

# 1. Anti-Money Laundering (AML) Policy

## **Policy Statement :**

Capital Chain is committed to preventing money laundering and terrorist financing. This policy applies to all employees, contractors, and business partners. Unwavering compliance with applicable laws and regulations shall serve to safeguard Capital Chain's reputation and uphold public trust in Capital Chain.

Therefore, it is advisable for Capital Chain to establish an anti-money laundering (AML) policy that delineates the prescribed measures to be observed, aiming to ensure the efficient execution of guidelines that support the attainment of overarching organizational goals, while guaranteeing conformity with the regulatory structure and ensuring compliance with applicable laws and regulations in all jurisdictions where Capital Chain operates.

## **Policy Objectives :**

- To establish precise and unambiguous policies for Capital Chain concerning the matters of money laundering, terrorist financing, and the avoidance of sanctions.
- To provide clear and concise explanations of the compliance responsibilities that all employees are obligated to fulfill.
- To offer guidance to employees regarding their daily business activities in alignment with legal requirements.
- To foster a work environment that upholds a culture of adherence to legal regulations in the manner in which employees execute their duties.

## **Definition of Money Laundering:**

As per the provisions outlined in Article 2 of the Anti-Money Laundering (AML) Law, the offense of money laundering is defined as the engagement in any of the following activities with the knowledge that the funds involved are derived from a criminal act:

- transfers or moves the proceeds, or disposes of the funds/proceeds intending to conceal or disguise their source
- conceals or disguises the true nature, source or location of the proceeds including the manner of disposal
- acquires, possesses or uses the proceeds on receiving them
- assists the person who committed the felony/misdemeanor to escape punishment.

It is essential to note that money laundering is always an intentional act and cannot be committed through mere negligence. However, Capital Chain acknowledges that acts exhibiting gross negligence, particularly those involving the failure to report suspicions of criminality, may incur criminal liability.

### **Laws and Regulations :**

The laws which Capital Chain is subjected to and with which Capital Chain comply:

- UAE Federal Law No. 20 of 2018: Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations (AML Law).
- Cabinet Resolution No. 10 of 2019: Implementing Regulations of Federal Law No. 20 of 2018 (AML Regulations)
- UAE Federal Law No. 7 of 2014: Combating Terrorism Crimes
- UAE Federal Penal Law No. 3 of 1987 as amended (Penal Code)
- UAE Federal Penal Procedures Law No. 35 of 1992 as amended (Penal Procedures Law)
- UAE Federal Penal Law No. 3 of 1987 as amended (Penal Code) UAE Federal Law No. 5 of 2012: Combating Cyber Crimes
- UAE Federal Law No. 5 of 2012: Combating Cyber Crimes
- SCA Decision (17/R) of 2010 Concerning Anti-Money Laundering and Terrorism Finance Combating Procedures
- UAE Central Bank Regulations Concerning Procedures for Anti-Money Laundering, in particular Circular No. 24/2000 and its amendments by Notices No. 1045/2004 and 2922/2008
- Any United Nations sanctions that are applicable through ratification by the UAE (singularly and collectively, Regulation and Regulations).

Pursuant to the Regulations, it is mandated for financial institutions in the United Arab Emirates (UAE) to adopt a risk-based approach in order to fulfill their legal obligations. This requirement applies to various activities such as customer onboarding and conducting periodic anti-money laundering (AML) assessments throughout the course of business operations. Capital Chain is fully committed to implementing a robust and meticulous risk-based compliance program, in strict accordance with both legal mandates and industry-leading best practices.

### **Investigatory Powers and Criminal Enforcement:**

The oversight of reporting and probing suspected illicit financial conduct in the United Arab Emirates (UAE) falls within the purview of the Financial Intelligence Unit (FIU) operating under the UAE Central Bank. The Public Prosecution retains the authority to initiate legal proceedings pertaining to these offenses, which are adjudicated within the criminal courts system.

### **Defenses :**

The Regulations do not provide any legally established defenses specific to charges of money laundering. The defenses applicable under United Arab Emirates (UAE) law for money laundering charges are not distinct from those available for any other criminal offense.

It is important to note that criminal proceedings related to money laundering cannot be resolved through settlement or plea agreements. Once the Public Prosecutor determines that actions amount to a money laundering offense, prosecutorial discretion is not allowed, and the Public Prosecutor is obligated to refer the case to the criminal courts.

### **Detection of Unusual/Suspicious Transactions :**

Capital Chain's transactions predominantly involve individual transactions ranging from \$9 to \$999. In adherence to the legal obligations, meticulous manual approval process is diligently undertaken for each transaction, employing the principles of due diligence. This rigorous approach serves the purpose of effectively detecting any transaction that may exhibit characteristics of being abnormal, irregular, or indicative of potential suspicious activity. By diligently scrutinizing and individually approving every transaction, Capital Chain aims to safeguard business operations and maintain compliance with relevant regulations and standards governing the prevention of money laundering, terrorist financing, and other illicit activities.

**Risk Rating :**

Within Capital Chain, a distinct and dedicated risk management unit exists, tasked with the meticulous manual examination of individual client profiles. With an emphasis on comprehensive risk assessment, due diligence is conducted thoroughly on the customers subsequent to evaluating their risk rating. This process allows to effectively assess and mitigate potential risks associated with the clientele in compliance with applicable legal and regulatory frameworks.

**Resolutions and Sanctions :**

In situations where there is non-compliance with the established standards, the Regulations offer administrative sanctions to ensure the appropriate implementation of the regulatory framework. These sanctions may include various measures such as warnings, monetary fines, limitations or suspension of business activities, apprehension of board members and senior management who are held accountable for violating the regulations, as well as curtailment of the authority of the board and senior management through the appointment of a temporary observer.

In the event of a conviction for a money laundering offense, the Anti-Money Laundering (AML) Law prescribes punitive measures which encompass financial penalties ranging from AED 100,000 to AED 10 million, along with the possibility of imprisonment for a period of up to 10 years.

**Capital Chain's Obligations :**

- Identify potential risks associated with criminal activities within its operations.
- Conduct ongoing assessments of these identified risks.
- Establish internal controls and policies to effectively manage the identified risks.
- Implement appropriate due diligence procedures, as further elaborated below.
- Adhere to and implement any United Nations (UN) directives pertaining to the prevention of financing terrorism and the proliferation of weapons of mass destruction

**Designated Compliance Team :**

The Risk Management team should regularly perform compliance testing to ensure adherence to legal requirements. A Designated Compliance Officer should hold responsibility for the comprehensive Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) program, including the coordination and oversight of its day-to-day operations.