



[nextpayway.com](https://nextpayway.com)

# AML POLICY

**RULES OF PROCEDURE  
FOR PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING  
AND COMPLIANCE WITH INTERNATIONAL AND EU SANCTIONS**

Established by the decision of the management board of Pradexx OÜ (registry code 14403492)  
(hereinafter **Provider of service**) on 06.05.2019  
as amended on 03.04.2020 and 03.11.2020

**1. General provisions**

1.1. These rules of procedure for prevention of money laundering and terrorist financing, and compliance with international sanctions (hereinafter Rules) have been adopted by the decision of the management board of Pradexx OÜ, registry code 14403492 (hereinafter the Provider of service).

1.2. The Rules lay down requirements for screening the Clients (as defined in section 2.8) and Transactions (as defined in section 2.7) in order to prevent entering into deals involving suspected Money Laundering and Terrorist Financing, and to ensure identification and reporting of such.

1.3. The obligation to observe the Rules rests with Management Board members and employees of the Provider of service, including temporary staff, agents of the Provider of service who initiate or establish Business Relationship (as defined in section 2.6) (hereinafter all together called the Representative). Every Representative must confirm awareness of the Rules with the signature.

1.4. The Rules are primarily based on the regulations of the Estonian Money Laundering and Terrorist Financing Prevention Act (hereinafter the Act), International Sanctions Act (hereinafter ISA) and DIRECTIVE (EU) 2018/843 (hereinafter 5<sup>TH</sup> AML Directive).

## 2. Definitions

### 2.1. Money Laundering – means:

- i. the conversion or transfer of property derived from criminal activity or property obtained instead of such property for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an activity to evade the legal consequences of that person's actions;
- ii. the acquisition, possession or use of property derived from criminal activity or property obtained instead of such property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation therein;
- iii. the concealment of the true nature, origin, location, manner of disposal, relocation or right of ownership of property acquired as a result of a criminal activity or property acquired instead of such property or the concealment of other rights related to such property;

2.1.1. Money laundering also means participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the activities referred to in Section 2.1(i)-(iii).

2.1.2. Money laundering is regarded as such also where a criminal activity which generated the property to be laundered was carried out in the territory of another country.

2.1.3. Money laundering is regarded as such also where the details of a criminal activity which generated the property to be laundered have not been identified.

2.2. Terrorist Financing – the provision or collection of funds, by any means, directly or indirectly, with the intention that they be used or in the knowledge that they are to be used, in full or in part, in order to carry out any of the offences within the meaning of Articles 1 to 4 of Council Framework Decision 2002/475/JHA.

2.3. International Sanctions – list of non-military measures decided by the European Union, the United Nations, another international organisation aimed to maintain or restore peace, prevent conflicts and restore international security, support and reinforce democracy, follow the rule of law, human rights and international law and achieve other objectives of the common foreign and security policy of the European Union.

2.4. Compliance Officer or CO – representative appointed by the Management Board responsible for the effectiveness of the Rules, conducting compliance over the adherence to the Rules and serving as contact person of the FIU.

2.5. FIU - Financial Intelligence Unit of any Member State of the European Union.

2.6. Business Relationship – a relationship of the Provider of service established in its economic and professional activities with the Client.

2.7. Transaction – cryptocurrency wiring form a Client to the Provider of service.

2.8. Client – a natural or legal person, who uses services of the Provider of service.

2.9. Beneficial Owner – is a natural person, who:

- i. via ownership or other type of control, has the final dominant influence over a natural or legal person, or in whose interests, for the benefit of whom or in whose name a transaction or operation is made.

ii. Where a beneficial owner cannot be identified based on the description in Section 2.9(i), the beneficial owner of a company is a natural person whose direct or indirect shareholding or the total shareholding of all of the direct and indirect shareholdings in the company exceeds 25 per cent, including shareholdings in the form of bearer shares or otherwise. 'Direct shareholding' means that a natural person personally holds shares in a company. 'Indirect shareholding' means that a natural person holds shares in a company via one or multiple persons or a chain of persons.

iii. Where, after all possible means of identification have been exhausted, the person specified in Sections 2.9(i) or (ii) cannot be identified and there is no ground for calling the existence of such person into doubt or where there are doubts as to whether the identified person is the beneficial owner, the natural person who holds the position of a senior managing official is deemed to be the beneficial owner.

iv. Where several persons meet the terms provided for in Section 2.9(iii), including where there are several senior managing officials, several senior management bodies or where another legal persons hold shares in a company via one or several persons or chains of persons, the person(s) who exercise(s) actual control over the company and make(s) strategic decisions in the company or, upon absence of such persons, perform(s) day-to-day and regular management is (are) considered the beneficial owner(s).

v. In the case of a trust or a legal arrangement, the beneficial owner is:

a. the settlor of the trust or the establisher of the arrangement;

b. the trustee;

c. the person ensuring and controlling the preservation of property, where such person has been appointed;

d. the beneficiary, or where the beneficiary or beneficiaries are yet to be determined, the class of persons in whose main interest such trust or arrangement has been set up or operates;

e. any other person who in any way exercises ultimate control over the property of the trust or arrangement.

vi. Where the beneficial owner of a company is a trustee, all of the persons specified in Section 2.9(v) are considered beneficial owners.

vii. In the case of a person or an association of persons not specified in Sections 2.9(ii) or (v), the members of the management board or the chairman of the management board may be designated as the beneficial owner(s), taking into account Section 2.9(i).

2.10. Politically Exposed Person or PEP - means politically exposed person who is a natural person who performs or has performed important functions of public authority and in respect of whom risks related thereto continue to exist.

2.10.1. At least the following are deemed to perform important functions of public authority:

i. the head of state or the head of government;

ii. a minister, deputy minister or assistant minister;

iii. a member of the legislative body;

iv. a member of a governing body of a political party;

- v. a judge of the highest court of a country;
- vi. the auditor general or a member of the supervisory board or executive board of a central bank;
- vii. an ambassador, envoy or charge d'affaires;
- viii. a high-ranking officer in the Defence Forces;
- ix. a member of an administrative, management or supervisory body of a state-owned enterprise;
- x. director, deputy director and member of a management body of an international organisation.

2.10.2. Irrespective of the above, middle and lower level officials are not considered politically exposed persons.

2.10.3. A person who, as per list published by the European Commission, is considered a performer of prominent public functions by a Member State of the European Union, the European Commission or an international organisation accredited on the territory of the European Union is deemed a politically exposed person.

2.10.4. The list of Estonian positions, the performers of which are deemed to be persons with a state background, shall be established by a regulation of the minister responsible for the field.

2.10.5. An international organization accredited in Estonia shall compile a list of the positions of its organization, the performers of which are considered to be persons of national background, keep it up to date and notify the minister responsible for the field of any changes thereto.

2.10.6. The provisions set out above also include positions in the European Union and in other international organizations.

2.10.7. A family member of a politically exposed person means their spouse (or a person considered to be equivalent to a spouse); parent; child; a child's spouse, or a person considered to be equivalent to a spouse.

2.10.8. A close associate of a politically exposed person is a natural person who is known to have joint beneficial ownership of a legal person or trust with a politically exposed person; a natural person known to have close business relations with a politically exposed person; a natural person who is the beneficial owner of a legal person or trust set up in the interest of a politically exposed person.

2.11. Provider of service - Pradexx OÜ, registry code 14403492, registered address Sakala tn 22, Tallinn, Harjumaa, 10141, Estonia. Activity license numbers FRK000030, FVR000039.

2.12. Representative – Employee of the Provider of service.

2.13. Management Board or MB – management board of the Provider of service. Member of the MB, as appointed by relevant MB decision, is responsible for implementation of the Rules.

2.14. Equivalent Third Country – means a country not a Member State of European Economic Area but applying an equivalent regime to the European Union corresponding (AML) framework (see also Exhibit 1).

2.15. Virtual currency - a value represented in the digital form, which is digitally transferable, preservable or tradable and which persons accept as a payment instrument, but that is not the legal tender of any country or funds for the purposes of Article 4(25) of Directive (EU) 2015/2366



on Payment Services in the Internal Market or a Payment Transaction for the Purposes of Points (k) and (l) of Article 3 of the same Directive.

### **3. Description of activities of the Provider of service**

3.1. The Provider of service provides virtual service which comprises of the service of virtual currency exchange which includes the Provider of service providing a platform to the clients to buy and sell crypto assets for fiat currency and providing a virtual currency wallet service.

3.2. The Provider of service is a subject to authorisation by the FIU and the provision of services may only be carried out during a valid authorisation.

### **4. Compliance Officer**

4.1. The MB shall appoint a CO whose principal tasks are to:

4.1.1. monitor the compliance of the Rules with the relevant laws and compliance of the activity of the Representatives with the procedures established by the Rules;

4.1.2. compile and keep updated the data regarding countries with low tax risk, high and low risk of Money Laundering and Terrorist Financing and economical activities with great exposure to Money Laundering and Terrorist Financing;

4.1.3. carry out training, instruct and update the Representatives on matters pertaining to procedures for prevention of Money Laundering and Terrorist Financing;

4.1.4. report to the MB once a year (or more frequently, if necessary) on compliance with the Rules, and on Transactions with a suspicion of Money Laundering or Terrorist Financing;

4.1.5. collect, process and analyse the data received from the Representatives or Clients concerning suspicious and unusual activities;

4.1.6. collaborate with and report to the FIU on events of suspected Money Laundering or Terrorist Financing, and respond to enquiries of the FIU;

4.1.7. make proposals on remedying any deficiencies identified in the course of checks.

4.2. The CO must meet all the requirements, prescribed by the Act, and appointment of the CO shall be co-ordinated with the FIU. If, as a result of a background check carried out by the FIU, it becomes evident that the CO's credibility is under suspicion due to their previous acts or omissions, the Provider of service may extraordinarily terminate the CO's employment contract due to the loss of credibility.

4.3. Tasks of the CO can be performed by a department, therefore provisions of section 4.2 will apply accordingly.

## **5. Application of due diligence measures**

5.1. The Provider of service shall determine and take due diligence (hereinafter DD) measures using results of conducted risk assessment (see Section 11), and provisions of national risk assessment.<sup>1</sup>

5.2. The Representatives shall pay special attention to the activities of Clients participating in a Transaction and to circumstances that refer to Money Laundering or Terrorist Financing, including to complex, high-value or unusual Transactions which do not have any reasonable economic purpose.

5.3. Depending on the level of the risk of the Client and/or Transaction and depending on the fact

whether the Business Relationship is an existing one or it is about to be established, the Provider of service shall apply either normal DD measures (see Section 6), simplified DD measures (see Section 9) or enhanced DD measures (see Section 10). The Provider of service shall also apply continuous DD measures to ensure ongoing monitoring of Business Relationships (see Sections 5.7-5.10).

5.4. DD measures shall include the following procedures:

- i. Identifying the Client and verifying its identity using reliable, independent sources, documents or data, including e-identifying;
  - ii. Identifying and verifying of the representative of the Client and the right of representation;
  - iii. Identifying the Client's Beneficial Owner and, for the purpose of verifying their identity, taking measures to the extent that allows the Company to make certain that it knows who the Beneficial Owner is, and understands the ownership and control structure of the Client;
  - iv. Assessing and, as appropriate, obtaining information on the purpose of the Business Relationship and the Transaction, which includes obtaining information on the following:
    - 1 The Estonian national risk assessment is available on the webpage of the Ministri of Finance:  
<https://www.rahandusministeerium.ee/et/finants-ja-ettevotluspoliitika/rahapesu-ja-terrorismi-rahastamise-tokestamine>
- a. Place of business or place of residence;

b. profession or field of activity;

c. main contracting partners;

d. payment habits;

e. the experience of the legal person customer in their respective field.

v. Conducting ongoing DD on the Client's business to ensure the Transactions being carried out are consistent with the Provider of service's knowledge of the Client and its source of funds;

vi. Obtaining information whether the Client is a PEP or PEP's family member or PEP's close associate.

5.5. The Provider of service shall establish the source of wealth of the Client, where appropriate.

5.6. To comply with the DD obligation, the Representatives shall have the right and obligation to:

i. request appropriate identity documents to identify the Client and its representatives;

ii. request documents and information regarding the activities of the Client and legal origin of funds;

iii. request information about Beneficial Owners of a legal person and a natural person;

iv. screen the risk profile of the Client/Transaction, select the appropriate DD measures, assess the risk whether the Client or another person linked with the Transaction is or may become involved in Money Laundering or Terrorist Financing;

v. re-identify the Client or the representative of the Client, if there are any doubts regarding the correctness of the information received in the course of initial identification;

vi. refuse to participate in or carry out the Transaction if there is any suspicion that the Transaction is linked with Money Laundering or Terrorist Financing, or that the Client or another person linked with the Transaction is or could be involved in Money Laundering or Terrorist Financing.

5.7. The objective of the continuously applied DD measures is to ensure on-going monitoring of Clients and Transactions. Conducting ongoing monitoring of the Business Relationship includes:

i. automatic monitoring of Transactions in real time;

ii. scrutiny of Transactions reported by the automatic monitoring tool on a daily basis to ensure that the Transactions being conducted are consistent with the Provider of service's knowledge of the Client, the business and risk profile of the Client;

iii. Obtaining information on source of funds for Transactions where appropriate;

iv. Keeping up-to-date the documents, data or information, obtained during taking DD measures;

v. Paying particular attention to Transactions and Client's conduct, leading to criminal activity or Money Laundering or Terrorist Financing, and clarifying nature, reasons and background of Transactions;

vi. Paying particular attention to the Business Relationship or Transactions, if the Client is from or the seat of a Client being a legal person is located in a third country, which is included in the list of risk countries (see Exhibit 1).

5.8. Annual review of a Client is carried out regularly once a year. Updated data shall be recorded in the Provider of service's Client database.

5.9. The Representative updates the data of a Client, who is either a legal person or a natural person, i.e. takes appropriate DD measures every time when:

i. upon identification and verification of the information there is reason to suspect that the documents or data gathered earlier are insufficient, have changed or are incorrect;

ii. the data pertaining to the Transactions of Client reveal significant changes in the Client's area of activity or business volumes, which warrants amending the Client's risk profile;

iii. the Provider of service has learned through third persons or the media that the activities or data of the Client have changed significantly.

5.10. The Representative shall evaluate the substance and the purpose of the Client's activities, in order to establish the possible links of the respective Transaction with Money Laundering or Terrorist Financing. The evaluation should result in an understanding about the purpose of the Business Relationship for the Client, the nature of the Client's business, the risk levels of the Client and, if necessary, the sources of funds related to Transactions.

## 6. Normal due diligence measures

6.1. The Provider of service shall conduct normal DD in case the following requirements have been met:

- i. the Client's risk level is assessed as normal;
- ii. the Client can be identified on the basis of publicly available information;
- iii. the ownership and control structure of the Client is transparent and constant;
- iv. the operations of the Client and their accounting or payment policies are transparent;
- v. the annual total value of performance of financial obligations arising from

Transactions does not exceed EUR 15 000;

6.2. The Provider of service shall conduct normal DD if the conditions stipulated in Section 6.1 are present in the following cases:

- i. upon establishing a new Business Relationship;
- ii. upon identification of the beneficial owner of a legal person Client;
- iii. in order to understand the Business Relationship or verify information which is outdated;
- iv. in order to monitor the Business Relationship.

6.3. In the course of conducting normal DD measures, the Representative shall apply the measures of DD as provided for in section 5.4.

6.4. No new Business Relationship can be formed or Transaction executed, if the Client, in spite of the respective request, has failed to present documents and appropriate information required to conduct DD, or if based on the presented documents, the Representative suspects Money Laundering or Terrorist Financing.

6.5. If in spite of the respective request an existing Client has failed to present during the contract period documents and appropriate information required to conduct DD, such behaviour constitutes material breach of contract that shall be reported by the Representative to the CO, and in such case the contract(s) concluded with the Client shall be cancelled and the Business Relationship shall be terminated as soon as feasible<sup>2</sup>.

6.6. The Provider of service shall not enter into Business Relationships with anonymous Clients.

## **7. Identification of a person**

7.1. Upon implementing DD measures the following person shall be identified:

- i. Client – a natural or legal person;
- ii. Representative of the Client – an individual who is authorized to act on behalf of the legal person Client;
- iii. Beneficial Owner of the Client;
- iv. PEP – if the PEP is the Client or a person connected with the Client (see Section 2.10).



7.2. Upon establishing the relationship with the Client and when carrying out a Transaction, the Provider of service shall identify and verify the Client by using information technology means.

7.3. For identification of a Client and verification of the identity of a Client by using information technology means, the Provider of service shall use:

The termination of the long-term contract or contract without the term must foresee the Provider of service's right to terminate the contract extraordinarily without observing the period of pre-notice in case the Client does not provide requested identification or verification documents (in due time)

7.3.1. a document issued by a Member State of the EU for the purpose of digital identification;

7.3.2. another electronic identification system within the meaning of the REGULATION (EU) 910/20143. If the Client is a foreign national, the identity document issued by the competent authority of the foreign country is also used simultaneously.

7.4. In case of identification of a Client and verification of the identity of a Client by using information technology means the Provider of service shall additionally obtain data from a reliable and independent source, e.g. identity documents databases.

7.5. Identification of a Client being a natural person and a representative of a Client who is a legal person

7.5.1. Upon establishing a Business Relationship, identification takes place by using information technology means.

7.5.2. Identity of a Client being a natural person, or a representative of a Client who is a legal person must be established each time when a Transaction is carried out.

7.5.3. The Rules must be considered when dealing with the documents that can be used to identify the Client or its representative and the requirements established for them (see Section 7.10). If it is not possible to obtain original documents for identification of a Client, request documents certified or authenticated by a notary public or authenticated officially for verification of the identity of the natural person, or use data obtained from other reliable and independent sources (including electronic identification) on condition that information is obtained from at least two different sources.

7.5.4. Verification must be made whether or not such person is a PEP (see Section 7.9).

7.5.5. A new Client and, if necessary, an existing Client shall confirm the correctness of the submitted information and data by signing the Client data registration sheet (see Form 1).

## 7.6. Identification of a Client being a legal person

7.6.1. To identify a Client who is a legal person, the Representative shall take the following actions:

i. Check the information concerning a legal person by accessing the relevant electronic databases (dependent by Member State of operation);

ii. If it is not possible to obtain an original extract from the register or the respective data, request documents (extract from the relevant registry, certificate of registration or equivalent document) certified or authenticated by a notary public or authenticated  
3Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC. Found at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L\\_.2014.257.01.0073.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2014.257.01.0073.01.ENG) officially for verification of the identity of the legal person, or use data obtained from

other reliable and independent sources (including electronic identification) on condition that information is obtained from at least two different sources;

iii. Ask the representative of a foreign legal person to present an identity documents and a document evidencing of his/her power of attorney, which has been notarised or authenticated pursuant to an equal procedure and legalised or authenticated by a certificate substituting for legalisation (apostille), unless otherwise prescribed by an international agreement;

iv. On the basis of the information received from the representative of the foreign legal person, control whether or not the legal person could be linked with a PEP (see Section 7.9);

v. If the seat of a Client being a legal person is located in a third country, which is included in the list of risk countries (see Exhibit 1), report this to the CO, who shall decide the additional measures to be applied to identifying and background checking of the person.

7.6.2. The document presented for identification of a legal person shall set out at least the following:

i. business name, registry code (number), date of registration, seat and address;

ii. names and authorisations of members of the Management Board or the head of branch or the other relevant body.

7.6.3. A legal representative of a new Client (subsequently as required) shall confirm the correctness of the submitted information and data by signing the Client data registration sheet (see Form 1).

## 7.7. Consequences of insufficient identification of a Client

7.7.1. Should the Representative establish that the identification of a Client is insufficient the Representative shall:

- i. Promptly apply the enhanced DD measures pursuant to the Rules;
- ii. Notify the CO of the failure to implement normal DD in a timely manner;
- iii. Assess the risk profile of the Client, postpone the suspicious Transaction and notify CO and/or MB for the purposes of the provisions in Section 13.3.

## 7.8. Identification of the Beneficial Owner of the Client

7.8.1. Registration and assessment of the Beneficial Owner(s) of a legal person is mandatory.

7.8.2. There is no need to identify the Beneficial Owners of a Client/company whose securities have been accepted for trading on a regulated securities market.

7.8.3. In order to establish the Beneficial Owner, the Representative shall take the following actions:

- i. Gather information about the ownership and control structure of the Client on the basis of information provided in pre-contractual negotiations or obtained from another reliable and independent source;
- ii. Establish the person who has the final dominant influence over a natural or legal person via ownership or other type of control, or in whose interests, for the benefit of whom or in whose name a transaction or operation is made.

iii. In situations, where no single person holds the interest or ascertained level of control to the extent of no less than 25 per cent (see Section 2.9), apply the principle of proportionality to establishing the circle of beneficiaries, which means asking information about persons, who control the operations of the legal person, or otherwise exercise dominant influence over the same;

iv. If the documents used to identify a legal person, or other submitted documents do not clearly identify the Beneficial Owners, record the respective information (i.e. whether the legal person is a part of a group, and the identifiable ownership and management structure of the group) on the basis of the statements made by the representative of the legal person, or a written document under the hand of the representative;

v. To verify the presented information, make enquiries to the respective registers, and request an annual report or another appropriate document to be presented;

vi. Where the Provider of service establishes a business relationship with a Client from the EU, a relevant registration certificate or registry extract must be requested from the Client;

vii. If no natural person is identifiable who ultimately owns or exerts control over a Client and all other means of identification are exhausted, the natural person(s) who hold(s) the position of a senior managing official may be considered to be the Beneficial Owner(s).

viii. Pay attention to companies established in low tax rate regions (see Exhibit 1) and legal person Clients who have not been established as legal persons (section 2.9).

7.8.4. While establishing the Beneficial Owner, it is possible to rely on information received in a format reproducible in writing from a credit institution registered in a commercial registry of a Member State of the EU or from the branch of a foreign credit institution, or from a credit

institution that has been registered or whose place of business is in a contracting state of the European Economic Area or an Equivalent Third Country (see Exhibit 1).

## 7.9. Identification of Politically Exposed Person

7.9.1. The Representative shall implement the following measures to establish whether or not a person is a PEP:

- i. asking the Client to provide necessary information;
- ii. making an enquiry or checking the data on websites of the respective supervisory authorities or institutions of the country of location of the Client.

7.9.2. The matter of whether to establish a Business Relationships with a PEP, or a person associated with him or her, and the DD measures applied to such person shall be decided by the MB.

7.9.3. The MB decides, whether to establish or continue a Business Relationship with a PEP or a close associate or family member of PEP and which DD measures to apply to such person in addition to normal DD measures as stated above. In order to establish a Business Relationship with a PEP or a company connected with that person, it is necessary to:

- i. take enhanced DD measures (see Section 10);
- ii. establish the source of wealth of this person and the origin of the money or other property used in the Transaction;
- iii. monitor the Business Relationship on a continual basis, and carry out enhanced control over the Transaction.

7.9.4. Respective remark must be made in the Provider of service's database of Clients on documents of such person in the form of notation "Politically Exposed Person".

#### 7.10. Documents that can be used for identification

7.10.1. In case of Clients being natural persons and the representatives of Clients, the following documents can be used for identification:

- i. Personal ID card (whether ID card, e-resident card or residence permit card);
- ii. Passport or diplomatic passport;
- iii. Travel document issued in a foreign country;
- iv. Driving licence (if it has name, facial image, signature and personal code or date of birth of holder on it).

7.10.2. The Representative shall make a copy of the page of identity document which contains personal data and photo.

7.10.3. In addition to an identity document, the representative of a Client shall submit a document in the required format certifying the right of representation.

7.10.4. Legal person and its passive legal capacity shall be identified and verified on the basis of the following documents:

- i. in case of legal persons registered in and/or branches of foreign companies registered in the EU, the identification shall be conducted on the basis of an extract of a registry card of commercial register in respective Member State;

ii. foreign legal persons shall be identified on the basis of an extract of the relevant register or a transcript of the registration certificate or an equal document, which has been issued by competent authority or body not earlier than six months before submission thereof.

7.10.5. If no original documents are used for identification, the Representative shall control and verify data by using at least two reliable and independent sources, using a third party service provider.

7.11. If the Client is a natural person, the following data shall be recorded:

i. Name of the Client;

ii. Personal identification code (in case of absence the date and place of birth and place of residence);

iii. Information regarding identification and verification of the right of representation. If the right of representation does not arise from law, name of the document used for establishing and verification of the right of representation, the date of issue and the name or name of the issuing party.

7.12. If the Client is a legal person, the following data shall be recorded:

i. Name of the Client;

ii. Registry code (or registration number and registration date) of the Client;

iii. Names and authorisations of members of the Management Board or the head of branch or the other relevant body;



iv. Telecommunications numbers.

## **8. Establishing the purpose and actual substance of a Transaction**

8.1. For the purpose of preventing movement of illegally obtained funds through the Provider of service it is essential upon entering into a Business Relationship, in addition to identification of the Client, to establish the business profile of the Client, which consists of mapping the main areas of operation and possible payment practices. Notice is to be taken on persons that the Client has transactional relationships with, and their location.

8.2. It is necessary to bear in mind that certain circumstances, which are suspicious or unusual for one Client, could constitute a part of normal economic activities of another. Establishing the area of activity, work or profession of a Client allows assessing whether or not the Business Relationship or the Transactions are in conformity with the Client's normal participation in commerce, and whether the Business Relationship or the Transaction has an understandable economic reason for the Client.

8.3. In order to screen out suspicious or unusual Transactions and the purpose and actual substance of a Transaction, the Representative shall take the following actions:

- i. if necessary, ask the Client to provide additional information about the professional or economic activities;
- ii. if necessary, ask the Client explanations about the reasons for the Transaction and, if necessary, documents evidencing of the origin of the assets and/or source of wealth;
- iii. being particularly attentive to Transactions, which are linked with natural or legal persons, whose country of origin is a state, wherefrom it is particularly difficult to receive information about the Client and/or transactions with persons, who originate from such

states, which do not contribute sufficiently into prevention of Money Laundering (see Exhibit 1).

## **9. Simplified due diligence measures**

9.1. Simplified DD measures may be taken, if the Client is deemed as low risk.

9.2. Upon assessment of factors referring to lower risk, the following is deemed a situation reducing risks relating to the Client type:

- i. A company listed on a regulated market that is subject to disclosure requirements consistent with European Union law;
- ii. a legal person governed by public law founded in a Member State of the EU;
- iii. a governmental authority or another authority performing public functions in the EU or a contracting state of the European Economic Area;
- iv. an authority of the European Union;
- v. a credit institution or a financial institution, acting on behalf of itself, located in a contracting state of the European Economic Area or in a third country (see Exhibit 1), which in the country of location is subject to equal requirements and the performance of which is subject to state supervision.

9.3. Simplified DD measures may be taken regarding a Transaction, if all of the following conditions have been fulfilled:

i. payments are made through the account of a Client, which has been opened in a credit institution or a branch of a foreign credit institution registered in an EU commercial register (of a Member State) or in a credit institution which has been established or has its place of business in a contracting state of the European Economic Area or in an Equivalent Third Country (see Exhibit 1);

ii. the benefits derived from the Transaction are not realized as benefits of third person, excluding the event of the Client's death.

9.4. Upon assessment of factors referring to a lower risk at least the following situations where the Client is from or the Client's place of residence or seat is in, may be deemed a factor reducing geographic risks:

9.4.1. a contracting state of the European Economic Area;

9.4.2. a third country that has effective Anti-Money Laundering and Combating the Financing of Terrorism (hereinafter AML/CFT) systems;

9.4.3. a third country where, according to credible sources, the level of corruption and other criminal activity is low;

9.4.4. a third country where, according to credible sources such as mutual evaluations, reports or published follow-up reports, AML/CFT requirements that are in accordance with the updated recommendations of the Financial Action Task Force (hereinafter FATF), and where the requirements are effectively implemented.

9.5. In case the circumstances indicating lower risk are present and therefore the simplified DD measures can be taken, the following measures may be used:

9.5.1. in case of identification and verification the identity of the Client or of the Client's representative may be verified on the basis of information obtained from a credible and independent source also at the time of establishment of the Business Relationship, provided that it is necessary for not disturbing the ordinary course of business. In such an event the verification of identity must be carried out as quickly as possible and before the taking of binding measures;

9.5.2. in case of identification of the Beneficial Owner, understanding the Business Relationship or transactions or gathering information on whether a person is a PEP (Sections 7.8-7.9) the Provider of service may choose the extent of performance of the duty and the need to verify the information and data used therefore with the help of a credible and independent source;

9.5.3. the monitoring of the Business Relationship may be carried out in accordance with the simplified procedure, provided that a factor characterising a lower risk has been established and at least the following criteria are met:

9.5.3.1. a long-term contract has been concluded with the Client in writing, electronically or in a form reproducible in writing;

9.5.3.2. payments accrue to the Provider of service in the framework of the Business Relationship only via an account held in a credit institution or the branch of a foreign credit institution registered in the Estonian commercial register or in a credit institution established or having its place of business in a contracting state of the European Economic Area or in a country that applies requirements equal to those of the Fourth AML Directive (Directive (EU) 2015/849 of the European Parliament and of the Council);

9.5.3.3. the total value of incoming and outgoing payments in transactions made in the framework of the Business Relationship does not exceed 15 000 euros a year.

## **10. Enhanced due diligence measures**

10.1. Enhanced DD measures must be taken in cases where the risk level of the Client or Transaction is higher (e.g. European Union cross-border Transactions, Transactions where the Client has no apparent need for it or link with the Transaction etc.).

10.2. The Representative shall establish the Client's risk profile and determine the risk category in accordance with the Rules (see Section 11). The risk category may be altered during the course of the Business Relationship, taking into consideration the changes in data gathered. The Client's risk profile shall be assessed regularly based on any alerts made by the automatic Transaction monitoring tool and the appropriate DD measures shall be taken.

10.3. The Representative, who upon entering into a Business Relationship with a new Client or carrying out a new Transaction into or from an existing Client, detects that there is at least one of the following high-risk characteristics present in respect of a Client, shall consult with and report to the CO, and shall take the DD measures set out in the Rules.

10.4. The Representative shall apply enhanced DD measures in the following situations:

10.4.1. when suspicion arises regarding truthfulness of the provided data and/or of authenticity of the identification documents regarding the Client or its Beneficial Owners;

10.4.2. the Client is a PEP (excluding local PEPs, if there are no relevant circumstances, leading to the higher risks);

10.4.3. the Client is from or the seat of a Client being a legal person is located in a third country, which is included in the list of risk countries (see Exhibit 1);

10.4.4. in case of unusually large Transactions and unusual patterns of Transactions, which have no apparent economic or lawful purpose;

10.4.5. in case of companies that have nominee shareholders or shares in bearer form;

10.4.6. in a situation with higher risk of Money Laundering and terrorists financing as described in Sections 10.1 and 10.3.

10.5. However, this is not an exhaustive list as enhanced due diligence measures are applied always when the Client or the person participating in the transaction or the person using the professional service is from such country or territory or their place of residence or seat or the seat of the payment service provider of the payee is in a country or territory that, according to credible sources such as mutual evaluations, reports or published follow-up reports, has not established effective AML/CFT systems that are in accordance with the recommendations of the Financial Action Task Force, or that is considered a low tax rate territory. 10.6. In addition to the events specified above, the following factors referring to a higher risk of Money Laundering and Terrorism Financing are taken into account upon application of enhanced DD measures. The Company applies enhanced DD measures in case at least one of the factors listed in the following clauses is present:

10.6.1. Upon assessment of factors referring to a higher risk the following is deemed a situation increasing risks related to the Client as a person:

10.6.1.1. the Business Relationship is based on unusual factors, including in the event of complex and unusually large transactions and unusual transaction patterns that do not have a reasonable, clear economic or lawful purpose or that are not characteristic of the given business specifics;

10.6.1.2. the Client is a resident of a higher-risk geographic area listed below;

10.6.1.3. the Client is a legal person or a legal arrangement, which is engaged in holding personal assets;

10.6.1.4. the Client is a cash-intensive business;

10.6.1.5. the Client is a company that has nominee shareholders or bearer shares or a company whose affiliate has nominee shareholders or bearer shares;

10.6.1.6. the ownership structure of the Client company appears unusual or excessively complex, given the nature of the company's business;

10.6.1.7. a transaction is related to oil, arms, precious metals, precious metal products or tobacco products;

10.6.1.8. a transaction is related to cultural artefacts or other items of archaeological, historical, cultural and religious importance, or of rare scientific value;

10.6.1.9. a transaction is related to ivory or protected species.

10.7. Upon assessment of factors referring to a higher risk in accordance a situation where the Client, a person involved in the transaction or the transaction itself is connected with a following country or jurisdiction is deemed a factor increasing the geographical risk:

10.7.1. that, according to credible sources such as mutual evaluations, detailed evaluation reports or published follow-up reports, has not established effective AML/CFT systems;

10.7.2. that, according to credible sources, has significant levels of corruption or other criminal activity;

10.7.3. that is subject to sanctions, embargos or similar measures issued by, for example, the European Union or the United Nations;

10.7.4. that provides funding or support for terrorist activities, or that has designated terrorist organisations operating within their country, as identified by the European Union or the United Nations.

10.8. Enhanced DD measures shall include at least one the following measures in addition to normal DD measures as established in Section 5.4:

10.8.1. Identification and verification of a Client on the basis of additional documents, data or information, which originates from a reliable and independent source;

10.8.2. Asking the identification or verification documents to be notarised or officially authenticated;

10.8.3. Obtaining additional information on the purpose and nature of the Business Relationship and Transactions and verification from a reliable and independent source;

10.8.4. Obtaining additional information on the source of funds of Transactions;

10.8.5. Accepting the first payment relating to a Transaction through an account opened in the name of Client in a credit institution which has its place of business in a contracting state of the European Economic Area or in an Equal Third Country;

10.8.6. Reassessment of a risk profile of a Client not later than 6 months after establishment of Business Relationship.



10.9. After taking enhanced DD measures, the MB shall decide whether to establish or continue the Business Relationship with the Client in respect of whom the enhanced DD measures were taken.

10.10. In case of Transactions of the PEP the Representative shall apply the following DD measures:

10.10.1. Obtain the MB approval for establishing or continuing Business Relationship with such person;

10.10.2. Take adequate measures to establish the source of wealth and source of funds that are involved in Business Relationship or Transactions;

10.10.3. Conduct enhanced, ongoing monitoring of this Business Relationship.

10.11. If a Client who, by the date of entry into a transaction, has not performed any prominent public functions for at least a year, and such person is deemed to pose no further risk specific to PEP, this Client is not considered as the PEP, therefore application of enhanced DD measures is not required.

10.12. The Representative may not apply enhanced DD measures stipulated in section 10.7 to local PEP, if there are no other circumstances leading to the higher risk.

## **11. Risk assessment**

11.1. The Representative will establish a risk profile of a Client based on information gathered under the Rules.

11.2. The Provider of service applies the following risk categories:

i. Normal risk (the risk level is normal, there are no high risk characteristics present);

ii. High risk, which is subcategorized as High risk I and High risk II.

11.3. For every Client, who does not fall into the “normal risk” category, the Representative shall record the Client’s risk category in the Provider of service’s database of Clients and on the documents as “High risk I” or “High risk II”. Only the CO shall have the right to change the risk category recorded for a Client.

11.4. Assessment of risk profile of natural persons.

11.4.1. When establishing the risk category of a Client being a natural person, the country of residence of the Client, the beneficiaries of the Transaction, the region where the Client operates, and status of PEP shall be taken into account.

11.4.2. If there are several characteristics of the category “High risk I” present, or if, in addition to the characteristics of “High risk I”, at least one of the “High risk II” characteristics is present, the Client shall be determined to be falling into the category “High risk II”.

11.4.3. Characteristics of high risk in the case of a natural person, and the appropriate DD measures:

<b>High risk category I</b>	<b>DD measures</b>
The Client is not the actual beneficiary of the Transaction.	Establish the actual beneficiary of the Transaction based on the statements made by the Client, and check the information obtained from all available sources (e.g. internet search).

<p>The Transaction sought by the Client is not in line with its normal activities and/or social standing.</p>	<p>Ask the Client to provide additional information about the purpose of establishing the Business Relationship and his/her economic activities.</p> <p>Ask additional information and documents, which prove the legal origin of Client's assets.</p>
<p>The actual place of residence or employment or business of a Client is in a country, which is included in the list of risk countries (see Exhibit 1), or the Client is an official citizen/resident of such country.</p>	<p>Ask the Client to provide additional information about the purpose of establishing the Business Relationship and his/her economic activities.</p> <p>Ask the Client to provide additional information about its links with the said foreign state.</p>
<p>The Client is a person associated with a PEP.</p>	<p>The decision is taken by the MB.</p>
<p>The Client is local PEP.</p>	<p>Conduct an internet search about the Client.</p> <p>Ask additional information and documents, which prove the legal origin of Client's assets.</p> <p>If there are no other circumstances leading to the higher risk and the MB approves, it is not required to apply enhanced DD measures stipulated in section 10.7.</p>

<p><b>High risk category II</b></p>	<p><b>DD measures</b></p>
<p>The Client is a PEP or a person associated with him or her.</p>	<p>Conduct an internet search about the Client.</p> <p>Ask additional information and documents, which prove the legal origin of Client's assets.</p>
<p>The actual Beneficial Owner of the Transaction is a PEP.</p>	<p>Conduct an internet search about the Client and the Beneficial Owner of the Transaction.</p>

	Ask additional information and documents, which prove the legal origin of the Client's assets.
There is information that the Client is suspected to be or to have been linked with a financial offence or other suspicious activities.	Check information about International Sanctions (see also Section 15) or ask guidance from the CO.  Ask additional information and documents, which prove the legal origin of the Client's assets.
The Client is a non-resident individual, whose place of residence or activities is in a country, which is listed in the list of risk countries (see Exhibit 1).	Ask the Client to provide additional documents to identify the Client and, if possible, check the Client's data vis-à-vis the previously presented documents and information.  Verify and compare the data submitted by the Client against the additional documents, data or information, which originates from a reliable and independent source.

## 11.5. Assessment of risk profile of legal persons

11.5.1. When establishing the risk category of a legal person, assessment shall be based on the country of location of the legal person, its area of activity, the transparency of ownership structure and the management.

11.5.2. If there are several characteristics of the category "High risk I", or if, in addition to the characteristics of "High risk I", at least one of the "High risk II" characteristics is present, the Client shall be determined to be falling into the category "High risk II".

11.5.3. Characteristics of high risk in the case of a legal person, and the appropriate DD measures

<b>High risk category I</b>	<b>DD measures</b>
<p>The Client is a legal person registered in the European Economic Area or in Switzerland, whose area of activity is associated with enhanced money-laundering risk (see Exhibit 1).</p>	<p>Ask the Client to provide additional documents to identify it and, if possible, check the Client's data vis-à-vis the previously presented documents and information. Verify and compare the data submitted by the Client against the additional documents or information, which originates from a reliable and independent source.</p>
<p>The Transaction sought by the Client, or the substance of the Transaction does not match the person's normal economic activities.</p>	<p>Ask the Client to present additional documents concerning the substance of the Transaction.</p>
<p>The Client is situated in a country, which is listed in the list of risk countries (see Exhibit 1).</p>	<p>Ask the Client to provide additional information about the purpose of establishing the Business Relationship.</p>
<p>The legal person is a non-profit association, trust, civil law partnership or another contractual legal arrangement, whose activities and liability are insufficiently regulated by law, and the legality of financing of which is not easy to screen.</p>	<p>Ask the Client to provide information about relationships with other credit or financing institutions, and the opinion of the respective credit or financing institution. Ask additional information and documents, which prove the legal origin of the Client's assets.</p>
<p>The representative or the Beneficial Owner of a legal person is a local PEP or his or her family member.</p>	<p>Ask the Client to provide information about relationships with other credit or financing institutions, and the opinion of the respective credit or financing institution about the Client. Conduct an internet search about the</p>

	<p>Client, being a legal person, and its Beneficial Owner. Ask additional information and documents, which prove the legal origin of the Client's assets.</p> <p>If there are no other circumstances leading to the higher risk and the MB approves, it is not required to apply enhanced DD measures stipulated in section 10.7.</p>
--	---

<b>High risk category II</b>	<b>DD measures</b>
<p>The representative or the Beneficial Owner of a legal person is a PEP or his or her family member.</p>	<p>Ask the Client to provide additional information about the need and purpose of establishing the Business Relationship.</p> <p>Ask the Client to provide information about relationships with other credit or financing institutions, and the opinion of the respective credit or financing institution about the Client. Conduct an internet search about the Client, being a legal person, and its Beneficial Owner.</p> <p>Ask additional information and documents, which prove the legal origin of the Client's assets.</p>
<p>There is information that the person is suspected to be or to have been linked with a financial offence or other suspicious activities.</p>	<p>Check information about International Sanctions (see also Section 15) or ask guidance from the CO.</p> <p>Ask additional information and documents, which prove the legal origin of the Client's assets.</p>

<p>A legal person registered outside the European Economic Area, whose field of business is associated with a high risk of Money Laundering (see Exhibit 1).</p>	<p>Ask the Client to provide additional information about its links with the said foreign state.</p>
<p>A legal person registered outside the European Economic Area, who is operating outside the country of its registered location.</p>	<p>Ask for additional information about the purpose of establishing the Business Relationship. Verify and compare the data submitted by Client against the additional documents, data or information, which originates from a reliable and independent source (if obtaining such information is possible).</p>
<p>A legal person is operating or is registered in a low tax rate country (see Exhibit 1) or the place of residence, place of registration of the legal person, its owners or Beneficial Owners, or the territory of business of the legal person is situated in a country listed in the list of risk countries (see Exhibit 1).</p>	<p>Ask additional information and documents, which prove the legal origin of the Client's assets.</p>

11.6. The above listed DD measures can be combined, as appropriate, in respect to other listed or non-listed risks.

### 11.7. Identification and management of risks of technology and services

11.7.1. The Provider of service uses safe technological solution for providing services and implements physical and personal measures to keep safety.

Technological solution: Opensource freeware products (audited by community).

Physical measures: Everything is on cloud (Amazon, Azure services), secure keys are kept by CTO.

Personal measures: developers are full time employees, NDA signed. Special procedures will be developed.

11.7.2. The Provider of service uses special technical solutions to keep provided service in safe and keeps history of transactions.

Special Technical solution: Modular System for isolation purposes. All communication among the modules are encrypted and keys are kept on separate key management service. Automated module intrusion detection.

11.7.3. Description of authorisation process and how users accounts are secured (does the Provider of service offer encryption, multiple key (multi-key), signature protection?). In case of a loss or theft of private cryptographic keys or user credentials by the Clients, what are the activities for mitigation of risk.

Standard SSL traffic and session encryption. User level authentication. Two-factor authentication. Private data encryption by private-public key encryption. Modular system approach. Enforced 2-factor authentication for users. Data are encrypted, and keys are kept separate from users and IT system administrators. User keys are stored encrypted.

11.7.4. In case of hacking of the technological solution, following measures will be taken: For the solution to be hacked multiple services have to be compromised. Modular approach requires multi-level hacking stages. Log service is isolated and is crucial part of the system, which is part of the monitoring online and offline analysis and intrusion detection for fast reaction. Logs are rotated and backed up on separate encrypted backup module. Firewall provides load-balancing and DDOS protection.

11.7.5. Limits for holding different types of virtual currency.

The services provided are only limited to the use of Bitcoin (BTC).

There are system limits of amount currency user can operate with depending from verification level and procedure. System holds certain part of the capital in hot wallets, everything else is stored on remote/cold wallet.

11.7.6. Describe how is safety secured in the Provider of service, for example, who is personally responsible for this field, who monitors, identifies and reports to the MB.



Service provider will be responsible for creating secure solution. Support team of service provider will monitor, identifies threats and report to the MB.

11.7.7. As a rule, the Provider of service systematically analyses whether adoption of additional security measures are required.

11.8. Suspicious and unusual Transactions and Transactions with characteristics of Money Laundering and Terrorist Financing

11.8.1. The Representative shall decide whether a Transaction is unusual, having regard to the entire information known about the Client and the Transaction. Upon assessing a Transaction, it is necessary to establish whether the unusual circumstance or change is understandable, considering the hitherto behaviour of the Client, or whether the Transaction has characteristics pointing to Money Laundering or Terrorist Financing. If any unusual Transaction, activity or circumstance is observed, the Representative shall analyse and compare the circumstances of the Transaction against the indications of the Transaction pointing to Money Laundering or Terrorist Financing.

11.8.2. Any Transactions and activities of Clients, which have no clear economic or legal reason, and which cannot be considered normal economic activity of a Client shall be regarded as suspicious and reported to the FIU. Among other aspects, particular attention must be paid to the following Transactions/circumstances:

- i. Client attempts to make Transactions higher than the permitted amount on the system;
- ii. A third person makes payments on behalf of the Client;
- iii. Exists any of characteristics of suspicious transactions as provided by guidelines of the FIU.<sup>4</sup>

11.8.3. In all the cases referred to above, the Client shall be asked for explanation and necessary documents evidencing of the legal origin of the funds.

11.8.4. The Representative must investigate the background of each and every suspicious or unusual case, to the extent it is reasonably necessary, while recording all known details of the Transactions.

11.8.5. The key aspects, which should be addressed while analysing any suspicious and unusual Transactions, are:

- i. What is the suspicious fact associated with the activities of a Client or Transactions? Find out whether any recurrent indications of suspected activities have been observed.
- ii. Have all procedures set out by the Rules been applied to identify a Client or his/her/its representative?
- iii. Was all required information presented in the course of such process, or was it necessary to ask for additional information or other clarification?

#### 11.9. Prohibited Transactions

If any of the characteristics listed here have been observed, the Transaction may be carried out only with the consent of the MB:

- i. The Client does not have sufficient authorisations to carry out the Transaction, or the authorisations are unclear;

Please refer to <https://www.politsei.ee/et/juhendid> for updated guidelines (currently only available in Estonian).

- ii. The Client's need to carry out the Transaction has not been reasonably justified;
- iii. The management, ownership and control structure of the Client being a legal person is unclear and/or it is structured in an unreasonably complicated way from the economic point of view, or it has changed frequently without justification;
- iv. Economic activities of a legal person or its accounting or payment practices are not transparent;
- v. The Client may be a fictitious company or a fictitious person;
- vi. The Beneficial Owner of the Client being legal person cannot be established;
- vii. The Client being a legal person uses an agent or another legal person as its representative without clear authorisations (i.e. during pre-contract negotiations);
- viii. The Client or the representative of the Client refuses to provide information for the purposes of establishing the substance of the Transactions and assessment of the risks;
- ix. The Client has not presented sufficient data or documents to prove legal origin of the assets and funds, after having been asked to do so;
- x. Based on the information received from recognised and reliable sources (e.g. state authorities, international organisations, the media) the Client, the Beneficial Owner of a Client being a legal person, or another person associated with the Client is or has been linked with organised crime, Money Laundering or Terrorist Financing;
- xi. The Client, the Beneficial Owner of a Client being a legal person, or another person associated with the Client is or has been linked with traditional sources of income of

organised crime, i.e. illicit traffic of excise goods or narcotic substances, illegal trafficking of arms or human trafficking, mediation of prostitution, unlicensed international transfers of e-money;

xii. International Sanctions are being applied against the Client, the Beneficial Owner of a Client being a legal person, or another person associated with the Client;

xiii. The Client has nominee shareholders or shares in bearer form.

## **12. Registration and storage of data**

12.1. The Representative shall ensure that Client and Transaction data are registered in the Provider of service's Client database within the required scope.

12.2. Registration of data of a Client who is natural person

12.2.1. The following obtained data shall be recorded in the Provider of service's information system:

i. Name, personal ID code or, in the absence of the latter, date of birth and the address of the person's permanent place of residence and other places of residence;

ii. the name and number of the document used for identification and verification of the identity of the person, its date of issue and the name of the issuing authority;

iii. occupation, profession or area of activity – establish the area of activity (occupation) and the status of the person (trader, employee, student, pensioner);

iv. If the Client is a natural person, the Representative shall record information about whether the person is performing or has performed prominent public functions, or is a close associate or family member of the person performing prominent public functions;

v. Citizenship and the country of tax residency;

vi. the origin of assets.

12.2.2. In case of a representative, the following info shall be recorded:

i. same as provided for in points i-ii of Section 12.2.1;

ii. the name of the document used for establishing and verification of the right of representation, the date of issue and the name or name of the issuing party.

12.2.3. If the Business Relationship is established by the Client or the representative with the use of the ID card or other e-identification system, the data of the document used for identification is saved automatically in the digital signature.

12.3. Registration of data of a Client who is a legal person

12.3.1. The following information on the Client being a legal person shall be recorded:

i. Name, legal form, registry code, address, date of registration and activity locations;

ii. information concerning means of communication and contact person(s);

iii. names of the members of the management board or an equivalent governing body, and their powers to represent the Client, and whether any of them is a PEP;

- iv. information about the Beneficial Owners;
- v. Field(s) of activity (i.e. the NACE codes);
- vi. name and number of the document used for identification and verification of the identity, its date of issue and the name of the issuing authority;
- vii. country of tax residency of the legal person (VAT number);
- viii. date of registration of the legal person in the Provider of service's database;
- ix. purpose of the Business Relationship;
- x. origin of assets (normal business operations/other);
- xi. expected Transactions with the Client, the amount(s) and geographical region (EU, EEA/other).

12.3.2. The following information about the Beneficial Owner shall be recorded:

- i. Name, personal ID code or, in the absence of the latter, date of birth and place of residence;
- ii. type of control over the enterprise (e.g. shareholder);
- iii. is the person a PEP;
- iv. information about the representative as set forth under 12.2.2.

12.3.3. If the Business Relationship is established by the representative of the Client with the use of the ID card or other e-identification system, the data of the document used for identification is saved automatically in the digital signature.

12.3.4. Information from the B-card, i.e. the legal representatives of the Client being a legal person stated on the B-card, shall be recorded on the Client data registration sheet or the contract concluded with the Client.

12.3.5. The following information about the Transaction shall be recorded:

- i. the date of the Transaction and a description of the substance of the Transaction;
- ii. upon payment relating to shares, bonds or other securities, the type of the securities, the monetary value of the Transaction, the currency and the account number;
- iii. other relevant information having significance in the matter.

12.4. The Representative shall record all the data regarding

12.4.1. Provider of service's decision to refuse establishment Business Relationship or carry out a Transaction. The Representative shall record all the data, if, as a result of taking DD measures, a person refuses to establish the Business Relationship or to make a Transaction.

12.4.2. Impossibility to take DD measures due to information technology means;

12.4.3. Termination of the business relationship, as a result of impossibility to take DD measures;

12.5. Storage of Data

12.5.1. The respective data is stored in a written format and/or in a format reproducible in writing and, if required, it shall be accessible by all appropriate staff of the Provider of service (MB, Representatives, marketing, CO etc).

12.5.2. Information regarding Transactions reported to the FIU shall be stored by the CO and shall be accessible only to the MB.

12.5.3. The originals or copies of the documents, which serve as the basis for identification a person, and of the documents serving as the basis for establishing a Business Relationship, shall be stored for at least five (5) years following the termination of the Business Relationship.

12.5.4. The documents prepared on the Transaction on any data carrier, and the documents and data being the basis of the obligation to report to the FIU shall be stored for at least five (5) years following the Transaction or fulfilling the reporting obligation.

12.5.5. The data of the document prescribed for the digital identification of a Client, information on making an electronic query to the identity documents database, and the audio and video recording of the procedure of identifying the person and verifying the person's identity shall be stored at least five (5) years following the termination of the Business Relationship.

12.5.6. Also to be stored:

- i. manner, time and place of submitting or updating of data and documents;
- ii. name and position of Representative who has established the identity, checked or updated the data.

### **13. Reporting of suspicious Transactions**



### 13.1. Notification of the CO

13.1.1. Any circumstances identified in the Business Relationship are unusual or suspicious or there are characteristics which point to Money Laundering, Terrorist Financing, or an attempt of the same the Representative shall promptly notify the CO.

13.1.2. The CO shall analyse and forward the respective information to the MB.

### 13.2. Notification of FIU

13.2.1. Before reporting any Transaction connected with suspected Money Laundering or Terrorist Financing to the relevant Member State FIU, the CO shall analyse the content of the information received, considering the Client's current area of activity, payment practice and other known information.

13.2.2. The CO shall decide whether to forward the information to the FIU and the MB shall decide whether to postpone the Transaction and/or terminate the Business Relationship. If suspending of a Transaction could cause substantial harm to the parties, the carrying out of the Transaction cannot be avoided, or if it could hinder apprehension of the person possibly committing Money Laundering or Terrorist Financing, the Transaction shall be carried out and the FIU shall be notified thereafter.

13.2.3. The following information should always be reported to the FIU:

i. the Business Relationship conclusion has failed due to insufficient due diligence;

Page 35 of 45

ii. the Transaction initiated by a Client is considered suspicious in accordance with the Transaction monitoring guidance.

13.2.4. The CO shall make a notation “AML” behind the name of the Client in the Provider of service’s Client database or on the documents, and shall notify the FIU of the Transaction promptly, but not later than within 2 business days after discovering any activities or circumstances or arising of suspicion, using the respective web-form for notifying the FIU.5 Copies of the documents as set forth by guidelines of FIU or further requested by FIU shall be appended to the notice.

13.2.5. If there is a notation “AML” made in the Client’s records, Transactions can be carried out only subject to a prior consent of the MB.

13.2.6. The CO shall store in a format reproducible in writing any reports received from the Representatives about suspicious and unusual Transactions, as well as all information gathered to analyse such notices, as well as other linked documents and notices to be forwarded to the FIU, along with the time of forwarding the notice, and the information about the Representatives who forwarded the same.

13.2.7. The Client or the person participating in the Transaction (including their representative and other connected persons) who is reported to the FIU as being suspicious, may not be informed of the same.

13.2.8. It is also prohibited to inform any third persons, including other Representatives, of the fact that information has been reported to the FIU, and the content of the reported information, except for the MB/CO.

13.3. Termination of the Business Relationship with a Client and cancelling a Transaction in the event of suspected Money Laundering and Terrorist Financing

13.3.1. Pursuant to law, the Provider of service is obliged to extraordinarily and unilaterally terminate the Business Relationship and cancel all Transactions with the Client, without observing the advance notification period, if:

i. The Client fails to present upon identification or upon updating the previously gathered data or the taking of DD measures, true, full and accurate information, or

ii. The Client or a person associated with the Client does not present data and documents evidencing of the lawfulness of the economic activities of the Client, or the legal origin of the funds used in the Transaction, or

iii. The Client uses fictitious persons to carry out the Transaction, or

The reports are made online via the following link: <https://rabis-web.politsei.ee/#/>

iv. the Provider of service suspects for any other reasons that the Client or the person associated with the Client is involved in Money Laundering or Terrorist Financing, or

v. the documents and data submitted by the Client do not dispel the Provider of service's suspicions about the Client's possible links with Money Laundering or Terrorist Financing.

13.3.2. The decision on terminating the Business Relationship and the activity of carrying out the Transactions shall be taken by the Management Board, considering also the proposal of the CO.

13.3.3. The Client shall be notified of the termination of Business Relationship and cancellation of Transactions in writing, provided that it is consistent with Section 13.2.8. Notation about the cancellation of the Business Relationship shall be made in the Provider of service's Client database or documentation, and a note "AML" shall be added to the Client's data, provided that it is consistent with Section 13.2.7.

#### 13.4. Indemnification of the Representatives

13.4.1. The Provider of service and its Representatives shall not, upon performance of the obligations arising from the Rules, be liable for damage arising from failure to carry out a Transaction (by the due date) if the damage was caused to the persons participating in the Transaction made in economic or professional activities in connection with notification of the FIU of the suspicion of Money Laundering or Terrorist Financing in good faith, or for damage caused to a Client or a person participating in a Transaction carried out in economic or professional activities in connection with the cancellation of a Business Relationship and Transactions on the basis provided in Section 13.3.

13.4.2. Fulfilment of the notification obligation by the Representative acting in good faith, and reporting the appropriate information shall not be deemed breach of the confidentiality obligation imposed by the law or the contract, and no liability stemming from the legislation or the contract shall be imposed upon the person who has performed the notification obligation.

#### **14. Implementation of International Sanctions**

14.1. The Provider of service is required to implement International Sanctions in force.

14.2. Representatives shall draw special attention to all its Clients (present and new), to the activities of the Clients and to the facts which refer to the possibility that the Client is a subject to International Sanctions. Control and verification of possibly imposed International Sanctions shall be conducted by the Representatives as part of DD measures applied to the Clients in accordance with these Rules.

14.3. The Representatives who have doubts or who know that a Client is subject to International Sanctions, shall immediately notify the CO. In case of doubt, if the CO finds it appropriate, the

Representative shall ask the Client to provide additional information that may help to identify whether he/she is subject to International Sanctions or not.

14.4. The CO shall be responsible for the implementation of International Sanctions.

14.4.1. The CO shall:

- i. regularly follow guidelines of the European Banking Authority (EBA) and of Europol, in addition to guidelines of the FIU.6
- ii. Immediately take measures provided for in the act on the imposition or implementation of International Sanctions;
- iii. upon entry into force of an act on the imposition or implementation of International Sanctions, the amendment, repeal or expiry thereof, immediately check whether any of the Clients is subject to International Sanctions with regards to whom the financial sanction is imposed, amended or terminated;
- iv. if an act on the imposition or implementation of International Sanctions is repealed, expires or is amended in such a manner that the implementation of International Sanctions with regard to the subject of International Sanctions is terminated wholly or partially, terminate the implementation of the measure to the extent provided for in the act on the imposition or application of International Sanctions;
- v. keep an updated record of subjects of International Sanctions and submit this information to the Representatives in the form that allows to use this information in the course of their activity;

vi. provide training to the Representatives that allows them to establish independently the subjects of International Sanctions;

vii. assist the Representatives if they have doubt or knowledge that a Client is a subject to International Sanctions;

viii. supervise the application of the Rules regarding the implementation of International Sanctions by the Representatives;

ix. review and keep updated the Rules regarding the implementation of International Sanctions

x. notify FIU of Clients who are subject to International Sanctions or in part of whom the CO, the Representatives have doubts;

Available on: <https://www2.politsei.ee/et/organisatsioon/rahapesu/finantssanktsiooni-subjekti-otsing-ja-muudatused-sanktsioonide-nimekirjas/>

xi. keep record of made checks, notifications submitted to FIU and applied measures in part of detected subjects to International Sanctions.

14.4.2. When making checks on Clients as to detect whether they are subject to International Sanctions, the following information shall be recorded and preserved for five years:

i. Time of inspection;

ii. Name of person who carried out inspection;

iii. Results of inspection;

iv. Measures taken.

14.4.3. If in the course of the check, it shall be detected that a Client or a person who used to be a Client is subject to International Sanctions, the CO shall notify the Representatives who dealt with this Client, the Management Board and FIU. The notification shall be submitted at least in the way that allows its reproduction in writing.

14.4.4. The Client who is subject to International Sanctions and about whom the notification is made, shall not be informed of the notification.

14.4.5. Application of special measures and sanctions on the Client who is detected to be subject to International Sanctions should be authorized by FIU.

14.4.6. When making checks of Clients, the possible distorting factors in personal information (i.e. way of written reproduction of name etc.) must be kept in mind.

## **15. Training**

15.1. The Provider of service shall ensure that all Representatives who have contacts with Clients or matters involving Money Laundering are provided with regular training and information about the nature of the Money Laundering and Terrorist Financing risks, as well as any new trends within the field. The CO shall arrange regular training concerning prevention of Money Laundering and Terrorist Financing to explain the respective requirements and obligations.

15.2. Initial training is provided at the start of representative 's service. The Representatives who are communicating with the Clients directly may not start working before they have reviewed

and committed to the adherence of these Rules or participated in the Money Laundering and Terrorist Financing prevention training.

15.3. Training is provided regularly, at least once a year, to all Representatives and other relevant designated staff of the Provider of service. Training may be provided also using electronic means (conference calls, continuous e-mail updates provided confirmation on receipt and acceptance is returned and similar means).

15.4. Training materials and information shall be stored for at least three years.

## **16. Internal audit and amendment of the Rules**

16.1. Compliance with the Rules shall be inspected at least once a year by the CO, whose job duties are set out in Section 4.1.

16.2. The report on the results of the inspection concerning the compliance with the measures for prevention of Money Laundering and Terrorist Financing shall set out the following information:

- i. time of the inspection;
- ii. name and position of the person conducting the inspection;
- iii. purpose and description of the inspection;
- iv. analysis of the inspection results, or the conclusions drawn on the basis of the inspection.



16.3. If the inspection reveals any deficiencies in the Rules or their implementation, the report shall set out the measures to be applied to remedy the deficiencies, as well as the respective time schedule and the time of a follow-up inspection.

16.4. If a follow-up inspection is carried out, the results of the follow-up inspection shall be added to the inspection report, which shall state the list of measures to remedy any deficiencies discovered in the course of the follow-up inspection, and the time actually spent on remedying the same. The inspection report shall be presented to the MB, who shall decide on taking measures to remedy any deficiencies discovered.

**Form 1**

**Client Data**

Updated:	Risk category

**Client data sheet ('know your customer')**

Name, address, etc.	Name
	Personal code/Date of birth/Registry code
	Address/Location
	Citizenship (in case of natural person)
	Occupation, area of activity
	Name and date of issuance of document used for identification (in case of natural person and representative of legal person)

	Name and number of the document used for identification and verification of the identity of a foreign legal person	
	Postal code and city	
	The country of tax residency	
	Area of activity (in case of legal person)	
	E-mail	Telephone
	Contact person and e-mail	Telephone
	<p>Have the securities of the company been accepted for trading on a regulated securities market? (in case of legal person)</p> <p>NO YES, if Yes, then on which securities market?</p>	
Beneficial Owner (in case of legal person)	<p>Record the Beneficial Owners:</p> <p><i>A Beneficial Owner is a natural person who:</i></p> <p><i>i. Taking advantage of his influence, exercises control over a transaction, operation or another person and in whose interests or favour or on whose account a transaction or operation is performed taking advantage of his influence, makes a transaction, act, action, operation or step or otherwise exercises control over a transaction, act, action, operation or step or over another person and in whose interests or favour or on whose account a transaction or act, action, operation or step is made.</i></p>	

*ii. Ultimately owns or controls a legal person through direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that person, including through bearer shareholdings, or through control via other means. Direct ownership is a manner of exercising control whereby a natural person holds a shareholding of 25 per cent plus one share or an ownership interest of more than 25 per cent in a company. Indirect ownership is a manner of exercising control whereby a company which is under the control of a natural person holds or multiple companies which are under the control of the same natural person hold a shareholding of 25 per cent plus one share or an ownership interest of more than 25 per cent in a company.*

*iii. Holds the position of a senior managing official, if, after all possible means of identification have been exhausted, the person specified in clause ii cannot be identified and there is no doubt that such person exists or where there are doubts as to whether the identified person is a beneficial owner.*

*iv. In the case of a trust, civil law partnership, community or legal arrangement, the beneficial owner is the natural person who*

	<p><i>ultimately controls the association via direct or indirect ownership or otherwise and is such associations': settlor or person who has handed over property to the asset pool, trustee or manager or possessor of the property, person ensuring and controlling the preservation of property, where such person has been appointed, or the beneficiary, or where the beneficiary or beneficiaries have yet to be determined, the class of persons in whose main interest such association is set up or operates.</i></p> <p><i>Does the company have Beneficial Owners: YES NO, if No, please explain:</i></p>	
Members of the MB (in case of legal person)	Name	Personal ID code/ DOB
	Place of residence	Citizenship
		Shareholding (%)
	Name	Personal ID code/ DOB
	Place of residence	Citizenship
		Shareholding (%)
	Name	Personal ID code/ DOB
	Place of residence	Citizenship
		Shareholding (%)

Members of the MB (in case of legal person)	Name		Personal ID code/ DOB		
		Place of residence	Copy of the ID document appended YES	Valid till	
				Name	
		Place of residence	Copy of the ID document appended YES	Valid till	
				Name	
	Place of residence	Copy of the ID document appended YES	Valid till		
			Name		

Authorised persons (representatives)	Name		Personal ID code/ DOB	
	Place of residence	Copy of the ID document appended YES	Valid till	
			Name	
	Place of residence	Copy of the ID document appended YES	Valid till	
			Name	
	Place of residence	Copy of the ID document appended YES	Valid till	
			Name	

	Place of residence	Copy of the ID document appended YES	Valid till
--	--------------------	---	------------

Purpose of the Business Relationship	Please specify
Origin of assets used in the Transaction or use of Transaction	Please specify

<p>Identification of Politically Exposed Persons (to be filled if relevant)</p>	<p>Record on the Beneficial Owners, members of the MB or authorized representative a Politically Exposed Person.</p> <p><i>A Politically Exposed Person is a natural person who is or who has been entrusted with prominent public functions including a head of state, head of government, minister and deputy or assistant minister; a member of parliament or of a similar legislative body, a member of a governing body of a political party, a member of a supreme court, a member of a court of auditors or of the board of a central bank; an ambassador, a chargé d'affaires and a high-ranking officer in the armed forces; a member of an administrative, management or supervisory body of a state-owned enterprise; a director, deputy director and member of the board or equivalent function of an international organisation, except middle-ranking or more junior officials.</i></p>
---	---

	<ul style="list-style-type: none"> <li>• <i>The provisions set out above also include positions in the European Union and in other international organizations.</i></li> <li>• <i>A family member of a person performing prominent public functions is the spouse, or a person considered to be equivalent to a spouse, of a politically exposed person; a child and their spouse, or a person considered to be equivalent to a spouse, of a politically exposed person; a parent of a politically exposed person.</i></li> <li>• <i>A close associate of a person performing prominent public functions is a natural person who is known to be the beneficial owner or to have joint beneficial ownership of a legal person or a legal arrangement, or any other close business relations, with a politically exposed person; and a natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the de facto benefit of a politically exposed person.</i></li> </ul> <p>YES</p> <p>NO</p> <p>If Yes, please record the person’s name, position (occupation) and links with the politically exposed person.</p>		
	Name	Position (occupation)	Link
	Name	Position (occupation)	Link

## **Exhibit 1**

### **Exhibit 1a. Contracting states of the European Economic Area**

Please refer to <http://elik.nlib.ee/pohifakte-euroopa-liidust/liikmesriigid-euroopa-majanduspiirkonnariigid/>

### **Exhibit 1b. Countries who have established Anti-Money Laundering requirements equivalent to the European Union AML framework**

Please refer to [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/internationalrelations\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/internationalrelations_en)

### **Exhibit 1c. List of risk countries (countries which according to FATF does not follow requirements of prevention of Money Laundering and Terrorism Financing)**

Please refer to: <http://www.fatf-gafi.org/countries/#high-risk>

### **Exhibit 1c. List of risk countries (countries which according to the FIU are under big threat of terrorism)**

Afghanistan, Algeria, United Arab Emirates, Bahrein, Bangladesh, Egypt, Indonesia, Iraq, Iran, Yemen, Jordanian, Qatar, Kuwait, Lebanon, Libya, Malaysia, Mali, Morocco, Mauritania, Nigeria, Oman, Pakistan, Palestine, Saudi Arabia, Somalia, Sri Lanka, Sudan, Syria, Tunisia, Turkey, Ethnic groups of Caucasus belonging to Russian Federation (Chechens, Lesgid, Ossetians, Ingushes etc.)

### **Exhibit 1d. List of countries that are NOT regarded as low tax rate countries**



<https://www.emta.ee/et/ariklient/tulud-kulud-kaive-kasum/mitteresidendi-eesi-tulumaksustamine/nimekiri-territooriumidest>