

Policy/ Procedures For The Prevention Of Money Laundering And Terrorist Financing

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PrimeX Capital is a trading name of PrimeX Broker (PTY) LTD, regulated by the Financial Sector Conduct Authority (FSCA) under license number FSP No. 51864V.
Registered Office: 114 West Street, Katherine & West, Sandown, Sandton 2196, South Africa.

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PART I: INTRODUCTION

1.1. OVERVIEW

PrimeX Capital is a trading name of PrimeX Broker (PTY) LTD, regulated by the Financial Sector Conduct Authority (FSCA) under license number FSP No. 51864V. Registered Office is 114 West Street, Katherine & West, Sandown, Sandton 2196, South Africa. (herein referred to as or “The Company”) will implement and establish anti-money laundering procedures and procedures for the prevention of terrorist financing based on the respective legislation and regulations issued from the Country where the Company is operating from.

The relevant laws are (Herein referred to as or “the acts”):

- *Prevention of Money Laundering Guidance Notes – 2002 (amended May 19, 2006)*
- *Mutual Assistance in Criminal Matters Act, Act No. 45 of 1993*
- *Proceeds of Crime and Money Laundering (Prevention) Act, 2001*
- *Proceeds of Crime and Money Laundering Regulations, 2002*
- *Financial Intelligence Unit Act, 2001*
- *Exchange of Information Act, 2002*

In accordance with the legal framework prescribed by the aforementioned Acts, the Company is committed to the maintenance of a compliance program that shall include:

- a) A system of internal controls and procedures to ensure on-going compliance.
- b) Internal and/ or external independent testing for compliance.
- c) Training of personnel in the field of identification of suspicious transactions.
- d) Designation of an appropriate officer, responsible for continuous compliance with the acts.

These procedures will have effect upon approval of the Director of the Company and shall continue to be in operation unless amended on authority of the Director of the Company.

1.2. SCOPE AND OBJECTIVES OF AML/ CTF POLICY/ PROCEDURES

The purpose of the AML/CTF Policy (herein referred to as or “the Policy”) is to lay down the Company’s internal practice, measures, procedures, and controls relevant to the prevention of Money Laundering and Terrorist Financing, which will be applicable to both local and international operations.

The main objectives of the Policy are combating and preventing money laundering and terrorist financing and taking all the necessary preventive measures to ensure that the products and services of the Company are not misused by anyone or anybody in illegitimate operations in order to launder the proceeds of crime. Another important objective is

determining the legal and administrative responsibilities of the Company and of all its employees related to anti-money laundering, so that all of the staff is aware of their obligations and the need for vigilance in the fight against money laundering and terrorist financing by means of reporting the suspicious operations, which include the possible activities of the operations of money laundering and terrorist financing to the competent authorities. The Policy will cover the aspect of training of all employees on the rules and internal procedures, which have to be observed, the risks that they and the Company face and how they can handle/ mitigate the risks of money laundering and terrorist financing that they may encounter during the course of their work/ operations/ positions.

The goal of the Policy is to ensure avoidance of entering into business relations with criminals and/or terrorists, as well as to eliminate the risk of processing transactions that are derived from criminal and/or terrorist activities and not to facilitate any transactions involving criminal and/or terrorist activity including the financing of terrorism. The Company undertakes to implement all measures, procedures, and controls aimed to preventing the money laundering and complying with all the respective/ applicable legislation, such as the regulatory instructions, laws, and regulations issued by the competent authorities of the Country where the Company is operating from.

PART II: PROVISIONS CONCERNING MONEY LAUNDERING

2.1. GENERAL PROVISIONS CONCERNING MONEY LAUNDERING

Both the employees of the Company as individuals and the Company itself as a legal entity are liable for criminal conduct if any of the offences below are established and charged by the respective Authorities. Money laundering offences can be detailed as follows:

- a. Arrangements related to criminal property – it is an offence to participate in arrangements, which will facilitate the acquiring, holding or usage of criminal property. It is a defense that the employee reported his awareness or suspicion to the Law enforcement agencies via internal reporting procedures as soon as possible.
- 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 suspicion of a money laundering offence or any person other than the Law enforcement agencies.
- c. Acquisition, use or possession of criminal property – it is an offence to obtain, use or possess criminal property.
- d. Handling the proceeds of corruption – corruption by government leaders and officials of the public sector inevitably involves serious crimes. Not only is there a major reputational risk in handling proceeds from such activities, but criminal charges among other implications may arise.

- e. Failure to report – it is an offence for a person who is aware or suspects or has reasonable grounds for knowing or suspecting that another person is or may be involved in money laundering, not to report such knowledge or suspicion as soon as possible to the Authorities via internal reporting procedures.

2.2. CLIENT CONFIDENTIALITY

The reporting on suspicions on the subject of money laundering shall not constitute the breach of client's confidentiality.

2.3. SPECIFIC MONEY LAUNDERING PROVISIONS FOR CONDUCTING REGULATED ACTIVITIES

The following clauses are put into practice by the Company to advance and simplify the processes of identification of possible money laundering and further reporting of the aforesaid to the Authorities, so that the Company may produce its part of the audit trail in order to be of service to a possible official investigation. Specifically, the Company is obliged to:

- a) Have procedures to verify the identity of new clients/ 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 Money Laundering Reporting Officer (hereinafter referred to as "MLRO"), to whom reports of suspicious transactions must be made in case such instances arise. This person must be free to act on his/her own authority and to make further investigations in order to determine if a suspicion can be disregarded or must be reported. The MLRO will be able to delegate duties, but will be responsible for the activities of such delegates;
- f) Draw attention of the employees of the Company to the potential of personal liability as well as Company liability for failure to comply with any aspects of the Acts.

2.4. MONEY LAUNDERING REPORTING OFFICER

Originally, the Compliance Officer will be the MLRO, who takes full responsibility for oversight of the Company's compliance with the regulations and directives on systems and controls aimed against money laundering. The MLRO will possess a level of authority and independence with access to resources and information adequate and enough to empower him/her to perform his duties. In case the Company decides to separate the responsibilities of the Compliance Officer from those of the MLRO, this manual will be amended accordingly.

The responsibilities of the MLRO are:

- Acting as the proper person to whom a report is to be made of any information or other matter about an employee's relevant suspicions for money laundering.
- To inform the authorities about the respective suspicions as and if he/ she considers appropriate.
- To liaise with and make a prompt response to any relevant request for information made by the authorities.
- To take rational steps for setting up and retaining sufficient arrangements for awareness and training of staff.

2.5. COMPLIANCE WITH AML OBLIGATIONS

Compliance with the Company's AML procedures is of great significance/ importance. First and foremost, compliance is crucial for maintaining the Company's reputation, trustworthiness and overall value to the eyes of clients, market participants and regulators among others. Furthermore, failure to comply constitutes a criminal offense, which may jeopardize the ability of the Company to conduct its business. Failure of members of the staff to comply with the AML procedures -set forth in this policy/manual- can also result in dismissal.

Compliance with the Company's AML policies and procedures will be within the framework of responsibility of the Compliance Officer. Specifically, the Compliance Officer will be responsible for following:

- a) Oversight of the Company's AML policies and procedures, including keeping the policies and procedures up to date for them to comply with amendments and changes made within the Acts and relevant regulations.
- b) Ensuring that every relevant employee of the Company is aware of the AML policies and procedures of the Company.
- c) Ensuring that every relevant employee of the Company is aware of regulations regarding AML.
- d) Ensuring that every relevant employee of the Company gets a proper training about recognition and handling of transactions made by or on behalf of any person who is or appears to be involved in money laundering.
- e) Ensuring that all new relevant employees of the Company receive training immediately after their appointment.
- f) Ensuring that all the employees of the Company, management and directors of the Company adhere to and follow the practices of the policies and procedures set out in this manual.

PART III: PROCEDURES AND OBLIGATIONS OF THE COMPANY

3.1. ESTABLISHING BUSINESS RELATIONSHIPS

The Company will not carry out a one-off transaction or establish a business relationship in the course of its business unless:

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

- Identification procedures.
- Record keeping procedures.
- Monitoring procedures for the identification of suspicious transactions.
- Internal reporting procedures.
- Other procedures of internal control and communication as may be appropriate for the purpose of preventing money laundering.

3.1.2. It makes its employees aware of the statutory duties and of the Company's procedures.

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. KNOW YOUR CUSTOMER AND IDENTIFICATION PROCEDURES

The Company must ensure that as soon as the first contact has been made, and in any event before transferring or paying money to a third party, measures are taken to produce satisfactory evidence of the identity of any customer, whether natural person or legal entity (Know Your Customer -KYC- procedures). If a customer appears to be acting on behalf of another person, the respective information must be obtained to have sufficient evidence of the identity of that person as well. If sufficient evidence is not provided, the Company 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 Company has informed the authorities. If there is awareness or a suspicion of money laundering, it will be reported without any delay as provided under these procedures to the MLRO.

3.2.1. Customer Identification Program / Know Your Customer (KYC)

An effective AML program must include "Know Your Customer" procedures. Information must be provided to establish the true identity of the Customer, the nature of the Customer's business and the intended purpose of the Customer's transactions. As a broker, the Company is responsible for applying KYC procedures to both individual and corporate clients. The overall process/service shall involve:

- Providing the account application/ form.
- Conducting AML and KYC procedures.
- Clearing and monitoring of all trades placed by the Client.
- Being the custodian of the accounts, deposited funds and related paperwork, as applicable.

Each application for a trading account requires preliminary approval by the Company before funding the trading account and subsequently performing trading.

For the identification purpose of each new client, who is a **natural person**, the Company shall obtain the following documents and information:

- Customer's name.
- Date of birth.
- Residential address.
- Proof of address such as utility bill, bank reference, etc.
- Unexpired government identification card (ID) showing nationality, residence, and photo of the person
- etc.

For the identification of a new client, which is a **legal entity**, the Company shall obtain the following:

- The customer's business name.
- Principal place of business.
- Proof of business address such as utility bill.
- Government issued documentation certifying the existence of the business or enterprise such as certified articles of incorporation.
- Government issued business license, registration Certificate, etc.
- Partnership agreement or a trust instrument.
- etc.

The Company will not approve an account without receiving the required identification information from its clients.

If an entity is a trust or similar, personal identification information as outlined in the previous paragraph will be required for the account controller. If a client does not present a valid government ID or the Company is not familiar with the documents the client provides or the client opens the account without appearing in person and any other circumstances that increase the risk that the Company will not be able to verify the true identity of the client through documents, an account will not be opened. The Company will be verifying all information provided, which is related to the business activities and source of income of a customer.

The Company 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, the Company will close the account immediately.

The Company will be verifying all information provided, which is related to the purpose and reason for establishing the trading account. Although not exhaustive, some examples of behavior that should cause concern at the account opening stage are the following:

- Customer exhibits an unusual level of concern for secrecy, particularly with regarding to the customer's identity, type of business or sources of assets/funds.
- Representatives of a Corporate customer lack general knowledge of the industry the Customer operates in.
- Customer is unconcerned with risks, commissions or other costs associated with trading.
- 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. Identification Procedure

The Company must ensure that it is dealing with an existing natural person or legal entity and collect adequate evidence in order to conclude that the applicant is that natural person or legal entity that claims to be. When reliance is being placed on a third party to identify or confirm the identity of an applicant, the overall legal responsibility of ensuring that the procedures and evidence received are satisfactory, still remains with the Company.

As no single form of identification can be fully guaranteed as genuine, or representing correct identity, the identification process will require 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 the client's name and his/her residential and/or registered addresses as apply.

The Company will take actions in accordance with applicable laws and regulations issued by the relevant regulatory authorities, in order to determine the identity of its clients and, if applicable, the respective beneficial owners.

3.2.3. Due Diligence

In addition to the identification information described in the previous section, it is also necessary to gather and record for the clients economic profile information, such as:

- Source of wealth (description of the economic activity which has generated the net worth).
- Estimated net worth.
- Source of funds to be invested.

- References or other documentation to corroborate reputation information where available.
- Annual income.
- Independent background checks through a reputable screening system.
- etc.

3.2.4. Individual customers

The identity will be determined 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 valid at the time of the account opening.

Documents used for client identification purposes will typically include:

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

3.2.5. Corporate customers

If an applicant, being legal entity, is listed on a recognized or approved stock exchange or if there is independent evidence showing that the applicant is fully owned subsidiary or a subsidiary under the control of such a company, no further steps of verifying an identity over the usual commercial checks and due diligence will normally be required.

If the applicant is a non-listed company, it will be a subject to a procedure aimed to identify it, confirm its existence, good standing, and authority of persons acting on its behalf. Documents required for such purposes may vary depending on a particular jurisdiction and will typically include the following:

- Certificate of incorporation/certificate of trade or the equivalent.
- If not available in the certificate of incorporation – a document, listing current shareholders of the company.
- Certificate of Incumbency or an equivalent document, listing current directors of the company.
- Statutes, Memorandum and Articles of Association or equivalent documents confirming the authority of the respective officers of the company.

- Reference from the Commercial Register of the country of incorporation may also be used to confirm the aforementioned information, if such information is provided within the reference.

3.2.6. Beneficial Owners

Due diligence must be performed with regards to all beneficial owners identified in accordance with the following principles:

If an applicant is a natural person, the Company must clearly understand, based on the information and documents provided by the client, whether the client is acting on his/her own behalf.

If an applicant is a legal entity, the Company must clearly understand the ownership and control structure of the company, based on the information and documents provided by the client, sufficiently to determine the provider of funds, principal owner(s) of the shares and those who have control over the entity and its assets/ funds, e.g. the directors and those with the power to give direction to the directors of the Company. With reference to other shareholders, the Company will make a reasonable judgment as to the need for further due diligence. This principle applies regardless of whether the share capital is in registered or bearer form.

Despite scanned copies 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:

- Notary public or another authority with equivalent power to certify copies of documents in the relevant jurisdiction or
- Relevant state official (judge, police officer, consular official, etc.
- An authorized financial institution
- Copies of documentation may also be certified by the Company's staff, where these have been made in the presence of the Company's officers.

If any document related to the legal entity 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. RESPONSIBILITY FOR VERIFICATION OF CLIENT'S IDENTITY

Verification of the identity of each applicant – is the responsibility of the MLRO.

The verification procedures must be completed and sufficient evidence of the new applicant's identity must be obtained before the applicant enters into a customer agreement with the Company except in exceptional circumstances (as determined in writing by the Compliance Officer).

The verification process should be documented by making a client record of the relevant information on the Company's Client Identification Questionnaire and for the other information/ documentation collected.

If doubt or questions arise as to which information must be obtained in order to verify client's identity, relevant employees must address the respective questions to the MLRO, and prior initiating any transactions with the client in question.

3.4. COMPLIANCE OFFICER APPROVAL

Once filled in by an applicant, the Client Identification Questionnaire must be completed and signed by the employee or the person designated by the Company as well, and then it 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 and documents are required prior to conducting business with and/or for the applicant.

3.5. RECORD KEEPING PROCEDURES

The Company has obligation to maintain all records for not less than 5 years from the date of completion of the transaction. These records must also contain records verifying the identity of the Client/ counterparty and a record of the transactions with or for that client.

3.6. EDUCATION AND TRAINING OF STAFF

Staff members, who handle or are managerially responsible for handling transactions, which may involve or be subjected to money laundering risks will be made aware of:

- Their responsibilities under the Company's AML arrangements, including those for gathering adequate evidence of identity, recognizing and reporting knowledge or suspicion of money laundering and usage of findings of material deficiencies;
- The identity and responsibilities of the MLRO;
- The legislation, regulations, and directives related to money laundering;
- The negative effect on the Company, its employees and clients in case of any breach of money laundering provision.

All employees of the Company will get regular training in addition to the guidance and procedures provided in this policy/manual. Training will consist of seminars organized by the Compliance Officer. Employees must ensure that they regularly update their knowledge of these procedures taking into account the seriousness of the consequences of breaching the Mutual Assistance in Criminal Matters Act, Act No. 45 of 1993, Proceeds of Crime and Money Laundering (Prevention) Act, 2001, Proceeds of Crime and Money Laundering Regulations, 2002, Financial Intelligence Unit Act, 2001, Exchange of Information Act, 2002.

A record of AML training provided must be kept and must include the dates, nature of training and names of the participants of such training.

3.7. ACTIVITIES ASSOCIATED WITH HIGHER RISK

Some countries, clients residing or operating in these countries, as well as some types of business activities, are associated with the high risk of money laundering. Therefore, stricter AML compliance standards shall be applied for clients domiciled or operating in such countries or carrying out particular business activities.

3.7.1. High-risk countries

The Company will apply enhanced due diligence to clients and beneficial owners (and to the funds/ assets sourced from them) residing in countries identified by credible sources as having inadequate AML standards or representing high-risk for crime and corruption. The Company shall apply more critical AML compliance standards for transactions carried out by companies or individuals domiciled or operating in such countries.

3.7.2. Offshore jurisdictions

Risks associated with entities incorporated in offshore jurisdictions are covered by due diligence procedures laid out in this Policy/ manual. However, the Company will apply more stringent standards to the transactions carried out by individual or corporate clients, or beneficial owners of entities domiciled in such jurisdictions.

3.7.3. High-risk activities

Individual and corporate clients whose source of wealth is derived from activities likely to be connected with money laundering, must be checked with the highest scrutiny.

3.7.4. Public officials

Natural persons, 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.

3.8. SUSPICIOUS TRANSACTIONS

A suspicious transaction is a transaction that it is inconsistent with the known legitimate business of a client. Emphasis will therefore be placed on being aware of the client's business and his/her requirements. It is the responsibility of all relevant employees to report knowledge or suspicion of money laundering.

A transaction shall be regarded suspicious if

- It is inconsistent with the client's known business activities
- The size of the transaction is inconsistent with the usual activities of the client
- There is any other transaction linked to the transaction in question, then could be possibly designed to disguise money and/or divert it into other forms or other destinations or beneficiaries
- The client's pattern of transactions has changed
- The client's proposed method of payment is unusual or has changed.

Suspensions of money laundering, even relating to smaller transactions, must be reported immediately to the MLRO. An internal form for report preparation of a suspicion or knowledge of money laundering has been included in this policy/ manual (See Appendix 1).

The MLRO is obliged to report to authorities if a report of knowledge or suspicion has been made.

3.9. DUTY TO REPORT SUSPICIOUS TRANSACTIONS

There is a statutory and regulatory obligation on all employees of the Company 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. Consequently, even if an employee does not actually know or suspect but reasonably should have known or suspected, and does not report, he/she would be committing an offence. For this reason, constant monitoring for suspicious transactions must be conducted. Knowing its customers is the Company's top priority and the most important strategy of defense in preventing and/or detecting money laundering activities. It is important that the Company performs a proper verification of the identity of new clients/counterparties and makes certain 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 instances of willfully ignoring the obvious, willfully, 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 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 made available.

The Company will therefore make certain that employees take all rational actions in the particular circumstances to know the customer's identity and the reasoning for the client's transaction or instructions.

Employees have an obligation to report any relevant money laundering suspicions to the MLRO.

The suspicion should be verified and 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 queries made with regards to the report, and the reasoning for filing or not filing the report must also be documented.

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

The obligation to report also includes those circumstances when the business or transaction has not proceeded because the set of conditions and situations surrounding the application or proposal give rise to a suspicion of money laundering.

The MLRO will consider the reported information, and if the suspicion remains, a report must be submitted to authorities.

Any report made by the MLRO is not a subject to the accept or approval of any other person.

The MLRO will have access to all relevant information, including "Know your Customer" information, information about the financial circumstances of a client or any person on whose behalf the client has been acting or is acting, and the characteristics of the transactions, which the Company has entered into with or for the client.

3.10. 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 conducted through the MLRO or his representative. Likewise, any requests for information or statements should be referred to the MLRO or his representative. Confidentiality whilst an investigation is ongoing is of the utmost importance and employees are reminded of the offence of "tipping-off".