

# **ISSA**



## **Financial Crime Compliance Principles for Securities Custody and Settlement**

### **Explanatory Notes for the ISSA Financial Crime Compliance Sample Questionnaire**

**July 2017**

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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.

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## Explanatory Notes

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The ISSA Financial Crime Compliance Sample Questionnaire aims to provide those Custodians that require it with the guidance and information necessary to perform due diligence on their Account Holders (financial institutions not including Investment Funds) in cross-border securities relationships as may be required when following a risk based approach. The Questionnaire aims to put the Custodian in a position to assess the extent to which any given account relationship complies with the ISSA Financial Crime Compliance Principles as required following a risk based approach. Financial institutions may use the Questionnaire, but may alternatively use proprietary formats or other approaches to achieve their due diligence goals.

The Sample Questionnaire also aims to inform Account Holders of the sort of information that Custodians' due diligence goals are likely to require and to support the Account Holder in defining its own due diligence objectives.

In a broad sense, the ISSA Financial Crime Compliance Sample Questionnaire jointly with the Wolfsberg Due Diligence Questionnaire aims to provide securities custodians with a sufficient degree of assurance with regard to compliance with the ISSA Financial Crime Compliance Principles. The ISSA Questionnaire addresses those elements of a due diligence programme that are specific to securities custody and fund distribution and incremental to the content of the Wolfsberg Questionnaire. ISSA is conscious that there are firms active in the securities field that are not required to complete the Wolfsberg Due Diligence Questionnaire. ISSA is presently developing a more comprehensive Sample Questionnaire for such firms. It will take into account the Wolfsberg Group's present revision of its Due Diligence Questionnaire. The extended ISSA Sample Questionnaire is expected to be available in the course of the 1<sup>st</sup> quarter 2018.

The ISSA Sample Questionnaire is set out in three parts. Whereas the first part covers relevant Company and Contact Information, parts two and three are set out in function of whether the Account Holder deposits or intends to deposit client assets with the Custodian and, if it does so, whether assets of multiple owners will be commingled in one or more custody accounts.

**Part 1** serves to identify the Account Holder. It should be completed by one legal entity per country. A firm and its foreign branches should therefore each complete the Questionnaire if active in securities or fund distribution. The Questionnaire is designed to cover only one legal entity. Each subsidiary and affiliate active in securities or fund distribution should also complete the Questionnaire.

**Part 2** is to be filled out by Account Holders which sub-deposit assets with the Custodian in client asset accounts which are segregated to its clients and where the asset ownership has, if different, been declared to the Custodian.

**Questions 4 and 12 – 15** address the screening and sanctions related policies of the Account Holder. The term "persons and entities sanctioned by competent authorities" refers to persons and entities subject to comprehensive sanctions including asset freezes. It does not refer to other measures such as travel bans or sectoral specific sanctions that restrict financing under certain conditions.

**Part 3** is to be filled out by Account Holders which sub-deposit assets with the Custodian in Omnibus Client Accounts or which deposit assets with the Custodian in Segregated Client Accounts in which the assets of multiple owners are commingled. Such a situation can arise when an Account Holder opens a segregated account for a Client in which that Client is itself holding assets that have been deposited in Omnibus Client Accounts.

In many cases, the Questionnaire must be completed by selecting values from a list of multiple choices. Depending on the response given, the Account Holder is asked to make additional, free format comments.

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