

## **Anti-Money Laundering and Compliance Procedures**

The following policy has been derived from the general principles, laws, regulations and directives for combating Money Laundering.

The company is taking security measures and adopted adequate policies, practices and procedures that promote high ethical and professional standards and prevent the organization from being used, intentionally or unintentionally, by criminal elements. The company has placed adequate Know Your Customer (KYC) programs. Such essential elements start from the services, risk management and control procedures and include:

- Customer acceptance policy
- Customer identification
- On-going monitoring of high risk accounts
- Risk management
- Categorization of clients on a risk basis

The company is obliged not only to establish the identity of its customers, but also to monitor account activity to determine those transactions that do not conform with the normal or expected transactions for that customer or type of account. KYC constitutes a core feature of services' risk management and control procedures. The intensity of KYC programs beyond these essential elements is tailored to the degree of risk.

### **1. Customer Acceptance Policy**

The company maintains clear customer acceptance policies and procedures, including a description of the types of customer that are likely to pose a higher than average risk to an organization. Before accepting a potential client, KYC and due diligence procedures are followed, by examining factors such as customers' background, country of origin, public or high profile position, linked accounts, business activities or other risk indicators.

Quite extensive due diligence is essential for an individual with a high net worth whose source of funds is unclear. New clients' money is transferred through a reputable bank. Banks have their own anti-money laundering procedures. A decision to enter into business relationships with higher risk customers, such as politically exposed persons is taken exclusively at senior management level.

## **2. Customer Identification**

Customer identification is an essential element of KYC standards. For the purposes of this paper, a customer includes:

- ✓ The person or entity that maintains an account with the company or those on whose behalf an account is maintained (i.e. beneficial owners);
- ✓ The beneficiaries of transactions conducted by professional intermediaries;
- ✓ Any person or entity connected with a financial transaction who can pose a significant reputational or other risk to the company.

The Company maintains a systematic procedure for identifying new customers and cannot enter into a service relationship until the identity of a new customer is satisfactorily verified.

Procedures document and enforce policies for identification of customers and those acting on their behalf. The best documents for verifying the identity of customers are those most difficult to obtain illicitly and to counterfeit. The Company pays special attention in the case of non-resident customers and in no case, short-circuit identity procedure is followed just because the new customer is unable to present enough documents and information to satisfy the KYC and due diligence procedures followed.

The customer identification process applies naturally at the outset of the relationship. To ensure that records remain up-to-date and relevant, the company undertakes regular reviews of existing records. An appropriate time to do so is when a transaction of significance takes place, when customer documentation

standards change substantially, or when there is a material change in the way that the account is operated. However, if the Compliance and Anti-Money Laundering officer becomes aware at any time, through compliance and/or AMLO reviews, that it lacks sufficient information about an existing customer, takes immediate steps to ensure that all relevant information is obtained as quickly as possible.

The company can be exposed to reputational risk, and should therefore apply enhanced due diligence to such operations. Private accounts, which by nature involve a large measure of confidentiality, can be opened in the name of an individual, a commercial business, a trust, an intermediary or a personalized investment company. In each case reputational risk may arise if the company does not diligently follow established KYC procedures. All new clients and new accounts are approved by at least one person, the Finance or the compliance officer. In case of a new high risk customer, the final decision is taken by the managing director. Particular safeguards have been put in place internally to protect confidentiality of customers and their business, the Company ensures that equivalent scrutiny and monitoring of these customers and their business is conducted, e.g. it is available to be reviewed by compliance officer and auditors.

Company maintains clear standards and policies, on what records must be kept on customer identification and individual transactions. Such practice is essential to permit the company to monitor its relationship with the customer, to understand the customer's on-going business and, if necessary, to provide evidence in the event of disputes, legal action, or a financial investigation that could lead to criminal prosecution.

As the starting point and natural follow-up of the identification process, the company obtains customer identification papers and retain copies of them for at least five years after an account is closed. The company also retains all financial transaction records for at least five years from the date when a firm's relationship with the client was terminated or a transaction was completed.

## **General identification requirements**

The Company obtains all information necessary to establish to its full satisfaction the identity of each new customer and the purpose and intended nature of the business relationship. The extent and nature of the information depends on the type of applicant (personal, corporate, etc.) and the expected size of the account.

When an account has been opened, but problems of verification arise in the service relationship, which cannot be resolved, the company can close the account and return the money to the source from which they were received. While the transfer of an opening balance from an account in the customer's name in another organization subject to the same KYC standard, it will be considered, however we will do our own KYC procedures because we should nevertheless consider the possibility that the previous account manager may have asked for the account to be removed because of a concern about dubious activities.

Naturally, customers have the right to move their business from one organization to another. However, if the company has any reason to believe that an applicant is being refused service facilities by another organization, applies enhanced due diligence procedures to the customer.

The company will never agree to open an account or conduct ongoing business with a customer who insists on anonymity or who gives a fictitious name. Nor should confidential numbered accounts function as anonymous accounts but they should be subject to exactly the same KYC procedures as all other customer accounts, even if the test is carried out by selected staff. Whereas a numbered account can offer additional protection for the identity of the account-holder, the identity must be known to a sufficient number of staff to operate proper due diligence.

## **Specific Customer Due Diligence and Identity Procedures (attached)**

Client identification must be carried out as soon as reasonably practicable after first contact is made. Except its obligation to exercise due diligence and customer identification, the Company must confirm that the identity info which holds for its

customers has to remain fully informed and updated with all necessary identification and information throughout their business relationship. The Company review and monitor on a regular basis the validity and adequacy of customer identification information in its possession.

Notwithstanding the above and taking into account the degree of risk, if realized at any time during the business relationship that the Company lacks sufficient or reliable evidence (data) and information on the identity and financial profile of an existing customer, the Company immediately takes all necessary actions using the identification procedures and measures to provide due diligence, in order to collect the missing data and information as quickly as possible and in order to determine the identity and create a comprehensive financial profile of the customer.

Furthermore the Company monitors the adequacy of the information held and identity and economic portrait of its customers when and where one of the following events occurrences:

Conduct of a significant transaction that appears to be unusual and/or significant than the usual type of trade and economic profile of the client;

A significant change in the situation and legal status of the client as:

- change of directors/secretary
- Change of registered shareholders and/or actual beneficiaries,
- Change of registered office
- Change of trustees
- Change of corporate name and/or trade name
- Change of main trading partners and/or significant new business

A significant change on the way and operating rules of the client's account, such as:

- Change of persons authorized to handle its account,
- Request for opening a new account in order to provide new investment services and/or financial instruments

In case of customer transaction via internet, phone, fax or other electronic means where the customer is not present to verify the authenticity of his/her signature, or that is the person who actually owns the account, or is authorized to handle the account, the Company established reliable methods, procedures and practices to control access to electronic means to ensure that deals with the actual owner or authorized signatory of the account.

Where the client refuses or fails to provide the Company with the required documents and information for identification and creation of economic portrait, before entering into the business relationship, or during the execution of an individual transaction without adequate justification the Company will not proceed in a contractual relationship or will not execute the transaction and may also report it to AML officer. This can lead to a suspicion that the client is engaged in money laundering and terrorist financing.

If during the business relationship the client refuses or fails to submit all required documents and information, within reasonable time, the Company has the right to terminate the business relationship and close the accounts of the client. The compliance department also examines weather to report the case to AML officer.

### **Personal Customers details required**

1. True name and/or names used
2. Current permanent address, including postal code
3. Date of birth
4. Profession or occupation

Names should be verified by reference obtained from a reputable source which bears a photograph, such as:

- current valid full passport
- national id card

In addition to the clients' name verification, the current permanent address should be verified by (originals) by obtaining any one of the following:

- Copy of a recent utility bill
- Local tax authority bill
- Bank statement
- Checking a telephone directory
- Credit card monthly statement

In an addition to the above an introduction from a respected customer personally known to the Manager of the Company or from a trusted member of staff, can assist the verification procedure. Details of the introduction should be recorded on the customer's file.

Accounts for Corporate Customers:

- ✓ Company searches, and other commercial enquiries, to ensure that the applicant has not been or in the process of being dissolved, struck off, wound up or terminated.
- ✓ Changes to company structure occur or ownership occur subsequently, further checks should be made.
- ✓ Identity verification should aim to identify
  - The company
  - The directors
  - All persons duly authorized to operate the account
  - In case of private companies, the major beneficial shareholders
  - The company's business profile in terms of nature and scale of activities

The following Documents are required:

- ✓ The original or certified copy of the Certificate of incorporation
- ✓ Memorandum and articles of association

- ✓ Resolution of the Board of Directors to enter into transactions on the Forex market and conferring authority to those who will act for the customer
- ✓ Where appropriate a search of the file at the Companies' Registry
- ✓ Identity of individuals who are connected with the company

### **Creation of an economic portrait**

- ✓ The Company must be satisfied that is dealing with a real person, and for this purpose, obtains sufficient identification documents to prove that is the person who claims to be.
- ✓ The Company must verify the identity of beneficial owners of accounts. For legal persons, receives such data and information to understand the ownership and control structure of the customer. Regardless of the customer's type (e.g. natural or legal person, partnership or sole trader), we take adequate data and information on the customer's business activities and the expected pattern and level of transactions.
- ✓ The identity of all customers is verified on the basis of reliable data and information given or received from independent and reliable sources, i.e. those data and information that is difficult to be falsified or to be obtained in an illegal way.
- ✓ The home address and work is considered a key element of the identity of a person
- ✓ In no case is accepted as evidence the same info (data), for identifying a customer's identity and residence proof.

All data and information must be collected before entering into the business relationship in order to create the financial portrait of the client and, as a minimum, includes the following:

- ✓ the purpose and justification (reason) for the conclusion of the business relationship;
- ✓ the anticipated turnover of the account, the nature of transactions, the expected source of money to be credited to the account and the expected destination of outgoing payments;



- ✓ the size of assets and annual income, a clear description of the major business / professional activities / work.

The data and information that makes the financial portrait of the client - legal person include:

- company name
- Country of incorporation
- headquarters address
- names and identity of beneficial owners
- directors, authorized signatories
- financial data
- Information for the group that may be owned by the company (Country of incorporation of Mother Company, subsidiaries and associated companies, the principal activities, financial results).

All above data and information will be recorded on a separate form which is filed in the client's file along with all other documents, and internal memos from the minutes of the meetings with the client. This form is updated in regular intervals or whenever new information on any changes or additions occurs to the elements that makes the financial profile of the customer.

### **Enhanced due diligence measures**

The Company applies increased due diligence measures and customer identification procedures in the following cases:.

- ✓ Where the customer has not been physically present for identification purposes,
- ✓ In respect of cross-frontier correspondent banking relationships with credit institutions-customers from third countries.
- ✓ In respect of transactions or business relationships with politically exposed persons residing in a country within the European Economic Area or a third country.

Enhanced customer due diligence measures is taken in all other instances which due to their nature entail a higher risk of money laundering or terrorist financing.

### **Performance by third parties**

The Company may rely on third parties for applying the requirements in respect of customer's identification procedures and customer due diligence measures provided that all data and information held by the third person for customer identification, which are certified copies of the originals are provided to the Company.

### **On-going monitoring and Recording of accounts and transactions**

On-going monitoring is an essential aspect of effective KYC procedures. The Company can only effectively control and reduce the risk if it has an understanding of normal and reasonable account activity of its customers so that it has means of identifying transactions which fall outside the regular pattern of an account's activity. Without such knowledge, it is likely to fail in its duty to report suspicious transactions to the appropriate authorities in cases where they are required to do so. The extent of the monitoring needs to be risk-sensitive.

For all accounts, the Company has systems in place to detect unusual or suspicious patterns of activity. This can be done by establishing limits for a particular class or category of accounts. Particular attention is paid to transactions that exceed these limits.

Certain types of transactions alert to the possibility that the customer is conducting unusual or suspicious activities. They may include transactions that do not appear to make economic or commercial sense (big transactions), or that involve large amounts of cash deposits that are not consistent with the normal and expected transactions of the customer.

There is intensified monitoring for higher risk accounts. The Company has set key indicators for such accounts, taking note of the background of the customer, such

as the country of origin and source of funds, the type of transactions involved, and other risk factors.

## **Record Keeping**

The Company is required to keep records for a period of at least 7 years by the law. The 7 year period is calculated following the carrying out of the transactions or the end of the business relationship.

The following records must be kept:

- ✓ Copies of the evidential material of the customer identity.
- ✓ Relevant evidential material and details of all business relations and transactions, including documents for recording transactions in the accounting books and
- ✓ Relevant documents of correspondence with the customers and other persons with whom they keep a business relation.

All documents and information are available rapidly and without delay to the Authorities for the purpose of discharging the duties imposed on them by the Law. The AML officer needs to be able to compile a satisfactory audit trail. Document retention may be in original documents or certified true copies and be kept in hard copy, or other format such as electronic form given that they can be available at any time and without delay.

When setting up document retention policies, the Company considers the statutory requirements and the potential needs of the unit. Documents and information must be original or true copies. In cases where the documents are being certified by another person and not the Company, or the third party, then the documents must be apostilled or notarized.

## **Risk management**

Effective KYC procedures embrace routines for proper management oversight, systems and controls, segregation of duties, training and other related policies. The board of directors of the Company is fully committed to an effective KYC program and procedures and ensures their effectiveness. Explicit responsibility is allocated within the organization for ensuring that the company's policies and procedures are managed effectively and are in accordance with local supervisory practice. The channels for reporting suspicious transactions are clearly specified and communicated to all personnel.

The company maintains an ongoing employee-training program so that the staff is adequately trained in KYC procedures. The timing and content of training for various sectors of staff is adapted by the company for its own needs. Training requirements should have a different focus for new staff, front-line staff, compliance staff or staff dealing with new customers. New staff should be educated in the importance of KYC policies and the basic requirements at the organisation. Staff members who deal directly with the customers are trained to verify the identity of new customers, to exercise due diligence in handling accounts of existing customers on an ongoing basis and to detect patterns of suspicious activity. Regular refresher training is provided to ensure that employees are reminded of their responsibilities and are kept informed of new developments. It is crucial that all relevant staff fully understand the need for and implement KYC policies consistently. A culture within services that promotes such understanding is the key to a successful implementation.

## **SPECIFIC CUSTOMER DUE DILIGENCE AND IDENTITY PROCEDURES**

### **A. Natural persons Resident:**

1. True name and / or names used, based on the official identity card or passport
  - i. Document issued by an independent and reliable source and which bears a photograph of the customer

2. Full permanent address, including the postcode , Presentation of a recent (up to 6 months) telephone bill, electricity, municipal taxes, or bank account statement, or similar, with the above, documents.
3. Phone number, landline and mobile, and fax
4. E-mail address, if any
5. Date and place of birth
6. Nationality
7. Details of profession and other occupations, including the name of the employer / business organization
8. In addition to the above, where the client was introduced by a trusted member of the staff of the Company, or by other reliable existing client or a third person personally known, member of the Board of Directors, details of these recommendations must be produced and kept in the client's file.

### **C. Joint accounts**

In cases of joint accounts, of two or more persons, the identity of all persons (individuals) that hold or have the right to manage the account, must be verified, as set out in Part A and B above where appropriate.

### **D. Accounts of unions, societies, clubs, provident funds and charitable institutions**

1. Memorandum and articles of association
2. Registration documents
3. Certificate of registration
4. List of the members of the Board of Directors/ management Committee
5. Resolution of the Board of Directors to enter into transactions on the Forex market and conferring authority to those who will act for the customer
6. The identity of all authorized persons
7. Follow identification procedures for the above persons as defined in Part A and B above

## **E. Accounts of unincorporated businesses, partnerships and other persons with no legal substance**

1. Identity of the directors/partners (Part A and B)
2. Identity of the beneficiaries (Part A and B)
3. Identity of authorized persons (Part A and B)
4. In the case of partnerships, the original or a certified true copy of the partnership's registration certificate
5. Business address
6. Nature and size of its activities
7. The financial portrait of the legal person
  - ✓ identity info
  - ✓ identity of beneficiaries
  - ✓ in case of legal persons (ownership and control structure, of the customer)
  - ✓ information regarding the business activities and the expected pattern and level of transactions
  - ✓ residence and business address
  - ✓ the purpose and reason for the establishment of a business relationship
  - ✓ anticipated account turnover, the nature of the transactions, the expected origin of incoming funds to be credited to the account and the expected destination of outgoing transfers/payments
  - ✓ the customer's size of wealth and annual income, and a clear description of the main business / professional activities / operation
  - ✓ company's name, Country of incorporation, head offices address, names and identity of beneficial owners, directors, authorized signatories, financial information, ownership structure of the group that the company may be a part of (Country of incorporation of the parent company, subsidiaries and associate companies, the main activities, financial information)
8. Where a formal partnership agreement exist, must be provided and also a mandate from the partnership authorizing the opening of the account and confirming authority to a specific person who will be responsible for its operation.

## **F. Accounts for Legal Persons**

1. Registration number – certificate of registration
2. Registered name and trade name used
3. Full corporate registered address and head officers
4. Phone number, fax and email address
5. Members of the Board of Directors
6. Persons authorized to operate the account and to act on behalf of the legal person
7. Real beneficiaries of private and public companies that are not listed in regulated market of a European Economic Area country or a third country with equivalent disclosure and transparency requirements.
8. Registered shareholders that act as nominees of the actual beneficiaries'
9. The financial portrait of the legal person
  - ✓ identity info
  - ✓ identity of beneficiaries
  - ✓ in case of legal persons (ownership and control structure, of the customer)
  - ✓ information regarding the business activities and the expected pattern and level of transactions
  - ✓ residence and business address
  - ✓ the purpose and reason for the establishment of a business relationship
  - ✓ anticipated account turnover, the nature of the transactions, the expected origin of incoming funds to be credited to the account and the expected destination of outgoing transfers/payments
  - ✓ the customer's size of wealth and annual income, and a clear description of the main business / professional activities / operation
  - ✓ company's name, Country of incorporation, head offices address, names and identity of beneficial owners, directors, authorized signatories, financial information, ownership structure of the group that the company may be a part of (Country of incorporation of the parent company, subsidiaries and associate companies, the main activities, financial information)
10. Certificate of incorporation
11. Good standing certificate
12. Certificate of registered address

13. Certificate of directors and secretary
14. Memorandum and articles of association
15. Certificate of registered shareholders in the case of private and public companies that are not listed in regulated market of a European Economic Area country or a third country with equivalent disclosure and transparency requirements.
16. Resolution of the board of directors for opening the account and granting authority to those who will operate it.
17. In case of nominee shareholders of the actual beneficiaries, a copy of the trust deed signed between the nominee shareholder and the beneficial owner, by virtue of which the registration of the shares on the name of the nominee shareholder on behalf for the real Beneficiary has been agreed
18. Documents and data to establish, the identity of persons authorized by the legal person to operate the account, as well as the registered shareholders and beneficial owners of the legal person.
19. Where necessary, a copy of the latest audited financial statements (if available) and / or copies of its latest management accounts.
20. It is noted that at any times during the business relationship, the Company can obtain additional documents and information if required.

#### **G. Accounts for Legal Person (Companies or Legal Entities)**

1. All documents and information as stated in Part F above must be provided
2. The Company can conduct research and receive information from the Companies Registry or equivalent authority in the country of incorporation (legal entity) abroad and / or request information from other sources in order to ensure that the company (legal person) is not nor is in the process of being dissolved or liquidated or struck off the registry and that it continues to be registered as an operating company.

#### **Shareholder – another entity**



In case of client - legal person applying for the conclusion of a business relationship or the execution of an occasional transaction and whose sole or direct shareholder is another legal person, before proceeding to the following must be provided:

1. All documents as provided in Part F
2. Ownership structure
3. Identity of the individual beneficial owners or/and control the other legal person
4. Identity of persons who have the ultimate control over the legal person's business and assets as describes in Part A & B
5. In the cases that the ultimate control is in the hands of the persons who have the power to manage the funds, accounts or investments of the legal person, without the need for further authorization and who would be in a position to override the internal procedures, we need the identity of persons exercising effective control, as defined in Part A & B, even if they have no direct or indirect interest or an interest of less than 10% of ordinary share capital or voting rights of the legal person.

### **SHAREHOLDER-TRUST**

If the beneficial owner of an entity is a trust then the following documents are required:

1. Name
2. Date of establishment
3. Identity of the trustee (Part A & B)
4. Identity of the trustee (Part A & B)
5. Identity of the beneficial owners (Part A & B)
6. The nature and purpose of the establishment and activities (memorandum and articles of association)
7. Origin of the money, extracts from the trust agreement is needed and other relevant information from the trustees

### **H. Investment funds, mutual funds and firms providing financial or investment services:**

1. A license or authorization from a competent supervisory/regulatory authority of the country of incorporation and operation to provide the said services
2. Evidence that are subject to the supervision for the prevention of money laundering and terrorist financing purposes.
3. In case the person is incorporated and/or operating in a third country the following must be obtained:
  - i. all documents as stated above in Part H
  - ii. Copy of the license or authorization granted from a competent supervisory/regulatory authority of its country of incorporation and operation
  - iii. Sufficient data and information to fully understand the control structure and management of the business activities and the nature of the services and activities provided by the customer.
4. In the case of investment funds and mutual funds the Financial Organization must provide the following:
  - i. Identity of the beneficial owners
  - ii. Information regarding their objectives and control structure, including documentation and information for the verification of investment managers, investment advisors, administrators and custodians

### **I. Nominees or agents of third persons**

The following information is required:

1. Verify the identity of the nominees or the agent of the third person (Part A & B)
2. Verify the identity of any third person on whose behalf the nominee is acting (Part A&B)
3. Copy of the authorization agreement that has been concluded between the interested Parties

**NOTE: THE COMPANY AT ANY TIME CAN INQUIRE AND OBTAIN ADDITIONAL DOCUMENTS AND INFORMATION IF REQUIRED IF AT ANY LATER STAGE ANY CHANGES OCCUR IN THE STRUCTURE OF THE OWNERSHIP STATUS OR TO ANY DETAILS, THE CUSTOMERS HAS TO INFORM THE COMPANY AND PROVIDE ANY NEW INFORMATION AND DOCUMENTS.**

**IF IN THE COUNTRY OF THE POTENTIAL/EXISTING CLIENT ANY OF THE REQUIRED DOCUMENT DOES NOT EXIST IN THE FORM REQUIRED BY THE COMPANY THE COMPLIANCE OFFICER MAY ACCEPT A SIMILAR DOCUMENT SERVING THE NEEDS OF DUE DILIGENCE.**