

FINANCIAL CRIME COMPLIANCE

ISSA Questionnaire (FCC DDQ)

Version to be completed by Entities that have completed one of the current versions of the Wolfsberg Anti-Money Laundering Questionnaires (CBDDQ or FCCQ).

December 2021



DISCLAIMER

None of the products, services, practices or standards referenced or set out in this document are intended to be prescriptive for market participants. Therefore, they should not be viewed as express or implied required market practice. Instead they are meant to be informative reference points which may help market participants manage the challenges in today's securities services environment.

This document does not represent professional or legal advice and will be subject to changes in regulation, interpretation, or practice.

ISSA does not warrant the accuracy or completeness of the information or analysis contained in this paper.

Introduction

The ISSA Questionnaire or FCC DDQ (Financial Crime Compliance Due Diligence Questionnaire) is to be completed by Entities providing securities settlement, custody, funds distribution or similar services which intend to open (for prospects), or already have opened (for existing clients), accounts at their Custodian(s) to deposit their own or Client assets.

The FCC Principles do not address the conduct of the issuer or its agents and therefore the ISSA Questionnaire does not address fund transfer agents or administrators.

Please note the following points:

- In this document, the 'Entity' (as defined in the Glossary of Terms) is the organization which is in the process of contracting, or has already contracted, with its Custodian(s) for the deposit of assets and related services.
- The ISSA Questionnaire is to be completed from the moment the Entity sub-deposits, or intends to sub-deposit, Client assets for the purpose of providing securities settlement, custody, funds distribution or similar services irrespective of whether the assets are held in a Segregated, Omnibus or Commingled Account structure.
- This means that Entities opening accounts with their Custodian(s) to deposit their own proprietary assets do not need to fill in the ISSA Questionnaire.
- The ISSA Questionnaire is to be completed, and signed, by the Entity that legally intends to contract, or is contracting, with its Custodian(s) for the deposit of assets and related services.
- The ISSA Questionnaire is required to be answered on a Legal Entity (LE) level. The Entity should answer the questionnaire at the legal entity level including any branches for which the client base, products and control model are materially similar to the LE Head Office. This questionnaire should not cover more than one LE. Each question in the questionnaire will need to be addressed from the perspective of the LE and on behalf of all of its branches. If a response for the LE differs for one of its branches, this needs to be highlighted and details regarding this difference captured at the end of each sub-section. If a branch's business activity (products offered, client base etc.) is materially different than its Entity Head Office, a separate questionnaire can be completed for that branch.
- The Entity undertakes to inform its Custodian(s) of any material change to the answers provided in this form.

Before completing the ISSA Questionnaire, the Entity should review the Appendices, which contain useful information to assist in completing this document:

- Explanatory Notes offers guidance notes on completing the different sections
- A Glossary of Terms provides a definition of key words


Part 1: Entity Identification

A. Company Information

Registered Company Name		HSBC Holdings plc	
Building/ PO Box	8	Street	Canada Square
City	London	Postcode / Zip	E14 5HQ
State (if required)	-	Country	United Kingdom
BIC 8 (if allocated)	-	LEI (if allocated)	MLU0ZO3ML4LN2LL2TL39

B. Contact Information (Questionnaire completed by)

First Name	Richard	Last Name	May
Title	Group Head of Financial Crime GBM and CMB	Job Role	Group Head of Financial Crime GBM and CMB
e-Mail	hsbc.affiliates.kyc@hsbc.com	Telephone	-

Authorized Signature(s)	
Date	11 Sep 2023

Part 2: FCC Questions

A. Entity's Compliance Policies and Framework

1. Has the Entity adopted all necessary and appropriate AML/CFT and sanctions compliance policies and procedures, supported by appropriate compliance controls, which cover the Entity's securities settlement, custody, funds distribution or similar services?

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

B. Entity's Due Diligence Programme

2. Does the Entity, as part of its initial and ongoing Client due diligence efforts, consider the following factors?

2.1 International best practices and guidance, including the ones specific to the securities industry, such as the FATF 'Risk-based Approach Guidance for the Securities Sector'

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

2.2 Country/geography risks considered in the client risk assessment

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

2.3 Risk factors linked to assets the Entity would deposit with its Custodian(s) that are typically considered as higher risks in the securities industry (Such a risk factor might, for instance, be low-price equities in the U.S.)

Yes No Partially

If «No» or «Partially»: Mandatory clarification

If «Yes»: Optional clarification

3. As part of the Entity's initial and ongoing due diligence, does the Entity screen the following items against lists of Sanctioned Parties?

3.1 Client Identification Data (e.g. Entities Beneficial Owner Data)

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

3.2 Assets Beneficial Owner data, where available, in the Entity's systems and databases (The targeted data includes, but is not limited to, the names of end buyer/seller of a security as mentioned in a SWIFT field)

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

3.3 Information included in applicable securities transactions fields

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

3.4 Information included in applicable cash transactions linked to its securities business

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

3.5 Securities related information (This information includes, but is not limited to, ISIN, issuer name, etc.)

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

4. Are the items included in the previous question screened against the following sanctions issuing authorities?

4.1 Domestic Authorities

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

4.2 United States Department of the Treasury's Office of Foreign Assets Control (OFAC)

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

4.3 European Union Consolidated List (EU)

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

We screen against the European Union Consolidated List where required to do so by competent authorities in a relevant jurisdiction or by applicable law.

4.4 Consolidated United Nations Security Council Sanctions List (UN)

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

4.5 Lists maintained by other G7 member countries

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

We screen against sanctions lists maintained by other G7 member countries where required to do so by competent authorities in a relevant jurisdiction or by applicable law.

4.6 UK Office of Financial Sanctions Implementation (OFSI)

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

4.7 Other

Yes

No

If «Yes»: Provide details

C. Entity's Transaction Monitoring System

5. Does the Entity have a monitoring programme reasonably designed to identify unusual and potentially suspicious activity that covers securities and funds services?

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

6. Does the Entity have controls and/or appropriate arrangements in place to ensure that its cash accounts held with its Custodian(s) are not used to facilitate any unauthorized non-securities related transactions or an activity that does not fall within the scope of the services offered?

Yes No Partially

If "No" or "Partially": Mandatory clarification

Contractual limitations restrict the use of the cash custody accounts for settlement purposes only.

If "Yes": Optional clarification

D. Entity's Assets Sub-deposited with its Custodian(s)

7. Does the Entity have the following policies and procedures in place to ensure exclusion, blockage or restriction of assets deposited with its Custodian(s) that are ultimately owned by Sanctioned Parties?

7.1 Systematically exclude and/or block, or ensure that its Clients can exclude and/or block, assets deposited with its Custodian(s) that are ultimately owned by a Sanctioned Party

Yes No Partially To the extent permitted by law

If "No", "Partially" or "To the extent permitted by law": Mandatory clarification

Yes, to the extent permitted by law and agreed contractually with its Custodian(s).

We have policies and procedures in place to exclude/block assets deposited that are owned by a Sanctioned Party. The only exceptions to these policies and procedures are no-fail markets (China and Hong Kong) where excluding/blocking will be applicable only to the extent permitted by local law and agreed contractually.

If "Yes": Optional clarification

7.2 Block or restrict the settlement of assets owned by a Sanctioned Party

Yes No Partially To the extent permitted by law

If "No", "Partially" or "To the extent permitted by law": Mandatory clarification

If "Yes": Optional clarification

8. Does the Entity have policies and procedures in place to notify its Custodian(s) as soon as it is aware that an asset it intends to deposit, or has deposited, with its Custodian(s) is ultimately owned by a Sanctioned Party?

Yes No Partially To the extent permitted by law or agreed contractually with its Custodian(s)

If "No", "Partially" or "To the extent permitted by law or agreed contractually with its Custodian(s)": Mandatory clarification

If "Yes": Optional clarification

9.1 Does the Entity have the necessary arrangements in place to ensure it is made aware by its Clients should an asset it has deposited with its Custodian(s) be ultimately owned by a Sanctioned Party?

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

9.2 In practice, do you intend to deposit, or have you already deposited, but not yet notified the Custodian about, any asset ultimately owned or issued by a Sanctioned Party?

Yes

No

Partially

To the extent permitted by law

If "No", "Partially" or "To the extent permitted by law": Mandatory clarification

Some assets held with Custodians might become sanctioned over time.

Custody of sanctioned assets at the time of settlement is not permitted unless appropriate licenses are obtained. We have controls to notify sub-custodians if assets or clients are subject to sanctions, to enable the sub-custodian to put appropriate blocking & freezing in place.

If "Yes": Optional clarification

Note: Question 9.2 only exists in this version of the ISSA Questionnaire and is specific to your relationship with a single Custodian. It is therefore not included in the version of the ISSA Questionnaire available on the SWIFT KYC Registry.

E. Omnibus and Client Commingled Accounts

10. Has the Entity opened, or intends to open, Omnibus Client Accounts with its Custodian(s)?

Yes No

If "Yes" please complete questions 10.1 and 10.2:

10.1 Does the Entity take necessary steps to determine that the Ultimate Assets Beneficial Ownership deposited in Omnibus form has been adequately identified or, alternatively, does the Entity have the adequate contractual arrangements with all its Clients to ensure it is the case?

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

10.2 Does the Entity have procedures in place to avoid any misuse of its Omnibus Client/Commingled Accounts to disguise the true ownership of assets held with its Custodian(s)?

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

F. Entity's Clients acting as Sub-Custodians

11. Does the Entity authorize its Clients to sub-deposit in its accounts third-party client assets?

Yes No

If "Yes" please complete questions 11.1 and 11.2:

11.1 Do the Entity's policies and procedures require that Clients sub-depositing assets on behalf of third-party clients are adequately authorized to deal with client assets, including suitable AML/CFT and client assets protection regulation?

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

11.2 Do the Entity's policies and procedures require its own Clients to disclose the identity of holders of Segregated Client Accounts they intend to open with the Entity?

Yes No Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

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Appendices



Appendix 1: Explanatory Notes

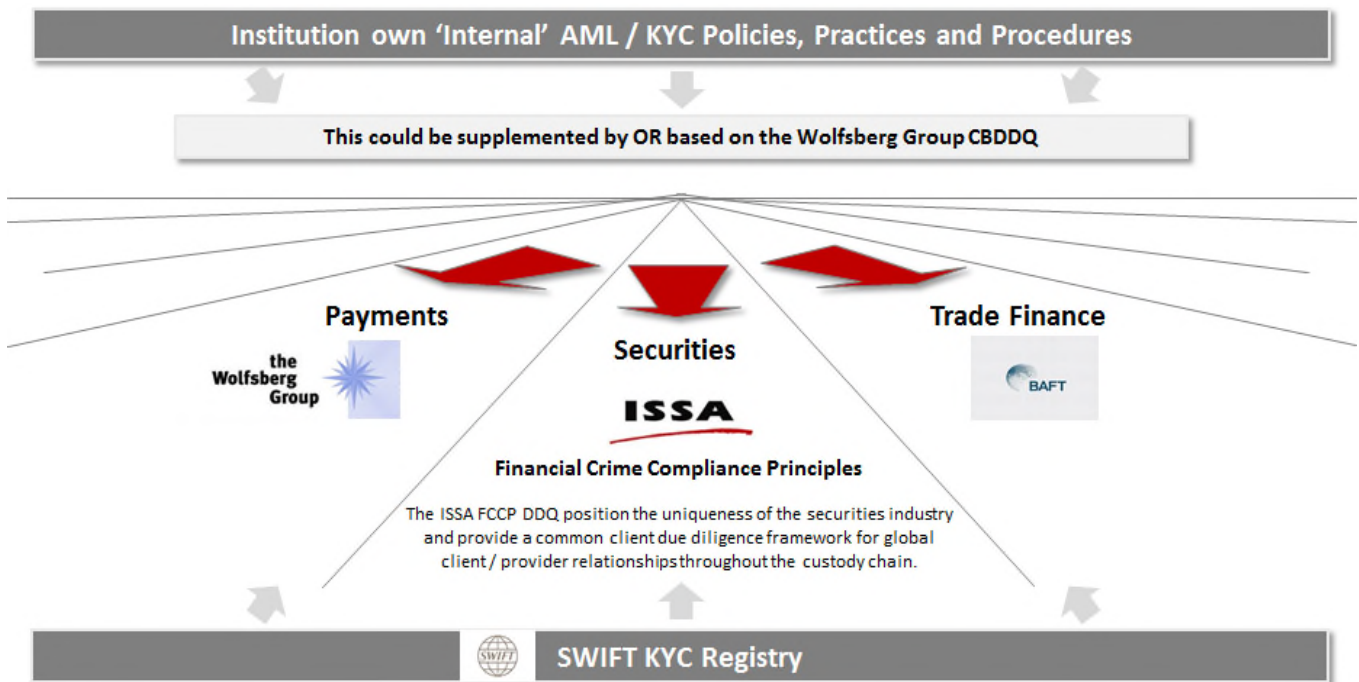
These explanatory notes are designed to assist in the completion of the ISSA questionnaire. Additional information about the ISSA Financial Crime Compliance Principles can also be found on the ISSA website (www.issanet.org) in the Financial Crime Compliance Working Group section.

Reason for the ISSA Questionnaire

Currently there is no single financial services “industry-wide” financial crime due diligence approach that caters for all sectors of the financial services industry.

Securities Business

The ISSA questionnaire (FCC DDQ) provides a similar framework for the securities sector, covering areas not included in the Wolfsberg questionnaires. The ISSA questionnaire is therefore not intended to replace the Wolfsberg questionnaires; but to complement them. Used in tandem, or with an institution’s own internal DDQ, it will enable an institution to have a comprehensive client due diligence framework adequately covering its securities business.



Objectives of the ISSA Questionnaire

The ISSA questionnaire aims to:

- provide Custodians with a tool to assist them in performing due diligence on Entities addressing the characteristics of cross-border securities relationships
- enable Custodians to assess the extent to which any given account relationship complies with the ISSA Financial Crime Compliance Principles, in accordance with their own risk-based approach
- provide Entities with the information that their Custodians' due diligence framework is likely to require and to support the Entity in defining its own due diligence objectives, thereby creating awareness and promoting common standards within the securities industry

Structure of the ISSA Questionnaire

The ISSA questionnaire is split into two parts:

Part 1: Entity Identification

This part is to be completed and signed by the Entity that intends to contract, or is legally contracting, with its Custodian(s) for the purpose of providing securities settlement, custody, funds distribution or similar services. This section applies to the consumer / provider account and service relationships inherent throughout the custody value chain.

The table below serves as a highly simplified illustration:

Custodian (Provider)	Entity (Consumer)
(I)CSD	Sub-Custodian
Sub-Custodian	Global-Custodian
Sub-Custodian	Prime Broker
Sub-Custodian	Bank / FI
Global Custodian	Asset Manager
Asset Manager	Investor

Part 2: FCC Questions

This part comprises 12 Financial Crime Compliance questions. The questions look to ascertain the nature and purpose of the account requested to be opened / currently serviced.

The questions in this section must be answered by the Entity irrespective of whether:

- the Entity is depositing its Clients' assets with its Custodian(s) or also its Clients' third-party client assets
- the assets are held in a Segregated, Omnibus or Commingled Account structure

The themes covered are:

- Section A: Policies and procedures
- Section B: Initial and ongoing client due diligence
- Section C: Securities transaction monitoring system
- Section D: Entities sanctions due diligence programmes and the assets the Entity deposits with its Custodians
- Section E: Entities who open segregated omnibus / commingled accounts with its Custodians
- Section F: Entities who authorize their Clients to sub-deposit assets for third-party client

Appendix 2: Glossary of Terms

Client: Any customer of the Entity, which deposits securities with the Entity, which the Entity in turn deposits, or plans to deposit, with its Custodian(s).

Commingled Account: A securities account opened by the Entity with its Custodian(s) in which securities are deposited on behalf of several Ultimate Assets Beneficial Owners, irrespective of whether the account is a Segregated Client Account or an Omnibus Client Account.

Custodian: A regulated financial institution providing securities custody / safekeeping accounts, securities settlement and related services to its clients (typically institutional, collective and private investors, investment managers, and broker dealers) and to other financial institutions.

It includes, but is not limited to, institutions acting as global custodians and sub-custodians, fund distributors, trustees/depository banks, brokers, prime brokers, International Central Securities Depositories and Central Securities Depositories, to the extent that cross-border operations are involved.

It excludes fund transfer agents and administrators.

Entity: Regulated financial institution holding accounts directly with its Custodian(s) (also called the Account Holder in the ISSA Financial Crime Compliance Principles). The term expressly excludes the notion of direct end investor records at the level of the CSD which is the arrangement in place in some markets and which are sometimes called “end beneficial owner accounts”.

Omnibus Client Account: A securities account opened by the Entity with its Custodian(s) in which securities are deposited on behalf of several Clients of the Entity.

Segregated Client Account: A securities account opened by the Entity with its Custodian(s) in which securities are deposited on behalf of a single Client of the Entity.

Ultimate Assets Beneficial Owner: The natural or moral person(s) on whose behalf or under whose ultimate control a transaction is being conducted. In the ISSA Questionnaire, they correspond to the actual buyers or sellers to a securities transaction.

Sanctioned Party: A person or entity sanctioned by competent authorities or who is located in countries / regions subject to comprehensive jurisdiction-based sanctions as administered by the authorities listed in the ISSA Questionnaire. This notion encompasses the Entity’s Clients but also the Clients’ clients or any other stakeholder in the custody chain.