

Inspection Report

pursuant to the Due Diligence Act

to the Financial Market Authority (FMA) Liechtenstein

on the Due Diligence Inspection

**for Banks and Finance Companies, Branches of Banks and
Finance Companies, Investment Undertakings, Asset
Management Companies,
Life Insurance Undertakings
for the Business Year 200x**

**for Other Financial Service Providers
in the Year 200x (Mandate No. xx/0x)**

at

***Person subject to Due Diligence A
Person subject to Due Diligence B
Person subject to Due Diligence C***

Updated: 1 January 2007

In our capacity as auditor/audit company, we undertook an inspection pursuant to article 24 DDA (Due Diligence Act) according to our mandate on at

Person subject to due diligence	A, Address
Person subject to due diligence	B, Address
Person subject to due diligence	C, Address

The person subject to due diligence is responsible for compliance with Liechtenstein due diligence law, while our task consists in auditing and evaluating compliance with the due diligence legislation.

We have carried out our audit in accordance with the principles governing the profession in Liechtenstein and the audit requirements set out in FMA Guideline 2006/2.

1. Summary

Evaluation of the overall outcome of the formal and material inspection and provision of information on any grave breaches, and evaluation whether, in light of the results of the inspections, sound business conduct and impeccable business management within the meaning of the Act appear to be guaranteed.

2. Due diligence inspection

2.1. General remarks

Persons subject to due diligence not included or additionally included in the inspection in deviation from the mandate	<i>If the auditor reaches the conclusion that – in deviation from the mandate – it makes sense to not include or additionally include persons subject to due diligence in the inspection (e.g. inclusion of persons with a certification under article 180a PGR who are employed by the audited person subject to due diligence), then these persons shall be specially indicated and listed on the cover sheet and at the top of this page. In this space, a short justification of the deviation from the mandate should be included.</i>
Number and names of the persons carrying out the inspection	<i>Indication of the last and first names of the persons mandated to carry out the inspection and other persons who have participated in the inspection.</i>
Inclusion of the internal audit department of the person subject to due diligence in the inspection	<i>Indication of the type and scope of the inclusion of the internal audit department in the inspection.</i>
Time or time period of the inspection	<i>Indication of the audit dates.</i>
Duration of the inspection	<i>Division of the tasks into: a) total number of hours on site; b) total number of hours for additional work; c) total number of hours for travel.</i>

Costs of the inspection	<i>Amount in CHF including VAT.</i>
Selection of the business relationships to be audited and scope of the sample	<i>Number of business relationships audited in the framework of the sample in absolute figures and percentages. Information on what approach the auditor took in selecting the business relationships to be audited.</i>
Expansion of the sample	<i>Short justification if an expansion was necessary.</i>
Date of the last inspection report and of the last follow-up inspection report	<i>Indication of the date of the last inspection report and the last follow-up inspection report.</i>
Result of the last audit	<i>Indication of the results of the last audit, in particular of any complaints or violations not yet remedied in accordance with the last inspection or follow-up inspection report.</i>

2.2. Other remarks and observations

3. Person subject to due diligence

3.1. Key data

Legal form	<i>Indication of the legal form.</i>
Number of business relationships relevant to the DDA	<i>Indication of the number of business relationships relevant to the DDA.</i>
Number of employees who have been involved in financial transactions	<i>Indication of the number of employees involved in financial transactions¹.</i>
Total number of employees	<i>Indication of the total number of employees.</i>

3.2. Information on the type of link between two or more persons subject to due diligence that are audited on a consolidated basis.

Information should be included here on the relationship between persons subject to due diligence that are audited on a consolidated basis.

¹ Relevant to the determination of the employees participating in financial transactions is whether, in the performance of the function of the employee, a relationship exists to compliance with and fulfillment of due diligence obligations under the DDA. The employees concerned therefore bear responsibility within the area of work assigned to them for compliance with and fulfillment of the due diligence obligations. The terms of reference shall be consulted. Employees definitely considered to be involved in financial transactions are: employees with client contact (account managers, assistants) and tellers, the compliance officer, and employees of the person subject to due diligence who are organs of legal entities not operating commercially in the domiciliary State.



⇒ Only relevant if not already included in the prudential audit report:

3.3. Organizational chart or short overview of key positions (board of directors, general management, etc.) and their holders.

This space should include an overview of the key positions, in particular the board of directors, the general management, etc., and their holders.



3.4. Other remarks and observations

Other remarks and observations can be included in this space.

4. Due diligence obligation

4.1. Identification of the contracting party (art. 4 oDDA; art. 14-17 oDDA; art. 5-6 DDA; art. 3–8 DDO)

Existence of the documents for identification, and verification whether they meet the formal requirements.



⇒ Only relevant in the case of life insurance undertakings:

Additional audit in the case of life insurance undertakings: Existence of the documents concerning compilation of the data on the payment recipient in accordance with art. 8 para. 1 DDO if the insurance benefit is paid to a bank or postal account "in the EEA" or Switzerland, and/or documents concerning identification of the payment recipient within the meaning of article 5 DDA when paying the insurance benefit to a bank or postal account "outside the EEA" and Switzerland in accordance with art. 8, para. 2 DDO.



4.2. Identification of the beneficial owner (art. 5-6 oDDA; art. 18-21 oDDO; art. 7-8 DDA; art. 9-12 DDO)

Existence of the documents for identification of the beneficial owner, and verification whether they meet the formal requirements.

4.3. Repetition of identification of the contracting party and identification of the beneficial owner (art. 7 oDDA; art. 9 DDA; art. 13 DDO)

Existence of the documents for identification of the contracting party and the beneficial owner, and verification whether they meet the formal requirements. Verification whether indications arise from the due diligence files that the identity of the contracting party or the beneficial owner may appear dubious.

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⇒ Only relevant in the case of banks and postal institutions:

4.4. Prohibition of business relationships (art. 12, 40 DDA)

4.4.1. Prohibition of business relationships with shell banks (art. 12 para. 1 and 2 DDA)

Verification whether business relationships are maintained with shell banks or whether they have been properly discontinued.

4.4.2. Prohibition of passbooks, accounts, or custody accounts payable to bearer (art. 12 para. 3, 40 para. 4 DDA)

Verification whether passbooks, accounts, or custody accounts payable to bearer are maintained and, if so, how may exist, or whether they have been properly discontinued, with an indication of the number of contractual agreements existing and dissolved during the audit period.

4.4.3. Prohibition of anonymous accounts, passbooks, or custody accounts, or accounts, passbooks, or custody accounts under fictitious names (art. 12 para. 4 DDA)

Verification whether anonymous accounts, passbooks, or custody accounts or accounts, passbooks, or custody accounts under fictitious names are maintained (numbered accounts and password accounts are not considered anonymous, provided that all due diligence obligations are met).

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4.5. Profiles of the business relationship (art. 6 oDDO; art. 14 DDA; art. 21 DDO)

Existence of the minimum data for the profile of the business relationship and verification whether they meet the formal requirements.

Verification whether the information is sufficiently up to date and expressive, in particular the level of detail of the profile information pursuant to art. 21 para. 1(c), (d), and (e) DDO in terms of risk-adequacy within the meaning of art. 21 para. 2 DDO.

Indication of the number of business relationships as of the end of the business year that have been blocked due to lack of disclosure pursuant to art. 35 DDA and how many were blocked in the previous year and in the case of how many a profile of the business relationship has been compiled, including of the beneficial owner.

4.6. Risk-adequate monitoring (art. 5 oDDO; art. 13, 15 DDA; art. 19, 22, 25, 29 DDO)

4.6.1. General remarks

General description and assessment/evaluation of the implementation of the monitoring requirements under art. 13 DDA and art. 19 DDO and of the system inspection including a general description and assessment/evaluation of whether in general or in certain categories

of DDA-relevant business relationships special risk-increasing or risk-mitigating circumstances exist.

4.6.2. Records describing transactions and, if applicable, the asset balance (art. 29(c) oDDO; art. 25 para. 1(d) DDO)

Existence of records describing transactions and, if applicable, the asset balance. If persons subject to due diligence declare business relationships to be inactive, the due diligence auditors shall verify the inactivity on the basis of the files.

4.6.3. Records documenting ongoing monitoring (art. 13 para. 1 DDA)

Existence of records documenting ongoing monitoring.

4.6.4. Information on the establishment of risk criteria in internal instructions and information whether these criteria are adequate in view of the risk (art. 13 para. 2 DDA)

The audit must verify whether risk criteria have been defined in internal instructions. It should also be determined whether the established criteria appear to be adequate with respect to the risk.

4.6.5. Use of aids (art. 19 para. 1 and 2 DDO)

It must be indicated whether the processes are designed in such a way and/or whether aids are employed in such a way (especially computerized systems) that the monitoring obligations can be adequately met.

It must also be verified whether the computerized systems used to monitor business relationships are used as an aid in ascertaining circumstances or transactions.

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⇒ Only relevant in the case of banks and postal institutions:

In the case of banks and postal institutions, it must be verified according to art. 19, para. 2 DDO whether such banks and postal institutions have employed a computerized system for monitoring business relationships since 1 January 2006 and whether this system is appropriate and attains the state of what is technically possible or whether the type and/or number of business relationships permits monitoring by hand.

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4.6.6. PEP policy (art. 19 para. 3 DDO)

Information concerning the business relationships with politically exposed persons and whether the internal instructions provide for a PEP policy. A PEP policy shall include in particular structures and processes for the recognition of PEPs and enforcement by the management. It should also be indicated whether the processes are designed in such a way and aids employed in such a way (especially computerized systems) that the monitoring obligations can be adequately met or whether the recognition of PEPs is ensured by means of another adequate risk management system, thereby complying with the requirements under art. 19 para. 3 DDO as of 1 January 2006.



⇒ **Only relevant in the case of banks and postal institutions:**

4.6.7. Global monitoring of money laundering (art. 13 para. 3 DDA; art. 20 DDO)

Clarification whether banks with branches abroad and banks that have a financial group with foreign companies have ensured globally monitoring, and whether the approach taken by the bank is effective.



4.7. Inquiries

4.7.1. Simple and special inquiries, including documents, records, and receipts consulted (art. 5 para. 1(c) oDDO; art. 15 DDA; art. 22 DDO)

Existence of simple or special inquiries in cases in which such inquiries should have been performed, and verification whether they meet the formal requirements.

4.7.2. Expressiveness of the documentation on simple and special inquiries (art. 22 DDO)

Verification whether the transactions in a business relationship correspond to the profile of the business relationship and whether the profile is sufficiently expressive to permit assessment of the plausibility of these transactions.

Verification whether the documentation on the simple inquiries that are necessary pursuant to the comparison of the facts and transactions with the profile of the business relationship and with the risk criteria established in the internal instructions allow a third party with appropriate expertise to conduct a sufficient evaluation of the background and therefore to assess the plausibility of the facts and the transactions.

4.8. Compliance with the reporting obligation (art. 16 DDA; art. 23 DDO)

Verification whether the obligation to report to the FIU under art. 16 para. 1 DDA has been met. Indication of the special inquiries undertaken and of the number of reports submitted to the FIU. Verification whether the prohibition of termination of a business relationship under art. 16 para. 2 DDA and the prohibition of notification under art. 16 para. 4 DDA and the obligation to block assets under art. 16 para. 5 DDA have been complied with.

4.9. Delegation to a mandated third party (art. 18 DDA; art. 24 DDO)

4.9.1. General remarks

General assessment/evaluation of compliance with the due diligence obligations in the case of delegation (system inspection) and a sample inspection (financial transaction-related inspection) whether any delegations made are in compliance with the material requirements under art. 18 para. 1(a) DDA in conjunction with art. 24 DDO.

With respect to the system inspection, it should be noted:

whether delegations have been made and, if so, which due diligence obligations have been delegated, e.g. identification of the contracting party, identification of the beneficial owner, compilation of the data for the profile, ongoing monitoring of the business relationships;

whether the delegation is a delegation under art. 18 para. 1(a) or (b) DDA and how the selection of the delegatee is performed

(e. g. long-term business relationship, specialized experience and personal qualifications, subordination to rules and regulations);

whether delegation contracts/cooperation contracts exist² and whether such contracts include the requirement that mandated third parties meet the due diligence obligations called for under the DDA;

whether the required records are available at the person subject to due diligence and whether the persons subject to due diligence have verified them with respect to completeness and plausibility;

whether the internal instructions provide rules on organization of the delegation;

how the mandated third parties were instructed.

4.9.2. Documentation on identification of the contracting party and identification of the beneficial owner (art. 18 para. 1 DDA, art. 24 para. 1 DDO)

Verification whether the legally required documents and information have been obtained or compiled with respect to identification of the contracting party and identification of the beneficial owner, and whether such documents and information have been transmitted without delay to the person subject to due diligence in Liechtenstein, including an indication of the person conducting the identification.

Furthermore, it shall be indicated whether the delegatee has confirmed with his signature that any copies made for purposes of identification correspond to the originals and that any written declaration obtained for purposes of identifying the beneficial owner originated with the contracting party or a person authorized under art. 10 para. 2 DDO.

4.9.3. Monitoring of the business relationship (art. 18 para. 1 DDA, art. 24 para. 2 DDO)

Existence of the documentation on special inquiries and verification whether all documents, records, and receipts consulted in this connection have been transmitted at least once a year to the person subject to due diligence in Liechtenstein and whether the documentation on simple inquiries can be obtained on request within a reasonable time period, and whether – unless an exception applies – records describing transactions and, if applicable, the asset balance over the corresponding time period have been transmitted at least once a year.

Verification whether the documentation on the simple inquiries that are necessary pursuant to the comparison of the facts and transactions with the profile of the business relationship and with the risk criteria established in the internal instructions allow a third party with appropriate expertise to conduct a sufficient evaluation of the background and therefore to assess the plausibility of the facts and the transactions.

4.10. Taliban Ordinance (chapeau of the Taliban Ordinance in conjunction with art. 3 para. 1, 1 para. 1 of the Law on Measures pertaining to Economic Transactions with Foreign States) and "Bush" lists or similar lists

Verification whether the names in the annex of the Taliban Ordinance and pursuant to the "Bush" list or other lists have been compared with existing business relationships and whether new business relationships have been compared with the names in the annex of the Taliban Ordinance and pursuant to the "Bush" list or other lists. At a minimum, the

² According to the DDA/DDO, no written contracts are necessary.

contracting parties and the beneficial owners must be verified. Verification shall be undertaken on the basis of the documentation of the comparison conducted by the person subject to due diligence.

4.11. Obligation to maintain records (art. 20 DDA; art. 25 DDO)

Verification whether client-related records and receipts have been kept for at least ten years from the end of the business relationship and whether transaction-related records and receipts have been kept for at least ten years from conclusion of the transaction or from their preparation. Moreover, it should be described whether and how, according to statements by the person subject to due diligence, the electronic storage of client-related and transaction-related records and receipts is ensured, so that changes to the content after the fact are not possible without such changes being noticed.

4.12. Appropriateness of the entire internal organization (art. 21 DDA; art. 26–33 DDO)

4.12.1. General remarks

General description and assessment/evaluation of the appropriateness of the entire internal organization, the internal control system, and the internal guidelines, as well as their implementation with respect to business activities and the risk fields of the person subject to due diligence (system inspection).

4.12.2. Annual reports (art. 12, 29(a) oDDO; art. 21 para. 3 DDA; art. 26 DDO)

Existence of annual reports and verification whether they meet the formal requirements.

4.12.3. Internal instructions (art. 21 para. 1 DDA; art. 27 DDO)

Existence of internal instructions and verification whether they meet the formal requirements.

4.12.4. Enumeration of special functions (art. 7 oDDO; art. 22 DDA)

Appointment of a contact person and fulfillment of his legal responsibilities (art. 7 and 8 oDDO; art. 22 DDA; art. 29 DDO)	<i>Appointment of the contact person and a substitute (system inspection).</i>
Appointment of a compliance officer and fulfillment of his legal responsibilities (art. 7 and 9 oDDO; art. 22 DDA; art. 30 and art. 32 para. 2 DDO)	<i>Appointment of the compliance officer and a substitute and assessment of the adequacy of fulfillment of responsibilities under art. 30 DDO (system inspection). For the assessment of the adequacy of fulfillment of responsibilities, detailed information is required in particular if the person or expert body also performs the function of investigating officer. In this space, the expert qualifications concerning in-depth knowledge of due diligence under art. 32 para. 2 DDO shall also be discussed.</i>
Appointment of an investigating officer and fulfillment of his legal responsibilities (art. 7 and 10 oDDO; art. 22 DDA; art. 31 and art. 32 para. 2)	<i>Appointment of the investigating officer and a substitute and assessment of the adequacy of fulfillment of responsibilities under art. 10 DDO (system inspection). Information should be particularly detailed if the person or expert body also performs the function of compliance officer. In this space, the expert qualifications concerning in-depth knowledge of due</i>

DDO)	<i>diligence under art. 32 para. 2 DDO shall also be discussed.</i>
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4.12.5. Basic and continuing training of employees (art. 21 para. 1 DDA; art. 26 para. 1(c), 27 para. 2(h), 28 DDO)

With respect to the basic and continuing training of employees, it should be commented on in particular:

whether all persons involved in financial transactions, especially those with client contact, have been given basic and continuing training in accordance with art. 28 DDO for purposes of fulfilling the due diligence obligations. This includes internal and external training courses;

whether the fundamentals of training are included in the internal instructions pursuant to art. 27 para. 2(h) DDO;

whether the internal annual reports according to art. 26 para. 1(c) DDO contain a report on the basic and continuing training of the persons involved in financial transactions in the past business year.

5. Guarantee of proper conduct of business and impeccable management (art. 12a para. 2 oDDA; art. 35 para. 2(d) DDO)

Verification and determination whether, in the framework of the inspection of the audited areas and business relationships, any circumstances exist which might call into question the guarantee of proper business conduct and impeccable management within the meaning of the Act.

6. Due diligence auditors (art. 26 DDA, art. 38 DDO)

6.1. General remarks

Independence (art. 26(b) DDA; art. 38 para. 2 DDO)	The participating auditors hereby confirm that they are legally, economically, and personally independent of the persons subject to due diligence (Annex 3).
Proof of training (art. 26(c) DDA; art. 38 para. 1 DDO)	The participating auditors hereby confirm that they have attended external basic and continuing training events of at least one half day per calendar year, in which knowledge of the provisions for preventing and combating money laundering, organized crime, and financing of terrorism were conveyed.
Processing and storage of records and data in Liechtenstein (art. 27(d) DDA; art. 37 para. 1 DDO)	The participating auditors hereby confirm that they have processed and will store the records and data of the inspections exclusively on the territory of the Principality of Liechtenstein.
Completeness	The participating auditors hereby confirm that they have obtained a declaration of completeness from the person subject to due diligence that the person subject to due diligence has presented all information and records

	necessary for the inspection.
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6.2. Other remarks and observations

Place / Date / Signature

Annexes:

Annex 1: Audit results / Evaluation table

Annex 2: Detailed task list

Annex 3: Confirmation of independence

Annex 1

Audit results / Evaluation table

Person subject to due diligence:				
Total number of DDA-relevant business relationships:				
Number of audited business relationships:				
	Complaints³ total		Violations⁴ total	
	absolute	%	absolute	%
Identification of the contracting party (art. 4 oDDA; art. 14–17 oDDO; art. 5–6 DDA; art. 3–8 DDO)				
Identification of the beneficial owner (art. 5–6 oDDA; art. 18–21 oDDO; art. 7–8 DDA; art. 9–12 DDO)				
Prohibition of business relationships (art. 12 DDA)				
Profiles of the business relationships (art. 6 oDDO; art. 14 DDA; art. 21 DDO)				
Records describing transactions and, if applicable, the asset balance (art. 29(c) oDDO; art. 25 para. 1(d) DDO)				
Simple and special inquiries including documents, records, and receipts consulted (art. 5 para. 1(c) oDDO; art. 15 DDA; art. 22 DDO; DDU Guideline 2002/1; FMA Guideline 2005/1)				
Reporting obligation (art. 16 DDA; art. 23 DDO)				
Delegation of due diligence obligations (art. 24 oDDO; art. 18 DDA; art. 24 DDO)				
Taliban Ordinance (chapeau of the Taliban Ordinance in conjunction with art. 3 para. 1, 1 para. 1 of the Law on Measures pertaining to Economic Transactions with Foreign States) and "Bush" lists and similar lists				

³ According to FMA Guideline 2006/2, complaints must be made for each situation in which a violation of the DDA or the DDO or the FMA guidelines concretizing the DDA or the DDO occurs.

⁴ According to FMA Guidelines 2006/2, violations must be noted for each situation in which a suspicion of an offense under art. 30 DDA arises.

Obligation to maintain records (art. 20 DDA; art. 25 DDO)			
Internal organization (art. 21 DDA; art. 26–33 DDO)			

Annex 2

1. Detailed task list

Person subject to due diligence:

Seq. no.	Complaints / Violations	Measures determined	Deadline

Comments on the complaints/violations

Where useful, additional information should be provided in the following on individual complaints/violations. This information should allow the FMA to make a reliable judgment on the violation of due diligence obligations in the concrete case without having to check back with the due diligence auditor, request a statement from the person subject to due diligence, or review the files and records in question.

- Sequence number x

Contracting party	<ul style="list-style-type: none"> • <i>Natural persons: State of residence and citizenship;</i> • <i>Legal persons, companies, trusts, other collectives and asset entities: legal form, State of domicile.</i>
Beneficial owner	<ul style="list-style-type: none"> • <i>Natural persons: State of residence, citizenship, and profession;</i> • <i>Legal persons, companies, trusts, other collectives and asset entities: Determination of legal form, State of domicile, and business activity.</i>
Authorized persons	<ul style="list-style-type: none"> • <i>Natural persons: State of residence and citizenship;</i> • <i>Legal persons, companies, trusts, other collectives and asset entities: Determination of legal form and State of domicile.</i>
Economic background and origin of the contributed assets	<i>Anonymized information from the profile and according to other sources available at the financial service provider.</i>
Intended use of the assets	<i>Anonymized information from the profile and according to other sources available at the financial service provider.</i>
Amount of the assets / significant inflows and outflows	<i>Information in the records according to which transactions and, if applicable, the asset balance is apparent. Also, documentation on any inquiries and all documents, records, and receipts consulted in this connection.</i>
Additional background information	<i>Other information essential to the complaint or violation.</i>

Assessment of the quality of the information	<i>Assessment whether the records allow a third party with appropriate expertise to make a reliable judgment on compliance with the due diligence provisions.</i>
Complaints and violations	<i>Comprehensive description of the complaints/violations.</i>
Measures determined	<i>Description of the measures determined (action necessary to restore and secure a lawful and risk-adequate state of affairs and to prevent new complaints).</i>

- Sequence number y

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2. Recommendations

In this space, the due diligence auditor can make recommendations.

Annex 3

Confirmation of independence

According to art. 26(b) DDA in conjunction with art. 38 para. 2 DDO, auditors, audit companies, and audit offices appointed pursuant to special laws must be legally, economically, and personally independent of the audited persons subject to due diligence. They hereby confirm their independence to the FMA.

Person subject to due diligence:

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.....

The person(s) carrying out the inspection:

.....
.....

Are you an employee of the person subject to due diligence or of an undertaking legally, economically, or personally linked to the person subject to due diligence?

Yes

No

Do you directly or indirectly participate in the profits of the person subject to due diligence or of an undertaking legally, economically, or personally linked to the person subject to due diligence?

Yes

No

The undersigned hereby declares that he/she has answered the questions above truthfully and with all due care. With his/her signature, the undersigned confirms that he/she fully meets the requirements on independence within the meaning of art. 26(b) DDA in conjunction with art. 38 para. 2 DDO.

Place, Date _____

Signature _____

