

**COMPETITION TRIBUNAL**

**IN THE MATTER OF** the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

**IN THE MATTER OF** an application by B-Filer Inc, B. Filer Inc. doing business as GPAY GuaranteedPayment and NPay Inc. for an order pursuant to section 103.1 granting leave to make application under sections 75 and 77 of the *Competition Act*;

**AND IN THE MATTER OF** an application by B-Filer Inc., B-Filer Inc. doing business as GPAY GuaranteedPayment and NPay Inc. for an interim order pursuant to section 104 of the **Competition Act**.

**BETWEEN:**

**B-FILER INC., B-FILER INC. doing business as  
GPAY GUARANTEEDPAYMENT and NPAY INC.**

Applicants

- and -

**THE BANK OF NOVA SCOTIA**

Respondent

|   |        |
|---|--------|
| COMPETITION TRIBUNAL<br>TRIBUNAL DE LA CONCURRENCE<br><br><b>FILED / PRODUIT</b><br>November 28, 2005<br>CT- 2005-006<br><br>Chantal Fortin for / pour<br>REGISTRAR / REGISTRAIRE |        |
| OTTAWA, ONT.  | # 0053 |

**AFFIDAVIT OF COLIN COOK  
(Sworn November 23rd, 2005)**

I, **COLIN COOK**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

- I hold the position of Vice President, Commercial Banking Executive Offices with the Respondent, The Bank of Nova Scotia ("Scotiabank"). In this position, my duties include Business Line Responsibilities for Development of Compliance Standards for Commercial Customers, as well as developing policies and procedures for the Commercial line of business. This would include the risk associated with all products and services provided to Commercial customers. I have held a variety of positions within the Bank since 1967 including over 25 years

in commercial banking which have included credit adjudication and administration, Customer Relation and Commercial Sales force management and supervision. Prior to my current post, which I have held for the past 5 years, I managed the Banks head office, Scotia Plaza commercial sales force and the supporting operations and administration unit.

2. I have knowledge of the matters to which I hereinafter depose. Where my knowledge is based on information that I have gained from others, I have so stated.

3. I have an opportunity to review the affidavits of Raymond Grace affirmed June 15 and September 1, 2005; and the affidavit of Joseph Iuso affirmed August 29, 2005; the affidavit of Robert Rosatelli sworn July 12, 2005; the affidavit of David Metcalfe sworn July 12, 2005; the affidavit of Robert Rosatelli sworn September 21, 2005; and the affidavit of Ryan Woodrow sworn October 23, 2005.

4. I believe that the following is a brief summary of the facts that are relevant to my consideration of the issues relating to whether the Applicants would have qualified to become commercial banking customers of Scotiabank. The following factual issues relating to the Applicants' business are derived from my review of Mr. Rosatelli's Affidavit.

5. The Applicants, together with UseMyBank, operate a joint venture business enterprise, which facilitates the transfer of money from banking customers' accounts to third parties.

6. If a banking customer wishes to transfer money to a third party through the services of the Applicants and UseMyBank, the banking customer would click on the UseMyBank icon. The banking customer would be prompted to provide the banking customer's bankcard and internet password. The Applicants and UseMyBank would take the customer's bankcard number

and password and would enter into the customer's bank account and affect a transfer of money from the customer's bank accounts to the Applicants' account at The Bank of Nova Scotia ("Scotiabank") by way of e-mail money transfer. The Applicants could also affect transfers of money from banking customers' accounts by entering into the banking customers' accounts and transferring money to GPay as a Scotiabank bill payee and these funds would later be released from Scotiabank's suspension accounts to the Applicants' accounts at Scotiabank.

7. Based on my review of the materials, it is clear that much of the Applicants' business involves transferring funds from Canadian banking customers' accounts to the Applicants' Scotiabank accounts, and apparently ultimately out to off-shore internet casinos . The Applicants' service in conjunction with UseMyBank allows Canadian customers to place bets at off-shore internet casinos.

8. I also believe, based on my review of Ryan Woodrow's Affidavit, that Mr. Grace, the principal of the Applicants, advised Mr. Woodrow that he anticipated making deposits into the Applicants' Scotiabank accounts considerably in excess of \$5 million. I further verily believe based on my review of Raymond Grace's Affidavits, that he anticipated exponential growth in the business of the Applicants, which he estimated at 241% growth in the coming one year period.

**The Transition from Small Business Customer to Commercial Banking Customer of Scotiabank**

9. Based on the foregoing facts, the Applicants business had grown to such an extent that it no longer met the definition of a small business under Scotiabank's Guidelines. Mr. Rosatelli has attached those guidelines to his Affidavit. I confirm that one of these definitions for a small

business customer of Scotiabank, is that a customer's deposits must not exceed \$400,000 per month or \$5 million annually. The Applicants clearly no longer fit within these parameters.

10. I understand, based on my review of Ryan Woodrow's Affidavit, that he advised Mr. Grace that he would have to speak with Commercial Banking, as the Applicants could no longer be serviced as a small business. Mr. Woodrow's advice to Mr. Grace in this regard was consistent and in keeping with Scotiabank practices.

11. I understand from the Affidavit of Robert Rosatelli that in early 2005, internal investigations were taking place at Scotiabank in order to better understand the nature of the Applicants' business. It was over a period of months in early 2005 that Scotiabank learned that:

- (a) The Applicants were requiring disclosure of banking customers' confidential internet passwords so that the Applicants could effect transfers from the banking customers' accounts to the Applicants' accounts at Scotiabank;
- (b) The Applicants were operating a money services business using Scotiabank accounts as well as its email money transfer product and Scotiabank's bill payee service; and
- (c) A significant portion of the business that was being transacted by the Applicants using Scotiabank's accounts involved banking customers using the Applicants' services to fund off-shore internet gambling accounts.

12. I understand that as a result of these investigations, Scotiabank exercised its contractual right to terminate the Applicants' accounts and other banking services by notice letters dated May 11, 2005.

**The Applicants would not have been Accepted as Commercial Customers of Scotiabank**

13. If Scotiabank had not terminated the Applicants' bank accounts and other banking services, and if the Applicants had applied to become commercial customers of Scotiabank, the following steps would have occurred in making a determination as to whether the Applicants qualified to be accepted as Scotiabank commercial customers.

14. When a small business customer has grown beyond the confines of the small business limits at Scotiabank, the customer will be assigned a commercial banking Relationship Manager. The Relationship Manager will be responsible for undertaking the due diligence necessary to determine whether commercial banking services will be offered to the business.

15. The Relationship Manager will require production by the proposed commercial customer of all supporting documents, including documents regarding the customer's current account, credit history, and products and services.

16. The review that is undertaken by the Relationship Manager includes a review of the customer's product profile and documents to ensure that the correct documents are on file and are accurately completed and executed in accordance with Scotiabank policy and by a company official who is authorized to act on behalf of the company.

17. The Applicants say that they are entitled to three small business limits. This is not correct. The Applicants' business enterprise is entitled to one small business limit of \$5 million or less in deposits per year. Credit risk is aggregated and total limits for customers are on a connection basis rule.

18. One of the first issues that would have raised a red flag with respect to this preliminary review of the Applicants' documentation is the number of accounts that the Applicants had open. I understand from Mr. Rosatelli's Affidavit that the Applicants opened over 100 accounts, 80 of which were opened through telephone banking.

19. The large number of accounts would have raised a "Red Flag" as to why so many accounts were needed. The very unusual number of accounts would have required a closer scrutiny to gain a deeper understanding of the Applicants' operating and banking activity inclusive of accounting practices. This would result in increased due diligence with respect to the Applicants, to clearly understand the nature of their business.

20. A review would also be undertaken of the "Application for Business Account" which would have to be submitted by the Applicants in order to obtain an understanding of the Customer Profile. In particular, the Relationship Manager would have to gain an in-depth understanding of the business of the company by developing a broad range of inquiry into the company history and operation. The Relationship Manager would also undertake a review of the Business and Personal Credit Bureaus to determine the integrity of past credit history.

21. The Relationship Manager would also undertake a review of the personal demographic information with respect to signing officers and would require identification from these individuals.

22. The Relationship Manager would also require and review a full list of signing officers. The commercial banking department would also require complete disclosure of corporate structure, as well as company operations. In the case of the Applicants, where they have a joint venture partner, commercial banking would require disclosure of the joint venture agreement in

order to understand the business of UseMyBank, given that the Applicants' business is apparently intimately tied to the business of UseMyBank.

23. The Relationship Manager would also be in contact with the small business banking officer, in this case Ryan Woodrow, to understand the Applicants' history, and, in particular, the nature of their business that led to significant growth in such a short period of time. This level of growth would raise red flags for the commercial banking group as such growth is extremely unusual.

24. As well, the Relationship Manager would conduct an initial assessment in accordance with Commercial expertise and policy to determine whether the activity levels disclosed are reasonable for the nature of the business. These policies are documented in the Deposit Sales Manual – Business Development, and in particular, Policy 1.1 and 1.3. Relevant policies are also found in the Administration Manual and the Deposit Accounting Manual. Attached hereto and marked as Exhibit "A" are copies of these policies.

25. These inquiries by the Relationship Manager would have disclosed the fact that the Scotiabank accounts were being used on behalf of third parties, namely, banking customers that were using the Applicants' services in order to fund off-shore on-line casino accounts.

26. The Relationship Manager would also undertake steps to determine the actual flow of funds into and out of the Applicants' account.

27. Specific enquiries would be made as to:

- (a) The nature of the Applicants' business.

- (b) The market that the Applicants' business serves.
- (c) The client base of the Applicants.
- (d) The source of the Applicants' revenues.
- (e) How these revenues will be received by the Applicants.
- (f) An understanding of the physical operation of the company, including its premises, staffing, etc.
- (g) A specific understanding of why the Applicants require so many accounts.
- (h) The level of sales and profits and anticipated profitability of the company
- (i) The financial health of the company, by reviewing financial statements.
- (j) Assessment of the key risks including Reputational Risk, Operational Risk, Credit Risk.

28. Moreover, the Relationship Manager would also require a disclosure of a list of the Applicants' customers, including the off-shore casinos that it deals with, as well as evidence about the volume of business that the Applicants undertake with each of these casinos.

29. After undertaking all of the preliminary due diligence described above, the Relationship Manager would arrange to meet with Mr. Grace in his capacity of principal of the two incorporated entities. The interview would potentially include a site visit to the offices of the Applicants to verify the Bank's knowledge of the customer and their operating activities.

30. As a result of the foregoing due diligence inquiries, Commercial Banking would have learned that the Applicants are operating a Money Services Business and that this Money Services Business was facilitating the transfer of money to off-shore internet casinos.



31. Scotiabank policy indicates that the Bank will not engage in illegal, quasi-illegal or inappropriate activities that expose the Commercial Banking Group to legal or reputational risk. Given the Applicants involvement in offshore internet gambling, the Applicants would have been classified as a Restricted Business and would have automatically been declined as a customer of the Commercial Banking Group.

32. Scotiabank has developed policies as a result of the Money Laundering Legislation. Section 3 of the Scotiabank Group Anti-Money Laundering/Anti-Terrorist Financing Handbook is attached hereto and marked as **Exhibit "B"**. According to this Handbook:

- (a) ***Restricted Businesses*** – *the Scotiabank Group must not enter into a relationship to a certain "Restricted Businesses". This can be described as any businesses that engage in illegal, quasi-legal or inappropriate activities that expose the Group to legal, regulatory or reputational risk.*
- (b) *Relationships should not be entered when the legitimacy of the source or destination of funds passing through the account cannot be determined. Pay particular attention to any business that engages in the transfer or exchange of money or the provision of other financial services.*
- (c) ***Enhanced Due Diligence*** – *for higher risk relationships in businesses, the account opening officer must go beyond the usual [know-your-customer] procedures and take additional measures (Enhanced Due Diligence), such as . . . conducting more in-depth interviews of the client and other knowledgeable persons; seeking assistance of public and private sources; checking public and proprietary databases for possible history of involvement in illegal activity . . .*
- (d) ***Know Your Customer's Customer*** – *"Know Your Customer's Customer" is the need to understand the type of clients our customers conduct business with, the nature of the relationship(s) and the nature of the payables and receivables between them.*

33. The Scotiabank Group Anti-Money Laundering/Anti-Terrorist Financing Handbook goes on to indicate:

***Identify the True Owner of the Accounts – Third Party Determination*** – *before a relationship with the Scotiabank Group can be established, the identity of any intermediaries, beneficial owners and interested parties must be established and*

*recorded. Ask customers wishing to open a new account whether the account is to be used to conduct business for someone other than the named account holder(s).*

...

***Identify the Source of Funds** – clearly establish the source of incoming funds or assets at the time that an account is opened to determine that they originated from legitimate sources. The amount and source must be reasonable in relation to the other information provided by the customer such as their occupation or business activities, and the stated net worth, where this information is obtained.*

34. In these circumstances, Commercial Banking's decision to decline providing commercial banking services to the Applicants would have been conveyed to small business. The decision would also have been escalated to Security and Investigations at Scotiabank for further investigation and intervention with a view to Scotiabank ending its banking relationship with the Applicants.

35. According to the Affidavit of Robert Rosatelli, investigations took place in early 2005 which culminated in letters of termination to the Applicants dated May 11, 2005 prior to any involvement by Commercial Banking.

36. Even if the Applicants have been accepted as commercial customers (which they would not have been for the reasons stated herein), commercial customers are not provided with ScotiaCards. Without a ScotiaCard, it is not possible to perform E-mail Money Transfers. The E-mail Money Transfer product was developed for use on a low volume basis by individuals and small business customers. There are inherent risks associated with permitting the use of E-mail Money Transfers for high volume and/or large transaction users of the service. It is for this reason that Scotiabank does not offer E-mail Money Transfer services to commercial customers.

**Conclusion**

37. The Commercial Banking Section is mandated to undertake due diligence investigations with respect to any company applying for products and services as a Commercial Banking Customer.

38. Given the growth in the Applicants' business, they no longer fit the definition of a Scotiabank Small Business customer and upon referral to Commercial Banking, the due diligence that would have been undertaken by the Commercial Banking Section of Scotiabank would have revealed that:

- (a) The Applicants were operating a Money Services Business;
- (b) the Applicants were requiring disclosure of confidential Scotiabank customer passwords in order to effect transfers from the Banking Customers Accounts to the Applicants' Scotiabank Accounts;
- (c) the Applicants' business involved facilitating transfers of money from Banking Customers Accounts to off-shore internet casinos.

39. In these circumstances, because of the nature of the Applicants' business, they would not have been accepted as Commercial Banking Customers of Scotiabank. Instead, they would have been classified as a Restricted Business, and automatically declined as a commercial banking customer. This would have resulted in a referral to the Bank's Security and Investigations Section for further investigation and ultimate termination of the banking relationship.

SWORN before me )  
 )  
at the City of Toronto )  
 )

*this 23rd day of  
November, 2005*

*LISA M. Constantine  
A Commissioner for sworn Affidavits*

  
COLIN COOK



Deposit Sales  
Business Development  
Marketing 1-1

### New Accounts

The Bank owes its success to public trust and confidence, and consequently has a responsibility to deal only with legitimate/reputable businesses and individuals. To ensure that the bank does not become involved in illicit transactions, staff members involved in opening new accounts should know the identity and integrity of the customers they are dealing with. This includes:

- being able to identify customers (from personal identification documents);
- making appropriate background inquiries of unknown potential customers *before* the Bank becomes involved;
- having sufficient knowledge of customers affairs to identify the source of their funds and having a legitimate explanation for any transaction;
- being confident potential customers will honour their obligations with us and conduct legitimate activities only;
- analyzing transactions to determine if it is consistent with your customer's legitimate business or personal affairs.

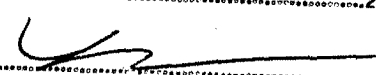
Advise management of customers you feel may be misusing the Bank's facilities for criminal purposes (refer Administration Manual, Security 4.5). Examples of this include the following:

- transactions which do not appear to be consistent with legitimate business purposes;
- any deposit, withdrawal or foreign exchange transaction in cash, or any precious metal, security or other transactions which are not consistent with the customer's usual affairs;
- accounts used primarily for temporary deposits or to create transfers among numerous related accounts, primarily for funds ultimately transferred to other domestic or foreign banks;
- accounts suspected of being used to launder illegal funds (disguising the source of funds obtained from illegal activities by passing them through one or more financial institutions);
- payment transfers without an apparent business reason;
- a sudden increase in the number or amount of payment transfers.

The Manager is to ensure:

- the Bank's integrity/credibility is always maintained;
- the Bank's policy is clearly understood by all staff members;
- a method of new account verification is in place.

Last Updated: November 27, 2002

This is Exhibit A referred to in the  
 Affidavit of Colin Cook  
 sworn before me, this 23rd  
 day of November, 2005  
  
 A COMMISSIONER FOR TAKING AFFIDAVITS

IntraLinkDeposit Sales  
Business Development  
Marketing 1-1**Accounts Opened at Other Offices**

When new accounts are accepted for opening at another Scotiabank office (e.g., branch, agency, representative office), the accepting (booking) office is responsible for identifying/verifying the new customer, the source of funds and the legitimacy of transactions prior to accepting the account, since the eventual domicile branch would have no previous contact with the customer.

For the purpose of identifying the signatories named on the account, a Signatories Identification - Business/Enterprise Account (Form 1288018) must be completed by the interviewing officer.

This form is designed to be completed by either an officer of the Bank, the corporate customer's in-house counsel, a retained legal firm or a licenced notary.

Completion instructions are detailed on the reverse of the form. Upon receipt, the signatures of the individuals named in the form must be compared to the actual signature card held on file.

**Note:**

Where the form is to be completed by a third party, the interviewing officer is responsible for sending the form out for completion and ensuring the form is returned. If an agent of the Bank will be completing the form, the agent's name and capacity must be recorded on the form.

The remitting or soliciting branch/office is to assist the booking point in any investigation concerning the identification of account signatories and the deposit.

Different branches (particularly in regions outside Canada) have different understandings of what are reasonable inquiries in the circumstances as local conditions vary quite widely. Nevertheless, the branch booking the deposit will have to impose its standards on the other branch, if necessary, and require verification of the information it receives.

Last Updated: November 27, 2002

Close



Deposit Sales  
Business Development  
Marketing

### 1.3 Conducting an Interview

New depositor interviews are conducted to:

- make a sale and identify further potential service opportunities:
  - welcome new customers to Scotiabank;
  - determine and satisfy customer's expressed banking needs;
  - determine customer's additional banking needs;
  - match Scotiabank services to customer needs;
  - build customer "profile" to identify future or changing banking needs;
- guard against fraudulent operators by knowing your customer:
  - gather identification from customer;
- ensure regulatory requirements are met:
  - provide customer with Personal Banking Agreements, Privacy Agreement and Personal Banking Accounts and Fees brochure, as applicable;
  - request social insurance number, if applicable;
  - determine source of funds to ensure there is no money laundering involved;
  - inquire on expected account activity during the first year;
  - decline applications which may compromise the Bank's reputation and increase risk of monetary loss through fraud.

To be able to conduct a good interview, it is essential that the interviewer:

- be thoroughly familiar with the Bank's retail and commercial banking products/services;
- be aware of customer banking needs (chequing, savings, credit, investments, safekeeping, night depository and Cash and Treasury Management Services);
- be familiar with new depositor procedures;
- have complete packages of necessary forms and documents available;
- conduct interviews in private wherever possible;
- be alert to recognize suspicious circumstances or business requests.

Last Updated: November 27, 2002



**IntraLink**Deposit Sales  
Business Development  
Marketing 1.3**Identification**

Identification requirements are as follows:

**New customer to the Bank** - Two pieces of ID.

**Existing customer who presents either a Scotiabank VISA or ScotiaCard and is:**

- known to the branch - no additional ID is required;
- unknown to the branch - one additional piece of ID.

**Notes:**

1. "Known to the branch" means that the customer is known to the person opening the account or by some staff member through business conducted at the branch.
2. When dealing with customers who do not have their Scotiabank VISA/ScotiaCard with them when opening a new deposit account, verify via CIS that they actually have a Scotiabank VISA/ScotiaCard.

**Existing customer who does not present a Scotiabank VISA/ScotiaCard and is:**

- known to the branch - one piece of ID;
- unknown to the branch - 2 pieces of ID.

**New accounts** - To meet the requirements of the Proceeds of Crime (Money Laundering) Act, it is mandatory to obtain and *record* personal identification when opening a personal or business account for a new customer or an additional personal or business account for an existing customer; this also applies to investment products (e.g., GICs, RSPs). Refer also Business Accounts below.

**Existing Accounts** - You are not required to obtain and record personal identification when opening an additional personal or business account if:

- the name of the new account is identical to the existing account;
- the signatories on the new account are the same.

Record the existing account number on the new application form.

**Note:**

You *must* obtain personal identification from any new signing officers (up to 3

for multiple signatories) when there is a change to the signatories on the account.

**Youth and Students** - They may have minimal identification due to their age and status and may only be able to provide a student card, social insurance card or birth certificate. Ensure all efforts are made to verify the identity of youth or students who possess minimal identification.

**Business Accounts** - For new and existing business accounts where there are more than 3 persons signing on the account, personal identification need only be taken from 3 of those signatories. If one of the 3 signatories is subsequently removed, then identification will be required from a further signatory (i.e., personal ID must always be on file for 3 signing officers of the company).

In exceptional circumstances where the identification of the account signatories is not possible, a Signatories Identification - Business/Enterprise Account (Form 1288018) must be completed and held on file (refer Business Development 1.1, Accounts Opened at Other Offices sub-topic).

The following are considered acceptable pieces of ID from which to ascertain the identity of an individual:

- driver's license;
- passport;
- birth certificate;
- social security card/social insurance card;
- government health insurance card;
- senior citizen's (old age security) card;
- Canadian citizenship card;
- Indian status certificate;
- any similar official document or card issued by a federal, provincial or state government;
- credit and debit cards with customer's signature issued by reputable financial institutions;
- college/university ID with photo;
- security pass issued by a reputable corporation;
- employee identity card issued by a reputable employer;
- you may accept a personal reference from a reliable customer or other person from your branch, providing you record the details of the reference.

**Legislative restrictions prohibit us from the following:**

**Quebec Driver's License** - Requesting a Quebec driver's licence. However, if a customer voluntarily provides it as identification, we may record the number.

**Government Health Insurance Cards** - Collecting or recording Ontario, Manitoba and Prince Edward Island government health insurance card numbers. Requesting a Quebec government health insurance card;



however, if a customer voluntarily provides it as identification, we may record the number.

With the exception of a birth certificate which is considered a weak form of identification, all the above documents will bear the individual's signature, and in some cases, also the individual's photograph from which the individual's identification may be ascertained. Identification which bears both the signature and photograph of the individual is a stronger form of identification, but not considered mandatory.

**Note:**

Employment is not a requirement to open a bank account. We do not require a minimum deposit to open a bank account.

Record whether the customer is new or existing (known or unknown) and the particulars of identification taken (including Scotiabank VISA/ScotiaCard number for existing customers) on Application for Deposit Services, Application for Business Banking Services, Signatories Identification - Business/Enterprise Account (Form 1288018) or the appropriate investment and product application form.

If the officer opening the account is not satisfied with the identification presented:

- |                       |  |
|-----------------------|--|
| <i>Officer</i>        | <ul style="list-style-type: none"><li>• <i>Refer the matter to a senior officer.</i></li></ul>   |
| <i>Senior Officer</i> | <ul style="list-style-type: none"><li>• <i>Determine the validity of the items presented.</i></li><li>• <i>Decide to open or refuse account.</i></li><li>• <i>Indicate on Application for Deposit Services or application for Business Banking Services if subsequent verification of employment is necessary because identification is minimal/ questionable but the account is being opened.</i></li></ul> |

Last Updated: November 27, 2002

**Glose**



Administration  
 Security  
 4-5 Money Laundering

**Guidelines**

The Bank will make every reasonable effort to ensure it is not used to facilitate criminal activity. Money laundering is the criminal activity of disguising the source of funds obtained from illegal activities so that they appear to be from a lawful source. Effective January 1, 1989, the Criminal Code was amended by Bill C-61 which made money laundering a criminal offence. The Bill also enhanced the ability of law enforcement officials to freeze and seize the proceeds of crime which could include bank account balances and assets pledged as collateral for loans. Since then, further legislation has been enacted covering mandatory periods for record keeping and for the retrieval of records within a reasonable period. In addition, during 1993 smuggling under the Excise and Customs Acts has been added to the proceeds of crime/money laundering legislation.

The branch Manager or Service Manager is designated as the Compliance Officer for the branch (in larger branches this may be delegated to a senior officer at the A73 level or above). *The Compliance Officer is responsible, daily, for ensuring the branch is in compliance with money laundering deterrence and detection procedures.* He/she must ensure through the completion of Source of Funds Declarations and the knowledge of customers' affairs, that this policy is adhered to. Also through transaction referrals, the daily management review of exception reports and related vouchers and an awareness of the movement of large bills, he/she can ensure all applicable transactions were identified and investigated. All branch staff have a responsibility to be able to recognize potential money laundering transactions and must ensure such transactions are referred/authorized as required *prior* to processing.

All branch staff must also view the money laundering video annually.

Some of the common indicators of money laundering are:

| Transaction Type      | Examples  |
|-----------------------|---|
| currency transactions | <ul style="list-style-type: none"> <li>• large/frequent cash deposits in any currency (including cash deposited by ABM, night deposits);</li> <li>• exchange of small denomination bills for large ones, usually for large amounts, and/or on a regular basis;</li> <li>• cash purchases of large drafts or a series of drafts;</li> <li>• large cash purchases of precious metals;</li> <li>• presentation of large drafts to obtain proceeds in cash;</li> <li>• cash payments for transfer to another branch/bank, particularly to another country;</li> <li>• large cash payments on loans/mortgages/credit cards.</li> </ul> |

|                           |   |
|---------------------------|---|
| non-currency transactions | <ul style="list-style-type: none"><li>• large/multiple drafts deposited/transferred;</li><li>• drafts presented to be exchanged for our drafts; quite often split amounts and/or other currencies are requested;</li><li>• payment transfers without an apparent business reason (refer Appendix E );</li><li>• a sudden increase in the number or amount of payment transfers;</li><li>• large purchases of travellers cheques;</li><li>• unusual transactions in merchant deposits.</li></ul> |
|---------------------------|---|

Potential money launderers regard the Bank as an expedient means to move funds quickly between countries due to its wide international representation. The Bank will not knowingly facilitate such activity and officers must be diligent to ensure such activity does not occur. *Always apply the know your customer rule* . Managers/Compliance Officers are to observe closely numbered, managed or trust accounts whether operated by an agent such as a lawyer or accountant, or an unknown principal, such as someone new to the community.

Last Updated: June 30, 2004

Close



Administration

Security  
4-3 Frauds / Forgeries / Theft

## New Account Fraud

New account fraud is one of the most common types of bank fraud.

Shortly after the account is opened, the customer deposits a worthless cheque drawn on an outside point. Deposits could be made over the counter or quite frequently via an ABM. Before sufficient time has passed for the cheque to be returned, the depositor withdraws most of the funds and disappears.

Customers may first open an account with cash or genuine cheques and gain the confidence of staff members through other legitimate transactions. They may also let funds sit for a time to see whether they are caught before commencing fraudulent activities. Sometimes they may attempt to negotiate the final withdrawal through a Teller who did not handle the deposit of the fraudulent cheque and who may be unaware that the funds are not cleared.

The customer usually operates under an assumed name and has false identification.

Proceed as follows when opening new accounts:

- |  |  |
|--|--|
| Officer                                    | <ul style="list-style-type: none"> <li>• Verify all particulars of new accounts not later than the next business day.</li> </ul>   |
| Manager<br>Customer Service<br>and Manager | <ul style="list-style-type: none"> <li>• Initial all New Account Particular Sheets (Form 1030612) and Application or Deposit Services (Form 1220314) to ensure all information given by the customer has been verified.</li> </ul> |

Any information provided by the customer that proves incorrect should act as a warning and extra precautions should be taken when handling subsequent transactions.

Once the account is opened:

- |        |   |
|--------|---|
| Teller | <ul style="list-style-type: none"> <li>• Refer all new account deposits/withdrawals by new customers to a senior/compliance officer.</li> </ul> |
|--------|---|

It is difficult to specify how long an account is considered new and discretion must be used. The on-line deposits system flags new accounts for 60 business days.

Last Updated: January 23, 2003



Deposit Sales

Commercial Accounts 1-2

## Documentation Guidelines - Business Accounts and Administrative Service Fees

The Manager may delegate the taking of documentation to a responsible officer. An authorized signing officer is to check all documents and the Manager or senior officer responsible for the account must approve them.

Use the following guidelines when completing documentation:

| Item                                    | Action   |
|---|--|
| <i>Completion of Documents</i>          | Ensure documents are fully completed before they are presented for signature.  |
| <i>Witnessing Signatures/ Documents</i> | <p>When witnessing signatures in connection with Business Accounts and related deposit services, the witness must:</p> <ul style="list-style-type: none"> <li>• know the customer(s) signing the document(s); and</li> <li>• have actually witnessed the signing of the document(s).</li> </ul> <p><b>Note:</b><br/>A signatory or any other party to a document cannot witness any other signature on the document.</p> <p>A witness can be any Bank staff member. Among non-staff members, an employee of the customer could serve.</p> <p>When witnessing signatures:</p> <ul style="list-style-type: none"> <li>• <i>Sign your name next to each signature or write "witness to the signature(s) of ( insert name(s) )" and sign beneath this statement.</i></li> </ul> <p><b>Note:</b><br/><i>The signatures of the officers signing on behalf of incorporated customers do not have to be witnessed.</i></p> <p>If the witness is not a staff member:</p> <ul style="list-style-type: none"> <li>• <i>Wherever possible, have the witness identified by occupation/address for verification purposes.</i></li> </ul> |
| <i>Corporate Seals</i>                  | Affixing of a corporate seal is optional on Scotiabank   |

|   |   |
|---|---|
|   | <p>Financial Services Agreement (SFSA) (Form 1317318) and other deposit related service agreements.</p> <p>A corporate seal is not required for the following:</p> <ul style="list-style-type: none"> <li>• Banking Resolution (Form 1317113);</li> <li>• Certificate - Officers, Directors and Signing Authorities (Form 1312510);</li> <li>• service requests governed by the SFSA and other deposit related service agreements.</li> </ul> <p>If a corporate seal is affixed:</p> <ul style="list-style-type: none"> <li>• <i>Ensure the name on the corporate seal is exactly the same as that used on the document(s) evidencing incorporation and the banking documents.</i></li> </ul> <p>For further details, refer Loan Manual, 8.1.</p> |
| <b>Changes</b>  | <p>Customer and Witness initials are required if any changes, deletions or alterations to the document are made which are not called for in the document.</p> <p>They are <i>not</i> required when:</p> <ul style="list-style-type: none"> <li>• a phrase is deleted which does not apply to your province/area;</li> <li>• "notes" instruct the adding/deleting of clauses in specific circumstances which apply when the document is signed;</li> <li>• 1 of 2 alternate clauses printed on the document must be deleted;</li> <li>• spaces for insertion of amounts, collateral description, locations, etc. are completed.</li> </ul>   |
| <b>Non-Standard Forms or Standard Forms that have been altered (Corporate and Commercial)</b> | <ul style="list-style-type: none"> <li>• <i>Refer to the Manager's recommendation and supporting reasons for approval prior to the operation of the account as follows:</i> <ul style="list-style-type: none"> <li>• <i>Corporate accounts to Electronic Banking Enterprise Solutions, Executive Offices;</i></li> <li>• <i>Commercial Accounts to Credit Supervising Office.</i></li> </ul> </li> </ul>  |
| <b>Non-Borrowing Customers</b>  | <p>If the customer does not intend to borrow or does not have borrowing powers (e.g., municipality, school board, unincorporated association):</p> <ul style="list-style-type: none"> <li>• <i>Ensure paragraph 4 of Banking Resolution (Form 1317113) is deleted and the deletion is initialled by the customer.</i></li> </ul>  |

- *Place an on-line message on the customer's account(s) indicating that overdrafts are not permitted.*

Last Updated: December 19, 2002

Close



Deposit Sales  
Commercial Accounts 1-2

**Additional Documentation**

In addition to the standard forms and operating documents, take additional documentation as follows:

| Item   | Action  |
|--|---|
| <p><i>Authority to Deliver Vouchers (Form 1033514)</i></p> | <p>If the customer prefers to pick up their Business Account statement and enclosures, complete the form.</p>   |
| <p><i>Evidence of Valid Incorporation</i></p>              | <ul style="list-style-type: none"> <li>• <i>Obtain copies of document(s) evidencing valid incorporation;</i></li> </ul> <p>For non-borrowing U.S. corporations, copies of the incorporating document(s) must be obtained (a legal opinion is not required).</p> <p>For further information regarding incorporated and co-operative associations, fraternal societies and other associations, refer Loan Manual, 9/7 and 9/8.</p>  |
| <p><i>Evidence of Registration</i></p>                     | <ul style="list-style-type: none"> <li>• <i>Obtain a copy of the document evidencing registration of the business name where this is required (refer Business Name Registration Requirements below) for new business accounts.</i></li> </ul> <p>If the customer is unwilling to provide a copy of the registration (e.g., because no loans or overdrafts will be required), note this on Application - Banking Services for Business (Form 1297910) and place an on-line message on the account indicating no overdrafts or other loans are to be advanced until evidence of registration is on file.</p> <p>For existing business accounts, if the branch becomes aware the customer is using a new or amended business name, a copy of the document evidencing registration of the new or amended business name must be obtained.</p> <p>For borrowing customers only:</p> <p>When lending to first time borrowers :</p> <ul style="list-style-type: none"> <li>• <i>Ensure a copy of the registration is on hand before finalizing arrangements.</i></li> </ul> |



Registrations and renewals expire every 5 years in New Brunswick and Ontario, and every 3 years in Manitoba and Saskatchewan. The registration must be renewed prior to the expiry date in these provinces. Responsibility for renewal remains with the customer, and follow-up by branch is not required.

**Business Name Registration Requirements**

A declaration must be registered in the appropriate provincial government registry office as indicated in the table below by:

- partnerships; and
- sole proprietorships or corporations operating under a name or style (trade name) other than the name of the proprietor or corporation.

| Province             | Proprietorship    | Partnership       | Corporation |
|----------------------|-------------------|-------------------|-------------|
| Newfoundland         | n/a               | n/a               | n/a         |
| Prince Edward Island | all               | all               | all         |
| Nova Scotia          | all (1)           | all (1)           | all         |
| New Brunswick        | all               | all               | all         |
| Quebec               | all               | all               | all         |
| Ontario              | all               | all               | all         |
| Manitoba             | all               | all               | all         |
| Saskatchewan         | all               | all               | all         |
| Alberta              | trading, etc. (2) | trading, etc. (2) | all         |
| British Columbia     | trading, etc. (2) | trading, etc. (2) | all         |

(1) except farming or fishing

(2) trading, manufacturing or mining, including construction in Alberta

**Transfer Accounts**

If the transfer is made by the branch:

- *Obtain a Letter of Direction (Form 1315218) signed by the customer's authorized officers and keep it on file with the customer's Business Account operating documents.*

**Transfer of Funds Services (DTC)**

If the transfer of funds services is arranged:

- *Obtain a Transfer of Funds Services Resolution/Letter of Direction (Form 1315218) authorizing the Bank to accept*

|   |  |
|---|--|
|   | <p><i>debits (from the other financial institution) to the customer's account.</i></p>   |
| <p><b>Government Agencies, Embassies and Consulates</b></p>                                 | <ul style="list-style-type: none"> <li>• <i>Obtain a certified copy of the Order-in-Council (or the equivalent documents for foreign agencies, embassies and consulates):</i> <ul style="list-style-type: none"> <li>• <i>by which the signing officers received their authority; and</i></li> <li>• <i>by which borrowing is authorized (when the government intends to borrow).</i></li> </ul> </li> </ul> |
| <p><b>Claim and Reimbursement Draft Account</b></p>   | <ul style="list-style-type: none"> <li>• <i>Take Agreement to Operate Claim and Reimbursement Draft Account (Form 5287111) (refer <u>Appendix B</u>).</i></li> </ul>   |
| <p><b>Non-Member Financial Institution (NMFIs) of the Canadian Payments Association</b></p> | <p>Where the Bank acts as the Clearing Agent:</p> <ul style="list-style-type: none"> <li>• <i>Take Undertaking and Indemnity Agreement (refer <u>Appendices C and D</u> and photocopy).</i></li> </ul> <p>The Manager is to sign the forms on behalf of the Bank.</p>  |

Last Updated: June 22, 2004

**Close**



Deposit Sales  
Commercial Accounts 1-2

## Application for Business Banking Services Completion Instructions

This form is to be used for the opening of all new Commercial Business Accounts (including those opened for existing customers) and whenever the Scotiabank Financial Services Agreement is taken.

Small Business customers use the BAO (Business Account Open) interactive process. (The Application - Banking Services for business (Form 1295616 and 1295918) is to be used when the BAO system is unavailable).

### Note:

A request for either a CAD or USD account or both only requires the completion of one form.

The purpose of this form is to:

- gather information about the customer:
  - name and location of the business;
  - names and addresses of the principals; refer to Deposit Sales Manual, Business Development, section 1.3 Identification
  - type of business, date established, annual sales and number of employees;
  - name and address of the customer's lawyer, accountant and present banker;
- ensure regulatory requirements are met:
  - obtain and record identification of the principals;
  - obtain permission to conduct and release information from and to credit reporting agencies, credit bureaus, other credit grantors and for cross-marketing purposes, to send the customer information about services the Bank and its subsidiaries offer and to share the customer's name and address with the Bank's subsidiaries for that purpose;
- ensure the correct operating documentation is obtained for the business type;
- record customer's expected deposit and payment activity for "Know Your Customer" purposes;
- identify other business services the customer may require;
- record details of how information was verified;
- provide a certification that identification and other requirements have been met.

When the form is used to open an additional Business Account for:

- existing customers complete as applicable:

- " Customer legal name " , " Trading as "
- " About the Business Owner(s)/Officer(s) " , refer Business Development 1.1, New Accounts topic ;
- account type requested, currency and if account is being opened on behalf of a third party.
- record customer ' s expected average monthly deposit and payment activity for " Know you Customer " purposes for each account;
- initial deposit and source of the deposit;
- the sections being changed or updated.

Have the form signed in the "About Your Business" section by the applicable signatories (refer 1. About Your Business below).

Where the form is being used to record a further signatory, the signatory must sign in the "About the Business Owner(s) / Officer(s)" section.

- 1 About Your Business:** This is the information on the business required to open the Business Account. The signature(s) of the owner (s) (or for widely held businesses or associations the authorized signing officer(s) of the customer) is required to permit the Bank to complete its due diligence requirements and obtain the necessary approvals to conduct marketing activities. Refer Section - Terms and Conditions for further details.

**Notes:**

1. *Customer legal name* for "Proprietorship" is the personal name of the Sole Proprietor, *not* the business name shown on the business registration.

*Customer legal name* for a partnership is the partnership name shown on the partnership business registration (if registered), or (if not registered), the name of the partnership agreed on by the partners.

2. For a corporation, sole proprietorship or partnership, record the trading name of style. Where the trading name or the trading style must be registered, use the name shown on the business name registration (refer Business Name Registration Requirements topic).
3. *Trading as* : If a corporation, sole proprietorship or partnership carries on a business or identifies itself to the public under a name other than the "corporate" or "legal name" (i.e., a registered name), that registered name must also be recorded.
4. Date Business Established is defined as the date the business first became operational (i.e., the date the company first became active transacting business, not the date of registration or incorporation).

- 2 About the Business Owner(s) / Officer(s) (including Principals of Corporation / Sole Owners / Partners, etc.):**

This section is used to obtain and verify information on the owner(s) and signing officer(s) to support the opening and operation of the Business Account.

**Note:**

Attach a second application (page 1 only) to maintain privacy of the personal information of each owner/officer when there is more than one and they request privacy or express concerns regarding the information.

**3 Relationship to Business:**

**Customer- to-Customer (CUCU) Links:** This section relates directly to the two different types of Customer-to-Customer (CUCU) links. It is important that the information be properly recorded to ensure all CIS profiles (retail and/or business) are correctly linked. The two types are as follows:

**Non Personal to Non Personal:** Required for Commercial and Corporate connections. They are used to link the various non-personal CIS profiles of individual businesses that are connected to each other. These links are processed by the CAU or BSC at the direction of the Commercial Relationship Manager or Corporate Officer.

**Non Personal to Personal:** Required for Commercial Business borrowing customers that are LUC adjudicated. They are used to link the retail CIS profile of the business owner(s)/shareholder(s) to the non-personal CIS profile of the business they have ownership in.

Valid Relationship to Business CUCU links are provided in the following tables:

**a) Non-Personal to Non-Personal CUCU Links: (step 6 A of application)**

Record the Commercial and/or Corporate customer connection, as applicable. While all customers within a connection are equal, one customer is to be designated as the Master/Parent.

| Type of Non-Personal Relationship   | Description   |
|-------------------------------------|---|
| MajorityOwner( > 50%)<br>(Only one) | Master/Parent of the connected/related customer(s). |
| MajorityHolding( > 50%)             | Connected/related customer(s) of the Master/Parent. |

**b) Non Personal to Personal CUCU links**

Record for Commercial Business Borrowing customers, if applicable.

| <b>Type of Relationship &amp; (Company Structure)</b>          | <b>Description</b>  |
|--|---|
| <i>Sole Owner of Company (Proprietorship)</i>                  | <p>Related personal customer is the sole owner who conducts business in a registered company name (not his/her own personal name).</p> <ul style="list-style-type: none"> <li>• Only one individual (the owner) is to be linked to the non-personal CIS profile of the business.</li> </ul>   |
| <i>Majority Shareholder (Corporation/Incorporated Company)</i> | <p>Related personal customer is the majority shareholder (51% or greater) of the business.</p> <ul style="list-style-type: none"> <li>• Only one majority shareholder is to be linked to the non-personal CIS profile of the business.</li> <li>• One or more minority shareholders may also be linked as appropriate (see following section).</li> </ul>   |
| <i>Minority Shareholder (Corporation/Incorporated Company)</i> | <p>Related personal customer is a minority shareholder (50% or less) of the business).</p> <ul style="list-style-type: none"> <li>• More than one minority shareholder can be linked to the non-personal CIS profile of the business.</li> <li>• Can be linked with one majority shareholder or other minority shareholder(s) to the non-personal CIS profile.</li> </ul> <p><b>Notes :</b></p> <ol style="list-style-type: none"> <li>1. Owners with equal shares (i.e., 2 @ 50%, 3 @ 33.3%) who have existing relationships established as "Partners" should be changed to "Minority Shareholder" when the next annual review has been finalized.</li> <li>2. If the related personal customer has less than 20% ownership, do not link.</li> </ol> |
| <i>Partner (Partnership)</i>                                   | <p>Related personal customer is a partner of the business.</p>  |

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>• There should be more than one partner linked to the non-personal CIS profile of the business.</li> </ul> <p><b>Note :</b><br/>                 If family business is in multiple names (e.g., farm account of Mr. and Mrs. Smith), the non-personal CIS profile of the business should be set up as "John Smith and Mary Smith" and the retail CIS profiles of John Smith" and "Mary Smith" should be linked to the non-personal CIS profile as partners.</p>  |
| <p><i>Business in Personal Name (Proprietorship)</i></p>  | <p>Related personal customer is the sole owner of the business (e.g., physician, dentist, farmer) and conducts it in his/her own name.</p> <ul style="list-style-type: none"> <li>• Only one individual is to be linked to the non-personal CIS profile of the business.</li> </ul> <p><b>Notes :</b></p> <ol style="list-style-type: none"> <li>1. Both the non-personal CIS profile and a retail CIS profile are to be set up in the same personal name.</li> <li>2. All accounts associated with the business, including loans for business purposes booked in the name of the individual, are to be attached to the non-personal CIS profile.</li> <li>3. All accounts (e.g., RRSP, personal savings account) for the personal use of the individual are to be attached to the retail CIS profile.</li> </ol> |
| <p><i>Executive Officer (non-owner) (Corporation/Incorporated Company, Association [ e.g., Lodges, Churches ] )</i></p> | <p>Related personal customer is a non-owner of the business but is a signing officer. Personal information and dealings of these individuals have no bearing for credit adjudication or business profitability analysis purposes.</p> <ul style="list-style-type: none"> <li>• There may be more than one executive officer linked to the non-personal CIS profile of the business.</li> </ul>  |

**4 For Bank Use Only - Identification:** In order to comply with the regulations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, it is mandatory to obtain and record 2 pieces of personal identification from the business owner and signing officer(s) as follows:

- the sole proprietor (owner) of a business entity;
- 3 partners of a partnership (or both partners if there are less than 3);
- 3 signing officers of a corporation or association (or all signing officers if there are less than 3).

Note: Existing customers who present either a Scotiabank VISA or ScotiaCard and are:

- known to the branch - record the number of the customer's VISA or ScotiaCard;
- unknown to the branch - one additional piece of ID required.

Refer Business Development for identification requirements. Where it is not possible for the branch to obtain the identification of the account signatories (i.e., where the account is accepted for opening at another Scotiabank office or documents are executed offsite), Signatories - Identification - Business Enterprise Account (Form 1288018) must be completed on behalf of the domicile branch by the interviewing officer and held on file.

**5 Signature :** Must be signed by the business owner(s)/officer(s) who has supplied his/her personal information in 1, 2 or 3 of this section. Signature(s) certify that the information about the business owner (s)/officer(s) is accurate, complete and agree to the Terms and Conditions under the heading " About the Business Owner(s)/Officers (s).

This permits the Bank to obtain and release personal credit information and other personal information to support the setup and ongoing administration of the customer's or the business owner's relationship with the Bank.

Note: Credit references are not mandatory for the following person(s):

- the executive officers/signing officers of a large corporation;
- the signing officers of non-profit corporations or entities (i.e., churches, fraternal societies, lodges, school groups, sports groups, Scout troops, Brownie packs) where the branch does not require a credit reference, third party inquiry or other information about those signing officers to support the opening and operation



- of the Business Account;
- the minority shareholders of a corporation when the branch does not require a credit reference, third party inquiry or other information about those individuals to support the opening and operation of the Business Account;
- the limited partners of a limited partnership.

6

**For Bank Use (Complete with Customer):****Step 1**

A step-by-step process completed with the customer which covers personal identification requirements, business needs analysis, expected account activity for Know Your Customer purposes and account/service documentation requirements.

**Step 2 Part A & B:****Know Your Customer 's Depositing Activity:**

Obtain information to understand the customer 's expected average monthly depositing activity. Record volumes (#), dollar value (\$) and frequency of activity. Frequency values are d- daily, w- weekly or m- monthly. Default frequency is monthly.

**Know Your Customer 's Payments Activity:** Obtain information to understand the customer 's expected average payments activity. Record volumes (#), dollar value (\$) and frequency of activity. Frequency values are d- daily, w- weekly, or m- monthly. Default frequency is monthly.

**What Services to Suggest (Needs Analysis):** Review customer's needs for account services, and any cash management products. This will enable you to pursue cross-sell opportunities for new and existing customers.

Identify the products/services that meet the needs of the customer. Refer large companies to the appropriate Account / Relationship Manager or Cash Management Specialist. If there is more than one account requested, photocopy this page and complete Part A for each account. (Part B needs only to be completed once.)

**Step 3**

Complete the Business Account documentation as applicable.

**Step 4**

Refer to the appropriate cash management product(s) section of the manual for the documentation required and complete the form (s) as applicable.

7

**For Bank Use (Additional Information Required for CIS Profile and to Open the Account):**

This section details additional information required from the customer as well as internal sources for CIS and DDA input.

It is important that all information be completed and recorded accurately.

Note: For accounts opened at a Business Support Centre (BSC), indicate the Designated Home Branch (DHB) transit in the space provided. The DHB is the branch where BSC customers conduct their day-to-day over the counter transactions (deposits etc.). While a DHB must be input for each business account, the customer is to designate only one DHB where they will conduct their transactions.

Note: If account is opened on behalf of a third party, then the Third Party Determination (E0106) form must be completed for that account.

This section also includes the Account Manager/Relationship Manager verification and sign-off certificate.

**Step 5 (A)**

**Obtain the following information for verification and reporting purposes.**

Complete 1 or 2 as follows: Annual sales is defined as the company's gross revenue as per the most recent year end financial statements. Enter Ø for start-ups of less than one year; projections are not to be used. Annual sales amounts should be entered in the full amount to the nearest dollar. Ensure annual sales amounts are consistent with the customer's Type Codes.

**Note :**

Refer Administrative Data Entry Manual, Customer Information System, Appendices, Appendix A for guidelines.

**Note :**

Complete for all accounts except fraternal associations and First Nations accounts (i.e., the "Not Applicable" box in #2 is to be ticked only for these accounts).

*Number of Employees* information is to be completed for all accounts other than fraternal associations and First Nations accounts (i.e., the "Not Applicable" box in #2 is to be ticked only for those accounts).

*Effective Date of Annual Sales* is entered in the field following the Annual Sales field. This is the date of the most recent year end

financial statement and is to be entered using mm/yyyy format.

*Total # of Employees* is defined as the number of full-time and part-time staff on the company's payroll expressed on an equivalent staffing basis. The formula for calculating full-time equivalent is multiplying the number of part-time employees by 0.33.

**Note :**

A customer with 5 full-time employees and 3 part-time employees would have 5.99 employees on an equivalent staffing basis (round 5.99 to 6 and enter).

**Note :**

Complete for all accounts except fraternal associations, corporate accounts and First Nations accounts (i.e., the "Not Applicable" box in #2 is to be ticked only for these accounts). For existing customers, enter the number of employees as of the company's most recent year end. For new customers, enter the number of employees as at the date of application; projections are not to be used for start-ups. If "To Be Determined" is ticked, prepare a BF to follow up and complete the section.

Provide the customer with a copy of Your Guide to Fees and Interest Schedules Brochure (Form 1583115).

**(B - D)**

**Business Registration:** Record the province of registration and expiry date if applicable. Refer Additional Documentation sub-topic - Evidence of Registration for details on registration and related requirements.

Record Business Identification Number (if applicable) and fiscal year end.

Verification of the Business Registration particulars must be recorded in Step 7E of this application.

**(E - G)**

Record name, address and phone of business contact, customer's lawyer and accountant.

**Step 6 (A)**

Customer Relationship required for CIS input (for new customers only)

This step is to specify the non-personal to non-personal Customer to Customer (CUCU) link. Record the new customer name and indicate the relationship of Master/Parent or Related Customer using A or B in the box. (refer to Relationship to Business instructions)

**If the new customer is a Master/Parent (Majority Owner (> 50%)):**  
 Indicate with an "A", then go to step 6 (B) and record the name of the new customer in space provided.

**If the new customer is a Related Customer (Majority Holding (> 50%)):**  
 Indicate with a "B" and record the name of new customer in the space provided. And record the name of the Parent in the space provided.

**Note :** Names should be exact legal name of the customer and, if applicable, the Parent.

It is important that the information on any related business be properly recorded to ensure the Business CIS profile(s), if any, are correctly linked to the non-personal CIS profile of the business.

**(B)**

Record the SIC code.

**(C)**

Indicate the Customer Type and Customer Segment.

**Customer Segment (Corresponding Advertising Code):**

Commercial Banking utilizes the advertising code in CIS to classify the customer segment. Use of the following chart together with the Application for Business Banking will enable proper segmentation.

The criteria for customer segmentation for Commercial Business, Aboriginal, First Nation Band/Tribal Councils and Fraternal Associations are as follows:

| Customer Segment/<br>Characteristic | Loan Authorized* | Net Income After Tax* (NIAT) |
|-------------------------------------|------------------|------------------------------|
| Unsegmented                         |                  |                              |

|                   |                   |                |
|-------------------|-------------------|----------------|
| Overdraft         | N/A               | ≤ 3M           |
| Non Borrower      | N/A               | ≤ 3M           |
| <b>Growth</b>     |                   |                |
| Borrower          | ≤ 750M            | < 5M           |
| Overdraft         | N/A               | > 3M and < 5M  |
| Non Borrower      | N/A               | > 3M and < 5M  |
| <b>Core</b>       |                   |                |
| Borrower          | > 750M and < 10MM | > 5M and < 25M |
| Overdraft         | N/A               | ≥ 5M and ≤ 25M |
| Non Borrower      | N/A               | ≥ 5M and ≤ 25M |
| <b>Structured</b> |                   |                |
| Borrower          | ≥ 10MM            | > 25M          |
| Overdraft         | N/A               | > 25M          |
| Non Borrower      | N/A               | > 25M          |

\* On a connected basis

**Note:**

- All Commercial Real Estate customer types, regardless of loan authorizations or NIAT, are to be designated as Unsegmented (All Marketing)
- NIAT information is sourced from the Credit Presentation with reference to CPM /Client Net
- When assigning the customer segment, the desired customer experience, overall relationship and fee structure should be considered.

In the event the Loan Authorization and NIAT fall into different segments, please be guided by the following matrix:

|   |      |   |            |            |
|---|------|---|------------|------------|
| ↑<br>Net<br>Income<br>After<br>Tax<br>(NIAT)<br>↑ | <25M | Core                                      | Structured | Structured |
|   | <5M  | Core                                      | Core       | Structured |
|   | 0    | Growth                                    | Core       | Structured |
|   |      | —→ <750M      <10MM —→<br>Loan Authorized |            |            |

(D)

Indicate any special arrangements in the space provided, or attach authorized supporting documents. For non standard pricing arrangements, attach Special Pricing Approval Advice.

**Step 7**

**This section contains customer/account verifications and a certificate for sign off by an Account Manager/Relationship Manager**

(A, B & C)

Complete as applicable

(D)

Account Manager/ Relationship Manager is to verify that, based on documentation provided in Step 4, the information recorded on page 1 in regard to business structure (e.g., Proprietorship, Corporation) and owner's relationship to business (e.g., Sole Owner, Majority/Minority Shareholder, Partner) is correct and consistent (e.g., when documentation in Step 3 covers an Incorporated Company, the structure of business on page 1 should indicate "Corporation" with owner's "Relationship to Business" as Majority or Minority Shareholder(s)). Refer to **Part 3 Relationship to Business** above for more detailed description of type of relationships and company structure.

(E)

Record under "General Comments", the details such as how and what customer's business and identification particulars were verified and what sources were used to confirm the validity of the customer's documents.

Some general guidelines to be covered at a minimum, document:

1. Confirmation that business exists by validating the business registration. Sources such as provincial consumer and business websites or the SEDAR website.
2. Conducting a customer site visit to validate address and nature of business
3. Validate phone numbers using published phone listings

**(F)**

All accounts are to be assigned to an Account Manager/ Relationship Manager with the appropriate Manager Code inserted at time of sign-off.

## **8 Terms and Conditions**

- These apply to the business and the business owner(s)/officer(s) (including Principals of Corporation or entity) who have signed the Application for Business Banking Services.
- These authorize the Bank to undertake a number of activities including the following:
  - obtain and release information from and to credit reporting agencies, credit bureaus, other credit grantors, etc.;
  - check information they have given us;
  - use their SIN to verify and report credit information;
  - use their personal information to tell the customer about our products and services, including disclosure of information to other members of the Scotiabank Group to permit cross-marketing. If one or more owners/officers declines to give us this authority, a separate written notice is to be provided by the owners/officers and attached to the application and documented accordingly.
- The customer also acknowledges receipt of the Guide to Interest and Fees brochure (Form 1583115).

**Note:**

While owners/officers may opt out of the cross-marketing provisions using a separate written notice as outlined above, no changes/amendments are to be made to the "Terms and Conditions" without Global Risk Management authority.

Last Updated: May 26, 2005

**Close**



IntraLink

Deposit Sales

Commercial Accounts 1.2

## SFSA Signature Form Completion Instructions

This form, which appears at the end of the Scotiabank Financial Services Agreement (SFSA), provides the customer's acknowledgement of receipt of the SFSA and agreement to be bound by the terms and conditions specified therein. It also sets out the signing authorities for partnerships and accounts with joint participants.

To ensure the correct completion of the form:

- 1 Record the customer legal name exactly as it appears on the document (s) evidencing incorporation or business registration.

**Notes:**

1. The customer legal name of a sole proprietorship is the legal name of the individual not the business name shown on the registration.
  2. The customer legal name for a partnership is the partnership name shown on the partnership business registration (if registered), or (if not registered), the name of the partnership agreed on by the partners.
  3. In Quebec, the partnership's name must include its legal form (i.e., general partnerships or limited partnerships juridical form).
- 2 If a corporation, sole proprietorship or partnership carries on a business or identifies itself to the public under a name other than the "corporate" or "legal" name (i.e., a registered name), that registered name must also be set out in the Business/Trading Style line.
  - 3 For partnership and accounts with joint participants, enter the names and combination of the partners/participants authorized to give instructions for the accounts (e.g., "any two of John Smith, Mary Jones and Richard Adams).

**Note:**

If one (or more) of the partners/participants is a corporation, enter the name of the corporation, not the signing officers of the corporation (e.g., "any two of John Smith, Mary Jones and Acme Inc. ").

- 4 The SFSA Signature Form is signed as follows:
  - a) **Individual Doing Business/Carrying on an Enterprise (sole proprietorship):** The individual.
  - b) **Partnership (Except Limited Partnerships):** Each of the

partners.

- c) **Incorporated Company/Organization/Unincorporated Association:** The signing officers as set out in Section 2 of the Banking Resolution.
- d) **Corporate Partners/Joint Venture/Co-Tenancy/Joint Account/Limited Partnership/Limited Liability Partnership :** Each of the corporate partners/joint venture participants/co-tenancy/joint account owners, the general partners in a limited partnership and all partners in a limited liability partnership.

**Notes:**

1. Do not record the company, organization or partnership name above the customer signature line.
2. The limited partners in a limited partnership do not sign the SFSA Signature Form.
3. Where a corporation is a partner/participant (refer b) and d) above), the signing officers as set out in Section 2 of the corporation 's Banking Resolution must sign the SFSA on behalf of the corporation. A separate Banking Resolution with additional text is required in this instance. Refer Banking Resolution completion instructions .

The top portion (original) of the Signature Form is to be removed and retained by the branch in the customer 's Business Account documentation file. The customer is to receive a copy of the Signature Form with the SFSA.

- 5 Affixing a seal is optional.
- 6 Witnessing is required only if the customer is unincorporated.

Last Updated: June 23, 2004



IntraLinkDeposit Sales  
Commercial Accounts 1-2**Scotiabank Financial Services Agreement (SFSA) (Form 1317318)**

**Purpose & General Information** - The SFSA contains the terms and conditions related to the operation of the customer's business account(s) and the services listed on the Published List of Scotiabank Financial Services (Form 1317210). The latter is to be inserted in the back cover of the Scotiabank Financial Services folder.

The customer is to be advised that any services listed are also covered under the SFSA and do not require additional agreements, except for completion of the applicable Service Request and Acceptance thereof by the Bank.

A listing of the topics covered by the SFSA appears on the following page.

The customer acknowledges receipt of the SFSA and agrees to be bound to the terms and conditions by signing the Scotiabank Financial Services Agreement Signature Form which is retained by the branch.

When presenting the SFSA and related documentation to customers, branches must allow the customer sufficient time to read and understand the agreement and forms before the customer is asked to sign them. *If the customer has any questions concerning the meaning or interpretation of the forms or the customer's obligations under the documents, the customer should be asked to raise and discuss any questions or concerns with his/her legal and financial advisors. The Bank does not provide legal advice to customers.*

**Note:**

Generally, amendments to the SFSA are not permitted. If a customer requests amendment(s) to the SFSA, obtain authorization from your Credit Supervising Office and keep the authorization and a duplicate of the amended SFSA containing initialled revisions on file.

The SFSA must always be accompanied by Application for Business Banking Services (Form 1030612) to ensure the authorizations it contains are on file.

Last Updated: November 27, 2002

Close

## Appendix A - 1.2 Application

### Specimen Forms and Completion Instructions

#### Scotiabank Financial Services Agreement (SFSA)

You and your mean the customer who signs the Scotiabank Financial Services Agreement Signature Form. We, our and us mean Scotiabank, The Bank of Nova Scotia.

#### Table of Contents

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#### Scotiabank Financial Services Agreement (SFSA) Signature Form

\_\_\_\_\_  
(MM/DD/YYYY)

In this form, *you* and *your* means the customer and *we*, *our* and *us* and *the Bank* means Scotiabank, The Bank of Nova Scotia.

Customer Legal Name \_\_\_\_\_ **1**

Business/Trading Style \_\_\_\_\_ **2**  
(if applicable)

By signing this form, you understand and agree that you are bound by the terms and conditions of the *Scotiabank Financial Services Agreement* and agree they will apply to your accounts with us, and any of the financial services listed in the *Published list of "Scotiabank Financial Services"* for which you may apply now and in the future. You acknowledge you have been given and read a copy of the *Scotiabank Financial Services Agreement* and had the opportunity to ask any questions which you had about the agreement. You have signed this *Signature Form* for valuable consideration and knowing you are agreeing to the obligations of the *Scotiabank Financial Services Agreement*.

By signing this form, you certify the following are authorized to give instructions for your account and the services in the number and combination as specified below:

FOR  
PARTNERSHIPS  
AND ACCOUNTS  
WITH JOINT  
PARTICIPANTS  
ONLY

\_\_\_\_\_  
\_\_\_\_\_ **3**  
\_\_\_\_\_  
\_\_\_\_\_

Scotiabank will provide specific financial services as outlined in the *Scotiabank Financial Services Agreement*.

Witness: \_\_\_\_\_ **4** \_\_\_\_\_ (SEAL) **5**  
(if applicable)

Witness: \_\_\_\_\_

**6** Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

Branch/Address: \_\_\_\_\_

|                      |
|----------------------|
| DATE RECEIVED        |
| RECORDED.....        |
| APPROVED.....        |
| E.O.<br>AUDITOR..... |

1317318 (10/97)

BRANCH





Deposit Accounting  
 On line DDA + Savings  
 1-1 New Account Verification

**New Account Verification**

The purpose of verifying the information obtained is to confirm its reliability. On completion of the verification, you should have no doubt of the customer's identity. All new account deposits must be referred to the appropriate level officer for authorization, as established in the Branch Transaction Authorities. Proceed as follows:

- Officer*
- *Verify new accounts within 24 hours; the process may take longer if credit or banker's reports are requested from outside sources.*
  - *Verify customer employment for personal accounts only when the officer authorizing the account has indicated on Application for Deposit Services (Form 1220314) (i.e., where identification is minimal/questionable).*

| Personal Accounts   | Business Accounts   |
|---|---|
| <ul style="list-style-type: none"> <li>• <i>Confirm place of customer employment when necessary by calling the company.</i></li> <li>• <i>Verify address and telephone number by using the local telephone directory.</i></li> <li>• <i>Indicate if customer was introduced by an existing customer.</i></li> </ul> | <ul style="list-style-type: none"> <li>• <i>Make careful inquiry as to the character and responsibility of the principal(s).</i></li> <li>• <i>Scrutinize closely "numbered" "managed" or "trust" accounts, whether operated by an agent such as a lawyer or accountant, or an unknown principal such as someone new to the community.</i></li> <li>• <i>Obtain additional information (in addition to the applicant's references) from:</i> <ul style="list-style-type: none"> <li>• <i>other branches/banks/trade creditors;</i></li> <li>• <i>auditors;</i></li> <li>• <i>lawyers;</i></li> <li>• <i>commercial agencies;</i></li> <li>• <i>credit bureaus.</i></li> </ul> </li> </ul> |

- *Indicate on Application for Deposit Services (Form 1220314) or Particulars of New Business Account (Form 1030612) (as applicable) the verification source (e.g., name, company, credit bureau).*
- *Deliver all Business Account documentation to the Manager/senior Officer responsible for the account for final authorization/approval.*
- *Deliver all personal account documentation to the Manager or Service Manager for final authorization/approval.*
- *Ensure a Thank You Note (Form 1243713) for Retail*

*Manager or Senior Officer Responsible for the Account or Service Manager*

*customers new to the branch is attached for the Manager's signature.*

- *Review and approve the applicable account documentation.*
- *Indicate approval by initialing beside the particulars of the deposit for:*
  - Personal Accounts*
    - *Application for Deposit Services;*
    - *Signature Card.*

**Note:**

*For Retail customers new to the branch, the Manager must personally sign the Thank You Note. For high potential customers, a telephone call or personalized letter should be considered. Refer Deposit Sales Manual, Business Development, 1.2 for criteria.*

- Business Accounts*
  - *Particulars of New Account*
  - *Signature Card;*
  - *documentation*

If any doubt exists:

- *Refer all information obtained to your Supervising Office for guidance.*
- *Review new business accounts to identify other services which may be useful.*
- *Use the account files/activity to identify the following possible commercial banking services:*

most commonly needed:

- *Business Account (base);*
- *Consolidated Cash Plan*
- *payroll;*
- *GICs;*
- *operating loan;*
- *Cheque Reconciliation Services.*

commonly needed:

- *pre-authorized payment services (Scotia Direct);*
- *safekeeping.*

others needed:

- *Lock Box;*
- *(Import) Letters of Credit;*

- *Money Management;*
- *Scotia Connect.*
  
- *Monitor all accounts (whether existing or flagged as "new account") on a daily, weekly, monthly and quarterly basis to ensure a satisfactory operation (refer Accounting Manual).*
- *File the Particulars of New Business Account forms in the folder containing the customer's Business Account documents.*

Last Updated: November 24, 2002







Deposit Accounting

Online BBA + Savings

New Account Verification 1-1

**Credit Bureau Reports**

The following are available to verify new business accounts:

| Type  | Description   |
|---|---|
| <i>Local Credit Bureau Reports</i>          | Certain designated branches have membership in (local) credit bureaus. While these memberships are primarily for use in obtaining information on borrowers, reports may be obtained from these agencies for the purpose of business account verification. |
| <i>Credit Information Subsidiary Names</i>  | When requesting credit information from a branch or another bank, use Request for Report on Private Party (Form 1304410). Forward three copies to the addressee who will return 2 copies of the report in duplicate.                                      |
| <i>Dun and Bradstreet of Canada Limited</i> | Credit reports are provided under a general contract with the Bank.   |

Last Updated: November 24, 2002





Administration

Security

4.5 Money Laundering

## Appendix A - Customer Selection/ Investigation

Managers are to use the following guidelines:

| Item                                      | Action/Description   |
|---|--|
| <b>Reason for Investigation</b>           | <p>To prevent money laundering activity.</p> <ul style="list-style-type: none"> <li>• <i>Do not be concerned or inquire into cash transactions of less than \$5,000 unless considered suspicious.</i></li> </ul>   |
| <b>Suspicious Transactions</b>            | <ul style="list-style-type: none"> <li>• any cash transaction that is outside the usual activity of a known customer is potentially suspicious;</li> <li>• any transaction from a customer which leaves you uncertain of the legitimacy of your customer's affairs makes that transaction suspicious.</li> </ul>   |
| <b>Amount of Investigation</b>            | <p>This depends on what you know about your customer and the nature of the proposed transaction. Proceed as follows:</p> <ul style="list-style-type: none"> <li>• <i>Satisfy yourself that the transaction is legitimate.</i></li> <li>• <i>Obtain a general explanation for an isolated transaction for highly regarded customers whose normal business activity is known .</i></li> <li>• <i>Obtain a more detailed explanation for a large transaction from a non-customer.</i></li> </ul> <p>If the explanation which you receive is unsatisfactory:</p> <ul style="list-style-type: none"> <li>• <i>Obtain more information before authorizing or declining the transaction.</i></li> </ul> |
| <b>Investigation Procedure</b>            | <p>In most cases your concerns can be resolved by discussing them with the customer, however, there may be times where discreet inquiries will have to be made without the knowledge of the customer. It is not prudent to rely on an uncorroborated explanation from your customer if the transaction is unusual for him/her or the potential for abuse is great. In these cases, obtain independent verification for at least a material part of the explanation. Providing minimal information which is not capable of independent verification should alert you that something may be wrong.</p>   |
| <b>Analysis of Account/ Pricing Sheet</b> | <p>The Analysis of Account/ Pricing Sheet (Form 1302914) can be useful for analyzing currency activity in a customer's account and should be used in determining whether a customer should be placed on the Exempt List.</p>   |

|   |  |
|---|--|
| <b>Timing of Investigation</b>                  | <ul style="list-style-type: none"> <li>• <i>Ensure you have a reasonable explanation before authorizing the transaction.</i></li> </ul> <p>If corroboration is not immediately possible:</p> <ul style="list-style-type: none"> <li>• <i>Rely on the reasonable explanation to authorize the transaction.</i></li> <li>• <i>Seek verification of the pertinent facts via follow up before permitting any similar transactions for that customer.</i></li> </ul>  |
| <b>Non-Resident Customers</b>                   | When dealing with a non-resident person or entity engaged in conduct anywhere which you strongly suspect would be contrary to local law, if it had occurred in the local jurisdiction, you must not accept a new customer relationship and move with all reasonable dispatch to sever any existing customer relationship and advise Cash Loss Control, Executive Offices.  |
| <b>Consolidated Cash Plans</b>                  | These are particularly open to abuse. If your branch is deceived into offering this facility to a customer engaged in illegal activity, your branch could be the means for laundering a vast amount of money.  |
| <b>Monitoring Accounts with Credit Balances</b> | <p>The Bank should be as concerned with its deposits as it has always been with its loans. If you note a substantial increase in cash deposits from a local merchant:</p> <ul style="list-style-type: none"> <li>• <i>Satisfy yourself that the customer has a legitimate explanation for this unusual activity.</i></li> </ul>  |
| <b>Cash Collateral Deposit</b>                  | Where you feel fully secured by a cash collateral deposit, if you have failed to qualify your customer as a substantial depositor in the same manner in which you qualify him/her as a borrower, the Bank may be accepting a significant unexpected risk. If reasonable inquiries were not made about the source of the funds for the deposit and they subsequently appear to be derived from criminal activity, the cash collateral may be subject to forfeiture, despite our loans against it.                                     |
| <b>Customer References</b>                      | <p>Occasionally, a reference for a customer from a professional advisor (e.g. lawyer or accountant) may be unreliable.</p> <ul style="list-style-type: none"> <li>• <i>Read all references carefully as they are sometimes evasive.</i></li> <li>• <i>Remember that most professional advisors lack the resources available to you to verify what their clients have told them.</i></li> <li>• <i>Ensure the person giving the reference has a sufficient association with your customer to give an informed opinion.</i></li> </ul> |
| <b>Customers Engaged in</b>                     | Be particularly vigilant about unusual deposit activity if your customer:  |

|  |   |
|--|---|
| <b>Businesses Susceptible to Money Laundering</b>  | <ul style="list-style-type: none"> <li>• <i>operates a trust account (i.e. lawyer);</i></li> <li>• <i>is a currency exchange, securities, commodity or precious metals dealer;</i></li> <li>• <i>is engaged in any other business which is particularly susceptible to money laundering.</i></li> <li>• <i>Monitor these customers closely .</i></li> <li>• <i>Ensure your file contains an explanation of unusual transactions.</i></li> </ul>   |
| <b>Payment Transfer to Pay Upon Identification</b> | <p>A payment transfer from a branch or correspondent to pay upon identification shall be paid by a single draft payable as instructed in the payment text. If the payee requests that you cash the draft or asks for a series of drafts, travellers cheques or another payment method, then the recipient must be considered as a customer seeking your services. If the transaction is significant:</p> <ul style="list-style-type: none"> <li>• <i>Satisfy yourself prior to completing the transaction about its source and purpose as the recipient is now an over the counter customer.</i></li> </ul> |

In summary, you should always be entirely satisfied with the **identity** of your customer, the **source** of the funds and the **legitimacy** of the transaction. The most important rule to apply for all transactions you are processing is:

**"KNOW YOUR CUSTOMER".**

Last Updated: November 25, 2002

**Close**



Administration  
Security  
4-5 Money Laundering

## Training

New staff members are required to view the Money Laundering video and to read this sub-section as part of their orientation. All staff members must review the video at least annually. A list of attendees is to be made and placed in the Money Laundering master file. Managers are to ensure bank policies/procedures are reviewed regularly at staff meetings.

Last Updated: November 25, 2002

Close



Administration

Security  
4.5 Money Laundering

### Transaction Referral Procedures (Additional to In-branch Referral Limits)

*Staff Member*

- *Refer to the Compliance Officer the following:*
  - *currency transactions CAD \$10,000 or more or equivalent unless the transaction is for a customer who is included on the Exempt List;*
  - *any currency transaction over the established limits for customers on the Exempt List to ensure legitimacy and to determine if the limit should be revised;*
  - *any suspicious transactions, regardless of amounts;*
  - *any non-currency transactions CAD \$25,000 or more or equivalent, if the transaction is suspicious or outside the customer's normal business activity.*

*Manager/  
Compliance Officer*

- *Interview the customer to establish:*
  - *the customer's identity;*
  - *source of funds;*
  - *purpose of account.*

Last Updated: November 25, 2002



**E.O. Circular**

5

Date: January 10, 2003  
To: All Scotiabank Group Branches  
Staff Involved In: processing transactions for customers  
Subject: Anti-Money Laundering Regulations - Phase 3

Phase 3 of the regulations under the Proceeds of Crime (Money Laundering) & Terrorist Financing Act will become effective January 31, 2003. This phase introduces new reporting requirements for large incoming cash transactions that have a significant impact on procedures for processing cash deposits.

The regulations require all Canadian Financial Institutions to report to Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), a Government agency, details of all incoming cash totalling CAD 10,000 equivalent or greater in any one day for the same customer by way of a new Large Cash Transaction Report (LCTR).

In order to minimize the impact of the new requirements on our customers and branch staff, we have automated as much of this reporting as possible. As business customers most frequently present cash in large quantities, automation is focused on deposits made to Business Accounts on the DDA system. E.O. Circular 179 dated November 8, 2002 introduced enhancements to the Forms Free Teller (FFT) system for this purpose.

Key changes for Phase 3 are as follows:

- Automated reporting to FINTRAC for large cash deposits to DDA Business Accounts.
- Addition of an on-line Large Cash Transaction Report to IntraLink/ Intranet to facilitate reporting of large cash deposits that do not involve a deposit to a DDA Business Account.
- Reporting of "Third Party" Deposits to DDA Business Accounts via the IntraLink/ Intranet LCTR.
- Reporting Transactions for Automotive Dealers and "Large Ticket Sales" Customers.
- Elimination of the Money Laundering Exempt List. Effective January 31st, all cash transactions meeting the new criteria must be reported.
- Elimination of Source of Funds Declaration form effective January 31st.

**Changes effective January 31, 2003*****(i) FFT Depositor Name Prompt***

Discontinue input of "x" in the depositor's name fields as instructed in E.O. Circular 179/02 dated November 8, 2002. Enter the depositor's full name in the Depositor Name pop-up box.

The depositor name will report on the FFT Transaction Log and will be captured in the automatically generated LCTRs.

It is now mandatory to obtain and enter the depositor's first and last name for deposits containing cash to all DDA Business Account deposits unless the deposit is made by Night Depository, Mail or Armoured Car/ Courier. The "Depositor" is the individual presenting the deposit.

**Important:**

Staff must take reasonable measures to ascertain whether the individual making a deposit over-the-counter into a DDA Business Account is an owner or an employee of the business. If you do not recognize the person as being an owner or an employee, ask their position. If the depositor is not an owner or an employee, follow the procedures in (iv) below regarding "Third Party Deposits to DDA Business Accounts".

***(ii) Automated Reporting to FINTRAC of Large Cash Deposits to DDA Business Accounts***

The following transactions will be reported automatically:

- FFT Customer Sessions (PINned or unPINned)
  - **All transactions** in a session will be reported where the total "cash-in" for the session is CAD 10,000 equivalent or greater, **provided that** at least a portion of the cash is deposited to a DDA Business Account.
- FFT Sundry Sessions (e.g., Night Deposits, Mail Deposits, Armoured Car/ Courier Deposits)
  - Cash deposits to DDA Business Accounts totalling CAD 10,000 equivalent or greater.
- Centralized Night Depository
  - Cash deposits to DDA Business Accounts totalling CAD 10,000 equivalent or greater.

On a daily basis, the system will aggregate the cash portion of all DDA Business Account deposits processed in FFT sessions and Centralized Night Depository. Where the total cash deposited to a DDA Business Account accumulates to CAD 10,000 equivalent or greater in any one day, an automated Large Cash Transaction Report will be generated.

**Important:**

Large cash deposits to DDA Business Accounts made through the ABM are not automatically reported. Refer to paragraph (iii) below for reporting procedures.

Branches must continue to exercise caution when accepting large amounts of cash. Before processing any large cash deposits to DDA Business Accounts, staff must still ensure that the transaction is consistent with the customer's normal legitimate business activities



or banking practices. If there is any reason to believe the transaction is unusual, it must first be referred to the Money Laundering Compliance Officer who will determine whether the transaction should be accepted and if an Unusual Transaction Report (UTR) needs to be filed.

### ***(iii) Reporting other Large Cash Transactions***

Cash transactions of CAD 10,000 equivalent or greater that are not reported automatically must be reported by the Money Laundering Compliance Officer using the on-line IntraLink/ Intranet Large Cash Transaction Report. The report is to be completed interactively with the customer before processing the transaction. If the transaction was performed at the ABM or was contained in the Night Depository, the interview with the customer can occur by telephone. The new report does not need to be signed by the customer nor is a copy of the LCTR to be given to the customer. Print the completed LCTR only after the customer interview has been concluded. Refer to Appendix D and to Job Aids (which you will receive shortly) for further information on completing the on-line IntraLink/ Intranet Large Cash Transaction Report.

#### **Important:**

If, during the customer interview, the Money Laundering Compliance Officer is not satisfied that the customer has provided a valid explanation of the source of funds and/ or refuses the transaction, an UTR must be completed. An LCTR must also be submitted for all accepted transactions. Fields keyed into an LCTR will pre-populate to an UTR to assist with this process. Customers must **not** be advised that an UTR is being filed; to do so is considered "tipping" and is a criminal offence.

### ***(iv) Reporting "Third Party" Deposits to DDA Business Accounts***

A deposit is conducted by someone other than an owner or employee, it is considered a "Third Party" transaction.

#### **Example:**

Mary Smith makes a \$10,000 cash deposit to RJ Roofing Company's account in payment of an invoice for repairs done on Mary Smith's roof. Mary Smith is considered a "Third Party" in this deposit transaction.

FINTRAC requires detailed information regarding the person performing a "Third Party" transaction, that cannot be automatically supplied by our systems. If you have identified that the person performing a cash deposit of CAD 10,000 equivalent or greater into a DDA Business Account is a third party, the transaction must be referred to the Money Laundering Compliance Officer. The Money Laundering Compliance Officer will interview the depositor and, if satisfied that the transaction is legitimate, will complete an on-line IntraLink/ Intranet Large Cash Transaction

Report; refer to paragraph (ii).

With the implementation of the IntraLink/ Intranet Large Cash Transaction Report it is no longer necessary to complete the Third Party Determination form when processing incoming transactions CAD 10,000 equivalent or greater conducted on behalf of a third party. This form was introduced with E.O. Circular 88/02. The Third Party Determination form continues to be required for new accounts opened on behalf of a third party. The form has been revised and is in Appendix C. Please copy a supply for future use. The form will also be available on the Anti-Money Laundering link on IntraLink.

Refer to the Job Aids (which you will receive shortly) for further details on completion of IntraLink/ Intranet LCTRs for third party cash transactions.

***(v) Reporting Transactions for Automotive Dealerships and "Large Ticket Sales" Customers***

Further to E.O. Circular 118/02, cash deposits CAD 10,000 equivalent or greater received from Automotive Dealerships and other "large ticket sales" customers must continue to be reported with purchaser details to the Anti-Money Laundering Compliance Unit. With the elimination of the Source of Funds Declaration, a new form (Large Cash Sale Advice - Automotive Dealerships and "Large Ticket" Sales Customers) has been developed to facilitate this reporting requirement. Please refer to Appendix B and copy a supply for future use. The form will also be available on the Anti-Money Laundering link on IntraLink. Forward completed forms to: TN-12542, AMLCU, 44 King St. W., Toronto, ON.

***(vi) Money Laundering Exempt List***

File the Money Laundering Exempt List file at the front of Fiscal 2003 closed Business Account documentation. Branch exempt lists are obsolete as at January 31, 2003.

***(vii) Inventory of Source of Funds Declaration Forms***

Destroy inventory of Source of Funds Declaration (Form 1114611 [E]/ 1114638 [F]) via paper recycling.

***(viii) Reporting of Incoming/ Outgoing Cross-Border Payments***

Effective March 31, 2003, the regulations require all cross border electronic funds transfers of CAD 10,000 equivalent or greater to be reported to FINTRAC. Previously, only certain cross border payments were reportable. We have automated this reporting and do not expect there will be any impact on our branches or customers.

**Staff must continue to ensure that transactions are consistent with the**

**customer's normal legitimate business activities or banking practices. If there is reason to believe the transaction is unusual, it must be referred to the Money Laundering Compliance Officer who will determine whether the transaction should be accepted and if an UTR needs to be filed.**

### **Customer Communication of Changes**

On January 14, 2003, each customer with a DDA Business Account will be sent a letter from R.W. Chisholm, Vice-Chairman, Domestic Banking explaining the changes we are making to comply with the new Anti-Money Laundering Regulations. Please see Appendix E for a sample of this letter.

During the week of January 13th, branches will receive a general shipment of customer handouts titled "Important Notice-Regulatory Change" (Form 1103113 [E]/ 1103138 [F]). A sample of this handout is attached as Appendix A and has been added to the Anti-Money Laundering Unit home page for viewing. The handout is to be given to any customers who are known to deposit significant amounts of cash and those with questions regarding the new regulations.

Q & As are attached to assist you in answering customer inquiries (see Appendix F).

### **Corrections to Reports**

Corrections required for automatically generated or IntraLink/ Intranet LCTR reports (automatically generated or IntraLink/ Intranet) must be advised immediately to Cash Loss Control, Shared Services.

Detailed instructions are contained in the charts attached to the "Errors Located in Large Cash Transaction Reports" and "Large Cash Transaction Report Revisions" Job Aids which you will receive shortly. If critical information is missing or incomplete on an LCTR, Cash Loss Control, Shared Services will advise the branch via FAX of the particulars. The branch must obtain the information and FAX it back to Cash Loss Control, Shared Services as quickly as possible in order for the Bank to meet the Government reporting deadlines. In addition, if the information in question was missing or incomplete on the Customer Information System (CIS), the branch must update CIS to ensure future reports are complete.

### **General Branch Meeting Regarding Implementation**

The Branch Manager or Money Laundering Compliance Officer must arrange a general meeting before January 31, 2003 to introduce the changes and to ensure that all staff are familiar with these new requirements. A quick reference document containing the time lines for various activities necessary to implement the new Anti-Money Laundering Regulations can be found in Appendix G.

### **Requests for Information from FINTRAC**

Requests for information from FINTRAC **are not** to be responded to by branches. Direct any such inquiries to the Anti-Money Laundering Compliance Unit (AMLCU) (416) 866-6267.

### **Job Aids and Manual Updates**

You will receive Job Aids in paper-based format shortly (see Job Aids Manuals Notices C1/2003 to C9/2003). Manual revisions will also follow.

### **Questions**

Direct any questions regarding the Bank's Anti-Money Laundering policies or the implementation of these new procedures to your **Shared Services Operations Manager**.

John A. Young, Executive Vice-President

[Back](#)

Attachment to  
EO Circular 5, Jan 10/03  
-also available in  
e-forms

### THIRD PARTY DETERMINATION

To meet the regulations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, it is mandatory to obtain the following information:

**BRANCH INFORMATION:**

|         |        |      |
|---------|--------|------|
| TRANSIT | BRANCH | DATE |
|---------|--------|------|

Complete this form only when a customer indicates an account is being opened on behalf of a Third Party, or when there is reason to believe an account is being opened on behalf of a Third Party.

**INFORMATION ABOUT THE INDIVIDUAL OR ENTITY OPENING THE ACCOUNT:**

|           |                |
|-----------|----------------|
| FULL NAME | ACCOUNT NUMBER |
|-----------|----------------|

Type of Account:  PERSONAL  BUSINESS  TRUST  OTHER \_\_\_\_\_  
DESCRIPTION OF OTHER

Did the customer indicate this account is being opened on behalf of a third party?  YES  NO

**INFORMATION ABOUT THE THIRD PARTY FOR WHOM THE ACCOUNT IS BEING OPENED:**

|                    |                |   |
|--------------------|----------------|---|
| FULL NAME          |                |   |
| ADDRESS            |                |   |
| CITY               | PROVINCE       | POSTAL CODE                             |
| NATURE OF BUSINESS |                | OCCUPATION                              |
| INCORPORATION NO.  | PLACE OF ISSUE | <input type="checkbox"/> NOT APPLICABLE |

What is the relationship between the Individual or Entity opening the Account and the Third Party for whom the account is being opened?

AGENT  BORROWER  BROKER  CUSTOMER  EMPLOYEE  FRIEND  RELATIVE  
 OTHER \_\_\_\_\_  
DESCRIPTION OF OTHER

**BRANCH USE ONLY:**

|   |
|---|
| MANAGER'S COMMENTS: (PURPOSE & REASON FOR ACCEPTANCE) |
|---|

|   |                                 |
|---|---------------------------------|
| AUTHORIZED: (MONEY LAUNDERING COMPLIANCE OFFICER'S SIGNATURE) | REVIEWED: (MANAGER'S SIGNATURE) |
|---|---------------------------------|

ATTACH COMPLETED FORM TO THE APPLICATION FOR DEPOSIT, LOAN OR INVESTMENT ACCOUNT AS APPLICABLE.



## Deposit Accounting

On line DDA+Savings  
3-5 Daily Exception Reporting

**DDA and Savings - Significant Transactions and Changes**

This report identifies specific transactions deemed significant by branch standards to assist the Manager in controlling accounts and in highlighting potential marketing prospects. Proceed as follows:

- Manager/Delegate**
- *Review report daily and examine for unusual transactions and changes that are not in keeping with the customer's normal business.*

*For non-bulk file accounts:*

- *Request specific items to be pulled for review.*

*For bulk file accounts:*

- *Request specific deposits and internal debits to be pulled for review.*

**Notes:**

1. *Fax copies of Bulk File TIAL items are received from the Branch Service Centre for review for regularity. (The criterion used to select these items is established by Executive Offices and is subject to change from time to time.)*
  2. *If an item is significant against a particular account and is not received, the branch may request a copy of an item (on day 1) by fax using the Exception Request for Photocopy (Form 1114816) or, if not critical, via a Tracing Request (Form 1133012).*
- *Ensure large commercial cheques and cheques drawn on Non-Personal Savings Account are payable to beneficiaries in keeping with the nature of the customer's business.*

**Notes:**

1. *The possibility of forged cheques should also be kept in mind. If the legitimacy of a cheque is uncertain, confirm by telephone with a company official.*
2. *CCC items are not available until the next business day.*



Deposit Accounting

Online DDA + Savings  
3-6 Periodic Exception Reporting

**DDA Significant Transactions and Changes**

At month-end, all accounts with significant balances will appear on this report.  
Proceed as follows:

*Manager*

- *Review for reasonability and potential marketing prospects.*
- *Initial the report.*

Last Updated: November 24, 2002

Close



Deposit Accounting

On line BBA + Savings

4-2 Demand Deposit Accounting

**DDA Significant Transactions and Changes Report**

**Purpose:** Lists accounts with significant transactions and large or unusual fluctuations except Mirror Accounts which participate in MMS Mirror Netting Services. Aids in the detection of possible kiting operations since large debits offset by deposits of similar amounts are reported.

**Forwarded:** Daily.

**Report Description:** DDA accounts meeting any of the following conditions are reported:

- balance of account changed by \$5,000 or more;
- a transaction was processed more than \$3,000.

Business Accounts with significant balances in excess of \$10,000 but without significant transactions or changes report at month end only.

The dollar limits specified above are pre-established standards, however, the limits may be adjusted separately for Business and Scotia Chequing accounts for individual regional/branch requirements. The branch should write to the Shared Services, Operations who in turn, if in agreement with the request, can arrange with Banking Operations, Branch Access & Control, Executive Offices.

| Heading                   | Explanation   |
|---------------------------|---|
| Account Number            | An asterisk (*) denotes a Scotiaclub account. An "X" denotes a non-bulk file account.   |
| Currency ID               | Blank denotes Canadian; USD denotes U.S. dollar.  |
| Short Name                | Self-explanatory.   |
| Yesterday's balance       | Account balance on yesterday's report.  |
| Significant Change        | The dollar change between "yesterday's balance" and "today's balance". If the net change is in excess of the report limit, the amount is flagged by one asterisk.               |
| New balance - Significant | All accounts with a balance today in excess of the report limit are reported and the balance indicated.   |
| Tran Code                 | The 3 digit off-line processing code which indicates the type of "significant transactions". Where "CCC" appears instead of a numeric code, the item originated as a CCC image. |



- *Advise ISS - Cash Management Control (416-945-4183) of any accounts reporting a "significant change" of \$5,000,000 or more.*
- *Initial the report.*
- *Deliver the report to the officer responsible for filing.*

Last Updated: November 24, 2002

Close

|                                 |  |
|---------------------------------|--|
| <i>Significant Transactions</i> | The individual dollar value of each transaction meeting the "significant" reporting requirements.  |
| <i>Teller Number</i>            | When an asterisk (*) appears to the right of the Teller Number the transaction zhas been processed via Forms Free Teller (FFT) using a pinned session. |

Last Updated: November 24, 2002

**Close**

## Customer Business Line Transfer Request/Advice Small Business, Commercial and Real Estate Banking

|                 |  |  |                                      |  |   |  |
|-----------------|--|--|--------------------------------------|--|---|--|
| <b>Customer</b> | Name                                     |  |                                      |  |   |  |
|                 | Annual Sales (if known) (\$ '000s)<br>\$ |  | Total Loans (\$ '000s)<br>Current \$ |  | Total Deposits (\$ '000s)<br>Current \$ |  |
|                 |  |  | Oct 31 prior \$                      |  | Oct 31 prior \$                         |  |

|               |               |              |            |                |                    |
|---------------|---------------|--------------|------------|----------------|--------------------|
| <b>Change</b> | Transfer FROM | (circle one) | Commercial | Small Business | Comm'l Real Estate |
|               | Transfer TO   | (circle one) | Commercial | Small Business | Comm'l Real Estate |

**System updates required**

|   |                    |                 |                             |                    |
|---|--------------------|-----------------|-----------------------------|--------------------|
| <ul style="list-style-type: none"> <li>Change CIS Customer Type Code to (circle one)</li> </ul>   | No Change Required | Commercial      | Small Business              | Comm'l Real Estate |
| <b>Note to Service Manager:</b> Select the appropriate CIS Customer Type code within these categories, e.g. for "Fraternal Associations", "Aboriginal Tribal Council", etc. |                    |                 |                             |                    |
| <ul style="list-style-type: none"> <li>Assign TO Acct Manager (circle one)</li> </ul>   | No Change Required | Account Manager | (If to AM, name & location) |                    |
| Reason for transfer/ reclassification   |                    |                 |                             |                    |

**Requested by**

|                  |       |      |
|------------------|-------|------|
| Name & Signature | Tel # | Date |
|------------------|-------|------|

**Approved by**

|  |  |      |
|--|--|------|
| *From* business line<br>Comm'l or RE - VP/Director<br>Small Business - DVP | *To* business line<br>Comm'l or RE - VP/Director<br>Small Business - DVP | Date |
|--|--|------|

**Distribution/ Action**

- **"To" and "from" locations** -- retain a copy of this advice for performance reporting purposes
- **If change to Customer Type Code is required:** copy this advice to the Service Manager of the Branch where the CIS profile is domiciled, for his/her action
- **If change to Account Manager number is required:** copy this advice to the Service Manager(s) of the Branch(es) where the customer's account(s) is domiciled, for their action.

## A MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

I am pleased to introduce to you the Scotiabank Group Anti-Money Laundering/ Anti-Terrorist Financing Handbook, the latest tool in our ongoing effort to prevent, deter and detect money laundering and terrorist financing activity.

The Handbook is a key component in the Group's overall Anti-Money Laundering/ Anti-Terrorist Financing Program. It defines at a high level the Scotiabank Group's policies and principles for managing the risks of involvement of such illegal activities. It provides the basis to develop specific policies and operational procedures within each business line, support function and geographic location to meet these Group-wide standards.

Regulators globally expect financial institutions to implement comprehensive and consistent policies and standards throughout their operations to comply with the applicable laws and regulations relating to money laundering and terrorist financing and to mitigate the risks of involvement in such illegal activities.

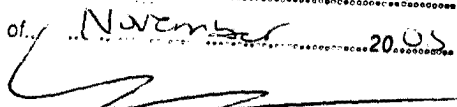
The risks of non-compliance vary but can be severe, including damage to the Bank's reputation with the business community, investors, regulators and the public at large. Also, in recent years a number of financial institutions, their directors, officers and employees have incurred substantial fines and other penalties due their failure to comply with regulatory requirements. It is in our collective interest to comply, and be able to demonstrate to our various stakeholders that we are complying.

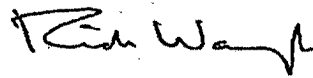
Responsibility for compliance lies with line management who must be aware of all legal requirements pertinent to their activities. They must ensure that these requirements are communicated to and understood by their staff, and must manage and supervise their business activities to comply with the Bank's policies and procedures and the law.

Each business line should examine their current policies and procedures to ensure that the standards defined in the Handbook are met. Where gaps are identified, timely action must be taken to meet these minimum requirements.

The Handbook will be expanded over time to reflect changes to the regulatory environment and enhancements to our risk management processes. Please ensure that it is made available to your staff and that it is maintained up-to-date and accessible for ongoing referral. Refer any questions to your business line Compliance Department, or to the Anti-Money Laundering Compliance Unit.

Thank you for your continued support and co-operation in this important initiative.

This is Exhibit B referred to in the  
affidavit of Colin Cook  
sworn before me, this 23rd  
day of November, 2005  
  
A COMMISSIONER FOR TAKING AFFIDAVITS



Rick Waugh  
President & Chief Executive Officer

## **KEY STEPS TO "KNOW YOUR CUSTOMER"**

The "Know Your Customer Policy" defines the measures that the Scotiabank Group will take to obtain, confirm and update information necessary to prevent our products and services from being used for illegal purposes and to provide high quality financial solutions to our customers.

We will:

- Confirm and document the true identity of all prospective customers before establishing a business relationship;
- Obtain all relevant information regarding the customer and their business and verify it to reliable external sources;
- Conduct additional verification procedures for relationships and services that represent a higher level of risk;
- Identify and record the identity of any intermediaries, beneficial owners and other interested parties;
- Establish and record the purpose of the account or relationship, and the type, volume and frequency of expected activity;
- Obtain approval for all new business by an officer at a level appropriate to the risk;
- Monitor account activity against expectations and determine the reasons for any significant variations;
- Maintain records of customer information as complete and as current as is necessary to fulfill the purpose of gathering it; and,
- Decline or terminate relationships where complete and accurate customer information cannot be obtained and verified, or that otherwise represent a high level of risk of involvement in illegal activity.

For complete details, refer sub-section 3.1.

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#### Overview

The Scotiabank Group is committed to ensuring that its products and services are not used for illegal purposes. The Group recognizes the importance of ensuring that adequate controls and procedures are in place to know the customers with whom they are dealing. Obtaining, verifying and recording current and accurate information regarding new and existing customers is an ongoing process and is a key part of these controls.

This section details the minimum requirements applicable to all branches and subsidiaries. In jurisdictions where a higher standard is required under local regulation or best practices, the higher standard must be complied with. All business lines must establish appropriate policies and procedures to verify all new and existing accounts according to this policy. These standards and procedures must be documented in the respective manuals and operating procedures.

#### Scope

The “Know Your Customer” (KYC) policy applies to any ongoing customer relationship established with the Group. It applies to new and existing customers for all banking, brokerage, trust, insurance and other products and services. These include, but are not limited to all types of:

- loans;
- deposits;
- registered and non-registered investments;
- credit cards;
- safety deposit boxes; and,
- custody services.

#### Policy

All information necessary to establish the identity, purpose and intended nature of each relationship must be obtained and verified before an account or other relationship is allowed to operate. The extent and nature of the information required depends on the risk profile of the applicant and the type and expected complexity of the account, product or service.

**In addition:**

- Group members accept as customers only those individuals and entities whose activities can reasonably be established to be legitimate.
- When an account has been opened and discrepancies in verification of account information are identified that cannot be resolved, the account must be closed and the funds must be returned to the source from which they were received or must be paid by draft or other instrument payable to the account holder, unless the account has been confirmed to be owned by a Listed Person or Entity.

**NOTE:** Accounts confirmed to be owned by Listed Persons or Entities are to be frozen immediately and advised to the respective business line Compliance Department and the Anti-Money Laundering Compliance Unit (AMLCU), E.O.

- The Group must not open an account or conduct business with a customer who insists on anonymity or who gives a fictitious name.
- The Group must not open an account or conduct business for a person or entity engaged in a Restricted Business. (refer Identification sub-topic, Restricted Businesses).

**NOTE:** Sufficient inquiries must be made to determine the exact nature of the business. Staff should be alert to changes to these activities over time.

- Inquiries must be made at the time that an account is opened or a business relationship is established to determine whether our products or services are to be provided for the benefit of a third party (refer Identification sub-topic, Identify the True Owner of the Account - Third Party Determination).

## **Applying the "Know Your Customer" Policy**

The "Know Your Customer" (KYC) policy includes the following 3 key elements:

- identification;
- verification; *and*,
- account monitoring

Each element must be satisfied to effectively build and maintain an understanding of your customers. Knowing your customer not only helps to prevent and detect unusual or illegal activity, it is essential in understanding and servicing their ongoing financial needs.

## **Identification -**

**Accepting New Business** - Acceptance of any new business is subject to approval by an officer at a level appropriate to the risk.

**Restricted Businesses** - The Scotiabank Group must not enter relationships with certain "Restricted Businesses". These can be described as any businesses that engage in illegal, quasi-legal or inappropriate activities that expose the Group to legal, regulatory or reputational risk.

Each business line should determine and document those businesses, or types of business, with which it does not wish to enter into relationships. Be careful in dealing with existing customers engaged in Restricted Business.

Closely scrutinize activity and, where applicable, submit Unusual Transaction Reports or Suspicious Activity Reports. If in doubt, refer to Shared Services Operations, your supervisory office or business line Compliance Department, as appropriate.

**High Risk Relationships** - Certain types of relationships represent a higher risk of involvement in illegal activity and, therefore, require additional "Know Your Customer" procedures, also known as "Enhanced Due Diligence". Risk factors include but are not limited to:

- the customer's:
  - financial history and background;
  - involvement with countries designated by the Financial Action Task Force (FATF) or the Scotiabank Group or other reliable sources as having inadequate anti-money laundering or anti-terrorist financing standards or having a reputation of high levels of high crime or corruption;
  - occupation or position within the community (i.e., involvement with suspect activities or individuals);
  - status as a "Politically Exposed Person" (PEP) who holds or has held a position of public trust (i.e., a politician, government official, military officer, judge or political party official, and their family and known close associates). The degree of risk associated with dealing with these individuals will vary by geographic location;
  - nature and location of business activities.
- the nature of the business or service requested;
- the volume or value of the requested relationship;



- customers engaged in business activities known to be susceptible to money laundering or other illegal activity;
- customers who send or receive international payments; and,
- other similar factors.

**Non-Resident Customers** - Exercise special attention when non-residents apply to open an account. They require a higher level of due diligence to verify identity, determine the type of activity expected and the reason the account is being established in a foreign jurisdiction.

**Private Banking** - The nature of Private Banking entails the delivery of discreet financial services and products to high net worth individuals and requires Enhanced Due Diligence processes to be applied to such operations.

Discretion and privacy are important for these customers for reasons such as security concerns related to public prominence and tax considerations. The use of offshore jurisdictions that offer confidentiality of ownership and assets are common. This can obscure audit trails, making Private Banking particularly susceptible to money laundering and other illegal activity.

All new clients and new accounts must have the approval of a senior officer other than the Private Banking relationship manager. The senior officer must be satisfied as to the legitimate origin and source of wealth. There should be a documented audit trail for the funds received (refer Identification sub-topic, Identify the Source of Funds).

**Correspondent Banking** - Before a correspondent banking relationship is established, conduct a thorough due diligence on the respondent bank to effectively know the nature of the respondent bank's business. This includes but is not limited to:

- the experience and reputation of management;
- major business activities;
- geographic locations;
- policies and procedures for the prevention of money laundering and terrorist financing activity;
- the purpose of the account;
- the identity of any third party entities that may use the correspondent banking services; and,
- the effectiveness of banking regulation and supervision in the correspondent bank's country.

The Group must not do business with "Shell Banks" that have no physical presence in the country where they are incorporated.

Pass-Through accounts, also known as Payable-Through accounts, must be subject to Enhanced Due Diligence, scrutiny and control procedures to guard against improper use.

Monitor correspondent banking activity for high risk transactions based on such criteria as country of origin and high risk persons and entities. Investigate and report all unusual transactions immediately by using established procedures.

All relationships with correspondent banks must have the prior approval of Trade Finance and Correspondent Banking, E.O. For complete details, refer Correspondents Arrangements Manual.

The statement of the Scotiabank Group's Anti-Money Laundering policies that is provided to correspondent banks is provided in Appendix C (All Branches/ Offices).

**High Risk Businesses** - Certain businesses while not restricted are considered higher risk. These include:

- casinos;
- white label ABM operators;
- escort services, fantasy phone call services, massage parlours and similar businesses;
- the sale or distribution of pornographic or obscene material, adult content web sites or other sexual communications;
- unsolicited or unauthorized advertising, telemarketing, promotional materials, junk mail, Spam, chain letters or other forms of solicitation, except in or from Internet sites that are designated for such purposes;
- manufacturers of, or dealers in, arms and munitions;
- distribution of material in any form that violates any applicable intellectual property rights;
- collection of personal information about third parties without the consent of such third parties;
- offshore companies, particularly those located or operating in tax havens;
- travel agencies; dealers in jewellery, gems and precious metals;

- firms providing payroll services;
- import and export companies;
- any cash-intensive business; and,
- businesses that may incur unfavourable media publicity or criticism of the Bank.

Because of the nature of these types of business, Enhanced Due Diligence and closer account monitoring should be applied to these relationships. In addition, no relationship should be entered into where the legitimacy of the source or destination of funds passing through the account cannot be determined. Pay particular attention to any business engaged in the transfer or exchange of money or the provision of other financial services.

Further direction will be provided in dealing with these businesses in due course.

Meanwhile, if in doubt, refer any questions to your Shared Services Operations, supervising office or respective business line Compliance Department, as appropriate.

**Enhanced Due Diligence** - For higher risk relationships and businesses, the account opening officer must go beyond the usual KYC procedures and take additional measures (Enhanced Due Diligence), such as:

- checking the validity of documents and information;
- conducting more in-depth interviews of the client or other knowledgeable persons;
- seeking assistance of public and private sources (i.e., regulators or counterparts in industry);
- checking public and proprietary databases for a possible history of involvement in illegal activity; and,
- seeking the assistance of support functions (i.e., Shared Services Operations, International Banking and Security & Investigation).

Decisions to enter into business relationships with a higher level of risk must be taken by senior management.

**Know Your Customer's Customer** - "Know Your Customer's Customer" (KYCC) is the need to understand the type of clients our customers conduct business with, the nature of the relationship(s) and the nature of the payables and receivables between them.

The Scotiabank Group may incur reputational, regulatory and financial risk by providing services to a customer whose own customers are using these services to engage in illegal or inappropriate activities. In assessing credit risk, knowing the clients of our customers provides information regarding the potential of default to our customer that could result in financial loss to the Scotiabank Group.

Enhanced Due Diligence is required in KYCC where our customer provides services as a financial intermediary or aggregator between two or more other parties.

**EXAMPLE:** The customers of certain Internet Service Providers operate in the on-line gambling and adult entertainment arenas.

When reviewing these types of relationships it is necessary to consider whether:

- our customer is dealing with entities that the Scotiabank Group considers restricted or higher risk; and,
- there are contractual arrangements between our customer and theirs that would lead to risk to the Scotiabank Group.

In assessing the risks of any such proposed arrangements it is necessary to obtain a complete understanding of the customer's business and how it is conducted.

Security & Investigation Department (S&I) can assist units in conducting Enhanced Due Diligence over higher risk accounts. Branches and E.O. departments in Canada must route all such requests through Shared Services Operations. All other areas must route them through their respective business line Compliance Departments. *The support provided by S&I complements, but does not replace, the verification process that the account holding unit must carry out.*

**Referrals from Other Scotiabank Group Members and Other Parties -** The responsibility for accepting new business, obtaining proof of identity and conducting the appropriate verifications resides with management of the account holding branch or unit.

Where they are placing reliance on information provided by another member of the Group, the basis for this reliance must be fully documented, approved by management of the account holding unit and maintained in the customer file. Before placing reliance on information provided by an external third party, management must take appropriate steps to ensure that there is an appropriate basis for such reliance.

**Identify the Customer -** Scotiabank Group members take reasonable and appropriate measures to determine the true identity of those parties who wish to establish a business relationship, and will conduct transactions only after their identity is verified (refer Verification sub-topic).

**Retail** - Only original, verifiable documents can be used as proof of identification. A minimum of two pieces of original documentation must be presented and checked for authenticity and to ensure that the documents have not been altered. Documents used for identification purposes should be reasonable for the age and occupation and the services requested by the customer.

Governmental photo identification with a signature is one form of preferable identification in many jurisdictions. Operating procedures should stipulate the most reliable documentation and every effort must be made to obtain it, wherever possible. Copies of identification are not acceptable.

**Exception:** Entities regulated by the Investment Dealers Association of Canada (e.g., Scotia Capital) are required to obtain a minimum of one piece of identification.

Copy and include identification presented with account opening documents. If a potential customer objects to having their identification photocopied, record the type of identification, the ID number, place of issue and any other relevant information, except where this practice is prohibited by local Regulations.

**Commercial** - The identity of a company comprises:

- its registration number;
- its registered corporate name and trading names used;
- its registered address and key separate principal trading addresses;
- its directors;
- its owners and shareholders (where the customer is a publicly traded company, make inquiries to determine the principal shareholders, if any); and,
- the nature of the company's business and expected activities.

Obtain this information for all such accounts.

**Identify the True Owner of the Account - Third Party Determination** - Before a relationship with the Scotiabank Group can be established, the identity of any intermediaries, beneficial owners and interested parties must be established and recorded. Ask customers wishing to open a new account whether the account is to be used to conduct business for someone other than the named account holder(s) (refer Appendix A (Canadian Branches/ Offices)).

**Identify the Source of Funds** - Clearly establish the source of incoming funds or assets at the time that an account is opened to determine that they originated from legitimate sources. The amount and source must be reasonable in relation to the other information provided by the customer such as their occupation or business activities, and the stated net worth, where this information is obtained.

Where the amount is deemed to be substantial, the source is suspect or there is reason to question the accuracy of information provided, obtain documentary evidence from the customer to confirm the origin of the funds.

For subsequent deposits make inquiries, where appropriate, to determine whether the source is consistent with the customer's normal legitimate business activities or banking practices. Direct particular attention to funds originating from jurisdictions that are known to be prone to crime and corruption and those with reputations as tax havens.

**Identify the Customer's Expected and Usual Account Activity** - Effective account monitoring, the third step in KYC, depends on understanding and recording the purpose of the account and the expected customer's activity. This includes:

- having sufficient knowledge of customers' affairs to identify the source of their funds as legitimate, and having a legitimate explanation for transactions;
- being confident potential customers will honour their obligations with us and conduct legitimate activities only;
- inquiring on the reason for establishing the relationship and the type, volume and nature of expected account activity;
- being alert to recognize suspicious circumstances or business requests; and,
- declining applications that may compromise the Bank's reputation and increase risk of monetary loss through fraud or other misrepresentation.

With this information, a customer's normal and expected account activity can be established. Transactions that fall outside of these parameters warrant further inquiries and/ or referral to a senior officer.

If after further inquiries the transaction is deemed to be unusual, the transaction should either be refused or be referred to the Anti-Money Laundering/ Anti-Terrorist Financing Compliance Officer for filing of an Unusual Transaction Report (refer sub-section 2.1, Reporting topic and/or Appendix D (All Branches/ Offices) and Appendix E (All Branches/ Offices)).

**NOTE:** International units must file Suspicious Activity Reports according to local Regulations.

## **Verification -**

**General** - Take reasonable and appropriate measures to determine the true identity of customers with whom a business relationship is to be established. Transactions other than an initial deposit may be conducted only after identity is verified.

Information provided by the customer must be verified through additional inquiries or other sources of information.

Do not use a single document or source of data to verify both name and permanent address. An introduction from a known, reputable customer does not replace the need to obtain evidence of identification.

The extent of verification measures is determined by using a risk-based approach based on the product or service requested and all other relevant factors. Document and maintain the verifications performed with the account application and/ or operating documentation according to business line operating procedures.

When opening an account or establishing a relationship, Group members must, at a minimum, collect and record the following information:

- a customer's full legal name, address and date of birth;
- occupation or nature of business;
- purpose of the account;
- anticipated account activity; and,
- source of funds for the initial transaction in the account.

Focus particular attention on those customers identified as having a higher risk profile and undertake Enhanced Due Diligence procedures on those customers.

When the transfer of an opening balance is from an account in the customer's name at another financial institution, consider the possibility that the previous institution may have asked for the account to be closed.

If there is any reason to believe that another financial institution has refused the applicant financial services, undertake Enhanced Due Diligence procedures.

**Corporate Entities** - Confirm and document the identity for those persons who exercise control over the business and the assets of a company or partnership. It is also necessary to determine those persons who have ultimate control including:

- officers and directors of a corporation;

- shareholders (where the customer is a publicly traded company, make inquiries to determine the principal shareholders, if any); and,
- others who inject a significant proportion of the capital or financial support, or otherwise exercise control.

Care must be used when dealing with intermediaries and third parties as these can be used as “fronts” to obscure the true beneficial owners and their activities (refer Identification sub-topic, Identify the True Owner of the Account - Third Party Determination and Appendix A (Canadian Branches/ Offices)).

Where an account is being opened by an intermediary on behalf of an individual or a corporate entity, the intermediary must be subject to the same identification procedures as the account holder(s) as described above. Also, their written authority to act on behalf of the account holder(s) must be confirmed.

Where the owner is another corporate entity or trust, it is necessary to look behind that company or entity and to verify the identity of the principals.

Where the owner is a publicly traded company, make inquiries to determine the principal shareholders.

What constitutes control for this purpose depends on the nature of a company, and may rest in those who are mandated to manage funds, accounts or investments without requiring further authorization, and who can override internal procedures and control mechanisms.

For partnerships, identify each partner including immediate family members that may have a financial interest.

**Account Monitoring** - Scotiabank Group members monitor account activity to identify and investigate unusual transactions and patterns of activity that may be related to criminal activity (i.e., money laundering or terrorist financing).

Monitoring transactions against expected customer activity (refer Identification sub-topic, Identify the Customer’s Expected and Usual Account Activity) is critical in determining if a transaction or pattern of activity is unusual or related to illegal activities. Therefore, information regarding customers’ and their business and financial activities must be maintained as complete and as current as is necessary to fulfill the purpose for which it was collected.

When changes in a customer’s financial behaviour becomes apparent (e.g., activity, volume, frequency, type of business, etc.) make every attempt to determine the underlying reasons. Give customers every opportunity to explain any unusual activity.



If doubt remains after meeting with the customer, escalate the situation immediately to a Supervisor or AML/ ATF Compliance Officer to obtain a satisfactory explanation or to complete an Unusual Transaction Report, as required.

**NOTE:** International units must file Suspicious Activity Reports according to local Regulations.

The K.Y.C. process continues after they establish the account. Keep records up-to-date and relevant by:

- confirming the account holder information whenever a transaction of significance takes place;
- when the customers' circumstances, activity or documentation changes substantially; or,
- when there is a material change in the way that they operate the account.

When a lack of sufficient information about an existing customer is identified, take the necessary steps to ensure that all relevant information is obtained. Where necessary, management is to take the necessary steps to terminate the relationship, as soon as possible.

**Terminating Relationships** - The Scotiabank Group has the right to refuse any transaction that is contrary to policy or where there are reasonable grounds to suspect that the transaction is related to illegal activity and as provided for in the respective customer's agreement. The Group may terminate relationships as provided for in these agreements, which usually require a period of notice for the customer to make alternative arrangements.

If in doubt, obtain advice from Shared Services Operations, your supervising office or the respective business line Compliance Department, as appropriate.

Where there is the risk of a physical threat to unit personnel, the notification should originate from Shared Service Operations, the supervising office or E.O.

BETWEEN:

B-FILER INC.  
Applicants

- and -

THE BANK OF NOVA SCOTIA  
Respondent

Court File No. CT 2005-006

**COMPETITION TRIBUNAL**

**AFFIDAVIT OF COLIN COOK**  
**(Sworn November 23, 2005)**

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