



# BLACKTOWER

FINANCIAL MANAGEMENT GROUP

## AML Policy and Procedures



# Blacktower (Cyprus) Anti-Money Laundering Policy and Procedures Summary

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## 1. Introduction

1.1 The purpose of this brief statement is to outline the anti-money laundering (AML) policies and procedures adopted by Blacktower (the “Company”) in accordance with MiFID II, IDD and relevant Directives as well as the Prevention and Suppression of Money Laundering Activities Law, (as amended) (the “AML Law”).

1.2 As the Company:

- is not authorised to hold client financial instruments or funds; and
- does not receive client monies in any form,

the risk of AML offences being committed are significantly reduced.

## 2. Role of the Board of Directors

2.1 The responsibilities of the board of directors with regard to AML are:

- Approve and keep under review the AML policies and procedures;
- Communicate policies and procedures to the money laundering compliance officer (MLCO) and all other relevant staff;
- Appoint MLCO and, if required, any assistant necessary to carry out functions as required by MiFID Law, the directives and the AML Law;
- Ensure adequate and continuous training of MLCO and relevant staff;
- Establish clear procedures and reporting lines as regards suspicious transactions;
- Assess and approve all reports prepared by MLCO under the AML policies and procedures including the Annual Report;
- Ensure at all times full and complete compliance with applicable Laws, the Directives and the AML Law.

### 3. Role of the Board of Directors

3.1 The MLCO occupies a senior management position in the Company and shall report only to the board of directors.

3.2 The duties of the MLCO are those prescribed by applicable law and include:

- prepare and submit all reports required under the AML policies and procedures;
- design, based on the AML policies and procedures, necessary internal practices, procedures and controls relevant to the detection and prevention of money laundering and terrorist financing and to describe and allocate the appropriateness and levels of responsibility of each department;
- keep under review the AML policies and procedures, as well as all internal practices, procedures and controls;
- develop, monitor and, if required, amend the client acceptance policy as set out in the AML policies and procedures;
- monitor the complete and correct implementation of the Company's AML policies and procedures;
- to receive information from employees where there is knowledge or suspicion of the commission of money laundering or terrorist financing and to examine and evaluate such information and prepare following discussion an Internal Evaluation Report;
- report, if so decided following completion of the evaluation, the matter to the Money Laundering Combat Unit (the "Unit") by way of formal written report;
- act as first point of contact with the Unit at all times and in particular during an investigation and liaise with and respond to queries from the Unit and relevant regulator.
- prepare, maintain and update full client lists categorised utilising the risk based approach as set out in the AML policies and procedures;
- monitor, evaluate, detect and record at least on an annual basis risks invoked with any new clients, new financial instruments or new services provided;
- provide guidance and support to all employees and officers of the Company;
- ensure adequate levels of training and education for all relevant members of staff;
- prepare and deliver all necessary reports including without limitation the monthly prevention statement to be filed with CySEC and the Annual Report;
- maintain and regularly update registers of suspicious transactions and of reports filed with the Unit.

#### **4. MiFID Reports**

4.1 The Company is obliged by applicable law to prepare and submit two (2) important reports, viz. (i) Annual Report and (ii) monthly preventive statement.

##### **Annual Report**

4.2 The annual report assesses the level of compliance by the Company with its obligations under the MiFID Law, the Directives and the AML Law and the extend to which changes to policies and procedures may be required.

4.3 The annual report is prepared and submitted to the board of directors for approval within two (2) months from the end of each calendar year. Once approved by the board it is submitted together with approval minutes to CySEC.

4.4 The annual report should contain, inter alia, the following:

- information or any measures taken and/or procedures introduced to take account of any changes in applicable law;
- information on inspections and reviews performed by the MLCO, reporting any material deficiencies and weaknesses identified in policy, practices, procedures and controls that the Company applies and actions taken and/or recommendations made to rectify the position;
- number of Internal Suspicion Reports generated by Company personnel;
- confirmation that the Company does not accept cash deposits;
- number of reports submitted to the Unit with information and details as to the suspicion;
- information on training courses and education programmes;
- information on policies, procedures, measures, practices and controls applied by the Company to high risk clients as well as the number and country of origin of those high risk clients;
- information as to ongoing monitoring of client accounts and transactions;
- information on structure and staffing of MLCO's department as well as any recommendations for provision of additional resources or restaffing.

##### **Monthly Prevention Statement**

4.5 The MLCO prepares and submits to CySEC on a monthly basis within 15 days of the end of each month in the statutory prescribed manner the monthly prevention statement which sets out, inter alia, details of Internal Suspicion Reports and any reports by MLCO to the Unit.

As the Company does not handle client funds, no details as to cash deposit need to be included.

## **5. Application of Measures/Procedures based on Risk-Based Approach**

5.1 The Company on a risk based approach carries out risk assessment and due diligence procedures in dealings with clients in order to prevent and/or manage money laundering and terrorist financing. As the Company does not hold client monies or take deposits or in any other way deal with monies, risks are significantly reduced.

5.2 The risk based approach allows the Company to differentiate between and categorise clients according to risk profile and further allows policies and procedures to be developed in response to risks perceived.

5.3 Some of the measures adopted by the Company include:

- identifying and assessing risks emanating from particular clients, certain financial instruments and services provided, as well as geographical areas of operation;
- managing and mitigating the assessed risks;
- continuous monitoring and improvement in effective policies, procedures and controls.

5.4 In assessing risk and therefore the measures to be adopted, the Company has regard to:

- scale and complexity of services;
- geographical spread of clients;
- nature (e.g non face to face) of client, economic profile of client, including financial instruments and services offered;
- distribution channels and practices of providing services;
- volume and size of transactions;
- degree of risk associated with each area of services;
- country of origin and destination of client's funds;
- nature of business transactions;
- any deviations from normal course.

5.5 The risk based approach allows the Company to identify risks and to apply measures and procedures that prevent or manage these risks. Risks can fall into

### **Client Risks**

#### (a) Nature of client

- where legal person, complex ownership structures;
- bearer share companies;
- offshore companies;
- PEPs
- Lack of co-operation in providing or unwillingness to provide information.

#### (b) Clients Behaviour

- client transactions where there is no apparent legal or financial/commercial rationale;
- origin/source of funds cannot be verified or easily verified;
- unwillingness to provide information or beneficial owners.

#### (c) Initial Communication

- No face to face meeting with client;
- Client introduced by a third party.

#### (d) Services and financial instruments

- Clients preference for products or transactions which facilitate anonymity.

### **Country/Geographical Risks**

The following factors are taken into account to determine if a country poses higher risks:

- countries considered uncooperative in fight against money laundering and financing of terrorism;
- countries with inadequate safeguards against money laundering or terrorist financing;
- countries with high levels of organised crimes or links to terrorist activities;

- countries vulnerable to corruption;
- countries subject to UN, EU or other sanctions;
- countries identified by credible institutions such as FATF, IMF, World Bank or others as lacking appropriate laws, regulations or procedures to fight money laundering and terrorist financing or who provide funding or support to terrorist groupings.

### **Measures and Procedures Adopted**

5.6 In assessing and identifying the risks the company shall develop a risk profile for each client and to that end the Company shall:

- collect appropriate and relevant due diligence and the information relating to establish the identity of the Client (KYC);
- prepare and record an initial risk assessment for each client;
- determine using the initial risk assessment the extent of identification verification required;
- following establishment of the business relationship, periodically update the due diligence and KYC information for each client;

5.7 The results of the risk assessment will dictate the level and degree of required due diligence and KYC and also determine the client categorization as either “low risk”, “normal risk” or “high risk”. The client categorisation will determine the extent of due diligence and KYC documents to be requested.

### **Low Risk**

A simplified due diligence can be applied for low risk clients. Low risk clients include:

- credit institutions within EEA;
- credit institutions outside EEA who engage in financial business and are located in a jurisdiction imposing equivalent AML requirements and exercising supervision for compliance with those requirements;
- publicly traded company;
- governmental and public authorities.

## **Normal Risk**

A normal risk client is a client that is neither a “low risk” client nor a “high risk” client.

## **High Risk Clients**

An enhanced due diligence will be carved out for “high risk” clients. High risk clients are considered to be:

- corporate clients or parent entities of corporate clients having bearer shares;
- client accounts in the name of a third person;
- PEPs
- Clients involved in electronic gambling/gaming on line;
- clients from countries that inadequately apply FATFs recommendations;
- cross border correspondent banking relationships with credit institutions-clients from third countries;
- clients assessed and categorized as such by the Company.

## **Client Identification and Due Diligence Procedures**

5.8 Identification procedures and due diligence measures are carried out in the following circumstances:

- establishing business relationship;
- carrying out occasional transactions of €10,000 or more whether as a single transaction or a limited series of transactions;
- suspicion of money laundering or terrorist financing;
- if there are doubts as to the completeness, veracity or adequacy of identification data.

5.9 The MLCO will request and collect all necessary KYC and due diligence documents for each client so as to enable the Company to full perform their duties and obligations under the MiFID Law, the Directives and the AML Law.

## **6. On Going Monitoring**

6.1 The Company in the implementation of its AML policies and procedures will conduct on going monitoring of client accounts and transactions in order to determine if there any suspicious transactions and/or irregular activity on any of the Clients accounts or transactions are being carried out without any legitimate economic, commercial or lawful purpose.

6.2 The frequency and detail of the on-going monitoring of accounts will depend on the categorisation of the Client.

## **7. Reporting Suspicious Transactions to the Unit**

7.1 The Company, acting through the MLCO, will prepare and send a report to the Unit with respect to any suspicious transactions

7.2 The Company and MLCO must exercise particular caution not to tip-off the client (i.e alert the client to the submission of a report to the Unit). The Company acting through the MLCO will liaise and communicate with the Unit until the investigation is concluded.

7.3 The Company shall also provide the Unit with all data and documents that the Unit may reasonably and lawfully require for the purpose of its investigation.

## **8. Record-Keeping Procedures**

8.1 The Company shall maintain records of:

- (i) KYC and due diligence documents for all clients;
- (ii) The details of all investment services provided to clients.

8.2 All records shall be kept by the Company for a minimum of five (5) years which period runs from date of execution of the transaction or the termination of the business relationship as the case may be. This period may be extended in circumstances where the Unit is carrying on an investigation of a reported suspicious transaction.

8.3 The records shall be kept both in hard copy (originals or certified true copies as the case may be) and soft copy.

## **Conclusion**

The foregoing is a brief summary of the Company's AML policies and procedures. The full AML manual is available for inspection at the offices of the Company.