

Zagga fraud and anti-money laundering policy

Zagga

Fraud and Anti-Money Laundering Policy

1. Purpose

To outline how Zagga intends to detect and prevent fraud, and comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

2. Policy

To identify and prevent fraudulent use of Zagga's platform and operations and comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 by:

- a. verifying the identity of all users;
 - b. completing background checks on users;
 - c. specifying the parties responsible for AML/CFT compliance and monitoring.
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3. Systems and procedures

Investors and Borrowers

Investors and borrowers must satisfy Zagga identity checks, which will be carried out at various stages, and will be required to provide their:

- full legal name;
- residential address or registered address (whichever is applicable);
- date of birth;
- passport or drivers licence or certificate of citizenship or birth certificate details;
- IRD Number;
- New Zealand bank account number; and
- company number if a company
- trust deed if a trust
- founding documents if another entity

<p>Borrowers</p> <p>Complete a Verifi identity check, insolvency register and Veda/Centrix check on the borrower and if a company, its directors and senior managers for which Zagga will require each borrower's, director's, manager's full name, address, and details of one of the following forms of ID; drivers licence, passport, certificate of citizenship or birth certificate.</p> <p>This will provide us with:</p> <ul style="list-style-type: none"> • verification of the borrower's identity; • confirmation of the borrower's full name and date of birth; • identify any known alias names; • an analysis of any adverse information on the borrower over the past five years, including: <ul style="list-style-type: none"> Payment defaults Collection actions Court judgments Insolvency information Public notices and file notes • the borrower's 3 last known addresses- where applicable; • details of the borrower's previous credit inquiries; and • a numerical score based on the borrower's credit-worthiness. <p>Borrowers and their identifying documentation will be checked and matched in person by a solicitor (who shall provide the appropriate certification to Magna Trust Company Limited) prior to the drawdown of loan funds.</p>	<p>If the borrower or any of its directors or senior managers has a court judgment involving fraud Zagga will not publish the loan application on its website.</p> <p>If the borrower or any of its directors or senior managers has a criminal conviction Zagga will escalate the decision to publish the loan to its board of directors. Factors for consideration by the board for convictions other than those involving fraud or dishonesty shall include:</p> <ol style="list-style-type: none"> 1. Number of convictions 2. Time elapsed since conviction 3. Sentence imposed 4. Type of conviction <p>Convictions involving dishonesty or fraud will be an automatic disqualification for borrowers from using Zagga's platform and from publishing a loan.</p> <p>If the borrower or any of their directors or senior managers are not who they say they are, Zagga will not publish the loan application or allow them to use the platform.</p> <p>If the borrower or any of its directors or senior managers have previously been bankrupted we will escalate the decision to our board of directors.</p>
<p>Zagga will request borrowers provide assumptions and reasonable grounds for the assumptions supporting their financial information including their valuations and forecasts. This is to ensure borrowers will not breach their obligation not to make any "unsubstantiated representations" in contravention of section 23 of the Financial Markets Conduct Act.</p>	<p>The Commerce Commission's publication on unsubstantiated representations may be referred to for guidance (www.comcom.govt.nz).</p>

<p>Investors</p> <p>Zagga will independently verify an investor's identity before they will be authorised to participate in funding loans. This check will ensure Zagga complies with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 as it applies to investors</p> <p>This will provide Zagga with:</p> <ul style="list-style-type: none"> • verification of the investor's identity; • confirmation of the investor's full name and date of birth; • any known alias names. 	<p>If an investor's identity check fails the investor will be unable to register with Zagga. If the investor fails an identity check at loan settlement Magna Trust Company Limited will refuse to complete the loan transaction and any monies received from the investor will be returned to them.</p>
<p>If Zagga obtains any information that gives it reason to believe that an investor or borrower, using its website platform, has engaged in the conduct described below, it will undertake necessary investigations including, if required, instructing an external solicitor to assess whether the subject conduct breaches fair dealing obligations:</p> <p>Specifically an investigation will occur if a borrower or investor:</p> <ul style="list-style-type: none"> • has engaged in conduct that is misleading or deceptive or likely to mislead or deceive; or • has made a false or misleading representation in contravention of section 22 of the Act; or • has made an unsubstantiated representation in contravention of section 23 of the Act. 	<p>In investigating the matters, all relevant considerations will be taken into account, including the information that prompted Zagga to investigate any contravention in the first place, any complaints received, the conduct and platform usage history of an investor or borrower and any feedback or responses from the party themselves if appropriate and any legal advice received by Zagga.</p> <p>If an investor's or borrower's conduct meets the legal threshold of having breached fair dealing obligations, the investor or borrower will be excluded from using Zagga's platform. Determination of whether the legal threshold is met will be made by the board with appropriate legal advice.</p>

Managing invested funds

- (i) All transactions involving the funding, settlement and repayment of loans will be transacted through the investor's appointed trustee, Magna Trust Company Limited, whose account will be held with a New Zealand registered trading bank.
- (ii) All funds received from investors must be forwarded via the investor's New Zealand bank account and will be banked into the trustee's account. Monies received from sources other than New Zealand bank accounts will not be processed by the trustee.
- (iii) All loan advances to borrowers will be deposited by the trustee into the borrower's solicitor's

trust account or the borrower's New Zealand bank account (at the sole discretion of the trustee).

- (iv) 'Wire transfers' or cash will not be accepted by the trustee for any lending transactions.
- (v) All loan repayments will only be accepted from a borrower's nominated New Zealand bank account.

General Policies

- Zagga's CEO will be the company's designated AML/CFT compliance officer
- The trustee will manage, reconcile and monitor its accounts
- Moore Stephens Markhams will complete yearly audits of the trustee's account
- Moore Stephens Markhams will complete yearly audits and compliance reviews of Zagga's and Magna Trust Company Limited's systems and procedures in relation to fraud and AML/CFT issues
- Zagga's and Magna Trust Company Limited's records will be backed up and available for 7 years from creation. Hard copy records will be kept at their respective offices or in a secure storage repository and electronic copies of all records will be kept on their IT systems.