

Source of Wealth Guidance

Understanding the Source of Wealth of our customers and, where applicable, their Ultimate Beneficial Owners is a critical step in managing financial crime risk. It includes both the company's Initial and Ongoing source of income and assets.

Two aspects must be considered:

1. **The origin of the initial Source(s) of Wealth** – where the customer's wealth originated, not just the portion that is invested with the bank for the initial deposit/account opening
2. **The origin of ongoing Source(s) of Wealth** – reviewing SoW is not a one-time exercise and involves an ongoing review of the business activities that generate the funds being deposited in their account.

Validation of Source(s) of Wealth

Sufficient Source(s) of Wealth information must be collected to enable HSBC to form a reasonable conclusion that the customer has earned or acquired their accumulated capital legally. This involves obtaining supporting documentation from the customer to validate their Source of Wealth.

Acceptable sources that validate Initial Source of Wealth:

- Proof of property sale
- Records of external investment
- Commercial loan agreement letter
- Intra-Group Financing – Audited Financial Statements
- Non-HSBC Bank Statements
- Written confirmation from a qualified accountant/lawyer
- Grant of Probate/Copy of Will

Acceptable sources that validate Ongoing Source of Wealth:

- Last set of audited/unaudited annual financial statements
- Last set of audited/unaudited annual financial statements for parent (which includes required information)
- Periodic financial statements (e.g. annual 10k report, monthly financial accounts)
- Business bank account statements from regulated financial institution (last 3 months statements)
- Intra-group finance arrangements
- Records documenting shareholder capital contribution
- Intelligence from referrals or in-country source such as another entity within the Group HSBC affiliate.
- Asset and income declarations
- Personal funds/Pay Slips
- Director Statement of support from the business stating how the Source of Wealth of the beneficial owner has been built and that this is commensurate with their holding
- Commercial loan agreement letter
- Articles of Association (or equivalent) or an extract of the Articles of Association signed by the company secretary or another senior officer which confirms all details relating to the authorised and issued share capital
- Written confirmation from a firm of lawyers (Regulated by Law Society / equivalent) or Accountants (Chartered and regulated).
- Local government issued documents / docs issued by public utilities

Where an entity is consolidated into a parent companies financials, the parent's Annual Report and accounts can be used. If the parent's Annual Report and accounts do not provide sufficient detail to understand the customer's Source of Wealth, information and documentation should be obtained directly from the subsidiary accounts.

Where the Annual Report and accounts are used to identify Source(s) of Wealth, the customer must provide the name of one of the following;

- a) The accountant;
- b) The accounting firm;
- c) The auditor; or
- d) The audit firm.

Understanding Sources of Funds (SoF)

If you are asked about Source(s) of Funds, please note that it is not the same as Source of Wealth. SoF focuses on where the initial funds, deposited at account opening, originated from – what location the funds came from; what entity; and in what format. (E.g. USD 3m transferred from XYZ bank, located in The Bahamas). SoF relates closely to the purpose of account and nature of the business, it looks at the activity that generates the funds.

Funds may originate from a range of sources, including but not limited to the purchase and/or sale of asset, earnings from business ownership or business activities.

For many customers, the Source(s) of Funds will relate closely to the purpose of account.