EXISTRADE LTD

ANTI- MONEY LAUNDERING PROCEDURES

KYC/ AML/ CTF POLICY

2016

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PART I

INTRODUCTION

1. Introduction

Existrade Ltd. (herein referred to as "Existrade Ltd." or "the Company") will maintain and enforce anti-money laundering procedures based on the Vanuatu AML&CTF REGULATIONS, such as **"AML&CTF Regulation Order No. 122 of 2014"** , **"AML and CTF Amendment Regulation No. 153 of 2015" and "Anti-Money Laundering and Counter-Terrorism Financing Act No. 13 of 2014" and its further amendments.**

Based on the requirements of these Acts, EXISTRADE LTD. is committed to the maintenance of a compliance programme which shall include:

a) a system of internal controls and procedures to ensure on-going compliance:

b) internal or external independent testing for compliance;

c) training of personnel in the identification of suspicious transactions; and

d) Designation of an appropriate officer, responsible for continual compliance e with the Act.

These procedures will have effect up on approval of the Board of Directors, and shall continue to be in operation unless a mended on authority of the Board of Directors.

i. Scope and Objectives of KYC/ AML/ CFT Policy

These procedures are established to guide staff in identifying common practices used in money laundering and terrorism financing, to deter such practices and when discovered or suspected, to use a systematic, uniformed approach for dealing with it.

This Policy will be applicable for all operations, local and international. The objective of this policy is to ensure that the products and services of EXISTRADE LTD. are not used to launder the proceeds of crime and that all of the staff is aware of their obligations and the need for vigilance in the fight against money laundering and terrorist financing.

The policy of the Company – not to enter into business relationships with criminals and/or terrorists, not to process transactions which result from criminal and/or terrorist activity and not to facilitate any transactions involving criminal and/or terrorist activity including the financing of terrorism. The Company undertakes to implement all policies and procedures necessary to prevent the money laundering and to comply with all

applicable legislation in this regard, such as the regulatory instructions, laws, and regulations (issued from time to time) by the Vanuatu Financial Services Commission (VFSC), the Vanuatu Financial Intelligence Unit (VFIU) and regulators of the countries where EXISTRADE LTD. operates.

PART II
GENERAL AND SPECIFIC PROVISIONS

2.1. *General provisions concerning money laundering*

Both individual employees and the Company itself are liable for criminal conduct if any of the offences below are charged by authorities. Money laundering offences can be distributed as follows:

a. *Arrangements relating to criminal property* – it is an offence to enter into arrangements which will facilitate acquisition, retention or use of criminal property. It is a defense that the employee reported his knowledge or suspicion to the law enforcement agencies via internal reporting procedures at the first available opportunity.

b. *Tipping off* – it is an offence to disclose information which is likely to prejudice an investigation either to the person who is the subject of a money laundering suspicion or any person other than the law enforcement agencies.

c. *Acquisition, use or possession of criminal property* – it is an offence to acquire, use or possess criminal property.

d. *Handling the proceeds of corruption* – corruption by government leaders and public sector officials inevitably involves serious crimes. Not only is there a major reputational risk in handling proceeds from such activities, but criminal charges and constructive trust suits can arise.

e. *Failure to report* – it is an offence for a person who knows or suspects or has reasonable grounds for knowing or suspecting that another is engaged in money laundering not to report such knowledge or suspicion as soon as reasonably practical to the authorities via internal reporting procedures.

2.2. *Client confidentiality*

It is important to stress out that the reporting of your suspicion of money laundering does not constitute a breach of client confidentiality.

2.3. *Specific money laundering provisions for conducting the regulated activities*

The following points apply to the Company in order to facilitate recognition of suspicions of money laundering and reporting of the foregoing to the authorities and so that the Company may produce its part of the audit trail to assist in official investigation. In particular, the Company is obliged to:

a. Have procedures to *verify* the identity of new counterparties;

b. Have procedures for employees to *report* any suspicious transactions;

c. Have *record keeping procedures* relating to the identity of clients and transactions effected for them;

d. Responsibility of *ensuring* that employees are suitably trained and made aware of the above procedures and in the recognition and handling of suspicious transactions;

e. Appoint a senior person as a *designated MLRO* to whom reports of suspicious transactions are to be made. This person must be free to act on his/her own authority and to make further

investigations to determine whether a suspicion can be discounted or must be reported. The MLRO will be able to delegate duties, but will be responsible for the activities of such delegates; and

f. Stress the employees of the Company the potential of personal liability as well as that of the Company for failure to observe any aspect of the Regulations.

2.4. Money Laundering Reporting Officer (or MLRO)

Initially, the Compliance Officer will be the Money Laundering Reporting Officer (herewith – MLRO). The MLRO will have responsibility for oversight of its compliance with the VFSC and VFIU's rules on systems and controls against money laundering. The MLRO will have a level of authority and independence with access to resources and information sufficient to enable him/her to carry out that responsibility. In case should the Company decide to segregate the responsibilities of the Compliance Officer from those of the Money Laundering Reporting Officer, this manual will be amended accordingly.

The MLRO's responsibilities are:

a. Acting as the appropriate person to whom a report is to be made of any information or other matter concerning an employee's relevant suspicions;

b. To report suspicions to the VFSC and VFIU as he/she considers appropriate;

c. To liaise with and respond promptly to any relevant request for information made by the VFSC and VFIU; and

d. To take reasonable steps to establish and maintain adequate arrangements for awareness and training.

2.5. Compliance

Compliance with the Company's anti-money laundering procedures is of the utmost importance. Not only is it important to maintain the Company's integrity, but failure to comply may constitute a criminal offence and call into question whether or not the Company and the employee concerned is fit and proper to conduct the business for which the Company has been licensed. Failures by individuals to comply with the money laundering procedures set forth in this manual can therefore result in summary dismissal.

Compliance with the Company's anti-money laundering policies and procedures will be the responsibility of the Compliance Officer. Specifically, the Compliance Officer will be responsible for:

a) oversight of the Company's anti-money laundering policies and procedures including updating or amending such policies and procedures to conform with changes in the Regulations;

b) ensuring that all relevant employees are made aware of the anti-money laundering policies and procedures of the Company;

c) ensuring that all relevant employees are made aware of regulations in respect of anti-money laundering;

d) ensuring that all relevant employees receive training in the recognition and handling of transactions carried out by or on behalf of any person who is or appears to be engaged in money laundering;

e) ensuring that all new relevant employees receiving training as soon as practicable after their appointment;

f) ensuring that the employees, management and directors of the Company adhere to the policies and procedures set out in this manual

PART III

PROCEDURES AND OBLIGATIONS OF THE COMPANY

3. Introduction

3.1. Duty on establishing business relationships

The Company may not carry out a one-off transaction or form a business relationship in the course of relevant financial business unless:

3.1.1. It has money laundering procedures in place, meaning:

1. identification procedures
2. record keeping procedures; and monitoring;
3. recognition of suspicious transactions;
4. internal reporting procedures and such other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering;

3.1.2. It makes its employees aware of the statutory duties and of the Company's procedures; and
3.1.3. It maintains training procedures.
3.1.4. Media request – any request for a statement or information from the media or other source must be directed to the MLRO for handling.

3.2. Identification procedures

The Company must ensure as soon as reasonably practical after the first contact has been made, and in any event before transferring or paying any money out to a third party, that satisfactory evidence is produced or such other measures are taken as will produce satisfactory evidence of the identity of any customer or counterparty (an "applicant"). If a client appears to be acting on behalf of another person, identification obligations extend to obtaining sufficient evidence of that third party's identity.

Where satisfactory evidence is not supplied, the firm will not proceed with any further business and bring to an end any understanding it has reached with the client unless in either case the firm has informed VFSC and VFIU. If there is knowledge or a suspicion of money laundering, it will be reported without delay as provided under these procedures to the MLRO.

3.2.1. Customer Identification Program / Know Your Client

An effective anti-money laundering program must include "Know Your Customer" procedures. Information must be provided to learn the true Identity of the Customer, the nature of the Customer's Business and the intended Purpose of the Customer's transactions. As broker, the Company shall be responsible for implementing KYC procedures on both individual and corporate members. This shall entail:

- Providing the account application
- Conducting AML and KYC procedures
- Clearing and monitoring of all trades

Being the custodian of the accounts, funds and paperwork. Each trading account applicant must first be approved and accepted by the Company before funding the trading account and trading.

For identity purposes for each new customer, who is an **individual** (please see additional sub-paragraph further), the Company will collect:

- The customer's name
- Date of birth
- Residential or business address
- Proof of address such as utility bill, etc
- Unexpired government identification card number showing nationality or residence, and photo id.

For each new customer which is an **entity** (please see additional sub-paragraph further) will collect:

- The customer's business name
- Principal place of business
- Proof of business address such as utility bill, etc.
- Other government issued documentation certifying the existence of the business or enterprise such as certified articles of incorporation,
- a government issued business license,
- a partnership agreement or a trust instrument the Company will not accept an account without the required identification information,

If the entity is a trust or similar, personal identification information as outlined in the previous paragraph will be needed for the account controller. In the event a customer does not present a valid government ID; or the firm is not familiar with the documents the customer provides; or the customer opens the account without appearing in person; and any other circumstances that increase the risk that Existrade Ltd. will not be able to verify the true identity of the customer through documents an account will not be opened.

O F A C individuals and entities will be checked against applicable lists of sanctioned countries published by the Office of Foreign Assets Control (OFAC) and periodically rechecked against updated lists. If a customer is from a country on the list, Existrade Ltd. will contact OFAC to determine the extent of the sanctions. All new customers' names will be compared to the list of Specially Designated Nationals (SDN) and Blocked Persons, also found at the OFAC website, by the new accounts supervisor. If a customer's name appears on the list, Existrade Ltd. will contact OFAC immediately. When the OFAC lists are updated, Existrade Ltd. will review the existing client base to determine if any current customers are from a country on the sanctioned countries list or if any customer's name appears on the SDN list. The broker's senior management will be notified immediately of any suspicious activity;

Existrade Ltd. will be verifying all information given pertaining to business and source of income of a customer. Existrade Ltd. will not be opening correspondent accounts. If a customer opens an account directly with the broker, and it is found out to be a correspondent account, Existrade Ltd. will close the account immediately.

The Company will be verifying all information given pertaining to the purpose of the trading account. Although not all inclusive, some examples of behaviour that should cause concern at the account opening stage are:

- A customer exhibits an unusual level of concern for secrecy, particularly with regarding to the customer's identity, type of business or sources of assets;
- A corporate customer lacks general knowledge of its own industry
- A customer is unconcerned with risks, commissions or other costs associated with trading
- A customer appears to be acting as an agent for another entity or individual but is evasive about the identity of the other entity.

3.2.2. Methods of Identification

The Company will make sure that it is dealing with a real person or legal entity, and obtain sufficient evidence to establish that the applicant is that person or organization. When reliance is being placed on any third party to identify or confirm the identity of any applicant, the overall legal responsibility to ensure that the procedures and evidence obtained are satisfactory rests with the Company.

As no single form of identification can be fully guaranteed as genuine, or representing correct identity, the identification process will need to be cumulative, and no single document or source of data (except for a database constructed from a number of other reliable data sources) must therefore be used to verify both name and permanent address.

The Company will take all required measures, according to applicable law and regulations issued by regulatory authorities, to establish the identity of its clients and, where applicable, their respective beneficial owners.

3.2.3. Due Diligence

In addition to identification information (as described below), it is essential to collect and record information covering the following for all categories of clients:

1. Source of wealth (description of the economic activity which has generated the net worth)
2. Estimated net worth
3. Source of funds to be invested
4. References or other documentation to corroborate reputation information where available
5. Independent background checks through a reputable screening system

3.2.4 Individual customers

The identity will be established to the Company's satisfaction by reference to official identity papers or such other evidence as may be appropriate under the circumstances. Information on identity will include, without limitation: full name; date of birth; nationality; complete residential address. Identification documents must be current at the time of the opening.

Documents used for client identification purposes will typically include:

a) A passport, a national identity card or an equivalent in the relevant jurisdiction;
b) A separate document confirming the residential address (utility bill, bank statement, acknowledgement of address issued by a relevant official).

3.2.5. Corporate customers

Where the applicant company is listed on a recognized or approved stock exchange or where there is independent evidence to show that the applicant is a wholly owned subsidiary or subsidiary under the control of such a company, no further steps to verify identity over and above the usual commercial checks and due diligence will normally be required.

Where the applicant is an unquoted company, it will be subject to a procedure aimed to identify it, confirm its existence, good standing and authority of persons acting on its behalf. Documentation required for such purposes may change depending on each particular jurisdiction and will typically include:

a) Certificate of incorporation/certificate of trade or the equivalent, evidencing the company is indeed incorporated in a particular jurisdiction under the respective registered address;
b) If not available in the certificate of incorporation – a document, listing current shareholders of the company
c) Certificate of Incumbency or an equivalent document, listing current directors of the company
d) Statutes, Memorandum and Articles of Association or equivalent documents confirming the authority of the respective officers of the company to legally bind it and the manner in which this may be done.
e) Extract from the Commercial Register of the country of incorporation may also be used to confirm the aforementioned information, if such information is provided in the extract.

3.2.6 Beneficial Owners

Due diligence must be done on all principal owners identified in accordance with the following principles:

a) Natural persons: where an applicant is an individual, the Company must clearly establish, based on information and documentation provided by the client, whether the client is acting on his/her own behalf.
b) Legal entities: where the client is a company, such as a private investment company, the Company must understand the structure of the company, based on information and documentation provided by the client, sufficiently to determine the provider of funds, principal owner(s) of the shares and those who have control over the funds, e.g. the directors and those with the power to give direction to the directors of the company. With regard to other shareholders the Company will make a reasonable judgment as to the need for further due diligence. This principal applies regardless of whether the share capital is in registered or bearer form.

While use of scanned versions of documents may be accepted at the initial stage of business relationship, all relevant documentation must ultimately be obtained in the form of originals or copies of the originals that have been certified by:
- a notary public or another authority with equivalent power to certify copies of documents in the relevant jurisdiction; or

- a relevant state official (judge, police officer, consular official, etc); or
- an authorized financial institution.

Copies of documentation may also be certified by the Company's staff, if these have been made in their presence.

If any document regarding the corporate entity (such as extract from the Commerce Register) is available online through an official website of the relevant state authority, the Company may refer to such online version of the document, provided that a printout is made by a staff member of the Company and stored in the respective client file.

The clients will also be asked to provide relevant contact details, such as phone number and e-mail address.

3.3. High- risk countries

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

3.3.1. Offshore jurisdictions

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

3.3.2. High-risk activities

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

3.3.3. Public officials

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

3.4. Verification responsibility

It is the responsibility of the MLRO to verify the identity of each new applicant when taking on a new client. The verification procedures must be completed and satisfactory evidence of the new applicant's identity must be obtained before the applicant is sent a customer agreement except in exceptional circumstances (as determined in writing by the Compliance Officer).

3.5. Verification procedures

The verification process should be documented by making a record of the relevant information on the Company's Client Identification Questionnaire.

If in doubt as to which information must be obtained to verify an applicant's identity staff must consult the MLRO for guidance without delay and prior to commencing any dealings.

3.6. Compliance Officer approval

Once completed, the Client Identification Questionnaire should be completed and signed by the employee or the person designated by the Company and must be handed over to the Compliance Officer for record keeping. For each applicant the Compliance Officer must also countersign the forms and will be responsible for deciding what further information, including documentation, is required prior to conducting business for the applicant.

3.7. Record keeping procedures

The Company must also keep all records for not less than 5 years from the date of completion of the transaction. These should include records verifying the identity of counterparty and a record of transactions with or for that client.

3.8. Education and training

Staff who handles or are managerially responsible for handling transactions which may involve money laundering will be made aware of:

3.8.4. their responsibilities under the Company's anti-money laundering arrangements, including those for obtaining sufficient evidence of identity, recognizing and reporting knowledge or suspicion of money laundering and use of findings of material deficiencies;

3.8.5. the identity and responsibilities of the MLRO;

3.8.6. the law and regulations relating to money laundering; and

3.8.7. the potential effect on the Company, its employees and its clients of any breach of money laundering provision. All members of staff will receive periodic training in addition to the information provided in this document. This is expected to include seminars organised by the Compliance Officer. Employees should ensure that they regularly update their knowledge of these procedures given the seriousness of the consequences of breaching the Anti-Money Laundering and Counter-Terrorism Financing Act No. 13 of 2014, AML&CTF Regulation Order No. 122 of 2014, its amendments, this Anti-Money Laundering policy and other applicable regulations and acts.

A record of anti-money laundering training supplied must be maintained and will include the dates, nature and names of recipients of such training.

3.9. Duty to report

There is a statutory and regulatory obligation on all staff to report information which comes to their attention, which gives rise to knowledge or suspicion or reasonable grounds for knowledge or suspicion of money laundering. Thus, even if a member of staff does not actually know or suspect but reasonably should have known or suspected, and does not report, he/she would be committing an offence. To this end, continuous surveillance for suspicious transactions must be carried out. Knowing its customers is the Company's most important line of defense in preventing or detecting money laundering activities. It is important that the Company verifies the identity of new counterparties and ensures that they are involved in bona fide business activities and that they share the Company's high standards of integrity and business practice.

Knowledge in relation to money laundering has been in the past defined widely and includes: wilfully ignoring the obvious, wilfully and recklessly failing to make inquiries as a reasonable and honest person would make, knowledge of circumstances which would indicate facts to such honest and reasonable person or put them on enquiry.

Suspicion is assessed on a subjective basis; however it goes beyond mere speculation.

Reasonable grounds to suspect introduces an objective test rather than a subjective test of suspicion. It might therefore include wilful blindness (i.e. turning a blind eye to the obvious), negligence (recklessly failing to make adequate enquiries) and failing to assess adequately the facts and information presented or available.

The Company will therefore ensure that staff takes all reasonable steps in the particular circumstances to know the customer and the rationale for the transaction or instruction.

3.10. Suspicious transactions

A suspicious transaction will often be one which is inconsistent with a customer's known legitimate business. Emphasis will therefore be placed on knowing the customer's business and his/her requirements. It is the responsibility of all staff to report knowledge or suspicion of money laundering.

The following questions may help to determine whether a transaction is suspicious:

- Is it inconsistent with the client's known activities?
- Is the size of the transaction inconsistent with the normal activities of the client, or the client's net worth, as determined at the initial identification stage?
- Are there any other transactions linked to the transaction in question of which the Company is aware and which could be designed to disguise money and divert it into other forms or other destinations or beneficiaries?
- Is the transaction rational for the client?
- Has the client's pattern of transactions changed?
- Is the client's proposed method of payment unusual?

Suspicions of money laundering, however minor, should be discussed immediately with the MLRO. An internal form for making a report of a suspicion or knowledge of money laundering has been included in this manual (See Appendix 1).

The MLRO is required to report to VFSC and VFIU where a report of knowledge or suspicion has been made.

Steps should also be taken to monitor accounts held on behalf of customers that hold positions of public trust such as government officials, politicians and any known connected accounts.

3.11. Confidentiality

Reporting a suspicion is a defense to a claim for breach of confidence. However, any statements to the press or other publicity must be routed through the MLRO or his deputy. Similarly, any requests for information or statements should be referred to him or his deputy for reply. Confidentiality whilst an investigation is ongoing is of the utmost importance and employees are reminded of the offence of "tipping-off".

3.12. Internal reporting

Employees must report any relevant money laundering suspicions to the MLRO.

The suspicion should be fully documented, including the name and location of the reporting employee, full details of the client and the respective account, description of the information giving rise to the suspicion.

All internal enquiries made in relation to the report, and the reasoning for submission or non-submission of the report should also be documented.

The MLRO should remind the reporting employee to avoid "tipping off" the subject of the reported suspicion, and that information concerning a report should not be disclosed to any third parties.

The requirement to report also includes those situations where the business or transaction has not proceeded because the circumstances surrounding the application or proposal give rise to a suspicion of money laundering.

3.13. External reporting

The MLRO or his duly authorized delegate will consider the reported information, and where, following consideration, the suspicion remains, a report must be made to VFSC and VFIU.

Any report made by the MLRO or his/her delegate will not be subject to the consent or approval of any other person.

In order to make this assessment, the MLRO will have access to any information, including "know your business information" in the Company's possession that could be relevant. Know your business information will include: information about the financial circumstances of a client or any person on whose behalf the client has been acting or is acting; and the features of the transactions which the Company has entered into with or for the client.