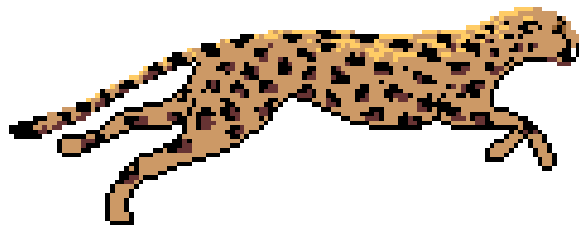


GBS Financial Corp



CUSTOMER IDENTIFICATION PROGRAM

GBS Financial Corp's Customer Identification Program has been instituted in accordance with Section 326 of the U.S. Patriot Act

BACKGROUND

Section 326 of the US Patriot Act directed the U.S. Treasury Department to issue rules requiring financial institutions to implement “reasonable procedures” to:

1. Verify the identity of a person seeking to open an account, “to the extent reasonable and practicable”.
2. Maintain records of the information used to verify a persons’ identity.
3. Consult lists of terrorists provided by the government to determine whether a person seeking to open an account appears on any such list.
4. Inform the customer that their identity will be verified through various methods, both documentary and non-documentary.

The Treasury and Federal Financial Regulators have issued the Final Patriot Act Regulations on customer identification. The rules were developed jointly by the Treasury Department, the Treasury’s Financial Crimes Enforcement Network (FinCEN), and the seven federal functional regulators, including the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller, the Office of Thrift Supervision, and the Securities and Exchange Commission.

These regulations apply to banks and trust companies, savings associations, credit unions, securities brokers and dealers, mutual funds, futures commission merchants and futures introducing brokers.

Section 326 definitions of Customer and Account

Customer:

The rules define a “customer” as the **accountholder**. A person or entity that opens a new account is the customer to which all of the customer identification steps apply. As a *general matter*, there is no need to look through trusts to get information on beneficiaries, to look behind omnibus accounts if an intermediary is the account holder, or to look for information on signatories on accounts or persons who otherwise have authority over accounts of customers.

There is one relatively minor exception to the general rule, which covers an individual who opens an account for (i) an individual who lacks legal capacity (such as a minor child) or (ii) an entity that is not a legal person (such as a civic club). In these two situations, the individual who opens the account is the customer – and it that person to whom all the identification requirements apply.

Account:

The final rule generally defines an “account” as a formal or contractual relationship with the financial institution to provide financial products and services.

There are two exclusions to the definition of account. The final rule excludes accounts acquired via acquisition, merger, purchase of assets, or assumption of liabilities. (*The rule warns, however, that there may be particular situations in which a financial institution may need to conduct due diligence on customers acquired via this exception.*) Also excluded are accounts opened for the purpose of participation in an employee benefit plan under ERISA.

Customer Identification and Verification

GBS Representatives First Line Of Defense

The NASD and the SEC consider the representatives of broker/dealers to be the first line of defense against money laundering. Prior to the enactment of the Money Laundering Abatement Act, we as representatives had the obligations under NASD Rule 3110 (and other sections) to **know our customer**. That is why we felt that *completely* filling out the GBS Report of New Account was so important to show regulators we were doing our diligence and keeping complete records. We also have had the following obligation:

In addition to the information we must collect under NASD Rules 2110 (Standards of Commercial Honor and Principles of Trade), 2310 (Recommendations to Customers - Suitability), and 3110 (Books and Records), and SEC Rule 17a-3(a)(9) (Beneficial Ownership regarding Cash and Margin Accounts), we will, at a minimum: verify, to the extent reasonable and practicable, the identity of any customer seeking to open an account; maintain records of information used to verify a customer's identity; and check that a customer does not appear on government terrorist lists, such as the list on Treasury's Office of Foreign Assets Control (OFAC) Web Site. (See Section 4.b. below for an explanation of the OFAC list.) The kinds of information that we will collect before opening different types of accounts are listed below. We will make any necessary modifications to these procedures to abide by any future rule changes or amendments.

At a minimum, GBS Financial Corp. requires a **GBS Account Application AND a photocopy of a valid GOVERNMENT ISSUED IDENTIFICATION. Please realize this is just the minimum information.** GBS requires name of an authorized party, street address, and identification information for all accounts to include LLCs, corporations, trusts, partnerships, and confidential accounts. Please educate your client as to the seriousness of our identification procedures as failure to provide you with adequate information could result in the necessity for our representatives and GBS to file a Suspicious Activity Report.

Rules: NASD Rule 3011; Section 326 of the PATRIOT Act; 31 C.F. R. §103.122 (proposed regulations).

Risk-Based Information On Various Account Types

We will collect the following information for all accounts, if applicable, for any person, entity or organization who is opening a new account (or is being granted trading authority over a new or existing account) and whose name is on the account or has authority over the account: the name and mailing and residential (or principal place of

business) street address of the customer; the customer's date of birth; and, for U.S. persons, the customer's Social Security number or taxpayer identification number (including U.S. tax forms), or, for non-U.S. persons without a taxpayer identification number, an alien identification card number or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other biometric safeguard. Recognizing that different types of accounts pose different risks and trigger different requirements under the rules, we will gather the additional information specified below for each of the following categories of accounts we provide:

(1) Individual Accounts –We will make reasonable efforts to obtain the customer's net worth, annual income, occupation and employment data, such as the employer's address, and the customer's investment experience and objectives. Completely fill out GBS Report of New Account with photocopy of governments issued identification

(2) Non-Individual Accounts - For persons other than an individual (such as a corporation, partnership, or trust) we will make reasonable efforts to obtain documents showing the existence of the entity, such as certified articles of incorporation, a government-issued business license, a partnership agreement, or a trust instrument.

(3) Non-U.S. Person Accounts – We may inquire more fully depending on a number of factors, such as the country of origin of the account holder or persons authorized to trade. All such accounts must be accompanied by a statement that the individual is not employed by, or a an independent representative of any foreign bank. Our representatives will personally notify the appropriate principal of GBS, presenting them with necessary documentation, with a detailed explanation of the knowledge the representative has of the potential client before making any representation to the potential client that the person(s) may have an account with GBS Financial Corp. *Note that under the Bank Secrecy Act (BSA), firms must record a current passport number or other valid government identification number for non-U.S. person account transfers or transmittals of \$3,000 or more. It is the responsibility of the representative to monitor such an account and notify the appropriate GBS principal before any such transaction occurs. See [NtM 02-21](#), page 6, n.25.]*

(4) Domestic Operating or Commercial Entities – We will collect information sufficient to determine the corporate or business entity's identity, and the authority of its business representative to act on its behalf.

(5) Domestic Trusts – We will identify the trustee, the activity the trust authorizes, and the authority of the trust's representative to act on its behalf.

(6) Foreign and Offshore Entities – We will identify the account holder and other persons or entities authorized to trade for the account and we will consider the entity's country of incorporation, location and other factors to determine what additional identifying information is necessary and available. (See Sections 4 and 5 of GBS's Anti-Money Laundering Compliance Procedures for special procedures governing

correspondent accounts for foreign shell banks and other foreign financial institutions and foreign private banking accounts.)

(7) Institutional Accounts, Hedge Funds, Investment Funds and Other Intermediary Relationships – While our AML procedures cover institutional clients, we recognize that certain types of institutional accounts are different from retail accounts. Institutional accounts often are opened for financially sophisticated customers who trade frequently, in volume, and usually through an intermediary, some of whose AML policies and procedures are sufficient and verifiable. When dealing with an institutional client, we will consider whether it has an AML program and the quality of that program, the length and nature of our experience with the institution, and the history of the institution. In addition, in determining whether it is necessary to identify the investors of non-U.S. institutions, we will consider the regulation of the institution by its home country and whether the institution is located in a bank secrecy haven or a non-cooperative country. (See Sections 4 and 5 of the GBS AML Compliance Procedures for special procedures governing correspondent accounts for foreign shell banks and other foreign financial institutions and foreign private banking accounts.)

(8) High Risk and Non-Cooperative Jurisdictions – We will especially scrutinize accounts that are located in problematic countries. We will check the lists and accompanying narrative information of the Financial Action Task Force (FATF) [http://www1.oecd.org/fatf/NCCT_en.htm], FinCEN [http://www.treas.gov/fincen/pub_main.html], and the “Major Money Laundering Countries” section of the “Money Laundering and Financial Crimes” part of the U.S. Department of State’s annual International Narcotics Control Strategy Report [<http://www.state.gov/g/inl/rls/nrcrpt/2001/c6085.htm>] to determine problematic countries and will factor this information into our decisions on whether to open or maintain accounts that are based in these jurisdictions.

(9) Senior Foreign Government/Public Officials – GBS must conduct enhanced scrutiny of accounts requested or maintained by or on behalf of senior foreign political figures (including their family members and close associates). This is addressed in greater detail in Section 5 “Private Banking Accounts/Foreign Officials” in the GBS AML Compliance Procedures. We will conduct enhanced due diligence of accounts of "senior foreign political figures," as well as their families and business associates, to detect and report transactions that involve the proceeds of foreign corruption. As noted above, *remember that all documentation, and rationale for opening such an account must be presented to a GBS principal before any representation that an account can or will be opened for such an individual.* Please note that in most circumstances, such accounts will not be opened. [For additional guidance see <http://www.occ.treas.gov/ftp/bulletin/2001-9a.pdf>]

(10) Transferred Accounts – Although we are not required to verify the identity of a customer whose account is transferred to our firm if the customer does not initiate the transfer, such as in the case of a merger or an acquisition. GBS will still consider the scenarios above in deciding if the risks of a particular transferred account require our obtaining and verifying information from the transferred customer.

Rules: 31 C.F.R. §§103.175-103.178 (proposed regulations); 31 C.F.R. § 103.122 (proposed regulations).

Other Resources: [SIA Preliminary Guidance for Deterring Money Laundering Activity](#), pages 6-13 (Feb. 2002).

Customers Who Refuse To Provide Information

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open a new account and, after considering the risks involved, consider closing any existing account. In either case, our AML Compliance Officer will be notified so that we can determine whether we should report the situation to FinCEN.

Verifying Information

All new clients of GBS Financial Corp. who hold their accounts with Bear, Stearns Securities Inc. or Wedbush Morgan Securities have their credit screened using at least one third party provider. Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our customers by using risk-based procedures to verify and document the accuracy of the information we receive regarding our customers. In verifying customer identity, we will analyze any logical inconsistencies in the information we obtain.

We will verify customer identity through documentary evidence and or non-documentary evidence. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever possible. We may also use such non-documentary means, after using documentary evidence, if we are still uncertain about whether we know the true identity of the customer.

Appropriate documents for verifying the identity of natural persons include the following:

- An unexpired driver's license, passport, or other government identification showing nationality, residence, and photograph or other biometric safeguard, or, for non-U.S. persons, an unexpired alien registration card or other government issued identification showing nationality, residence and photograph or other biometric safeguard.

The following documents are appropriate for verifying the identity of businesses:

- A certificate of incorporation, a government-issued business license, any partnership agreements, any corporate resolutions, or similar documents.

Verification of customer identity through the use of non-documentary evidence is mandatory in the following situations: (1) when the customer is unable to present an unexpired identification card with a photograph or other biometric safeguard; (2) when the documents the customer presents for identification verification are unfamiliar to the firm; (3) when the customer and firm do not have face-to-face contact; and (4) when there are other circumstances that increase the risk that the firm will be unable to verify the true identity of the customer through documentary means. Under these circumstances, we will use the following non-documentary methods of verifying identity:

- Contact the customer after the account has been opened (although we cannot rely solely on customer contact as a means for verification);
- Obtain financial statements from the customer;
- Compare information obtained from the customer against databases, such as Equifax, Experian, Lexis/Nexis, or other in-house or custom databases;
- Compare information obtained from customer with information available from a trusted third-party source (such as a credit report);
- Check references with other financial institutions; and
- Any other non-documentary means deemed appropriate.

We will verify the information at the time new accounts are opened, if possible, but in most situations no later than five business days after opening. However, we recognize that there may be situations where even a five-day delay will be too long. Depending on the nature of the account and requested transactions, we may refuse to complete a transaction before we have verified the information, or in some instances when we need more time, we may restrict the types of transactions or dollar amount of transactions pending verification. We will document our verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancy in the identifying information. We will maintain those records for five years after the account has been closed or the customer's trading authority over the account has ended.

As required under the BSA, we will record a current passport number or other valid government identification number for transfers or transmittals of \$3,000 or more by or for non-resident alien accounts. [See: [NtM 02-21](#), page 6, n.25.]

Rule: 31 C.F.R. §103.122 (proposed regulations).

Using Government Provided Lists of Terrorists and Other Criminals.

Before opening an account, and on an ongoing basis, we will check to ensure that a customer does not appear on a list provided to us by the government, like Treasury's OFAC "Specifically Designated Nationals and Blocked Persons" List (SDN List) (See the OFAC Web Site at www.treas.gov/ofac , <http://www.nasdr.com/ofac>, which is also available through an automated search tool on www.nasdr.com/money.asp), and is not from or engaging in transactions with people or entities from embargoed countries and regions listed on the OFAC Web Site. Because the OFAC Web Site is updated frequently, we will consult the list on a regular basis and subscribe to be sent updates when they occur. We may access these lists through various software programs to ensure speed and accuracy. We will also review existing accounts against these lists when they are updated and we will document our review.

In the event that we determine a customer, or someone with or for whom the customer is transacting, is on the SDN List or is from or engaging in transactions with a person or entity located in an embargoed country or region, we will reject the transaction and/or block the customer's assets and file a blocked assets and/or rejected transaction form with OFAC.

Other Resources: [NtM 02-21](#), page 6, n.24;

SDN List- <http://www.treas.gov/ofac/t11sdn.pdf>.

The OFAC Web site – <http://www.treas.gov/ofac/t11facsc.pdf> – contains checklists and information for securities firms to follow in checking the OFAC list. You can subscribe to receive updates at <http://www.treas.gov/press/email/subscribe.html>.

NASD provides a search engine to automate OFAC list searches at <http://www.nasdr.com/1200-ofac.asp>.

Blocked Properties Reporting Form –

<http://www.treas.gov/offices/enforcement/ofac/legal/forms/td902250.pdf>.

Voluntary Form for Reporting Blocked Transactions –

http://www.treas.gov/offices/enforcement/ofac/legal/forms/e_blockreport1.pdf.

Voluntary Form for Reporting Rejected Transactions –

http://www.treas.gov/offices/enforcement/ofac/legal/forms/e_rejectreport1.pdf

Notice to Customers

Independent Representatives must educate their customers as to the new laws and regulations. You must notify customers that you are requesting information from them to verify their identities. You may provide notice by a sign in your lobby, through other oral or written notice, or, for accounts opened online, notice posted on your Web site. No matter which methods of giving notice you chose, you must give it ***before*** an account is opened or trading authority is granted.

Please provide notice to customers that it is requesting information from them to verify their identities, as required by Federal law.

Rule: 31 C.F.R. §103.122(g)(proposed regulations).

Additional Inquiries

We recognize our obligations under suitability and fair dealing requirements to collect customer identification information. Depending on the nature of the account, we will take the following additional steps, to the extent reasonable and practicable, when we open the account:

- Inquire about the source of the customer's assets and income so we can determine if the inflow and outflow of money and securities is consistent with the customer's financial status. We note that this information is required from foreign private banking accounts (See Section 5 of the GBS AML Compliance Procedures Private Banking Accounts/Foreign Officials), and for foreign correspondent banking accounts where we have determined that a foreign correspondent banking account poses a significant risk of money laundering (See Section 4.e, of the GBS AML Compliance Procedures, Enhanced Due Diligence from Risk Based Assessments).
- Gain an understanding of what the customer's likely trading patterns will be, so that any deviations from the patterns can be detected later on;

Senior Manager Approval

I have approved this Customer Identification Program as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of Section 326 of the U.S. Patriot Act.

Rules: *NASD Rule 3011.*

Signed:

Gerard P. Gloisten
President

Dated this 29, day of April, 2010