CLIENT ACCEPTANCE POLICY

Aim Of The Policy

The Client Acceptance Policy aims to:

- ensure that the Advocate services are not used as a vehicle for money laundering and terrorist financing;
- avoid that the bank accounts are opened for clients that may pose the Advocate to high reputation risk;
- ensure that the Advocate complies with relevant legal and regulatory requirements.

For definitions/explanations of the clients/persons referred to below, please refer to the internal manual for the prevention of money laundering and terrorist financing:

Categories

According to the Advocate's Client Acceptance Policy, clients are classified into several risk categories. Each category requires different treatment in terms of account opening information/documentation, authorisation and monitoring.

Low-Risk Clients

For low-risk clients, as these are defined in Article 63 of the Prevention and Suppression of Money Laundering Activities Law (please see Annex attached), there is no need to apply client identification and due diligence procedures. It should, however, be noted that in any case, sufficient information should be gathered to establish if a client falls under the "low-risk" category.

High-Risk Clients

According to the Central Bank of Cyprus the following are considered as high-risk clients:

1. Non-face to face clients.
2. Companies whose shares are in the form of bearer.
3. Trusts.
4. Politically Exposed Persons.
5. Clients from countries which do not apply or inadequately apply FATF recommendations.

In addition to the above, the following should also be considered as high-risk clients:

6. Clients for whom the Advocate is aware or has any reason to believe that they have been refused the provision of financial services by another financial institution in Cyprus or abroad.
7. Walk-in International Clients.
8. Clients whose legal ownership structures are complex.
9. Persons engaged in a business which involves significant amounts of cash.
10. Clients whose origin of wealth and/or source of funds cannot be easily verified.
11. Clients who were the subject of a suspicious activity report or law enforcement inquiry.
12. Persons or entities who are involved in electronic gambling / gaming through the internet or deal in the production or distribution of diamonds or oil or cigarettes or alcoholic drinks or sugar or urea or aircraft (except spare parts) or ships (except spare parts) or cinematographic films (where costs may included distribution rights) or any other activity which activity is considered to be susceptible to a high risk of money laundering or terrorist financing.
13. Clients from countries which have EU and/or US and/or UN sanctions against them or clients dealing with such countries as part of their business activities.

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The Customer acceptance function should be extra cautious when examining the profiles of the clients falling into the "high-risk" category. Particular attention should be paid to creating their economic profile as well as to ascertaining their source of assets. Such clients require the prior written approval of the Compliance officer. The procedures that are described in the Manual for the prevention of money laundering and terrorist financing for high-risk clients should be adhered.

Acting as Professional Intermediary Not Allowed for:

1. In names other than those stated in official identification documents.
2. Clients whose business activities are not disclosed.
3. Clients who fail or refuse to submit the relevant identification information without adequate justification
4. Clients who provide information which is confusing, inconsistent or does not appear to be credible.
5. Clients who are unwilling to provide information on the beneficial owner(s) and/or controller(s) of a legal person.
6. Persons or entities who deal in the production or sale of non-sporting arms or ammunition or other military products.
7. Persons on OFAC or other terrorist lists.
8. Persons whose names appear to be involved in illegal activities (eg. drug dealing, money laundering, fraud, etc).
9. Walk-in clients from countries which do not apply or inadequately apply FATF recommendations.
10. Clients who are involved in electronic gambling/gaming through the internet.
11. Persons involved in "Pyramid Investment Schemes".

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ANNEX

Low-Risk Clients

According to Article 63(1) of the Prevention and Suppression of Money Laundering Activities Law, low-risk clients are the following relationships:

1. Credit or financial institutions situated in the European Economic Area (the member states of the European Union and three members of the European Free Trade Association, i.e. Iceland, Liechtenstein and Norway).
2. Credit or financial institutions carrying out one or more of the financial activities as these are defined in Article 2 of the Law that are situated in a country outside the European Economic Area which:
    a. In accordance with a decision taken by the Advisory Authority for Combating Money Laundering and Terrorist Financing it has been determined that it applies requirements equivalent to those laid down in the European Union Directive and
    b. The credit or financial institution is subject to supervision with regard to its compliance with the said requirements.
3. Listed companies whose securities are admitted to trading on a regulated market in a country of the European Economic Area or a third country which is subject to disclosure requirements consistent with Community legislation.
4. Domestic public authorities of the European Economic Area.

    For the purpose of the present paragraph, domestic public authorities of countries of the European Economic Area should fulfil the following criteria:

    (i) have been entrusted with public functions pursuant to the Treaty on European Union, the Treaties on the Communities or Community secondary legislation;
    (ii) their identity is publicly available, transparent and certain;
    (iii) the activities, as well as their accounting practices, are transparent;
    (iv) they are accountable either to a Community institution or to the authorities of a Member State, or appropriate check and balance procedures exist ensuring control of their activity.

Furthermore, Article 63(2) of the Law states that client identification and due diligence procedures may not be applied in respect of:

(1) A pension, or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme.
(2) Electronic money, as defined in Article 2 of the Electronic Money Institutions Law (Law 86(I)/2004) provided that:
    a. Where, if the device cannot be recharged, the maximum amount stored in the device is no more than EUR150, or
    b. Where, if the device can be recharged, a limit of EUR2.500 is imposed on the total amount transacted in a calendar year, except when an amount of EUR1.000 or more is redeemed in that same calendar year by the bearer.