the KYC, then please feel free to contact us at the earliest opportunity by sending an email to our colleagues at:

KYC-Compliance@topsourceworldwide.com

TopSource Worldwide takes this process seriously and we would be grateful for your cooperation so that we can complete this process as effortlessly and as straightforward as possible.

PLEASE SEE PAGES 7 & 8 FOR THE ANNEX

SUPPORTING DOCUMENTATION.

Annex

Supporting Documentation

Please see the below guidelines for further information on what types of evidence can be supplied in response to a KYC request issued by our KYC-Compliance Team.

List of SIMPLIFIED Documents

List of requested documents for Companies that are Listed; Governmental; a regulated entity; or when the activities to be provided by Topsource are considered to be LOW-RISK from an AML perspective.

Items	Documents required
Completed KYC Form	None

List of STANDARD Documents – BASIC (b)

List of requested documents for Companies that are not Listed/Non-Governmental.

Items	Documents required	Alternative Evidence
Proof of Legal Status	• Official evidence of Company name and registered address. • Certificate of good standing.	• Copy of Annual Returns, **OR** • Recent extract from the relevant Register of Commerce/ Companies (this could also be a link to the relevant page of the official Register of companies).
Constitutional Documents	• Certificate of incorporation. • Certificate of registration.	• Recent extract from the relevant Register of Commerce/ Companies (this could also be a link to the relevant page of the official Register of companies). • Letter***** from an independent legal/tax/accountant advisor confirming incorporation and registration details.
Board of Directors information	Extract of the relevant Register of Chamber of Commerce/Public Company Register – indicating directorships and/or administrators of the company and confirming their details, including the director's full name, citizenship and Date of Birth.	• Letter***** of Confirmation from a Legal/Tax/Accountant Advisor regarding directors; **OR** • Copy of the Written Resolution evidencing the appointment of directors.
Source of funds/financial statements	Recent financial statements/documentation provide an overview of the Company's business, including an insight into the sources of the Company's funds.	• Copy of audited accounts, **OR** • Copy of Annual Tax Returns, **OR** • Letter***** from an independent legal/tax/ accountant.
*__Letter__: Please note that __1 single letter__ can incorporate __all the requested elements__, confirming as follows: • when your company was incorporated, that your company is in good standing and active; • company registered name, address; • Board of directors composition, with country of residence, full names and DOBs; • information on your company's ultimately beneficiary owners or people with significant control; and • confirmation about the company's source of funds.		

List of ENHANCED Documents

Items	Documents required
Official evidence of registered address	Same as above. However, you must provide us with a **notarised copy** of the document.
Certificate of incorporation	Same as above. However, you must provide us with a **notarised copy** of the document.
Details from the relevant company registry, confirming details of the company and of the director, including the director's address	Same as above. However, you must provide us with a **notarised copy** of the document.
Filed audited accounts	Same as above. However, you must provide us with a **notarised copy** of the document.
A certificate of good standing	A certificate of good standing issued by the applicable Chamber of Commerce or Public Company Register.
Certified ID (passport and proof of address) of any individual who owns 25% or more of the shares in your entity	• Copy of up-to-date Passport, Driving Licence, or National Identity Card. • Where the proof of ID does not include your address details, please provide us with a copy of a recent utility bill; a bank account statement; or a letter from a government/state authority.
If a corporate shareholder owns 25% or more of the shares in your entity; then we must have the Certified ID of the individuals who are the Ultimate Beneficial Owners	Please see the section above.

List of requested documents for NGOs and/or Charities

Please note that 1 single letter can incorporate all the below requested elements for NGOs/Charities.

Items	Documents required
Proof of Legal Status	This could be a certificate of incorporation, registration documents, or any other document that proves the legal status of the NGO/Charity.
Constitutional Documents	These include the NGO/Charity's constitution, bylaws, memorandum and articles of association, or any other documents that outline the NGO/Charity's mission, objectives, and operational structure.
Proof of Address	This could be a utility bill, lease agreement, or any other document that verifies the NGO's physical address.
Board of Directors/Trustees Information	Details of the NGO/Charity's board of directors/ Board of Trustees, including their full names, addresses, and dates of birth.
Financial Statements & Source of Funds	Recent financial statements/documentation that provide insight into the NGO/Charity's financial information about the sources of the NGO/Charity's funds.
Beneficial Ownership Information	Information about the individuals who ultimately own or control the NGO/Charity.
Risk Assessment Report	A report that assesses the NGO/Charity's exposure to various risks, including money laundering and terrorist financing
AML Policies and Procedures	Documentation outlining the NGO/Charity's policies and procedures for preventing and detecting money laundering and terrorist financing.