

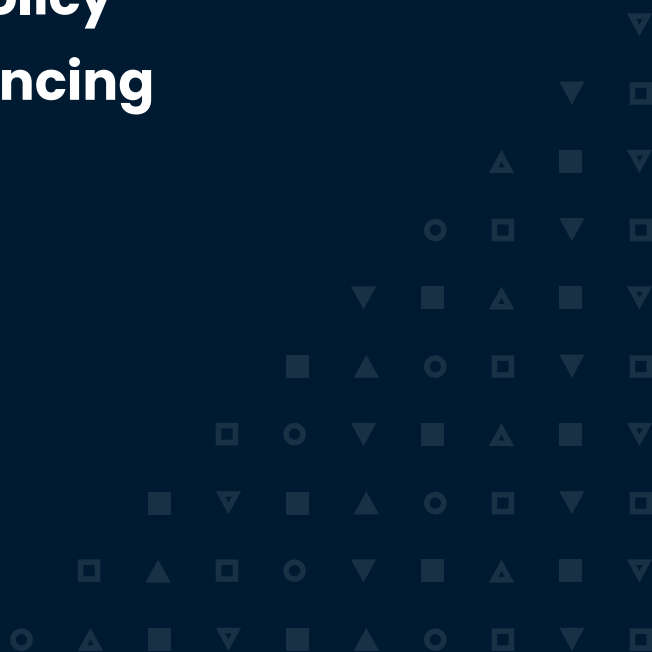


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**XMT Gozo Ltd.**  
[www.gozo.pro](http://www.gozo.pro)

# Anti-Money Laundering Policy and Counter Terrorist Financing Policy

XMT GOZO IS INCORPORATED AS A LIMITED  
LIABILITY COMPANY UNDER THE COMPANIES ACT  
(CHAPTER 386) OF THE LAWS OF MALTA.



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AML/CFT	Anti-money laundering/combating funding of terrorism
4th AML Directive	European Union Directive 2015/849
EDD	Enhanced Due Diligence
EU	European Union
FATF	Financial Action Task Force
FIAU	Financial Intelligence Analysis Unit
Implementing Procedures/IPs	Implementing Procedures, Part I issued by FIAU on the 20 th May 2011 and last amended on the 27 th January 2017 as may be revised, amended and/or supplemented from time to time.
MFSA	Malta Financial Services Authority
MLRO	Money Laundering Reporting Officer
PEP	Politically Exposed Person
PMLA/Act	Prevention of Money Laundering Act (Chapter 373 Of the Laws of Malta)
PMLFTR/Regulations	Prevention of Money Laundering and Funding of Terrorism Regulation (S.L 373.01 of the Laws of Malta)
SDD	Simplified Due Diligence
STR	Suspicious Transaction Report

## 1. INTRODUCTION

As subject person, XMT Gozo Limited (XMT Gozo or the “Company”) is bound by the provisions of the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) (“PMLA” or the “Act”), the Prevention of Money Laundering and Funding of Terrorism Regulations (Cap. 373.01 of the Laws of Malta) (“PMLFTR” or the “Regulations”) and Implementing Procedures issued by the Financial Intelligence Analysis Unit in terms of the Regulations (the “Implementing Procedures” or the “IPs”).

It is the responsibility of all Company staff to comply fully with all Company’s policies, procedures and guidelines and bring to the attention of the Company’s MLRO any issues or concerns they may have with regard to any potential money laundering or terrorist financing activity. XMT Gozo’s Board of Directors fully endorses the Company’s AML/CFT systems and control and acknowledges its own responsibilities in coordinating, monitoring, and updating the Company’s arrangements as required.

XMT Gozo will examine its anti-money laundering and combating terrorism financing (hereinafter collectively referred to as AML/CFT) strategies, goals and objectives on a regular basis (as necessary, but at least on an annual basis) and maintain an effective AML program for the Company’s business.

XMT Gozo’s AML/CFT Program includes policies and procedures relating to (i) customer due diligence (including ongoing monitoring), (ii) record keeping, (iii) reporting of suspicious circumstances/activities, (iv) internal controls, risk assessment, risk management, compliance management, and communications, (v) training. This AML/CFT policy together with any policies and procedures as may be established from time to time (collectively the “AML/CFT Policy”) represent basic standards to be abided by all staff members of the Company when undertaking licensable activities within XMT Gozo.

This AML/CFT Policy is effective upon approval by the Board of Directors of XMT Gozo and is to be kept updated by the Money Laundering Reporting Officer (the “MLRO”) (as set out in Section 3.7 of this AML/CFT Policy) from time to time. The updates to be undertaken as necessary but at least once per year.

**This Policy is subordinate to PMLA, PMLFTR and Implementing Procedures and the Company must always refer directly to PMLA, PMLFTR and Implementing Procedures when ascertaining its AML/CFT obligations.**

### ***Defining Money Laundering and Financing Terrorism***

Money Laundering is the process where cash raised from criminal activities is made to look legitimate for reintegration into the financial system. On the other hand, in Financing Terrorism the focus is on the illegitimate use of funds. Whilst conceptually not related, the two concepts may, however, occur in combination for which reason it is useful to be familiar with the definitions below. Another difference is that while a money launderer moves or conceals criminal proceeds to obscure the link between the crime and generated funds and avails himself of the profits of crime, the terrorist's ultimate aim is not to generate income from fundraising mechanisms but to obtain resources to support terrorist operations.

In this AML/CFT Policy the two terms Money Laundering and Financing Terrorism are collectively referred to as "ML/FT".

## 1.1. Money Laundering

Generally, money laundering is described as the process by which the illegal nature of criminal proceeds is concealed or disguised in order to lend a legitimate appearance to such proceeds. This process is of crucial importance for criminals as it enables the perpetrators to make legitimate economic use of proceeds of crime. When criminal activity generates substantial income, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or to the persons involved. Criminals do this by disguising the sources, changing the form or moving the funds to a place where they are less likely to attract attention.

PMLA defines money laundering as cover for the following actions:

- i. the conversion or transfer of property knowing or suspecting that such property is derived directly or indirectly from, or the proceeds of, criminal activity or from an act or acts of participation in criminal activity, for the purpose of concealing or disguising the origin of the property or of assisting any person or persons involved or concerned in criminal activity;
- ii. the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect of, in or over, or ownership of property, knowing or suspecting that such property is derived directly or indirectly from criminal activity or from an act or acts of participation in criminal activity;
- iii. the acquisition, possession or use of property knowing or suspecting that the same was derived or originated directly or indirectly from criminal activity or from an act or acts of participation in criminal activity;
- iv. retention without reasonable excuse of property knowing or suspecting

that the same was derived or originated directly or indirectly from criminal activity or from an act or acts of participation in criminal activity;

- v. acting as an accomplice within the meaning of Article 42 of the Criminal Code in respect of any of the above matters or activities;
- vi. attempting any of the above matters or activities within the meaning of Article 41 of the Criminal Code.

In other words, Money Laundering can be described as conversion, transfer, acquisition, possession or use of assets, or suppression or concealment of their nature, origin, location, movements and ownership, and attempts at or participation in such activities with the knowledge or suspicion that the assets originate from criminal activities.

In particular, Money Laundering may take place where the Company's clients or any other party pay proceeds from criminal activities into their trading account and invest the money in products that are traded from the Company's trading platforms in order to conceal the source of the funds. Further, it will be a Money Laundering offence if a client enters into transactions from the Company's trading platforms using proceeds that are gained by insider trading, price manipulation, fraud or criminal breach of trust.

Generally, money laundering occurs in three stages:

1. Placement: Cash generated from criminal activities is converted into monetary instruments, such as money orders or deposited into accounts at financial institutions
2. Layering: Funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin.
3. Integration: Funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses.

According to PMLA, maximum penalty for the offence of money laundering is a fine



amounting to two million five hundred thousand euro (€2,500,000) or to imprisonment for a period not exceeding eighteen years, or to both such fine and imprisonment.

## 1.2. Financing Terrorism

Financing Terrorism is the process of making funds or other assets available to terrorist groups or individual terrorists to support them, even indirectly, in carrying out terrorist activities. The process of funding terrorist groups and individual terrorists is defined in Article 328B and 328F of the Criminal Code (Cap. 9 of the Laws of Malta). The Criminal Code also contemplates other acts which are considered to constitute funding of terrorism. These include the use of, possession of money or other property for the purposes of terrorist activities (Article 328G) and the involvement in funding arrangements to support terrorist activities (Article 328H and 328I).

Funding of terrorist activity, terrorist groups or individual terrorists may take place through funds deriving from legitimate sources or from a combination of lawful and unlawful sources. Indeed, funding from legal sources is a key difference between terrorist groups and traditional criminal groups involved in money laundering operations.

According to the Criminal Code, maximum penalty for the offence of funding of terrorism in terms of Article 328B is imprisonment for a period not exceeding eight years. In addition, any person committing any of the offences under Articles 328F to 328I shall, upon conviction, and, unless the fact constitutes a more serious offence under the Criminal Code or any other law, be guilty of an offence and liable to a maximum penalty of eleven thousand six hundred and forty six thousand euro and eighty seven cents (€11,646.87) or to imprisonment for a term not exceeding four (4) years or to both such fine and imprisonment.

## **2. XMT Gozo'S AML RISK PROFILE AND RISK ASSESSMENT**

### **2.1. General description of XMT Gozo's business model**

XMT Gozo provides the Client with an order matching platform that automatically, and according to pre-established criteria, matches the Clients' trades with open orders from other Clients in respect to virtual financial assets ("VFAs", each a "VFA") ("XMT Exchange Services"). XMT Exchange Services permit Clients to trade (i) one type of VFA for another type of VFA and (ii) legal tender (such as Euros or US dollars) for a VFA, or (iii) VFA for legal tender. The Client will not be able to predetermine or undertake a trade with a pre-determined Client. Similarly, an order may be partially filled or may be filled by multiple matching orders from different Clients.

XMT Gozo also offers its Clients a digital wallet (the "XMT Digital Wallet Services") enabling each Client to store VFAs that are traded via the XMT Exchange Services.

XMT Exchange Services and XMT Digital Wallet Services offered by XMT Gozo are collectively referred to as the "Services".

### **2.2. XMT Gozo's business model in relation to Anti Money Laundering ("AML")**

#### **2.2.1. Indicators that could imply a higher risk of Money Laundering ("ML")**

XMT Gozo's business model poses risks in relation to ML in different areas. The on-boarding of a prospective client could include various risk factors

("red flags") which should be assessed on a case by case basis in order to ensure that necessary measures are applied in order to mitigate the risk of ML/FT.

A very high percentage of XMT Gozo's clients are not physically present for identification purposes when a client relationship is established. Due to the fact that XMT Gozo is establishing a non face-to-face business relationship with a client this presents a higher risk of ML.

A large majority of XMT Gozo's clients are residents of countries other than Malta. XMT Gozo serves clients across the world and in some cases the transactions involve several jurisdictions, e.g. in cases where a corporate client is established in one country and the person that is authorized to sign for said client is a resident of another country and/or the source of funds comes from another jurisdiction. In addition, in certain instances, the client may be established and/or operating in non-reputable jurisdictions. The risk of ML could be considered as higher in the above circumstances and therefore XMT Gozo should apply a higher level of due diligence in such instances.

As mentioned above, XMT Gozo serves clients from all over the world and not all countries that XMT Gozo has clients from are in compliance with the AML regulations to the same level as applied to EU/EEA countries. The ownership and control structure of corporate clients could be complex and difficult to ascertain. Lack of transparency and information availability from companies' registries in few jurisdictions is acknowledged by XMT Gozo. Such instances may pose a higher risk of ML and therefore XMT Gozo has established enhanced procedures in order to be able to satisfy legal and regulatory requirements in undertaking its customer due diligence obligations.

In the event that any of XMT Gozo clients are PEPs (as further defined in Section 4.13 below) additional measures should be taken in order to identify and verify

the source of funds and source of wealth of such individuals as such clients pose a higher risk of ML due to the positions held by them.

In addition, a high number of transactions could also imply a higher risk of ML and it could be a challenge for XMT Gozo to monitor the transactions on an ongoing basis. With respect to ongoing monitoring obligations which should be undertaken by XMT Gozo, employees should refer to Section 5 of this AML/CFT Policy.

In addition, XMT Gozo employees are required to refer to Section 3.1.1 for a non-exhaustive list of red-flags which members of the On-Boarding Team and Account Managers should take note of and assess when dealing with prospective and/or existing clients.

#### **2.2.2. Indicators that could imply a lower risk of ML**

XMT Gozo acts as a virtual asset exchange. XMT Gozo's deposit taking is limited to deposits serving as collateral for trading positions.

### 2.3. Customer Acceptance Policy — Risk Assessment

XMT Gozo's general principles for classifying clients in relation to ML are described in this section. Considering that XMT Gozo mostly operates online (and therefore establishes non face-to-face business relationships), the interface risk caused by remote communication with the client is the constant parameter initially assigned to all clients. Notwithstanding, this is just part of the risk assessment XMT Gozo undertakes when onboarding new clients. XMT Gozo's assessment of risk of ML/TF is divided into the following 4 categories:

1. Geographical risk (reputable/non-reputable jurisdictions, geographical location of source of funds, source of wealth and business activity of a client, etc.);
2. Client risk (physical/corporate/trusts, complex/non-complex structures, source of funds, source of wealth, etc.);
3. Product/service and transactions involved (services which render client anonymous, internet-based products/services, normal products, etc.);
4. Interface risk (face-to-face/non face-to-face, internet transactions, etc.).

At onboarding stage, the On-Boarding Team will assess the information and documentation provided by the prospective client and classify the client as either low, medium or high risk. The assessment will be made taking into account all of the above risk criteria.

Any options/initiatives to change the client risk category must be properly assessed and the approval should be given by MLRO and CEO. A change in the client's risk category shall be based on an overall assessment of risk indicators set out in this section. The risk assessment report (wherein the decision to change the client risk category is documented) together with any supporting documentation related to risk assessment shall be recorded and filed by the On-Boarding Team and kept within the client's file.

### **2.3.1. Geographical Risk**

Country risk, in conjunction with other risk factors, provides useful information as to potential money laundering and funding of terrorism risks. Factors that may result in determination that a country poses higher risk include:

- Countries subject to sanctions, embargoes or similar measures issued by, for example, the United Nations ("UN") or the European Union ("EU"). In addition, in some circumstances, countries subject to sanctions or measures like those issued by bodies such as UN, but which may not be universally recognized, may be given credence by an institution because of the standing of the issuer and the nature of the measures.
- Countries identified by Financial Action Task Force ("FATF") as non-cooperative in the fight against ML/FT or identified by credible sources (such as FATF) as lacking appropriate ML/FT laws, regulations and other measures.
- Countries identified by credible sources (such as the World Bank, International Monetary Fund, Organization for Economic Co-operation and Development ("OECD"), the Egmont Group of Financial Intelligence Unit, as well as relevant national government bodies and non-governmental organizations) as providing funding or support for terrorist activities that have designated terrorist groups operating within them. (While, as stated below, a risk-based approach to identifying terrorist funding in financial institutions is impracticable, considering those countries that support terrorist activities as an evaluating factor for determining country or geographical risk may be appropriate.)
- Countries identified by credible sources (such as Transparency International) as having significant levels of corruption or other criminal activity.

PMLFTR and Implementing Procedures make reference to the concept

of reputable jurisdictions. Reputable jurisdictions are defined under Regulation 2 of PMLFTR as “ any country having appropriate legislative measures for the prevention of money laundering and the funding of terrorism, taking into account that country’s membership of, or any declaration or accreditation by, any international organisation recognised as laying down internationally accepted standards for the prevention of money laundering and for combating the funding of terrorism, and which supervises natural and legal persons subject to such legislative measures for compliance therewith”.

Therefore, in assessing whether a jurisdiction is a reputable or otherwise, one needs to assess legislative measures which the jurisdiction has implemented in order to fight ML and FT, take into account that country’s membership of or any declaration or accreditation by any international organization recognized as laying down internationally accepted standards for fighting ML/FT and the level of supervision undertaken with respect to subject persons in that jurisdiction.

XMT Gozo divides countries into three risk categories:

- Low risk countries
- Medium risk countries
- High risk countries

### ***Low risk countries***

XMT Gozo treats the following jurisdictions as low risk countries:

- i. EU/EEA countries (except such countries which are considered as medium or high risk country based on the Financial Action Task Force (FATF) lists referred to below) and their overseas territories, and

- ii. Countries scoring less than 5.0 in the BASEL AML Index

(<https://index.baselgovernance.org/ranking>).

- iii. Countries identified in the list of Third Country Equivalence issued by the EU.

With respect to EU/EEA countries, these are considered to be reputable jurisdiction in view of the fact that there are harmonized legislative measures in order to combat ML/FT at EU level.

With respect to the Basel AML Index, the Basel Institute has published the Basel AML Index since 2012 and has since then been the only non-profit organization to create a research-based ranking focused on risk of money laundering and terrorist financing. In publishing the AML Index, Basel Institute draws its components by aggregating various publicly available sources and assesses the following factors: (i) Money Laundering/Terrorist Financing Risk (including FATF Recommendations, TJN — Financial Secrecy Index, US INCSR — Volume II on Money Laundering), (ii) Corruption Risk (TI CPI — Perception on Public Corruption, (iii) Financial Transparency and Standards (WB Doing Business — Business Disclosure, WEF GCR — Strength of auditing and reporting, WEF GCR — Regulation of securities, WB IDA IRAI — Financial Sector), (iv) Public Transparency and Accountability (Int. IDEA — Political Finance Database, IBP — Open Budget Index, WB IDA IRAI — Transparency, Accounting and Corruption), (v) Political and Legal Risk (FH — Press Freedom and Freedom in the World, WEF GCR — Institutional Strength, WJP — Rule of Law). Each of the above is weighted differently in arriving at the final score. In view of the fact that assessment is done by a non-governmental research institute and in view of various factors taken into account when arriving at final results, XMT Gozo is of the opinion that such an assessment is appropriate to rely on when assessing whether a jurisdiction falls within the definition of a reputable jurisdiction or otherwise.



With respect to the Third Country Equivalence list XMT Gozo takes into consideration that EU has changed its approach on the matter. In view of the fact that customer due diligence regime is becoming more strongly risk based, provisions related to positive equivalence should be removed and, as consequence, use of exemptions on the grounds of purely geographical factors should be considered less relevant. Although the list of non EU/EEA countries which are deemed to have adopted rules and procedures which are equivalent to those in the EU Money Laundering Directives has not been updated since 2012, as to date, the Company still uses the Common Understanding between Member States on thirdcountry equivalence under the Anti-Money Laundering Directive (Directive 2005/60/EC), published in June of 2012 as an additional source in assessing geographical risk. On a yearly basis, XMT Gozo will assess the list of jurisdictions of Third Country Equivalence and assess whether the jurisdictions identified in the list still meet the standards of a reputable jurisdiction. In undertaking such assessment, MLRO shall assess legislative measures which the jurisdiction has implemented in order to fight ML and FT, take into account that country's membership in or any declaration or accreditation by any international organization recognized as laying down internationally accepted standards for fighting ML/FT and the level of supervision undertaken with respect to subject persons in that jurisdiction.

Low risk countries shall be updated by MLRO whenever there are legal and/or regulatory developments, whether on local or international level, with respect to the reputability of jurisdictions. MLRO reviews the list of jurisdictions as necessary or at least on an annual basis. Changes shall be reported to the Board of Directors, On-Boarding Team and the Treasury Department.

### ***Medium risk countries***

Medium risk countries are defined as countries which neither qualify as low risk countries as described above nor as high risk countries as described below.

XMT Gozo further refers to BASEL AML Index for country's rating and considers countries scoring above 5.0 but not exceeding 7.0 as medium risk.

Clients from medium risk countries present a higher risk of ML/FT and therefore additional due diligence is required when dealing with clients having links to such jurisdictions.

### ***High risk countries***

XMT Gozo treats the following jurisdictions as high-risk countries:

- i. Countries scoring 7.0 and over in the BASEL AML Index (<https://index.baselgovernance.org/ranking>);
- ii. Countries subject to OFAC, UN, EU sanctions: sanctions are assessed in regard to every separate country and sanctions lists' conditions. OFAC SDN list presence is checked within World-Check screening.
- iii. Other jurisdictions categorized as Category 1, Category 2 and Category 3 by FATF.

**Category 1:** Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/FT) risks emanating from the jurisdiction.

**Category 2 :** Jurisdictions subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

**Category 3 :** Jurisdictions with strategic AML/CFT deficiencies that have developed an action plan with FATF and have made a high-level political commitment to address their AML/CFT deficiencies.

A full list of high risk countries appears in Annex 4. Annex 4 is to be updated by MLRO whenever there are changes to the executive order.

Whilst jurisdictions identified in Category 1, 2 and 3 are to be considered as high risk countries, in view of different level of risk posed by each jurisdiction, XMT Gozo applies different due diligence measures depending on whether the country is listed under Category 1, 2 or 3. On an annual basis, MLRO shall draw up a report on each jurisdiction and assess the risks posed by each jurisdiction. The report shall identify additional measures which MLRO shall deem appropriate when accepting clients with links to such jurisdictions.

Clients having any links (whether by way of domicile, residence, source of funds, source of wealth, etc.) to countries listed under Category 1 are not allowed as clients of XMT Gozo.

Clients having any links (whether by way of domicile, residence, source of funds, source of wealth, etc.) to countries listed under Category 2 and Category 3 are allowed as clients of XMT Gozo with the approval of senior management. In addition, EDD should be undertaken on the prospective client.

The above notwithstanding, members of the On-Boarding Team and the Account Manager need to assess the circumstances of the situation at hand on a case by case basis as not every form of connection to a high-risk country shall raise

the requirement to apply EDD. For instance, where a business relationship or a transaction involves an applicant for a business which is a citizen of a higher risk jurisdiction but does not reside in such jurisdiction and business/economic activity and/or source of wealth/funds involved are not in any way connected to such higher risk jurisdiction, the requirement to apply EDD does not arise (unless other circumstances would give rise to EDD nonetheless). Hence, employees undertaking customer due diligence should assess the circumstances of the particular case at hand and assess whether EDD should apply.

Countries that are removed from the above lists shall be treated as medium risk automatically.

For further guidance on each jurisdiction, the staff is advised to refer to MLRO and FATF recommendations and mutual evaluation reports available on <http://www.fatfgafi.org/countries/>

### **2.3.2. Client Risk**

A very high percentage of XMT Gozo's clients are not physically present for identification purposes when client relationship is established. This will automatically result in EDD measures being applied by XMT Gozo on the prospective client. Further information as to the documentation required to be obtained from the client is set out below in Section 4.12 of this AML/CFT Policy.

In addition to clients' assessment within MIFID classification as professionals, XMT Gozo divides its clients into three risk categories:

- Low risk clients;
- Medium risk clients;
- High risk clients.

### ***Low risk clients***

Clients where there are no immediate indicators of risk or general risk factors concerning ML/FT connected with them.

### ***Medium risk clients***

Medium risk clients include:

- Entities included in groups with a complex ownership and control structure, including trusts;
- Clients with signatory rights that appear to be domiciled outside the country where the headquarters and/or the registered office is domiciled;
- Entities represented by power of attorney where it appears that the power of attorney has no position in the entity or resides in a different country than the entity is registered;
- Other clients deemed to be categorized as medium risk based on the bullets below or on individual risk assessment;

- Situations where a red-flag has been identified (please, refer to Section 3.1.1 for a non-exhaustive list of red-flags).

### ***High risk clients***

XMT Gozo classifies the following types of clients as “High Risk Clients”:

- PEP's;
- Individuals and corporations which have been sanctioned for minor offences (offences that have not entailed imprisonment (in case of individuals), i.e. offences that have only resulted in a fine (in case of individuals) in Malta or other jurisdictions.

Clients categorized as “High Risk Clients” are monitored at least on an annual basis by the Treasury Department and the On-Boarding Team.

### ***Prohibited clients (not allowed as clients in XMT Gozo)***

Prohibited clients are defined as:

- Natural persons, groups, legal entities, bodies, corporations covered by UN/ EU, OFAC resolutions and Community acts on financial sanctions (including appearing on terror lists);
- Natural persons, legal entities, bodies, corporations which have been sanctioned/ blacklisted for major offences (offences which have entailed imprisonment of more than 10-year term, and irrespective of when the client was sanctioned) in Malta or other jurisdictions.

### 2.3.3. Product/Service and transactions involved

All clients of the XMT Gozo are duly identified and verified prior to the provision of any investment service. XMT Gozo at all times pays special attention to client activities which by their nature could be regarded as being particularly likely to be associated with ML or FT. This applies in particular to complex or unusually large transactions and all unusual patterns of transactions in relation to said client.

Monitoring of client transactions is performed by the BO Team and Treasury Department and is subject to revision by MLRO/Compliance Officer.

The process of transaction monitoring and the criteria that should be reviewed and indicated are given in the Transaction Risk Monitoring Procedure (Annex 12).

### 2.3.4. Interface Risk

In the vast majority of cases clients establish a non face-to-face business relationship with XMT Gozo and therefore XMT Gozo is required to undertake EDD on the client. XMT Gozo provides services over the internet. Such interface poses a higher risk of ML/FT when engaging with clients who are not physically present and therefore a higher degree of due diligence is required when engaging with such clients.

XMT Gozo classifies clients as follows:

Scoring	Type of Client	Product/Service	Interface	Geographical
Extreme				
High				
Medium				
Low				

## 2.4. Management Reports and Ongoing Risk Assessment

On a quarterly basis, MLRO is to prepare a report which is to be presented at the Board of Directors meeting. Among other matters, MLRO report should include information on any significant changes in the applicable rules or regulations and information on the extent of the Company's (and its employees) compliance with relevant laws and regulations and this AML/CFT Policy in preventing ML and FT.

MLRO is also responsible for timely submission of an Annual Compliance Report to FIAU. This report is to be submitted to FIAU by the 31 st March of every year.

On an annual basis, MLRO shall also prepare a report to be presented to the Board of Directors of XMT Gozo. The annual report to the Board of Director shall, at a minimum, include:

- The number of new clients onboarded in the preceding year divided into risk categories;
- The number of suspicious transactions that MLRO was notified of and examined and a general description of the main topics/fields that the transactions were related to;
- Any changes in the XMT Gozo internal rules and procedures on AML during the previous year;
- Any changes in the legislation on prevention of Money Laundering and Financing of Terrorism which have or could influence internal rules and procedures of XMT Gozo.

The BO personnel reports to the Board at the end of each business day on the number/ amounts of deposits/withdrawals made by active clients and on a monthly basis report on the accounts that became active over the past month.



The Risk BO Team monitors trading activity of clients on a daily basis and presents the Directors with a report containing daily NAV change, account positions and other relevant information or clarification requested and received from the client.

Should any unusual/suspicious activity be identified, MLRO is to be informed immediately or in his/her absence the information should be passed on to the Department Director.

### 3. RESPONSIBILITIES, INTERNAL CONTROLS, AND REPORTING

**Board of Directors:** The overall responsibility for Company operations, exercising and maintaining stringent due diligence procedures and ensuring the Company's overall compliance with FIAU and MFSA requirements lies with the Board of Directors of the Company and MLRO. The Board is responsible for the development and articulation of the Company's risk appetite. It further has the responsibility of assessing the reports prepared by MLRO.

**Department Directors:** Department Directors are responsible for ensuring that internal rules and business procedures are applied by XMT Gozo departments responsible for onboarding of new clients and monitoring client relationships. Departmental Directors are also responsible for approving the onboarding of PEPs in the absence of the CEO.

**MLRO/Compliance Officer:** MLRO, in conjunction with the Compliance Officer, is responsible for performing relevant compliance checks of whether XMT Gozo complies with relevant legislation, this AML/CFT Policy and any other internal rules and business procedures as may be set by XMT Gozo from time to time. MLRO, in conjunction with the Compliance Officer shall also be responsible for providing guidelines to the Board of Directors in order for them to develop and maintain adequate policies, procedures and guidelines for carrying out client due diligence. This includes providing guidelines for implementation of required due diligence measures in the initial client acceptance process and the ongoing update and monitoring of existing clients as referred to above.

**MLRO:** MLRO is furthermore responsible for ensuring that all employees of XMT Gozo are kept aware of XMT Gozo's policies and procedures and relevant legislation, provide training in relation thereto, as well as in relation to recognition and handling of transactions which may be related to proceeds of crime, transactions carried out by or on behalf of any person who may have been,

is or appears to be engaged in ML/FT. Training is to be provided to employees at least on an annual basis.

MLRO is also responsible for (i) receiving reports of knowledge or suspicion of ML/FT, (ii) considering such reports to determine whether knowledge or suspicion of ML/FT subsists, (iii) reporting knowledge or suspicion of ML/FT to FIAU and (iv) responding promptly to any request for information made by FIAU.

MLRO is also responsible for oversight of all aspects of XMT Gozo's AML/CFT activities and is the focal point of all activities related to AML/CFT. In order for MLRO to perform his/her duties, he/she must have access to all resources including appropriate staff and technology, client records and other relevant information to ensure that XMT Gozo complies with all applicable requirements.

In brief, the internal control procedure is comprised by the following control measures:

- i. The Account Manager initiating a business relationship with the prospective client is responsible for collecting information and undertaking initial check of the documents, provided by the prospective client before providing a client package for onboarding;
- ii. During these initial stages, the Account Manager has the responsibility to request valid and unexpired information and documentation in relation to prospective clients. The Account Manager shall seek assistance from MLRO in any doubtful and suspicious case/situation with the prospective client;
- iii. The onboarding Officer has the daily responsibility for on boarding clients and documenting it in accordance with due diligence procedures described throughout this AML/CFT Policy;
- iv. Directors have the responsibility to monitor employees within their departments document clients in compliance with this AML/CFT Policy and due diligence procedures set out herein;
- v. MLRO is to review the procedures, monitor their implementation and provide guidance on request and approvals in the cases described herein.

### 3.1. Duty of Attention — All employees

There is a general duty of attention for ALL employees to be aware of the activity of XMT Gozo's clients, which by its nature may be related to ML/FT. In undertaking their activities, employees must be able to identify knowledge or suspicion of ML/FT.

**Knowledge:** Being an objective criterion existence of knowledge of ML/FT is not difficult to ascertain. If for any reason MLRO or any other employee of XMT Gozo is aware of or is in possession of information that indicates that any of the above activities may have taken place, is taking place or will be taking place, MLRO should immediately proceed with filing a report with FIAU.

**Suspicion:** Suspicion of ML/FT is more subjective than knowledge and in order to determine its existence MLRO must rely on objective criteria, which differ depending on the circumstances. For instance, an unemployed customer trading considerable amounts of money should raise suspicion. In this case the objective element is the fact that the person is unemployed and although XMT Gozo does not have any concrete evidence that the money is derived from illegal activity there are objective indications pointing to such a possibility. Another objective element on which suspicion may be based, which is specifically referred to in PMLFTR, is the situation where the subject person is unable to complete customer due diligence due to unwillingness of the applicant to provide the required documentation or information. In such a case, PMLFTR require the subject person to consider filing a report with FIAU.

Suspicious must be based on assessment of the nature of behavior and deviations from the normal course of client behavior, concealment and other atypical circumstances surrounding the client that overall arouse suspicions of (a) possible attempts to veil the origin of funds, giving rise to a presumption of said funds having been derived from criminal activities or (b) that the funds are intended for FT.

Reasonable grounds of suspicion: The requirement to file a report goes beyond “suspicion” and also includes the obligation to report when “reasonable grounds to suspect” exist. This implies that a further obligation to report arises where, on the basis of objective facts, the subject person ought to have suspected that ML/FT existed, even though a suspicion was not formed.

The duty of attention in identifying knowledge, suspicion or reasonable grounds of suspicion of ML/FT is, in particular, relevant for:

- Complex or unusually large transactions and all unusual patterns of transactions performed by a client;
- Transactions which have connections to countries or territories considered high risk by the Financial Action Task Force (FATF) or FIAU; and
- Products or transactions which may advance anonymity of the funds and the individuals involved.

ML must relate to a criminal offence. The individual employee is not to make an assessment of which criminal offence has been violated but is to consider the circumstances relating to the specific client relationship and the transaction requested.

Pursuant to the applicable requirements, it is the obligation of the Company to obtain sufficient information on the transaction in order to be able to ascertain whether there is any knowledge, suspicion or reasonable grounds to suspect ML/FT. As soon as an employee has knowledge, suspicion or reasonable grounds to suspect that the transaction(s) are related to ML/FT, the employee should report such transactions to MLRO. MLRO would then investigate further whether an STR should be filed with FIAU.

This general duty of attention is closely connected with the Company's duty to monitor the ongoing client relationship, described in other sections of this AML/CFT Policy.

### **3.1.1. Examples of patterns of suspicious activity ML/FT**

Below examples are made to assist employees in spotting potential ML patterns. The list below is by no means exhaustive and employees must not restrict their assessment to given examples only. The following activities could be viewed independently or in combination.

- A client transfers funds to his XMT Gozo account from one company account but attempts to withdraw funds to a different account that is not in his name. This is especially suspicious if the client does this on a continuous basis and no trading is executed.
- Transactions involving a high volume of incoming or outgoing wire transfers, with no logical or apparent purpose that come from, go to, or transit through locations of concern, which is sanctioned countries, non-cooperative nations and sympathizer nations.
- Corporate layering, transfers between company accounts of related entities or charities for no apparent reason.
- Transactions with no logical economic purpose, that is, no link between the activity of the organization and other parties involved in the transaction.
- Any other operation and/or activity inconsistent with the client's normal behavior and/or norms accepted and common in business.

It would be difficult to determine by the activity alone whether the particular activity was related to ML or FT. For this reason, these activities must be examined in context

with other factors (such as geographical, interface, client and product/service risk) in order to determine any ML/FT connection .

**In the event of any doubt, approach MLRO for any clarifications required.**

### **3.1.2. Suspicion of Money Laundering or Financing of Terrorism**

If you as an employee in XMT Gozo consider that there are grounds for suspecting that a transaction in some way is connected with ML or FT, MLRO must be informed immediately and the transaction(s) should be examined more closely by MLRO.

It is important that you, as an employee :

1. Only make normal supplementary questions to the client's money or transaction;
2. Do not conduct further investigations;
3. Immediately contact MLRO as specified in this AML/CFT Policy.

In addition, it is important to be aware that if a potential client (a lead) for some reason does not become a client, e.g. if the lead refuses to provide sufficient documentation during the due diligence procedure, this may give rise to a suspicion that must also be reported to MLRO — even if you are not sure that you have the right name of the client (the event must be reported).

The same applies if a client during the renewal process refuses to provide sufficient documentation regardless of whether the client's documentation is approved or the client relationship is eventually terminated.

## 3.2. Reporting Obligations and Procedures

### 3.2.1. Internal Reporting to MLRO of suspicious activity

Where an employee has identified knowledge, suspicion or has reasonable grounds for suspicion of ML or FT the employee is to fill out and submit the Internal Suspicious Activity Reporting Form as set out in Appendix 1 of this AML/CFT Policy to MLRO. The Internal Suspicious Activity Reporting Form shall be submitted to MLRO either in person or via email. In the event that the matter is urgent the employee may inform MLRO of knowledge, suspicion or reasonable grounds for suspicion by telephone, provided that the Internal Suspicious Activity Reporting Form is duly completed and submitted to MLRO within one business day from such notification.

Details of MLRO are set out below:

Email: [mrlo@gozo.pro](mailto:mrlo@gozo.pro)

In the absence of MLRO from the offices of the Company, reports shall be submitted to the CEO.

The employee is to provide all information and/or documentation available to him in a comprehensive manner to MLRO through the submission of the Internal Suspicious Activity Reporting Form. All information and/or documentation relating to the suspicious activity which has been identified by the employee should be set out in the Internal Suspicious Activity Reporting Form, thereby ensuring that from the outset MLRO has sufficient information at hand in order to be able to determine whether there is knowledge, suspicion or reasonable grounds to suspect ML/FT.

MLRO shall confirm the receipt of the notification by sending a confirmation



to the employee by email. The notification to MLRO must include all available to the employee information which is considered to be appropriate for MLRO to investigate the matter.

### **3.2.2. Consideration of internal suspicious activity reports by MLRO**

Upon receipt of the notification from an employee, MLRO shall confirm the receipt of the Internal Suspicious Activity Reporting Form by sending a confirmation to the employee by email.

MLRO will be responsible to consider, without delay, the Internal Suspicious Activity Reporting Form received in order to determine whether or not the information contained in the Internal Suspicious Activity Reporting Form does constitute knowledge or suspicion of ML/FT or whether additional information is necessary to reach such a determination.

In undertaking the above-mentioned considerations, MLRO may collect and consider additional information and/or documentation which he/she deems necessary and relevant in order to make the determination. In this regard, MLRO may request further information and/or documentation from the employee filing the report.

MLRO may take into account various factors when undertaking the assessment as to whether there is knowledge or suspicion of ML or FT, including but not limited to:

- i. the context of the transaction;
- ii. monitoring of previous transactions, transaction patterns and volumes, previous patterns of instructions, duration of business relationship and CDD information;
- iii. checking client's account relationship with any other connected accounts

and existence of other relationships, including where the person suspected of ML/FT is:

- a. a settler, donor contributor, protector, trustee or beneficiary of a trust, trust account or other trust relationship with XMT Gozo;
  - b. is a beneficial owner, director, shareholder or legal representative of a legal entity or other legal arrangement having a business relationship with XMT Gozo;
  - c. holds a power of attorney or has any fiduciary arrangements related to a business relationship with the subject person;
- iv. checking the client's account relationship with any persons, companies or other legal arrangements which had any sanctions imposed on them and/or are subject to investigations.

Throughout the internal investigation process MLRO should consider all relevant information and materials available to him in order to ascertain whether there is knowledge, suspicion or reasonable grounds to suspect ML/FT. MLRO shall have access to all information and/or documentation available to XMT Gozo in order to be able to undertake such assessment. If MLRO concludes, for justifiable reasons, that an internal report does not constitute knowledge or suspicion of ML/FT, MLRO needs not inform FIAU. In such cases, MLRO shall keep a written report including at least the following matters:

- i. a copy of the internal report received by MLRO;
- ii. the assessment carried out by MLRO;
- iii. the outcome of such assessment;
- iv. reasons why an STR was not filed with FIAU.

### **3.2.3. Reporting of knowledge or suspicion of ML/FT to FIAU**

If, after consideration of the Internal Suspicious Activity Reporting Form, MLRO knows, suspects or has reasonable grounds to suspect that:

- i. a transaction may be related to ML/FT; or
- ii. a person may have been, is, or may be connected to ML/FT; or
- i. ML/FT has been, is being, or may be committed or attempted.

MLRO shall file an STR with FIAU as soon as reasonably practicable but no later than five (5) working days from when the knowledge or suspicion of ML/FT arises or from the conclusion that reasonable grounds to suspect ML/FT exist. In cases where, subsequent to receipt of an internal report, MLRO determines, on the basis of the information contained in the report, or on the basis of additional information and/or documentation, that there is knowledge or suspicion of ML/FT, the five (5) working day period shall start from the moment when such determination is made.

The above notwithstanding, where XMT Gozo is in possession of information that constitutes reasonable grounds to suspect ML/FT, the five (5) working days shall start from the moment when XMT Gozo came into possession of or became aware of such information. In view of the above, employees should pay particular attention to the transactions being made by clients in order to be able to identify any suspicion of ML.

STRs should be submitted to FIAU by MLRO in accordance with guidance provided on [www.fiumalta.org](http://www.fiumalta.org). The STR shall be accompanied by pertinent supporting information and/or documentation in relation to the client and the suspicious transaction.

### **3.3. Other matters relating to the execution of transactions relating to suspicious activity**

#### **3.3.1. Refraining from carrying out transactions which appears to be suspicious**

XMT Gozo and its employees shall not carry out transactions suspected or known to be related to ML/FT until they have informed FIAU. In such cases subject persons shall provide FIAU with all the information concerning the transaction.

In situations where refraining in such a manner is impossible or is likely to frustrate efforts to investigate or pursue the beneficiaries of suspected ML or FT operations, MLRO shall accordingly inform FIAU immediately after the transaction is affected. It is only in cases where it is impossible for the transaction not to be executed that the XMT Gozo may carry out the transaction and this impossibility must arise from the nature of the transaction itself.

If XMT Gozo employees are unable to inform FIAU before the transaction is executed either because it is not possible to delay execution of the transaction due to its nature or because delay in executing the transaction could prevent the prosecution of the individuals benefiting from the suspected ML/FT, employees shall carry out the transaction and MLRO shall inform FIAU immediately giving the reasons why FIAU was not so informed before executing the transaction.

### **3.3.2. Delay of execution of a suspicious transaction**

FIAU may oppose the execution of a transaction which it knows or suspects to be related to ML/FT. This power may be exercised by FIAU when it becomes aware of a prospective transaction which may be linked to ML/FT through:

- a. information provided by XMT Gozo;
- b. information provided by a foreign intelligence unit;
- c. any other information in its possession.

Where FIAU considers the opposition to the execution of a suspicious transaction necessary, a notification of such opposition shall be made to XMT Gozo via written means by not later than one (1) working day following the day on which the information was received by FIAU. Within this one (1) working day, XMT Gozo is prohibited from carrying out the transaction in question.

If after the passage of one (1) working day following notification to FIAU, XMT Gozo has not received notification from FIAU to suspend the same transaction, XMT Gozo can proceed with executing the transaction. Where FIAU suspends the execution of the transaction, the suspension shall last for a period of one (1) working day, following the day of notification of the opposition by FIAU. A transaction may be delayed by a maximum of three (3) working days, following the day the subject person notifies FIAU. Subject persons may only proceed with the execution of a transaction which has been opposed by FIAU once the respective suspension period expires or if FIAU authorizes the execution of the transaction before the expiration of this period by any written means.

### 3.4. Prohibited Disclosures (Tipping off)

Company staff, Directors, auditors and other persons who perform specific functions for the Company shall not disclose to a person under investigation or to third parties, that:

- a. an STR has been made to FIAU;
- b. FIAU demanded information within the context of an ML/FT analysis;
- c. information has been or may be transmitted to FIAU within the context of an ML/FT analysis; and
- d. a ML/FT analysis or investigation has been, is being or may be carried out by FIAU or the Malta Police.

The reason is that the investigation should not cause the client to get suspicious. Disclosure by the Company, an employee of the Company or a service provider to a concerned person or third party that an investigation is being or may be carried out or that information has been or may be transmitted to FIAU pursuant to PMLFTR is an offence and the person disclosing such information shall on conviction of being guilty of an offence be liable to a fine not exceeding fifty thousand euro (€50,000) or to imprisonment for a term not exceeding two (2) years or to both such fine and imprisonment.

XMT Gozo's relevant employees must remain in contact with the client where there is necessity to do so. All inquiries must be made in a discrete manner. Should the employees of XMT Gozo have any doubt as to how to manage and/or handle client requests they should refer the matter immediately to MLRO.

### 3.5. Record keeping

XMT Gozo is required by law to retain records, including information and documentation, for use in an investigation into, or analysis of, the possibility of ML/FT. These records should be made available to FIAU and/or any other relevant competent authority having a right by law to request such information.

The records to be retained by XMT Gozo relate to the following matters:

- a. CDD documents required and obtained with respect to XMT Gozo clients, including information and documentation related to identification and verification of the client, beneficial owner (where applicable), residential address of the client and any document obtained to ensure that the client is duly authorized in writing to act on behalf of another person (if applicable);
- b. Records containing details related to business relationship and all transactions carried out in the course of said relationship or occasional transactions;
- c. records of the findings of background examination and purpose of the relationship and transactions;
- d. internal reports made to MLRO;
- e. STRs submitted by XMT Gozo to FIAU;
- f. a record of the reasons for not forwarding an internal report to FIAU;
- g. records of searches carried out to detect whether clients and, where applicable, beneficial owners are subject to any financial sanctions;
- h. a record of AML/CFT training provided, including:

- the date on which the training was conducted;
  - the nature of training;
  - names of employees receiving the training;
  - results of any assessment undertaken by employees;
  - a copy of any handouts or slides;
- i. other important records, including:
- any reports by MLRO to senior management made for the purposes of complying with the obligations under PMLFTR such as recommendations on internal procedures, correspondent banking relationships, PEPs, etc.;
  - records of consideration of such reports and any action taken as a consequence thereof;
  - the section of reports drawn up in relation to an internal audit or assessment dealing with AML/CFT issues;
  - any other records that are necessary to demonstrate compliance with the obligations under PMLFTR and Implementing Procedures.

XMT Gozo shall maintain the records referenced above (and as further detailed in Section 5.2 of Implementing Procedures) for a period of at least five (5) years. The date of commencement of this period depends on the type of records to be retained. Reference should be made to Section 5.3 of Implementing Procedures to establish the date of commencement of such period, depending on the type of record.

For the first two years, the information collected upon account opening should be stored in a place from which they can be retrieved within 24 hours. XMT Gozo



has its storage room in the Portomaso Complex. Please refer to office administrator for further guidance.

All data, information and or documentation obtained and maintained by XMT Gozo is the property of XMT Gozo and is not subject to client review.

### **3.6. Access to information**

The police may demand any information necessary for the investigation of the case from XMT Gozo.

The Court and/or FIAU may instruct the Company, a person or other persons in possession of documents or other items which may be of importance as evidence, to produce or supply same (duty of discovery).

All the correspondence received from the above mentioned authorities should be provided to MLRO and CEO. Employees are only allowed to acknowledge the receipt of correspondence. Employees are not allowed to reply to such correspondence. Such correspondence should be sent immediately to MLRO and the CEO for consideration. It is the responsibility of MLRO and the CEO to reply to such correspondence.

In the event when representatives of the above mentioned authorities visit XMT Gozo offices with the aim of reviewing client documents, company's internal documents, their identities, powers of attorneys and other applicable documents, the authorization for them to perform such review should be checked and copied. All documents provided and copied throughout the review should be registered in a log. MLRO and/or CEO should be present during the communication with the authorities' representatives.

## 4. CLIENT DUE DILIGENCE

### 4.1. General

Both, prior to establishment of a client relationship and during a client relationship, all employees and in particular onboarding and the Account Manager who are in contact with clients or client data must ensure that all measures for combating ML and FT are complied with.

Consequently, it is crucial that the minimum due diligence requirements set out in this Section 4 have been completed and complied with in connection with the establishment of a client relationship and no later than before carrying out the first transaction.

Provided that it is necessary in order not to interrupt the normal conduct of business, the identification procedure is to be completed in continuation of the establishment of the client relationship. In such situations the identification procedure shall be completed as soon as practicable after the initial contact with the client. It is important to note that although the identification process in such cases may be postponed, no transaction can be carried out before the due diligence (identification and verification process) has been completed.

**XMT Gozo does not provide any services and/or does not accept funds prior to the finalization of the onboarding process. The onboarding process is complete when all due diligence documentation has been obtained and approved, at which point an account number is issued. If the client has sent funds prior the approval of the Account, XMT Gozo can accept funds on its own account with the approval by CEO or MLRO. Funds are kept in the**

**XMT Gozo account and are not usable or available to the client until the client is accepted and approved in accordance with this AML/CFT Policy. Following such approval the account is activated. In the event that the client has not been approved, XMT Gozo returns funds back to the sender/payer into the account from where the funds arrived.**

If the identity of the client cannot be verified and the due diligence procedure cannot be completed, a client relationship cannot be established and transactions may not be carried out for said client. The Account Manager and the On-Boarding Team should in such case deliberate with MLRO whether non-compliance with the due diligence requirements is linked to ML or FT and whether notification to FIAU should be given.

Client documentation of active clients should be up to date and it is the Account Manager's responsibility to ensure same. Members of the On-Boarding Team should refer to Chapter entitled Ongoing Monitoring of a Business Relationship in this AML/CFT Policy.

The documentation of dormant accounts is not required to be up to date up until the first transaction is affected on a dormant account.

If Account Manager or any other employee in contact with client documentation is in doubt whether previously submitted information is correct or sufficient or becomes aware of documentation which does not correspond with previously submitted documentation, the employee must request updated information/documentation from the client.

The overall responsibility for carrying out the due diligence process at onboarding stage as further mentioned in this Section lies with the On-Boarding Team.

The Compliance Officer/MLRO shall be responsible to ensure that the On-boarding Team is undertaking due diligence documentation in accordance with this AML/CFT Policy, PMLA, PMLFTR and Implementing Procedures. At least on a quarterly basis, MLRO and/or the Compliance Officer shall check on a sample basis that the CDD information and documentation is in accordance with this AML/CFT Policy, PMLA, PMLFTR, and Implementing Procedures.

## 4.2. Customer Acceptance Policy

In terms of PMLFTR and Implementing Procedures, XMT Gozo shall set up a customer acceptance policy in order to ensure that the client meets requirements set out in this AML/CFT Policy. XMT Gozo has established customer acceptance policy as further set out in Section 2.3 of this AML/CFT Policy.

## 4.3. Customer due diligence requirements

Prior to establishing a business relationship with a client, members of the On-Boarding Team must ensure that the following documentation and information is obtained in accordance with the terms of this AML/CFT Policy:

- a. identification and verification of the applicant for business (Sections 4.4, 4.5, 4.6 and 4.7);
- b. identification and verification of the beneficial owner, where applicable (Sections 4.4.1, 4.5.1, 4.6.1 and 4.7.1);
- c. identification and verification where the applicant for business does not act as principal (Section 4.10);
- d. obtaining information regarding the purpose and intended nature of the business relationship (Section 4.8);
- e. establishing the source of wealth and source of funds (Section 4.9).

In addition to the above due diligence requirements, such documentation should in each case be assessed based on the individual risk assessment and the person in contact with the applicant for business is required to obtain further proof of identity and/or proof

of residence and/or other relevant documentation and information should be assessed by the On-Boarding Team on a case by case basis.

**XMT Gozo will not enter into or continue any client relationship with a shell Company/Bank (i.e. an empty company/corporation) and any employee shall immediately contact MLRO if he or she has knowledge thereof.**

“Shell-Company/Bank” means a credit or financial institution or an institution that carries out activities equivalent to those carried out by credit or financial institutions, incorporated in a jurisdiction in which it has no physical presence, involving meaningful mind and management, and which is unaffiliated with a regulated financial group.

#### 4.4. Individual Clients

Prior to establishing a business relationship with a prospective individual client, the On-Boarding Team must identify and verify the identity and residential address of the applicant for business. The On-Boarding Team is responsible for conducting due diligence on prospective individual clients in accordance with the due diligence procedures outlined in the Annex 5.

All prospective individual clients are required to complete the online client application form by accepting a number of contractual documentations. The client application form is checked by the On-Boarding Team to ensure it has been completed. Material deviations from the standard procedures and guidelines must be referred to the Compliance Officer or, in his/her absence, to the Department Director for their consideration and approval.

Given that absolute majority of our clients are generally not physically present for verification purposes and XMT Gozo operates an online business, XMT Gozo will not be in position to obtain certified copies of the original document as verification of the client's identity. However, members of the On-Boarding Team may verify the identity and residential address of the applicant for business through additional measures as further set out in Annex 5 of this AML/CFT Policy.

In addition to the procedures set out in Annex 5, members of the On-Boarding Team will also carry out checks on the individuals through World-Checks and, where available, via other independent reliable sources (ex. online Governmental Registers).

In certain instances, XMT Gozo Directors and Account Managers hold face-to-face meetings with clients on a regular basis. A special note is done within CRM system in the Client profile with the meeting details: date and participants are shown as well as main topics been discussed. These meetings are considered as one of EDD measures and confirmation/verification of client identity. Such measures aid in mitigating risks relating to ML/FT.

### **Joint accounts**

In the event that a client wishes to open a joint account, CDD should be undertaken on all joint account holders in accordance with Annex 5 of this AML/CFT Policy.

## **4.5. Corporate Clients**

Prior to establishing a business relationship with a prospective corporate client, the On-Boarding Team must identify and verify the identity of the applicant for business. The On-Boarding Team is responsible for conducting due diligence for prospective

corporate clients in accordance with due diligence procedures outlined in the Annex 7. All prospective corporate clients are required to complete an online client application form by accepting a number of contractual obligations. The client application form is checked by the On-Boarding Team to ensure it has been completed. Material deviations from the standard procedures and guidelines must be referred to the Compliance Officer or in his absence to the Department Director for consideration and approval.

In addition to verification of identity of corporate clients, members of the On-Boarding

Team are also required to:

- a. Identify of the directors (Annex 7);
- b. Establish the ownership and control structure (Annex 7);
- c. Identify (and where appropriate, verify) the source of funds and source of wealth of the prospective corporate client (Section 4.9 below); and
- d. Identity and verify any "beneficial owners" of such corporate clients (as further set out in Section 4.5.1 below).

Further details are found in Annex 7 of this AML/CFT Policy.

Beneficial owners must undergo the same due diligence as required for Individual Clients, as described in Annex 5 of this AML/CFT Policy.

XMT Gozo's Fund onboarding procedure is outlined in the attached Annex 14.

### ***Identifying, Verifying and Documenting the beneficial owner of a corporate client***

Regulation 2 of PMLFTR defines a “beneficial owner” as:

- a. natural person who ultimately owns or controls the customer; and/or
- b. natural person on whose behalf or for the benefit of whom a transaction is being conducted.

For corporate entities the term "beneficial owner" shall at least include:

- i. a natural person(s) that has:
  - Direct or indirect ownership of more than 25% (including bearer shares); or
  - Direct or indirect ownership of more than 25% voting rights; or
  - Direct or indirect control of more than 25% (including bearer shares); or
  - Direct or indirect control of more than 25% voting rights;
- i. a natural person who otherwise exercises control over the management of that corporate body or persons.

Members of the On-Boarding Team must identify and verify all beneficial owners of the corporate client that owns the account (whether they own or control — directly or indirectly or whether they stand to benefit from such account).

If the beneficial owner cannot be identified and documented a client relationship may not be established.

Such beneficial owners must undergo the same due diligence as required for Individual Clients, as described in Annex 5 of the AML/CFT Policy.



If the beneficial owner has links (whether by way of residence, domicile, source of funds, source of wealth, etc.) with a high risk jurisdiction as set out in Annex 4 of the AML/CFT Policy, the corporate client cannot be onboarded despite the fact that such corporate client is based in a low risk country, since, as a general rule, XMT Gozo does not allow individual clients from prohibited countries as clients of the Company, therefore XMT Gozo will not allow said persons as clients through ownership of corporate entities.

Companies whose share capital is issued in the form of bearer shares or that issue warrants to bearer are likely to pose increased difficulties in determining beneficial ownership. Therefore, in such cases, members of the On-Boarding Team shall determine beneficial owners of such companies by applying one of the following measures:

- a. where documents granting rights of ownership of bearer shares (such as a bearer share certificate) are issued in a jurisdiction that requires shareholders to notify the company of their shareholding and the company to record their identity in a register, members of the On-Boarding Team should require a copy of such register signed and certified as a true copy by the company secretary, director or registered agent, as the case may be. Moreover, members of the On-Boarding Team are required to obtain a written undertaking from the company secretary, director or registered agent and beneficial owner that the subject person would be notified immediately if the bearer share certificate is transferred to any other person;
- b. where bearer share certificates are deposited with a regulated financial institution or a regulated custodian, members of the On-Boarding Team should obtain a copy of the bearer share certificate and a written declaration signed by a representative of the financial institution or the custodian certifying on whose behalf the document is held. Members of the On-Boarding Team are also required to obtain from the financial institution or custodian, as the case may be, a written undertaking that they would notify immediately the subject person if the bearer share certificate is transferred to any other person.

In the eventuality that bearer share certificates are deposited with a regulated financial institution or regulated custodian and are also recorded in the company's register members of the On-Boarding Team may choose to apply any one of the above measures. In light of higher ML/FT risk that these companies may present, subject persons shall desist from establishing a business relationship or carrying out an occasional transaction when it is not possible to determine the beneficial owner(s) of the bearer shares in accordance with the procedure outlined above.

#### **4.6. Ascertaining whether a client is acting in his own name or on behalf of a third party**

It is a legal requirement that XMT Gozo establishes:

- i. whether a client is acting in his own name or acting on behalf of a person or a company and, if so,
- ii. whether such client is duly authorized to act on behalf of a third party.

The application form which needs to be filled out by all applicants (whether individuals, corporate, foundations, associations or trusts) includes a question according to which the client is to confirm whether or not he/she has a signature right on behalf of a third party. The On-Boarding Team is responsible for assuring that this question is answered in during the client onboarding process. If the client does not act in his own name sufficient documentation must be obtained documenting the relationship between the principal and the agent.

Irrespective of the question posed in the client application form, if you as an employee have knowledge or suspect that a person or company you are in contact with is not the principal/

actual client, you are obligated to query the client about the identity of the principal/actual client. If the client refuses to respond or responds but the suspicion still exists, you should immediately contact MLRO.

The On-Boarding Team needs to identify and verify both the applicant for business (the agent) as well as the person(s) on whose behalf the agent is acting (i.e. the principal) in accordance with relevant due diligence procedures set out in this AML/CFT Policy, as applicable.

In addition, members of the On-Boarding Team must also ensure that the client is duly authorized in writing to act on behalf of the third party.

#### **4.7. Simplified Due Diligence**

There are specific circumstances, when XMT Gozo does not need to identify or verify the applicant for business or beneficial owner, obtain information regarding the purpose or intended nature of the business relationship or carry out ongoing monitoring of that relationship.

XMT Gozo is only required to maintain a minimal amount of information about the applicant for business or the beneficial owner as explained hereunder.

#### **4.7.1. Categories of applicants for business qualifying for SDD**

In applying SDD in accordance with Regulation 10 of the PMLFTR, members of the On-Boarding Team are required to gather sufficient information to determine that the applicant for business falls within one of the following categories:

- a. The applicant for business is a person who is authorized to undertake relevant financial business or is a person licensed or otherwise authorized in another Member State of the Community or under the laws of a reputable jurisdiction to carry out an activity which is equivalent to relevant financial business;
- b. (b) legal person listed on a regulated market authorized in accordance with the provisions of the Financial Markets Act or in an equivalent regulated market within the Community, and legal persons otherwise listed on an equivalent regulated exchange in a reputable jurisdiction and which are subject to equivalent public disclosure requirements;
- c. with respect to beneficial owners of pooled accounts held by persons carrying out a relevant activity under paragraph (c) of the definition of "relevant activity" domestically, from within the Community or from a reputable jurisdiction, provided that the subject person shall ensure that supporting identification documentation is available, or may be made available on request, to the institution that is acting as the depository for pooled accounts;
- d. Public authorities or bodies which fulfil all of the criteria set out in Regulation 10(1) (d)(i) to (iv) of PMLFTR.

To avoid any doubt, applicants for business which are subject to supervision and monitoring by a self-regulatory body, but are not licensed or otherwise authorized, do not fall within category (a) above and thus do not qualify for SDD.

SDD may also be applied in those situations where the applicant for business is fully owned by a legal person falling within paragraphs (a) and (b) above and in such cases the subject person shall only gather sufficient information to determine that such legal person fully owns the applicant for business and that it qualifies under paragraphs (a) and (b).

PMLFTR also provides an exhaustive list of products or transactions in respect of which SDD may be applied. For a full list of these products or transactions please refer to Regulation 10(2) and (3) of PMLFTR.

#### **4.7.2. Circumstances where SDD shall not apply**

The application of SDD won't apply where XMT Gozo knows or suspects that potential client for business may have been, is, or may be engaged in ML or FT, or that the transactions carried out on behalf of another person who may have been, is, or may be related to ML or FT. SDD won't apply also where XMT Gozo knows or suspects that funds originate from criminal activity.

In addition, SDD may not be applied where the prospective client operates or deals with a particular jurisdiction which does not meet the criteria of a reputable jurisdiction or where the beneficial owner comes from a prohibited or high risk jurisdiction.

In such circumstances, even though the potential client or the product qualifies for SDD, the simplified procedure would not be applied.

## 4.8. Politically Exposed Persons (PEP's)

### 4.8.1. Who qualifies as a PEP

A Politically Exposed Person (hereinafter referred to as a "PEP") is a natural person who is or has been entrusted with prominent public functions and includes his immediate family members or persons known to be close associates of such persons. The definition does not include middle ranking or more junior officials.

The term 'politically exposed persons' is broad and generally includes all persons who fulfil a prominent public function and shall include:

- a. Heads of State, heads of government, ministers and deputy or assistant ministers and parliamentary secretaries;
- b. Members of parliaments;
- c. Members of Courts or other high level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
- d. Members of courts, auditors, Audit Committees or the boards of central banks;
- e. Ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
- f. Members of the administrative, management or supervisory bodies of State-owned enterprises.

And, where applicable, for the purposes of (a)-(e), shall include positions held at the Community or international level.

Further, where a person has ceased to be entrusted with a prominent public function within the meaning of this paragraph for a period of at least twelve months, such persons shall not be considered a PEP and may be classified as medium risk client

unless something else indicates otherwise based on risk assessment.

If in doubt whether the client has ceased to be a PEP the client should be handled as a PEP.

With respect to the term ‘immediate family members’ of PEPs, PMLFTR provides that the term shall include:

- a. the spouse, or any partner recognized by national law as equivalent to the spouse;
- b. the children and their spouses or partners; and
- c. the parents.

“Persons known to be close associates of such persons” shall include:

- a. any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations with a person referred to above;
- b. any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of the person referred to above.

Please refer to the attached Annex 6 for latest requirements for onboarding a PEP as a client with XMT Gozo.

#### **4.8.2. Duties with respect to Politically Exposed Persons**

For the purposes of their client acceptance process, XMT Gozo is required to apply EDD measures as further set out below in this section in relation to PEPs residing in Malta, another Member State of the Community or in any other jurisdiction.

In determining whether the applicant for business or a beneficial owner is a PEP, members of the On-Boarding Team are required to obtain such information directly from the applicant for business.

In addition to the above, XMT Gozo has put in place the following procedures in order to independently verify whether a client is a PEP:

- a. The On-Boarding Team will carry out a screening in World-Check and through the search engine "Google" on the potential client in order to verify whether the client is a PEP. Said screening shall be affected prior to the establishment of a client relationship;
- b. The On-Boarding Team is to be alerted in respect to any documentation which could hint that the client is a PEP (such as diplomatic passports and the like).

All checks undertaken on the individual shall be retained in the client file.

Following confirmation that the prospective client is a PEP, the following procedures shall be undertaken:

- a. the Account Manager shall take reasonable measures to gather information about the source of wealth of the PEP and the source of funds which are expected to be used in the business relationship or transaction. The Account Manager shall obtain information on the source of funds and source of wealth at the establishment of the business relationship. On an ongoing basis



the Account Manager shall request information and documentation in relation to the source of funds being used in the business relationship and/or transaction. The Account Manager is required to request the client to provide detailed information on the source of funds which are being used within the context of the business relationship, as well as producing documents, such as copies of invoices or agreements to substantiate such explanation.

- b. The written approval from of the CEO is required prior to the establishment of business relationship. In the event that such approval cannot be obtained from the CEO, approval from Department Director or, as a last resort, MLRO must be obtained before establishing a business relationship with such client.

The Account Manager shall undertake enhanced ongoing monitoring of the business relationship where the PEP is involved. The Account Manager should undertake a closer analysis of the transactions and their origin. The ongoing monitoring undertaken in relation to business relationships where PEPs are involved shall be undertaken on a regular basis (monthly, quarterly, depending on a volumes transacted). For further detail on the ongoing monitoring which should be undertaken by the Account Manager please refer to Section 5 of this AML/CFT Policy.

XMT Gozo maintains client register with respect to risk profiles along with the designated "PEP list" for ongoing monitoring of business relationship.

#### **4.9. World-Check screening and Google search of all prospective clients**

Prior to onboarding a new client, the On-Boarding Team shall undertake World-Check checks on the prospective client in order to verify, among other matters, the client's status (whether he is a PEP or not) and to, inter alia, ascertain whether the client is involved in illegitimate activities.

The On-Boarding Team is not required to undertake a full investigation on the prospective client but is merely required to conduct an effective search to find out whether prima facie there is any negative information on the client from an online/World-Check search. The World-Check Client Screening search in combination with a Google search are the tool to facilitate this requirement.

Beneficial owners, directors and authorized signatory persons as described in the application form must also be screened via World-Check and Google. Screening and approval procedure is to follow the same standard procedures as for Individual Clients and Corporate Clients.

If the On-Boarding Team finds any possible matches in World-Check, the On-Boarding Team shall send an email request to the World-Check support service to get additional details to be able to confirm if the match is true or false. In case the match is false, the member of the On-Boarding Team shall proceed with the onboarding process.

If the match has been confirmed (in case of a true match received initially) the member of the On-Boarding Team must inform MLRO.

All positive matches must be reported by the member of the On-Boarding Team in a timely manner by email to MLRO. Included in the e-mail to MLRO must be all relevant documents including specifications of the case, pdf files from World-Check, information on the client which became available during pre-investigation performed and whether or not the account opening process is near completion or whether the account is an active trading account.

No further action can be taken until clear instructions have been provided by MLRO.

All World-Check and Google Search results must be saved in the client's file either in hard copy or in electronic version. In addition, all relevant information, documentation and notes including email correspondence between the On-Boarding Team (in case of onboarding), Account Manager (in case of ongoing business relationships) and MLRO must be saved in client's file either in hard copy or in electronic form.

Members of the On-Boarding Team and the Account Manager shall refer to Annex 10 of this AML/CFT Policy in relation to the World-Check screening to be undertaken on prospective and existing clients.

#### **4.10. Dormant accounts**

All accounts opened but not funded will be treated as dormant accounts.

The documentation of dormant accounts is not required to be up to date up until the first transaction is affected in a dormant account.

Should an account have not been utilized for a period exceeding 3 years (3 years +1 business day), XMT Gozo will close the said account at its sole discretion and will archive the files appropriately.

If account has been used at some point in time but no activities were taking place for the period of over 3 years (3 years +1 business day), XMT Gozo will close said account at its sole discretion and will archive the files appropriately.

Reference should be made to Annex 13 in relation to the closure of Dormant Accounts.

## 5. ONGOING MONITORING OF A BUSINESS RELATIONSHIP

### 5.1. Duty to monitor a client relationship on a continuous basis

In addition to the due diligence requirements in connection with the establishment of a client relationship, the Account Manager are obligated to conduct an ongoing monitoring of the client operations, changes in initially provided identification information and overall relationship.

On an ongoing basis, the Accounts Manager shall:

- a. scrutinize transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with XMT Gozo's and its employees' knowledge of the client and the client's business and risk profile, including, where necessary, the source of funds; and
- b. review on a sample basis the CDD documentation obtained from clients to ensure that the documents, data or information held are kept up to date.

Accordingly, each employee of XMT Gozo should be alert to any inconsistencies in transactions compared to the information received, including inter alia, the information obtained through the client application form regarding the purpose and objective of the business relationship.

The frequency of scrutiny of transactions will depend on various factors, including but not limited to customer risk, geographical risk, volume of trades and source of funds of the client. As a general rule, ongoing monitoring of transactions related to accounts held or PEPs and high risk clients shall be reviewed at least on a yearly basis. Documentation

related to clients classified as medium risk shall be reviewed once every two years whilst documentation related to low risk clients shall be reviewed once every 3 years.

## 5.2. Updating client information and documentation

If an Account Manager or any other employee becomes aware that previously submitted information is incorrect, e.g. (i) if the objective and/or intended extent of the client relationship is changed or (ii) if the ownership and control structure of a corporate client or legal arrangements change, the information must be updated immediately.

Client documentation should always be up to date. If an Account Manager or any other employee dealing with client documentation, becomes aware of documentation which does not correspond with previously submitted information, then the employee must request updated documentation from the client. Further, in the event of doubts about the veracity or adequacy of previously obtained client identification data, new proof of identity or proof of residency shall be required. Clients' ID documents and Power of Attorney expiration terms are controlled automatically within CRM system. Members of the On-Boarding Team are responsible for weekly checking of notifications about the documents whose details are close to expiration (starting from within 30 days) and inform the Account Manager to request new documents from the client.

By accepting our Terms of Business clients are also agreeing to conditions to inform XMT Gozo about any changes in the information and documentation provided after the account was approved. The On-Boarding Team is also responsible for ongoing update of documentation. With respect to the frequency of ongoing monitoring, please refer to section 5.1 of this AML/CFT Policy.

In case of documentation related to individuals, in the event when at onboarding stage the verification documents provided were valid and upon review of the documentation, the documents provided for verification purposes have expired, the employee reviewing the documentation shall obtain updated unexpired documentation.

With respect to corporate clients, following the lapse of 5 years from when the documentation has been provided to XMT Gozo, the employee shall obtain updated documentation.

As a general rule, any documents which are more than 5 years old shall be updated.

### **5.3. Payment procedures**

The full traceability of transfers of funds can be a particularly important and valuable tool in the prevention, investigation and detection of ML/FT. It is therefore important to ensure the transmission of payer information throughout the payment chain, so that transfers of funds are accompanied by accurate and meaningful information on the payer.

The European Parliament and the Commission has in that respect adopted Regulation 2015/847 of 15 May 2015 on payer information accompanying transfers of funds.

This section describes how XMT Gozo fulfils these requirements.

## 5.4. General requirements

In order to check whether the required payer information accompanies transfers of funds and to identify suspicious transactions, XMT Gozo has implemented procedures in order to:

- a. detect whether payer information is missing; and
- b. obtain the required information if such information is not included.

Procedures have been set out below in Section 5.4.1.1 (Outgoing transfers of funds),

Section 5.4.1. (Incoming transfer of funds), Section 5.4.1.3 (Third Party Payments) and

Section 5.4.4. (Record keeping).

### 5.4.1. Outgoing transfers of funds

Clients have the option to withdraw funds by submitting a request for payment by sending a signed withdrawal form to the Treasury in Operations.

XMT Gozo only allows clients to transfer funds if the payer's identity has been verified in connection with the opening of the account and the information obtained by this verification has been stored.

As XMT Gozo does not differentiate between outgoing transfers of funds within the Community and from the Community to outside the Community, all outgoing transfers of funds must be accompanied by complete payer information, i.e. name, address, and account number. The address may be substituted with the date and place of birth of the payer, his client identification number or national identity number.

The details required for transfers are:

- a. Amount and currency with value date;
- b. Complete and full Ordering Client details (Client account number at XMT Gozo in Ordering Client details along with Client name and address);
- c. Final payee details (Name and Account number).

#### **5.4.2. Incoming transfers of funds**

Incoming bank transactions must display Payer's Account Name, Bank (country), Amount as well as Sender to Receiver Information (client account number at XMT Gozo and/or registered email address with XMT Gozo) and additional details for the payer in case its payment service provider is established outside the European Union.

#### **5.4.3. Incoming transfers of funds to XMT Gozo from Payment Service Providers (Companies) within the EU Community**

All transfers of funds within the EU Community must display at least Account Number of the payer or a unique Reference Number allowing the transaction to be traced back to the payer. In those cases where the payer is a third-party Payment Service Provider, client ID/account number must be received.

Treasury shall run the necessary checks to ensure that the sender is an EU regulated financial service provider and that the client shall provide XMT Gozo with official confirmation of an existing relationship with the remitting party.



#### **5.4.4. Incoming transfers of funds to XMT Gozo from Payment Service Providers outside the EU Community**

All transfers of funds from the outside of the EU Community must display Name, Account Number of the payer and payer's address which might be substituted with date and place of birth or personal document number or identification number or a unique Reference Number allowing the transaction to be traced back to the payer.

### **5.5. Third Party Payments**

Generally, XMT Gozo allows neither incoming nor outgoing third-party transactions.

The funds cannot be accepted unless given valid reasoning for the request and approved either by Department Director or MLRO. XMT Gozo can only accept third party payments based on the manual review of the client request. If approved, Treasury must run necessary checks to ensure that the sender is a regulated financial service provider. The client must furthermore provide XMT Gozo with the official confirmation and documents applicable on an existing relationship with the remitting party. The most common situation is when the remitting party and the client have the same ultimate beneficial owner and the person authorized to act on behalf of both companies/clients.

**XMT Gozo always investigates whether it is a third-party transfer.** If it is not possible to determine whether a payment is a third-party transaction, XMT Gozo will nevertheless book the funds to the client account, keeping them blocked for the client's usage and then investigate whether it is in fact a third-party transfer. If, after investigation, it turns out

to be a third-party transaction the specific incoming payment will be updated with a flag identifying that it is a third party payment.

The Account Manager is to be informed along with MLRO and the request to explain the transfer and provide necessary documents should be sent to the client by the Account Manager ASAP. If the client provided documents are approved by MLRO the funds will be unblocked and become available to the client. In case the client is unable to provide transfer confirming documents and/or the quality of the documents is considered as inappropriate by MLRO, the funds should be sent back to the sender. The case should be reviewed and MLRO should make a decision and document the investigation process and decision taken with regard the necessity to submit an STR.

If an employee has prior knowledge of, or reasonable grounds to assume, that transactions are being made to third parties in disagreement with this policy it must be reported to MLRO immediately as soon as the employee has such information or concerns.

## 6. SANCTIONS LISTS

From time to time, updated consolidated lists of individuals and entities which are sanctioned are issued by the European Union, the United Nations Security Council, and the USA (OFAC). These lists contain the names of persons, legal entities, organizations, etc. that are suspected for being affiliated with terrorism and impose an obligation on XMT Gozo to freeze their funds, economic resources and inform FIAU. Updated consolidated lists may be found under the following link:

<http://www.mfsa.com.mt/pages/viewcontent.aspx?id=452> .

The screening of XMT Gozo clients against the sanctions lists is done with the World-Check tool by Thomson Reuters ( <https://risk.thomsonreuters.com/en/products/third-party-risk/world-check-know-your-client.html#request-details> ). Kindly refer to the above sections in relation to World-Check searches.

World-Check checks are performed during the onboarding process and for the whole Client base in batches on a regular basis (once a month) and possible match notifications are sent to the Compliance Officer's email automatically by the system.

XMT Gozo is continuously receiving inquiries from the Maltese Criminal Courts on persons charged with Dangerous Drugs Ordinance and/or ML, mainly according to Article 22A of the Dangerous Drugs Ordinance, Chapter 101 of the Laws of Malta and of Article 23A of the Criminal Code, Chapter 9 of the Laws of Malta and/or according to Article 5 of Chapter 373 of the Money Laundering Act of the Laws of Malta and of Article 23A of the Criminal Code, Chapter 9 of the Laws of Malta . The said inquiries are handled by MLRO upon receipt.

MLRO is responsible for updating the register of individuals/companies listed in the said

inquiries. The On-Boarding Team is responsible for screening all prospective and existing clients through the said register to ascertain whether such prospective client is subject to any orders by the Maltese Courts. If the screening results in a "hint", XMT Gozo's Compliance Officer/MLRO shall be informed immediately and the assets of the client shall be frozen in accordance with the regulations mentioned above.

## **7. AWARENESS, TRAINING AND VETTING OF EMPLOYEES**

MLRO is responsible for preparation and ongoing review of this AML/CFT Policy and getting approval of the Board of Directors for this document. It must be reviewed at least annually and as necessary in connection with any legislative changes.

### **7.1. Awareness and Training**

XMT Gozo is required to ensure that employees, senior management and directors are familiar with the contents of PMLA, PMLFTR, Implementing Procedures, this AML/CFT Policy (including all its appendices and annexes) and related due diligence procedures. In particular, employees shall be made aware and be accustomed to the following policies and procedures:

- a. customer due diligence measures;
- b. record-keeping procedures;
- c. internal reporting procedures;
- d. policies and procedures of internal control;
- e. policies and procedures of risk assessment and risk management; and
- f. policies and procedures of compliance management and communication.

In addition, employees shall be made aware of the following:

- a. provisions of PMLA;
- b. provisions of the Criminal Code on FT;
- c. provisions of PMLFTR;
- d. offences and penalties in relation to any breach of PMLA, PMLFTR and Implementing Procedures.

This is ensured by organizing training sessions to all new additions to the XMT Gozo team (whether directors, senior management or employees) upon commencement of employment with XMT Gozo. Annual training for all employees associated with client servicing and transactions is also organized. Training to such employees shall be focused on how the products and services of XMT Gozo may be used for the purposes of ML/FT and the manner in which such vulnerabilities should be managed. As much as possible, training should be of a practical nature rather than theoretical.

In addition, training is provided to the following categories of individuals:

- new employees during the introduction training upon commencement of work;
- specific employees where there is a change in the employee's role;
- to all employees, including senior management and directors, where there is a substantial change in requirements and obligations in pertinent legislation.

The purpose of the education is, inter alia, to ensure that employees are aware of and informed about:

- i. their duty of attention and related duty of secrecy;
- ii. relevant indicators or patterns of ML and FT in order for the employee to be able to recognize activities that may be associated therewith;
- iii. relevant due diligence requirements to ensure the identification and verification of the clients;
- iv. duty to monitor client relationships on a regular basis;
- v. relevant procedures and how to proceed when suspicion about ML and FT arises.

It is the responsibility of MLRO to ensure that relevant staff is familiar with the contents of this AML/CFT Policy.

## **7.2. Vetting of New Employees**

Prior to engaging new employees, XMT Gozo shall obtain professional references, confirming employment history and qualifications and requesting a recent police conduct certificate from the proposed employee. This requirement must be applied whenever recruitment is taking place irrespective of the position of the employee.