



neotrades

Anti-Money Laundering and Know Your Customer Policy

July 2023





Acknowledgment

The present document has been prepared after thorough review by the board of directors and senior management.

The document should be read in conjunction with:

- The Companies Act – Amended on September 2020;
- The FSC, Code on the Prevention of Money Laundering & Terrorist Financing – updated as at 25th of May 2017;
- The Anti-Money Laundering and Countering the Financing of Terrorism Handbook 2020;
- The Financial Intelligence and Anti-Money Laundering (FIAML) Regulations 2018;
- The Financial Intelligence and Anti-Money Laundering Act (FIAMLA) 2002;
- The Anti-Money Laundering and Combating the Financing of Terrorism (Miscellaneous Provisions) Act 2020;
- The Guidelines on the Implementation of Targeted Financial Sanctions Under the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 on 25 August 2020;
- The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019; and
- The FIU, Guidance Note 3 on Suspicious Transaction Report on 21 January 2014.



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Introduction

Neotrades Capital Ltd (the “Company”) Anti-Money Laundering and Know Your Customer Policy (hereinafter - the “AML/KYC Policy”) is designated to prevent and mitigate possible risks of the Company being involved in any kind of illegal activity. Both international and local regulations require Neotrades Capital Ltd to implement effective internal procedures and mechanisms to prevent money laundering, terrorist financing, drug and human trafficking, proliferation of weapons of mass destruction, corruption, and bribery and to take action in case of any form of suspicious activity from its Users.

1. Customer Due Diligence (CDD)

A key element of the prevention of money laundering and combating the financing of terrorism is the capability of the Company to identify its customers, and their beneficial owners, and then verify their identities.

Client identification must be carried out as soon as reasonably practicable after first contact is made. As part of its obligation to exercise due diligence in customer identification, the Company must confirm that the identity information which it holds for its customers, remains fully updated with all necessary identification and information throughout the business relationship. The Company reviews and monitors on a regular basis the validity and adequacy of customer identification information in its possession.

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

The company must identify and verify the identity of individuals connected to the account or transaction, such as the customer's beneficial owner(s); as well as identify all natural persons who ultimately have a controlling ownership interest in the corporate customer.

Where there is doubt as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control of the legal person through other means as may be specified by relevant regulatory body or supervisory authority; and where no natural person is identified, the identity of the natural person who holds the position of senior managing official.

The Company must also keep and maintain data regarding the customer's Source of Funds and the Source of Wealth as described below (when applicable).

The Source of Funds refers to the origin of the particular funds or assets, which are the subject of the business relationship between the financial institution and its client and the transactions the financial institution is required to undertake on the client's behalf. The Source of Funds requirement refers to where the funds are coming from in order to fund the relationship or transaction. This does not refer to every payment going through the account; however, the financial institution must ensure it complies with the ongoing monitoring provisions.

The Source of Wealth on the other hand, describes the origins of a customer's financial standing or total net worth, i.e., activities which have generated a customer's funds and property. A financial institution is required to hold sufficient information to establish the Source of Wealth and this information must be obtained for all higher risk customers (including higher risk domestic Politically Exposed Persons (PEPs)) and all foreign PEPs and all other relationships where the type of product or service being offered makes it appropriate to do so because of its risk profile.

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

- Conduct of a significant transaction that appears to be unusual and/or significant as against the usual type of trade and economic profile of the customer;
- A significant change in the situation and legal status of the customer such as:
 - Change of directors/secretary;
 - Change of registered shareholders and/or actual beneficiaries;
 - Change of registered office;
 - Change of trustees;
 - Change of corporate name and/or trade name;
 - Change of main trading partners and/or significant new business; and

- A significant change in the operating rules of the customer's account, such as:
 - Change of persons authorized to handle its account,
 - Request for opening a new account in order to provide new investment services and/or financial instruments.

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

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

2. Verification procedures

One of the international standards for preventing illegal activity is customer due diligence ("CDD"). According to CDD, Neotrades Capital Ltd establishes its own verification procedures within the standards of Anti-Money Laundering and "Know Your Customer" (AML/KYC) frameworks.

2.1. Identity verification

The Company's identity verification procedure requires the User to provide the Company with reliable, independent source documents, data, or information (e.g., national ID, international passport, bank statement, utility bill). For such purposes, the Company reserves the right to collect Client's identification information for the AML/KYC Policy purposes.

The Company will take steps to confirm the authenticity of documents and information provided by the Clients and/or potential Clients. All legal methods for double-checking identification information will be used and the Company reserves the right to investigate certain clients who have been determined to be risky or suspicious.

The Company reserves the right to verify Client's identity in an on-going basis, especially when their identification information has been changed or their activity seemed to be suspicious (unusual for the Client). In addition, the Company reserves the right to request up-to-date documents from the Clients, even though they have passed identity verification in the past.

Client's identification information will be collected, stored, shared, and protected strictly in accordance with the Neotrades Capital Ltd Privacy Policy which is available on its website, and the related regulations.

Once the Client's identity has been verified, Neotrades Capital is able to remove itself from potential legal liability in a situation where its services are used to conduct illegal activity.

Client due diligence measures shall comprise:

- identifying the Client and verifying the Client's identity on the basis of documents, data or information obtained from a reliable and independent source;
- identifying the beneficial owner and taking risk-based and adequate measures to verify the identity on the basis of documents, data or information obtained from a reliable and independent source so that the person carrying on in financial or other business knows who the beneficial owner is; as regards legal persons, trusts and similar legal arrangements, taking risk based and adequate measures to understand the ownership and control structure of the Client;
- obtaining information on the purpose and intended nature of the business relationship;
- conducting on going monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the information and data in the possession of the person engaged in

financial or other business in relation to the Client, the business and risk profile, including where necessary, the Source of Funds and ensuring that the documents, data or information held are kept up-to-date;

- Screening Clients against databases or third-party checks for adverse tax-related news; and
- to maintain registers of customers' beneficial owners that must be accessible to law enforcement agencies.

2.1.1. Client (Natural Person) Information – Identification and Verification

- **Application form**
- **Identity document**
 - Current valid Passport / National Identity Card (the document must incorporate photographic evidence of identity); or
 - Current valid Driving license (where the Company is satisfied that the driving licensing authority carries out a check on the holder's identity before issuing the licence – the document must incorporate photographic evidence of identity).
- **Proof of Residence**
 - Recent (within the last 3 months) utility bill (i.e., electric, water, telephone, gas)
 - Recent (within the last 3 months) Bank Statement (screen shots of bank statements are only acceptable in cases where the bank account being used for proof of address is the same as the one used to fund the account);
 - Recent (within the last 3 months) Mortgage Statement;
 - Signed Lease Agreement (still within term);
 - Recent (within the last 3 months) Bank, Investment Letter;
 - Recent (within the last 3 months) Government-Issued Letters or Statements Establishing Current Address.

The proof of residence must:

- Show the client's current address;
- Show the client's name as indicated on the account application and the provided proof of identity;
- Be from a credible source (with a visible logo);
- Be dated within the last three (3) months; and
- Be in English Language.

All documents provided in any other language than English should be translated. Translation should be provided for each non-English document.

2.1.2. Corporate Account Information - Identification and Verification

Institutional applicants listed on known stock exchanges or otherwise subjects of sound evidence that they are wholly owned subsidiaries or similar are not subject to any extra checks beyond those customary checks in other cases.

Other companies however do need to have their existence, standing and identity confirmed as well as the authority of the people acting for them verified. The documentation required for this can differ from country to country and between companies, but under most circumstances they would be some or all of these:

- **Application form**
- **Certificate of Incorporation**
- **Certificate of Registered Office**
- **Memorandum and Articles of Association**
- **Certificate of Good Standing**
- **Certificate of Incumbency**
- **Certificate of Directors and Secretary**
- **Certificate of Shareholders**

- **A resolution of the board of directors for the opening of the account and granting authority to those who will operate it**
- **Source of funds** (Latest Audited Financial Statements)
- **Proof of Identification for Shareholder(s)/Director(s)/Secretary/UBO**
- **Proof of Residence for Shareholder(s)/Director(s)/Secretary/UBO**
- **Trust Deed** (or equivalent instrument)
- **Trust Register** (Settlor, Trustees, Protector and Beneficiaries)
- **Charter of Foundation**
- **Acte de Société**

2.2 Ongoing Monitoring

An existing business relationship is required to be monitored so that money laundering or terrorist financing may be identified and prevented, and to ensure that it is consistent with the nature of business stated at the establishment of the relationship.

There are two types of ongoing monitoring:

- The first relates to the transactions and activity which occur on a day-to-day basis within a business relationship, and which needs to be monitored to ensure they remain consistent with the financial institution's understanding of the customer and the product or service it is providing to the customer -
 - Scrutiny of transactions undertaken throughout the course of the relationship, including, where necessary, the Source of Funds, to ensure that the transactions are consistent with his knowledge of the customer and the business and risk profile of the customer;
- The second relates to the customers themselves and the requirements for the financial institution to ensure that it continues to have a good understanding of its customers and their beneficial owners. This is achieved through maintaining relevant and appropriate CDD and applying appropriate ongoing screening –
 - Ensuring that documents data or information collected under the Customer Due Diligence (CDD) process are kept up to date and relevant by undertaking reviews of existing records, in particular for higher risk categories of customers.

3. Transactions Monitoring

The clients are known not only by verifying their identity but, more importantly, by analysing their transactional patterns. Therefore, Neotrades Capital Ltd relies on data analysis as a risk-assessment and suspicion detection tool. Neotrades Capital Ltd performs a variety of compliance-related tasks, including capturing data, filtering, record-keeping, investigation management, and reporting.

With regard to the AML/KYC Policy, Neotrades Capital Ltd will monitor all transactions and it reserves the right to:

- ensure that transactions of suspicious nature are reported to the proper law enforcement through the Compliance Officer.
- request the client to provide any additional information and documents in case of suspicious transactions.
- suspend or terminate Client's Account when Neotrades Capital Ltd has reasonably suspicion that such client engaged in illegal activity.
- The above list is not exhaustive, and the Compliance Officer will monitor clients' transactions on a day-to-day basis in order to define whether such transactions are to be reported and treated as suspicious or are to be treated in good faith.

3.1. Suspicious Transactions

- A suspicious transaction is a transaction where the laundering of money or the proceeds of any crime or funds linked to or related to or being used for terrorism or acts of terrorism by prescribed organizations, whether or not the funds represent the proceeds of a crime itself; and/or
- The transaction is made in circumstances which are unusual or unjustifiably complex; have no economic justification or lawful objective; and/or
- The transactions are made by or on behalf of a person whose identity cannot be established to the satisfaction of the parties carrying out the instruction; and or gives rise to suspicion for any reason.

4. Politically Exposed Persons (PEPs)

PEPs are individuals who are or who have been entrusted with prominent public functions (e.g., Heads of State or of Government, Senior Politicians, Senior Government, Judicial or Military Officials, Senior Executive of State owned Corporations and important Political Party Officials) in foreign, domestic and international organisation PEP, as well as family members and close associates of such person.

Defining “Family Members”

- It means an individual who is related to a PEP either directly through consanguinity, or through marriage or similar civil forms of partnership; and
- It includes any other person as may be specified by a supervisory authority or regulatory body after consultation with the National Committee.

Defining “Close Associates”

- It means an individual who is closely connected to a PEP, either socially or professionally; and
- It includes any other person as may be specified by a supervisory authority or regulatory body after consultation with the National Committee;

5. High-Risk Countries

The Company will apply heightened scrutiny to clients and beneficial owners' resident in and funds sourced from countries identified by credible sources as having inadequate anti-money laundering standards or representing high-risk for crime and corruption. The Company will apply more stringent standards to the transactions carried out by clients or beneficial owners domiciled in such countries.

Offshore jurisdictions

Risks associated with entities organized in offshore jurisdictions are covered by due diligence procedures laid out in these guidelines. However, the Company will apply more stringent standards to the transactions carried out by clients or beneficial owners head-quartered in such jurisdictions.

High-risk activities

Clients and beneficial owners whose source of wealth is derived from activities known to be susceptible to money laundering will be subject to heightened scrutiny.

Public officials

Individuals who have or have had positions of public trust such as government officials, senior executives of government corporations, politicians, political party officials, etc. and their families and close associates will be subject to heightened scrutiny.



6. Record keeping

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

The following records must be kept:

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

The following information should be kept for every transaction carried out in the course of a business relationship or one-off transaction:

- The name and address of the customer;
- If a monetary transaction, the kind of currency and the amount;
- If the transaction involves a customer's account, the number, name or other identifier for the account;
- The date of the transaction;
- The details of the counterparty, including account details;
- The nature of the transaction; and
- The details of the transaction.

All documents and information are available rapidly and without delay to the authorities for the purpose of discharging the duties imposed on them by the law. The AML/CFT Supervisor needs to be able to compile a satisfactory audit trail.

