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# **ANTI-MONEY LAUNDERING AND COUNTER- TERRORISM PROGRAM**

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## **PART A. GENERAL POLICY: STANDARDS AND BEHAVIOUR IN BUSINESS**

It is a Anti-Money Laundering and Counter-Terrorism Program (AML Program) of TenkoFX Markets Limited (TenkoFX) to take all reasonable steps to attempt to identify, prohibit and prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities.

In this Policy we, us, our means TenkoFX/Company.

### **1. Money Laundering**

Money laundering (“ML”) is the process by which money earned from illegal means is “washed” through legitimate systems and enterprises in such a way that it is cleaned and eventually returned to the criminal in the form of legitimate money.

There are three stages of the ML cycle generally known as:

- (a) Placement - this represents the entry of “dirty” money into legitimate institutions;
- (b) Layering - this is the most complex aspect of the money laundering cycle and usually consists of multiple transactions designed to obscure the identity of the person and/or an audit trail of the source of the funds. It could involve say multiple electronic transfers or even the use of traded products and/or services.

The intention is to change assets rapidly to a different form and to hide or disguise the original source of the funds. Accordingly, the transactions can take place through multiple licensees, possibly even using various products - anything which allows for the swift transfer of ownership and mechanisms which extend or make an audit trail difficult; and

- (c) Integration – in this cycle, money is returned to the hands of the money launderer as legitimate funds and can be used for any purpose.

Further examples of money laundering “Red Flags” are set out in Appendix C attached hereto.

### **2. Terrorism Financing**

Terrorist organisations require money to operate and rely on different types of funding including criminal activities such as smuggling, drug trafficking and donations from sympathisers (including foreign Governments).

Small amounts can be used to commit individual terrorist acts. Terrorists can be funded from legitimate sources, such as donations from charitable organizations. Accordingly, it can be difficult to detect at what stage legitimate funds become terrorist property.

Terrorist infrastructure can be expensive to finance and funds are often controlled from a variety of sources and move across different jurisdictions via legitimate means.

Terrorist financing (“TF”) may not necessarily involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes. Given that funds for terrorism can be obtained from legitimate sources, the TF cycle operates differently from the money laundering cycle. The aim of the terrorist is to move legitimate money into terrorist hands.

### 3. Background to this AML/CTF Program

Anti-Money Laundering Regulations (“AML Act”) became law on 1 September 2011. The object of the AML Act is to bring Saint Kitts and Nevis’ anti money laundering and counter terrorist financing laws in line with international best standards practice to combat ML and TF.

The AML Act also seeks to bring the legislation of Saint Kitts and Nevis (“Nevis”) in line with the international standards as set out by the Financial Action Taskforce on Money Laundering (FATF) and Caribbean Financial Action Task Force (CFATF). Nevis is a member of Caribbean Financial Action Task Force (CFATF).

The Financial Services Regulatory Commission (“Commission”) is the AML regulator. It is Commission’s role to monitor compliance and adherence to this legislation.

Pursuant to the legislation, Commission’s powers are extensive and include the following:

- (a) To monitor financial services business carried on in or from St. Kitts and Nevis and to take action against persons carrying on unauthorised business
- (b) To monitor compliance by regulated persons with the Proceeds of Crime Act 2000, the Anti-Terrorism Act 2002 and such acts, regulations, codes or guidelines relating money laundering of financing of terrorism.
- (c) To monitor the effectiveness of the relevant enactments in providing for the supervision and regulation of financial services business carried on in or from St. Kitts and Nevis in accordance with internationally accepted standards.
- (d) To authorise and examine the affairs or business of a regulated entity for the purpose of satisfying itself that the provisions of relevant legislation and regulations are complied with and that a regulated entity is in a sound financial position and is managing its business in a prudent manner.

### 4. AML Procedures – General

Despite TenkoFX is not a Regulated person in terms of the AML Act, TenkoFX adheres to the best business practices in AML/CTF sphere and apply applicable procedures of AML Act to combat ML/TF more effectively.

The list of general procedures, undertaking by TenkoFX is the following:

- (a) Preparing and keeping updated a written ML/TF risk assessment;
- (b) Adopting, maintaining and complying with an AML Program;
- (c) Initial and Ongoing customer due diligence and transaction monitoring;
- (d) ML/TF identification procedures;
- (e) Monitoring and reporting of unusual activities and transactions;
- (f) Establishing and maintaining of internal reporting and compliance procedures;
- (g) Employee due diligence – including staff screening, training and awareness;
- (h) Establishing and maintaining of record keeping procedures;
- (i) Managing and mitigating of risk related to new products, technologies, corporate and market developments.

## 5. Program Scope

TenkoFX AML Program applies to all of its representatives, employees and customers.

## 6. How TenkoFX Deals With ML/TF Risks

### 6.1. *Identifying, mitigating and managing risk factors.*

It is essential that TenkoFX has appropriate systems and controls in place to ensure that it is not used for purposes of financial crime. Having sufficient information about the customer and making use of that information underpins all other AML procedures and is the most effective measure against the firm being used to launder the proceeds of crime.

As a financial services provider, TenkoFX acknowledges that ML/TF risks exist which could potentially result in its services and products being utilised to facilitate ML or TF schemes. These ML/TF risks may impact upon the business, including the reputation of TenkoFX.

In accordance with best and common practices in AML/CTF sphere, TenkoFX shall:

- (a) maintain appropriate policies and establish respective procedures for the application of identification, record keeping, internal reporting and internal controls and communication as may be necessary for the purposes of forestalling and preventing ML;
- (b) provide training for employees twice a year to assist them in the effective preventing of ML;
- (c) maintain adequate procedures for monitoring and testing the effectiveness of the policies, measures and employee training;
- (d) prevent the misuse of technological developments in ML schemes in a business relationship.

### 6.2. *The AML Program*

The AML Program is divided into Part A (general), Part B (risk assessment) and Part C (customer identification).

TenkoFX has designed and will maintain its AML Program. The AML Program formally documents the company's policies and procedures and is applicable to all representatives and customers of TenkoFX.

The primary purpose of Part A of the AML Program is to describe general standards and behavior in business applicable to TenkoFX.

The primary purpose of Part B of the AML Program is to identify, mitigate and manage the risk that TenkoFX may reasonably face (inadvertently or otherwise) by facilitating ML or TF through the provision of its designated services.

The primary purpose of Part C of the AML Program is to set out the applicable customer identification and verification procedures for customers of TenkoFX.

The AML Program is risk based and seeks to identify, mitigate and manage the possible ML/TF risks posed to TenkoFX and to document the controls and systems to address the ML/TF risks. Any weakness in the AML Program may impact adversely on the management of the ML/TF risks identified.

In particular, the AML Program documents the risks associated with types of customers, types of designated services, delivery methods, foreign jurisdiction risk. Furthermore, the AML Program describes the employee

due diligence procedures, employee risk awareness and a training program and procedures for independent review.

ML/TF schemes can be difficult to identify and criminals can be ingenious in formulating different schemes to facilitate their ML or TF agendas. Accordingly, in order for the AML Program to be effective and so that it accomplish its purpose of identifying, mitigating and managing ML/TF risk, it requires regular review and if necessary, amendment.

Furthermore, the AML Program allows for any significant changes in ML/TF risks, including changes to risks resulting from:

- (a) the introduction of a designated service to the market;
- (b) the introduction of new methods of delivery of a designated service; or
- (c) the introduction of any new or developing technology to be used for the provision of designated services

Where such changes are proposed and they result in a change in the ML/TF risks, TenkoFX will implement controls to mitigate and manage the ML/TF risks, prior to our adopting new designated services, delivery methods or technologies.

### 6.3. *Customer Identification Procedures*

Part B of the AML Program contains assessment of risks that TenkoFX may face with.

Part C of the AML Program contains customer identification and verification procedures (commonly referred to as “Know your Customer” or “KYC” procedures), which are risk based in accordance with the Risk Assessment, having regard to the ML/TF risk relevant to the provision of the services offered by TenkoFX.

Well-designed procedures will mitigate and manage the potential ML/TF risks faced by TenkoFX and ensure that the company is reasonably satisfied as to the true identity of its customers.

TenkoFX in its sole discretion may outsource KYC procedures partially or in full to high proficient and well-known companies in AML/CTF sphere (e.g., SumSub, Thomson Reuters).

### 6.4. *Employee Due Diligence*

It is important that TenkoFX is aware of the potential for any of its employees to engage in ML/FT conduct or assist somebody outside the firm in the foregoing. In order to prevent and detect any potential misbehaviour by a staff, it is the policy of TenkoFX to have stringent processes for employing new staff and for observing all relevant staff operations. TenkoFX should consider the potential for risk associated with ML or TF in relation to individual positions in the organisation and apply the appropriate employee due diligence and screening in each case. TenkoFX should screen new and existing staff.

TenkoFX will also implement comprehensive supervision procedures, ensuring that the identity and past history of prospective employees is verified. The company recognizes the potential risk as a result of staff turnover and has implemented procedures in order that new staff members (or existing staff members promoted with greater levels of AML responsibility) will be trained, monitored and subject to transactional limits. Comprehensive training in regards to the company’s policies and procedures must be completed at the various stages of employment.

Pre-employment screening seeks to verify the credentials of job applicants and to check that the applicants meet preconditions of the job. In the course of performing these checks, it should be established whether the

applicant has concealed important information or otherwise misrepresented him/herself.

When employing a new person, TenkoFX will collect the following information applicable to the person: the name; date of birth; current and previous address; an identification number, which will be a government issued identification number or one or more of the following: passport number and country of issuance, resident identification card number or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard. TenkoFX may collect other information applicable to the new employee.

#### 6.5. *AML Risk Awareness Training Programs*

Employees will undergo training in AML laws and internal policy and procedures.

As part of training, AML Compliance Officer (“CO”) will prescribe that individuals working in areas susceptible to ML and TF to subscribe to various online training modules offered by third parties.

Employee training is carried out under the supervision of the AML CO and senior management. Training will initially occur upon commencement of employment with TenkoFX. Our training will occur on at least a semi-annual basis considering FAFT updates and changes (published twice a year) and nowadays best practices of ML/TF combatting. It will be based on our Company’s size, customer base and resources. On an annual basis, thereafter, the AML CO will hold an internal training for all employees working in an area susceptible to ML/TF Schemes. The training will include, at a minimum: how to identify red flags and signs of ML that arise during the course of the employees’ duties; what to do once the risk is identified; what employees’ roles are in TenkoFX compliance efforts and how to perform them; TenkoFX record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the applicable laws, rules and regulations. At the end of the training the employee shall answer the questions listed in Employee AML/CFT Training Program (Appendix E attached hereto).

Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures, presentations by third parties, and explanatory memos. We will maintain records to show the persons who were trained, the dates of training, and the subject matter of their training. The AML CO will advise, in writing, appropriate staff of any changes or developments in AML laws as they occur. The AML Program will be updated accordingly to reflect any such changes and be redistributed to employees working in areas susceptible to ML.

We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

The Training Program will take into consideration the size of the company, its customer base, products and services offered and resources and will include the following:

- (a) the AML Program;
- (b) the types of ML/TF risk TenkoFX might face and the possible consequences of such risks;
- (c) how to identify signs of ML/TF that arise during the course of the employees’ duties;
- (d) escalation procedures i.e. what to do once a ML/TF risk is identified;
- (e) what the employee’s role is in TenkoFX compliance efforts and how to perform them i.e. the processes and procedures relevant to each person’s role;
- (f) the record keeping and record retention policy; and



(g) the disciplinary consequences (including civil and criminal penalties) for non-compliance.

#### 6.6. *AML Compliance Officer (CO)*

The CO holds a managerial position and reports directly to the compliance committee (if established) and TenkoFX board.

The CO's duties include adherence and monitoring compliance with the AML obligations, receiving and investigating reports of suspicious matters/activities, overseeing communication and training for employees, ensuring that proper AML records are kept and reporting suspicious activity.

Upon Board of Directors decision all or a part of CO's functions may be outsourced to external compliance services provider (compliance advisor, lawyer).

#### 6.7. *Ongoing Customer Due Diligence*

Ongoing customer due diligence is an important component in mitigating and managing ML/TF risks (potential and identified).

TenkoFX will conduct on-going customer due diligence and undertakes account monitoring in order to:

- (a) ensure that the business relationship and the transactions relating to that business relationship are consistent with TenkoFX knowledge about the customer and the customer's business and risk profile; and
- (b) identify any grounds for reporting a suspicious transaction.

When conducting on-going customer due diligence and undertaking account monitoring, TenkoFX must have regard to –

- (a) the type of customer due diligence conducted when the business relationship with the customer was established; and
- (b) the level of risk involved;

TenkoFX must also do at least one of the following –

- (a) regularly review the customer's account activity and transaction behaviour;
- (b) regularly review the customer information obtained during CDD, or in relation to an existing customer, any customer information TenkoFX holds about the customer;
- (c) anything prescribed by regulations.

#### 6.8. *Suspicious Transaction Reporting (STR)*

Staff training and awareness programs will educate relevant employee's representatives as to the potential indicators for forming a suspicion that a prospective or existing customer is seeking to use services offered by the company for ML purposes or TF, thereby triggering reporting obligations.

By analysing customer's behaviour, including the size, volume, and frequency of transactions, relevant employees can detect and report suspicious activity. Suspicion is formed if an employee considers that an existing or prospective customer is attempting to use services offered by TenkoFX for ML/TF purposes and any one of the following conditions is met:

- (a) the relevant employee knows or suspects or has reasonable grounds to know or suspect that the

- transaction or proposed transaction is or may be relevant to the investigation or prosecution of any person for a money laundering or terrorism financing offence;
- (b) the relevant employee knows or suspects or has reasonable grounds to know or suspect that the customer is not the person they claim to be;
  - (c) the relevant employee knows or suspects or has reasonable grounds to know or suspect that information collected by TenkoFX concerning the provision (or prospective provision) of services:
    - (i) may be relevant to investigation of, or prosecution of a person or entity for an evasion, or an attempted evasion of relevant taxation law;
    - (ii) may be relevant to investigation of, or prosecution of a person or entity for, an offence of ML and/or TF under the law of the Nevis; or
    - (iii) may be of assistance in the enforcement of the Proceeds of Crime Act 2000 or regulations under that Act; or
  - (d) the relevant employee knows or suspects or has reasonable grounds to know or suspect that the provision, or prospective provision, of the services is preparatory to the commission of an offence of money laundering or terrorism financing;

Every relevant employee has a mandatory obligation to immediately report where they have knowledge or suspicion of ML. They must also state in such a report reasonable ground to know or suspect that this is the case and the related information, which was gained within the course of their business activity. Reasonable grounds mean that a reasonable person in identical circumstances would consider the transaction suspicious. All such suspicions must be reported to the CO in electronic form.

#### 6.9. *Deposits and Withdrawals*

Deposits and withdrawals are generally allowed to be processed by the same method only. It means that TenkoFX will allow withdrawing funds only to the same account number and type they have been deposited from.

TenkoFX may process withdrawals by the method other than the one that was used for funds deposit in the following cases:

- (a) the Customer commonly uses several methods of depositing funds; or
- (b) the payment system provides only depositing services.
- (c) Due to the reasons that TenkoFX considers in its sole discretion as sufficient, provided that the Customer's identity has been additionally verified by the means of e-mails, phone calling, requesting of identity verification documents as prescribed by the level of risk posed by the Customer in question.

#### 6.10. *External transfers*

TenkoFX may allow payments to third parties within TenkoFX internal customer database, should all of the following be present:

- (a) originator and beneficiary of the payment are both TenkoFX customers with verified identity and accounts,
- (b) the reason for such transfer is disclosed to and accepted by TenkoFX.

Payment to third parties may occur in the following cases:

- (a) Within relationship of agent and TenkoFX customers introduced by that agent. TenkoFX standard agent Service Agreement stipulates the right of agent for gathering percentage from the volume of commission charged by TenkoFX from the customers introduced by agent which is considered to be the Remuneration of that agent. Such payments are processed by the means of external transfers.
- (b) Within relationships of affiliated persons, i.e. spouses, subsidiary companies, etc. In this case TenkoFX will process external transfer providing that it has sufficient and clear information on the customers' affiliation.
- (c) Within relationships of customers when one is a service provider to the other. Such services may include but not limited to providing of trading strategies, trading signals, software commonly known within the industry as "Expert Advisers".

#### 6.11. *Independent review of the AML Program*

A review of AML Program will be undertaken annually. The review will be undertaken either internally by a person separate from the company's AML CO or the AML compliance office) or by an external service provider that will be retained to conduct the review.

The purposes of the review will be to:

- (a) assess the effectiveness of the AML Program having specific regard to the ML/TF risk faced by TenkoFX;
- (b) assess whether the AML Program complies with applicable regulations;
- (c) assess whether the AML Program has been effectively implemented; and
- (d) assess whether TenkoFX has complied with the AML Program.

The result of the review, including any report prepared, will be provided to the board and senior management.

#### 6.12. *Record Keeping*

TenkoFX will retain all records relevant to its AML Program and policies including;

- (a) The AML Program and all reviews and addendums to the same;
- (b) Transactional records;
- (c) Customer identification and verification records;
- (d) Audits (if any) and compliance reviews;
- (e) Suspicious transaction reporting;
- (f) Annual compliance reports and other management reports;
- (g) Training and compliance monitoring reports.

The customer's information and documents are kept in the TenkoFX databases. TenkoFX trading and mail databases, software including: website, client portal ([my.TenkoFX.com/en](http://my.TenkoFX.com/en)), mail server and trading software are hosted on the third-party servers.

The minimum requirements to the third-party servers, software and hosting services include:

- (a) SAS 70 Type II certification of the data centre facilities,
- (b) Service Organization Controls (SOC) 2 Type II examination for the data centres.

Backup of Databases is made in following manner:

- (a) the mirror copy of all Databases is made to another server real-time;
- (b) at the end of each trading day folders containing customers personal information are copied to another server.

TenkoFX shall keep the operational databases and their backups at the different datacentres.

Records in respect of customer identification and verification are to be retained for 5 (five) years after account closure. Records in respect of financial transactions are to be retained for 5 (five) years after the date of the transaction.

AML Program and addendums, together with any documentation relevant to the reason for amendment, are also to be retained for 5 (five) years after the adoption of the AML Program and/or amendments cease to be in force.

#### 6.13. *Systems to re-assess risk*

TenkoFX will review all areas of its business to identify potential ML/TF risks that may not be covered in the procedures described above. The additional areas of ML/TF risks are in respect of new products, services, distribution channels and developing technologies. Additional procedures will be designed and will be implemented to identify, mitigate and manage potential ML/TF risk.

#### 6.14. *External authorities*

TenkoFX will co-operate with all external authorities, including Commission. TenkoFX will comply with any applicable to TenkoFX directions or notices received from such bodies and will actively search and retain records of any guidance issued or released in respect of perceived ML or TF risks.

#### 6.15. *Commission Feedback*

The CO, in conjunction with the relevant business line senior management and/or other representatives, will take all steps necessary to comply with any applicable to TenkoFX feedback, notices, orders, warrants etc. or to implement any applicable to TenkoFX directions issued by Commission.

In particular, CO will have due regard to any feedback provided by Commission in respect of TenkoFX' performance in managing its ML/TF risks. Such feedback will be incorporated into ongoing monitoring programs and the AML Program will be amended (where appropriate).

#### 6.16. *Privacy*

Customer information will be collected and retained in accordance with obligations under the Nevis data protection regulation laws.

#### 6.17. *Secrecy and access*

When a new customer creates an online account with TenkoFX, the identity information and scanned verification documents entered into the system by the customer are processed using software known as SumSub (Sum & Substance) and Client Area (Client Cabinet). Access to the Website and Client Area is



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secured using "https:// connection".

The connection to <https://my.TenkoFX.com> is encrypted with 128-bit encryption. The connection uses TLS 1.0. The connection is encrypted using AES\_128\_CBC, with SHA1 for message authentication and RSA as the key exchange mechanism.

TenkoFX may modify the information transmission and encryption mechanism at any time in its sole discretion.

TenkoFX will not disclose that it has reported, or is required to report, information to Commission or formed a suspicion about a transaction or matter.

## PART B. RISK ASSESSMENT

### 1. Process for Assessing the Risk – Inherent and Internal Factors

Assessing the ML or TF risk involves:

- (a) Identifying aspects of TenkoFX business that may be susceptible to such risk;
- (b) Considering each of the at-risk areas identified, evaluating and analysing the likelihood that TenkoFX business will be used by criminals for ML/FT purposes.

The risks identified and assessed will then be used to inform the nature of controls, policies and process steps that TenkoFX either currently has in place or will develop or enhance to address the identified risks.

TenkoFX assesses its ML/FT risk with regard to the following criteria:

- (a) the nature, size, and complexity of its business; and
- (b) the services it offers and the way of its delivery; and
- (c) the types of customers it deals with; and
- (d) the countries it deals with; and
- (e) the institutions it deals with; and
- (f) any applicable guidance material produced by the AML/CFT Supervisors relating to risk assessments; and
- (g) any other factors that may be provided for in regulations.

Money Laundering behaviour is typically thought to proceed in three phases:

| PHASE              | DESCRIPTION   | POSSIBLE EXAMPLE FOR TENKOFX  |
|--------------------|---|---|
| <u>Placement</u>   | Cash or criminal funds enter the financial system via legitimate institutions.  | Proceeds of a crime are deposited into a customer's account with TenkoFX.   |
| <u>Layering</u>    | Money is involved in a number of transactions, designed to obscure identity, origin, or any later audit trail of the funds.                             | Money is rapidly transferred into multiple other accounts or invested into multiple other CFD trading transactions.   |
| <u>Integration</u> | Money is mixed with lawful funds or integrated back into the economy, in the hands of the launderer or an affiliate, with the appearance of legitimacy. | accounts are cancelled or closed after initial transfers, which results in a repayment/withdrawal transaction returning money to the customer (which they can use to buy other goods and services or assets). |

### 1.1. *The nature, size, and complexity of business*

1.1.1. TenkoFX is engaged in issuing CFD on the OTC FOREX market. The OTC FOREX market is the market of derivative financial instruments, traded via special IT solutions on an online trading platform (MetaTrader 4, MetaTrader 5, TickTrader) and using modern internet communication systems.

1.1.2. CFDs are complex and leveraged financial products, which are traded over-the-counter (OTC) and not through a regulated market. CFDs are agreements to exchange the difference in the value of a particular underlying asset. This allows Consumers to speculate on rising or falling prices of an underlying asset without the need to physically own it. Our CFDs are agreements under which you agree to purchase an agreed volume of underlying asset from TenkoFX (counterparty to the contract) at a particular exchange rate (open position) and to sell that underlying asset back at the relevant exchange rate at a later time (closing position)..

1.1.3. Trading CFDs involves a high level of risk including total loss of trading capital and may not suitable for all investors. Among other CFDs cryptocurrency CFDs are an extremely-high risk and speculative investment because of the high volatility and lax regulation of the cryptocurrencies.

1.1.4. TenkoFX conducts its activity worldwide, except for certain jurisdictions as explained below. The large size and international character of TenkoFX business means TenkoFX does not know each customer personally and usually has to rely on information provided by a customer in another country.

1.1.5. In addition, the online/electronic trading nature of the business means that face-to-face contact with customers is rare. Email communications are the norm, although there is telephone contact with customers in specific cases and in the manner prescribed by the relevant TenkoFX Privacy Policy.

### 1.2. *The services TenkoFX offers and the manner of delivery*

1.2.1. TenkoFX provides products/services in respect of CFD trading in the international OTC FOREX market. TenkoFX assessed its product/service risk against the likelihood of the following:

- (a) Within relationship of agents and TenkoFX customers introduced by those agents. TenkoFX standard agent Service Agreement stipulates the right of agent for gathering percentage from the volume of commission charged by TenkoFX from the customers introduced by the agent which is considered to be the Remuneration of that agent. Such payments are processed by the means of external transfers.
- (b) Within relationships of affiliated persons, i.e. spouses, subsidiaries companies, etc. In this case TenkoFX will process external transfer providing that it has sufficient and clear information on the customers' affiliation.
- (c) Within relationships of customers when one is a service provider to the other. Such services may include but not limited to providing of trading strategies, trading signals, software commonly known within the industry as "Expert Advisers".

1.2.2. The products offered by TenkoFX (CFDs) are not considered to be inherently at high risk of ML or TF.

1.2.3. While there is some generic risk of placement and layering activity, CFDs are highly speculative and not inherently favoured by ML criminals, because of the uncertainty and volatility. Integration of funds, or assurance of retaining and taking back the funds (with or without gain) in volatile markets is not easy. A huge range of economic and political factors, as well as large market orders, can cause high volatility in financial

instruments. Further, the size and volume of the FOREX market makes it impossible for any one entity to "drive" the market for any length of time.

1.2.4. CFD transactions are speculative, involve a high degree of risk, and are appropriate only for persons who can assume risk of loss of their collateral deposit. Because of the high risk/high reward nature of the market, price changes may result in the loss of the substantial part of or entire customer's margin deposit. TenkoFX cannot and does not provide guarantees of profit or freedom from loss to its customers. The aforementioned aspects make it virtually impossible to conduct ML and/or TF activities via TenkoFX without using TenkoFX services in a manner, clearly inconsistent with normal practices in the industry and thus, exhibiting clearly suspicious behaviour.

1.2.5. Based upon Estimated Amount to Invest (EAI), which is to be specified during the account opening procedure, and/or Net Deposit along with the customer's country of residence TenkoFX can categorise its services to assess the base risk posed by a customer due to size or level of trading:

*For Individuals:*

| <b>BASE RISK ASSESSMENT (BR) FOR INDIVIDUALS</b> |                         |                            |                          |
|--|-------------------------|----------------------------|--------------------------|
| <b>Country</b>                                   | <b>Low Risk Country</b> | <b>Medium Risk Country</b> | <b>High Risk Country</b> |
| <b>EAI/Net Deposit</b>                           |                         |                            |                          |
| 0 – USD 1,000                                    | 1 Risk Level            | 1 Risk Level               | 3 Risk Level             |
| 1,000 USD – USD 10.000                           | 2 Risk Level            | 3 Risk Level               | 4 Risk Level             |
| USD 10.000 – USD 1000.000                        | 3 Risk Level            | 4 Risk Level               | 5 Risk Level             |
| above USD 100.000                                | 4 Risk Level            | 5 Risk Level               | 5 Risk Level             |



For Legal Entities:

| BASE RISK ASSESSMENT (BR) FOR LEGAL ENTITIES |                  |                     |                   |
|--|------------------|---------------------|-------------------|
| Country<br>EAI/Net Deposit                   | Low Risk Country | Medium Risk Country | High Risk Country |
| 0 – USD 50.000                               | 1 Risk Level     | 1 Risk Level        | 3 Risk Level      |
| USD 50.000 – USD 250.000                     | 2 Risk Level     | 3 Risk Level        | 4 Risk Level      |
| above USD 250.000                            | 3 Risk Level     | 4 Risk Level        | 5 Risk Level      |

Providing that Risk Level starts with 1<sup>st</sup> level which is the lowest one and increasing gradually up to the 5<sup>th</sup> level.

1.2.6. TenkoFX provides a range of what are termed partnership programmes. At the present time they are the following: Multilevel Affiliate Program, Introducing Broker (IB), White Label Partnership. Such programs allow affiliates, agents and introducing brokers to introduce new customers to TenkoFX, in return for gaining commission, loyalty benefits or other rewards. Except for the White Label program, these are essentially various types of referral services for gaining new customers. In all cases, TenkoFX treats the customer who is being referred or introduced in the same manner, as any other customer with regard to AML and KYC procedures.

1.2.7. The term “White Label” is different, as it refers to a third party business which utilizes trading software and liquidity provided by TenkoFX to offer services to its customers under its own name and on its own account. TenkoFX does not provide any services to White Label partner’s customers directly and does not receive any funds from or send any funds to such partner’s customers. White Label partner is the only counterparty to any transfers of funds made in the course of this type of operation. White Label version of software is custom branded for the partner and bears no TenkoFX branding. The information relating to the White Label partner’s customers is private and confidential to the White Label partner. TenkoFX is merely providing IT and establishment services, so it is the White Label partner’s responsibility to comply with the relevant AML/CFT laws.

1.2.8. With the Multilevel Affiliate Program, Introducing Brokers, TenkoFX still has a direct relationship with customers and conducts customer due diligence in full accordance with its respective process.

1.2.9. The majority of TenkoFX customers are non-face-to-face contacts, communications with them are conducted via remote means. Internet based trading poses particular challenges for verifying the identity of the account holder. TenkoFX manages this challenge by seeking further CDD information at stages where the customer wants to trade at certain levels, or if any of listed of Red are triggered.

1.2.10. While the vast majority of customer contact is conducted via email/online mechanism only, in certain cases staff will make a telephone call or have follow-up telephone contact with a customer after an application is made to open an account.

### 1.3. *The types of customers TenkoFX deals with*

1.3.1. TenkoFX provides its services to retail, professional and institutional (wholesale) investors. TenkoFX provides its services to both natural persons and legal entities/corporations.

1.3.2. Natural persons are required to be at least 18 (eighteen) years old. Legal entities are to be existing and duly registered in their home country.

1.3.3. To the best of TenkoFX knowledge, no customer accounts are separately managed by a broker, lawyer, accountant or any other "gatekeeper". Such arrangements are prohibited by its trading terms and conditions, unless TenkoFX has a clear and sufficient information regarding identity of ultimate beneficial owners of such company.

1.3.4. TenkoFX has further assessed its customer base risk against the likelihood of the following:

- (a) Counterfeit identification / Identity theft;
- (b) Possible fleeting nature of customer's relationship;
- (c) No personal contact with customer / telephone contact;
- (d) Information regarding source of funds;
- (e) Use of complex business structure by the customer with potential to conceal originating funds;
- (f) Individual (or an immediate relative) holding a public position with risk of exposure to possible corruption (e.g. PEP);
- (g) Customer is located in / conducts business through high-risk countries;
- (h) Placing order on behalf of another customer;
- (i) Unwillingness and/or failure to produce identification documents;
- (j) Incomplete or unsatisfactory evidence of identification or source of funds;
- (k) Use of abbreviated or incomplete names.

1.3.5. TenkoFX implemented a mechanism for screening or checking customer names against a global database of recognized criminal offenders, using the well-known World Check watch list database to screen all its new customer names as well as all current customers database. TenkoFX also added screening against a global database of PEPs. If a customer's identification details match those of a person included in the World Check database TenkoFX will conduct Enhanced CDD of that customer and will take steps to obtain information about the source of wealth or funds of the customer or beneficial owner and to verify that information.

### 1.4. *The countries TenkoFX deals with*

1.4.1. As a general rule TenkoFX conducts its activity worldwide.

1.4.2. In accordance with its internal policy, TenkoFX does not provide services to United States of America, Japan and Belgium residents, residents of unincorporated territories of the United States and Commonwealth of Puerto Rico.

1.4.3. TenkoFX divides all countries to the three risk categories: High, Medium and Low.

1.4.4. If a country falls under criteria of several risk categories simultaneously – it shall be placed to a higher risk category. (E.g.: Turkey is a member of FATF (Low Risk), but due to the last FAFT update - Turkey

is included on “jurisdictions under increased monitoring” list (Medium Risk), therefore, Turkey shall be assigned with Medium risk).

1.4.5. **High Risk Countries** (Appendix B “Countries Risk Allocation” attached hereto) are:

- (a) Countries identified by the FATF as high-risk Jurisdictions subject to a Call for Action. **TenkoFX does not deal with these countries (BAN Jurisdictions)**. TenkoFX will consider the following resource as reliable for an up-to-date list of such countries: <http://www.fatf-gafi.org/>;
- (b) Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures. TenkoFX will consider the following resource as reliable regarding an up-to-date list of such countries: <https://www.un.org/securitycouncil/sanctions/information>;
- (c) Countries included in the “EU list of non-cooperative jurisdictions for tax purposes”. TenkoFX will consider the following resource as reliable for an up to date list of such countries: <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>;
- (d) Countries that are associated with drug production and/or trans-shipment; and
- (e) Countries associated with sponsorship/tolerance of terrorism.

1.4.6. In addition, TenkoFX does not do business with any designated persons that it is aware of from:

- (a) terrorist organisations such as Al Qaida, ISIS (ISIL) and the Taliban;
- (b) the list of persons and entities subject to United Nations and/or European Union sanctions.

1.4.7. **Medium Risk Countries** (Appendix B “Countries Risk Allocation” attached hereto) are:

- (a) Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring.

1.4.8. **Low Risk Countries** (Appendix B “Countries Risk Allocation” attached hereto) are:

- (a) Countries subject to the EU Money Laundering Directive – EU Member States\*;
- (b) Countries, recognized by the EU as jurisdictions having regulation “equivalent” to that set forth under the EU Money Laundering Directive Member\*;
- (c) A country which is listed as a FATF Member\*;
- (d) Jurisdictions that are no longer subject to Increased Monitoring by the FATF (“Jurisdictions under Increased Monitoring” list);
- (e) Other countries, that fall neither under Medium nor under High risk and are not under increased monitoring by FATF.

\*Except for countries, placed by FATF in “Jurisdictions under Increased Monitoring” list or in respect of which were imposed sanctions by EU or/and UN.

1.4.1. Corporate or trust entities that are set up in countries that are notable tax havens and legal entities with nominee shareholders or shares in bearer will have additional monitoring scrutiny applied by TenkoFX.

1.4.2. TenkoFX web technology enables the company to accurately determine via ICP/address mechanisms which country a person is accessing its website from. This can usually be checked regardless of what country the person chooses to attempt to input. However, there are limits to the available technology – e.g. if person was to attempt to use a proxy server to shield their true country of origin. TenkoFX policy is that if, in any case some other suspicion or ‘red flag’ is raised about a customer, then such technology checking is routinely deployed to the best of its capabilities, and other measures, such as a telephone call to the customer, are used also.

#### 1.5. *The institutions and intermediaries TenkoFX deals with*

1.5.1. TenkoFX will not provide its services to or deal in any other way with unregulated foreign shell banks or an institution that has correspondent banking relationships with a shell bank.

1.5.2. However, TenkoFX may provide its services to other financial institutions that are not subject to banking regulation and therefore may be more likely to create ML/FT risks.

1.5.3. A company or financial institution that is duly regulated and is carrying out relevant business in a low-risk jurisdiction (see above) can be regarded as a low-risk institution.

1.5.4. Customers are required to confirm at the time of account set up that they are only opening accounts for themselves or their own companies directly, not through an intermediary (e.g. broker, agent, lawyer, accountant, or some other professional gatekeeper such as lawyer or accountant or trust service provider).

1.5.5. TenkoFX also does not accept any corporate clients that use a structure involving bearer shares or warrants unless TenkoFX has a clear and sufficient information regarding identity of ultimate beneficial owners of such company.

1.5.6. As described above, there are some customers who are White Label Partnership firms, but other than TenkoFX provision of the trading platform itself, they are independent, and must handle their own AML/CFT processes.

## 2. Applying the Risk Assessment

Considering those aspects of TenkoFX business that have been identified as susceptible to ML/FT, TenkoFX has prepared three tables with core risk evaluation data:

- (a) Assessment or weighting of the base risk posed by a customer based upon the dollar values in the customer’s account along with their country of residence (paragraph 2.1.7 below for individuals; paragraph 2.1.8 for legal entities).
- (b) A list of factors that will influence the base risk posed by a customer, either reducing (paragraph 2.1.9); or increasing it (paragraph 2.1.10);
- (c) A list of operational risk factors which represent unusual or suspicious matters which can arise during its activities (not exhaustive) – termed “Red Flags” (in Appendix C attached hereto).

As a result of these assessments, the customer types (inherent risk) can be given a risk rating of High, Medium or Low, as explained below.

In this Risk Assessment, the primary task is to identify and evaluate each of those inherent risks, based on what TenkoFX knows about its customers. The task is also to identify and note the types of operational or behavioural factors described as Red Flags, which will be a key part of ongoing customer due diligence and behavioural monitoring.

## 2.1. *Customer Analysis (Inherent Risk)*

2.1.1. TenkoFX will evaluate and rate all its customers in categories according to the level of risk it considers the customer may represent. In doing so, TenkoFX will consider each aspect this Risk Assessment identifies, and have regard to all the different situations which have currently or historically arisen in TenkoFX business (or are likely to arise in the foreseeable future), together with TenkoFX commercial experience as a CFD broker, and information published by regulators and international organisations (such as FATF). In other words, the evaluation process is a mixture of using past/historical knowledge, and future forecasting of likelihood of risk.

2.1.2. The main risk criteria against which customers are rated are:

- (a) Country/location;
- (b) Individual/natural person, or a legal entity;
- (c) Total value of the customer's account:
  - (i) For individuals – under USD 1,000; between USD 1,000 and USD 10,000; between USD 10,000 and USD 100,000; and over USD 100,000.
  - (ii) For legal entities – under USD 50,000; between USD 50,000 and USD 250,000; and over USD 250,000.

2.1.3. The outcome of this analysis results in customers being given a risk score from 1<sup>st</sup> up to the 5<sup>th</sup> level and classified together according to inherent risk rating: Low, Medium or High risk. These 3 risk categories also correspond to the degree of risk (in per cent terms) that TenkoFX may expect to be posed by the client as follows:

- (a) **Risk Rating - Low risk of ML/FT = Risk Level 1-3** (individuals) and **Risk Level 1** (legal entities) - probability of ML/FT occurring in this segment is very low compared to general risks in the industry;
- (b) **Risk Rating - Medium risk of ML/FT = Risk Level 4** (individuals) and **Risk Level 2-3** (legal entities) - probability of ML/FT occurring in this segment is moderate compared to general risks in the industry;
- (c) **Risk Rating - High risk of ML/FT = Risk Level 5** (individuals) and **Risk Level 4-5** (legal entities) – probability of ML/FT occurring in this segment is elevated compared to general risks in the industry.

2.1.4. Some other factors may influence the risk levels given to customers. TenkoFX will define and rate such factors reducing or increasing risks. That will then adjust each customer's risk depending on which of, and how many of factors reducing or increasing risk apply against their inherent risk level.

2.1.5. These levels will allow TenkoFX to apply the appropriate standard of risk weighting (and also to later establish its Customer Due Diligence processes) in a proportionate, risk-based manner.

2.1.6. Bearing in mind the analysis set out above, TenkoFX generally allocates different risk levels to its customers depending on whether they are individuals or legal entities.

2.1.7. **Individuals:** Using Estimated Amount to Invest amount, indicated by the Customer during account opening procedure, and/or Net Deposit, along with the customer's country of residence, TenkoFX can assess or weight the base risk level and risk rating posed by a customer and assign the measures that shall be applied for the purposes of CDD procedures as follows:

| BASE RISK ASSESMENT   |                    |            |            |              |            |              |              |            |              |              |  |
|---|--------------------|------------|------------|--------------|------------|--------------|--------------|------------|--------------|--------------|--|
|   | STANDARD CDD       |            |            |              |            |              |              |            |              | ENHANCED CDD |  |
| Country;<br>Estimated Amount to Invest and/or<br>Net Deposit amount (thousands USD) | LRC and MRC less 1 | LRC 1 - 10 | MRC 1 - 10 | LRC 10 - 100 | HRC less 1 | LRC over 100 | MRC 10 - 100 | HRC 1 - 10 | MRC over 100 | HRC over 100 |  |
| Risk Level  | 1                  | 2          | 3          |              |            | 4            |              |            | 5            |              |  |
| Risk Rating   | LOW                |            |            |              |            | MEDIUM       |              |            | HIGH         |              |  |

Keys: **LRC** – Low Risk Country; **MRC** – Medium Risk Country; **HRC** – High Risk Country.

2.1.8. **Legal entities:** Based upon Estimated Amount to Invest, indicated by the Customer during account opening procedure, and/or Net Deposit, along with the customer's country of residence, TenkoFX can assess or weight the base risk level and risk rating posed by a company or trust customer and assign the measures that shall be applied for the purposes of CDD procedures as follows:

| BASE RISK ASSESMENT   |                   |              |              |              |             |              |              |              |  |  |
|---|-------------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--|--|
|   | STANDARD CDD      |              |              |              |             |              | ENHANCED CDD |              |  |  |
| Country;<br>Estimated Amount to Invest and/or<br>Net Deposit amount (thousands USD) | LRC + MRC less 50 | LRC 50 – 250 | LRC over 250 | MRC 50 – 250 | HRC less 50 | MRC over 250 | HRC 50 - 250 | HRC over 250 |  |  |
| Risk Level  | 1                 | 2            | 3            |              |             | 4            |              | 5            |  |  |
| Risk Rating   | LOW               | MEDIUM       |              |              |             | HIGH         |              |              |  |  |

Keys: **LRC** – Low Risk Country; **MRC** – Medium Risk Country; **HRC** – High Risk Country.

2.1.9. After assessing the Base risk posed by the customer, TenkoFX will consider whether any Risk Reducing factors apply as set out in the table below:

| Risk reducing factors (RI)* |  |  |
|-----------------------------|--|--|
| No.                         | Specification  | Quantity allocation (minus point to the level) |
| 1                           | Customer has long-term and active business relationship and history known to TenkoFX | -1   |

|   |  |    |
|---|--|----|
| 2 | Customer receives a regular source of income from a known and legitimate source  | -1 |
| 3 | Customer has received a telephone call from TenkoFX staff to clarify/check initial data provided                                 | -1 |
| 4 | Customers mobile phone number has been verified  | -1 |
| 5 | Customer has received a video call (Skype, FaceTime or the other similar means of communication) in order to verify the identity | -1 |
| 6 | Customer has provided high quality photograph of Customer's ID held next to his/her face   | -1 |
| 7 | Customer has provided a reference from reputable financial institution   | -1 |

\* should there be several factors, all shall be applied

2.1.10. After assessing the Base risk posed by the customer together with Risk Reducing factors, TenkoFX will consider whether any Risk Increasing factors apply in the table below:

| Risk increasing factors (IR) ** |   |   |   |
|---------------------------------|---|---|---|
| No.                             | Type of the Customer  | Specification   | Quantity allocation (plus point to the current level) |
| 1                               | Individual or any person (director, beneficiary etc.) of Legal Entity | Politically Exposed Persons (PEPs)  | + 1   |
| 2                               | Individual or any person (director, beneficiary etc.) of Legal Entity | Persons listed in World Check due to suspected criminal behaviour or background   | + 1   |
| 3                               | Individual/Legal Entity   | Occasional or one-off transactions above a threshold equal to USD 50 000  | + 1   |
| 4                               | Individual/Legal Entity   | A complex, unusually large transaction or unusual pattern of transactions that have no apparent or visible economic or lawful purpose have been indicated | + 1   |
| 5                               | Individual/Legal Entity   | Origin of wealth or source of funds cannot be easily verified   | + 1   |
| 6                               | Individual/Legal Entity   | Any one of the signals of possible ML/FT risks (Red Flags) have been observed   | + 1   |

|    |              |   |     |
|----|--------------|---|-----|
| 7  | Legal Entity | Financial institutions which are not regulated in any of the Low Risk/Medium Risk jurisdictions | + 1 |
| 8  | Legal Entity | Complex business structures that offer no apparent financial benefits                           | + 1 |
| 9  | Legal Entity | A company with nominee shareholders or shares in bearer form and/or registered in tax heavens   | + 1 |
| 10 | Legal Entity | Non-profit organisations  | + 1 |

\*\*should there be several factors, all shall be applied

2.1.11. TenkoFX will assign the Final risk to the customer using the following formula:

**Final Risk Level\*\*\* = Basic Risk Level + Risk Increasing Score + Risk Reducing Score**

\*\*\* Should the *Final Risk level* be above 5 - then it shall be deemed to be equal to 5<sup>th</sup> risk level

Should the *Final Risk level* be equal to or less than zero it shall be deemed to be equal to 1<sup>st</sup> risk level

2.1.12. Where it is prescribed by the AML/CFT Regulations, TenkoFX shall assign a particular level of risk to its customer. For example, a customer to which Reduced Due Diligence may be applied can be automatically assigned a Low-Risk rating (unless there are relevant factors which require an increase in that rating).

## 2.2. Red Flag Analysis – On-going Customer Due Diligence and Monitoring

2.2.1. The second stage of analysis using the list of Red Flags which is to be applied during the day-to-day dealing with clients.

2.2.2. These risks are considered by TenkoFX and updated/revised against both:

- (a) HISTORY – The frequency or prevalence with which those listed situations have currently or historically arisen in TenkoFX business
- (b) LIKELIHOOD – The chance of ML/FT possibly occurring via those listed situations (i.e. likely to arise in the foreseeable future in TenkoFX business).

2.2.3. Note that if any two of those operational or trading behaviour Red Flags are present, that is an additional Risk Increasing factor to appropriately modify the customer's inherent risk level.

2.2.4. TenkoFX will develop instructions in its AML Program on how its employees should review customer's activities in order to detect those risk factors and what further actions should be taken.

2.2.5. The identified risks (Red Flags), listed in Appendix B "Red Flags" attached hereto, will have appropriate measures assigned to them, set out in the AML Program, so as to reduce or mitigate the risk. Examples of such measures may include:

- (a) Setting trading or transactional account limits at different levels for higher risk customers or categories;
- (b) Requiring senior management approval via an internal process for higher risk customers or categories;



- (c) Having an internal process to place customers in different risk categories depending on their characteristics, and applying different requirements regarding identification/verification or account monitoring.

2.2.6. The day-to-day procedures in the AML Program set out the applicable customer identification and verification procedures for customers of TenkoFX depending on whether they are low, medium or high risk rate customers according to the methodology described in this Risk Assessment.

### **3. Review and Audit of Risk Assessment**

3.1. TenkoFX will review its Risk Assessment to—

- (a) ensure the Risk Assessment remain current; and
- (b) identify any deficiencies in the effectiveness of the Risk Assessment; and
- (c) make any changes to the Risk Assessment identified as being necessary under paragraph (b).

3.2. The CO shall be responsible for carrying out periodic internal review of this Risk Assessment. He/she shall carry out regular ad hoc reviews in the normal course of his/her day-to-day duties, as well as an in-depth review and (if necessary) updating of this Risk Assessment at intervals of no longer than 12 months. Records shall be kept of the annual reviews and any changes, actions, or outcomes resulting from the reviews.

3.3. The CO in the normal course of his/her day-to-day duties will keep up to date with new international ML/FT trends, and methods to manage and mitigate risks relevant to TenkoFX business operations. This will include any new relevant information, guidance or typologies provided by the FATF. The CO shall factor any relevant changes or trends into this Risk Assessment no later than at the time of the next in-depth annual review.

3.4. In light of the significant proportion of high-risk jurisdictions that TenkoFX has dealings with, and the fact that country risk can change regularly (increase or decrease) due to legal or political factors, the CO will pay particular attention to reviewing and keeping updated the latest country risk ratings and assessments, including from FATF statements, and other reliable independent sources of information about country risk.

## **PART C. KNOW YOUR CUSTOMER (“KYC”)**

This required Part C of the TenkoFX AML/CTF Program includes information that will be obtained from various account types and how this information will be vetted to ensure compliance with all applicable laws, rules and regulations.

The designated CO oversees this Program and these procedures will be independently reviewed. TenkoFX is committed to following all laws and regulations. The management of TenkoFX places extremely high importance on assisting the government in discovering any ML scheme. These policies are to be read by and adhered to by all employees. Any employee found not adhering to these policies and procedures face severe disciplinary action.

Know Your Customer (“KYC”) is one of TenkoFX primary controls to prevent it from being used for laundering the proceeds of crime. Having sufficient KYC information minimises the risk of being used for illicit activities and protects against fraud. It also enables recognition of suspicious activity.

KYC information relates to financial circumstances of customers and the features of the services and/or transactions TenkoFX has entered into with or for them.

To gather KYC information, TenkoFX will collect identification information from each customer who opens an account; utilize risk-based measures to verify the identity of each customer; record customer identification information and verification methods and results; provide notice to customers that TenkoFX will seek identification information, and compare customer identification information with government-provided lists of suspected terrorists.

Prior to entering into any business relationship with a client, TenkoFX will ensure that it has sufficient KYC information on the client. All customer information will be independently verified using a third-party database – World-Check (WC) based on the World Check watch list processing and the results will be presented to the CO. Approval of all account openings will be carried out by the CO and/or Verification Department relevant employee based on the internal verification procedure available through TenkoFX CRM system. All filings of required reports with AML/CFT supervisors or other appropriate entities will be carried out by the CO. Account opening approval shall be assumed unless there is an express statement to the contrary. All information collected and reports generated internally or by third parties will remain on file for a period of five years and be available when requested by an entity with the authority to do so in a timely manner, usually within 24-72 hours.

If the client with whom TenkoFX has contact is, or appears to be acting on behalf of another person, it is obligation on TenkoFX is to obtain sufficient evidence of both their identities.

When opening an account TenkoFX will collect information for all accounts, subject to the CDD procedure applicable to the customer. This information may include: the name; date of birth (for an individual); an address, which will be a residential or business address, or a principal place of business, local office or other physical location (for a person other than an individual); an identification number, which will be a government issued identification number or one or more of the following: passport number and country of issuance, residence permit card number or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard.

When opening an account for a foreign business or enterprise that does not have an identification number, alternative government-issued documentation certifying the existence of the business or enterprise shall be requested.

Additional information will be requested to identify and verify all controlling managers and/or beneficial owners

of corporate accounts in order to reasonably understand the source and use of funds in the account, the relationship between the customer and the beneficial owner and the nature of business or type of activity in which the entity is engaged.

The KYC will include, among other, the following:

- (a) The purpose and reason for opening the account or establishing the relationship;
- (b) The anticipated level and nature of the activity that is to be undertaken;
- (c) Origin of funds to be used in connection with the relationship;
- (d) Where applicable, various relationships of signatories and underlying beneficial owners; and
- (e) Details of employment and sources of wealth and/or income.

Certain types of clients and client business may be exempted from the requirement to obtain complete KYC information. TenkoFX will however need to obtain sufficient evidence to support the exemption. In summary they are:

- (a) Exemptions based on client, where the client is:
  - (i) A customer which is assigned with risk level from 1 to 5 for individuals and from 1 to 3 for legal entities as per the rules provided in Risk assessment;
  - (ii) A company regulated by a reputable authority such as Financial Services Authority (“**FSA**”), Cyprus Securities and Investment Commission (“**CySEC**”), Australian Securities and Investments Commission (“**ASIC**”), a relevant regulator of an EU member state, and carrying on relevant business; or
  - (iii) A financial institution that is subject to the EU Money Laundering Directive or is based in a country with “equivalence” status (for the purposes of this clause “equivalence” status shall be considered as defined in the EU Money Laundering Directive).

These exceptions do not apply if TenkoFX considers that the client or a transaction undertaken by a client is suspect e.g. where TenkoFX including relevant employees and its managers, dealing with the client or transaction:

- (a) Knows or suspects; or
- (b) Has reasonable grounds to know or suspect; that a transaction may be suspicious and that the client or the person, on whose behalf the client is or appears to be acting, is engaged in money laundering.

Where a client is acting on behalf of another person or is controlled by other person(s) TenkoFX is required to obtain KYC information on these other persons to the same standard as is generally applied with respect to clients. The exception is if such client is a company regulated by a reputable authority such as FSA, ASIC, CYSEC or by the relevant authority of the country recognized as having an equivalent regulatory regime.

Evidence of the identity of a client or evidence confirming why identification evidence is not required must be retained and placed on the client’s file. KYC information must be kept up to date through meetings or other communications with the client. For example, if the nature of the expected business changes and the client has provided a reasonable explanation for the change then a file note to this effect should be added to the client’s file.

The amount of evidence required to support client identification will depend on the money laundering risk arising from that particular client relationship and the quality of the evidence available as defined in the Part

B Risk Assessment. If in any doubt consult the CO.

For each client therefore, the following should be completed:

- (a) A file note containing KYC information covering:
  - (i) The purpose and reason for opening the account or establishing the relationship;
  - (ii) The anticipated level and nature of activity to be undertaken;
  - (iii) Origin of the funds to be used in the course of the relationship when such information is required under the law or TenkoFX policy; and
  - (iv) Details of employment and sources of wealth and/or income when such information is required under the law or TenkoFX policy.
- (b) An Identity Verification – depending on the level of risk posed by the customer;

Once the Identification Verification checklist has been completed for a particular client, it shall be reviewed and approved by the CO and/or Verification Department relevant employee.

Verification procedures must be carried out as part of the business relationship inception process. No funds transfers will commence until satisfactory evidence of identity has been obtained and an account has been verified in a timely manner i.e., evidence must be obtained “as soon as is reasonably practicable” before the business relationship with the customer are established.

The procedures set out below are designed to:

- (a) Enable suspicious clients and transactions to be recognised as such and to be reported to the authorities; and
- (b) Ensure that if a client comes under suspicion TenkoFX is able to provide the CO with the relevant transaction details.

## **1. Customer Due Diligence**

TenkoFX will collect certain minimum customer identification information from each customer which opens an account subject to the Customer due diligence (“CDD”) procedure applicable to the customer; utilize risk-based measures to verify the identity of each customer which opens an account; record customer identification information and the verification methods and results; provide notice to customers that we will seek identification information and compare customer identification information with government-provided lists of suspected terrorists.

## **2. Required Customer Information**

- 1.1. A customer/client is defined as any person engaged in any transaction or service undertaken with TenkoFX either:
  - (a) On their own behalf; or
  - (b) As an agent for or on behalf of another.
- 1.2. CDD is the process through which TenkoFX develops an understanding about its customers and the ML/FT risks they pose to the business. CDD involves gathering and verifying information about a customer’s identity, and/or beneficial owners and representatives (any person acting on behalf of a customer).

1.3. TenkoFX will conduct CDD on:

- (a) a customer;
- (b) any beneficial owner of a customer;
- (c) any person acting on behalf of a customer.

1.4. For the purposes of CDD, a customer who is an individual and who TenkoFX believes on reasonable grounds is not acting on behalf of another person is to be treated as the beneficial owner unless TenkoFX has reasonable grounds to suspect that that customer is not the beneficial owner.

1.5. There are three types of CDD applied by TenkoFX:

- (a) Reduced CDD – shall be applied to the Customers, specified below;
- (b) Standard CDD – shall be applied to:
  - (i) In case of individuals:
    - Low Risk Rate customers with Risk Level from the 1<sup>st</sup> up to the 3<sup>rd</sup>;
    - Medium Risk Rate customers with 4<sup>th</sup> Risk Level;
  - (ii) In case of Legal entities:
    - Low Risk Rate customers with the 1<sup>st</sup> Risk Level;
    - Medium Risk Rate customers with Risk Level from the 2<sup>nd</sup> up to 3<sup>rd</sup>;
- (c) Enhanced CDD – shall be applied to:
  - (i) In case of individuals:
    - High Rate customers with 5<sup>th</sup>Risk Level;
  - (ii) In case of Legal entities:
    - High Risk Rate customers with Risk Level from the 4<sup>th</sup> up to 5<sup>th</sup>.

1.6. Risk Rate and Risk Level allocation is to be applied to the Customer based upon the size of the customer's account along with the customer's country of residence, with consideration of all Reducing and Increasing risk factors is specified in the Part B "Risk Assessment".

1.7. Graphical presentation of Risk Rate and Level allocation with description of particular CDD to be applied accompanied with verification measures can be found in Appendix A attached hereto below.

### **3. Reduced CDD**

As per the AML Act Reduced CDD can be conducted by TenkoFX with respect to the following low risk situations:

- (a) where the person whose identity is to be verified is a public authority, and is acting in that capacity;
- (b) where the business relationship or one-off transaction relates to a pension, superannuation or similar scheme and where the contributions to the scheme are made by way of deductions from wages and the rules of the scheme do not permit the assignment of an interest of a member of the scheme under the scheme;

- (c) where the customer of a Relevant Person\* is (i) a Regulated Person\*\* or (ii) a person who carries on equivalent business to any category of Regulated Business\*\*\*.

\*Relevant Person" means a person carrying on relevant business.

\*\*Regulated Person means any person carrying on a regulated business activity as defined in the Schedule to Proceeds of Crime Act.

\*\*\*Regulated Business means engaging by way of business in one or more of the businesses or transactions referred to in relation to a regulated person.

TenkoFX shall obtain the following identity information in relation to the persons to whom Reduced CDD shall be applied and in relation to a person acting on behalf of such customer:

- (a) establish the identity (including full name, date of birth and legal status, if natural person) by getting required documents, data and other information;
- (b) verify the legal status (if other than natural person); and
- (c) the person's authority to act on behalf of the customer (if applicable).

If TenkoFX establishes a business relationship with a customer, which falls under Reduced due diligence it must obtain one or a combination of the following:

- (a) verify the legal status of the person;
- (b) verify the identities of the customer's persons by getting documents, data and other information required;
- (c) the assessment of the risk that any business relationship or one-off transaction will involve ML, including obtaining appropriate information for assessing that risk.
- (d) a search of the licence or other records of the relevant regulator.

If TenkoFX establishes a business relationship with a customer specified as requiring Reduced due diligence, it will also collect information on the nature and purpose of the proposed business relationship between the customer and TenkoFX.

According to the level of risk involved, TenkoFX will verify the identity of a person acting on behalf of a customer and that person's authority to act for the customer so that it is satisfied it knows who the person is and that the person has authority to act on behalf of the customer. For the purposes of verifying a person's authority to act on behalf of the customer, TenkoFX may rely on an authority provided in an application form or other document provided to TenkoFX that shows a person's authority to act or transact on an account (i.e. board resolution, power of attorney, statutory documents or any respective national equivalent).

For the avoidance of doubt, nothing in this section requires identification or verification of identity of a beneficial owner of a customer in respect of whom TenkoFX may conduct reduced CDD.

Verification of identity is carried out before the business relationship is established or before the respective person is allowed to act on behalf of the customer.

#### **4. Standard CDD**

Standard CDD involves collection of identity information of the customer, as well any beneficial owner of the customer or any person acting on behalf of the customer. It also includes verification of that information. For beneficial owners or persons acting on behalf of the customer this verification is according to the level of risk

involved.

Standard CDD shall be applied with respect to:

- (a) In case of individuals:
  - (i) Low Risk Rate customers with Risk Level from the 1<sup>st</sup> up to the 3<sup>rd</sup>;
  - (ii) Medium Risk Rate customers with 4<sup>th</sup> Risk Level;
- (b) In case of Legal entities:
  - (i) Low Risk Rate customers with 1<sup>st</sup> Risk Level;
- (c) Medium Risk Rate customers with Risk Level from the 2<sup>nd</sup> up to the 3<sup>rd</sup>.

TenkoFX obtains the following identity information in relation to the persons to whom Standard CDD shall be applied:

- (a) the person's full name; and
- (b) the person's date of birth; and
- (c) if the person is not the customer, the person's relationship to the customer; and
- (d) the person's address or registered office; and
- (e) the person's company identifier or registration number; and
- (f) information on the nature and purpose of the proposed business relationship between the customer and TenkoFX; and
- (g) sufficient information to determine whether the customer should be subject to enhanced customer due diligence.

## **5. Enhanced CDD**

TenkoFX shall conduct enhanced CDD in following circumstances:

- (a) TenkoFX proposes to have a business relationship with a politically exposed person. TenkoFX shall obtain senior management approval for establishing business relationships with politically exposed persons;
- (b) TenkoFX (i) intends to conduct business transactions with persons, including legal persons and other financial institutions from or in countries which do not apply or insufficiently apply the FATF Recommendations; or (ii) has a foreign branch or subsidiary in countries which do not, or which insufficiently apply the FATF Recommendations;
- (c) Where TenkoFX has doubts about the veracity or adequacy of documents, data or information previously obtained;
- (d) in any case where there is a suspicion of ML or a transaction involving the proceeds of crime;
- (e) where FATF has decided to apply money laundering counter-measures to a country and it includes enhanced CDD measures to any business relationship or occasional transaction as the case may be.

TenkoFX shall conduct enhanced CDD on the customers who are:

- (a) In case of individuals: High Risk Rate customers with 5<sup>th</sup> Risk Level;

- (b) In case of Legal entities: High Risk Rate customers with Risk Level from the 4<sup>th</sup> up to the 5<sup>th</sup>.

When conducting enhanced CDD on the customer, TenkoFX identifies:

- (a) the person's full name; and
- (b) the person's date of birth (in case of private individuals); and
- (c) if the person is not the customer, the person's relationship to the customer/authority to act on behalf of the customer; and
- (d) the person's address or registered office; and
- (e) the person's company identifier or registration number (in case of corporate entities); and
- (f) information regarding to ultimate beneficial owner(s) of the customer (in case of corporate entities) and of funds to be invested; and
- (g) information on the nature and purpose of the proposed business relationship between the customer and TenkoFX; and
- (h) information relating to the source of the funds or the wealth of the customer.

## **6. Politically Exposed Person**

TenkoFX must, as soon as practicable after establishing a business relationship, take reasonable steps to determine whether the customer or any beneficial owner is a politically exposed person.

According to the AML Act, politically exposed person means a person who is:

- (a) an individual who is a prominent public person or a person who has been entrusted with a prominent public function in a country or territory outside St. Christopher and Nevis or by an international organization outside St. Christopher and Nevis, including
  - (i) heads of state, heads of government, senior politicians;
  - (ii) senior government, judicial or military officials;
  - (iii) senior executives of state-owned corporations; or
  - (iv) important political party officials;
- (b) an immediate family member of a person mentioned in paragraph (a), including any of the following:
  - (i) a spouse;
  - (ii) a partner, being someone who is considered by his or her national law as equivalent to a spouse; or who has been cohabiting in a relationship with a person for more than five years;
  - (iii) children and their spouses or partners as defined in sub-paragraph (ii);
  - (iv) parents;
  - (v) grandparents and grandchildren;
  - (vi) siblings;
- (c) close associates of an individual referred to in paragraph (a), including any person who is known to maintain a close business relationship with such individual or a person who is in a position to conduct substantial financial transactions on his or her behalf.



If TenkoFX determines that a customer or beneficial owner with whom it has established a business relationship is a PEP by using a daily screening of all new account applications and current customers database throughout the World Check database then—

- (a) TenkoFX must have senior management approval for continuing the business relationship; and
- (b) TenkoFX must conduct enhanced CCD (including ongoing monitoring of the business relationship) on the customer according to the risk level posed by that customer but not less than 5th level; and
- (c) obtain information about the source of wealth or funds of the customer or beneficial owner and take reasonable steps to verify the source of that wealth or those funds.

If TenkoFX determines that a customer or beneficial owner with whom it has conducted a suspicious transaction(-s) or a transaction over 10.000 USD is a PEP, then TenkoFX must, as soon as practicable after conducting that transaction, take reasonable steps to obtain information about the source of wealth or funds of the customer or beneficial owner and verify the source of that wealth or those funds,

## **7. Beneficial owners**

TenkoFX identifies and attempts to take reasonable steps to verify the identity of all beneficial owners of all customer funds transferred to TenkoFX. If TenkoFX is not able to identify and verify the identity of the beneficial owner(s), full customer due diligence has not been completed and TenkoFX will not establish a business relationship or conduct an occasional transaction with the respective customer.

According to the AML Act “beneficial owner or controller” (a) means a natural person who (i) ultimately owns or controls a customer or other person on whose behalf a transaction is being conducted; or (ii) exercises ultimate, effective control over the management of a legal person or other entity; and (b) includes ultimate ownership or control whether it is direct or indirect; but (c) does not extend to a body corporate, the stock or shares of which are admitted to trading on a regulated market.

TenkoFX shall expand the given definition as follows:

Beneficial owner means the natural person who:

- (a) has effective control of a customer or a person on whose behalf a transaction is conducted; or
- (b) owns at least 25% of the customer or person on whose behalf a transaction is conducted.; or
- (c) owns all or substantial portion of the funds transferred to TenkoFX as part of the transaction.
- (d) A beneficial owner can only be an individual (a natural person), not another company or organization.

In the case when it is not obvious which individuals is a beneficial owner of the customer (for example: a company is not directly owned by an individual), TenkoFX will inspect relationships between the parties. TenkoFX will consider that it is possible for ownership to be split into small stakes (less than 25 percent), but relationships between the parties may give an individual aggregated ownership of the customer that amounts to more than 25 percent.

In the case that no individual(s) own more than 25 percent, the effective control element is more likely to determine the beneficial owner(s). Effective control of a customer is exercised by individuals who have an influence over composition and/or decisions of the customer’s board of directors or similar senior management body/position. In deciding who has effective control over a customer which is not an individual, TenkoFX considers:

- (a) those individuals with the ability to take senior managerial level decisions of the customer and/or dismiss or appoint those in senior management positions,
- (b) those individuals holding more than 25 percent of the customer's voting rights,
- (c) those individuals (for example, the CEO) who hold senior management positions,
- (d) trustees (where applicable).

Acting on behalf of the customer is when a person is authorised to carry out transactions or other activities on behalf of the customer. "Authority to act" should not be confused with effective control. TenkoFX identifies and verifies any person who, as between the customer and TenkoFX, has authority to act on behalf of a customer, to accept liabilities on behalf of the customer or authorise the transfer, sale or purchase of assets owned by the customer, as relates to opening, maintenance and operation of the customer's account with TenkoFX

## **8. Customers Who Refuse to Provide Information**

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, TenkoFX will not open a new account and, after considering the risks involved, will consider closing any open account of an existing customer. In either case, our CO will be notified so that we can determine whether we should file a STR.

## **9. Verifying Identity**

Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our customers by using Risk Assessment procedures to verify and document the accuracy of the information we get about our customers. In verifying customer identity, we will analyze any logical inconsistencies in the information we obtain, TenkoFX will not accept deposits or trades until verification is complete.

We will verify customer identity through non-documentary evidence, documentary evidence, or both. As a general matter, non-documentary evidence will be used to verify the identity of individuals residing domestically. Documentary evidence will be used to verify the identity of any non-domestic resident, entity, joint accountholder, or any resident who could not be properly identified through non-documentary evidence.

### *9.1. Non-Documentary Verification*

Third party verification software, World-Check (WC) database (including persons convicted for criminal offences and PEPs), will be used to verify the identity of those individuals residing domestically or outside Nevis.

In light of the increased instances of identity fraud, if we are still uncertain about whether we can ascertain the true identity of the customer, other forms of non-documentary verification methods may be used to supplement our verification process. This may include:

- (a) Contacting the customer via a phone call in accordance with TenkoFX Calling Policy (Appendix D attached hereto);
- (b) Contacting the customer via a Skype call with or without the use of video call function in accordance with TenkoFX Calling Policy;
- (c) Contacting the customer via a Face time call (for iPhone users) in accordance with TenkoFX Calling Policy;

- (d) Independently verifying the customer's identity through the comparison of information provided by the customer in the social nets (Facebook, LinkedIn, vkontakte, Instagram, Baidu etc.);
- (e) Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from additional third-party verification software;
- (f) Looking for information regarding the customer by conducting a search in Google or other internet search systems;
- (g) Looking for information regarding the customer by conducting a search in the database directories commonly known as "Yellow Pages" address books;
- (h) Requesting the Customer to provide high quality photograph of customer's ID held next to his/her face;
- (i) Verification of the Customer's mobile phone number which provides TenkoFX with useful information to find the 'personified' customer;
- (j) Checking references with other financial institutions;
- (k) Obtaining a bank reference letter; or
- (l) Obtaining a financial statement.

In analyzing any information provided for verification purposes by the customer, we will consider whether there is a logical consistency between the identifying information provided and subsequently learned about the customer through non-documentary means, such as the customer's name, street address, postal code, telephone number (if provided), date of birth, and government identification number.

### *9.2. Documentary Verification.*

TenkoFX documentary verification process consists of examining documentation presented to confirm the identity of the customer. Documentation appropriate for this purpose includes (Appendix A attached hereto), but is not limited to:

- (a) For an individual, an unexpired government-issued identification evidencing nationality, residence, and bearing a photograph or similar safeguard, such as a driver's license or passport; and
- (b) For a business or person other than an individual, documents showing the existence of the entity, such as certified Certificate of Incorporation, Certificate of Incumbency, Certificate of Good Standing, Articles of Incorporation, a government-issued business license, i or another national equivalent.

### *9.3. Non-Documentary & Documentary Verification.*

We will use *both* non-documentary and documentary methods of verification in the following situations:

- (a) when the customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard;
- (b) when TenkoFX is unfamiliar with the documents the customer presents for identification verification;
- (c) when TenkoFX believes both types of verification are necessary;
- (d) when a person with identification data of the customer comes up in a World Check database during verification; and
- (e) when there are other circumstances that increase the risk that TenkoFX will be unable to verify the true identity of the customer through documentary means alone.

We will verify the information within a reasonable time before the account is opened. If a customer's identity cannot be properly identified, we will not open an account for the customer. Additionally, if we find suspicious information that indicates possible ML or TF activity, we will, after internal consultation with the CO, file a STR.

We recognize that the risk that we may not know the customer's true identity may be heightened for certain types of accounts, such as an account opened in the name of a corporation, partnership or trust that is created or conducts substantial business in a jurisdiction that has been designated as a primary ML concern or has been designated as non-cooperative by an international body. Therefore, we will not open any accounts that fall into any of these categories.

#### *9.4. Lack of Verification*

When we cannot form a reasonable belief that we know the true identity of a customer, we will do the following: (a) not open an account; and/or (b) file STR.

### **10. Record keeping**

We will document our verification process, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancy in the identifying information. We will keep records containing a description of any document that we relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. With respect to non-documentary verification, we will retain documents that describe the methods and the results of any measures we took to verify the identity of a customer. We will maintain records of all identifying information for five (5) years after the account has been closed; we will retain records made about verification of the customer's identity for five (5) years after the record is made.

### **11. Comparison with Government Provided Lists of Terrorists and Other Criminals**

From time to time, we may receive notice that a government agency has issued a list of known or suspected terrorists. Within a reasonable period of time after an account is opened (or earlier, if required by another law or regulation or government directive issued in connection with an applicable list), we will determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any government agency and designated as such by Commission in consultation with the Commission regulators. We will follow all applicable directives issued in connection with such lists.

We will continue to comply with any/all government rules prohibiting transactions with certain foreign countries or their nationals.

### **12. Notice to Customers**

In compliance with the Nevis data protection legislation, we will provide notice to customers that TenkoFX is requesting information from them to verify their identities. TenkoFX will provide a notice to customer by ways of which TenkoFX solely deems reasonable (usually, such notice is available for all customers on the Website – [tenkofx.com](http://tenkofx.com)). Such notice shall explain that TenkoFX is required for effective ML/TF combatting purposes and complying with applicable laws verify the identity of customer by obtaining the following, but without limitation, information: full name, address, date of birth. TenkoFX may also ask you to provide supporting documentation to confirm provided information (your driver license or other identifying documents).

## Appendix A

### VERIFICATION MEASURES

| DOCUMENTARY IDENTITY VERIFICATION FOR INDIVIDUALS                                   |                    |            |            |              |            |              |              |              |              |              |
|---|--------------------|------------|------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
|   | STANDARD CDD       |            |            |              |            |              |              | ENHANCED CDD |              |              |
| Country;<br>Estimated Amount to Invest and/or<br>Net Deposit amount (thousands USD) | LRC and MRC less 1 | LRC 1 - 10 | MRC 1 - 10 | LRC 10 - 100 | HRC less 1 | LRC over 100 | MRC 10 - 100 | HRC 1 - 10   | MRC over 100 | HRC over 100 |
| Risk Level  | 1                  | 2          | 3          |              |            | 4            |              | 5            |              |              |
| Risk Rating   | LOW                |            |            |              |            | MEDIUM       |              | HIGH         |              |              |
| Documentary and Non-documentary verification measures                               |                    |            |            |              |            |              |              |              |              |              |
| ID scan copy  | +                  | +          | +          |              |            | +            |              |              |              |              |
| ID certified  |                    |            |            |              |            |              |              | +            |              |              |
| Proof of Address scan copy  | +                  | +          | +          |              |            | +            |              |              |              |              |
| Proof of Address certified  |                    |            |            |              |            |              |              | +            |              |              |
| World Check (Criminals and PEP)   | +                  | +          | +          |              |            | +            |              | +            |              |              |
| Source of Funds/Wealth Declaration  |                    |            | +          |              |            | +            |              | +            |              |              |
| Source of Funds/Wealth Proof within 3 months old                                    |                    |            |            |              |            | +            |              | +            |              |              |
| Internet check  |                    | +          | +          |              |            | +            |              | +            |              |              |
| Call  |                    |            |            |              |            | +            |              | +            |              |              |
| Additional measures that may be applied   |                    |            |            |              |            |              |              |              |              |              |
| Photo with ID   |                    |            |            |              |            | +            |              |              |              |              |
| Video call  |                    |            |            |              |            | +            |              |              |              |              |
| Additional ID scan copy   |                    |            |            |              |            | +            |              |              |              |              |

|  |   |
|--|---|
| Additional Source of Funds/ Wealth Proof within 3 months old | + |
|--|---|

| DOCUMENTARY IDENTITY VERIFICATION FOR LEGAL ENTITIES                                   |                      |              |              |              |             |              |              |              |
|--|----------------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
|  | STANDARD CDD         |              |              |              |             | ENHANCED CDD |              |              |
| Country;<br>Estimated Amount to Invest and/or<br>Net Deposit amount<br>(thousands USD) | LRC + MRC<br>less 50 | LRC 50 - 250 | LRC over 250 | MRC 50 - 250 | HRC less 50 | MRC over 250 | HRC 50 - 250 | HRC over 250 |
| Risk Level   | 1                    | 2            | 3            |              |             | 4            | 5            |              |
| Risk Rating  | LOW                  | MEDIUM       |              |              |             | HIGH         |              |              |
| Documentary and Non-documentary verification measures                                  |                      |              |              |              |             |              |              |              |
| COI scan copy  | +                    | +            |              |              |             |              |              |              |
| COI certified  |                      |              |              | +            |             | +            |              | +            |
| CoGS or CoINC scan copy  | +                    | +            |              |              |             |              |              |              |
| CoGS or CoINC certified  |                      |              |              | +            |             | +            |              | +            |
| AoA + MoA scan copy  | +                    | +            |              |              |             |              |              |              |
| AoA + MoA certified  |                      |              |              | +            |             | +            |              | +            |
| Board Resolution   | +                    | +            |              | +            |             | +            |              | +            |
| Financial Statement  |                      | +            |              | +            |             | +            |              | +            |
| World Check<br>(Criminals and PEP)   | +                    | +            |              | +            |             | +            |              | +            |
| Internet check   |                      |              |              | +            |             | +            |              | +            |
| Call   |                      |              |              |              |             | +            |              | +            |
| Video call   |                      |              |              |              |             |              |              | +            |
| Company Directors, Beneficiary and Representative verification measures                |                      |              |              |              |             |              |              |              |
| Directors  | Ind RL1              | Ind RL2      | Ind RL3      |              |             | Ind RL4      | Ind RL5      |              |
| Beneficiary  | Ind RL1              | Ind RL2      | Ind RL3      |              |             | Ind RL4      | Ind RL5      |              |
| Representative   | Ind RL1              | Ind RL2      | Ind RL3      |              |             | Ind RL4      | Ind RL5      |              |

Keys:

|               |   |              |                               |
|---------------|---|--------------|-------------------------------|
| <b>+</b>      | required;   | <b>HRC</b>   | High Risk Country;            |
| <b>(*)</b>    | at least one of the measures is required;             | <b>COI</b>   | Certificate of incorporation; |
| <b>Ind RL</b> | Individual Risk Level                                 | <b>CoGS*</b> | Certificate of Good standing; |
| <b>IRF</b>    | increasing Risk Factor (applied during on-going CDD); | <b>CoINC</b> | Certificate of Incumbency;    |
| <b>LRC</b>    | Low Risk Country;                                     | <b>AoA</b>   | Articles of Association       |
| <b>MRC</b>    | Medium Risk Country;                                  | <b>MoA</b>   | Memorandum of Association     |

Where documents are provided in a language other than English which is not among the languages supported by TenkoFX, TenkoFX may request a translation. The translation in such case must be attested by the translator as true and correct copy of the original, and include translator's contact details.

## 1. Verification requirements for individuals

### 1.1. Identity verification documents

Any one or more of the following photographic identifications must be used to verify the name and date of birth of the individual:

- (a) passport or a similar document issued for the purpose of international travel which:
  - (i) contains the name, date of birth, a photograph and the signature of the person in whose name the document is issued; and
  - (ii) is issued by a foreign government, the United Nations or an agency of the United Nations.
- (b) a national identity card issued for the purpose of identification, that:
  - (i) contains the name, date of birth, a photograph and the signature or other biometric measure included where relevant; and
  - (ii) is issued by a foreign government, the United Nations or an agency of the United Nations.
- (c) drivers license.

**OR**

Any one or more of the following primary non-photographic identifications:

- (a) citizenship certificate issued by a government;
- (b) a birth certificate issued by a government, the United Nations or an agency of the United Nations

in combination with a secondary or supporting form of photographic identification, for example:

- (a) 18+ Card;
- (b) valid and current international driving license.

**IMPORTANT!** If the documents are provided in scan copies (as required by the particular CDD procedure), then the name of the customer shall be verified through at least two independent sources. If the documents



are provided in certified copies, then the single document is acceptable.

**EXEPTION:** There is a list of countries where due local specifics it is rather complicated to provide identity verification documents other than an ID card. In these cases, TenkoFX will verify the name of the customer through the ID as the only sources and accept the same document for identity and address verification if the amount of initial deposit and net worth does not exceed 10 000 USD. As of the current date, these countries are as follows: China, Indonesia.

### 1.2. *Current permanent address verification*

The address of the individual must also be verified by means of any one of the following:

- (a) Confirmation from an electoral register search that a person of that name lives at that address;
- (b) Recent utility bill – Within three months old;
- (c) Local authority tax bill – Valid for the current year;
- (d) Current photo card driving licence;
- (e) Bank, building society or credit union statement or passbook containing current address;
- (f) The most recent original mortgage statement from a recognised lender;
- (g) Local council rent card or tenancy agreement.

**IMPORTANT!** The same document may be used to verify both name and address.

In the case of joint clients, identification evidence needs to be obtained for all parties however, where two individuals have the same surname and address there is no need to verify the address of the second individual.

**IMPORTANT!** There is a list of countries where as per the national standards the address may be identified by the mean of P/O box only. As of the current date they are the following: UAE, Qatar, Bahrain, Kuwait, Oman, Saudi Arabia. TenkoFX will accept PO box as address confirmation provided the in such case two independent source are required.

All documents should be copies of the original, certification requirements apply depending on the particular CDD procedure. In order to reduce the risk of interception of original documents, TenkoFX shall not request that these are sent through the post.

## 2. **Verification requirements for corporate customers**

In view of the difficulties that can be encountered in identifying beneficial ownership and because of their complex structures, corporate entities are amongst the most likely vehicles for money laundering. Therefore, a higher degree of care must be taken to verify the legal existence of a corporate customer and the authorisation of those persons purporting to act on its behalf. The fundamental requirement is to identify Name of the Company, Registered Address, Principal Place of Business, Mailing Address (if different), Name of all Directors, Names of all beneficial owners, Banking Information (Name of Bank, Address of Bank, Account Name, Account Number) and persons having ultimate control over the business and the corporate assets.

All Companies will be required to provide the following documentation with an application form:

- (a) Copy of Certificate of Incorporation or any national equivalent;
- (b) Copy of Memorandum and Articles of Association or any national equivalent;
- (c) Certificate of good standing\* or other proof of registered address of the company – within 3 (three) months old;
- (d) A copy of the resolution of the board of directors to open an account and confer authority on those who will operate unless such authorisation is expressly provided the Articles of Association or its national equivalent;
- (e) Proof of identity of ALL directors (according to the Individual identity verification rules described above);
- (f) Proof of identity of ALL shareholders (according to the Individual identity verification rules described above).

\* is required in case the company was incorporated 6 months ago or more

The purpose of this procedure is to look behind the corporate entity to identify those who have ultimate control over the business and the company's assets. Where the beneficial owner is another corporate entity or trust, the objective is to look behind the "corporate" documents to verify the identity of the beneficial owner(s) or settlor(s).

**IMPORTANT!** For the verification purposes regarding clauses (a) – (c) above, TenkoFX may accept information specified in a publicly open state companies' Register or held by the other reputable authority companies' Register. In this case, TenkoFX will not request certified copies of the mentioned documents.

### 3. Verification requirements for trusts, nominees and fiduciaries

The confidential, secret and frequently complex nature of trusts make them popular vehicles for criminal activities. For every customer that is a trust, TenkoFX will identify: name of the trust, registered address, mailing address (if different), name of corporate trustee(s), address (current) and/or name of non-corporate trustee(s), address (current), bank details (name of bank, address of bank, account name, account number).

The principal objective of the identification verification requirements of trusts, nominees and fiduciaries is to verify the identity of those providing the funds, usually the settlor; those who have control over the funds, usually the trustees and those who have power to remove the trustees. For trusts, TenkoFX is required:

- (a) To ascertain the nature and purpose of the trust and the original source of funding;
- (b) To identify any trust company or corporate service provider employed by the trust;
- (c) To identify the beneficiaries of the trust; and
- (d) To identify the authorised signatories and their authority to operate an account where TenkoFX receives funds from an account that is not under the control of the trustees.

All Trusts, in addition to the procedures specified for corporate customers, will be required to provide the following documentation with an application form (ALL documents must be certified as true copies of the originals):

- (a) Copy of trust deed, certified extract of trust deed OR original trust deed;
- (b) Certificate of incorporation (only if corporate trustee);

- (c) Proof of registered trading address of the company (only if a corporate trustee) – dated within the three preceding months;
- (d) Proof of identity of ALL Non-corporate trustees (according to the Individual's identity verification rules described above);

#### **4. Verification requirements regarding persons acting on behalf of the Customer**

Acting on behalf of the Customer is when a person is authorized to carry out transactions or other activities on behalf of the customer. Authority to act should not be confused with effective control (refer to the ultimate beneficial owner verification clause).

Any person with power of attorney or a third-party mandate over a prospective customer's account must have their identity verified in accordance with the requirements for individuals as stated above together with the reason(s) for granting the mandate or power of attorney.

#### **5. Document certification**

In all instances where certification is required as per the terms and conditions of this AML Program certification must be performed by a trusted referee.

When certification occurs overseas, copies of international identification provided by a customer resident overseas must be certified by a person authorised by law in that country to take statutory declarations or equivalent in the customer's country

In addition, the trusted referee must not be:

- (a) related to the customer; for example, a trusted referee cannot be their parent, child, brother, sister, aunt, uncle or cousin;
- (b) the spouse or partner of the customer;
- (c) a person who lives at the same address as the customer;
- (d) a person involved in the transaction or business requiring the certification.

The trusted referee must sight the original documentary identification, and make a statement to the effect that the documents provided are a true copy and represent the identity of the named customer (link to the presenter).

Certification must include the name, signature, and the date of certification. The trusted referee must specify their capacity to act as a trusted referee.

Certification must have been carried out within the three months preceding the presentation of the copied documents.

## 6. Verification of source of wealth

| Categories                                     | Details Required   | Additional Document (if needed)  |
|--|--|--|
| Savings from Employment Income                 | <ul style="list-style-type: none"> <li>✓ Annual income and bonuses this year and last year</li> <li>✓ Position of employment</li> <li>✓ Nature of Employer's business</li> <li>✓ Employer's name/address</li> </ul>  | Last 3 months' pay slips, or<br>Confirmation from Employer of income and bonuses for last 2 years, or<br>Bank Statements that clearly show receipt of the most recent 3 months' regular salary payments from the named employer, or<br>Latest accounts if self-employed. |
| Maturing Investments or Encashment Claim       | <ul style="list-style-type: none"> <li>✓ Amount received</li> <li>✓ From which company</li> <li>✓ Date received</li> <li>✓ How long held</li> </ul>  | Letter/contract note from previous investment company giving notification of proceeds of maturing investment/ claim  |
| Share Sale                                     | <ul style="list-style-type: none"> <li>✓ Sale value of shares sold</li> <li>✓ Description of shares/funds</li> <li>✓ Selling method (i.e. through stockbroker or bank etc.) and name/address</li> <li>✓ Date of sale</li> <li>✓ How long was each investment held</li> </ul>             | Legal sale document(s) (e.g. contract notes)   |
| Property Sale                                  | <ul style="list-style-type: none"> <li>✓ Sale value of property sold</li> <li>✓ Full address of property sold</li> <li>✓ Selling method (i.e. through agent, by auction, private sale, including name/address )</li> <li>✓ Date of sale</li> <li>✓ How long was property held</li> </ul> | Signed letter from Solicitor, or Completed sale contract   |
| Company sale or sale of an interest in company | <ul style="list-style-type: none"> <li>✓ Name &amp; address of Company</li> <li>✓ Total sale price</li> <li>✓ Applicant's share</li> <li>✓ Nature of business</li> <li>✓ Date of sale</li> </ul>   | Signed letter from Solicitor, or Signed letter from UK Regulated Accountant, or<br>Copy of contract of sale and sight of investment monies on Bank Statement   |
| Inheritance                                    | <ul style="list-style-type: none"> <li>✓ Total amount received</li> </ul>  | Grant of Probate (with a copy of the will) which   |

|                      |   |  |
|----------------------|---|--|
|                      | <ul style="list-style-type: none"> <li>✓ Name of benefactor</li> <li>✓ Relationship to benefactor</li> <li>✓ Date received</li> </ul>   | <p>must include the value of the estate, or<br/>         Bank Statements or solicitor's letter</p>   |
| Loan                 | <ul style="list-style-type: none"> <li>✓ Amount of loan</li> <li>✓ Why required</li> <li>✓ Name &amp; address of Loan Provider</li> <li>✓ Date of loan</li> </ul>                                     | <p>Loan agreement or<br/>         Recent loan statements</p>   |
| Gift                 | <ul style="list-style-type: none"> <li>✓ Total amount</li> <li>✓ Details of benefactor</li> <li>✓ Reason for gift</li> <li>✓ Relationship to benefactor</li> <li>✓ Source of donated funds</li> </ul> | <p>Letter from donor confirming details of gift and acknowledging the source of the donated funds<br/>         Based on the SOW specified, the donor needs to provide supporting documentation as per the provisions of this table</p> |
| Company Profits      | <ul style="list-style-type: none"> <li>✓ Copy of latest accounts, or</li> <li>✓ A letter from a Regulated Accountant giving details of company profits over the last 2 years</li> </ul>               |  |
| Other income sources | <ul style="list-style-type: none"> <li>✓ Nature of Income</li> <li>✓ Amount</li> <li>✓ Date Received</li> <li>✓ Received from whom</li> </ul>   | <p>Appropriate supporting documentation, or<br/>         Signed letter detailing funds from a Regulated Accountant</p>   |

## Appendix B

### COUNTRIES RISK ALLOCATION

#### As of August 2023

**NB: If a country falls under criteria of several risk categories simultaneously – it shall be placed to a higher risk category. (E.g.: Turkey is a member of FATF (Low Risk), but due to the last FAFT update - Turkey is included on “jurisdictions under increased monitoring” list (Medium Risk), therefore, Turkey shall be assigned with Medium risk).**

#### 1. LOW RISK COUNTRIES

- (a) Countries subject to the EU Money Laundering Directive – EU Member States\*;
- (b) Countries, recognized by the EU as jurisdictions having regulation “equivalent” to that set forth under the EU Money Laundering Directive Member\*;
- (c) A country which is listed as a FATF Member\*;
- (d) Jurisdictions that are no longer subject to Increased Monitoring by the FATF (“Jurisdictions under Increased Monitoring” list);
- (e) Other countries, that fall neither under Medium nor under High risk and are not under increased monitoring by FATF.

\*Except for countries, placed by FATF in “Jurisdictions under Increased Monitoring” list or in respect of which were imposed sanctions by EU or/and UN);

| #  | Country                | Based on  |
|----|------------------------|---|
| 1. | Argentina              | FATF member   |
| 2. | Antigua and Barbuda    | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 3. | Australia              | FATF member   |
| 4. | Austria                | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 5. | The Bahamas            | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 6. | Bangladesh             | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 7. | Belgium (1952)         | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 8. | Bosnia and Herzegovina | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 9. | Botswana               | Jurisdictions No Longer Subject to Increased Monitoring by the  |

|     |                       |   |
|-----|-----------------------|---|
|     |                       | FATF  |
| 10. | Brazil                | FATF member   |
| 11. | Brunei Darussalam     | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 12. | Bulgaria (2007)       | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 13. | Burundi               | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 14. | Canada                | FATF member   |
| 15. | China                 | FATF member   |
| 16. | Croatia (2013)        | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 17. | Cyprus (2004)         | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 18. | Czech Republic (2004) | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 19. | Denmark (1973)        | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 20. | Ecuador               | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 21. | Egypt                 | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 22. | Estonia (2004)        | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 23. | Finland (1995)        | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 24. | France (1952)         | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 25. | Germany (1952)        | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 26. | Greece (1981)         | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 27. | Guinea                | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 28. | Guyana                | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |

|     |                   |  |
|-----|-------------------|--|
| 29. | Hong Kong, China  | FATF member  |
| 30. | Hungary (2004)    | Countries subject to the EU Money Laundering Directive – EU Member States  |
| 31. | Iceland           | FATF member, Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF   |
| 32. | India             | FATF member  |
| 33. | Indonesia         | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF  |
| 34. | Ireland (1973)    | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States   |
| 35. | Israel            | FATF member  |
| 36. | Italy (1952)      | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States   |
| 37. | Japan             | FATF member  |
| 38. | Lao PDR           | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF  |
| 39. | Latvia (2004)     | Countries subject to the EU Money Laundering Directive – EU Member States  |
| 40. | Lithuania (2004)  | Countries subject to the EU Money Laundering Directive – EU Member States  |
| 41. | Luxembourg (1952) | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States   |
| 42. | Malaysia          | FATF member  |
| 43. | Malta             | Countries subject to the EU Money Laundering Directive – EU Member States;<br>Jurisdictions that are no longer subject to Increased Monitoring by the FATF (“Jurisdictions under Increased Monitoring” list) |
| 44. | Mauritius         | Jurisdictions that are no longer subject to Increased Monitoring by the FATF (“Jurisdictions under Increased Monitoring” list)   |
| 45. | Mongolia          | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF  |
| 46. | Netherlands       | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States   |
| 47. | New Zealand       | FATF member  |
| 48. | Nigeria           | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF  |



|     |                                 |   |
|-----|---------------------------------|---|
| 49. | Norway                          | FATF member   |
| 50. | Papua New Guinea                | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 51. | Poland                          | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 52. | Portugal                        | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 53. | Republic of Korea (South Korea) | FATF member   |
| 54. | Romania                         | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 55. | Saudi Arabia                    | FATF member   |
| 56. | Serbia                          | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 57. | Singapore                       | FATF member   |
| 58. | Slovakia                        | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 59. | Slovenia                        | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 60. | Spain                           | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 61. | Sri Lanka                       | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 62. | Sweden                          | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 63. | Switzerland                     | FATF member   |
| 64. | Thailand                        | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 65. | Tunisia                         | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |
| 66. | Ukraine                         | Countries subject to the EU Money Laundering Directive – EU Member States   |
| 67. | United Kingdom                  | FATF member, Countries subject to the EU Money Laundering Directive – EU Member States                            |
| 68. | Vietnam                         | Country, that do not fall neither under Medium nor under High risk and are not under increased monitoring by FATF |

|     |          |  |
|-----|----------|--|
| 69. | Zimbabwe | Jurisdictions that are no longer subject to Increased Monitoring by the FATF (“Jurisdictions under Increased Monitoring” list) |
|-----|----------|--|

## 2. MEDIUM RISK

Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring.

| #   | Country              |
|-----|----------------------|
| 1.  | Albania              |
| 2.  | Barbados             |
| 3.  | Burkina Faso         |
| 4.  | Cambodia             |
| 5.  | Cayman Islands       |
| 6.  | Gibraltar            |
| 7.  | Jamaica              |
| 8.  | Jordan               |
| 9.  | Morocco              |
| 10. | Nicaragua            |
| 11. | Pakistan             |
| 12. | Panama               |
| 13. | Philippines          |
| 14. | Senegal              |
| 15. | Türkiye              |
| 16. | Uganda               |
| 17. | United Arab Emirates |

### 3. HIGH RISK COUNTRIES

- (a) Countries identified by the FATF as high-risk Jurisdictions subject to a Call for Action. **TenkoFX does not deal with these countries (BAN jurisdictions)**. TenkoFX will consider the following resource as reliable for an up to date list of such countries: <http://www.fatf-gafi.org/>;
- (b) Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures. TenkoFX will consider the following resource as reliable regarding an up to date list of such countries:
  - (i) <https://www.un.org/securitycouncil/sanctions/information/>;
  - (ii) <https://www.sanctionsmap.eu/#/main>; and
- (c) Countries included in the “EU list of non-cooperative jurisdictions for tax purposes”. TenkoFX will consider the following resource as reliable for an up to date list of such countries: <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>
- (d) Countries that are associated with drug production and/or trans-shipment; and
- (e) Countries associated with sponsorship/tolerance of terrorism.

| #   | Country                          | Based on   |
|-----|----------------------------------|--|
| 1.  | Afghanistan                      | Countries that are associated with drug production and/or trans-shipment                           |
| 2.  | Angola                           | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures |
| 3.  | American Samoa                   | Countries included in the “EU list of non-cooperative jurisdictions for tax purposes”.             |
| 4.  | Belarus                          | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures |
| 5.  | Bolivia                          | Countries that are associated with drug production and/or trans-shipment                           |
| 6.  | British Virgin Islands           | Countries included in the “EU list of non-cooperative jurisdictions for tax purposes”              |
| 7.  | Central African Republic         | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures |
| 8.  | Colombia                         | Countries that are associated with drug production and/or trans-shipment                           |
| 9.  | Costa Rica                       | Countries included in the “EU list of non-cooperative jurisdictions for tax purposes”              |
| 10. | Cote d’Ivoire                    | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures |
| 11. | Democratic Republic of the Congo | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures |

|     |  |  |
|-----|--|--|
| 12. | Democratic People's Republic of Korea (DPRK) | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures<br><br>Countries identified by the FATF as high-risk Jurisdictions subject to a Call for Action. FXOpen does not deal with these countries. |
| 13. | Fiji   | Countries included in the "EU list of non-cooperative jurisdictions for tax purposes".   |
| 14. | Guam   | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 15. | Guinea-Bissau                                | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 16. | Eritrea                                      | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 17. | Ethiopia                                     | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 18. | Haiti  | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 19. | Iran   | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures<br><br>Countries identified by the FATF as high-risk Jurisdictions subject to a Call for Action. FXOpen does not deal with these countries. |
| 20. | Iraq   | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 21. | Lao People's Democratic Republic             | Countries that are associated with drug production and/or trans-shipment   |
| 22. | Lebanon                                      | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 23. | Liberia                                      | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures<br>Union sanctions, embargoes or similar measures   |
| 24. | Libya  | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 25. | Mali   | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures   |
| 26. | Marshall Islands                             | Countries included in the "EU list of non-cooperative jurisdictions for tax purposes"  |

|     |                     |   |
|-----|---------------------|---|
| 27. | Mexico              | Countries that are associated with drug production and/or trans-shipment  |
| 28. | Myanmar             | Countries that are associated with drug production and/or trans-shipment  |
| 29. | Palau               | Countries included in the "EU list of non-cooperative jurisdictions for tax purposes".  |
| 30. | Peru                | Countries that are associated with drug production and/or trans-shipment  |
| 31. | Russian Federation  | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures  |
| 32. | Samoa               | Countries included in the "EU list of non-cooperative jurisdictions for tax purposes".  |
| 33. | Sierra Leone        | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures  |
| 34. | Somalia             | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures Union sanctions, embargoes or similar measures |
| 35. | Southern Rhodesia   | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures  |
| 36. | South Africa        | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures  |
| 37. | South Sudan         | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures  |
| 38. | Sudan               | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures  |
| 39. | Syria               | Countries associated with sponsorship/tolerance of terrorism  |
| 40. | Trinidad and Tobago | Countries included in the "EU list of non-cooperative jurisdictions for tax purposes".  |
| 41. | US Virgin Islands   | Countries included in the "EU list of non-cooperative jurisdictions for tax purposes".  |
| 42. | Vanuatu             | Countries included in the "EU list of non-cooperative jurisdictions for tax purposes".  |
| 43. | Venezuela           | Countries that are associated with drug production and/or trans-shipment  |
| 44. | Yemen               | Countries subject to United Nations or/and European Union sanctions, embargoes or similar measures  |

## **Appendix c**

### **RED FLAGS**

Red flags that signal possible ML or TF include, but are not limited to:

- (a) The customer exhibits unusual concern about TenkoFX's compliance with government reporting requirements and TenkoFX AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- (b) The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- (c) Any material information provided by the customer (including that identifying a legitimate source for funds) is false, misleading, or substantially incorrect.
- (d) Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- (e) The customer or a person publicly associated with the customer has been subject to allegations (based on reasonably reliable information), to have a possible background involving criminal activities (including corruption and/or terrorism), or is the subject of reports indicating possible criminal or regulatory violations.
- (f) The customer exhibits a lack of concern regarding trading risks, commissions, or other transaction costs.
- (g) The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- (h) The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- (i) The customer engages in transactions that appear to be structured to avoid reporting requirements, or are in an amount just below reporting or recording thresholds.
- (j) The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from TenkoFX policies relating to the deposit of cash.
- (k) For no apparent reason, the customer asks for opening multiple accounts under a single name or multiple names.
- (l) The customer has bank accounts in a country identified as a non-cooperative country or territory by the FATF.
- (m) The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity.
- (n) The customer's account has wire transfers that have no apparent business purpose to or from a country identified as a money laundering risk or a bank secrecy haven.
- (o) The customer requests a withdrawal to a third person's account.
- (p) The customer's account indicates large or frequent fund deposits that are immediately withdrawn

without being used for the trading purposes (trading purposes shall be defined as the purposes which TenkoFX in its sole discretion may recognize as trading purposes aimed at generating profit arising out of speculating activity according to the Agreement made between the Customer and TenkoFX)

- (q) The customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another firm, without any apparent business purpose.
- (r) The customer makes a funds deposit for the purpose of purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer of the proceeds out of the account.
- (s) The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- (t) The customer requests that a transaction be processed to avoid TenkoFX's normal documentation requirements.
- (u) The customer's account shows an unexplained high level of account activity with very low levels of securities transactions.
- (v) The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- (w) The customer's account has inflows of funds or other assets well beyond the Estimated Amount to Invest, Net Worth and/or stated Income of the customer.
- (x) The amount of the deposit indicated during the account opening application procedure, or volume of trading indicated, turns out to be significantly different from that which is actually made by the customer.
- (y) Accounts operated by someone other than the account holder about what TenkoFX was informed during the account opening procedure or otherwise.
- (z) Same home address provided by multiple customers without any apparent reason (e.g. relatives).
- (aa) The customer's communication is sent from an email address that matches another customer.
- (bb) The customer asks about possible suspicious activity by email or other type of communication.
- (cc) Red flag indicators relating to Trusted Insider's or possible staff/agent corruption:
  - (i) Employees relaxing standard AML/CFT procedures to facilitate transactions;
  - (ii) Employees exhibiting sudden wealth and/or assets in contrast to remuneration;
  - (iii) Sudden improvement in employee's sales performance;
  - (iv) Employees adopting undue levels of secrecy with transactions;
  - (v) Customers regularly targeting young and/or inexperienced employees.

## **Appendix D**

### **CALLING POLICY**

#### **1. Purpose of the Procedure**

- 1.1. TenkoFX has in place formal procedures to comply with The Anti-Money Laundering and Countering Financing of Terrorism best practises.
- 1.2. The procedures aim at detecting, deterring, managing and mitigating money laundering and the financing of terrorism.
- 1.3. TenkoFX employee may call TenkoFX customers by phone, Skype, Facetime and using other communication technologies to verify identity of the customer.

#### **2. Reasons for calling**

2.1. TenkoFX employee may call the customer in following cases:

- (a) Customer identity confirmation by processing different customers request such as:
  - (i) Account opening,
  - (ii) Password, email, phone number, other personal data change,
  - (iii) Withdrawal request processing especially in cases of bank / e-money account change, the customer hasn't use the funds for trading according to the customer agreement;
- (b) The documents needed to verify the customers identity were not sent to TenkoFX or have been rejected;
- (c) Additional information for customers verification is required;
- (d) The customer has not funded his account with TenkoFX;
- (e) The customer has not been trading ever/for a while;
- (f) Trading conditions of the customer will change due to the customer Agreement requirements;
- (g) Partnership possibilities/conditions need to be discussed with the customer
- (h) TenkoFX has reasonable grounds to suspect that the customer has provided documents of the third party;
- (i) Helping the Customer with trading, technical, deposit/withdrawal issues;
- (j) Other reasons at the TenkoFX employee sole discretion.

2.2. In all cases the video option shall be activated if it is possible.

#### **3. Questions asked to confirm the customers identity and to define the ML/TF risk**

3.1. To confirm the customers identity TenkoFX employee should ask the customer for his:

- (a) First and last name,
- (b) E-mail,
- (c) Phone number,
- (d) Home/registered address,



- (e) Phone password.

The information provided by the customer should match with the information contained in customers Client Area/application form filled at TenkoFX Website.

3.2. To define the ML/TF risk of customers transactions / potential transactions TenkoFX employee should ask the customer to provide the following information:

- (a) the reason for opening the account,
- (b) the amount of funds the Customer is willing to invest,
- (c) previous experience in forex trading,
- (d) type of account client is willing to use,
- (e) type of partnership the client might be interested in (agent, introducing broker, white label program),
- (f) the reasons for e-money payment system / bank account change,
- (g) the reasons for the funds withdrawal without previous trading,
- (h) the relation between the customers in case external transfer is requested),
- (i) other reasons at the authorized TenkoFX employee sole discretion.

#### **4. Employee authorised to contact TenkoFX customers**

The employee of the following TenkoFX departments have the right to contact customers:

- (a) compliance department,
- (b) finance and verification department,
- (c) support department,
- (d) sales department,
- (e) trading desk.

#### **5. Record keeping**

5.1. TenkoFX will document the calling process, including among other:

- (a) The purpose for the call;
- (b) Call initiator;
- (c) Was the video option applied?;
- (d) Questions asked;
- (e) Information provided by the customer;
- (f) Whether there is a match of the information provided with that was already in the records of TenkoFX;
- (g) resolution of any discrepancy in the identifying information;
- (h) other substantial information.

5.2. References to the all calls concerning the particular client shall be also noted in back-office application Page User Summary Information.

## Appendix E

### EMPLOYEE AML/CFT TRAINING PROGRAM

*This employee AML/CFT Training Program is aimed on reviewing employees' knowledge in the area of deterring, managing and mitigating money laundering and the financing of terrorism risk posed by customers. Please read carefully and answer the general questions, as well as those specifically related to your occupation.*

#### 1. General questions:

- 1.1. What is Money laundering (ML)?
- 1.2. What are the stages of ML?
- 1.3. What is terrorism financing?
- 1.4. Which documents regulate AML/CFT regulation and compliance in TenkoFX?
- 1.5. Who currently occupies the Compliance Officer position and what are his responsibilities?
- 1.6. Which countries and territories according to FATF are considered to be high-risk and non-cooperative jurisdictions, requiring counter-measures to protect the international financial system from the on-going and substantial ML/TF risks emanating?
- 1.7. Which countries and territories according to FATF are considered to be high-risk and non-cooperative jurisdictions which have strategic AML/CFT deficiencies and have not made sufficient progress in addressing them, or have not committed to an action plan with FATF?
- 1.8. Which countries and territories according to FATF are considered to have enacted legislation and have financial sector procedures that are equivalent to those in force in Nevis?
- 1.9. Which countries are subject to United Nations sanctions (asset freeze measures)?
- 1.10. Which countries are considered to have adopted equivalent AML/CFT regulations according to EU Directives?
- 1.11. Services to residents of which countries are not to be provided?
- 1.12. What are the territories of USA?
- 1.13. Which countries are considered by TenkoFX to be low risk countries?
- 1.14. Which countries are considered by TenkoFX to be high risk countries?
- 1.15. Which countries are considered by TenkoFX to be medium risk countries?
- 1.16. What is a shell bank?
- 1.17. What is the policy if TenkoFX regarding shell banks?
- 1.18. What are the four tables prepared by TenkoFX in order to evaluate its ML/FT risks?
- 1.19. How many Risk Levels and Risk Rates are applied by TenkoFX. Is there any difference between Individual and Legal entity scales?
- 1.20. What are the levels of inherent customer's risk?
- 1.21. Which categories or criteria shall be identified to assign the customer with its Base risk?

- 1.22. Which risk factors shall be considered before assigning the final risk level to the customer?
- 1.23. Which risk reducing factors do you know?
- 1.24. Which risk increasing factors do you know?
- 1.25. Who is a Politically Exposed Persons?
- 1.26. What is a Red Flag?
- 1.27. What is s suspicious matters (transaction) report and when should it be filled?
- 1.28. What does the requirement to “look behind the customer” mean?
- 1.29. What are the purposes of On-going CDD?
- 1.30. What kinds of records shall TenkoFX retain?
- 1.31. For how long do the records must be kept and retained?
- 1.32. Who shall be defined as Customer/Client for AML purposes?
- 1.33. If the client with whom TenkoFX has contact is or appears to be acting on behalf of another person, will you request information regarding both persons?
- 1.34. What is the Know Your Customer (“KYC”) Procedure?
- 1.35. What kind of information shall be obtained during KYC procedure?
- 1.36. Are there any exemptions from the requirement to complete KYC? If yes, what are these?
- 1.37. What is the Customer Due Diligence procedure?
- 1.38. Who can be subject to CDD?
- 1.39. How many types of CDD does TenkoFX use? What are they?
- 1.40. When shall CDD be conducted?
- 1.41. May verification of identity be completed after the business relationship has been established? When?
- 1.42. What types of Customers are subject to the Standard CDD?
- 1.43. What information shall be obtained during Standard CDD?
- 1.44. In what form documentary verification regarding Standard CDD shall be done?
- 1.45. What types of Customers are subject to Simplified CDD?
- 1.46. What information shall be obtained during Simplified CDD?
- 1.47. In what form documentary verification regarding Simplified CDD shall be done?
- 1.48. What types of Customers are subject to the Enhanced CDD?
- 1.49. What information shall be obtained during Enhanced CDD?
- 1.50. In what form documentary verification regarding Enhanced CDD shall be done?
- 1.51. To whom additional controls shall be applied? What are they?
- 1.52. What are obligations of TenkoFX regarding PEP?

- 1.53. What shall you do if you have determined that a customer or beneficial owner with whom TenkoFX has established a business relationship is PEP?
- 1.54. What is the difference between source of invested funds and source of wealth?
- 1.55. What does the requirement of using the same method for deposits and withdrawals mean?
- 1.56. Are there any exemption form the "one method" rule?
- 1.57. Does TenkoFX process wire transfers to the third parties?
- 1.58. Are there any exemptions from the rules regarding processing of wire transfers to reliance parties?
- 1.59. What shall be done if TenkoFX is unable to conduct CDD in accordance with this Programme?
- 1.60. What kinds of verification are possible?
- 1.61. What are the methods of non-documentary verification?
- 1.62. What is documentary verification?
- 1.63. What are the consequences of lacking verification.

## **2. Finance & verification department questions**

- 2.1. When is it obligatory to identify beneficial owners?
- 2.2. Who is defined as the beneficial owner?
- 2.3. What do identity and verification records include?
- 2.4. What are your actions if you suspect or have reasonable grounds to suspect that there are signs of AML requirements violation on the part of the client?
- 2.5. What documents will you accept for customer's name verification in case of an Individual?
- 2.6. How many documents you will require in case of scans and certified documents to verify the customer's identity?
- 2.7. What documents will you accept for customer's current permanent address verification in case of an Individual?
- 2.8. Is it possible to use the same document to verify both the identity and the address?
- 2.9. What documents will you accept for customer verification in case of corporate clients?
- 2.10. What documents will you accept for customer verification in case of trusts, nominees and fiduciaries?
- 2.11. What documents will you accept for verification regarding persons acting on behalf of the customer
- 2.12. What documents will you accept for verification of source of wealth?
- 2.13. What main warning signs of fraudulent documents do you know?
- 2.14. What signals do you apply to detect that the person indicated in the submitted documents is not the person using the account? In this case how will you indicate that this is the same person?
- 2.15. What signals do you follow to detect that the account is used in breach with subject of the customers agreements (for the purposes other than trading)?

2.16. Customers residing in which countries must be subject to more vigilant monitoring than others?

### **3. Legal & Compliance department**

- 3.1. What is the current legislation regarding AML/CFT in Nevis?
- 3.2. What AML/CFT supervisors in Nevis do you know?
- 3.3. What international organizations are responsible for AML/CFT compliance?
- 3.4. Who is responsible for reviewing AML/CFT Programme and Risk assessment?
- 3.5. What is the time interval for reviewing AML/CFT Programme and Risk assessment?
- 3.6. How often Risk assessment is to be audited?
- 3.7. How often AML/CFT Programme is to be audited?
- 3.8. Who is a proper auditor for the purposes of the AML/CFT Act?
- 3.9. What kinds of offences regarding AML can you list?

### **4. Trading desk questions**

- 4.1. What do transaction records include?
- 4.2. Is it possible to process withdrawal of funds to the account different form that which was used for the deposit? For example, deposit is made in the Brazilian reals (Argentinian Pesos) from an account held with Minerva payment system and withdrawal is requested in the Brazilian reals (Argentinian Pesos) to the bank registered in Italia?
- 4.3. Is it possible to deposit 1 USD by means of Webmoney and to withdraw 1 USD by means of Moneybookers?
- 4.4. Is it possible for one client to open several trading accounts providing that one is Islamic (swap-free) and on is ordinary? What if trading accounts belong to different customers?
- 4.5. What may it mean if your notice that there are several letters from different clients (different emails, different accounts) but with the same or similar contest? What are your actions?
- 4.6. What may it mean if a client is interested in the account of the other client or requests transfer to the other client?

### **5. Sales department questions**

- 5.1. What are the age restriction for natural persons?

### **6. Support department questions:**

- 6.1. What are the key steps for customer's identity verification during telephone call?
- 6.2. What are the key steps for customer's identity verification if he/she refers to you by email?
- 6.3. What ML/TF red flags do you know?
- 6.4. What shall you do if you have detected client's intention to deposit funds that sufficiently exceed the amount indicated by that client during account opening procedure?
- 6.5. What are your actions if a client notifies you that he/she has transferred management of the account to another person?

- 6.6. What are your actions if the client displays abnormal (i.e. he/she is nervous during communications, is asking question regarding possibilities to avoid normal documentation or procedural requirements)?
- 6.7. What are your actions if a client refuses to name himself/herself in the course of your communication to him/her?
- 6.8. What are your actions if a client with significant amount of funds on his/her account exhibits a lack of concern regarding trading risks, commissions, or asks you to advice him/her regarding trading strategies?
- 6.9. What are your actions if a client is interested in the exact amount of trades he is to conduct between depositing and withdrawing of funds?
- 6.10. What are your actions if you noticed that one of your colleges is focused on the particular client and suddenly increased his/her level of wealth without obvious reasons?