

**FINANCIAL CRIME COMPLIANCE**

ISSA Questionnaire (FCC DDO)

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

**2023**





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## DISCLAIMER

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

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

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## INTRODUCTION

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

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

Please note the following points:

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

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

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


## 1. ENTITY IDENTIFICATION

### 1.1 Company Information

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

### 1.2 Contact Information (Questionnaire completed by)

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

Authorized Representative(s)	
Date	13 Sep 2024



## 2. FCC QUESTIONS

### 2.1 Entity's Compliance Policies and Framework

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

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

## 2.2 Entity's Due Diligence Programme

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

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

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

2.2.1.2 Country/geography risks considered in the **Client** risk assessment

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

2.2.1.3 **Risk Factors** linked to assets the **Entity** would deposit with its **Custodian(s)**

Yes

No

Partially

If «No» or «Partially»: Mandatory clarification

If «Yes»: Optional clarification

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

**2.2.2.1 Client Identification Data (e.g. Entities Beneficial Owner Data)**

Yes  No  Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

**2.2.2.2 Assets Beneficial Owner data, to the extent that the data is in its possession, in the Entity's operating systems and databases (The targeted data includes, but is not limited to, tax certificates or disclosure requests)**

Yes  No  Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

HSBC also obtains a two-way sanctions letter from Customers requiring the Customer to inform HSBC if an underlying Beneficial Owner is Sanctioned.

**2.2.2.3 Information included in applicable securities transactions fields (The targeted data includes, but is not limited to, the names of Intermediaries or the Ultimate Assets Beneficial Owners of a security as mentioned in a SWIFT transactional field)**

Yes  No  Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification



2.2.2.4 Information included in applicable cash transactions linked to its securities business (The target data includes, but is not limited to, free text fields in SWIFT transactions)

Yes  No  Partially

If “No” or “Partially”: Mandatory clarification

If “Yes”: Optional clarification

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

Yes  No  Partially

If “No” or “Partially”: Mandatory clarification

If “Yes”: Optional clarification

2.2.3 Are the items included in the previous question screened against the following Sanctions Issuing Authorities?

Sanctions Issuing Authority	Yes	No	Partially
UN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OFAC	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OFSI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other G7 Member Countries	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Domestic Authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

For each “No” or “Partially”: Mandatory clarification

The lists marked as 'partially' are screened against when they are applicable to the Group Entity and activity.

For each “Yes”: Optional clarification

HSBC complies with all applicable sanctions, laws and regulations.

## 2.3 Entity's Transaction Monitoring System

**2.3.1 Does the Entity have a monitoring programme reasonably designed to identify unusual and potentially suspicious activity that is covering the securities and/or fund related services that it provides to its Clients?**

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

All transactions are subject to HSBC's Customer Activity Monitoring Programme.

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

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

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

If "Yes": Optional clarification



## 2.4 Entity's Assets Sub-deposited with its Custodian(s)

2.4.1 Does the Entity have the following policies and procedures in place to ensure exclusion, blockage or monitoring of restrictions applicable to assets deposited with its Custodian(s) that are ultimately owned by Sanctioned Parties or any other measures taken to comply with applicable sanctions regulations?

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

Yes  No  To the extent permitted by law

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

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

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

If "Yes": Optional clarification

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

Yes  No  To the extent permitted by law

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

If "Yes": Optional clarification

2.4.1.3 Does the **Entity** have policies and procedures in place to ensure that it monitors and limits its activities, in relation to **Sanctioned Parties**, consistent with the requirements of the Sanctions Issuing Authorities listed in this Questionnaire including, when appropriate, notifying the **Custodian** and / or segregating assets ultimately owned by **Sanctioned Parties** in the books of the **Custodian**?

Yes  No  To the extent permitted by law

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

If "Yes": Optional clarification

2.4.2 Does the **Entity** have policies and procedures in place to ensure that it monitors and limits its activities, in relation to **Impacted Parties**, consistent with the requirements of the Sanctions Issuing Authorities listed in this Questionnaire?

Yes  No  To the extent permitted by law

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

If "Yes": Optional clarification

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

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

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

If "Yes": Optional clarification

2.4.3.1 Does the **Entity** have the necessary arrangements in place requiring it to be notified by its **Clients** should an asset it has deposited with its **Custodian(s)** be ultimately owned by a **Sanctioned Party** and/ or **Impacted Party**?

Yes

No

To the extent permitted by law

If “No” “To the extent permitted by law”: Mandatory clarification

If “Yes”: Optional clarification

HSBC obtains a two-way sanctions letter from Customers requiring the Customer to inform HSBC if an underlying Beneficial Owner is Sanctioned.

2.4.3.2 In practice, does the **Entity** intend to deposit, or has it already deposited with its **Custodian(s)**, any asset ultimately owned or issued by a **Sanctioned Party** and/ or **Impacted Party**?

Yes

No

If “Yes” please complete the following question:

2.4.3.3 Has the **Entity** notified its **Custodian(s)** about any asset ultimately owned or issued by a **Sanctioned Party** and / or **Impacted Party**?

Yes

No

To the extent permitted by law or agreed contractually with its **Custodian(s)**

If “No” or “To the extent permitted by law or agreed contractually with its **Custodian(s)**”: Mandatory clarification

If “Yes”: Optional clarification

HSBC does not knowingly deposit assets belonging to sanctioned parties. Should parties be subsequently sanctioned and HSBC has been made aware, HSBC will notify the Custodian as permitted by Law.



## 2.5 Omnibus and Client Commingled Accounts

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

Yes  No

If "Yes" please complete the following two questions:

#### 2.5.1.1 Does the **Entity** take necessary steps to determine that the Ultimate Assets Beneficial Ownership deposited in Omnibus form has been adequately identified or, alternatively, does the **Entity** have the adequate contractual arrangements with, or written representations from, all its **Clients** to require this?

Yes  No  Partially

If "No" or "Partially": Mandatory clarification

This is governed by local regulatory requirements. Where the jurisdiction requires HSBC to ensure that clients identify the Ultimate Asset beneficial ownership, HSBC will take necessary steps to comply to this requirement.

If "Yes": Optional clarification

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

Yes  No  Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

## 2.6 Entity's Clients acting as Sub-Custodians

2.6.1 Does the Entity authorize its Clients to sub-deposit in its accounts third-party Client assets?

Yes

No

If "Yes" please complete the following two questions:

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

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

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

Yes

No

Partially

If "No" or "Partially": Mandatory clarification

If "Yes": Optional clarification

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# ISSA Questionnaire (FCC DDQ)

## Appendices



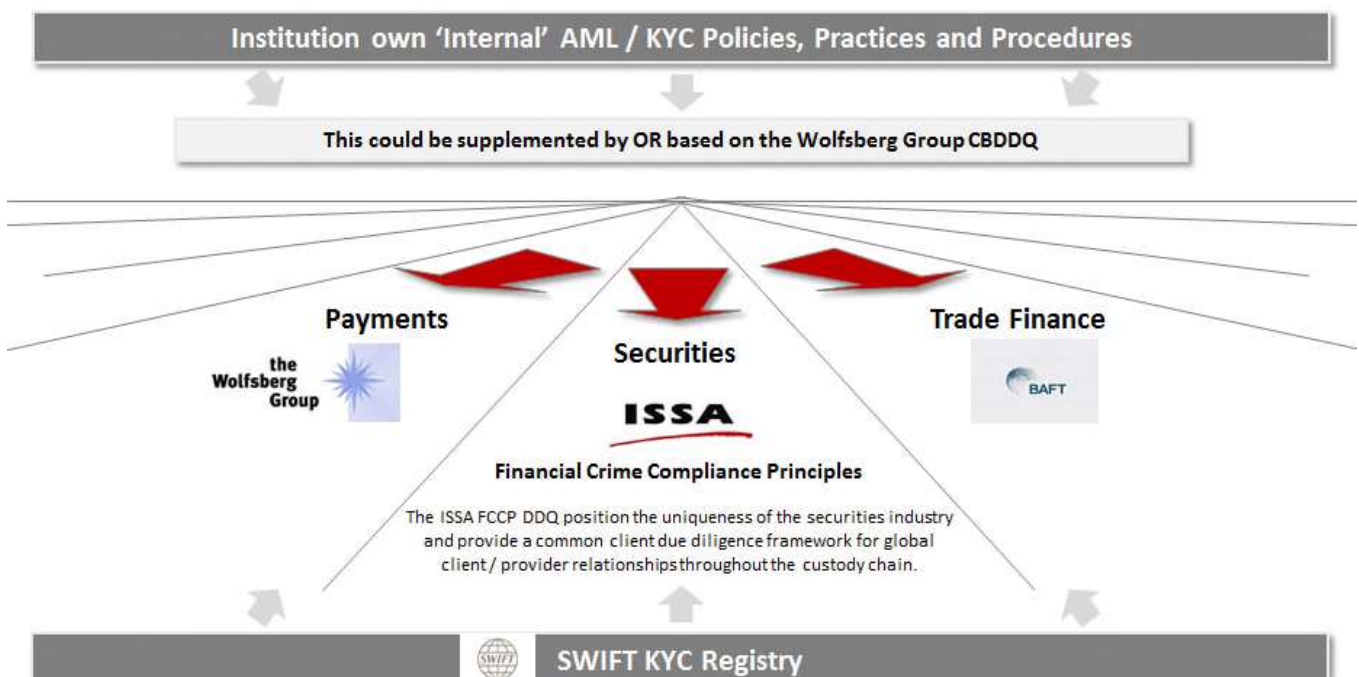
**Appendix 1: Explanatory Notes**

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

**Reason for the ISSA Questionnaire**

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

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





## Objectives of the ISSA Questionnaire

The ISSA questionnaire aims to:

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

## Structure of the ISSA Questionnaire

The ISSA questionnaire is split into two parts:

### Part 1: Entity Identification

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

The table below serves as a highly simplified illustration:

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

### Part 2: FCC Questions

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

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

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

The themes covered are:

- Section 1: **Entity's** Compliance Policies and Framework
- Section 2: **Entity's** Due Diligence Programme
- Section 3: **Entity's** Transaction Monitoring System
- Section 4: **Entity's** Assets Sub-deposited with its **Custodian(s)**
- Section 5: Omnibus and **Client Commingled Accounts**
- Section 6: **Entity's Clients** acting as Sub-**Custodians**

## Appendix 2: Glossary of Terms

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

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

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

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

It excludes fund transfer agents and administrators.

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

**Impacted Party:** An individual or **Entity** - other than **Sanctioned Parties** - that, whilst not being sanctioned themselves, is included within any regulation issued by one or more of the authorities listed in this Questionnaire that imposes any restriction on the services which the **Custodian** may provide to this individual or **Entity** (e.g. Russian nationals according to EU regulation).

**Intermediary:** Any institution that sits between the **Entity** and the Ultimate Asset Beneficial Owner in the custody chain.

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

**Risk Factor:** Variable that, either on its own or in combination, may increase or decrease the AML/CFT and sanctions risk(s) posed by the assets deposited at the **Custodian(s)**.

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

**Sanctions Issuing Authority:** A governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions.

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

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