

Hill Scott Corporation is an international clearing corporation based within the state of Louisiana under [RS10:8-11](#). HSC adheres to but is not limited to the FinCen BSA rules under the Patriot Act. It meets all KYC AML compliances with full transparency as a registered clearing corporation. HSC, as well as other clearing agents, are not liable for any non-affiliate transaction with its internal clients' accounts. In reference to [FFIEC Non-Bank Financial Institution rules](#)

▶ **Reserve Capital**

Capital assets are collateralized with 'Asset Backed Securities' (ABS) means debt and equity instruments as cash or noncash for debit and credit balance.

▶ **Issuing of instruments and granting**

Commercial Equity and Debt through Investment accounting balance sheet, financial statements.

▶ **Funds Transfer**

Funds are transferred as Credit Transfers and Extensions in reference under [CFR12- § 215.3](#) Regulation U, X, EE as a general ledger book entry transfer of accountholders ledgers to stakeholder bank account based on UCC 4 and 4A EFT and deposit as letter of credit, credit items, and drafts not limited to but pursuant to [UCC 5](#). Credit transfers reflect a past-through balance transfer to a member's bank account at the bank as a Standing Order.

▶ **Standing Order**

A standing order is "**Proof of Funds**" and online data transparent by which the HSC treasury provides the intermediary banks to deposit and report to financial regulators under financial compliance notice basis on contracts and financial instruments in custody and past-through on HSC data bank.

▶ **Audits and Reporting**

HSC maintains Currency Transaction Reports (CTR) and Suspicious Activity Reports (SAR) and internal audit trails for US Treasury, IRS, annual reports in compliance with regulators in comparison to bank.

Commercial paper – Short term instruments promissory notes issued by company at discount to face value and redeemed at face value.

Municipal notes – In the U.S., short-term notes issued by municipalities in anticipation of tax receipts or other revenues.

Securities & Transfer



► Underwriting and Custody

Federal Compliance:

- ✓ Agents are exempted underwriters under [17 CFR § 270.10f-1](#)
- ✓ Custody of funds within clearing accounts under [17 CFR 275.206\(4\)-2](#)
- ✓ HSC holdings are is exclusions from the definition of the Bank's "covered fund"; that could otherwise be prohibited under [12 CFR 44.14](#) (commonly known as Super 23A) of the Volcker Rules for "Covered Funds". *This means that HSC intermediaries and acquirers is not included in ownership interest in items of HSC or it accountholder and is not part of intermediary bank covered funds, which voids intermediary bank standard risk.*
- ✓ Fund of Fund Crowdfund Exemption under [17 CFR Part 227](#)

State Commercial Trade Compliance:

- ✓ Corporate Security Deposit of Securities under RS 9:678
- ✓ Holding Securities under [RS 51:708](#)
- ✓ Underwriter and Transactions under [RS 51:709](#)

► Clearing and Transfer

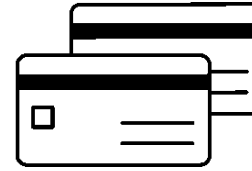
Federal Compliance:

- ✓ US Exempted Transactions" under FFIEC and BSA/AML KYC/ regulatory requirements Under [31 CFR § 1020.315a\(6\)](#) USA PATRIOT Act of 2001.
- ✓ Transmittal of Funds and Funds Transfer at [Federal Registry](#)
- ✓ Transferring funds with HSC proprietary communication system other than Federal Reserve under UCC [4a206](#). In respect to 12 CFR Appendix B
- ✓ Exempted Clearing Agency Registration [17 CFR § 240.17Ab2-1](#)
- ✓ Cooperatives Clearing under [17 CFR § 50.51](#)
- ✓ Exempted Transfer Agent under 17CFR [240.17Ad-4](#)
- ✓ Exempt Commodity Trading Advisor [17CFR § 4.14](#)

State Compliance:

- ✓ Corporate Clearing under [RS10:8-11](#) | [RS10:8-102\(4\)\(iii\)](#)
- ✓ Authorized and verified transmittal of credit via Electronic Data Interchange [RS10:4 204](#)
- ✓ Money Transmitter Licensing Chapter [6:1034 \(2\)\(7\)\(11\)\(\(12\)](#)
- ✓ Underwriter and Transactions under [RS 51:709](#)
- ✓ State Bond Commission Exemption [RS 39:1403\(B\)](#)

Payment Debit & Credit Card Compliance



The HSC does adhere to, but not limited to Payment Card Industry Security Standards Council. PCISS

All transactions are:

- Commercial and exempted under [CFPB 1026.3](#).
- State Exemption § [1026.29](#);
- Regulation Z [§ 1026.1](#)
- MBS registered with FinCen BSA under [31 CFR § 1010.100 and Part 1022](#).
- NBF1 Exemption, [CFR 31 CFR 1010.315](#) and

Secured Transactions

All commercial data are contractual agreements between contract vendors, HSC and credit card processors. The following set of requirements are required for HSC processors to ensure that Treasury Technology processes, store, or maintain a secure environment. In order to process Visa, MasterCard, American Express, Discover, and JCB data. Such as:

- ✓ **Use and Maintain Firewalls**
- ✓ **Proper Password Protections**
- ✓ **Protect Cardholder Data**
- ✓ **Encrypt Transmitted Data**
- ✓ **Use and Maintain Anti-Virus**
- ✓ **Properly Updated Software**
- ✓ **Restrict Data Access**
- ✓ **Unique IDs for Access**
- ✓ **Restrict Physical Access**
- ✓ **Create and Maintain Access Logs**
- ✓ **Scan and Test for Vulnerabilities**
- ✓ **Document Policies**



Treasury Banking

HSC perform treasury banking as it Corporate Treasury Bank that offers community treasury authority as venture capital services under Section 203(l) All agents are private fund adviser under Section 203(m) Section 203A(a)(1)(A) and private fund managers under 3(c)(1).

▶ Data Bank Integration and Exchange

HSC and intermediaries take on a SFTP P2P that relations to members as:

- A. Interconnected exchange.
- B. Certified source of proof.
- C. Admission, Remittance and Reconciliation

Federal Compliance:

- ✓ US Exempted Transactions” under FFIEC and BSA/AML KYC/ regulatory requirements Under [31 CFR § 1020.315](#) USA PATRIOT Act of 2001. Transmittal of Funds and Funds Transfer at [Federal Registry](#)

State Compliance:

- ✓ Payable through at collecting bank as evidence of interest for deposit within a money market credit. asset, or trust account as set out by the bank as secured transaction under [RS 10:4-106](#)

▶ Transfer and Deposit of Funds

Federal Compliance:

- ✓ Securities of FDIC Insurance under 8000 SEC. 3(a)
- ✓ Transactions Exempt under [§ 1020.315](#)

State Compliance:

- ✓ Alternative deposit under [LARS 6:312](#), and
- ✓ Holding Exempted Securities under [RS 51:708](#)



▶ Fund Availability

Federal Compliance:

- ✓ Availability rules Reg E, CC and Reg J Consumer Protection under [15 Chapter 41 Sec 1693-r](#). and available at will of the commercial accountholder.

Interstate Compliance:

- ✓ **Funds are alternative deposits under [LARS 6:312](#).** And **non-consumer for commercial business and organizations only**; this means that funds are exempted from Federal Reserve Funds
- ✓ **Restrictive legend** of “ownership interest” as security agreement under [RS 10:8-301](#) that controlled under a DACA Deposit Account Control Agreement. [RS 6:311.1](#)



Risk Management

▶ Credit Risk

- Funds are originated and guarantee credit extensions, transfer, risk, and liability is pending on internal audit only.
- Transactions assurance is for securities interest for accountholders as secured parties that sell it equity under a security agreement with entitlement to receive funds as credit; and
- Funds are not managed or credited by banks covered funds or payment processors, so they have no credit risk to accountholders.

▶ Market Risk

- Transaction has no market risk of change in value because all transactions are “Closed Market” proprietary share value as 4(2)a Commercial Paper exchange with internal investors accountholders under 9 to 12 month vesting.
- Transactions are straight forward amortization, and interest rates are based on private market that is not open to market change that guarantee 1:1 Ratio in value.
- Transactions are screened with multi-level BSA/AML or OFAC due diligence methods with prescreening and sanction checks to lesson any Bad actor and posted with all fund transmittal to the bank.

▶ Operational Risk

- Security agreements are warehoused with the Treasury Bank Organization and are not managed by the Depository Bank.
- Security agreements are originated by HSC accountholders and value is electronically transferred to credit cards or commercial accounts with the Bank.
- Funds are transferred and identified electronically via P2P to B2B and never handle by the depository bank employee that would extent vulnerable to depository bank human errors or mistakes operational risk or cause any loss a depository bank might make from bad internal processes, people, or external events.
- HSC manages all risk associated with all accounts and the depository bank will only be held responsible for their customers’ compliance with the BSA and other applicable federal and state laws and regulations. Reference Non-Bank Financial Institution Rules

Payment Transparency Roles and Legal Responsibilities

Introduction: HSC has prepared this guidance to supplement, and be read in conjunction with, the [Wolfsberg Group Payment Transparency Standards](#) published in October 2023. Payments can flow in a variety of ways and involve many types of **payment service providers (PSPs)**, messaging systems and **payment market infrastructures (PMIs)**. The purpose of this document is to provide an overview of the roles played by HSC with key actors in a payment chain. It also sets out their respective responsibilities to adhere to payment transparency standards across a sample of commonly observed payment flows and serves as a reference guide that can be used by all PSPs, regulators and standard setters.

HSC acknowledges that there are wider responsibilities of PSPs not described in this document and that all PSPs are required to comply with applicable laws and regulations so as to maintain effective Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) controls.

References in this document to monitoring refer to real-time or ex-post monitoring as may be required by applicable laws and regulations.

The roles and responsibilities of actors in the payment flow apply to all actors regardless of the type of entity or their corporate affiliation.

Note: this document is **not** intended to:

- Describe all the possible permutations of how a payment can be made
- Set out the detail of controls that are part of a PSP's wider financial crime risk management including, but not limited to, Know Your Customer (KYC)/Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), sanctions compliance (which depends on payment messages being transparent), transaction monitoring and record keeping
- Cover every role and every actor that could be involved in a payment flow
- Cover every responsibility of every actor in the payment chain
- Cover the nature and timing of the flows of information arising from a request for information (RFI) process.

Table 1. Simplified payment flow – roles and responsibilities matrix

Example of a cross-border payment between two countries (country A and B), two parties and with no intermediaries (and not a direct debit transaction).

The parties outlined in Table 1 are present in all cross-border payments irrespective of the number of intermediary PSPs involved.

ISO term for the party	Alternate terms for the party	Role in payment	Selected responsibilities (For further details refer to the Wolfsberg Group Payment Transparency Standards)
Debtor	<ul style="list-style-type: none"> • Originator • Payer • Sender • Remitter • Initiator 	The natural or legal person who provides the initial instruction to their PSP to move funds to a creditor, e.g. the holder of an account, wallet, or similar.	<ul style="list-style-type: none"> • Provision of details of the account held with the creditor agent PSP as supplied by the creditor/beneficiary and details of payment.
Debtor agent PSP	<ul style="list-style-type: none"> • Originator’s PSP • Payer’s PSP • Sender’s PSP • Remitter’s PSP • Initiator’s PSP 	Acts on the payment instruction of the debtor.	<ul style="list-style-type: none"> • Ensure that payment messages contain all required information in compliance with FATF Recommendation 16, or as stipulated by applicable local laws, regulations and guidance. • Selection of PMI in such a way that preserves transparency. • As required by local laws and regulations, and taking into consideration relevant guidance, conduct monitoring of required information, and request for additional information and/or reject any payment with insufficient information, where appropriate. • Monitor for manifestly meaningless or incomplete information in payment messages according to local laws, regulations, and guidance as appropriate.
Intermediary Clearing Agent	HSC	The Clearinghouse that represents the agent(s) that exist between the Debtor Agent and the Creditor Agent	<ul style="list-style-type: none"> • information and/or reject any payment with insufficient information, where appropriate. • Monitor for manifestly meaningless or incomplete information in payment messages according to local laws, regulations, and guidance as appropriate.
Creditor agent PSP	<ul style="list-style-type: none"> • Beneficiary’s PSP • Payee’s PSP • Receiver’s PSP 	Acts as the PSP to the creditor to enable them to receive the payment from the debtor.	<ul style="list-style-type: none"> • Transmission of relevant details of payment information received from the debtor agent PSP to the creditor (via statement or credit advice) and raising RFIs, as necessary, when payment information is deficient. • Maintaining risk-based policies and procedures to determine when to execute, reject or suspend a payment in line with the PSP’s AML/CTF and sanctions compliance obligations. <p>As required by local laws and regulations, and taking into consideration relevant guidance, conduct monitoring of required information, and request for additional</p>
Creditor	<ul style="list-style-type: none"> • Beneficiary • Payee • Recipient 	The natural or legal person who receives the funds.	<ul style="list-style-type: none"> • Provision of accurate information to the debtor to facilitate the completion of the transfer.