

# HSC



## **Regulatory Compliance**

These regulatory sanctions and compliance are designed to ensure SBC herein as the Company and Treasury Management operate with all applicable BSA regulations. These compliances will be reviewed and updated on a regular basis to ensure appropriate policies, procedures and internal controls are in place to account for both changes in regulations and changes in our business.



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# Sections 1

## Financial Compliance

### Summary

The Hill Scott Corporation herein as Administrator act as a Non-Depository Financial Institution or NDFI that is exempted money transmitter and non FDIC insured. It does not have a banking license or is not supervised by a national or international banking regulatory agency. The Administrator does not store government money but store it members financial and profile data as escrow / custody service. The Administrator as facilitate bank-related financial services, such as business trade finance and investments under security agreements; examples of these include equity and bond private currency exchanges.

### Financial Overview

Administrator compliance objectives are to assess the adequacy of a professional financial systems and to manage the risks associated with accounts of the office ability to implement effective monitoring and reporting systems. The Trust is broadly defined as foreign or private affiance in or outside the U.S. to members based on percentage of. Effective Connected Income ECI Pursuant to the following United State exemption: Associated persons of an issuer not a brokers under 17CFR §240.3a4, persons deemed not underwriters. (Regulation 144) 17 CFR 230.144. Private fund Adviser Exemption – 17 CFR 275.203(m)-1. The Administrator has put in place an AML program, comply with the reporting and recordkeeping requirements of the BSA, and report suspicious activity in parallel with banks and clearing houses.

Note: the BSA does not require, and neither FinCEN nor the federal banking agencies expect, banks to serve as the de facto regulator of any Money transmitted or it's individual customer. Furthermore, while banks are expected to manage risk associated with all accounts, including NDFI accounts, banks or clearing houses will not be held responsible for the Administrator's compliance with the BSA and other applicable federal and state laws and regulations. Administrator compliance objectives are to assess the adequacy of a professional financial systems and to manage the risks associated with accounts of the office ability to implement effective monitoring and reporting systems.

### AML Risk

The Administrator has very to low no risk for potential money laundering activities because financial services are straight forward Gross Settlements of less frequent large transactions for infrastructure, verse Netting small, independent businesses transactions. The Administrator has very to low no risk for potential money laundering activities because: All transaction relationships are private to the Administrator's members only and requirement three are more partnership with all form of identification to make a transaction.

- Maintain consistent recordkeeping on all transactions
- Engage in frequent currency transactions.
- Subject to on going levels regulatory requirements and oversight.
- Steady financial products, location and operation.
- Operate with proper registration or licensing as needed.

### Policies and Procedures

The Administrator has developed policies, procedures, and processes to:

- Identify member relationships.
- Assess the potential risks posed by the relationships.
- Conduct adequate and ongoing due diligence

- Ensure relationships are appropriately considered within the bank’s suspicious activity monitoring and reporting systems.

## Identifying Risk

The following factors are applied in consideration be used to help identify the relative risks. Nevertheless, management weigh and evaluate risk assessment factors determinate for each customer and to prioritize oversight resources. Such as: Types of products and services offered.

- Locations and markets served.
- Anticipated account activity.
- Purpose of the account.

The Administrator due diligence is commensurate with the level of risk of clients and associate identified through office risk assessment. If member risk assessment indicates potential for a heightened risk of money laundering or terrorist financing, it will conduct further due diligence in a manner commensurate with the intermediary heightened risk.

### Article 6. Banking and Clearing House Services Consideration

The Administrator affirm to all BSA regulatory requirements, including the anti-money laundering program rule, suspicious activity and currency transaction reporting rules, and various other identification and recordkeeping rules. Including Refer to

- 31 CFR 1022.210 (requirement for MSBs to establish and maintain an anti-money laundering program);
- 31 CFR 1022.310 (requirement for MSBs to file Currency Transaction Reports);
- 31 CFR 1022.320 (requirement for MSBs to file Suspicious Activity Reports, other than for check cashing);
- 31 CFR 1010.415 (requirement for MSBs that sell monetary instruments for currency to verify the identity of the customer and create and maintain a record of each currency purchase between \$3,000 and \$10,000, inclusive);
- 31 CFR 1010.410(e) and (f) (rules applicable to certain transmittals of funds); and 1022.410 (additional recordkeeping requirement for dealers in foreign exchange including the requirement to create and maintain a record of each exchange of currency in excess of \$1,000); 1022.420 (additional recordkeeping requirements for providers or sellers of prepaid access). In FinCEN regulations,

### Affirmation to OFAC Refer to 31 CFR 1022.380.

The Administrator affirm to register with FinCEN (whether or not licensed as an MSB by any state) Also acts as an agent for a principal or principals engaged in MSB activities and does act on own behalf and for other services of a nature or value that would cause it to qualify as an MSB. The Agency affirm if not acting in previous consideration, is not required to register with FinCEN. Note: FinCEN has issued guidance on MSB registration and de-registration. Refer to Registration and De-Registration of Money Services Businesses, FIN-2006-G006, February 3, 2006. The Commission is unincorporated with the State of Louisiana as a private foundation that have established business supervisory statutory requirements to do business in one or more civil capacities:

### Exchange of Foreign or Virtual Currency

The Administrator affirm that the FinCEN’s regulations define currency as “the coin and paper money of the United States or of any other country that is designated as legal tender; and that circulates; and is customarily used and accepted as a medium of exchange in the country of issuance.” In contrast, “virtual” and “foreign” currency is a medium of exchange that operates like a currency in some environments but

does not have legal tender status in any jurisdiction. The Administrator affirm that any office dealing with Virtual of Foreign currency must and will be converted into U.S. dollars through contractual registered exchange services prior to deposit into the banking system. The Administrator shall exchanger of virtual currency is an MSB under FinCEN's regulations, unless a limitation to or exemption from the definition applies to a private client. Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies, FIN-2013-G001, March 18, 2013. BSA requirements and supervisory expectations for providing financial transaction services of virtual currencies are the same as money transmitters. Refer to the Financial Action Task Force Guidance on Virtual Currencies, Key Definitions and Potential AML/CFT Risks, June 2014.

## **Regulatory Expectations from Banks and Clearing Houses**

The BSA does not require, and neither FinCEN nor the federal banking agencies expect, banks clearing houses to serve as the de facto regulator of the Administrator as a NBFC. Nor do we expected banks and their clearing houses to manage risk associated with all our members accounts, because the Banks or FinCEN will not be held responsible for the Administrator financial programs. The Administrator does not expect banks or their clearing houses to routinely perform reviewing information about the Administrator program beyond the minimum due diligence expectations.

## **Risk Assessment**

The following factors may be used by the Administrator to help identify the level of risk presented by each Clients:

- Purpose of the account.
- Anticipated account activity, type and volume.
- Types of products and services offered by members.
- Locations and markets served by the Administrator to it members.

The Administrator affirm that Banks and clearing houses management may tailor these factors based on their customer base or the geographic locations in which they operate. To weigh and evaluate each risk assessment factor to arrive at a risk determination for each customer. The Administrator affirms the bank and clearing house due diligence should be commensurate with the level of risk assigned it consumers only, after consideration of these factors. If a clear house or bank's risk assessment indicates potential for a heightened risk of money laundering or terrorist financing, the Administrator affirm and expect further due diligence in a manner commensurate with the heightened risk.

## **Risk Mitigation**

The Administrator risk policies, procedures, and processes provides sound due diligence and verification practices, adequate risk assessment of Treasury Funds sub accounts, and ongoing monitoring and reporting of unusual or suspicious activities. Such as establishing and maintaining funds for members transactions should apply appropriate, specific, risk-based, and where necessary, EDD policies, procedures, and controls. Below are compliances of the Administrator that reduce or mitigate the risk of Money Landry Activity:

- Being registered with FinCEN and having a registered office with the appropriate state(s), if required.
- Confirms to examination for AML compliance by the IRS or the state(s), if applicable.
- Affirms the existence of a written AML program and provides the BSA officer's name and contact information.
- Have an established banking relationship and/or account activity consistent with expectations.
- Having an established business with an operating history.
- Acting with multi surety, acting as an agent for one principal.

- Provides services only to family and private business members .
- Most Administrator conduct routine transactions in documented dollar amounts.
- Business operations is consistent with information obtained at account opening.

## Compliance to Due Diligence

The Administrator affirm that it is reasonable and appropriate for a bank to require our operations to provide evidence of compliance, and to demonstrate that it is we are responsible for such requirements due to the nature of its financial services or status agent of another compliance as well. The Administrator expect the bank and its clearing house to file a SAR if it becomes aware that the Administrator is operating in violation of the registration or state licensing requirement. The Administrator is aware that there is no requirement in the BSA regulations for a bank to close an account that is the subject of a SAR. The decision to maintain or close an account is made by bank management under standards and guidelines approved by its board of directors.

Based on existing BSA requirements applicable to banks, the minimum due diligence expectations associated with opening and maintaining accounts for the clients, refer to Interagency Interpretive guidance on providing banking services to Money Services Businesses Operating in the United States, April 26, 2005. are:

Apply the bank's CIP.

- Confirm FinCEN registration, if required. (Note: registration must be renewed every two years.)
- Confirm compliance with state or local licensing requirements, if applicable.
- Confirm agent status, if applicable.
- Conduct a basic BSA/AML risk assessment to determine the level of risk associated with the account and whether further due diligence is necessary.
- The Agency affirms all the following actions as part of an appropriate review:
- Review the MSB's BSA/AML program.
- Review results of the MSB's independent testing of its AML program.
- Review written procedures for the operation of the Administrator.
- Conduct on-site visits.
- Review list of agents, including locations, within or outside the United States, which will be receiving services directly or indirectly through the Administrator.

Determine whether the Administrator. has performed due diligence on any third-party servicers or paying agents. Review written employee screening practices for the Administrators Partner(s). Treat as equity-settled unless past practice or policy is to settle in cash.

### 7. Valuation

- Equity settled: Measured at fair value at grant date.
- Cash settled: Fair value of Liability incurred.

### 8. Group settled share-based payments (IFRS 3, Para 43C)

The entity receiving the goods or services will recognize the transaction as equity-settled only if:

- The awards granted are its own equity instruments; or
- It has no obligation to settle the transaction

In all other circumstances, the entity will measure the transaction as cash settled.

## Private Exemptions

### US Federal Statues

Family Office Exemption [17 CFR § 275.202\(a\)\(11\)\(G\)-1.](#)  
Venture capital fund adviser exemption under Section 203(l)  
Private fund adviser exemption under Section 203(m)  
Small Adviser Exemption under Section 203A(a)(1)(A)  
Private fund Manager exemption under 3(c)(1)  
Private Banker [31 USC § 5312\(2\)\(C\)](#)  
Municipal Adviser 17 CFR § 240.15Ba1-1(3)  
Securities Exchange Act of 1934. Regulation D  
The Electronic Fund Transfer Act of 1978. Reg E. Section 205.3(c)  
The Commodities Exchange Act of 1936. Section 4m(1)  
US Consumer Protection 15 Chapter 41 Sec 1693-r  
Securities of FDIC Insurance under 8000 SEC. 3(a)  
FDIC Transactions § 1020.315  
FFIEC 1010.315  
Exempted Underwriter 17 CFR § 270.10f-1  
Custodian Rule 206(4)-2  
Fund of Fund Crowdfund Exemption 17 CFR Part 227  
Exempted Transfer Agent under 240.17Ad-4 and  
Exempted Clearing Agency Registration 17 CFR § 240.17Ab2-1  
Cooperatives Clearing under 17 CFR § 50.51

### State of Louisiana Statues

Foreign Trust RS 9:2262.1  
Private Trust Company RS 6:591  
Underwriter and Transactions under RS 51:709  
Securities offers under RS 51:708  
Money Transmitter Licensing Chapter 6:1034  
Virtual Currency Business Act RS 6:1383

## Section 2

# AML Policy

The Administrator have only internal business member of corporate treasury funds and is an exempted non-bank depository under FFIEC [1010.315](#), for private banking of its businesses or investors (collectively called its members) However in respect to national policy the Administrator has developed a straightforward sound and reasonable AML policy for its members.

Although the Administrator is open to work with all enforcement agencies include FinCEN, DOJ, and OFAC as well as federal, state, and local regulators by being subject to the BSA/AML requirements should therefore take care to develop, implement, and maintain procedures covering the following areas:

- Asset Risk Assessment
- Members identification
- BDD
- Funding risk rating
- Monitoring
- Investigation
- SARs
- CTRs

AML policies, procedures, and internal controls that are reasonably designed to assure compliance with the BSA, including procedures to:

1. Verify member identification
2. File reports
3. Maintain records, and
4. Respond to law enforcement requests.
5. A designated person to assure day-to-day compliance with the program.
6. Education and training of appropriate personnel; and
7. Independent review to monitor and maintain an adequate program.

## Compliance Person

The firm has designated  
**Hillery Marcellus Scott**  
Chief Executive Treasurer  
1900 North 1900 St  
Monroe, LA 71201  
mail@hillscott.org  
(318) 366 6223

Hillery M. Scott is the Anti-Money Laundering Program Compliance Person (AML Compliance Person), with full responsibility for the firm's AML program. Hillery has a working knowledge of the BSA and its implementing regulations and is qualified by experience, knowledge, and training, including. The duties of the AML Compliance Person will include monitoring the firm's compliance with AML obligations, overseeing

communication and training for employees. Also ensure that the firm keeps and maintains all the required AML records and will ensure that Suspicious Activity Reports (SARs) are filed with the Financial Crimes Enforcement Network (FinCEN) when appropriate. The AML Compliance Person is vested with full responsibility and authority to enforce the firm's AML program.

The Administrator is registered with FinCen as a Money Transmitter within the United States and is state exempted as a Net Operating Loss NOL company and Nonprofit business. It will promptly notify regulatory authorities of any change in this information through FinCen and will review, and if necessary, update, this information within 17 business days after the end of each calendar year. The annual review of information will be conducted by Hillery Scott and will be completed with all necessary updates being provided no later than 17 business days following the end of each calendar year. In addition, if there is any change to the information, Hill Scott will update the information promptly, but in any event not later than 30 days following the change.

## **Registration.**

The Administrator is register with SEC and FinCEN; and under is states exemption from registering due to all transactions are non-state consumers with a direct solicited to any state consumer residents. All treasures are proprietary as disregarded trading partners which generally do not have to register.

## **Reporting.**

The Administrator report currency transaction reports (CTRs) on cash transactions exceeding \$10,000 and suspicious-activity reports (SARs) on suspicious transactions exceeding \$2,000. MSBs must retain CTRs and SARs for five years from the date of filing.

The Administrator may disclose SARs to only a limited group: FinCEN; a federal authority (such as the IRS) or state authority with power to examine the MSB for compliance with the BSA; and federal, state, and local law enforcement. Strict confidentiality requirements apply, with criminal penalties for unauthorized disclosure. The business may share facts, transactions, and documents underlying a SAR with other institutions and, in limited circumstances (permitted by regulation or regulatory guidance), may share the actual report within the organization. MSBs are protected from civil liability extending from SAR filings. FinCEN and its delegates are responsible for examining MSBs for compliance with these requirements.

## **Reporting AML Information to Federal Law Enforcement Agencies and Other Financial Institutions under FinCEN Requests Under USA PATRIOT Act Section 314(a)**

The Administrator will respond to a Financial Crimes Enforcement Network (FinCEN) request concerning accounts and transactions (a 314(a) Request) by immediately searching our records to determine whether we maintain or have maintained any account for, or have engaged in any transaction with, each individual, entity or organization named in the 314(a) Request as outlined in the Frequently Asked Questions (FAQ) located on FinCEN's secure website.

Treasury Management understand that we have 14 days (unless otherwise specified by FinCEN) from the transmission date of the request to respond to a 314(a) Request. Treasury Management will designate through one or more persons to be the point of contact (POC) for 314(a) Requests and will promptly update the POC information following any change in such information. Unless otherwise stated in the 314(a) Request or specified by FinCEN, we are required to search those documents outlined in FinCEN's FAQ.

If the Administrator find a match, it will report it to FinCEN via FinCEN's Web-based 314(a) Secure Information Sharing System within 14 days or within the time requested by FinCEN in the request. If the search parameters differ from those mentioned above (for example, if FinCEN limits the search to a geographic location), Hill Scott will structure our search accordingly. If the Administrator searches our records and does not find a matching account or transaction, then the Administrator will not reply to the 314(a) Request.

The Administrator will not disclose the fact that FinCEN has requested or obtained information from us, except to the extent necessary to comply with the information request. The Administrator will review, maintain, and implement procedures to protect the security and confidentiality of requests from FinCEN similar to those procedures established to satisfy the requirements of Section 501 of the Gramm-Leach-Bliley Act with regard to the protection of customers' nonpublic information.

We will direct any questions we have about the 314(a) Request to the requesting federal law enforcement agency as designated in the request.

Unless otherwise stated in the 314(a) Request, we will not be required to treat the information request as continuing in nature, and we will not be required to treat the periodic 314(a) Requests as a government provided list of suspected terrorists for purposes of the customer identification and verification requirements.

## **National Security Letter (NSL)**

The Administrator understand that the receipt of a National Security Letter (NSL) is highly confidential. We understand that none of our officers, employees or agents may directly or indirectly disclose to any person that the FBI or other federal government authority has sought or obtained access to any of our records. To maintain the confidentiality of any NSL we receive, we will process and maintain the NSL by [*describe procedure*]. If we file a SAR after receiving an NSL, the SAR will not contain any reference to the receipt or existence of the NSL. The SAR will only contain detailed information about the facts and circumstances of the detected suspicious activity.

## **Requirements for RMLO**

The Administrator is not a residential mortgage lenders and originators ("RMLOs" RMLOs and is note subject to AML program requirements but does to submit CTRs, (Form 8300) when receiving cash payments over \$10,000. They are also subject to SAR requirements, although the filing threshold is \$5,000.

## **Sanctions**

The Administrator shall have sanction check though the Office of Foreign Assets Control (OFAC). There is no formal program requirement, but to ease regulators MARS Treasury thought it payment processor to have an effective filtering process in place to screen accounts and transactions for the involvement of individuals and entities that are on the Specially Designated Nationals and other lists or are OFAC-sanctioned jurisdictions.

## Verifying Member's identity

Internal Identity check is the central part of the Administrator AML compliance policy and will specify a list of comprehensive and reliable measures that will help them accurately verify the identities of member and Treasury Funds or registering in their service. There are 8 major points to correctly establish this part of a business AML policy.

## Member submitting no data at all

If members reject to share sensitive information based on right to privacy laws. For that, the Administrator will at minimum collect a government ID or driver's license from members.

## Keep record of AML processes

AML checks will be handled by third party financial compliance and payment processors that document all data and transaction, including the format of identity verification and its results. Treasury Management and service providers keep report for a minimum of 5 years under BSA and AMLD rules.

## Performing Business Due Diligence (BDD)

BDD is to identify all members as beneficial owners, senior management, politically exposed persons (PEP), etc. Our BDD also specify the basis of its risk rating system, how it determines whether the case requires simplified due diligence, customers due diligence, or enhanced due diligence. (See Due Diligence Policy)

## Filling out suspicious activity reports

The Administrator promptly respond to the detection of suspicious activity and correctly form a compliant declaration—Suspicious Activity Report (SAR). A company must specify the necessary information that needs to be mentioned in the report alongside the deadlines. As an example, BSA gives 30 days to file a report before issuing a fine.

## Training Courses

The Administrator has an AML training processes that determine which transactions are potentially suspicious and implement a strong BSA and AML compliance program that uses comprehensive Customer Due Diligence (BDD) policies, procedures, and processes for all customers, particularly those that present a higher risk for money laundering and terrorist financing.

## Who Is Responsible for the Training?

Hillery M. Scott is Chief Financial Office and Fiduciary

## What Are The Key Elements Of Training?

- Identify at least a beneficial owner under the control criterion for each legal entity customer.

- Provide for annual independent testing for compliance to be conducted by member personnel or by a qualified outside party (or every two years if the firm does not execute transactions with members or otherwise)
- holds funds by name, title, mailing address, e-mail address, telephone number, and facsimile number)
- an individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the program.
- Such individual or individuals are associated persons of the firm with respect to functions undertaken on behalf of the firm.
- Each member must review and, if necessary, update the information regarding a change to its AML compliance person within 30 days following the change and verify such information within 17 business days after the end of each calendar year

Further, the program must be approved in writing by a member of senior management and be reasonably designed to achieve and monitor the member's ongoing compliance with the requirements of the Bank Secrecy Act and the implementing regulations promulgated thereunder.

## **What is taught in the Training Courses**

What's, how's, and preventative measures for money laundering, including red flags, customer due diligence, and information-sharing policies. They may also help you meet anti-money laundering / AML certification requirements in your state. The criteria that constitutes a high-risk person, product or service, and geographic location

- Business Due Diligence (BDD)
- Information Sharing
- Office of Foreign Assets Control (OFAC)
- High Risk Persons and Entities
- High Risk Products and Services
- High Risk Geographic Locations