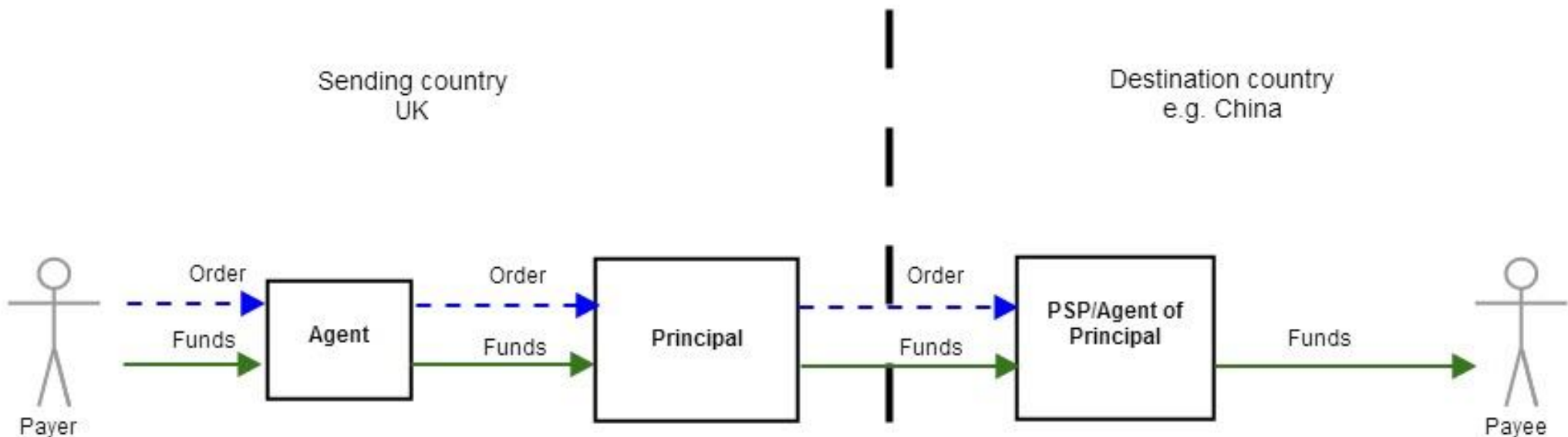
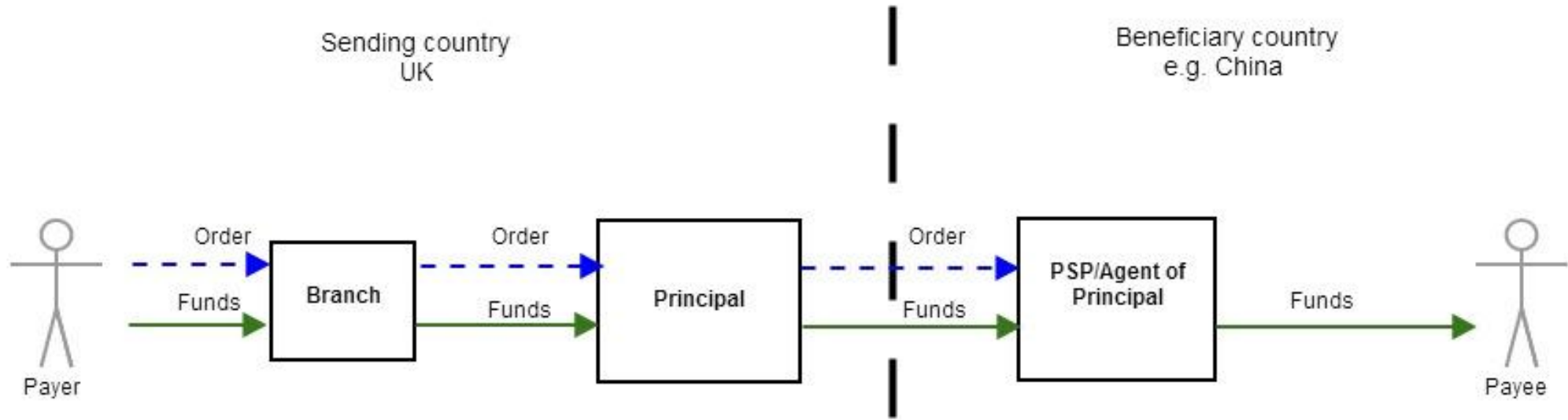


Example 1A - Principal (PI) with Agent



1. Payer gives order and funds to the agent, who passes them on to his principal.
2. Orders and funds are passed from Principal (UK) to PSP/Agent of principal (overseas)
3. PSP (overseas) pays out payee in local currency
4. Settlement is made between Principal and PSP (overseas). Note: In large networks the overseas PSP could also be an agent of principal and therefore netting off of funds occurs.

Example 1B - Principal (PI) with Branch

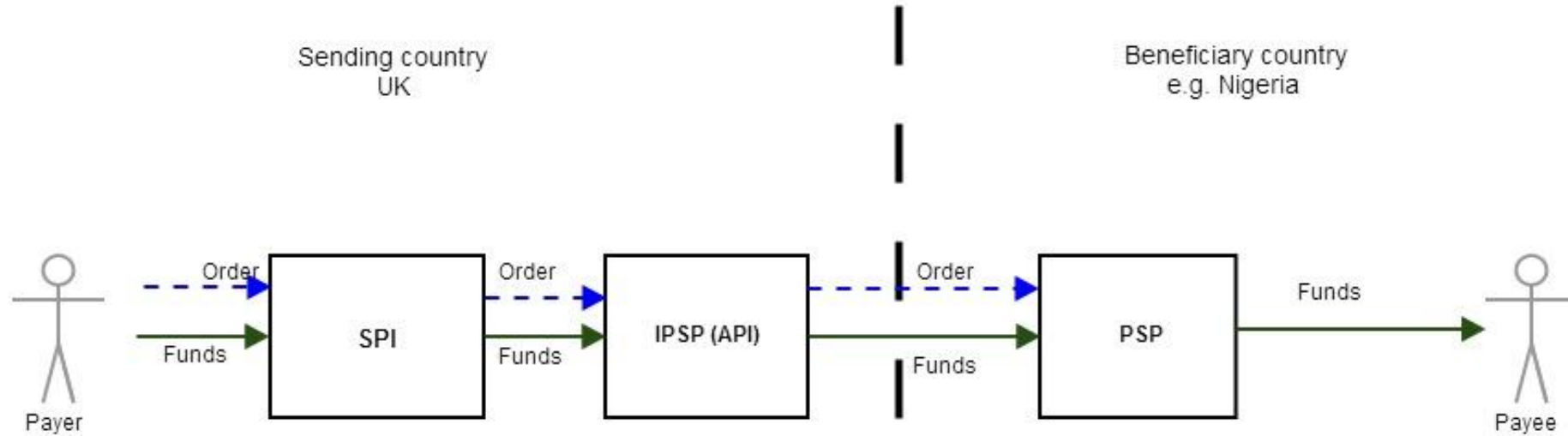


1. Payer gives order and funds to the branch, who passes them on to his principal.
2. Orders and funds are passed from Principal (UK) to PSP/Agent of Principal (overseas)
3. PSP (overseas) pays out payee in local currency
4. Settlement is made between Principal and PSP (overseas). Note: In large networks the overseas PSP could also be an agent of the principal and therefore netting off of funds occurs.

Principal is responsible for agents/branches in terms of AML/CTF compliance



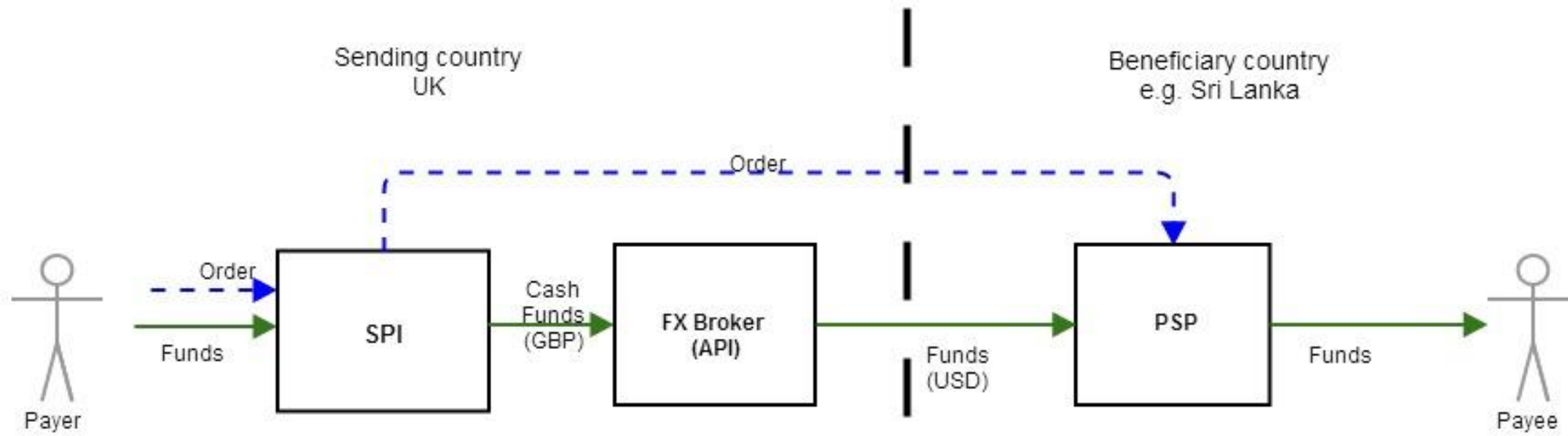
Example 2 - IPSP (API) serving an SPI



1. Payer gives funds and order to SPI
2. Orders and funds are passed from SPI to IPSP (API)
3. Orders and funds are passed from IPSP (API) to PSP (overseas)
4. PSP (overseas) pays out payee in local currency

API allowed to exercise simplified due diligence on SPI but must 'monitor' transactions (criteria for monitoring not legally defined) Payers are clients of SPI, not API.

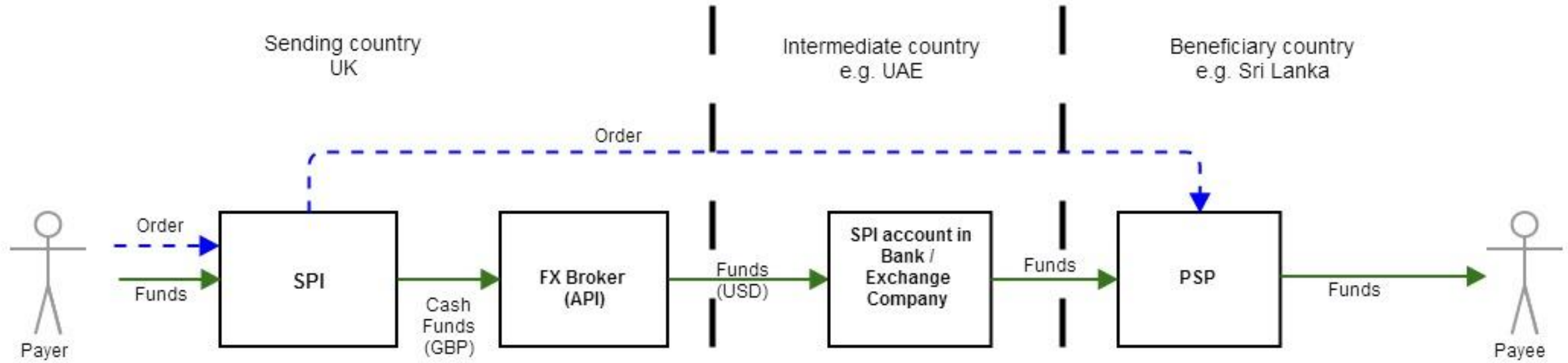
Example 3a - Forex broker (API) serving an SPI



1. Payer gives order and funds to SPI.
2. Order information is passed directly from SPI (UK) to PSP (overseas)
3. SPI gives Funds (often Cash) to UK based FX provider (API) and purchases FX – typically, GBP will be converted into USD
4. FX Broker (API) TTs funds to PSP in beneficiary country.
5. PSP will pay funds to payee.



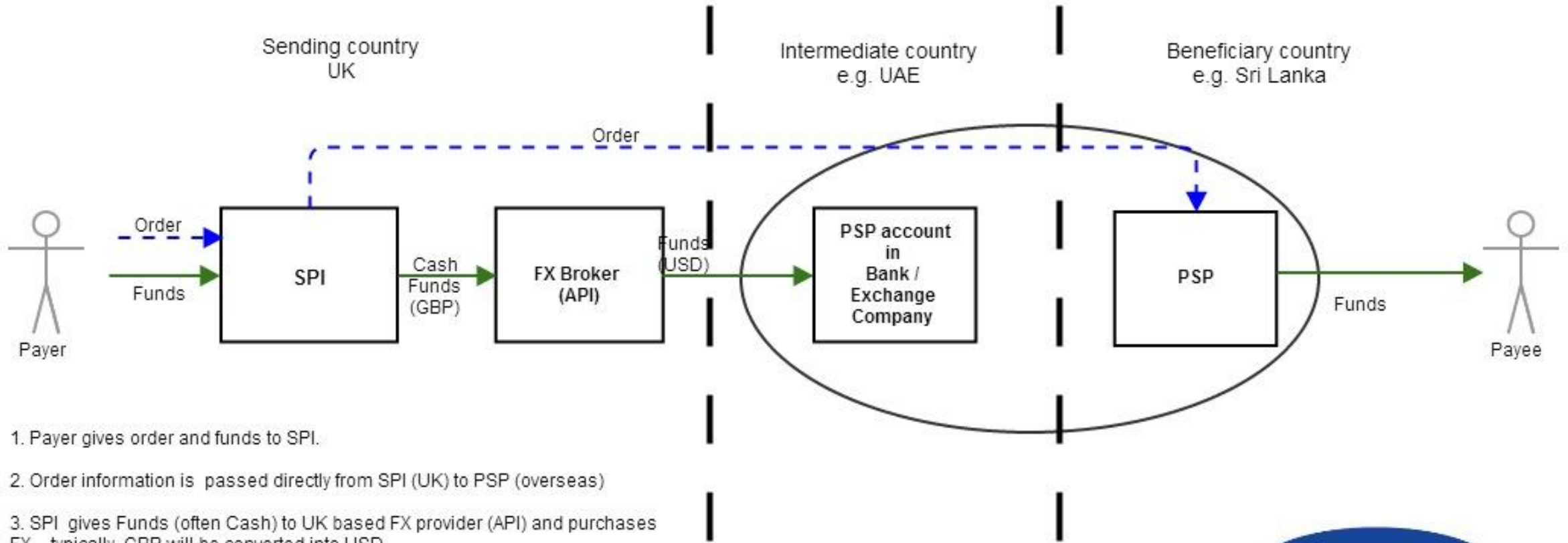
Example 3B - Forex broker (API) serving an SPI with an overseas account



1. Payer gives order and funds to SPI.
2. Order information is passed directly from SPI (UK) to PSP (overseas)
3. SPI gives Funds (often Cash) to UK based FX provider (API) and purchases FX – typically, GBP will be converted into USD
4. FX Broker (API) TTs funds to SPI's account held in a bank or with an exchange company in an intermediate country.
5. Funds are paid out from SPI's account in the intermediate country to PSP.
6. PSP will pay funds to payee.

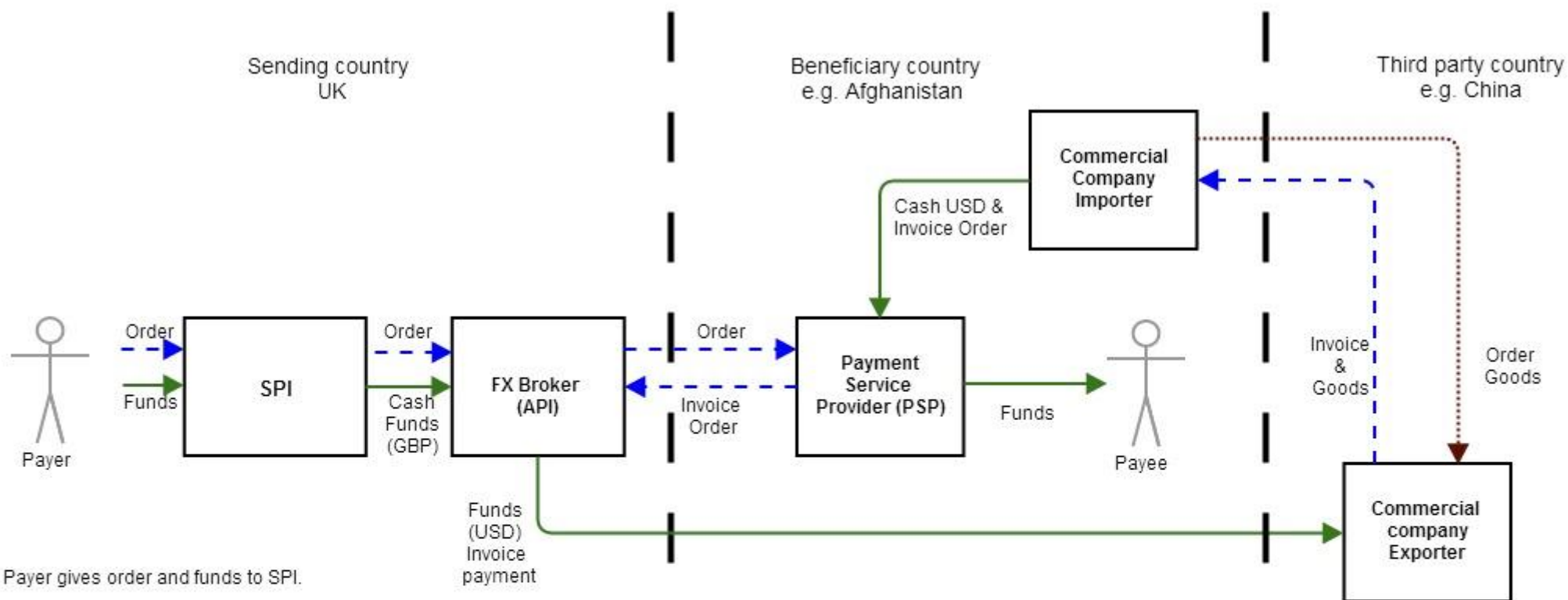


Example 3C - Forex broker (API) serving an SPI – PSP has account in intermediary country



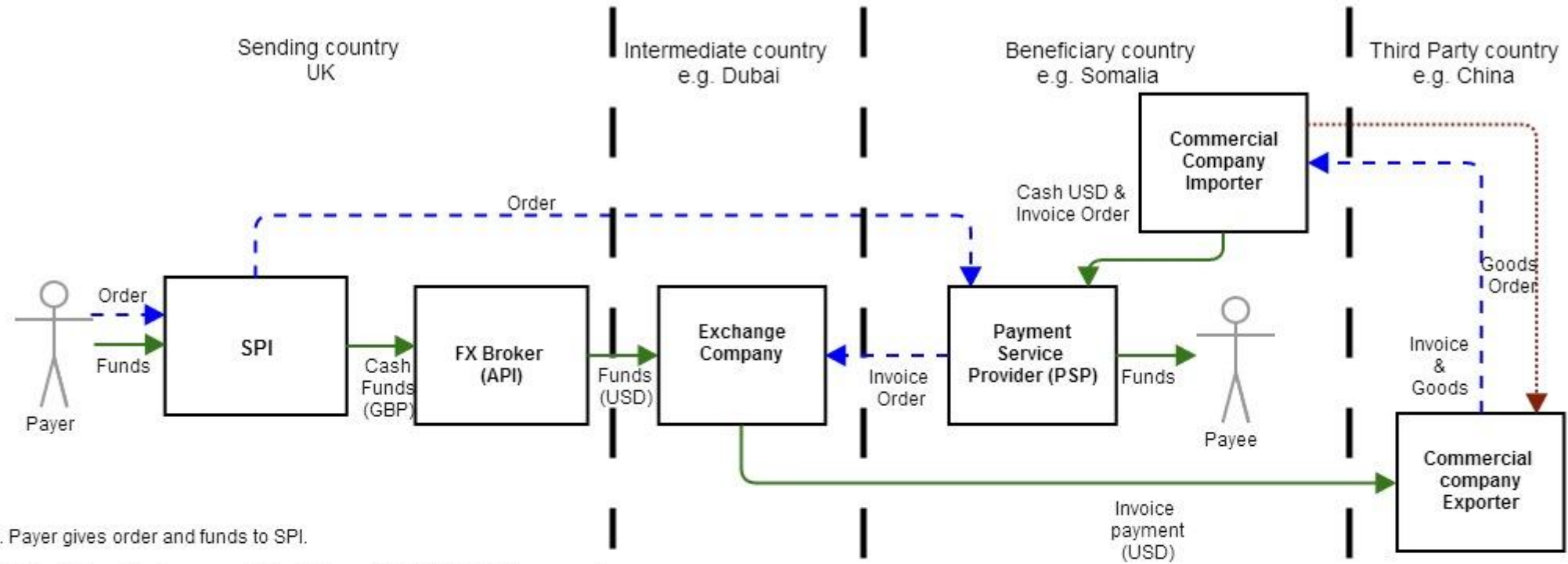
1. Payer gives order and funds to SPI.
2. Order information is passed directly from SPI (UK) to PSP (overseas)
3. SPI gives Funds (often Cash) to UK based FX provider (API) and purchases FX – typically, GBP will be converted into USD
4. FX Broker (API) TTs funds to PSP's account held in a bank or with an exchange company in an intermediate country.
5. PSP will pay funds to payee.

Example 4A - Forex broker (API) serving an SPI – settlement by 3rd party payment for goods



1. Payer gives order and funds to SPI.
 2. SPI gives orders and funds to FX Broker (API)
 3. FX Broker (API) sends orders to PSP (overseas).
 4. PSP (overseas) will pay funds to payee
- The payouts are funded by commercial import/export.
5. Commercial importer orders goods from commercial exporter in 3rd party country. Exporter sends the importer the invoice for the goods.
 6. The Importer pays the PSP (overseas) and sends the invoice order.
 7. PSP (overseas) will send invoice order for imports to FX broker (API)
 8. FX Broker will pay this invoice using funds received from UK SPI
 9. Exporter receives the funds from the FX Broker (API) in the UK and sends the goods to the importer.
- UK PI knows final destination of settlement funds and can KYC all the parties involved.

Example 4B - Forex broker (API) serving an SPI – settlement by 3rd party payment for goods via an exchange company in intermediary country



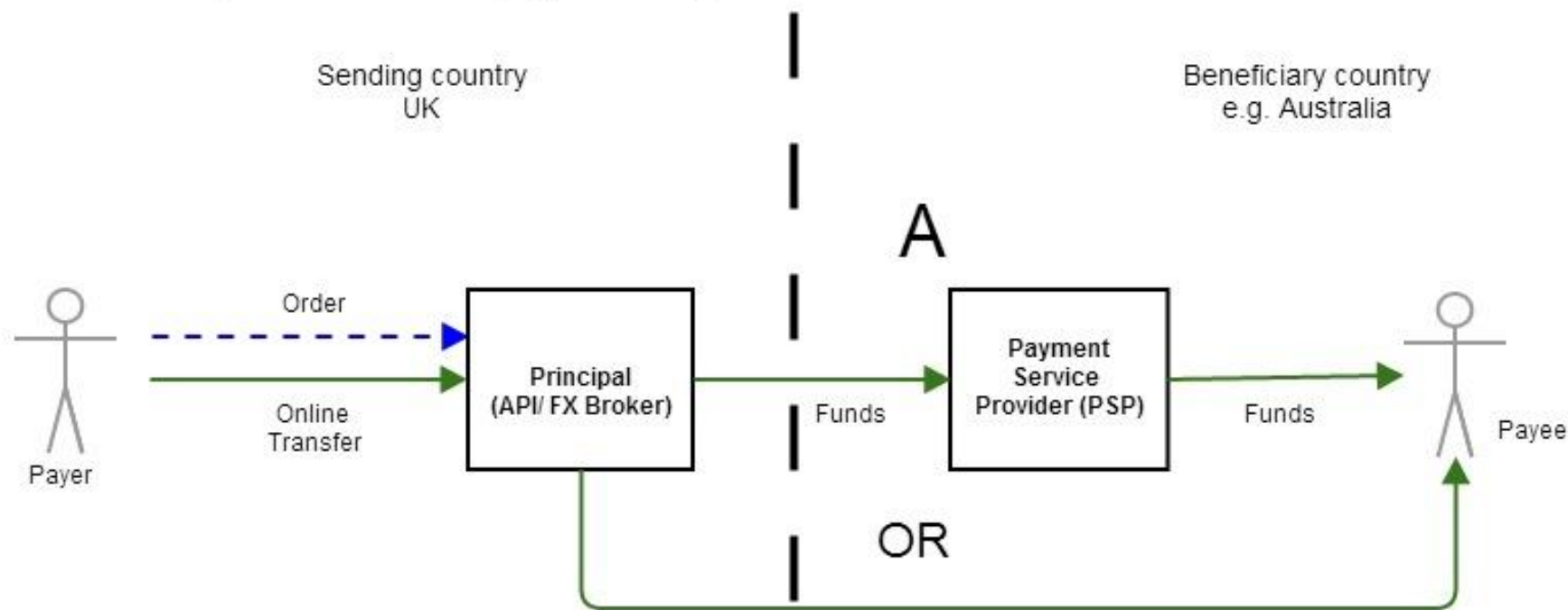
1. Payer gives order and funds to SPI.
2. Order information is passed directly from SPI (UK) to PSP (overseas).
3. SPI sends funds to UK based FX broker.
4. PSP (overseas) will pay funds to payee.
5. FX Broker TTs funds to Exchange company in Intermediate Country by order of SPI.

The payouts are funded by commercial imports and exports.

6. Commercial importer orders goods from commercial exporter in 3rd party country. Exporter sends the importer the invoice for the goods.
7. The Importer pays the PSP and sends the invoice order.
8. PSP (overseas) will send invoice order for imports to Exchange company in Intermediate country.
9. Exchange Company in intermediate country will pay out the commercial invoice using funds received from UK FX broker (API).
10. Exporter receives the funds from the Exchange company in intermediate country and sends the goods to the importer.

Neither UK SPI nor FX Broker (API) know the final destination of settlement funds or all the companies involved.

Example 5 - Electronic payment only



A1. Client will deal directly with the Principal (API/ FX Broker) - after an exchange rate agreed, funds will be transferred online to Principal API.

A2. PSP (overseas) pays to payee's bank account in local currency

OR

B1. API may make direct payment to payee's bank account (e.g. via SWIFT)

All funds are processed online (but non face to face customers are a higher ML risk)



UK MONEY TRANSMITTERS ASSOCIATION