

CHAILEASE INTERNATIONAL LEASING COMPANY LIMITED (CILC) RISK ASSESSMENT ON MONEY LAUNDERING, TERRORISM FINANCING AND FINANCING FOR POPULARIZING WEAPON MASS DESTRUCTION

Part I: General information about money laundering, terrorism financing and financing for popularizing weapon mass destruction at CILC

1. About CILC

Chailease International Leasing Co., Ltd. (“CILC”) is a wholly owned subsidiary of Chailease Finance Co., Ltd., which is a leading leasing company in Taiwan with more than 40 years of experience and having overseas operations in China, Taiwan, Asia Pacific and the United States.

Under the approval from State Bank of Vietnam in 2006, CILC started operation in Vietnam in 2007, rendering domestic lease, import lease, sales and lease back to the majority of SMEs in Vietnam for acquiring any kinds of machinery, equipment and vehicles, etc...

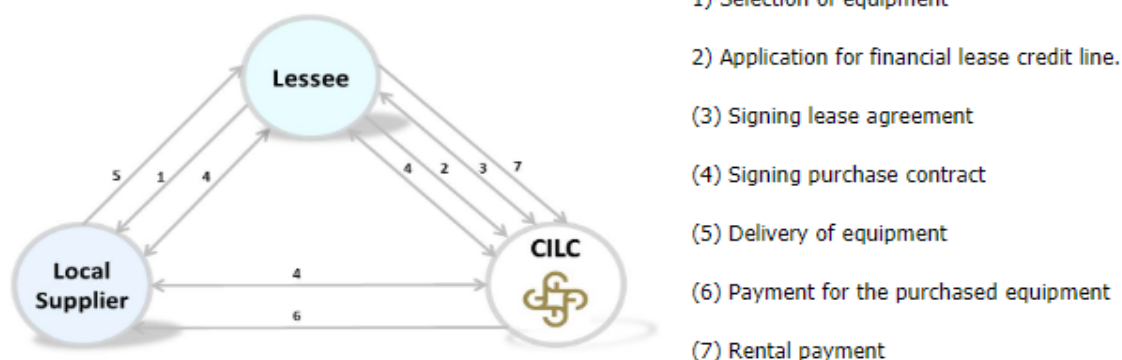
Head office of CILC located in Ho Chi Minh city, 1 branch located in Ha Noi, 6 representative offices in Hai Phong, Da Nang, Binh Duong, Can Tho city, Long An and Dong Nai. All professional activities have been consolidated at the head office.

2. CILC’s services

2.1 Finance Leasing

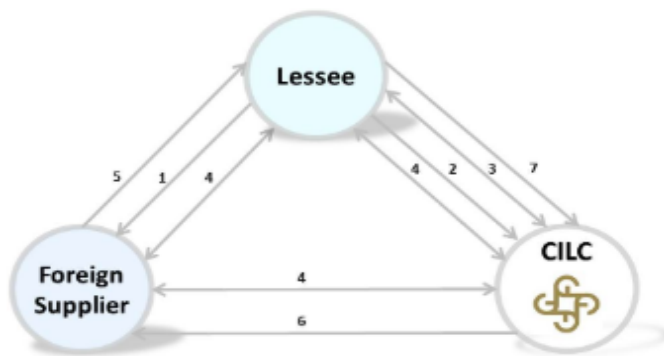
2.1.1 Domestic financial lease

Domestic financial lease involves in a Leasing company who is on behalf of Lessee to buy an asset from local supplier and then leases back to Lessee and Lessee pay the rental to CILC as Lease payment schedule in Lease agreement.



2.1.2 Import financial lease

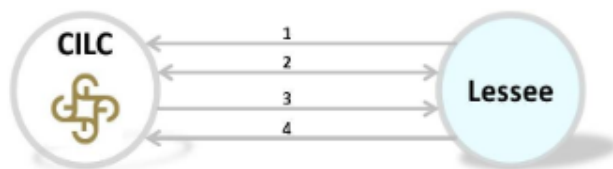
Import financial lease involves in a Leasing company who is on behalf of Lessee to buy an asset from foreign supplier and leases back to Lessee as Lease payment schedule in Lease agreement.



- 1) Selection of equipment
- 2) Application for financial lease credit line.
- (3) Signing lease agreement
- (4) Signing purchase contract
- (5) Delivery of equipment
- (6) Payment for the purchased equipment
- (7) Rental payment

2.1.3 Sales and lease back

Sale and lease back involves in a Leasing Company who purchases an asset owned by Lessee and leases this asset back to the same Lessee under financial lease. In sale and lease back transaction, Lessor is also a supplier.



- 1) Application for financial lease credit line.
- 2) Signing purchase contract and lease agreement
- (3) Payment for the purchased equipment
- (4) Rental payment

2.2 Insurance service

CILC is Insurance Agent for many famous Insurance Companies (Bao Viet Insurance, Cathay, Fubon, MIC Tan Son Nhat, PVI Ha Noi, PTI). CILC will support these Insurance Companies by providing essentials information as well as promote many types of insurance contracts (vehicle insurance, machines & equipment insurance, factory insurance, health insurance,...) to potential customers who is also the lessee and the minority of others.

2.3 Direct lending

Up to now, this activity has not launched yet because we see that Lessee are almost acquainted with the short term loan from the commercial banks. In order to provide more channel of contributing the capital, CILC is gradually completing the procedure and documents to early provide this product to lessee.

3. AML preventing implementing procedure

On the basis of the result of the national risk assessment which is under the Report on National Risk Assessment on AML-CFT-WMD for the period of 2012-2017, leasing finance is evaluated at low level. On the limited scope of operation in comparison with the commercial banks, CILC concentrates on SMEs customers by buying machineries, equipment and transportation means. CILC still step by step assessing, knowing and accepting the customer more and more carefully based on the specific criteria, in order to approach, identify the “personal” elements of each customer. In 2022, CILC has approached and expanded the leasing subject into the individual one. CILC is researching to using eKYC through data of national channel in order to enhance the customer identification.

PART II: EVALUATION METHOD OF RISK

With the feature of SMEs customer, particular and simple products, using direct approaching way and focusing on big cities and industrial zone where are well-managed by local governments with domestic customer sources, it may be confirmed that the business section and products of CILC does not highly bear the money laundering risk, therefore, CILC uses the evaluation method of “possibility of happening the risk”.

PART III: RISK ASSESSMENT RESULT ON MONEY LAUNDERING, TERRORISM FINANCING AND FINANCING FOR POPULARIZING WEAPON MASS DESTRUCTION AT CILC

1. Risk assessment on money laundering, terrorism financing and financing for popularizing weapon mass destruction

1.1 Risk on customer

During the evaluation procedure, all key persons who hold the top position of customer are verified and no case under UN lists, Ministry of Police list or PEP list is detective.

The majority of CILC’s customer do not operate in high-risk section. As a quick statistic from the current customer data as of Oct 2022, customers who operate in banking section just occupy around 0.01% in total and their leased asset were bought from the reputation suppliers.

Therefore, it may be concluded that the money laundering, terrorism financing and financing for popularizing weapon mass destruction is low as well.

1.2 Risk on services

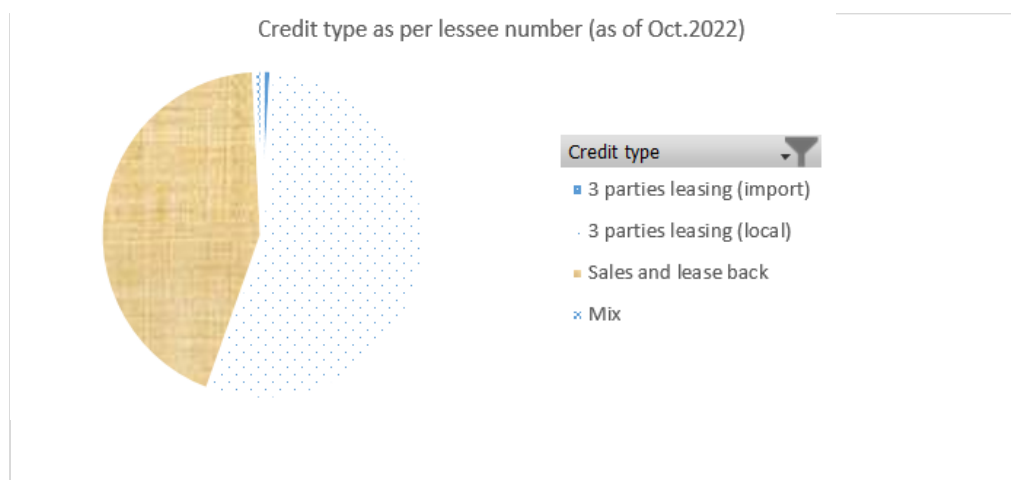
1.2.1 For financial leasing activities

1.2.1.1 In generally, the core business of CILC is providing financial leasing services (purchase machine/equipment and leases them back to lessee) to support for manufacturing & business activities of corporate entities in Vietnam (mostly were small and medium size companies). With special characteristics of our businesses, besides the general signals of banking section, major risks related to money laundering of CILC are mainly including:

- a) Information about the origin of the security assets or the property used for financial leasing is not clear and transparent;
- b) The purpose of applying for financial leasing is not clear.
- c) Identification information of customer is not clear.

For the purpose of minimization risks (including risks mentioned above, customer risks, leased assets risks and etc...), CILC developed policies and internal guideline (included internal policies about anti money laundering) specific for each department to filter, analyze and double check identification information, business line, financial status & others kind of documents provided by customer through different steps and independent functions before signing lease agreement with customer.

1.1.1.2 In portion of financial leasing at CILC (as table below, statistic as of Oct 2022), including local, S&LB and import, CILC have reasonably rating to secure all customer to pass the recognizing, evaluating procedure. In other hand, most of leasing activities are domestic transaction. In conclusion, not beyond the national assessment result, risk of money laundering, terrorism financing and financing for popularizing weapon mass destruction is low and has no suspicious transaction so far.



1.2.2 For the business line of insurance agent:

In line with the finance leasing activities, as a role of agent, CILC introduce potential customers (mostly were existing lessee of CILC in financial leasing sector) to insurance companies. Most of the demands focus on protecting the leased asset. Along with the insurance company, currently, CILC has implement all methods to identify Lessee based on information from leasing system. Otherwise, Insurance partners of CILC have their own mechanism to ensure the compliance of anti-money laundering regulations. Therefore, CILC has not had any suspicious transactions related to insurance agency operation.

1.1.3 Statistic data about suspicious cases related to money laundering, terrorism financing and financing for popularizing weapon mass destruction

Since the establishment up to now, no cases related to money laundering have been detected by staffs, internal audits, independent audits and inspectors.

⇒ *For all those reasons, the risk of money laundering of CILC is LOW.*

1.3 Risk on transaction channel, payment channel

As mentioned before, CILC use the directly approaching way to customer in most of the cases. Even there are post-disbursement steps, CILC shall issue the e-invoice, online lease commence notice to customer.

1.4 Risk on nation, geographical area

As regulated, all CILC customers operate in Vietnam. All domestic and oversea suppliers also are evaluated. Besides, to import cases, CILC always make disbursement via bank transferring. Therefore, most of international remittance are checking and evaluated via banking system.

2. Vulnerability assessment of CILC on Money Laundering

Based on regulations of credit institution & special characteristic of a financial leasing company, CILC doesn't provide products which have high level of vulnerability on money laundering such as retail deposits, wire transfers; current accounts; etc.

Moreover, CILC has set up the internal policies, guidelines to verify the origin of leased asset such as requesting supplier to provide the input documents (invoices, payment slips to prove the legality of transaction, etc...)

Most of money transfers of CILC (ingoing-outgoing) are made via bank account, only has very small transactions (had value less than 20 million Vietnam dong) are made by cash.

Besides, CILC is 100% foreign-owned company, therefore we are strictly controlled by the parent company in the risk assessment and management. Compliance of CILC policies and internal guideline is regularly audited by internal auditor and auditors of parent company (at least once a year for each department).

⇒ *Therefore, it can be assessed that the vulnerability level on money laundering, terrorism financing and financing for popularizing weapon mass destruction of CILC is LOW.*

PART IV: CONCLUSION

Through general assessment, the risk of money laundering, terrorism financing and financing for popularizing weapon mass destruction of CILC is low and the vulnerability to money laundering, terrorism financing and financing for popularizing weapon mass destruction is assessed at medium level, CILC always pay attention in preventing and combating of money laundering, terrorism financing and financing for popularizing weapon mass destruction. Therefore, in order to accomplish our responsibility & contribute toward the anti-money laundering objective of Vietnam, we are planning to systemize the classification, management as per money laundering, terrorism financing and financing for popularizing weapon mass destruction risk, together with the improvement of the internal control system, enhance the awareness, knowledge of employees as well as being active in reporting, co-operating with AML under SBV immediately after detecting suspicious information related to money laundering and terrorism financing, financing for popularizing weapon mass destruction.

Chailease International Leasing Co., Ltd.

General Director

(signed and sealed)

Cheng Yi Chen