



ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING POLICY

Part I – Introduction

1. Preliminary Statement

Capitalvo is committed to upholding the highest standards of financial integrity. This policy establishes a comprehensive framework to prevent money laundering and the financing of terrorist activities.

Objective:

The primary goal of this policy is to actively combat financial crimes by detecting, preventing, and mitigating risks associated with money laundering and terrorism financing. Through the implementation of robust compliance measures, Capitalvo seeks to safeguard its operations, protect clients, and ensure strict adherence to applicable regulatory requirements.

Implementation:

This document sets out the specific procedures and strategies adopted by Capitalvo to achieve these objectives. These measures are essential for strengthening the company's defenses against illicit financial activities and ensuring full compliance with all relevant laws and regulations.

Key Focus Areas:

- Prevention of money laundering and terrorism financing.
- Identification and mitigation of financial and legal risks.
- Establishment of a secure and compliant operational environment.

Scope:

This policy applies to all employees, business units, and operational activities within Capitalvo. Full compliance with these regulations is mandatory to maintain an effective risk management framework against financial crimes.

2. Understanding Money Laundering

Money laundering is the process by which the origins of illicitly obtained funds are concealed and subsequently integrated into the legitimate financial system. Contrary to common misconceptions, money laundering is not limited to organized crime or drug trafficking; it encompasses any effort to make criminal proceeds appear legitimate.

Stages of Money Laundering:

1. Placement

- Illicit funds are introduced into the financial system through deposits, currency exchanges, or other mechanisms.
- This may involve cross-border transfers or cash-intensive business activities.

2. Layering

- A series of complex financial transactions are conducted to obscure the original source of funds.
- Methods include moving money between multiple accounts, purchasing assets, or using shell companies.

3. Integration

- Funds are reintroduced into the legitimate economy as seemingly lawful profits.
- At this stage, the laundered funds can be freely used without raising suspicion.

It is important to note that these stages may overlap, and not all financial crimes involve the initial placement phase. Capitalvo recognizes the inherent vulnerabilities within financial services and implements proactive controls to prevent their exploitation for illicit purposes.

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3. Understanding Terrorism Financing

Terrorism financing refers to the provision of financial resources to individuals, groups, or organizations involved in terrorist activities. Unlike traditional financial crimes aimed at generating profit, terrorism financing is intended to fund acts of violence and disruption.

Key Differences Between Money Laundering and Terrorism Financing:

- Money laundering occurs after a crime has taken place and seeks to legitimize illicit funds.
- Terrorism financing may involve the use of legally obtained funds for unlawful activities.

Commonalities:

- Terrorist organizations often engage in criminal activities such as fraud, drug trafficking, or smuggling to generate funds.
- Both money laundering and terrorism financing rely on financial systems to facilitate transactions.
- Stringent Client Due Diligence (CDD) is critical for detecting and preventing both types of financial crime.

Capitalvo applies rigorous KYC (Know Your Customer) and CDD procedures to identify and mitigate risks associated with money laundering and terrorism financing. These controls include continuous

monitoring, transaction analysis, and mandatory regulatory reporting to ensure full compliance with international financial standards.

4. AML/CFT International Legislative Initiatives

The fight against money laundering and terrorism financing is a global endeavor, with multiple international organizations establishing standards to safeguard financial systems. Capitalvo is committed to fully aligning its policies with these international directives to prevent illicit activities and maintain compliance.

Key International Bodies and Initiatives:

- 1. Financial Action Task Force (FATF) – www.fatfgafi.org**
 - FATF's 40 Recommendations and 9 Special Recommendations on terrorist financing provide a global framework for AML/CFT compliance.
- 2. Caribbean Financial Action Task Force (CFATF) – <https://www.cfatf-gafic.org/>**
 - CFATF coordinates countermeasures across Caribbean states and territories and functions as one of FATF's eight regional groups.
- 3. Basel Committee on Banking Supervision – www.bis.org**
 - While banking-focused, its guidelines extend across the financial sector, emphasizing the importance of effective CDD and risk management.
- 4. Groupe Wolfsberg – www.wolfsberg-principles.com**
 - Comprising leading international banks, it issues AML principles and strategic recommendations to counter terrorism financing.
- 5. International Organisation of Securities Commissions (IOSCO) – www.iosco.org**
 - Since 1992, IOSCO has addressed money laundering risks in securities markets, providing principles on client identification and beneficial ownership.
- 6. International Association of Insurance Supervisors (IAIS) – www.iaisweb.org**
 - Integrates FATF guidelines into insurance sector regulations, emphasizing due diligence and monitoring in mitigating financial risks.

Capitalvo ensures that its compliance measures meet these internationally recognized standards, providing a robust defense against money laundering and terrorism financing.

5. Additional U.S. Territorial Authority

Following the September 11, 2001 attacks, the United States enacted the USA PATRIOT Act to strengthen national defenses against money laundering and terrorism financing. This legislation expanded U.S. jurisdiction over financial crimes, affecting foreign institutions that engage with U.S. financial systems.

Key Provisions:

- **Expanded Legal Reach:** U.S. courts can exercise jurisdiction over foreign entities violating U.S. AML laws, even if operating under different regulatory regimes.
- **USD Transaction Oversight:** Any institution conducting U.S. dollar transactions falls under U.S. jurisdiction for AML-related offenses.
- **Compliance Mandates:** Foreign institutions dealing with U.S. counterparts must adhere to strict AML/CFT requirements, including enhanced due diligence and detailed reporting.

Capitalvo ensures full compliance with the U.S. AML laws where applicable, particularly regarding transactions involving U.S. financial institutions and dollar-denominated exchanges.

Part II – Glossary and Key Definitions

Interpretation

Unless otherwise stated, all references relate to the 2001 legislation governing the prevention of laundering proceeds derived from criminal activities.

Key Definitions

AML/CFT

Refers to the combined efforts to prevent, detect, and combat money laundering and terrorist financing.

AML/CFT Program

A structured program designed to implement anti-money laundering and counter-terrorist financing policies, ensuring compliance with applicable laws, regulations, and international standards.

AML/CFT Requirements

Outlined in Part III of this document, these refer to the operational and procedural obligations for compliance.

Beneficial Owner

An individual who:

1. Exercises direct or indirect control over a client or entity on whose behalf a transaction is conducted.
2. Holds a significant ownership stake in a client or entity engaging in financial transactions.

Business Relations

Any professional, commercial, or financial relationship between Capitalvo and a client, whether ongoing or otherwise classified as such.

Cash Money

Includes:

1. Physical currency.
2. Bearer negotiable instruments.

Company

Refers specifically to Capitalvo.

Client

Includes:

1. Both new and existing clients.
2. Any individual or entity seeking to conduct a transaction with the Company.

Instrument

Any account, agreement, or financial product provided by the Company that permits the holder to conduct multiple transactions.

Financial Institution

An entity engaged in financial activities including, but not limited to:

1. Accepting public deposits.
2. Granting loans or credit (e.g., mortgages, consumer credit, factoring, commercial financing).
3. Financial leasing.
4. Money transfers on behalf of clients.
5. Issuing or managing payment instruments (credit/debit cards, traveler's checks, electronic money).
6. Providing financial guarantees and commitments.
7. Trading in:

- Money market instruments (e.g., checks, bills, certificates of deposit, derivatives).
 - Foreign exchange.
 - Securities and commodity futures.
8. Participating in securities issuance and related financial services.
 9. Managing individual or collective investment portfolios.
 10. Safeguarding or managing assets, cash, or securities on behalf of clients.
 11. Providing insurance-related financial products.
 12. Currency exchange services.

This definition applies to any individual or entity classified as a financial institution by law, excluding those explicitly exempted by regulation.

Financing of Terrorism

The act of providing or collecting funds, with knowledge or intent, to:

1. Facilitate terrorist crimes, including planning and execution.
2. Support terrorist organizations or illicit armed groups.

Money Laundering

The process of disguising illicitly obtained funds to make them appear legitimate, often through complex financial transactions.

Single Transaction

A financial transaction conducted outside an established business relationship that exceeds a prescribed threshold, including:

1. A single transaction or a series of linked operations.
2. Excluding check deposits or transactions below regulatory thresholds.

Physical Currency

Coins and banknotes recognized as legal tender within the country of issue.

Politically Exposed Person (PEP)

An individual who has held, or currently holds, a prominent public position in a foreign country within the last 12 months, such as:

1. Head of state or government.
2. Government minister or senior politician.
3. Supreme Court justice or senior judge.
4. Central bank governor or senior financial regulator.
5. Senior military official.
6. Ambassador or high commissioner.
7. Board chairman, CEO, CFO, or equivalent in a state-owned enterprise.

Immediate Family Members of PEPs

- Spouse or domestic partner.
- Children and their spouses/partners.
- Parents.

Close Associates of PEPs

- Individuals with joint or exclusive beneficial ownership of assets with a PEP.
- Business partners or persons with publicly known financial ties to a PEP.

Primary Financial Monitoring Entities

Includes:

1. Financial institutions.
2. Casinos.
3. Any individual or entity subject to regulatory financial monitoring.

Excludes individuals or entities explicitly exempted by law.

Senior Manager (Senior Management)

Any person in a leadership role with significant influence over operations of an entity subject to financial monitoring, such as:

1. Company directors.
2. Trustees, partners, or equivalent roles.
3. Persons with decision-making authority within the entity.

Shell Bank

A financial entity that:

1. Is registered in a foreign jurisdiction.
2. Holds a banking license but lacks a physical presence in its registered country.
3. Is unaffiliated with a regulated parent institution that meets international banking compliance standards.

Shady Transaction

A transaction that:

1. Raises suspicion of involvement in money laundering or other illicit activity.
2. Facilitates terrorism or other unlawful acts.
3. Exhibits excessive complexity without clear economic justification.
4. Lacks transparency regarding the identity of the parties involved.

Transaction

Any deposit, withdrawal, exchange, or transfer of funds executed via:

1. Physical cash.
2. Checks, money orders, or financial instruments.
3. Electronic or non-physical payment methods.

Includes all payments fulfilling legal or contractual obligations under applicable regulations.

Application of Financial Monitoring Laws

Capitalvo recognizes that compliance obligations apply when:

1. Its financial activities meet the definition of a financial institution.
 2. Its operations present potential risks of money laundering or terrorism financing.
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Part III – Requirements and Adhering to AML/CFT

1. Client Due Diligence (CDD) Measures

1.1 Capitalvo shall implement comprehensive CDD measures when establishing a business relationship with a client and continuously throughout the relationship. These measures include identifying and verifying the client's identity and monitoring their business activities to ensure compliance with applicable regulatory requirements.

1.2 CDD measures must be applied to:

- a) The client;
- b) The beneficial owner of the client; and
- c) Any individual acting on behalf of the client.

1.3 If a private individual client is reasonably believed to act on their own behalf, they shall be treated as the beneficial owner unless there are reasonable grounds to suspect otherwise.

1.4 Based on risk assessment, the Company shall implement standard, simplified, or enhanced CDD procedures in accordance with the circumstances outlined in Part IV of this document.

2. Basis for Verification

2.1 Identity verification shall be conducted using:

- a) Documents, databases, or information obtained from reliable and independent sources; or
 - b) Any other method permitted by applicable law, taking into account the client's risk profile, transaction nature, and the business relationship.
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3. Identification and Verification of Individuals

3.1 The Company shall collect and verify the following information for individual clients:

- a) Full legal name;
- b) Date and place of birth;
- c) Current residential address (P.O. boxes are not accepted);
- d) Nationality; and
- e) Occupation, social status, and employer (where available).

3.2 Acceptable identification documents must be original or certified copies and include a photograph. These may include:

- National identity cards;
- Valid passports;
- Valid driver's licenses.

3.3 Proof of address must be supported by recent documentation (not older than three months), such as:

- Utility bills;
- Bank or credit card statements.

4. Identification and Verification of Legal Entities

4.1 Legal entities include corporations, partnerships, associations, and other non-individual organizations.

4.2 When a legal entity applies for business, the Company shall:

- a) Understand its ownership and control structure;
- b) Verify its legal existence;
- c) Identify and verify the identity of key executives.

4.3 Key executives requiring verification include:

- Founders;
- Beneficial owners;
- Officers;
- Auditors;
- Directors.

4.4 Verification shall confirm:

- a) The entity's name, registration date, country of incorporation, and legal status;
- b) Registered office and principal place of business;
- c) Identities of individuals with ultimate control over the entity's capital or assets;
- d) Authorization of any individual acting on behalf of the entity.

4.5 If key executives are not natural persons, the Company shall identify and verify the individuals who ultimately own or control the entity.

5. Specific Verification Requirements for Business Structures

5.1 Private Companies:

- Obtain a certified copy of the certificate of incorporation;
- Verify active registration status;
- Review the latest financial statements, if available;
- Confirm registered office and principal place of business;
- Identify and verify directors and key executives.

5.2 Partnerships:

- Obtain a certified copy of the partnership agreement;
- Verify active registration, if applicable;
- Review financial statements, if available;
- Confirm legality of the partnership's business activities;
- Identify and verify key executives.

5.3 Trusts:

- Understand ownership and control structures;
 - Verify legal existence;
 - Identify and verify trustees, beneficiaries, and other key individuals.
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6. Source of Funds and Wealth

6.1 Understanding the source of funds (SOF) and source of wealth (SOW) is essential for assessing risk and preventing money laundering.

6.2 The Company shall establish the origin of funds for each client. In cases involving third-party funding, the relationship between the funder and applicant must be thoroughly examined.

6.3 Transactions inconsistent with a client's profile or financial standing shall be subject to enhanced verification.

6.4 For high-risk clients or transactions, the Company may request additional documentation regarding the source of wealth.

7. Document Certification and Assurance

7.1 Non-original identity documents must be certified as true copies of the original.

7.2 In cases of private meetings between the applicant and a Company representative, the representative shall:

- Inspect original documents;
- Make copies;
- Certify the copies as true and authentic.

7.3 Acceptable certifiers include:

- Lawyers;
- Notaries;
- Registrars;
- Accountants;
- Financial institution directors or secretaries;
- Judicial authorities;
- Senior public officials.

7.4 Certifiers must provide:

- Signature;
- Name, address, professional title, and contact details.

7.5 Extra caution must be exercised when accepting certified documents from high-risk jurisdictions or unregulated entities.

7.6 The Company shall ensure that the client's signature on certified documents matches the signature on official application forms.

8. Legal and Group Representatives

8.1 Legal Representatives

- Must present clients to the Company;
- Be regulated in AML matters;
- Adhere to professional AML conduct standards;
- Operate in jurisdictions with AML laws equivalent to those of London.

8.2 Group Representatives

- Belong to the same corporate group as the Company;
- Are subject to consolidated supervision;
- Comply with AML regulations in jurisdictions equivalent to London.

8.3 Authorized CDD Measures

- The Company may rely on legal or group representatives to:
 - a) Identify and verify the applicant's identity using reliable sources;
 - b) Confirm the beneficial owner's identity;
 - c) Collect information on the purpose and nature of the business relationship.

8.4 Responsibility and Oversight

- While the Company may rely on representatives, it retains full responsibility for ensuring compliance with AML/CFT regulations.

This section demonstrates Capitalvo's commitment to robust due diligence, regulatory compliance, and maintaining the highest standards of financial integrity.

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