



APPENDIX I

PUBLIC / REPUTATIONAL RED FLAGS

The customer, debtor or other associated counterparty

- 1) Is listed on a governmental, regulatory or central bank "Watchlist" or "Blacklist", for the following reasons:
 - suspected involvement in money laundering, terrorism, other threats against national security, and/or
 - human rights abuses
 - being the subject of regulatory authority actions; and/or
 - identified as a Politically Exposed Person
- 2) Is the subject of adverse regulatory or media reports, or other public information or rumours, associating it with illegal activities
- 3) Operates in an industry or country characterised by corruption or unethical practices
- 4) The transactions are conducted through unknown, unusual or unnecessary intermediaries (e.g. an agent or fiduciary)

COMMERCIAL RED FLAGS

- 1) Counterparty requests / executes transactions that do not appear to make commercial sense or are not in line with expected market practice
- 2) Counterparty has overly complex arrangements, e.g. in terms of their corporate structure, the transactions requested or proposed settlement methods
- 3) "Inflated invoices" (invoices that charge for a higher grade of materials, or charge for more materials or services than were actually delivered)
- 4) Customers and Counterparties who do not appear to be concerned about negotiating price levels (and are willing to pay above market price), determining the suitability of services to their needs, or other details of the transaction (warranties, rates, quantities, etc.)
- 5) Subcontractors or vendors are not on the approved list or not listed in business directories

COMMUNICATION & DISCLOSURE RED FLAGS

Customers and counterparties who:

- 1) Take unusually long, are reluctant or refuse to co-operate with due diligence efforts. This may include reluctance to provide identity and address authentication or explain ownership interests
- 2) Provide questionable contact details, e.g. no letterhead, third party fax number, company address is the same as the principal's home address
- 3) Where transacting businesses share the same address, provide only a registered agent's address or have other addresses
- 4) Use different tax identification numbers with variations of his or her name
- 5) Request violation of established company rules or procedures
- 6) Are reluctant, when establishing a new account to provide complete information about the nature and purpose of the business or its location, or names of its officers and directors
- 7) Are a trust, holding or private investment company that is reluctant to provide information on controlling and underlying beneficiaries
- 8) Who issue instructions to pay third parties, or requests letters of credit for unusual beneficiaries
- 9) Who discourage or deny visits to office, warehouse or other facilities or otherwise appear to avoid direct contact with Green Ocean*



PAYMENT PATTERN RED FLAGS

Payments have one of the following unusual characteristics:

- 1) **Form:** petty cash (other than payment at retail sites), money orders, telegraphic transfer, travellers cheques, bureaux de change cheques or similar
- 2) **Manner** (abnormal settlement method or to settle with unconnected parties):
 - by cheque, with the payee left blank
 - with multiple wire payments for a single transaction
 - in a foreign currency or overseas jurisdictions not corresponding to the specific deal
 - by a 3rd party, i.e. not an expected originator, and / or from an unapproved bank account
 - from banks that are unusual, misspelled and / or not Green Ocean*-approved for treasury transactions
- 3) **Timeframe:** unexpectedly quick repayment, infrequent use of large available credit lines, irregular repayment schedule, or volatile levels of bad debts
- 4) **Transaction context:**
 - significant level of returns and refunds relating to invoices
 - counterparty use of Letters of Credit inconsistent with its business
 - payments to Green Ocean which exceed invoiced amounts, especially where such errors occur more frequently or where repayment is requested to a different account or beneficiary
 - payments from the counterparty have no stated purpose, do not reference goods or services

Further the customer or counterparty

- 5) Requests to establish relationships with multiple payee accounts or frequently requests the accounts to be changed;
- 6) Requests the payment of proceeds to an unrelated third party and/or to an unrelated financial offshore centre.