Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

WHAT IS THE SIGNIFICANCE OF AN ISAE 3402 AUDIT REPORT? HOW IS THIS DIFFERENT TO THE OLD SAS 70 TYPE II AUDIT?

ISAE 3402 is the new international standard for assurance reporting on service organisations, based on recommendations from the International Auditing and Assurance Standards Board (IAASB), a standard-setting board that is part of the International Federation of Accountants (IFAC).

Before June 2011 GoldMoney was audited under standards established in the American Institute of Certified Public Accountants' (AICPA) SAS 70 Type II audit. This assessed the internal controls operating within a company and verified the controls in place. Examples of controls could be 'dual signatures are required for all payments above $10,000 in value' or 'error log files are reviewed by IT staff at least once a week'. As of 15 June 2011, the SAS 70 has been superseded by AICPA's new SSAE 16 audit.

GoldMoney's new ISAE 3402 standard was issued in December 2009 and is largely the same as the old SAS 70 Type II audit, but is enhanced by the fact that GoldMoney must now provide evidence to its auditors that it tests its internal controls on an on-going basis. ISAE 3402 will be the new international benchmark for auditing standards, and a primary alternative to the national standards established by AICPA and similar bodies in other countries.

More information about the ISAE 3402 reporting standard can be found at this link: http://isae3402.com/ISAE3402_overview.html.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

WHAT KIND OF CONTROLS IN GOLDMONEY ARE REVIEWED AND VERIFIED IN THE ISAE 3402 AUDIT REPORT?

The following controls are reviewed by the Big Four accounting firm and then verified to have been in place during the reporting period:

1. Governance

1.1 Controls provide reasonable assurance that the total amount of goldgrams, silver ounces, platinum grams and palladium grams circulating within the GoldMoney system equal the total fine weight of gold, silver and platinum stored in a vault.
1.2 Controls provide reasonable protection against the risk of unauthorised changes to both the total amount of gold, silver, platinum and palladium within the GoldMoney system and the total amount with in customer holdings, that would compromise the one-to-one goldgram-to-gold ratio or the one-to-one ratio of silver, platinum and palladium.
1.3 Controls provide reasonable assurance that funds held by GoldMoney on behalf of its customers are held in separate customer designated bank accounts, and are segregated from GoldMoney's own corporate funds.

2. Processing Customer Instructions

2.1 Controls provide reasonable assurance that customer orders and payment instructions will be executed timely and accurately.
2.2 Controls provide reasonable assurance that account, storage and payment fees are correctly and promptly charged to customers' accounts in accordance with the published fee tariffs.
2.3 Controls provide reasonable assurance that customer orders to buy or sell bullion are executed at a price that reasonably reflects the spot market price at the time each order is placed.

3. Technology & IT Security

3.1 Controls provide reasonable assurance that physical access to computer networks and equipment is restricted to authorised individuals.
3.2 Controls provide reasonable assurance that access to computer systems, programs, master data, transaction data and parameters is restricted to authorised individuals (including access by administrators to applications, databases, systems and networks).
3.3 Controls provide reasonable assurance that the IT infrastructure is protected from external malicious electronic attack.
3.4 Controls provide reasonable assurance that data and systems are backed up regularly and such backups are available to be used to recover the systems and data in the event of a disaster.
3.5 Controls provide reasonable assurance that IT hardware and software issues are promptly identified and resolved.
3.6 Controls provide reasonable assurance that significant changes to code are appropriately tested and authorised prior to implementation and unauthorised changes would be promptly detected and responded to.
3.7 Controls provide reasonable assurance that third parties' access to the GoldMoney IT environment is controlled and closely monitored.

4. Prevention of Money Laundering and Financing of Terrorism

4.1 Controls provide reasonable assurance that customers' identity and source of funds are verified in accordance with the Customer Acceptance Policy.
4.2 Controls provide reasonable assurance that training on the prevention and detection of money laundering and terrorist financing is provided on a regular basis to those with responsibility for the acceptance of new customers and monitoring customer activity.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

IS GOLDMONEY A BANK?

No. GoldMoney does not make loans. More importantly, GoldMoney is not a deposit taking institution, and no deposit liability is created because the owner of the grams of gold in storage retains ownership at all times.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

IS GOLDMONEY A COLLECTIVE INVESTMENT SCHEME?

No. GoldMoney is not a collective investment scheme because assets are not commingled.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

IS GOLDMONEY A FIDUCIARY SERVICE BUSINESS?

No. GoldMoney is not a trust because we do not hold property on behalf of another party (the precious metals in GoldMoney are always registered in the name of the owner). Thus, we are not a fiduciary services business.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

COULD GOLDMONEY BE USED FOR MONEY LAUNDERING?

No. It is important to first note that GoldMoney itself never accepts cash. GoldMoney is purely a payment system for precious metals already within the system, which come into the system in the form of London Good Delivery bars. Bars that meet this Chain of Integrity Standard must be acquired from banks and/or bullion houses that are already regulated in terms of know your customer requirements and money laundering regulations. Thus, any gold, silver or platinum that comes into the system must as a result be 'clean'.

Further, GoldMoney has implemented a Customer Acceptance Policy that requires our customers to provide their identity and other information, thereby enabling us to make a reasonable assessment that they are not engaged in illegal activity. Thus, GoldMoney cannot be used for money laundering.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

WHAT KNOW-YOUR-CUSTOMER RULES DOES GOLDMONEY USE?

Although GoldMoney is not a bank, most of the same personal information that you need to open a bank account is required to open a GoldMoney Holding. GoldMoney will open a Holding for anyone who provides the basic information normally required (e.g., address, telephone, email address, etc). GoldMoney records each transaction and keeps an audit trail that can be retrieved if needed to meet legal process.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

WHAT ARE PONZI SCHEMES?

There have been many attempts to operate Ponzi or pyramid schemes (a.k.a. high-yield investment programmes or HYIP), which are deceptive practices that appear to promise high rates of return. However, the early payouts are made with money received from new people joining the scheme, which makes the scheme unsustainable because no real economic value is being created. Consequently, the schemes inevitably collapse with most participants incurring a total loss of their money. See www.sec.gov/answers/ponzi.htm for the history of Ponzi schemes. Information about pyramid schemes is provided at www.sec.gov/answers/pyramid.htm.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

WHY DOESN'T GOLDMONEY TOLERATE PONZI OR PYRAMID SCHEMES?

Ponzi and pyramid schemes are fraudulent activities and therefore illegal in most countries. GoldMoney is built upon a solid foundation of rules and ethics. Therefore, GoldMoney has a zero-tolerance policy for Ponzi and pyramid schemes.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

WHAT ARE THE TAX IMPLICATIONS OF OPENING A HOLDING WITH GOLDMONEY?

GoldMoney is not authorised to give personal accounting or tax advice. Further, since we have customers in 105 countries worldwide, it is impractical for us to stay abreast of legislation in all of these countries. Consequently, our Customer Agreement states that each user is responsible for complying with regulations, if any, from the country in which he/she accesses GoldMoney.

Clause 2.B. of the GoldMoney Customer Agreement states:

'By establishing a Holding You agree:

2.B.iii to comply with all relevant laws of any territory of which You are a citizen, national or subject, and of any territory in which You are resident from time to time, and of any other territory from which You access the GoldMoney Website, including, without limitation, the laws of the Island of Jersey'.

Due to the complexity of laws and possible penalties that may incur for failure to comply with them, we recommend consulting with a competent accountant, attorney or other professional adviser in your jurisdiction about any potential tax, accounting or legal matters.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

IS GOLDMONEY REGULATED?

Since 1 April 2008 GoldMoney has been licensed to operate in Jersey as a money service business (MSB) and is regulated directly by the Jersey Financial Services Commission (JFSC). GoldMoney's MSB license can be verified by going to the JFSC's website at the link below and clicking on the letter 'N' to see Net Transactions Limited's (the legal entity that operates GoldMoney) listing:
http://www.jerseyfsc.org/money_service_business/regulated_entities/index.asp

Aside from being a regulated entity in Jersey, Net Transactions Limited (NTL) has been domiciled in Jersey since 1 April 2008. NTL's status as a Jersey-domiciled company can be verified on the JFSC's website at:
http://www.jerseyfsc.org/registry/namesearch/NameDetail.aspx?id=127166

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

SO HOW DO I KNOW THAT MY PRECIOUS METALS ARE SAFE?

To ensure that your metals are safe and secure, GoldMoney works closely with independent service providers as partners to complete all essential functions under carefully designed checks and balances that ensure customer protections and the safety of each customer's metal. This system of checks and balances between GoldMoney and its various service providers - and the clear audit trail they establish - create a reliable and trustworthy arrangement with important customer safeguards. These include insurance of your metal, dual control over the addition and removal of metal in the GoldMoney system and a continuous, one-to-one ratio of metal in the vault to metal recorded in GoldMoney's database.

To ensure that all governance procedures and operating systems are working properly, GoldMoney is audited by a major auditing firm every six months. These audits include visits to the vault to confirm the weight of gold, silver and platinum stored there equals the amount recorded in customers' Holdings. All of these audit reports are available for download by GoldMoney customers in their verified Holding.

Governance & Regulation

Answers to governance and regulatory questions about GoldMoney

IS THERE A COUNTERPARTY RISK WITH GOLDMONEY?

GoldMoney customers are free from counterparty risk. With GoldMoney you do have ownership of your precious metals at all times, and you have the option of possession. If GoldMoney were to wind-up for any reason, your metals would not be affected.

To protect the precious metals we buy and hold on behalf of our customers, these and other important aspects of our business are regularly audited. The independent third-party verifications, together with the use of ultrasound bar scanning and our comprehensive governance procedures, provide assurance that your metals are safe. You can view the audit reports on our website and in the 'Governance' section of your verified Holding.