JFD GROUP LTD

(Regulated by the Cyprus Securities & Exchange Commission with registration number 150/11)

PREVENTION OF MONEY LAUNDERING & TERRORIST FINANCING MANUAL

OCTOBER 2026

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1. GENERAL DEFINITIONS

For the purposes of this Manual, unless the context shall prescribe otherwise:

"**Advisory Authority**" means the Advisory Authority for Combating Money Laundering and Terrorist Financing which is established under Section 56 of the Law;

"**Beneficial Owner**" means the natural person or natural persons, who ultimately own or control the Client and/or the natural person on whose behalf a transaction or activity is being conducted. The Beneficial Owner shall at least include:

(a) In the case of corporate entities:
   i. the natural person or natural persons, who ultimately own or control a legal entity through direct or indirect ownership or control of a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, a percentage of 10% plus one share be deemed sufficient to meet this criterion
   ii. the natural person or natural persons, who otherwise exercise control over the management of a legal entity.

In the case of legal entities, such as foundations and legal arrangements, such as trusts, which administer and distribute funds:

   i. where the future beneficiaries have already been determined, the natural person or natural persons who are the beneficiary of 10% or more of the property of a legal arrangement or entity
   ii. where the individuals that benefit from the legal arrangement or entity have not yet been determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates
   iii. the natural person or natural persons who exercise control over 10% or more of the property of a legal arrangement or entity.

"**Business Relationship**" means a business, professional or commercial relationship which is connected with the professional activities of the Company, and which was expected, at the time when the contact was established, to have an element of duration.

"**Client**" means any legal or physical person aiming to conclude a Business Relationship or conduct a single transaction with the Company.

"**Company**" means JFD Group Limited which is incorporated in the Republic of Cyprus with registration number HE 282265.

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"Directive" means the Prevention of Money Laundering and Terrorist Financing Directive DI144-2007-08 & DI144-2007-08(A) of the Cyprus Securities and Exchange Commission.

"**European Economic Area (EEA)**" means Member State of the European Union or other contracting state which is a party to the agreement for the European Economic Area signed in Porto on the 2nd of May 1992 and was adjusted by the Protocol signed in Brussels on the 17th of May 1993, as amended.

"**EU Directive**" means the Directive EU/2015/849 of the European Parliament and the Council of 20 May 2015 on the prevention of the use of the financial system for the purpose of Money Laundering and Terrorist Financing.

"**Investment and Ancillary Services**" means the investment and ancillary services as per Part I and II of the Third Appendix of the Law 87(I)/2017, as amended, for which the Company is licensed by the Cyprus Securities and Exchange Commission to offer.

"**Law**" means the Prevention and Suppression of Money Laundering Activities Law; Law N13(I)/2018

"**Manual**" means the Company's Prevention of Money Laundering Manual (this manual), according to the Directive.

"**Money Laundering and Terrorist Financing**" means the money laundering offenses and terrorist financing offenses defined in Section 2 of the Law.

"Occasional Transaction" means any transaction other than a transaction carried out in the course of an established Business Relationship formed by a person acting in the course of financial or other business.

"**Other Business Activities**" includes the following trust services and company services to third parties:

(a) forming companies or other legal persons;
(b) acting as or arranging for another person to act as a director or secretary of a company, a partner of a partnership or a similar position in relation to other legal persons;
(c) providing a registered office, business address, correspondence or administrative address and other related services for a company, a partnership or any other legal person or arrangement;
(d) acting as or arranging for another person to act as a trustee of an express trust or a similar legal arrangement;
(e) acting as or arranging for another person to act as a nominee shareholder for another person.

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"**Politically Exposed Persons (PEPs)**" means the natural persons who have their place of residence in another European Union Member State or in third counties and who are or have been entrusted with prominent public functions and their immediate family members or persons known to be close associates of such persons

"**Republic**" means the Republic of Cyprus.

"**Regulated Market**" means the multilateral system managed or operated by a market operator and which brings together or facilitates the bringing together of multiple third-party buying or/and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules or/and systems, and which is authorised and functions regularly in accordance with the provisions of Part X of Law 87(I)/2017, as amended.

''**RCOS**" means Remote Customer Onboarding Solutions for non-face-to-face customer onboarding purposes.

"**Shell Bank**" means a credit institution, or an institution engaged in equivalent activities incorporated in a jurisdiction in which it has no physical presence, involving meaningful mind and management, and which is unaffiliated with a regulated financial group.

2. INTRODUCTION

JFD Group Ltd (hereinafter the 'Company') is a limited company incorporated in Cyprus, offering its clients investment and ancillary services, as authorised by the Cyprus Securities and Exchange Commission (hereinafter the 'Commission' of the 'CySEC'). It is therefore a Cyprus Investment Firm (hereinafter, a 'CIF') within the meaning of the Investment Services and Activities and Regulated Markets Law of 2017, L87(I)/2017.

As a CIF, the Company is required by CySEC to issue in writing a "Anti-Money Laundering Manual" (hereinafter, the"AML Manual") regarding its procedures on prevention of money laundering and terrorist financing. The policies andprocedures detailed in the AML Manual ensure the compliance of all the employees of the Company and other relevant persons with the obligations of the Investment Services Law as well as compliance with the Prevention andSuppression of Money Laundering Activities Law as amended from time to time and the CySEC's Directives for the Prevention of Money Laundering and Terrorist Financing (the "AML Directive"). Moreover, the AML manual has implemented the Joint Guidelines under Articles 17 and 18(4) of Directive (EU) 2015/849 on simplified and enhancedcustomer due diligence (the "Risk Factor Guidelines").

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The AML Manual shall be reviewed and approved by the Company's Board of Directors and thereafter, each employee shall be required to sign an undertaking to acknowledge their understanding of the AML Manual.

AML processes are designed to identify in advance all risks to the firm relating to money laundering and terrorist financing and to respond to these risks effectively. The Company's main risks in relation to money laundering and terrorist financing arise from the establishment of business relationships with its clients and accepting their funds. The assessment and control of risk begins before acceptance of a client or an engagement and continues throughout its duration.

3. PURPOSE

The purpose of the Manual is to lay down the Company's internal practice, measures, procedures, and controls relevant to the prevention of Money Laundering and Terrorist Financing that applies to the Company and all of its branches.

The Manual is developed and periodically updated by the Money Laundering Compliance Officer (hereinafter the "**MLCO**") based on the general principles set up by the Company's Board of Directors (hereinafter the "Board") in relation to the prevention of Money Laundering and Terrorist Financing.

All amendments and/or changes to the Manual must be approved by the Board.

The Manual shall be communicated by the MLCO to all the employees of the Company that manage, monitor, or control in any way the Clients' transactions and have the responsibility for the application of the practices, measures, procedures, and controls that have been determined herein.

The Manual has been prepared to comply with the provisions of the Law, and the Directive of the Cyprus Securities and Exchange Commission (hereinafter the "**CySEC**").

4. MANUAL APPLICABILITY: FOREIGN EXCHANGE TRADING TRANSACTIONS

The Manual applies to all various types of services offered to the Company's Clients as well as the relevant Company's dealings with its Clients, including foreign exchange trading transactions, which either do not aim to physically deliver the agreed foreign currency or are not materially settled in cash (foreign exchange spot trading), irrespective of the Client account size and frequency of trading.

In this respect, the MLCO shall be responsible to update the Manual so as to comply with CySEC's future requirements, as applicable, regarding the Client identification and due

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diligence procedures which a CIF must follow, for Clients who deal in foreign exchange trading transactions with the Company.

5. THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS

5.1. General

The overall responsibility for the prevention of money laundering and terrorist financing lies with the Board of Directors. The responsibilities of the Board in relation to the prevention of Money Laundering and Terrorist Financing, as these are stipulated in Section 58 of the AML Law as well as in the Paragraph 5 of the AML Directive, include the following:

(a) to determine, record and approve the general policy principles of the Company in relation to the prevention of Money Laundering and Terrorist Financing and communicate them to the MLCO
(b) to appoint the MLCO and, where is necessary, assistant MLCOs and determine their duties and responsibilities, which are recorded in this Manual
(c) to approve the Manual
(d) to ensure that all requirements of the Law and of the Directive are applied, and assure that appropriate, effective, and sufficient systems and controls are introduced for achieving the abovementioned requirement
(e) to ensure that the MLCO and his assistants, if any, and any other person who has been assigned with the duty of implementing the procedures for the prevention of Money Laundering and Terrorist Financing (i.e. personnel of the Back-Office Department and Customer Support Department), have complete and timely access to all data and information concerning Clients' identity, transactions' documents (as and where applicable) and other relevant files and information maintained by the Company so as to be fully facilitated in the effective execution of their duties, as included herein
(f) to ensure that all employees are aware of the person who has been assigned the duties of the MLCO, as well as his assistants (if any), to whom they report, according to point (e) of Section 6.2 of the Manual any information concerning transactions and activities for which they have knowledge or suspicion that might be related to Money Laundering and Terrorist Financing
(g) to establish a clear and quick reporting chain based on which information regarding suspicious transactions is passed without delay to the MLCO, either directly or through his assistants, if any, and notifies accordingly the MLCO for its explicit prescription in the Manual
(h) to ensure that the MLCO and the Head of Back-Office Department have sufficient resources, including competent staff and technological equipment's, for the effective discharge of their duties

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(i) to assess and approve the MLCO's Annual Report of Section 7 of the Manual and take all action as deemed appropriate under the circumstances to remedy any weaknesses and/or deficiencies identified in the abovementioned report

(j) to meet and decide the necessary measures that need to be taken to ensure the rectification of any weaknesses and/or deficiencies which have been detected in the Internal Auditor's report in the manner described in Section 5 of the Manual. The minutes of the said decision of the Board and the Internal Auditor's report shall be submitted to CySEC within 20 days of the said meeting.

Responsibilities of Senior Management OR MANAGEMENT

5.2. General

The responsibilities of the Senior Management in regards the prevention of money laundering and terrorist financing include the following:

a) take the necessary measures to ensure the rectification of any weaknesses and omissions detected by the Internal or External Auditors and verifying the level of compliance with the provisions of the Directive of the Regulator and the relevant AML legislation. Provide their full commitment and support for the successful establishment of systems and controls, on a risk-based approach;

b) approve the policies, procedures, and controls in relation to money laundering and terrorist financing, as well as monitor, and where appropriate, enhance the measures adopted;

c) provide their approval for the establishment and continuation of a business relationship with PEP clients and where deemed appropriate, high risk clients.

OBLIGATIONS OF THE INTERNAL AUDITOR

The following obligations of the Internal Auditor are addressed specifically for the prevention of Money Laundering and Terrorist Financing:

(a) the Internal Auditor shall review and evaluate, at least on an annual basis, the appropriateness, effectiveness and adequacy of the policy, practices, measures, procedures, and control mechanisms applied for the prevention of Money Laundering and Terrorist Financing mentioned in the Manual. The findings and observations of the internal auditor, in relation to point (a) above, shall be submitted, in a written report form, to the Board.

(b) To establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's policy, practices, measures, procedures, systems, internal control mechanisms and arrangements;

(c) To issue recommendations based on the result of work carried out in accordance with point (a);

(d) To verify compliance with the recommendations referred to in point (b); and

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(e) To report in relation to internal audit matters on a frequent basis, and at least annually.
(f) Be accountable directly to the Board. All procedures at all levels of the hierarchy of the Company are the object of systematic audit control. Audits are carried out on a regular basis, while extraordinary spot audits are to be carried out without notice.

6. MONEY LAUNDERING COMPLIANCE OFFICER

6.1. General

The MLCO shall belong hierarchically to the higher ranks of the Company's organisational structure so as to command the necessary authority. Furthermore, the MLCO shall lead the Company's Money Laundering Compliance procedures and processes and report to the *Senior Management*. The MLCO shall also have access to all relevant information necessary to perform his duties.

The level of remuneration of the MLCO shall not compromise his objectivity.

6.2. Duties of the MLCO

During the execution of his duties and the control of the compliance of the Company with the Law and the Directive, the MLCO shall obtain and utilise data, information and reports issued by international organisations, as these are stated in Section 9.5 of the Manual.

The duties of the MLCO shall include, *inter alia*, the following:

(a) to design, based on the general policy principles of the Company mentioned in point (a) of Section 4 of the Manual, the internal practice, measures, procedures, and controls relevant to the prevention of Money Laundering and Terrorist Financing, and describe and explicitly allocate the appropriateness and the limits of responsibility of each department that is involved in the abovementioned. It is provided that, the above measures and procedures for the prevention of the abuse of new technologies and systems providing financial services, for the purpose of Money Laundering and Terrorist Financing is appropriately considered and managed in the course of daily activities of the Company with regard to the development of new products and possible changes in the Company's economic profile (e.g. penetration into new markets)
(b) to develop and establish the Client Acceptance Policy and submit it to the Board for consideration and approval
(c) to review and update the Manual as may be required from time to time, and for such updates to be communicated to the Board for their approval

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(d) to monitor and assess the correct and effective implementation of the policy mentioned in point (a) of Section 4 of the Manual, the practices, measures, procedures, and controls of point (a) above and in general the implementation of the Manual. In this respect, the MLCO shall apply appropriate monitoring mechanisms (e.g. on-site visits to different departments of the Company) which will provide him with all the necessary information for assessing the level of compliance of the departments and employees of the Company with the procedures and controls which are in force. In the event that the MLCO identifies shortcomings and/or weaknesses in the application of the required practices, measures, procedures, and controls, gives appropriate guidance for corrective measures and where deems necessary inform the Board

(e) to receive information from the Company's employees which is considered to be knowledge or suspicion of money laundering or terrorist financing activities or might be related to such activities. The information is received in a written report form (hereinafter the "Internal Suspicion Report"), a specimen of such report is attached in Appendix 1 of the Manual

(f) to evaluate and examine the information received as per point (e) above, by reference to other relevant information and discuss the circumstances of the case with the informer and where appropriate, with the informer's superiors. The evaluation of the information of point (e) above shall be done on a report (hereinafter the "Internal Evaluation Report"), a specimen of such report is attached in Appendix 2 of the Manual

(g) if following the evaluation described in point (f) above, the MLCO decides to notify the Money Laundering Combat Unit of the Republic (hereinafter the "Unit"), then following the Circular C058 by CySec the MLCO submits electronically through the IT system goAML Professional Edition to MOKAS the suspicion activity the soonest possible. It is provided that, after the submission of the MLCO Report to the Unit, the accounts involved and any other connected accounts, are closely monitored by the MLCO and following any directions from the Unit, thoroughly investigates and examines all the transactions of the accounts, as applicable and relevant to the Investment and Ancillary Services

(h) if following the evaluation described in point (f) above, the MLCO decides not to notify the Unit then he should fully explain the reasons for such a decision on the MLCO's Internal Evaluation Report

(i) to act as a first point of contact with the Unit, upon commencement of and during an investigation as a result of filing a report to the Unit according to point (g) above

(j) to ensure the preparation and maintenance of the lists of Clients categorised following a risk-based approach, which contains, among others, the names of Clients, their account numbers and the dates of the commencement of the Business Relationship. Moreover, the MLCO ensures the updating of the said list with all new or existing Clients, in the light of any additional information obtained

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(k) to detect, record, and evaluate, at least on an annual basis, all risks arising from existing and new Clients, new financial instruments and services and update and amend the systems and procedures applied by the Company for the effective management of the aforesaid risks

(l) to evaluate the systems and procedures applied by a third person on whom the Company relies for Client identification and due diligence purposes, according to Section 11.10 of the Manual, and approve the cooperation with it

(m) to ensure that the branches and subsidiaries of the Company, if any, that operate in countries outside the EEA, have taken all necessary measures for achieving full compliance with the provisions of the Manual, in relation to Client identification, due diligence and record keeping procedures

(n) to provide advice and guidance to the employees of the Company on subjects related to money laundering and terrorist financing

(o) to acquire the knowledge and skills required for the improvement of the appropriate procedures for recognising, preventing, and obstructing any transactions and activities that are suspected to be associated with money laundering or terrorist financing

(p) to determine whether the Company's departments and employees that need further training and education for the purpose of preventing Money Laundering and Terrorist Financing and organise appropriate training sessions/seminars. In this respect, the MLCO prepares and applies for an annual staff training program. Also, the MLCO assesses the adequacy of the education and training provided

(q) to prepare correctly and submit timely to CySEC the monthly prevention statement of Section 8 of the Manual and provide the necessary explanation to the appropriate employees of the Company for its completion

(r) to prepare the Annual Report, according to Section 7 of the Manual

(s) to respond to all requests and queries from the Unit and CySEC, provide all requested information and fully cooperate with the Unit and CySEC

(t) to maintain a registry that includes the reports of points (e), (f) and (g), and relevant statistical information (e.g. the department that submitted the internal report, date of submission to the MLCO, date of assessment, date of reporting to the Unit), the evaluation reports of point (d) and all the documents that verify the accomplishment of his duties.

(u) Ensure proper implementation of the Company's risk-based approach and performance of ongoing monitoring of clients' transactions;

(v) Obtain and utilise data, infrastructure and results issued by the relevant International Organisations.

6.3. Appointment of an Alternate MLCO in case of absence of the MLCO

In case of the absence of the MLCO, the Board is responsible for appointing an Alternate MLCO, pursuant to Paragraph 8 of the Directive for the Prevention and Suppression of

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Money Laundering. The relevant decision for such an appointment should be taken within 2 (two) business days from the date that the length of the MLCO's absence is known and the below criteria have been fulfilled.

The Company will appoint an Alternate MLCO where the MLCO will be absent for more than 12 (twelve) consecutive business days due to annual leave, sick leave, maternity/paternity leave, unpaid leave, etc. or is unable to execute his/her duties for a period of 12 (twelve) consecutive business days.

The Alternate MLCO can be either an employee of the Company or a person from an outsourced service provider who possesses the relevant skills, knowledge, and expertise for carrying out the duties of the MLCO.

The Alternate MLCO shall possess the relevant certificate of professional competence or in an absence of such a qualification request an exception from the CySEC.

The Alternate MLCO will execute the duties of the MLCO as these are described in Section 6.2. of the Manual until the Company's MLCO returns back to her/his duties.

Upon appointment of the Alternate MLCO, the Company should take the below actions:

a) To update the Company's Organisational Structure as well as the Company's CIF Record with the details of the Alternate MLCO.
b) To inform the Company's employees of such an appointment.
c) To ensure that the Alternate MLCO has access to all data and information maintained by the Company so as to be fully facilitated in the effective execution of her/his duties, as described in Section 6.2 of the Manual.

6.4. Appointment of Board Member as AML Director

The Board pursuant to Article 58D of the Amending Law of 2018 (N.13(I)/2018), shall appoint and designate a Board Member as the responsible person for the implementation of the legal framework related to the prevention and suppression of money laundering and terrorist financing ("AML Director").

The designated member of the Board may be either executive or non-executive and will ensure the Company's compliance with all provisions of the present Law and of the directives and/or circulars and/or regulations issued pursuant thereto including any relevant acts of the European Union.

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The AML Director is required to keep in regular and systematic contact with the Money Laundering Compliance Officer and the Alternate Money Laundering Officer in order to ensure that there is a frequent collaboration between the Board and the Money Laundering Compliance Officer Department.

The AML Director oversees the duties and responsibilities of the Money Laundering Compliance officer, as these are detailed in the AML Manual of the Company.

The AML Director further ensures that the staff receives an appropriate level of AML/CFT training relevant to the role they undertake within the regulated entity, with particular attention in the area of suspicious activity monitoring and reporting and establishing whether the training received allows the staff to effectively fulfil its responsibilities.

7. ANNUAL REPORT OF THE MLCO

7.1. General

The Annual Report of the MLCO is a significant tool for assessing the Company's level of compliance with its obligation laid down in the Law and the Directive.

The MLCO's Annual Report shall be prepared and submitted to the Board for approval within two months from the end of each calendar year (i.e. at latest, by the end of February each year).

Following the Board's approval of the Annual Report, a copy of the Annual Report should be submitted to CySEC together with the Board's meeting minutes, within twenty days from the end of the meeting, and no later than three months from the end of each calendar year (i.e. at the latest, by the end of March).

The Annual Report deals with issues relating to money laundering and terrorist financing during the year under review and includes, *inter alia*, the following:

(a) information for measures taken and/or procedures introduced for compliance with any amendments and/or new provisions of the Law and the Directive which took place during the year under review
(b) information on the inspections and reviews performed by the MLCO, reporting the material deficiencies and weaknesses identified in the policy, practices, measures, procedures, and controls that the Company applies for the prevention of Money Laundering and Terrorist Financing. In this respect, the report outlines the seriousness of the deficiencies and weaknesses, the risk implications and the actions taken and/or recommendations made for rectifying the situation

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(c) the number of Internal Suspicion Reports submitted by Company personnel to the MLCO, according to point (e) of Section 6.2 of the Manual and possible comments/observations thereon
(d) the number of reports submitted by the MLCO to the Unit, according to point (g) of Section 6.2 of the Manual with information/details on the main reasons for suspicion and highlights of any particular trends
(e) information, details, or observations regarding the communication with the employees on money laundering and terrorist financing preventive issues
(f) summary figures, on an annualised basis, of Clients' total cash deposit in Euro and other currencies in excess of the set limit of Euro 10.000 (together with comparative figures for the previous year) as reported in the monthly prevention statement of Section 8 of the Manual. Any comments on material changes observed compared with the previous year are also reported
(g) information on the policy, measures, practices, procedures and controls applied by the Company in relation to high-risk Clients as well as the number and country of origin of high risk Clients with whom a Business Relationship is established or an Occasional Transaction has been executed
(h) information on the systems and procedures applied by the Company for the ongoing monitoring of Client accounts and transactions
(i) information on the measures taken for the compliance of branches and subsidiaries of the Company, if any, that operate in countries outside the EEA, with the requirements of the Directive in relation to Client identification, due diligence and record keeping procedures and comments/information on the level of their compliance with the said requirements
(j) information on the training courses/seminars attended by the MLCO and any other educational material received
(k) information on training/education and any educational material provided to staff during the year, reporting, the number of courses/seminars organised, their duration, the number and the position of the employees attending, the names and qualifications of the instructors, and specifying whether the courses/seminars were developed in-house or by an external organisation or consultants
(l) results of the assessment of the adequacy and effectiveness of staff training
(m) information on the recommended next year's training program
(n) information on the structure and staffing of the department of the MLCO as well as recommendations and timeframe for their implementation, for any additional staff and technical resources which may be needed for reinforcing the measures and procedures against Money Laundering and Terrorist Financing.

8. MONTHLY PREVENTION STATEMENT

8.1. General

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The MLCO shall prepare and submit to CySEC, according to point (q) of Section 6.2 of the Manual, on a monthly basis, the CySEC Form 144-08-11 "Monthly prevention statement regarding the prevention of Money Laundering and Terrorist Financing", which includes details as regards the total cash deposits accepted by the Company, the Internal Suspicions Reports, and the MLCO's Reports to the Unit, according to points (e) and (g) in Section 6.2 of the Manual, respectively.

The aforementioned Form must be completed and be submitted to CySEC within fifteen (15) days from the end of each month, under the rules of CI144-2013-17.

The completion of the aforementioned Form provides the opportunity for the Company initially to evaluate and, subsequently, to reinforce its systems of control and monitoring of its operations, for the purpose of early identification of transactions in cash that may be unusual and/or carry enhanced risk of being involved in Money Laundering and Terrorist Financing operations.

The Internal Auditor shall be responsible to review, at least annually as per Section 5 of the Manual, the submission to CySEC of the "Monthly prevention statement regarding the prevention of Money Laundering and Terrorist Financing".

9. RISK-BASED APPROACH

9.1. General Policy

The Company shall apply appropriate measures and procedures, by adopting a risk-based approach, so as to focus its effort on those areas where the risk of Money Laundering and Terrorist Financing appears to be comparatively higher.

Further, the MLCO shall monitor and evaluate, on an on-going basis, the effectiveness of the measures and procedures of Section 9 of the Manual.

The adopted risk-based approach that is followed by the Company, and described in the Manual, has the following general characteristics:

- recognises that the money laundering or terrorist financing threat varies across Clients, countries, services, and financial instruments
- allows the Board to differentiate between Clients of the Company in a way that matches the risk of their particular business
- allows the Board to apply its own approach in the formulation of policies, procedures, and controls in response to the Company's particular circumstances and characteristics
- helps to produce a more cost-effective system

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- promotes the prioritisation of efforts and actions of the Company in response to the likelihood of Money Laundering and Terrorist Financing occurring through the use of Investment and Ancillary Services.

The risk-based approach adopted by the Company, and described in the Manual, involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company.

Such measures include:

- identifying and assessing the Money Laundering and Terrorist Financing risks emanating from particular Clients or types of Clients, financial instruments, services, and geographical areas of operation of its Clients
- managing and mitigating the assessed risks by the application of appropriate and effective measures, procedures, and controls
- continuous monitoring and improvements in the effective operation of the policies, procedures, and controls.

The application of appropriate measures and the nature and extent of the procedures on a risk-based approach depends on different indicators.

Such indicators include the following:

- the scale and complexity of the services offered
- geographical spread of the services and Clients
- the nature (e.g. non face-to-face) and economic profile of Clients as well as of financial instruments and services offered
- the distribution channels and practices of providing services
- the volume and size of transactions
- the degree of risk associated with each area of services
- the country of origin and destination of Clients' funds
- deviations from the anticipated level of transactions
- the nature of business transactions.

The MLCO shall be responsible for the development of the policies, procedures, and controls on a risk-based approach. Further, the MLCO shall also be responsible for the implementation of the policies, procedures, and controls on a risk-based approach. The Internal Auditor shall be responsible for reviewing the adequate implementation of a risk-based approach by the MLCO, at least annually, as per Section 5.1 of the Manual.

9.2. Identification of Risks

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9.2.1. General/Principles

The risk-based approach adopted by the Company involves the identification, recording and evaluation of the risks that have to be managed.

The Company shall assess and evaluate the risks it faces, for the use of the Investment and Ancillary Services for the purpose of Money Laundering or Terrorist Financing. The particular circumstances of the Company determine suitable procedures and measures that need to be applied to counter and manage risk.

In the cases where the services and the financial instruments that the Company provides are relatively simple, involving relatively few Clients or Clients with similar characteristics, then the Company shall apply such procedures which are able to focus on those Clients who fall outside the 'norm'.

The Company shall be, at all times, in a position to demonstrate to CySEC that the extent of measures and control procedures it applies are proportionate to the risk it faces for the use of the Investment and Ancillary Services, for the purpose of Money Laundering and Terrorist Financing.

9.2.2. Company Risks

The following, *inter alia*, are sources of risks which the Company faces with respect to Money Laundering and Terrorist Financing:

(a) *Risks based on the Client's nature:*

- complexity of ownership structure of legal persons
- companies with bearer shares
- companies incorporated in offshore centres
- PEPs
- Clients engaged in transactions which involves significant amounts of cash
- Clients from high-risk countries or countries known for high level of corruption or organised crime or drug trafficking
- unwillingness of Client to provide information on the Beneficial Owners of a legal person.

(b) *Risks based on the Client's behaviour:*

- Client transactions where there is no apparent legal financial/commercial rationale

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- situations where the origin of wealth and/or source of funds cannot be easily verified
- unwillingness of Clients to provide information on the Beneficial Owners of a legal person.

(c) *Risks based on the Client's initial communication with the Company*:

- non-face-to-face Clients
- Clients introduced by a third person.

(d) *Risks based on the Company's services and financial instruments*:

- services that allow payments to third persons/parties
- large cash deposits or withdrawals
- products or transactions which may favour anonymity.

9.3. Design and Implementation of Measures and Procedures to Manage and Mitigate the Risks

Taking into consideration the assessed risks, the Company shall determine the type and extent of measures it will adopt in order to manage and mitigate the identified risks in a cost-effective manner. These measures and procedures include:

- adaption of the Client Due Diligence Procedures in respect of Clients in line with their assessed Money Laundering and Terrorist Financing risk
- requiring the quality and extent of required identification data for each type of Client to be of a certain standard (e.g. documents from independent and reliable sources, third person information, documentary evidence)
- obtaining additional data and information from the Clients, where this is appropriate for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from the particular Business Relationship or the Occasional Transaction
- ongoing monitoring of high-risk Clients' transactions and activities, as and when applicable.

In this respect, it is the duty of the MLCO to develop and constantly monitor and adjust the Company's policies and procedures with respect to the Client Acceptance Policy and Client Due Diligence and Identification Procedures of Sections 10 and 11 of the Manual, respectively, as well as via a random sampling exercise as regards existing Clients. These actions shall be duly documented and form part of the Annual Money Laundering Report, as applicable.

9.4. Dynamic Risk Management

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Risk management is a continuous process, carried out on a dynamic basis. Risk assessment is not an isolated event of a limited duration. Clients' activities change as well as the services and financial instruments provided by the Company. The same happens to the financial instruments and the transactions used for money laundering or terrorist financing.

In this respect, it is the duty of the MLCO to undertake regular reviews of the characteristics of existing Clients, new Clients, services and financial instruments and the measures, procedures and controls, designed to mitigate any resulting risks from the changes of such characteristics. These reviews shall be duly documented, as applicable, and form part of the Annual Money Laundering Report.

9.5. Relevant International Organisations

For the development and implementation of appropriate measures and procedures on a risk-based approach, and for the implementation of Client Identification and Due Diligence Procedures, the MLCO and the Head of the Back-Office Department shall consult data, information and reports [e.g. Clients from countries which inadequately apply Financial Action Task Force's (hereinafter "FATF"), country assessment reports] that are published in the following relevant international organisations

(a) FATF - www.fatf-gafi.org
(b) The Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (hereinafter "MONEYVAL") - https://www.coe.int/en/web/moneyval
(c) The EU Common Foreign & Security Policy (CFSP)- https://finance.ec.europa.eu/eu-and-world/sanctions-restrictive-measures/overview-sanctions-and-related-resources_en
(d) The UN Security Council Sanctions Committees - www.un.org/sc/committees
(e) The International Money Laundering Information Network (IMOLIN) - www.imolin.org
(f) The International Monetary Fund (IMF) – https://www.imf.org/en/home

10. CLIENT ACCEPTANCE POLICY

The Client Acceptance Policy (hereinafter the "**CAP**"), following the principles and guidelines described in this Manual defines the criteria for accepting new Clients and defines the Client categorisation criteria which shall be followed by the Company and especially by the employees who shall be involved in the Client Account Opening process.

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The MLCO shall be responsible for applying all the provisions of the CAP. In this respect, the Head of the Customer Support Department shall also be assisting the MLCO with the implementation of the CAP, as applicable.

The Internal Auditor shall review and evaluate the adequate implementation of the CAP and its relevant provisions, at least annually, as per Section 5 of the Manual.

10.1. General Principles of the CAP

The General Principles of the CAP are the following:

(a) the Company shall classify Clients into various risk categories and based on the risk perception, decide on the acceptance criteria for each category of Client
(b) where the Client is a prospective Client, an account must be opened only after the relevant pre-account opening due diligence and identification measures and procedures have been conducted, according to the principles and procedures set in Section 11 of the Manual
(c) all documents and data described in Section 11.5 of the Manual must be collected before accepting a new Client
(d) no account shall be opened in anonymous or fictitious name(s)

10.2. Criteria for Accepting New Clients (based on their respective risk)

This Section describes the criteria for accepting new Clients based on their risk categorisation.

10.2.1. Low Risk Clients

The Company shall accept Clients who are categorised as low risk Clients as long as the general principles under Section 10.1 are being followed. Under this category, institutional clients and eligible counterparties exist.

Moreover, the Company shall follow the *Simplified Client Identification and Due Diligence Procedures* for low-risk Clients.

10.2.2. Normal Risk Clients

The Company shall accept Clients who are categorised as normal risk Clients as long as the general principles under Section 10.1 of the Manual are being followed. This category retains any client who is not considered as Low Risk or High-Risk client.

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10.2.3. High Risk Clients

The Company shall accept Clients who are categorised as high-risk Clients, as long as the general principles under Section 10.1 of the Manual are being followed. The following clients are treated as high-risk clients:

- FATF list nationals
- High Deposit Clients (clients who deposit 50k +)
- Politically Exposed Persons
- Sensitive clients (as per the meaning of Section 11.8.1.2)
- Trust Accounts

Moreover, the Company shall apply the *Enhanced Client Identification and Due Diligence* measures for high-risk Clients and the due diligence and identification procedures for the specific types of high risk Clients mentioned as well in Section 11.8 of the Manual, as applicable.

10.3. Not Acceptable Clients

The following list predetermines the type of Clients who are not acceptable for establishing a Business Relationship or an execution of an Occasional Transaction with the Company:

- Clients who fail or refuse to submit, the requisite data and information for the verification of their identity and the creation of their economic profile, without adequate justification
- Shell Banks
- The following residents:

  a. HIGH RISK AND NON – COOPERATIVE JURISDICTIONS according to FATF (FINANCIAL ACTION TASK FORCE)
  b. All 3rd country residents except residents of Switzerland.
  c. Polish, Russian, Latvian, Japan, Australia, New Zealand, Singapore, Egypt, United Kingdom, Czech Republic and Belarus residents

10.4. Client Categorisation Criteria

This Section defines the criteria for the categorisation of Clients based on their risk. The MLCO shall be responsible for categorising Clients in one of the following three (3) categories based on the criteria of each category set below:

10.4.1. Low Risk Clients

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The following types of Clients can be classified as low risk Clients with respect to the Money Laundering and Terrorist Financing risk which the Company faces:

- credit or financial institution covered by the EU Directive
- credit or financial institution carrying out one or more of the financial business activities as these are defined by the Law and which is situated in a country outside the EEA, which:
    - in accordance with a decision of the Advisory Authority, imposes requirements equivalent to those laid down by the EU Directive and
    - it is under supervision for compliance with those requirements
- listed companies whose securities are admitted to trading on a Regulated Market in a country of the EEA or in a third country which is subject to disclosure requirements consistent with community legislation
- domestic public authorities of countries of the EEA.

It is provided that, in the cases mentioned above, the Company has to gather sufficient information to establish if the Client qualifies as a low-risk Client. In this respect, the MLCO shall be responsible to gather the said information. The said information shall be duly documented and filed, as applicable, according to the recording keeping procedures described in Section 14.1.

10.4.1.1 Simplified Due Diligence

There are circumstances where the risk of money laundering or terrorist financing is lower, where information on the identity of the customer and the beneficial owner of a customer is publicly available, or where adequate checks and controls exist elsewhere in national systems. In such circumstances it could be reasonable for a country to allow its financial institutions to apply simplified or reduced KYC measures when identifying and verifying the identity of the customer and the beneficial owner.

Our Company will apply these simplified measures to customers in its own jurisdiction and from any other EU jurisdiction, as long as it is satisfied is in compliance with and has effectively implemented the FATF Recommendations.

Section 63 of the Money Laundering Law states that the above can apply for the following customers:

- Credit or financial institution covered by the EU Directive.
- Credit or financial institution carrying out one or more of the financial business activities as these are defined in section 2 of this law and which are situated in a country outside the European Economic Area, which:

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- in accordance with a decision of the Advisory Authority for Combating Money Laundering and Terrorist Financing, imposes requirements equivalent to those laid down by the EU Directive and
- it is under supervision for compliance with those requirements.

- Listed companies whose securities are admitted to trading on a regulated market in a country of the European Economic Area or in a third country which is subject to disclosure requirements consistent with community legislation
- Domestic public authorities of countries of the European Economic Area

In the case of the establishment of a business relationship who carry out the above services and activities and which are incorporated, the Company will follow the following procedure:

- ✓ ***a copy of the licence or authorisation granted to the said person from a competent supervisory/regulatory authority*** of its country of incorporation and operation, whose authenticity should be verified either directly with the relevant supervisory/regulatory authority or from other independent and reliable sources, and
- ✓ ***Certificate of Directors and Certificate of Shareholders*** and/or any other adequate documentation and sufficient information in order to fully understand the control structure and management of the business activities as well as the nature of the services and activities provided by the customer.

The MLCO will closely monitor any legal entity who followed Simplified Due Diligence Procedures and in case of any kind of money laundering suspicions will immediately conduct Enhanced Due Diligence to identify any possible risk.

10.4.2. Normal Risk Clients

The following types of Clients can be classified as normal risk Clients with respect to the Money Laundering risk which the Company faces:

- any Client who does not fall under the 'low risk Clients' or 'high risk Clients' categories set in Sections 10.4.1 and 10.4.3, respectively.
- All other Clients who are not physically present for identification purposes (non-face-to-face Clients) except if they are categorised as High-Risk Clients

10.4.3. High Risk Clients

The following types of Clients can be classified as high-risk Clients with respect to the Money Laundering and Terrorist Financing risk which the Company faces:

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- Trust accounts
- Clients who are nationals from countries which inadequately apply FATF's recommendation
- High Deposit Clients (clients who deposit 50k +)
- Politically Exposed Persons
- Sensitive clients (as per the meaning of Section 11.8.1.2)
- Any other Client determined by the Company itself to be classified as such.

10.5. Client Target Market Assessment

As part of the Client Acceptance Policy, and in line with the requirements of the AML Law, the CySEC AML Directive, and the provisions of MiFID II product governance, the Company establishes procedures to ensure that clients are accepted only where their needs, characteristics and objectives are compatible with the nature and risks of the financial instruments offered. The purpose of this process is to safeguard the Company against onboarding clients who present heightened risks of money laundering, terrorist financing, or investor detriment.

Target Market Categories:

- **Positive Target Market**: Clients whose financial situation, knowledge, experience, and investment objectives demonstrate compatibility with the financial instruments and services provided by the Company.

- **Negative Target Market – Approved**: Clients whose characteristics present certain incompatibilities, but who may exceptionally be accepted subject to enhanced due diligence, additional AML/CTF monitoring, and the provision of specific risk disclosures and written client acknowledgement.

- **Negative Target Market**: Clients whose needs, financial profile, or vulnerability render them incompatible with the financial instruments and services of the Company. Such clients shall not be accepted.

Assessment procedure:

The classification of clients into the above categories shall form an integral part of the onboarding process and be linked to the Client Due Diligence and Appropriateness Test under Section 11 of this Manual. Specifically:

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- All prospective clients complete the Appropriateness Test, where each response is assigned a weighted score.
- The cumulative score determines the client's compatibility with the Positive or Negative Target Market.
- Compliance reviews the results and, where necessary, approves or rejects clients in accordance with AML risk appetite.

Scoring Methodology:

The scoring system reflects the client's employment status, industry background, financial resilience, knowledge, experience, and trading behaviour, as set out in the Company's Appropriateness Test.

Illustrative Brackets:

- 0% – 40% → Negative Target Market (Rejected): Client is not appropriate to trade and shall not be accepted. A warning will be issued advising the client to reapply only if their knowledge and/or experience improves.

- 40.01% – 70% → Negative Target Market – Approved (Conditional Acceptance): Client is not appropriate to trade but may proceed at their own risk if they acknowledge the warnings provided. Such clients shall be subject to enhanced due diligence, ongoing monitoring, and closer AML/CTF oversight.

- 70.01% – 100% → Positive Target Market (Accepted): Client is considered appropriate to trade, demonstrating adequate knowledge, experience, and financial capacity.

Negative Target Market Groups:

The following groups are deemed high-risk and incompatible with the Company's business model, and are classified as **Negative Target Market**, unless otherwise approved under exceptional circumstances with strict AML/CTF controls:

- Clients with no demonstrable source of income or employment (unemployed)
- Clients with no investment knowledge or experience
- Clients whose investment objective is solely the preservation of capital
- Vulnerable clients, including minors, elderly individuals, or legally incapacitated persons
- Clients with low financial resilience or an inability to bear losses

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Controls and Oversight:

- Clients categorised as Negative Target Market – Approved may only be onboarded with prior Compliance approval, documented justification, and application of enhanced AML/CTF due diligence measures.
- Clients categorised as Negative Target Market (Rejected) shall not be onboarded under any circumstances.
- All assessments, scoring outcomes, compliance approvals, and related documentation shall be retained in the client file in line with Section 14 of this Manual.

10.6. Termination of Business Relationships

General Principle:

The Company shall maintain documented procedures for the orderly termination of business relationships with clients. Such procedures are designed to ensure compliance with the AML Law, the CySEC AML Directive, and internal risk management policies, while safeguarding the integrity of the Company and mitigating financial crime, legal, and reputational risks.

Grounds for Termination:

A business relationship may be terminated under any of the following circumstances:

- **Client-Initiated Termination:** The client formally requests the closure of their account and the cessation of the business relationship.

- **Company-Initiated Termination:** The Company elects to terminate the relationship where:
    a) there are unresolved AML/CTF concerns or suspicions.
    b) the client is categorised as "Not Acceptable",
    c) the client repeatedly fails to comply with identification or CDD requirements,
    d) the client's activity is inconsistent with the declared economic profile,
    e) there are breaches of the Client Agreement or regulatory restrictions (e.g., sanctions).

- **Dormant or Inactive Accounts:** Accounts that remain dormant or inactive for a defined period (as determined by internal policy) may be closed following due notice to the client.

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- **Dormant or Inactive Accounts:** Accounts that remain dormant or inactive beyond the period specified in the Company's policies may be closed, following reasonable efforts to contact the client.

Procedures:

A relationship may be terminated at the client's request, by a decision of the Company, or in cases where an account remains dormant or inactive for a defined period. In each instance, the Company ensures that the reasons for termination are properly assessed, documented, and approved in line with the four-eyes principle.

The termination process involves several key steps. First, the request or decision is formally logged in the Company's systems. The MLCO then reviews the client's file, economic profile, and transaction history to determine whether the termination raises any AML/CTF concerns. If suspicion exists, a Suspicious Activity Report is prepared and submitted to MOKAS before the account is closed. At all times, the Company ensures that funds are returned exclusively to the client's verified bank account of origin, unless otherwise directed by a competent authority.

To ensure proper governance, the Company applies the four-eyes principle in all termination cases.

This means that:

- each decision must be justified in writing and reviewed by Compliance;
- a second authorised person (e.g., from Senior Management or Back Office) must review and co-sign the decision;
- no account may be closed without this dual authorisation.

The MLCO maintains a centralised Termination Register, which records the identity of the client, the grounds for termination, the approvals obtained, the date of closure, whether a Suspicious Activity Report was filed, and confirmation that any funds were returned. This register is subject to review by the Internal Auditor as part of the annual AML audit.

Client communication forms part of the process. Where termination is requested by the client, or where the Company closes an account for non-suspicious reasons, the client is notified in writing and instructed on the withdrawal of funds. Where the termination arises from AML/CTF suspicion, however, the Company exercises caution to avoid tipping-off and may restrict communication accordingly.

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Finally, all records relating to terminations — including compliance assessments, approvals, correspondence, Suspicious Activity Reports and fund transfer evidence — are retained for at least five years in accordance with the AML Law.

10.7. Dormant Accounts

For the purposes of the AML Law, dormant accounts may pose heightened risks of misuse for money laundering or terrorist financing. The Company therefore establishes the following procedures for the identification, monitoring and treatment of dormant accounts, in alignment with the Client Agreement.

An account shall be considered dormant where there has been no trading or funding activity for a continuous period of three (3) consecutive months. In such cases, the Company reserves the right to impose a monthly inactivity fee of twenty (20) EUR/USD/GBP/CHF, depending on the base currency of the account, provided there are sufficient funds available. Where a client maintains insufficient balances, a lower fee may be applied at the Company's discretion. Accounts which have never been funded shall not be subject to inactivity fees.

Where a client maintains more than one account, dormancy shall be assessed on an account-by-account basis. A single account may therefore be classified as dormant even if the client is active on another account. In the case of accounts with a zero balance, the account shall be deemed dormant after twelve (12) months of inactivity and may be closed following compliance review.

If a client remains inactive for a period of two (2) years or more, the Company may proceed with the closure of the account and notify the client accordingly. In such cases, any remaining balances shall be returned exclusively to the client's verified bank account of origin. Bank charges, custody fees or related fees may be deducted from the client's funds, as provided in the Client Agreement.

The classification and closure of dormant accounts is subject to governance oversight. All such decisions must be documented and approved in line with the four-eyes principle, requiring review by the Compliance Department and one additional authorised person (Back Office or Senior Management). The MLCO shall maintain a Dormant Accounts Register, recording the account details, date of classification, fees applied, approvals obtained, and the date and method of closure.

Records relating to dormant accounts, including client communication, approvals, and evidence of returned funds, shall be retained for a minimum of five (5) years in line with the AML Law and the requirements of Section 14 of this Manual.

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11. CLIENT DUE DILIGENCE AND IDENTIFICATION PROCEDURES

11.1. Application of Client Due Diligence and Identification Procedures

The Company shall duly apply Client identification procedures and Client due diligence measures in the following cases:

(a) when establishing a Business Relationship
(b) when there is a suspicion of money laundering or terrorist financing, regardless of the amount of the transaction
(c) when there are doubts about the veracity or adequacy of previously Client identification data.

In this respect, it is the duty of the MLCO to apply all the relevant Client Due Diligence Identification Procedures described in Section 11 of the Manual for the cases mentioned above. Furthermore, the Head of Customer Support Department shall also be responsible to collect and file the relevant Client identification documents, according to the recording keeping procedures described in Section 14.1 of the Manual.

Further, the MLCO shall be responsible to maintain at all times and use during the application of Client due diligence and identification procedures template-checklists with respect to required documents and data from potential Clients, as per the requirements of the Law and the Directive.

The Internal Auditor shall be responsible to review the adequate implementation of all the policies and procedures mentioned in Section 11 of the Manual, at least annually, as per Section 5 of the Manual.

11.2. Transactions that Favour Anonymity

In the case of Clients' transactions via internet, phone, fax or other electronic means where the Client is not present so as to verify the authenticity of his signature or that he is the real owner of the account or that he has been properly authorised to operate the account, the Company applies reliable methods, procedures and control mechanisms over the access to the electronic means, so as to ensure that it deals with the true owner or the authorised signatory of the account.

11.3. Failure or Refusal to Submit Information for the Verification of Clients' Identity

Failure or refusal by a Client to submit, before the establishment of a Business Relationship or the execution of an occasional transaction, the requisite data and information for the verification of his identity and the creation of his economic profile (see Section 11.5 of the

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Manual and Appendix 4), without adequate justification, constitutes elements that may lead to the creation of a suspicion that the Client is involved in money laundering or terrorist financing activities. In such an event, the Company shall not proceed with the establishment of the Business Relationship or the execution of the occasional transaction while at the same time the MLCO considers whether it is justified under the circumstances to submit a report to the Unit, according to point (g) of Section 6.2 of the Manual.

If, during the Business Relationship, a Client fails or refuses to submit, within a reasonable timeframe, the required verification data and information according to Section 11 of the Manual, the Company shall terminate the Business Relationship and closes all the accounts of the Client while at the same time examines whether it is justified under the circumstances to submit a report to Unit, according to paragraph point (g) of Section 6.2 of the Manual.

11.4. Time of Application of the Due Diligence and Client Identification Procedures

With respect to the timing of the application of the Due Diligence and Client Identification Procedures, the MLCO shall be responsible for the application of the following provisions:

1. The verification of the identity of the Client and the Beneficial Owner shall be performed before the establishment of a Business Relationship or the carrying out of a transaction.

2. By way of derogation from point (1) above, the verification of the identity of the Client and the Beneficial Owner shall be completed during the establishment of a Business Relationship if this is necessary not to interrupt the normal conduct of business and where the risk of money laundering or terrorist financing occurring is low. In such situations these procedures shall be completed as soon as possible after the initial contact and before any transactions are conducted.

3. Without prejudice of what is stated in paragraph (2) by way of derogation from paragraph (1), for cases that fall under the supervision of the Cyprus Securities and Exchange Commission the verification of the identity of the customer and the beneficial owner may be completed during the establishment of a business relationship if this is necessary not to interrupt the normal conduct of business and where there is little risk of money laundering or terrorist financing occurring. It is understood that in such situations these procedures shall be completed as soon as practicable after the initial contact.

4. So, by way of derogation to the general rule of article 62(1) of the Law, in accordance to the new article 62(2A) of the Law, the verification of identity of the customer/beneficial owner of a CySEC regulated entity may be completed during the

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establishment of a business relationship: (a) if this is necessary not to interrupt the normal conduct of business, and (b) where there is little risk of money laundering or terrorist financing occurring, and where the process of verifying the procedure is completed as soon as practicable after the initial contact.

5. With the addition of the new article 62(2A) of the Law the obligation of not trading "during the establishment of a business relationship" is omitted, in cases where the conditions of paragraph (iv) above, for verification during the establishment of a business relationship, apply.

6. In relation to paragraph (iv) above, CySEC considers that, when commencing the establishment of a business relationship with a client/beneficial owner whose identity has not been yet verified, the risk may be assessed as low when, as a minimum, the following, among others, are taken into consideration:

   - If the verification of the customer/beneficial owner's identity has not been completed, the cumulative amount of deposited funds of a customer/beneficial owner should not exceed €2,000, irrespective of the number of accounts the client/beneficial owner holds with the regulated entity.
   - The cumulative time in which the verification of the identity of a customer/beneficial owner is completed, must not exceed 15 days from initial contact.
   - Within the timeframe of 15 days from initial contact, the regulated entity takes all reasonable measures to ensure that the percentage of customers that have not complied with the request to submit verification documents, is considerably low (e.g. the regulated entity issues requests/reminders to the customer/beneficial owner informing them of their obligation to submit the requested documents for the verification of their identity).
   - Where the verification of the customer/beneficial owner's identity has not been completed during the designated timeframe of 15 days, the commencement of a business relationship must be terminated on the date of the deadline's expiry and all deposited funds must be returned automatically to the customer/beneficial owner, in the same bank account from which they originated: the return of funds must occur immediately, regardless of whether the customer has requested the return of their funds or not. The returned funds (deposits) include any profits the customer has gained during their transactions and exclude any losses incurred.
   - Within the timeframe of 15 days from initial contact, the customer/beneficial owner must undergo at least one Enhanced Due Diligence measure in accordance with article 64 of the Law.
   - No funds are withheld, and no accounts are frozen, save for those cases of suspicion of money laundering, where the regulated entity is under obligation to

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immediately report their suspicion to MOKAS and notify CySEC of the suspicious transaction incident in the designated procedure.

7. In cases where the Company is unable to comply with points 1(a) to 1(e) of Section 11.5 of the Manual, the Company shall not carry out any transaction through a bank account, establish a Business Relationship or carry out an Occasional Transaction and consider making a report to the Unit.

8. Identification procedures and Client due diligence requirements shall be applied not only to all new Clients but also to existing Clients at appropriate times, depending on the level of risk of being involved in money laundering or terrorist financing (see points (b) to (d) of Section 11.1 of the Manual).

11.5. Construction of an Economic Profile and General Client Identification and Due Diligence Principles

1. The construction of the Client's economic profile needs to include/follow the principles below:

   (a) the Company shall be satisfied that it's dealing with a real person, and, for this reason, the Company shall obtain sufficient evidence of identity to verify that the person is who he claims to be. Furthermore, the Company shall verify the identity of the Beneficial Owner(s) of the Clients' accounts. In the cases of legal persons, the Company shall obtain adequate data and information so as to understand the ownership and control structure of the Client. Irrespective of the Client type (e.g. natural or legal person, sole trader or partnership), the Company shall request and obtain sufficient data and information regarding the Client business activities and the expected pattern and level of transactions. However, it is noted that no single form of identification can be fully guaranteed as genuine or representing correct identity and, consequently, the identification process will generally need to be cumulative

   (b) the verification of the Clients' identification shall be based on reliable data and information issued or obtained from independent and reliable sources, meaning those data, and information that are the most difficult to be amended or obtained illicitly

   (c) a person's residential and business address will be an essential part of his identity

   (d) the Company will never use the same verification data or information for verifying the Client's identity and verifying its home address

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(e) the data and information that are collected before the establishment of the Business Relationship, with the aim of constructing the Client's economic profile and, as a minimum, shall include the following:

- the purpose and the reason for requesting the establishment of a Business Relationship
- the anticipated account turnover, the nature of the transactions, the expected origin of incoming funds to be credited in the account and the expected destination of outgoing transfers/payments
- the Client's size of wealth and annual income and the clear description of the main business/professional activities/operations

(f) the data and information that are used for the construction of the Client-legal person's economic profile shall include, *inter alia*, the following:

- the name of the company
- the country of its incorporation
- the head offices address
- the names and the identification information of the Beneficial Owners
- the names and the identification information of the directors
- the names and the identification information of the authorised signatories
- financial information
- the ownership structure of the group that the Client-legal person may be a part of (country of incorporation of the parent company, subsidiary companies and associate companies, main activities and financial information).

(g) identical data and information with the abovementioned shall be obtained in the case of a Client-natural person, and in general, the same procedures with the abovementioned shall be followed

(h) Client transactions transmitted for execution, shall be compared, and evaluated against the anticipated account's turnover, the usual turnover of the activities/operations of the Client and the data and information kept for the Client's economic profile. Significant deviations are investigated, and the findings are recorded in the respective Client's file. Transactions that are not justified by the available information on the Client, are thoroughly examined so as to determine whether suspicions over money laundering or terrorist financing arise for the purposes of submitting an internal report to the MLCO.

2. The said data and information are recorded in a separate form designed for this purpose which is retained in the Client's file along with all other documents as well as all internal records of meetings with the respective Client. The said form is updated regularly or whenever new information emerges that needs to be added to the economic profile of

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the Client or alters existing information that makes up the economic profile of the Client.

3. The Company shall apply each of the Client due diligence measures and identification procedures set out in point (1) above but may determine the extent of such measures on a risk-sensitive basis depending on the type of Client, Business Relationship, product or transaction. The Company shall be able to demonstrate to CySEC that the extent of the measures is appropriate in view of the risks of the use of the Investment and Ancillary Services for the purposes of Money Laundering and Terrorist Financing.

4. For the purposes of the provisions relating to identification procedures and Client due diligence requirements, proof of identity is satisfactory if-

   (a) it is reasonably possible to establish that the Client is the person he claims to be; and,
   (b) the person who examines the evidence is satisfied, in accordance with the procedures followed under this Law, that the Client is actually the person he claims to be.

11.6. <u>Further Obligations for Client Identifications and Due Diligence Procedures</u>

11.6.1. In addition to the principles described in Section 11.5. above, the Company, and specifically the MLCO shall:

(a) ensure that the Client identification records remain completely updated with all relevant identification data and information throughout the Business Relationship
(b) examine and check, on a regular basis, the validity and adequacy of the Client identification data and information that he maintains, especially those concerning high risk Clients.

The procedures and controls of point (a) in Section 6.2 of the Manual also determine the timeframe during which the regular review, examination and update of the Client identification is conducted. The outcome of the said review shall be recorded in a separate note/form which shall be kept in the respective Client file.

Despite the obligation described in point (1) above and while taking into consideration the level of risk, if at any time during the Business Relationship, the Company becomes aware that reliable or adequate data and information are missing from the identity and the economic profile of the Client, then the Company takes all necessary action, by applying the Client identification and due diligence procedures according to the

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Manual, to collect the missing data and information, the soonest possible, so as to identify the Client and update and complete the Client's economic profile.

In addition to the obligation of points (1) and (2) above, the Company shall check the adequacy of the data and information of the Client's identity and economic profile, whenever one of the following events or incidents occurs:

(a) an important transaction takes place which appears to be unusual and/or significant compared to the normal pattern of transactions and the economic profile of the Client
(b) a material change in the Client's legal status and situation, such as:
  i. change of directors/secretary
  ii. change of registered shareholders and/or Beneficial Owners
  iii. change of registered office
  iv. change of trustees
  v. change of corporate name and/or trading name
  vi. change of the principal trading partners and/or undertaking of major new business activities
(c) a material change in the way and the rules the Client's account operates, such as:
  i. change in the persons that are authorised to operate the account
  ii. application for the opening of a new account for the provision of new investment services and/or financial instruments.

11.6.2. Appropriateness Test – Structure of Economic Profile

The Company since April 2017 onwards, has developed a new formal risk weighting model which assesses the appropriateness of the clients in regard to the services, instruments and products provided. Amongst others, it limits the level of leverage available to retail clients that do not pass the appropriateness test or limit the sum that the client can invest, in any one transaction for a period of time.

The Company went the extra mile and ensured that clients who do not pass the appropriateness test, not only will not have the right to choose a higher leverage, but they will be rejected to open an account with the Company, until they fit the criteria and pass the test, as per the provisions of the Clients' Assessment of Appropriateness Policy of the Company.

During the clients' trading account opening, the Company has in place an automated scoring system running in the background of the account opening form and automatically generate an indicative appropriateness score for each client.

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The scoring result will be based on an algorithmic combination of knowledge and experience (Appendix 4) in the investment field relevant to the specific type of product or service offered or demanded. Based on the appropriateness scoring, the client will be categorized in the Company's system into one of the three Brackets, as described below. The automated scoring system shall be also connected to the CRM system of the Company in order to keep records of the result.

SCORING BRACKETS

Upon completion of the Account Opening Form, the client, based on its Appropriateness Scoring (please see above) shall automatically fall into one of the three below Brackets.

Bracket A: Appropriate client to trade (i.e. Experienced & Educated);
Bracket B: Not appropriate client to trade but not rejected (i.e. Non Experienced & Educated or Experienced & Non Educated);
Bracket C: Not appropriate client to trade and rejected with a warning to try again upon being able to upgrade to Bracket A or Bracket B (i.e. Non Experienced & Non Educated).

In case of a Bracket B client, a warning for not being appropriate to trade shall be sent to the client by the time of its account opening. Simultaneously, the Company shall advise to offer free trainings, e-books, invitation to webinars, continual live-chat assistance. Also, the Company informs the client that it has the discretion to monitor his trading results and contact him in case you suffer constant losses.

11.6.3. Source of Funds/Source of Wealth

The Company applies an additional due diligence measure in regard to deposits above 50.000 (in any currency). For the Company it is of major importance how the client acquired the monies he deposits. This reflects the Company's commitment to maintain the highest possible standards of business practice and to counter money laundering and the financing of terrorism. Therefore, the Company requests from the client to complete a questionnaire and provide any documentary evidence as to the source of funds of the clients' deposit in order for the company to identify and clearly assess the economic profile of the client.

The Legal & Compliance Department shall examine the case and the client's profile and if considers that further information and clarifications are needed in regard to a particular deposit, will liaise with Customer Support requesting from the client to:

1. Complete the Source of Funds Questionnaire;
2. Request proof as to the source of funds/wealth of the money deposited;
3. The relevant proof includes but not limited to documents like the below:
    - bank account statements in order to see his wealth

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- proof of dividends/profits if he has his own company,
- payslips showing amounts that can justify so high deposits
- lease/sale agreement of a property
- loan agreement

11.7. <u>Simplified Client Identification and Due Diligence Procedures</u>

With respect to the provisions of the Law and the Directive for simplified Client Identification and Due Diligence Procedures, the following shall apply:

1. The Company may not apply the measures described in points (a), (b) and (d) of Section 11.1, point (1) of Section 11.4 and Sections 11.5 and 11.6 of the Manual in the cases where the Client is categorised as a low-risk Client according to the criteria set in Section 10.4.1 of the Manual.

   Furthermore, where the Client is categorised as a low-risk Client (according to the criteria set in Section 10.4.1 of the Manual) the verification of the identity of the Client and the Beneficial Owner may be completed during the establishment of a Business Relationship if this is necessary not to interrupt the normal conduct of business and where the risk of money laundering or terrorist financing occurring is low. In such situations these procedures shall be completed as soon as possible after the initial contact and before any transactions are conducted.

2. It is also not required that the provisions in points (a), (b) and (d) of Section 11.1, point (1) of Section 11.4 and Sections 11.5 and 11.6 of the Manual, be applied, as applicable and appropriate, in respect of:

   (a) life insurance policies where the annual premium is no more than Euro 1,000 or the lump sum is not more than Euro 2,500
   (b) insurance policies for pension schemes if there is no surrender clause and the policy cannot be used as collateral
   (c) a pension or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme
   (d) electronic money, as defined by Section 2 of the Electronic Money Institution Law (Law 86(I)/2004),
      i. if the device cannot be recharged, the maximum amount stored in the device is no more than euro 150; or
      ii. if the device can be recharged, a limit of euro 2,500 is imposed on the total amount transacted in a calendar year, except when an amount of euro 1,000 or more is redeemed in the same calendar year by the bearer.

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3. It is provided that the Company shall collect sufficient information, so as to decide whether the Client can be exempted according to the provisions of points (1) - already mentioned in Section 10.4.1 - and (2) above. The Company when assessing the abovementioned shall pay special attention to any activity of those Clients or to any type of transactions which may be regarded as particularly likely, by its nature, to be used or abused for money laundering or terrorist financing purposes.

4. The Company shall not consider that Clients or transactions referred to in points (1) and (2) above represent a low risk of money laundering or terrorist financing if there is information available to suggest that the risk of money laundering or terrorist financing may not be low.

5. With respect to public authorities or public bodies of the EEA countries, for which the provisions of point (1) of Section 11.5 may not be applied, they must fulfil all the following criteria:

   (a) the Client has been entrusted with public functions pursuant to the Treaty on European Union, the Treaties on the Communities or Community secondary legislation
   (b) the Client's identity is publicly available, transparent, and certain
   (c) the activities of the Client, as well as its accounting practices, are transparent
   (d) either the Client is accountable to a community institution or to the authorities of a member state, or appropriate check and balance procedures exist ensuring control of the Client's activity.

11.8. Enhanced Client Identification and Due Diligence (High Risk Clients)

11.8.1. General Provisions

The Company when dealing with the above categories of clients shall apply the Enhanced Due Diligence and Monitoring procedures.

1. Trust accounts
2. Clients who are nationals from countries which inadequately apply FATF's recommendation
3. High Deposit Clients (clients who deposit 50k +)
4. Politically Exposed Persons
5. Sensitive clients (as per the meaning of Section 11.8.1.2)

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6. Any other Client determined by the Company itself to be classified as such.

The following documents shall be collected:

a) Copy of a valid International Passport front and back
b) Copy of a Utility Bill up to six (6) months' old
c) PEPs should always complete the relevant form of the Company declaring the particulars in regard to their status and should always obtain Management Approval for their acceptance
d) Their accounts will be monitored every year and request updated passports and UBs.

With respect to transactions or Business Relationships with people within the above category, the Company shall:

i. have appropriate risk-based procedures to determine whether the Client falls under this category
ii. have *Senior Management* approval for establishing Business Relationships with such Clients
iii. take adequate measures to establish the source of wealth and source of funds that are involved in the Business Relationship or transaction
iv. conduct enhanced ongoing monitoring of the Business Relationship.

Below are described due diligence, identification and enhanced monitoring procedures with respect to high-risk Clients:

11.8.1.2 – Enhanced Account Monitoring

The Company has implemented an internal procedure whereby the Accounts of High-risk clients are reviewed in depth once per year. The review is done jointly by the Customer Support Department and the Compliance Department.

The main aim of the review is to closely monitor the below 5 categories of clients and observe any deficiencies or discrepancies in their accounts:

- Trust accounts
- FATF list nationals
- High Deposit Clients (clients who deposit €50.000 +)
- Politically Exposed Persons
- Clients marked as "Sensitive"
    - Unemployed
    - Students
    - Retired with Deposits more than €20.000 per year.

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Enhanced Monitoring procedure

The five categories of clients are tagged (hereinafter the **"High risk clients"**) accordingly by the Customer Support Department in the Company's CRM, so as to segregate their accounts from Medium or Low Risk clients. Based on the tags in CRM the following review of the four categories is done:

- Check the documents of all clients with the relevant tag
  1. If personal documents of the Clients are expired/missing/better copy is needed– the client is contacted to provide new documents.
  2. Unlike the UBs provided by Medium or Low Risk clients which have a validity period of 24 months as of the issue date, the UBs of High-Risk Clients have a validity period of 12 months after their issue date.
  3. A World Check report is done again by the Company for the clients which is then reviewed and
  4. Review the financial background of the clients in comparison to the total period deposits to see whether there is any unusual activity in the account comparing it to the economic profile of the client. If any discrepancy is found, the Source of Funds Questionnaire or Source of Funds Verification Form are provided in order to confirm the Client's origin of funds.

- When the above review is finished, a note with a short summary in the client's profile in ZOHO is added in order to have a record of the reviews done on the client profile throughout his trading activity with the Company. The note should be in the following form:

  Regular check done:
  Personal document – OK
  UB – OK
  World Check Report– OK
  Financial activities – OK

11.8.2. Account in names of companies whose shares are in bearer form

The Company may not accept a request for the establishment of a Business Relationship or for an Occasional Transaction from companies whose own shares or those of their parent companies (if any) have been issued in bearer form.

11.8.3. Trust accounts

The MLCO shall apply the following with respect to trust accounts:

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1. When the Company establishes a Business Relationship or carries out an Occasional Transaction with trusts, it shall ascertain the legal substance, the name, and the date of establishment of the trust and verify the identity of the trustor, trustee and Beneficial Owners, according to the Client identification procedures prescribed in throughout Section 11 of this Manual.

2. Furthermore, the Company shall ascertain the nature of activities and the purpose of establishment of the trust as well as the source and origin of funds requesting the relevant extracts from the trust deed and any other relevant information from the trustees. All relevant data and information shall be recorded and kept in the Client's file.

11.8.4. 'Client accounts' in the name of a third person

The Company does not allow "client accounts" (e.g. omnibus accounts) in the name of a third person.

11.8.5. "Politically Exposed Persons" accounts

The Company shall apply the following with respect to the accounts of "Politically Exposed Persons" locally or from a foreign country:

1. The establishment of a Business Relationship or the execution of an Occasional Transaction with persons holding important public positions in a foreign country or locally and with natural persons closely related to them, may expose the Company to enhanced risks, especially if the potential Client seeking to establish a Business Relationship or the execution of an Occasional Transaction is a PEP, a member of his immediate family or a close associate that is known to be associated with a PEP.

   The Company shall pay more attention when the said persons originate from a country which is widely known to face problems of bribery, corruption and financial irregularity and whose anti-money laundering laws and regulations are not equivalent with international standards.

2. In order to effectively manage such risks, the Company shall assess the countries of origin of its Clients in order to identify the ones that are more vulnerable to corruption or maintain laws and regulations that do not meet the 40+9 requirements of the FATF, according to Section 11.8.8 of the Manual.

   With regard to the issue of corruption, one useful source of information is the Transparency International Corruption Perceptions Index which can be found on the website of Transparency International at https://www.transparency.org/en

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With regard to the issue of adequacy of application of the 40+9 recommendations of the FATF, the Company shall retrieve information from the country assessment reports prepared by the FATF or other regional bodies operating in accordance with FATF's principles (e.g. Moneyval Committee of the Council of Europe) or the International Monetary Fund.

3. According to the meaning of Section 1 of the Manual, PEPs are the natural persons who are residing in another member state of the European Union or a third country and who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates of such persons.

4. The meaning 'Politically Exposed Persons' includes the following natural persons who are or have been entrusted with prominent public functions' in a foreign country:

   (a) heads of State, heads of government, ministers and deputy or assistant ministers
   (b) members of parliaments
   (c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances
   (d) members of courts of auditors or of the boards of central banks
   (e) ambassadors and high-ranking officers in the armed forces
   (f) members of the administrative, management or supervisory bodies of State-owned enterprises.

5. Without prejudice to the application, on a risk-sensitive basis, of enhanced Client due diligence measures (Section 11.8.1 of the Manual), where a person has ceased to be entrusted with a prominent public function within the meaning of point (4) above for a period of at least one year, the Company shall not be obliged to consider such a person as politically exposed.

6. None of the categories set out in point (4) above shall be understood as covering middle ranking or more junior officials. 'Immediate family members' includes the following:
   (a) the spouse or the person with which cohabit for at least one year
   (b) the children and their spouses or the persons with which cohabit for at least one year
   (c) the parents.

7. 'Persons known to be close associates' includes the following:

   (a) any natural person who is known to have joint Beneficial Ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in point (4) above

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(b) any natural person who has sole Beneficial Ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in point (4) above.

8. Without prejudice to the provisions of point (c) Section 11.8.1 of the Manual, the Company adopts the following additional due diligence measures when it establishes a Business Relationship or carries out an Occasional Transaction with a PEP:

(a) the Company puts in place appropriate risk management procedures to enable it to determine whether a prospective Client is a PEP. Such procedures may include, depending on the degree of risk, the acquisition and installation of a reliable commercial electronic database for PEPs, seeking and obtaining information from the Client himself or from publicly available information. In the case of legal entities and arrangements, the procedures will aim at verifying whether the Beneficial Owners, authorised signatories and persons authorised to act on behalf of the legal entities and arrangements constitute PEPs. In case of identifying one of the above as a PEP, then automatically the account of the legal entity or arrangement should be subject to the relevant procedures specified in this Section of the Manual

(b) the decision for establishing a Business Relationship or the execution of an Occasional Transaction with a PEP is taken by an *Executive Director* of the Company and the decision is then forwarded to the MLCO. When establishing a Business Relationship with a Client (natural or legal person) and subsequently it is ascertained that the persons involved are or have become PEPs, then an approval is given for continuing the operation of the Business Relationship by an *Executive Director* of the Company which is then forwarded to the MLCO

(c) before establishing a Business Relationship or executing an Occasional Transaction with a PEP, the Company shall obtain adequate documentation to ascertain not only the identity of the said person but also to assess his business reputation (e.g. reference letters from third parties)

(d) the Company shall create the economic profile of the Client by obtaining the information specified in Section 11.5 and as these are set in Appendix 4. The details of the expected business and nature of activities of the Client forms the basis for the future monitoring of the account. The profile shall be regularly reviewed and updated with new data and information. The Company shall be particularly cautious and most vigilant where its Clients are involved in businesses which appear to be most vulnerable to corruption such as trading in oil, arms, cigarettes and alcoholic drinks.

(e) the account shall be subject to a twelve months review in order to determine whether to allow its continuance of operation. A short report shall be prepared summarising the results of the review by the person who is in charge of monitoring the account. The report shall be submitted for consideration and approval to the Board and filed in the Client's personal file.

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11.8.6. Electronic gambling/gaming through the internet

The Company does not establish any kind of business relationship or execute transactions with persons related to electronic gambling/gaming through the internet.

11.8.7. Clients from countries which inadequately apply FATF's recommendations

1. The FATF 40+9 Recommendations constitute the primary internationally recognised standards for the prevention and detection of Money Laundering and Terrorist Financing.

2. The Company does not accept Clients who are residents of countries which falls under the FATF list.

3. The Company accepts Clients who are nationals of countries which falls under the FATF list BUT undertake the following measures:

   (a) exercise additional monitoring procedures and pay special attention to Business Relationships and transactions with persons, including companies and financial institutions, from countries which do not apply or apply inadequately the aforesaid recommendations
   (b) transactions with persons from the said countries, for which there is no apparent economic or visible lawful purpose, are further examined for the establishment of their economic, business or investment background and purpose. If the Company cannot be fully satisfied as to the legitimacy of a transaction, then a suspicious transaction report is filed to the Unit, according to point (g) Section 6.2 of the Manual.
   (c) with the aim of implementing the above, the Head of the Back-Office Department and the MLCO shall consult the country assessment reports prepared by the FATF (http://www.fatf-gafi.org), the other regional bodies that have been established and work on the principles of FATF [e.g. Moneyval Committee of the Council of Europe (www.coe.int/moneyval)] and the International Monetary Fund (www.imf.org). Based on the said reports, the MLCO assesses the risk from transactions and Business Relationships with persons from various countries and decides of the countries that inadequately apply the FATF's recommendations. According to the aforesaid decision of the MLCO, the Company applies, when deemed necessary, enhanced due diligence measures for identifying and monitoring transactions of persons originating from countries with significant shortcomings in their legal and administrative systems for the prevention of Money Laundering and Terrorist Financing.

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11.9. Client Identification and Due Diligence Procedures (Normal Risk Clients)

The MLCO shall ensure that the appropriate documents and information with respect to the following cases shall be duly obtained, as applicable and appropriate:

11.9.1. Physical Person

1. **Copy of a valid International Passport front and back OR**
    a. Copy of a valid ID with MRZ lines **AND** Driving License OR
    b. Copy of a valid ID with MRZ lines **AND** any other governmental proof of identification with photo

2. **Copy of a Utility Bill up to six (6) months' old**
    a. Water/gas/electivity/telecommunications bills
    b. Bank statement
    c. Tax statement or local authority tax bill
    d. Governmental issued proof of address

3. **Residence / Work Permit / Certificate of Registration**

In case an EU client lives or works in another EU country, Residence/Work Permit is NOT required.
In case an EU client lives or works in another country outside EU, we request a Residence/Work Permit or Visa from the country which the client is a resident.
In case of a non-EU client who works or lives in an EU country or another non-EU country, we request a Residence/Work Permit or Visa from the country which the client is a resident.
Important: In cases where the Visa has been issued in other language except English, Customer Support has to translate the relevant document. (see Translation Procedure below).

11.9.2. Legal Person

The supervising authorities place particular emphasis on corporate accounts. Because of the difficulties of identifying beneficial ownership, corporate accounts are one of the most

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likely vehicles for money laundering, particularly when fronted by a legitimate trading company.

Before a business relationship shall be established, measures should be taken by way of a company search and/or other commercial enquiries to ensure that the applicant company has not been, or is not in the process of being, dissolved, struck-off, wound-up or terminated. In addition, if changes to the company structure or ownership occur subsequently, or suspicions are aroused by a change in the profile of payments through a company account, further checks should be made.

In the case of accounts to be opened for locally incorporated companies, identification should aim at verifying the identity of:

(a) the company
(b) directors of the company
(c) all those persons duly authorized to operate the account
(d) in the case of private companies, the major beneficial shareholders

The company's business profile in terms of the nature and scale of its activities shall also be established.

In all cases of commencing a business relationship with a legal entity including companies, the identity verification procedure includes the verification of the following:

(a) the company registration authority and the company number
(b) the registered name of the company and its trade name
(c) the registered office address and the address of its head/principal office
(d) the identities of all persons legally authorized to submit instructions and, in general, act in the interests of the company
(e) in the case of private companies, the registered shareholders and, where the registered shareholders are nominee shareholders, the beneficial shareholders of the company
(f) the nature and size of the company's operations
(g) the purpose for the account

The identities of the persons stated in points (d) and (e) above, have to be verified in accordance with the procedures of identity verification of natural or legal persons.

The following documents must be obtained:

(a) Corporate Documents of the Company

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Each jurisdiction has different corporate documents that can be provided to prove the existence of the legal entity. The Company has summarised in a list the most active countries that request the opening of an account with JFD Group and the necessary documents that each country can provide for the opening of the account.

(b) Recent (up to 3 months) certificate of good standing or Recent (up to 3 months) Bank Statement on the name of the Legal Person.

(c) Resolution of the Board of Directors of the Legal person for the opening of the account and granting authority to those who will operate it.

(d) If the registered shareholder act as nominee of the Beneficial Owner, a copy of the trust deed/agreement between the registered shareholder and the Beneficial Owner

(e) International Passports or ID with Driving License (as described in the KYC FOR INDIVIDUALS) for all the Directors of the Company, Shareholders (who hold more than 10%) and the Manager of the Account

(f) Utility Bills (as described in the KYC FOR INDIVIDUALS) up to six months for all the Directors of the Company, Shareholders (who hold more than 10%) and the Manager (s) of the Account

(g) Where deemed appropriate under the circumstances, a search of the file at the Companies' Registry should be made

(h) Where deemed necessary for a better understanding of the activities, sources, and uses of funds/assets of a legal person, the Company shall obtain copies of its latest audited financial statements (if available), and/or copies of its latest management accounts.

If, at any later stage, changes have ensued in either the structure or the ownership of the Company, or suspicions are raised because of changes in the nature of transactions that the Client company effects through the Company, then it is imperative that further checks shall be made to discover the nature and possible effects of these changes.

In the case of a Client-legal person that requests the establishment of a Business Relationship or the execution of an Occasional Transaction and whose direct/immediate and principal shareholder is another legal person, registered in the Republic or abroad, the Company, before establishing a Business Relationship or executing an Occasional Transaction, shall verify the ownership structure and the identity of the natural persons who are the Beneficial Owners and/or control the other legal person.

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Apart from verifying the identity of the Beneficial Owners, the Company shall identify the persons who have the ultimate control over the legal person's business and assets. In the cases that the ultimate control rests with the persons who have the power to manage the funds, accounts or investments of the legal person without requiring authorisation and who would be in a position to override the internal procedures of the legal person, the Company, shall verify the identity of the natural persons who exercise ultimate control as described above even if those persons have no direct or indirect interest or an interest of less than 10% in the legal person's ordinary share capital or voting rights.

In cases where the Beneficial Owner of a legal person, requesting the establishment of a Business Relationship or the execution of an Occasional Transaction, is a trust set up in the Republic or abroad, the Company shall implement the following procedure:

(a) the Company shall ascertain the legal substance, the name, and the date of establishment of the trust and verify the identity of the trustor, trustee and Beneficial Owners, according to the procedures set in Sections 11.9.1 and 11.9.2
(b) furthermore, the Company shall ascertain the nature of activities and the purpose of establishment of the trust as well as the source and origin of funds requesting the relevant extracts from the trust deed and any other relevant information from the trustees. All relevant data and information should be recorded and kept in the Client's file.

11.9.3. Joint accounts

In the cases of joint accounts of two or more persons, the identity of all individuals that hold or have the right to manage the account, are verified according to the procedures set in Sections 11.9.1 and 11.9.2 above.

11.9.4. Accounts of unions, societies, clubs, provident funds, and charities

In the case of accounts in the name of unions, societies, provident funds and charities, the Company ascertains their purpose of operation and verifies their legitimacy by requesting the production of the articles and memorandum of association/procedure rules and registration documents with the competent governmental authorities (in case the law requires such registration).

Furthermore, the Company shall obtain a list of the members of board of directors/management committee of the abovementioned organisations and verifies the identity of all individuals that have been authorised to manage the account according to the procedures set in Sections 11.9.1 and 11.9.2.

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11.9.5. Accounts of unincorporated businesses, partnerships, and other persons with no legal substance

1. In the case of unincorporated businesses, partnerships and other persons with no legal substance, the identity of the directors, partners, Beneficial Owners, and other individuals who are authorised to manage the account shall be verified according to the procedures set in Sections 11.9.1 and 11.9.2.

   In addition, in the case of partnerships, the original or a certified true copy of the partnership's registration certificate shall be obtained.

2. The Company shall obtain documentary evidence of the head office address of the business, ascertains the nature and size of its activities, and receives all the information required according to Section 11.5 for the creation of the economic profile of the business.

3. The Company shall request, in cases where exists, the formal partnership agreement and shall also obtain mandate from the partnership authorising the opening of the account and confirming authority to a specific person who will be responsible for its operation.

11.9.7. Investment funds, mutual funds and firms providing financial or investment services

1. The Company shall establish and maintain Business Relationships or execute Occasional Transactions with persons who carry out the above services and activities which are incorporated and/or operating in countries of the EEA or a third country which according to a relevant decision of the Advisory Authority it has been determined that applies requirements equivalent to those laid down in the EU Directive, provided that the said persons:

   (a) possess the necessary license or authorisation from a competent supervisory/regulatory authority of the country of their incorporation and operation to provide the said services, and
   (b) are subject to supervision for the prevention of Money Laundering and Terrorist Financing purposes.

2. In the case of the establishment of a Business Relationship or the execution of an Occasional Transaction with persons who carry out the above services and activities and which are incorporated and/or operating in a third country other than those mentioned in point (1) above, the Company shall request and obtain, in addition to the abovementioned, in previous points, documentation and the information required by

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the Manual for the identification and verification of persons, including the Beneficial Owners, the following:

(a) a copy of the license or authorisation granted to the said person from a competent supervisory/regulatory authority of its country of incorporation and operation, whose authenticity should be verified either directly with the relevant supervisory/regulatory authority or from other independent and reliable sources, and
(b) adequate documentation and sufficient information in order to fully understand the control structure and management of the business activities as well as the nature of the services and activities provided by the Client.

3. In the case of investment funds and mutual funds the Company, apart from identifying Beneficial Owners, shall obtain information regarding their objectives and control structure, including documentation and information for the verification of the identity of investment managers, investment advisors, administrators, and custodians.

11.9.8. Nominees or agents of third persons

1. The Company shall take reasonable measures to obtain adequate documents, data, or information for the purpose of establishing and verifying the identity, according to the procedures set in Sections 11.9.1 and 11.9.2 of the Manual:

(a) the nominee or the agent of the third person, and
(b) any third person on whose behalf the nominee or the agent is acting.

2. In addition, the Company shall obtain a copy of the authorisation agreement that has been concluded between the interested parties.

11.10. <u>Reliance on Third Persons for Client Identification and Due Diligence Purposes</u>

1. The Company may rely on third persons for the implementation of Client identification and due diligence procedures, provided that:

(a) the third person makes immediately available all data and information, which must be certified true copies of the originals, that were collected in the course of applying Client identification and due diligence procedures
(b) the Company applies the appropriate due diligence measures on the third person with respect to his professional registration and procedures and measures applied from the third person for the prevention of Money Laundering and Terrorist Financing, according to the provisions of the Directive.

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2. For the purposes of this Section of the Manual, third person means credit institutions or financial institutions or auditors or independent legal professionals or person providing trust and company services included in the definition of the term "Other Business Activities", falling under the EU Directive and which:

   (a) they are subject to mandatory professional registration, recognised by law; and
   (b) they subject to supervision regarding their compliance with the requirements of the EU Directive.

3. Further to point 2 above, third person for the purposes of this Section of the Manual may also be any other person who is engaged in financial business (as defined in Section 2 of the Law), or accountants or independent legal professionals or persons providing to third parties trust and company services as included in the definition of the term "Other Business Activities" and who operate in countries outside the EEA and which according to a relevant decision of the Advisory Authority, have been determined that they impose equivalent procedures and measures for the prevention of Money Laundering and Terrorist Financing to those laid down by the EU Directive.

   It is provided that the abovementioned third persons have to fulfil the requirements set out in points 2(a) and 2(b) above.

4. The Company may rely on third persons only at the outset of establishing a Business Relationship or the execution of an Occasional Transaction for the purpose of verifying the identity of their Clients. According to the degree of risk any additional data and information for the purpose of updating the Client's economic profile or for the purpose of examining unusual transactions executed through the account, is obtained from the natural persons (directors, Beneficial Owners) who control and manage the activities of the Client and have the ultimate responsibility of decision making as regards to the management of funds and assets.

5. Further to point 3 above, in the case where the third person of subparagraph (1) is an accountant or an independent legal professional or a trust and company services provider from a country which is a member of the EEA or a third country that the Advisory Authority has determined to be applying procedures and measures for the prevention of Money Laundering and Terrorist Financing equivalent to the EU Directive, then the Company, before accepting the Client identification data verified by the said third person, shall apply the following additional measures/procedures:

   (a) the MLCO or the appointed person shall assess and evaluate, according to point (l) of Section 6.2 of this Manual, the systems and procedures applied by the third person for the prevention of Money Laundering and Terrorist Financing, as applicable

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(b) as a result of the assessment of point (a) above, the MLCO must be satisfied that the third person implements Client identification and due diligence systems and procedures which are in line with the requirements of the Law and the Directive
(c) the MLCO shall maintain a separate file for every third person of the present paragraph, where it stores the assessment report of point (a) and other relevant information (for example identification details, records of meetings, evidence of the data and information of point 2 above)
(d) the commencement of the cooperation with the third person and the acceptance of Client identification data verified by the third person is subject to approval by the MLCO, according to point (l) of Section 6.2 of the Manual.

NOTE: For the purposes of this Section of the Manual, the terms financial institutions and persons engaged in financial business activities do not include currency exchange offices and money transmission or remittance offices.

12. ON-GOING MONITORING PROCEDURES

12.1. General

The constant monitoring of the Clients' accounts and transactions is an imperative element in the effective controlling of the risk of Money Laundering and Terrorist Financing.

In this respect, the MLCO shall be responsible for maintaining as well as developing the on-going monitoring process of the Company. The Internal Auditor shall review the Company's procedures with respect to the on-going monitoring process, at least annually.

12.2. Procedures

The procedures and intensity of monitoring Clients' accounts and examining transactions on the Client's level of risk shall include the following:

(a) the identification of:
- transactions which, as of their nature, may be associated with money laundering or terrorist financing
- unusual or suspicious transactions that are inconsistent with the economic profile of the Client for the purposes of further investigation.
- in case of any unusual or suspicious transactions, the head of the department providing the relevant investment and/or ancillary service as well as the Head of the BackOffice Department shall be responsible to communicate with the MLCO

(b) further to point (a) above, the investigation of unusual or suspicious transactions by the MLCO. The results of the investigations are recorded in a separate memo and kept in the file of the Clients concerned

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(c) the ascertainment of the source and origin of the funds credited to accounts
(d) the use of appropriate IT systems.
(e) following the approval of a Physical Client and for the duration of the account operation, the Customer Support shall request from the Client new International Passport in case the existing identification documents become expired. In case the Client does not have International Passport, the national Identity Card with MRZ code together with the Driving License shall be accepted. If the Client does not have a Driving License, the Identity Card shall be accepted as the only identification document only if it has MRZ code. In case the Client does not respond within 4 weeks, a second email shall be sent as reminder including an warning of account "freezing" if another 4 weeks pass. In case the total of 8 weeks pass with no result, the account in the MT4 platform shall be "frozen" until the Client sends the required documents. Additionally, once every 5 years from the date of account opening, a new Utility Bill shall be requested from the Client.
(f) following the approval of a Corporate Client and for the duration of the account operation, the Customer Support Department shall request once a year from the day of the account opening, Certificate of Good Standing or up to 3 months Bank Statement and a Board of Directors' Resolution that the organizational structure of the Client did not change since the day of the account opening. In case the Client does not respond within 4 weeks, a second email shall be sent as reminder. If the Client does not respond, a third email shall be sent as reminder, but it shall include an warning of account "freezing" if another 4 weeks pass. In case the total of 12 weeks pass with no result, the account in the MT4 platform shall be "frozen" until the Client sends the required documents

12.2.1. Procedure – Sensitive Groups – On-Going Monitoring

The Company has implemented an internal procedure whereby it separates the accounts of three specific categories of clients and marks them with a specific tag in the Company's CRM as "**Sensitive**".

The three categories that are considered "Sensitive" by the Company are the below retail clients:

- Students
- Unemployed
- Retired **(with deposits over 20K Euro)**

The three sensitive categories are segregated by the remaining clients in the Company and monitored so as to ensure that the vulnerable economic profiles of these clients are protected and that the funds investing derive from a legitimate source.

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In order to protect the clients and their economic status, the Company will request all clients with the "Sensitive" tag to fill the Source of Wealth Questionnaire. Moreover, the Company, in exercising its discretion, may request a combination of the following documents by the clients so as to verify the Source of Funds and also to confirm the economic status of the client.

A. For the clients who during the AOF declare themselves to be **students or unemployed** the following documents shall be requested in relation to the source of funds:

i) A written declaration (email) from the client by which he/she shall be confirming the source of his/her funds and that these are originating from legitimate source

ii) Supporting documents and/or evidence to justify his/her source of funds.

B. For the clients who during the AOF declare themselves to be **retired** the procedure in relation to the source of funds shall be:

i) We shall receive a written declaration (email) from the client by which he/she shall be confirming the source of his/her funds and that these are originating from legitimate source

ii) We shall request from the clients to provide us with supporting documents and/or evidence to justify his/her source of funds in cases where the clients make a deposit **above €20.000**.

12.2.2. Automated Transaction Monitoring Procedure

The Company has developed internal tools that monitor the overall deposits and withdraws of its clients in comparison to the declarations made in the Account Opening Form. The tools provide automated alerts to the Company allowing the MLCO to efficiently compare and monitor the economic profiles of clients.

12.2.3. Internal Suspicious Deposit Tool

The Company has developed internally a software that automatically consolidates the total deposits and withdraws of its clients, irrespective of the legal entity that they are onboarded to. The software extracts the consolidated information and automatically notifies the Company's Compliance team in cases that clients have deposited funds which exceed their declarations during the account opening process.

Once such notification is received, the client is immediately contacted and is requested to complete of the Source of Funds Verification form which backtracks the source of funds

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deposited in the trading account. Moreover, along with the Source of Funds Verification Form, the client must provide documentary evidence supporting its new declarations made.

Such procedure enables the Compliance team to closely monitor the transactions of clients in comparison to their economic profile via an automated mechanic that eliminates the room for human error. The automation of the system enables the MLCO officer to trace cases that clients use intentionally specific methods of depositing funds which on a randomized manual review would had been difficult to spot. Hence, the tool enables the identification of depositing patterns and the monitoring of clients which are prima facie suspected of illegal activities.

Since the initial date of tool usage, the Company was able to identify on average 10 clients per month that their deposits exceeded the initial declarations made in the Account opening form. Primarily, most of the notifications received per month have to do with clients that their account was opened a few years ago, which essentially rendered their initial declarations outdated in comparison to their current economic profile. The end goal of the tool is to be able to match the economic profile of all active clients with the declarations made in order to minimize the irregular inflow of client's money in their trading accounts.

12.2.4. Consolidated Deposit and Withdrawal Tool

A second tool that was developed to promote efficient economic review of clients, was the consolidated Deposit and Withdrawal Tool which can extract detailed reports about the total deposits and withdrawals per client, since the beginning of their Trading activity with the Company. The tool is used on an intra-group level and enables the Company to identify the fund movements from client trading accounts as well as eliminate the possibility of internal abuse of position from employees.

With the tool, the MLCO and the Compliance team can effectively monitor withdrawals and deposits from client accounts as well as any "profit" irregularities by clients. The monitoring tool offers a functional and swift method in retrieving important data from clients in order to eliminate any room for abuse or misconduct.

13. RECOGNITION AND REPORTING OF SUSPICIOUS TRANSACTIONS / ACTIVITIES TO THE UNIT

13.1. Reporting of Suspicious Transactions to the Unit

The Company, in cases where there is an attempt of executing transactions which knows or suspects that are related to money laundering or terrorist financing, reports, through the MLCO its suspicion to the Unit shall be in accordance with point (g) of Section 6.2 and Section 13 of the Manual.

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13.2. Suspicious Transactions

1. The definition of a suspicious transaction as well as the types of suspicious transactions which may be used for Money Laundering and Terrorist Financing are almost unlimited. A suspicious transaction will often be one which is inconsistent with a Client's known, legitimate business or personal activities or with the normal business of the specific account, or in general with the economic profile that the Company has created for the Client. The Company shall ensure that it maintains adequate information and knows enough about its Clients' activities in order to recognise on time that a transaction or a series of transactions is unusual or suspicious.

2. Examples of what might constitute suspicious transactions/activities related to Money Laundering and Terrorist Financing are listed in Appendix 3 of the Manual. The relevant list is not exhaustive and it does not include all types of transactions that may be used, nevertheless it can assist the Company and its employees (especially the MLCO and the Head of the Back-Office Department) in recognising the main methods used for Money Laundering and Terrorist Financing. The detection by the Company of any of the transactions contained in the said list prompts further investigation and constitutes a valid cause for seeking additional information and/or explanations as to the source and origin of the funds, the nature and economic/business purpose of the underlying transaction, and the circumstances surrounding the particular activity.

3. In order to identify suspicious transactions, the MLCO shall perform the following activities:
   - monitor on a continuous basis any changes in the Client's financial status, business activities, type of transactions etc
   - monitor on a continuous basis if any Client is engaged in any of the practices described in the list containing examples of what might constitute suspicious transactions/activities related to Money Laundering and Terrorist Financing which is mentioned in Appendix 3 of this Manual.

   Furthermore, the MLCO shall perform the following activities:
   - receive and investigate information from the Company's employees, on suspicious transactions which creates the belief or suspicion of money laundering. This information is reported on the Internal Suspicion Report. The said reports are archived by the MLCO
   - evaluate and check the information received from the employees of the Company, with reference to other available sources of information and the exchanging of information in relation to the specific case with the reporter and, where this is deemed necessary, with the reporter's supervisors. The information which is

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contained on the report which is submitted to the MLCO is evaluated on the Internal Evaluation Report, which is also filed in a relevant file

- if, as a result of the evaluation described above, the MLCO decides to disclose this information to the Unit, then he prepares a written report, which he submits to the Unit, according to point (g) of Section 6.2 and Section 13.4 below
- if as a result of the evaluation described above, the MLCO decides not to disclose the relevant information to the Unit, then he fully explain the reasons for his decision on the Internal Evaluation Report.

13.3. MLCO's Report to the Unit

All the reports of the MLCO of point (g) of Section 6.2 of the Manual are send or submitted to the Unit electronically. Through the Circular C058, CySEC informed related parties regarding the new procedure set up by MOKAS with regards to submission of Money Laundering Suspicious reports through the IT system goAML Professional Edition. The Company has duly noted the content of Circular C058 and has taken all the necessary and appropriate actions into adopting the particular software and registering with the goAML web application, for the electronic submission of suspicious reports to MOKAS.

After the submission of a suspicious report of point (g) of Section 6.2 of the Manual, the Company may subsequently wish to terminate its relationship with the Client concerned for risk avoidance reasons. In such an event, the Company exercises particular caution, according to Section 48 of the Law, not to alert the Client concerned that a suspicious report has been submitted to the Unit. Close liaison with the Unit is, therefore, maintained in an effort to avoid any frustration to the investigations conducted.

After submitting the suspicious report of point (g) of Section 6.2 of the Manual, the Company adheres to any instructions given by the Unit and, in particular, as to whether or not to continue or suspend a particular transaction or to maintain the particular account active.

According to Section 26(2)(c) of the Law, the Unit may instruct the Company to refrain from executing or delay the execution of a Client's transaction without such action constituting a violation of any contractual or other obligation of the Company and its employees.

Furthermore, after the submission of a suspicious report of point (g) of Section 6.2 of the Manual, the Clients' accounts concerned as well as any other connected accounts are placed under the close monitoring of the MLCO.

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13.4. Submission of Information to the Unit

The Company shall ensure (see also Section 14 of the Manual) that in the case of a suspicious transaction investigation by the Unit, the MLCO will be able to provide without delay the following information:

(a) the identity of the account holders
(b) the identity of the Beneficial Owners of the account
(c) the identity of the persons authorised to manage the account
(d) data of the volume of funds or level of transactions flowing through the account
(e) connected accounts
(f) in relation to specific transactions:
- the origin of the funds
- the type and amount of the currency involved in the transaction
- the form in which the funds were placed or withdrawn, for example cash, cheques, wire transfers
- the identity of the person that gave the order for the transaction
- the destination of the funds
- the form of instructions and authorisation that have been given
- the type and identifying number of any account involved in the transaction.

14. RECORD-KEEPING PROCEDURES

14.1. General

The Client identification documents obtained during the Client identification and due diligence procedures, are kept electronically in our databases.

The documents/data of mentioned above shall be kept for a period of at least seven (7) years, which is calculated after the execution of the transactions or the termination of the Business Relationship.

It is provided that the documents/data mentioned in points (a) and (b) above which may be relevant to ongoing investigations shall be kept by the Company until the Unit confirms that the investigation has been completed and the case has been closed.

14.2. Format of Records

The Compliance and Customer Support Department retain the documents/data mentioned in Section 14.1 of the Manual and are able to retrieve the relevant documents/data without undue delay and present them at any time, to CySEC or to the Unit, after a relevant request.

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In case the Company will establish a documents/data retention policy, the MLCO shall ensure that the said policy shall take into consideration the requirements of the Law and the Directive.

14.3. Certification and language of documents (*Translation Procedure*)

1. The documents/data obtained, shall be in their original form or in a certified true copy form. In the case that the documents/data are certified as true by a different person than the Company itself or by the third person mentioned in Section 11.10, the documents/data must be apostilled or notarised.

2. The procedure for the translation of documents is the following:
    - The document must be in PDF Form.
    - The Customer Support will add a note on the UB with the translated text of the parts that need to be translated (name, address, type of document, date)
    - Then, at the end of the document, they will fill the wording ***"This is a true and accurate translation of the original document"*** with the ***date of translation*** and the ***electronic signature*** of the translator. (please see below the procedure for the creation of the electronic signature)
    - They will save the document and upload it in the Intranet.

Each Customer Support employee will sign the relevant Certificate of Translation confirming that they are competent to translate and further certify their translation as true and accurate.

The above Certificate of Translation is verified by the Verification of Translation by the Management that the said person translated the documents at his/her best ability.

The above Certificates of Translation for all the members of the Customer Support are kept in hard copy in the headquarters of the Company.

Each time the Company shall proceed with the acceptance of a new Client, the Head of Compliance Department shall be responsible for ensuring compliance with the provisions of points 1 and 2 above.

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15. EMPLOYEES' OBLIGATIONS, EDUCATION AND TRAINING

15.1. Employees' Obligations

(a) The Company's employees shall be personally liable for failure to report information or suspicion, regarding money laundering or terrorist financing
(b) the employees must cooperate and report, without delay, according to point (e) of Section 6.2, anything that comes to their attention in relation to transactions for which there is a slight suspicion that are related to money laundering or terrorist financing
(c) according to the Law, the Company's employees shall fulfil their legal obligation to report their suspicions regarding Money Laundering and Terrorist Financing, after their compliance with point (b) above.

15.2. Education and Training

15.2.1. Employees' Education and Training Policy

(a) The MLCO shall ensure that its employees are fully aware of their legal obligations according to the Law and the Directive, by introducing a complete employees' education and training program
(b) the timing and content of the training provided to the employees of the various departments will be determined according to the needs of the Company. The frequency of the training can vary depending on to the amendments of legal and/or regulatory requirements, employees' duties as well as any other changes in the financial system of the Republic
(c) the training program aims at educating the Company's employees on the latest developments in the prevention of Money Laundering and Terrorist Financing, including the practical methods and trends used for this purpose
(d) the training program will have a different structure for new employees, existing employees and for different departments of the Company according to the services that they provide. On-going training shall be given at regular intervals so as to ensure that the employees are reminded of their duties and responsibilities and kept informed of any new developments.

The MLCO shall be responsible to refer to the relevant details and information in his/her Annual Report in respect of the employees' education and training program undertaken each year.

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15.2.2. MLCO Education and Training Program

The *Senior Management* of the Company shall be responsible for the MLCO of the Company to attend external training. Based on his/her training, the MLCO will then provide training to the employees of the Company further to Section 15.2.1 above.

The main purpose of the MLCO training is to ensure that relevant employee(s) become aware of:

- the Law and the Directive
- the Company's Anti-Money Laundering Policy
- the statutory obligations of the Company to report suspicious transactions
- the employees own personal obligation to refrain from activity that would result in money laundering
- the importance of the Clients' due diligence and identification measures requirements for money laundering prevention purposes.

The MLCO shall be responsible to include information in respect of his/her education and training program(s) attended during the year in his/her Annual Report.

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APPENDIX 1

INTERNAL SUSPICION REPORT FOR MONEY LAUNDERING AND TERRORIST FINANCING

INFORMER'S DETAILS

Name: ..... Tel: .....
Department: ..... Fax: .....
Position: .....

CLIENT'S DETAILS

Name: ....
Address: ....
..... Date of Birth: .....
Tel: ..... Occupation:.....
Fax: ..... Details of Employer: .....
.....
Passport No.: ..... Nationality: .....
ID Card No.: ..... Other ID Details: .....

INFORMATION/SUSPICION

Brief description of activities/transaction: ....
....

Reason(s) for suspicion:..... .....
....

Informer's Signature Date

....

FOR MLCO USE

Date Received: ..... Time Received: ..... Ref. .....

Reported to the Unit: Yes/No .... Date Reported: ..... Ref .....

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APPENDIX 2

INTERNAL EVALUATION REPORT FOR MONEY LAUNDERING AND TERRORIST FINANCING

Reference: ..... Client's Details: .....

Informer: ..... Department: .....

INQUIRIES UNDERTAKEN (Brief Description)

.....

.....

.....

ATTACHED DOCUMENTS

.....

.....

.....

.....

MLCO DECISION

.....

.....

.....

FILE NUMBER .....

MLCO SIGNATURE DATE

....

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APPENDIX 3

EXAMPLES OF SUSPICIOUS TRANSACTIONS/ACTIVITIES RELATED TO MONEY LAUNDERING AND TERRORIST FINANCING

A. MONEY LAUNDERING

1. Transactions with no discernible purpose or are unnecessarily complex.

2. Use of foreign accounts of companies or group of companies with complicated ownership structure which is not justified based on the needs and economic profile of the Client.

3. The transactions or the size of the transactions requested by the Client do not comply with his usual practice and business activity.

4. Large volume of transactions and/or money deposited or credited into, an account when the nature of the Client's business activities would not appear to justify such activity.

5. The Business Relationship involves only one transaction, or it has a short duration.

6. There is no visible justification for a Client using the services of a particular financial organisation. For example, the Client is situated far away from the particular financial organisation and in a place where he could be provided services by another financial organisation.

7. There are frequent transactions in the same financial instrument without obvious reason and in conditions that appear unusual (churning).

8. There are frequent small purchases of a particular financial instrument by a Client who settles in cash, and then the total number of the financial instrument is sold in one transaction with settlement in cash or with the proceeds being transferred, with the Client's instructions, in an account other than his usual account.

9. Any transaction the nature, size or frequency appear to be unusual, e.g. cancellation of an order, particularly after the deposit of the consideration.

10. Transactions which are not in line with the conditions prevailing in the market, in relation, particularly, with the size of the order and the frequency.

11. The settlement of any transaction but mainly large transactions, in cash.

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12. Settlement of the transaction by a third person which is different than the Client which gave the order.

13. Instructions of payment to a third person that does not seem to be related with the instructor.

14. Transfer of funds to and from countries or geographical areas which do not apply or they apply inadequately FATF's recommendations on Money Laundering and Terrorist Financing.

15. A Client is reluctant to provide complete information when establishes a Business Relationship about the nature and purpose of its business activities, anticipated account activity, prior relationships with financial organisations, names of its officers and directors, or information on its business location. The Client usually provides minimum or misleading information that is difficult or expensive for the financial organisation to verify.

16. A Client provides unusual or suspicious identification documents that cannot be readily verified.

17. A Client's home/business telephone is disconnected.

18. A Client that makes frequent or large transactions and has no record of past or present employment experience.

19. Difficulties or delays on the submission of the financial statements or other identification documents, of a Client/legal person.

20. A Client who has been introduced by a foreign financial organisation, or by a third person whose countries or geographical areas of origin do not apply or they apply inadequately FATF's recommendations on Money Laundering and Terrorist Financing.

21. Shared address for individuals involved in cash transactions, particularly when the address is also a business location and/or does not seem to correspond to the stated occupation (e.g. student, unemployed, self-employed, etc).

22. The stated occupation of the Client is not commensurate with the level or size of the executed transactions.

23. Financial transactions from non-profit or charitable organisations for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organisation and the other parties in the transaction.

24. Unexplained inconsistencies arising during the process of identifying and verifying the Client (e.g. previous or current country of residence, country of issue of the passport,

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countries visited according to the passport, documents furnished to confirm name, address and date of birth etc).

25. Complex trust or nominee network.

26. Transactions or company structures established or working with an unneeded commercial way. e.g. companies with bearer shares or bearer financial instruments or use of a postal box.

27. Use of general nominee documents in a way that restricts the control exercised by the company's board of directors.

28. Changes in the lifestyle of employees of the financial organisation, e.g. luxurious way of life or avoiding being out of office due to holidays.

29. Changes the performance and the behaviour of the employees of the financial organisation.

B. TERRORIST FINANCING

1. Sources and methods

The funding of terrorist organisations is made from both legal and illegal revenue generating activities. Criminal activities generating such proceeds include kidnappings (requiring ransom), extortion (demanding "protection" money), smuggling, thefts, robbery and narcotics trafficking. Legal fund raising methods used by terrorist groups include:

i. collection of membership dues and/or subscriptions

ii. sale of books and other publications

iii. cultural and social events

iv. donations

v. community solicitations and fund raising appeals.

Funds obtained from illegal sources are laundered by terrorist groups by the same methods used by criminal groups. These include cash smuggling by couriers or bulk cash shipments, structured deposits to or withdrawals from bank accounts, purchases of financial instruments, wire transfers by using "straw men", false identities, front and shell companies as well as nominees from among their close family members, friends and associates.

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2. Non-profit organisations

Non–profit and charitable organisations are also used by terrorist groups as a means of raising funds and/or serving as cover for transferring funds in support of terrorist acts. The potential misuse of non-profit and charitable organisations can be made in the following ways:

i. Establishing a non-profit organisation with a specific charitable purpose but which actually exists only to channel funds to a terrorist organisation.

ii. A non-profit organisation with a legitimate humanitarian or charitable purpose is infiltrated by terrorists who divert funds collected for an ostensibly legitimate charitable purpose for the support of a terrorist group.

iii. The non-profit organisation serves as an intermediary or cover for the movement of funds on an international basis.

iv. The non-profit organisation provides administrative support to the terrorist movement.

Unusual characteristics of non-profit organisations indicating that they may be used for an unlawful purpose are the following:

i. Inconsistencies between the apparent sources and amount of funds raised or moved.

ii. A mismatch between the type and size of financial transactions and the stated purpose and activity of the non-profit organisation.

iii. A sudden increase in the frequency and amounts of financial transactions for the account of a non-profit organisation.

iv. Large and unexplained cash transactions by non-profit organisations.

v. The absence of contributions from donors located within the country of origin of the non-profit organisation.

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