

# INLAND SECURITIES CORPORATION

## CUSTOMER IDENTIFICATION PROGRAM (CIP)

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Inland Securities Corporation has adopted the following Customer Identification Program (“CIP”) pursuant to the final rules under Section 326 of the USA PATRIOT Act. This CIP is part of our overall Anti-Money Laundering (AML) program and is designed to ensure that we are complying with each of the requirements that are set forth in this document.

### **DEFINITIONS:**

**ACCOUNT:** A formal relationship with a broker/dealer established to effect transactions in securities, including, but not limited to, the purchase or sale of securities, securities loaned and borrowed activity, and the holding of securities or other assets for safekeeping as collateral.

**CUSTOMER:** Means (1) a person that opens a new account (this would include all owners, such as both joint tenants); and (2) an individual who opens a new account for an individual who lacks legal capacity or for an entity that is not a legal person.

Under this definition, a “customer” does not refer to persons who fill out account opening paperwork or who provide information necessary to set up an account, if such persons are not the accountholder as well.

**BROKER/DEALER:** Is defined as a person registered or required to be registered as a broker or dealer with the Commission under the Securities Exchange Act of 1934 except persons who are required to be registered solely because they effect transactions in security futures products.

**PERSON:** Includes natural person, corporations, trusts, partnerships, associations, syndicates, joint ventures, estates, joint stock companies, any unincorporated organizations or groups, Indian Tribes, and all entities recognizable as legal entities.

*U.S. Person* means a United States citizen or a person other than an individual (such as a corporation, partnership or trust) that is established or organized under the laws of a State or the United States.

*Non-U.S. Person* means a person that is not a U.S. person.

**CIP:** Customer Identification Program (“CIP”) must be incorporated in the firm’s overall AML Program and approved by the Board of Directors. Further, the CIP must adopt and implement “reasonable procedures” for verifying the identity of customers to the extent reasonable and practicable, maintain records associated with such verification, and consult lists of known or suspected terrorists.

## **NOTICE TO CUSTOMERS**

The firm will ensure that all prospective customers (and others that may be acting on their behalf) are aware of the USA PATRIOT Act Section 326 requirements to provide minimum pieces of information before an account can be established. Further, the firm will provide notice to all prospective customers (and others that may be acting on their behalf) that this identification information will be used, along with any additional information the firm may require for the type of account being established, to become reasonably certain that it knows the identity of the customer.

It is contemplated that the notice will be provided along with the firm's New Account Form and provided orally in person or telephonically. At a minimum, the notice will contain language substantially similar to the following:

### **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents and retain a copy for our files.

### **REQUIRED INFORMATION BEFORE OPENING AN ACCOUNT**

For an individual account (this would include all owners, such as both joint tenants), we must receive the following pieces of information before we can establish the account:

- a. Full name of customer
- b. Permanent residential or business address; an alternative address may be provided for those individuals who do not have a permanent street address such as someone in the military who uses an Army Post Office (APO) or Fleet Post Office (FPO) box numbers, or the residential or business street address of a next of kin or another contact individual.
- c. Identification Number which will be:
  - a. For a U.S. person a taxpayer identification/social security number
  - b. For a non-U.S. person one or more of the following:
    - i. A taxpayer identification number;
    - ii. A passport number and country of issuance;
    - iii. An alien identification card number, or

- iv. The number and country of issuance of any other government-issued document evidencing nationality or resident and bearing a photograph or similar safeguard.
- d. Date of birth

For a person other than an individual (such as a corporation, partnership or trust) we must receive the following pieces of information before we can establish the account.

- a. Name
- b. Principal place of business, local office or other physical location
- c. Taxpayer identification number
- d. Document showing the existence of the entity (such as certified articles of incorporation, a government-issued business license, a partnership agreement, or a trust instrument).

In the event that a natural person has applied for, but not received, a taxpayer identification number, we will require a copy of the application and proof that the application was submitted prior to establishing an account with the firm. We will, however, not allow any investment transactions for this account prior to obtaining the proper taxpayer identification number.

If this minimum required information is not received, the firm's new account form along with any additional investment documentation that was received by our firm will be rejected and returned to the customer with a letter explaining why the account could not be opened and what information is necessary to ensure that an account can be established with our firm.

### **VERIFYING CUSTOMER INFORMATION/IDENTITY**

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 get about 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, non-documentary evidence, or both. The use of documentary evidence to verify customer identity will be the standard means of customer identification for our firm. 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. In analyzing the verification information, we will consider whether there is a logical consistency among the identifying information provided, such as the customer's name, street address, zip code, telephone number (if provided), date of birth, and social security number.

Appropriate documents for verifying the identity of customers include, but are not limited to the following:

- For an individual (for U.S. persons), an unexpired government-issued identification evidencing name, residence, and bearing a photograph or similar safeguard, such as a driver's license or passport;
- For an individual (for non-U.S. persons), an unexpired alien registration card or other government issued identification showing nationality, residence and photograph or other biometric safeguard; and
- For a person other than an individual, 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.

We understand that we are not required to take steps to determine whether the document that the customer has provided to us for identity verification has been validly issued and that we may rely on a government-issued identification as verification of a customer's identity. If, however, we note that the document shows some obvious form of fraud, we must consider that factor in determining whether we can form a reasonable belief that we know the customer's true identity.

We will use the following non-documentary methods of verifying identity:

- LexisNexis Risk Management Solutions; non-documentary database,
- Contact the customer after the account has been opened,
- Obtain financial statements from the customer;
- 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 use non-documentary methods of verification in the following situations: (1) when the customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard; (2) when the firm is unfamiliar with the documents the customer presents for identification verification; (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.

LexisNexis Risk Management Solutions non-documentary database will be the primary method used to determine the identity of a customer when using non-documentary evidence. Our firm will be reasonably certain that all new customers that do not produce any type of mismatch using this database are legitimate. Unless a customer's account is specifically noted to be the contrary or is excluded from the verification requirement by

definition, the customer(s) will be presumed verified by the LexisNexis Risk Management Solutions database software.

We will verify the information at the time new accounts are opened, if possible, but in most situations no later than ten business days after opening. However, we recognize that there may be situations where even a ten-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. If we find suspicious information that indicates possible money laundering or terrorist financing activity, we will, after internal consultation with the firm's AML compliance officer, file a SAR-SF in accordance with applicable law and regulation. 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 recognize that the risk that we may not know the customer's true identity may be heightened for certain types of accounts, such as an account opened in the name of a corporation, partnership or trust that is created or conducts substantial business in a jurisdiction that has been designated by the U.S. as a primary money laundering concern or has been designated as non-cooperative by an international body. We will identify customers that pose a heightened risk of not being properly identified. Therefore, we will identify the individuals associated or who have control over the customer and follow our standard procedures for customer identification.

#### **COMPARISON WITH GOVERNMENT PROVIDED LISTS OF TERRORISTS AND OTHER CRIMINALS**

From time to time, we may receive notice that a Federal government agency has issued a list of known or suspected terrorists. Prior to opening an account, we will determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any Federal government agency and designated as such by Treasury in consultation with the Federal Functional regulators. We will follow all Federal directives issued in connection with such list.

We will continue to comply with Treasury's Office of Foreign Asset Control rules prohibiting transactions with certain foreign countries or their nationals.

#### **RELIANCE ON ANOTHER FINANCIAL INSTITUTION FOR IDENTITY VERIFICATION**

We may, under the following circumstances, rely on the performance by another financial institution (including an affiliate) of some or all of the elements of our customer

identification program with respect to any customer that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealing, or other financial transactions:

- When such reliance is reasonable under the circumstances;
- When the other financial institution is subject to a rule implementing the anti-money laundering compliance program requirements of 31 U.S. C. 5318(h), and is regulated by a Federal Functional regulator; and
- When the other financial institution has entered into a contract with our firm requiring it to certify annually to us that it has implemented its anti-money laundering program, and that it will perform (or its agent will perform) specified requirements for the customer identification program.

### **LACK OF INFORMATION**

All of the risk factors will be considered and applied in determining the adequacy of the information and documentation provided to verify the customer/customer's identity.

- 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.
- When we cannot form a reasonable belief that we know the true identity of a customer, we will do the following: (a) not open an account; (b) impose terms under which a customer may conduct transactions while we attempt to verify the customer's identity; (c) close an account after attempts to verify customer's identity fail; and (d) file a SAR-SF in accordance with applicable law and regulation.

### **RECORDKEEPING**

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 keep records obtaining a description of any document that we relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. With respect to non-documentary verification, we will retain documents that describe the methods and the results of any measures we took to verify the identity of a customer. We will maintain a record of all identification information for five years after the account has been closed; we will retain

records made about verification of the customer's identity for five years after the record is made.

Identification/Verification documents that will be retained are:

- Customer New Account Form
- For an individual (for U.S. persons), a copy of an unexpired government-issued identification evidencing name, residence, and bearing a photograph or similar safeguard, such as a driver's license or passport
- For an individual (for non-U.S. persons), a copy of an unexpired alien registration card or other government issued identification showing nationality, residence and photograph or other biometric safeguard
- For a person other than an individual, a copy of 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
- Database search print-outs
- Written notes of telephone calls
- Customer correspondence

In addition, verification documents (including, but not limited to , facsimile copies of documents, print outs from database searches, or written notes of telephone calls with customers) will be retained for this same five year period in all cases where additional verification is necessary to resolve one or more discrepancies in the information provided by a customer.

*Last update: December 10,2020*