

CAPITAL IFX
ANTI-MONEY LAUNDERING POLICY
February 2011

[Approved by the Board of Directors and MLRO]

1. STATEMENT

- 1.1 Capital IFX Limited ('Capital IFX') is a payment services firm authorised as a payment institution with the Financial Services Authority pursuant to the Payment Services Regulations 2009 with Firm Number 526884. Capital IFX is also registered with Her Majesty's Revenue & Customs, which supervises money service businesses, with Money Laundering Regulation Number 12195618.
- 1.2 Capital IFX is required by regulations to have in place internal control mechanisms, risk management procedures and money laundering controls when providing payment services to customers. Consequently Capital IFX is committed to risk management and has adopted an Anti-Money Laundering compliance policy ('AML Policy') to detect and prevent money laundering and terrorist financing by incorporating compliance with the:
- 1.2.1 EU Third Money Laundering Directive 2006/70/EC; Money Laundering Regulations 2007; the Terrorism Act 2000 as amended by the Anti-Terrorism, Crime and Security Act 2001; the Proceeds of Crime Act 2002 as amended by the Serious Organised Crime and Police Act 2005 and Schedule 7 of the Counter Terrorism Act 2008; and
- 1.2.2 EU Regulation No.1781/2006 of 15 November 2006 or EC wire transfer regulation on information on the payer accompanying transfers of funds pursuant to Paragraph 6 of Schedule 2 to the Payment Services Regulations 2009.

2. SCOPE

- 2.1 This AML Policy has been published to help Capital IFX customers and introducers of business understand the statutory and regulatory obligations of Capital IFX as a money service business and payment institute and it applies to Capital IFX, its directors, its MLRO, officers and employees who deal with customers and introducers of business in relation to its products and services.
- 2.2 Capital IFX will establish and implement appropriate risk sensitive policies and procedures to customer due diligence in identifying and verification of identity and residence; ongoing monitoring of business relationships; reporting of suspicious transactions internally to the MLRO at first instance and externally to the Serious Organised Crime Agency in suspicious activity reports or other reports required to the law enforcement agencies and regulatory authorities; assessment of money laundering risks; application of enhanced measures in higher

risk situations; record keeping; monitoring and compliance procedures; internal communications of policies and procedures and staff awareness and training on money laundering matters.

3. AML POLICY

- 3.1 It is the policy of Capital IFX to actively pursue the detection and prevention of money laundering and any activity that facilitates money laundering or funding of terrorist or criminal activities or such acts designed to conceal or disguise the true origins of criminally derived proceeds so that unlawful proceeds appear to have been derived from legitimate origins or constitute legitimate assets.
- 3.2 In dealing directly with customers and introducers of business, Capital IFX directors, MLRO, officers and employees are required to comply with internal systems and controls and procedures in the prevention of use of its products and services for money laundering, terrorists funding or criminal activities.
- 3.3 Where customers are introduced to Capital IFX, it is required to verify their identity and residence pursuant to statutory and regulatory obligations in the same way as it will do for its own customers.
- 3.4 Capital IFX does not:
 - 3.4.1 enter into business relationships or execute transactions where details of the customer and/or beneficiary are unknown or cannot be identified or verified including corporations owned by persons who hold bearer shares;
 - 3.4.2 enter into business relationships or execute transactions where the customer is listed or becomes listed in Her Majesty's Treasury financial sanctions list;
 - 3.4.3 enter into business relationships or execute transactions where the customer or his assets are listed or becomes listed with the United Kingdom Asset Freezing Unit or the United States Office of Foreign Assets Control;
 - 3.4.4 accept cash payment transactions from customers;
 - 3.4.5 open customer accounts or establish customer relationships with shell banks incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial institution or group;
 - 3.4.6 transmit funds to any individuals or politically exposed persons (PEPs) and their family and close associates or political parties known to be supporting terrorism or suspected criminal organizations or on Her Majesty's Treasury sanction list; and
 - 3.4.7 enter into business relationships or execute transactions for customers who refuse to provide identification information and documents when requested to so or who

produce misleading information or whose identity and residence cannot be verified by independent sources.

- 3.5 If Capital IFX decides not to establish business relationships with a customer or if there are reasonable grounds to suspect that a customer's transaction to be in breach of the money laundering regulations, criminal or terrorists financing laws and have made a suspicious activity report, Capital IFX will not be obliged to provide any reasons for its actions which may include the blocking or stopping of its services.
- 3.6 By using Capital IFX products and services, customers agree to disclosure of such records and personal information that it may possess as may be required or requested by governmental and regulatory authorities and investigative and enforcement agencies and the courts, without their prior consent.
- 3.7 All internal MLRO reports of suspicious activity and external reports to the governmental enforcement agencies and regulatory authorities will be documented in Capital IFX records.

4. COMPLIANCE

- 4.1 The Board of Directors of Capital IFX shall have full responsibility for the Policy, its periodical review, implementation and update as required and the dissemination of updated information to its officers and employees who deal directly with customers.
- 4.2 The MLRO will be responsible for the upkeep and maintenance of the AML Manual and ensure they are kept abreast of guidance published by the EC, UK government and regulatory recognised sources of AML guidance, HMRC guidance, Financial Services Authority regulations and guidance, HM Treasury and industry guidelines.
- 4.3 Management will also be responsible for putting in place adequate systems and controls to enable due diligence checks be made on the identification and verification of customers by independent sources or suppliers before establishment of a business relationship and for the ongoing monitoring of customers and transactions on a risk sensitive basis, the filing of suspicious activity reports and implementation, maintenance and safe keeping of records and the testing of the adequacy of its own systems and controls and compliance by Capital IFX officers and employees.

5. PRODUCTS & SERVICES

- 5.1 The Policy and compliance procedures will apply to transactions of all money transmissions, remittances and payments and to all foreign exchange currency products and services offered by Capital IFX.
- 5.2 Transactions will include any deposit, withdrawal, currency exchange or transfer of funds involving Capital IFX products and services. A list of current products and services offered by Capital IFX is available at products www.capitalifx.com.

6. MONEY LAUNDERING

- 6.1 For the purposes of the AML Policy, money laundering includes the proceeds of all criminal conduct and activity, no matter how minor the conduct or benefit arising from such criminal activity.
- 6.2 The definition of criminal activity includes, but is not limited to, terrorism financing, corruption, bribery, illegal payments to politicians, drug trafficking, human trafficking, evasion of taxes, obtaining money by fraud or deception or organised crime activities generating proceeds of crime.
- 6.3 The process by which criminals attempt to conceal the true origin and ownership of property or proceeds from criminal activity and turning 'dirty' money (the proceeds from criminal activity) into clean money by a transaction or a series of transactions.
- 6.4 Criminal property includes money, securities, property and it includes, but is not limited to property which either constitutes a person's benefit from criminal conduct or activity or represents (in whole or in part and whether directly or indirectly) a person's benefit from criminal conduct or activity; and is known or suspected by the alleged offender to constitute or represent such a benefit.
- 6.5 Money laundering occurs generally in three main stages.
 - 6.5.1 placement stage - where cash enters the financial system as, for example, investments, where the cash generated from criminal activities is converted into money services business or payment institute products and services,
 - 6.5.2 layering stage - where the funds are transferred or moved into other accounts or other financial institutions or into property, locally or cross border and usually a number of times, to further separate the money from its criminal origins, and
 - 6.5.3 integration stage - where the funds are reintroduced into the economy and used to purchase legitimate property, assets or to fund legitimate businesses.
- 6.6 Terrorism is the use or threat of action designed to influence government, or to intimidate any section of the public, or to advance a political, religious or ideological cause where the action would involve violence, threats to health and safety, damage to property or disruption of electronic systems. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origins or intended use of the funds, which may be subsequently used for criminal purposes.

7. RISK ASSESSMENT

- 7.1 Capital IFX adopts risk sensitive based approach, policies and procedures to money laundering and terrorist financing as part of its internal controls that include:

- 7.1.1 Identification, detection and management of the money laundering and terrorist financing risks that are relevant to its payment services business;
 - 7.1.2 assessing the risks presented by the particular customer type and behaviour, Capital IFX products and services, delivery channels and payments, ownership and beneficial interests, source and destination of customer's funds;
 - 7.1.3 the implementation of controls, management and monitoring of customers and transactions and maintenance of records and documentation;
- 7.2 A policy of enhanced customer due diligence and ongoing monitoring is adopted by Capital IFX where:
- 7.2.1 the customer is not physically present for identification purposes (no face to face dealings);
 - 7.2.2 a credit institution ("correspondent") which has or proposes to have a correspondent banking relationship with a respondent institution from a non EU State;
 - 7.2.3 there is a business relationship or occasional transaction with a politically exposed person or PEP, his family and close associates; and
 - 7.2.4 a situation which can present a higher risk of money laundering or terrorist financing.

8. CUSTOMER IDENTIFICATION

- 8.1 Capital IFX has adopted as part of its customer due diligence, an electronic Customer Due Diligence Identification and Verification Policy via independent means.
- 8.2 Capital IFX will provide notice to its potential and existing customers that it will seek identification information; collect certain minimum customer identification information from each customer, record such information and the verification methods and results; and compare these with the information supplied by the customer and if necessary, take follow up action.
- 8.3 The following customer notice will be used:

"The law requires us to detect, fight the funding of terrorism and money-laundering activities. Money and payment services businesses such as ours are required to obtain, verify, register and record information that identifies persons who engage in transactions with or through our businesses. This means that we will verify your name, residential address, nationality, date of birth and occupation on the account opening application or before we enter into a business transaction. We may also ask to see your passport, identification card, photo driver's licence or other documents of identification."

9. VERIFYING INFORMATION

- 9.1 Adopting a risk sensitive based approach, and as far as reasonably practicable, Capital IFX will endeavour to verify the identity of its customers through independent identification and verification service providers. It will note and record any inconsistencies from the information provided by the customers against verification from independent sources.
- 9.2 Such verification will be stored in documentary or electronic file form for a period of five years from the date of the transaction concerned or the date the customer relationship has been terminated.
- 9.3 Capital IFX will not however attempt to determine, as it is not qualified to do so, that the documents its customers provide for identification have been validly issued or are authentic. For verification purposes, it may rely on at least two or three independent sources to verify a customer's identity.
- 9.4 Capital IFX will document and record verification, all identifying information provided by its customers, the methods used and results. All such identification and verification matches will be signed by the person conducting the customer due diligence.

10. GOVERNMENT LISTS

- 10.1 Before establishing a business relationship with any new customers and thereafter on an ongoing monitoring basis with new and existing customers, Capital IFX will check to ensure that a person or entity does not appear on:
 - 10.1.1 Her Majesty's Treasury Financial Services Consolidated List of Financial Sanctions Targets at its website at www.hm-treasury.gov.uk/fin_sanctions_index.htm.
 - 10.1.2 The United States Department of The Treasury's OFAC "Specifically Designated Nationals and Blocked Persons" List (SDN List) and is not from, or engaging in transactions with people or entities from, embargoed countries and regions listed on the OFAC Website at www.treas.gov/offices/enforcement/ofac/sdn/index.shtml
- 10.2 Capital IFX will also review existing customers, introducers of business and their employees against the lists in paragraph 10.1 on a periodic basis as necessary. The frequency of the reviews will be documented and retained.

11. MONITORING & REPORTING

- 11.1 Capital IFX will monitor, and maintain such monitoring, transactions and customers as required under the Money Laundering Regulations 2007 and its internal policies.
- 11.2 Monitoring of specific transactions will include, but is not limited to, transactions aggregating government thresholds or Capital IFX cash

thresholds of £10,000, or its equivalent or more and those transactions which Capital IFX has reason to suspect amount to suspicious activity.

- 11.3 It is the duty of the employees of Capital IFX to record and report to their MLRO any transaction which they believe to amount to suspicious activity. All reports will be documented and retained in accordance with the law.

12. SUSPICIOUS ACTIVITY

- 12.1 Signs that suggest suspicious activity that may amount to money laundering may be referred to as "red flags". If a red flag is detected, additional and enhanced due diligence will be performed before proceeding with the transaction.
- 12.2 If the prospective or existing customer is unable to provide a reasonable explanation, the suspicious activity shall be reported internally to the MLRO who will evaluate and make a decision as to whether there are grounds to make a suspicious activity report (SAR) externally to the appropriate enforcement and regulatory authorities.
- 12.3 A non-exhaustive list of examples of red flag situations include new and/or existing customers:
- 12.3.1 having concern regarding Capital IFX compliance with government reporting requirements and its AML policies, particularly with respect to his or her identity, type of business and assets, or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents;
 - 12.3.2 refusing to identify or failing to indicate any legitimate source for his or her funds and other assets;
 - 12.3.3 whose signature in the identification documents differ from the signature affixed by the customer in connection with the customer's account and/or commercial transaction;
 - 12.3.4 funding transactions from money transferred in from accounts in financial institutions outside the EC which belong to third parties that have no relation with the customer;
 - 12.3.5 performing multi transactions or currency deals of small amounts below the reporting threshold, within a short period of time, which when aggregated would trigger reporting requirements;
 - 12.3.6 who enter into large transactions to buy forex by depositing funds and then closing the deals for no apparent commercial benefit or reason and withdrawing funds;
 - 12.3.7 who instruct funds and foreign exchange to be paid into "mailbox" or shell company bank accounts;

- 12.3.8 performing frequent transactions which are not related to the main business of the customer in the purchase of foreign exchange;
- 12.3.9 engaging in transactions lacking business or commercial sense or are inconsistent with the customer's stated business;
- 12.3.10 entering into transactions under circumstances which raise a reasonable suspicion that the source of funds originated from other than the customer;
- 12.3.11 or a person publicly associated with the customer, has a questionable background or is the subject of adverse news reports indicating possible criminal, civil, or regulatory violations;
- 12.3.12 appearing to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity;
- 12.3.13 having difficulty describing the nature of his or her occupation, business or lacks general knowledge of his or her industry;
- 12.3.14 who for no apparent reason, has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers;
- 12.3.15 from, or has accounts in, a country identified as a non-cooperative country or territory by the Financial Action Task Force;
- 12.3.16 whose account has a large number of wire transfers to unrelated third parties inconsistent with the customer's legitimate business;
- 12.3.17 whose account has wire transfers that have no apparent business purpose to or from a country identified as a money laundering risk or an offshore tax haven or which promotes banking secrecy as publicised by the OECD; and
- 12.3.18 making funds deposits followed by an immediate request that those funds be wired out or transferred to a third party, or to another firm, without any apparent business purpose, thus using Capital IFX as if it were a bank; and

13. ONLINE PAYMENTS & ELECTRONIC FUND TRANSFER

- 13.1 Capital IFX operates a proprietary electronic trading platform from a UK bank.
- 13.2 Its payment service providers will, as regulated payment institutions or money service businesses, have their own AML Policy and customer

due diligence procedures upon which Capital IFX may seek to rely to supplement its customer due diligence but not as a substitute to their own customer due diligence under AML procedures.

- 13.3 Where possible, it will seek to have electronic transfer payments from customers to be made from the customer's own bank account within the EU, since these banks as regulated financial institutions subject to and required by money laundering regulations to identify and verify their customers.
- 13.4 In instances where the customer is not present, the following procedure is to be adopted as far as practicable by Capital IFX:
 - 13.4.1 inspect and evaluate all customer presented documents;
 - 13.4.2 request by way of enhanced due diligence, provision of additional documents from the customer relating to identification;
 - 13.4.3 request the first payment of funds for the transaction to be effected from an account opened by the customer in his name with an EU bank; and
 - 13.4.4 in the case of a non EU bank, such payment of funds is to be evidenced in copy of the bank remittance advice with that bank's official stamp and date.

14. INVESTIGATION

- 14.1 In the event of a match to the OFAC List or the Financial Sanctions Targets List, Capital IFX will conduct a review of the circumstances and the relevant MLRO and Management will be notified. A suspicious activity report will be made to the relevant enforcement and regulatory authorities. The MLRO is responsible for any notice or filing with law enforcement or regulatory agency.
- 14.2 The investigation will include, but not be limited to, a review of all available information, such as payment history, birth dates, and address. If the findings of the investigation warrant, a recommendation will be made to Management to file a blocked assets and/or a SAR with the appropriate law enforcement or regulatory agency.
- 14.3 Investigation results will not be disclosed or discussed with anyone, including the customer under investigation, other than those who have a legitimate need to know, unless ordered by the courts. Under no circumstances shall Management, MLRO, any officer or employee disclose or discuss any investigation or SAR with customers concerned or any other person. Disclosure is prohibited and tipping off a money launderer or prejudicing an investigation into money laundering is a criminal offence.

15. RECORD KEEPING

- 15.1 The Management and the individual MLRO within the Capital IFX will be responsible to ensure that records are maintained properly and that

suspicious activity reports are filed in the required format and communicated as required. Capital IFX will maintain AML records for at least five years in accordance with the Money Laundering Regulations 2007.

16. TRAINING

- 16.1 Capital IFX has a programme of training arranged for its MLRO to ensure he is kept up to date with developments in law and regulations. The MLRO will ensure staff receives AML training on awareness of legal and regulatory requirements.
- 16.2 The training will include, at a minimum: how to identify red flag situations and other signs of money laundering; what roles Management, the MLRO, officers and employees have within Capital IFX compliance efforts and how to perform such duties and responsibilities; what to do once a red flag situation arises or suspicious activity is detected.
- 16.3 Training will be conducted on an annual basis. Management will, with participation of the MLRO, determine ongoing training requirements and ensure written policies and procedures are updated to reflect any changes required in such training with records of such training kept.

17. POLICY TESTING AND REVIEW

- 17.1 The testing and review of the Policy will be conducted internally by Management from time to time but no more than twice a calendar year. Any findings will be reported to Management for evaluation and action required taken by the MLRO of the company within the Capital IFX, as necessary.