

## **Anti-Money Laundering and Counter Financing of Terrorism Policy WeTrade Capital Limited**

This document sets out the anti-money laundering and counter financing of terrorism policy of WeTrade Capital Limited (Licence number: MB/22/0100) is regulated by Labuan Financial Services Authority with a registered office at Unit Level 9F (2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000, Federal Territory of Labuan, Malaysia ("WeTrade") to comply with international Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") rules and practice the Financial Action Task Force ("FATF")'s recommendation. It is intended to ensure that WeTrade understands and comply with the requirements and obligations imposed to them. WeTrade does not permit the use of its services for money laundering and terrorist financing ("ML/TF") purposes. This policy is also formulated to ensure that all WeTrade employees understand and comply with the requirements and obligations imposed to them, and for awareness, training and education purpose.

### **A. Definition**

#### **1. What Is "Money Laundering"**

Money Laundering encompasses all activities, procedures or processes aimed to legitimize funds obtained through illegal or criminal activities. The services provided by a financial services company might serve as an avenue to launder money. The use of the financial services industry to legitimate the proceeds of crime would also threaten the integrity, trust and confidence of the public in the industry itself. In the bigger scheme of things, money laundering would bring dire social and economic consequences.

#### **2. Stages OF Money Laundering**

a. Placement

In the initial or placement stage of money laundering, the criminal introduces his illegal profit and illicit proceeds into the financial system. This is the physical disposal or dealing of the initial proceeds derived from illegal activities.

b. Layering

After the funds have entered the financial system, the "layering stage" takes place. In this phase, the unlawful profits are separated from their source by creating complex layers of financial transactions designated to disguise the audit trail and provide an appearance of legitimacy as well as anonymity.

c. Integration

When layering succeeds, the criminal proceeds have been successfully laundered, i.e. cleaned and are regarded for all intent and purposes as legitimate funds and are then reintroduced, i.e. integrated back into the financial system through investment in business, purchase of assets.

### **B. What is Financing Terrorism**

Financing terrorism refers to the provision, collection, or management of funds or resources, whether from legitimate or illegitimate sources, with the intention of using them to support terrorist activities or organizations. This funding enables terrorist groups to carry out their operations, including planning and executing attacks, recruiting members, spreading propaganda, and maintaining their infrastructure.

Key aspects of financing terrorism include:

#### **1. Source of Funds**

Terrorist financing can originate from various sources, including legitimate businesses, charitable organizations, state sponsors, criminal activities (such as drug trafficking, smuggling, kidnapping for ransom), and donations from sympathizers.



## 2. Methods of Transfer

Terrorist organizations use numerous methods to move funds, including traditional banking systems, hawala networks (an informal value transfer system based on trust), money service businesses, cryptocurrencies, and cash smuggling.

## 3. Legal and Regulatory Frameworks

Governments and international organizations implement anti-terrorism financing (ATF) measures to detect, prevent, and combat the flow of funds to terrorists. These measures include financial surveillance, regulatory requirements for financial institutions, international cooperation, and sanctions against entities and individuals involved in terrorist financing.

## 4. Impact and Challenges

Financing terrorism poses significant security threats globally, requiring robust international collaboration and constant adaptation of strategies to counter evolving methods used by terrorists to evade detection and fund their activities.

## C. Anti-Money Laundering and Anti-Terrorism Financing

### 1. AML And CFT Risk Assessment

1.1 This AML & CFT Program sets risk assessment process which is grounded on risk-based approach.

1.2 The main components of the risk assessment process are:

- a. Risk identification,
- b. Management and mitigation of risks, and
- c. Risk assessment reporting.

1.3 In identifying ML/TF risks, WeTrade has considered the risk posed by the following risk factors:

- a. Its client types, including any Politically Exposed Persons;
- b. The types of services it provides;
- c. The methods by which it delivers its services;

1.4 The risk assessment will provide the foundation for

- a. The categorization of clients into different due diligence levels within the Know-Your-Client ("KYC") process;
- b. The identification of situations and cases where monitoring and/or other additional risk mitigation measures will be required.

### 2. Risk Factors Considered

Certain client types, services, delivery methods, foreign jurisdiction considerations and business structures and processes can pose a higher ML/TF risk. At a high-level, risk factors that it may reasonably face are identified as follows:

2.1 Client Type:

- a. The client identity, origin of wealth or source of funds cannot be easily verified;
- b. Where the structure of the client/entity renders it difficult to identify the true controlling owner, or where there is no legitimate commercial rationale for the structure;
- c. The client is a Politically Exposed Persons ("PEP");
- d. Clients engaged in a business which involves the physical handling of significant amounts of cash (e.g. currency exchange bureau, money transmitters, dealers in high value goods, on-line



- auction sites, casinos, betting and other gambling related activities who routinely receive payment in cash);
- e. Clients who appear on governments lists, including sanction lists, or other credible sources which trigger risks in respect of corruption and/or criminal activity;
  - f. Clients (not necessarily PEPs) based in, or conducting business in or through, a high-risk geographic location, or a geographic location with known higher levels of corruption or organized crime, or drug production/distribution;
  - g. Charities and other “not for profit” organizations which are not subject to some form of regulatory monitoring or supervision.
  - h. Professional service providers such as lawyers, accountants, investment brokers or other professionals holding accounts for their clients or acting on behalf of their client and where it would be required to place an unreasonable reliance on the professional service provider;
  - i. Requests for undue levels of secrecy with a transaction;
  - j. Whether the client is a long-standing client or undertakes occasional transactions;
  - k. The client’s business activities place the client in a high-risk category (military industry, casino etc.)

## 2.2 The Types of Services Provided

WeTrade is a company structured to provide private banking, asset management and wealth management services to retail and wholesale clients. Although not necessary, certain products, services and transactions in relation to them may pose a higher risk. E.g. the following products and services may pose a high risk under certain circumstances:

- a. Services where large amounts are invested;
- b. Services involving structures intended to (or which can in practice) render a client anonymous (e.g. accounts in the names of trusts or nominees of third persons);
- c. Third-party accounts/client accounts/pooled accounts;
- d. Correspondent banking services.

## 2.3 The Methods By Which It Delivers Its Services

Products and services provided in a non-face to face process, i.e. when the client has not been physically present for identification purposes may pose higher risks.

## 2.4 Foreign Jurisdictions

Clients based in, or conducting business through, certain countries may pose a higher risk. Criteria for identifying high risk countries are e.g.:

- a. Countries identified by credible sources as providing funding or support for terrorist activities or who have terrorist groups working within the country;
- b. Countries subject to sanctions and embargoes by the United Nations;
- c. Countries identified by credible sources as having significant levels of corruption and/or criminal activity;
- d. Countries identified by credible sources as lacking appropriate AML and CFT legislation;
- e. Countries identified by the FATF as non-co-operative countries and territories.

## 2.5 Business Structure and Process

WeTrade’s simple organizational and business structure as well as clearly defined business and operational processes allow to define AML and CFT risk according to this criterion as low.

## 3. Management and Mitigation of Risks

3.1 Based on the risk assessment foundation, the following measures shall be applied:

- a. Assigning risk level (low, medium or high) to all clients, based on the risk assessment foundation,
- b. Applying enhanced due diligence measures to high-risk clients,



- c. Increasing staff awareness and knowledge of AML and CFT and WeTrade's measures to prevent it (e.g. through frequent/deeper staff training),
  - d. Monitoring of clients' activities and transactions, carried out manually by the client relationship manager within ongoing client due diligence, and electronically by AML and CFT Compliance Officer (s),
  - e. Escalating the decision regarding establishment of a relationship in the case of a high-risk client, or (where appropriate) carrying out of a specific action, including procedures for the rejection or termination of client relationships, and
  - f. Reviewing and amending AML and CFT processes and routines.
- 3.2 Whenever a certain risk is identified that needs mitigation, risk mitigation measures shall be considered and implemented in relation to each of new and existing clients, and new and existing products and services. If the identified risks cannot be mitigated immediately, an action plan shall be established.

#### **4. Function in AML and CFT**

- 4.1 WeTrade has established compliance function within the bank directly reporting to the Board of Directors, led by Chief Compliance Officer and having specifically dedicated staff as AML&CFT Compliance Officers.
- 4.2 The responsibilities of Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) Compliance Officers are critical in ensuring that financial institutions comply with regulations designed to prevent money laundering and terrorist financing. These officers play a pivotal role in safeguarding the integrity of the financial system. Their responsibilities typically include:
- a. Monitoring compliance and adherence to the obligations of the AML and CFT Act;
  - b. Receiving and investigating reports of suspicious matters activities;
  - c. Adopting a risk-based approach to monitoring client activity to identify suspicious activity;
  - d. Ensuring that proper AML and CFT records are maintained;
  - e. Reporting suspicious activity to the Financial Intelligence Unit of Labuan Financial Services Authority ("FIU");
  - f. Providing advice to representatives;
  - g. Receiving and carrying out directions or orders issued by Chief Compliance Officer and/or Authorities; and
  - h. Liaison with regulatory bodies and law enforcement in respect of suspicious activity reporting and threshold reporting.
- 4.3 AML and CFT related responsibilities of Chief Compliance Officer(s):
- a. Preparation and review of AML Policy and Programme;
  - b. Overseeing communication and training for employees;
  - c. Providing advice to AML&CFT Compliance Officers and other Representatives;
  - d. Submitting reports to the Board (at least annually);
  - e. Lodging annual compliance report with Authorities;
  - f. Receiving and carrying out directions or orders issued by Authorities; and
  - g. Liaison with other regulatory bodies and law enforcement in respect of suspicious activity reporting and threshold reporting.
- 4.4 Chief Compliance Officer as well as AML and CFT Compliance Officer(s) are authorised and have full capacity to act independently in order to fulfil the commitments of his/her role as well as receive all information necessary to carry out the compliance functions from the Representatives.
- 4.5 The compliance function must be consulted prior to WeTrade: introducing a new designated service to the market; introducing new methods of delivery of a designated service; and/or introducing any new or developing technology used for the provision of designated services to enable the AML and CFT Compliance Officer(s) to identify any significant changes in ML/TF risks and to formulate controls to mitigate and manage those risks.



## **5. Risk Assessment Reporting**

- 5.1 It is the responsibility of AML&CFT Compliance Officer(s) to report suspicious activity or transactions and file incident reports to the Authorities as well as keep the Chief Compliance Officer informed on the everyday basis about all AML and CFT issues, defaults or incidents.
- 5.2 Chief Compliance Officer shall, on an ongoing basis, inform the Managing Director and the Board of Directors of the material events related to management and mitigation of Money Laundering risks in WeTrade.
- 5.3 The relevant reported AML and CFT related information is included in an annual compliance report prepared by the Chief Compliance Officer and presented to the Board of Directors. The report shall contain information on incidents and/or outlined areas that need improvement and where there are deficiencies or proposals for improvement, a plan showing how these are to be handled.
- 5.4 Records shall be kept of all reports in accordance with general record keeping principles.

## **6. AML And CFT Training Programme**

- 6.1 Appropriate training regarding money laundering and terrorist financing is vital in managing the ML/TF risk. Accordingly, all Representatives of WeTrade are required to undergo training in AML and CFT laws and WeTrade's internal policies. For its ML/TF controls to be successful, training programmes are formulated having regard to the representative's level of responsibility and position.
- 6.2 Ongoing training will depend upon staff promotions and/or depending upon the level of assessed ML/TF risk of the designated service.
- 6.3 The training can be internal or external (by contracted training organizations). Specific AML and CFT related external training would be available to certain Representatives according to their responsibilities (such as Chief Compliance Officer, AML/CFT Compliance Officers etc.). It is a responsibility of Chief Compliance Officer to arrange internal training. Ongoing training will occur on a periodic basis.
- 6.4 At a minimum the AML and CFT training programme will be designed to enable Representatives to understand the following:
  - a. The AML and CFT Policy;
  - b. The AML and CFT Programme;
  - c. The obligations of WeTrade under the AML and CFT Act and underlying legal requirements;
  - d. The types of ML/TF risk WeTrade might face and the potential consequences of such risks;
  - e. How to identify signs of ML/TF that arise while carrying out their duties;
  - f. Escalation procedures i.e. what to do once a ML/TF risk is identified;
  - g. What employees' roles are in the firm's compliance efforts and how to perform them i.e. the processes and procedures relevant to each person's role;
  - h. The company's record keeping and record retention policy; and
  - i. The consequences (including civil and criminal penalties) for non-compliance with the AML and CFT Act and supporting Rules.
- 6.5 Records of training must be maintained to demonstrate that the person/s attended the training session/s, the dates of training, a brief description of the subject matter of the training provided and the number of hours (or level of accreditation) for attending the course/session/seminar.
- 6.6 Training frequency:
  - a. Annually: All employees dealing with client-related matters or, who, due to the nature of their position, have special needs of AML knowledge, shall undergo training, be updated and/or informed regarding important and relevant AML regulations and relevant internal procedures



as appropriate. All newly on boarded Representatives shall undergo training within 3 (three) months.

- b. Ongoing: For employees operating in areas which may represent high risk, e.g. correspondent banking, the need for tailor made training or information shall continuously be assessed by Chief Compliance Officer in collaboration with the business, and when a need is identified, action shall be taken.

## 7. Monitoring Process and Suspicious Matter Reporting

- 7.1 WeTrade has implemented transaction monitoring process defined herein which includes appropriate risk-based systems and controls to scrutinize transactions that are inconsistent with information held about the business relationship with the reporting entity. The transaction monitoring system is set to identify any transaction that appears to be suspicious, complex, unusual and have no apparent visible economic or lawful purpose;
- 7.2 WeTrade has also implemented client monitoring process where it monitors its relationship with its client ensuring that the client's activities being conducted are consistent with WeTrade's knowledge of the client, the client's business, source of funds and risk profile;
- 7.3 Client activities and transactions shall, based on a risk-based approach, be monitored by the client relationship manager within day-to-day activities and within ongoing client due diligence and electronically by AML and CFT compliance officer(s). Any and every payment that wouldn't fall within the expected payments associated with certain clients should be singled out and further examined by the AML/CFT Compliance Officers.

For the avoidance of doubt, WeTrade will screen client names against the United Nations Security Council Consolidated List ("UNSC Consolidated List") during the onboarding process. Every time the UNSC Consolidated List is updated, an ongoing screening of the client will be made against it. The screening frequency is by annually.

- 7.4 All monetary transactions and related data (accounts, involved parties and relations) are to be individually and manually reviewed and their purpose verified by the document substantiating the purpose of the transaction (contracts, invoices, loan agreement etc.). This requirement may be exempted in cases of small amount transaction or otherwise due to risk-based approach applied in the Bank. Furthermore, every incoming and outgoing payment must be filtered through the World Check's sanctions lists and/or any other reliable sources available to the Representative at the moment.
- 7.5 The initial or ongoing due diligence and monitoring may give rise to concerns requiring a review. The following are examples of circumstances which may give rise to such concerns:
  - a. Refusal to disclose details concerning business activities, e.g. unwillingness to disclose the source of funds or wealth or unwillingness to provide names of and other information on owners and other people with significant control over the business entity,
  - b. The behavior of the client diverges from previous pattern or stated pattern, e.g. an inactive account suddenly becomes active with large transactions,
  - c. A prospective client promises a trading volume, which does not make economic sense in the light of his background and other activities,
  - d. The purpose and intent behind the transaction or relationship is unclear, e.g. when the commercial rationale for certain service is missing or weak,
  - e. The representative suspects on reasonable grounds that the client is not the person they claim to be or that the clients agent is not the person they claim to be,
  - f. The Representative suspects on reasonable grounds that the provision, or prospective provision, of the service is preparatory to the commission of an offence of financing of terrorism.
- 7.6 The assessment as to what constitutes suspicion shall be based on the information about the client received by the Representative handling the matter, and the scope of the client's business, along with the Representatives general knowledge of deviating or suspicious transaction or activity patterns.



- 7.7 If the result of a review gives rise to an actual or potential suspicion related to Money Laundering the Representative shall immediately report the issue to compliance function, which shall initiate an investigation and decide whether to report the issue to the FIU. Matters of a more serious nature where a report to FIU has been filed shall be reported to the Board of Directors.
- 7.8 AML/CFT Compliance Officer (s) are responsible for the reporting to FIU.
- 7.9 Detailed suspicious matter reporting requirements are set in AML&CFT Act Part 6 and include:
- a. Obligation to report suspicious transaction (“STR”);
  - b. Obligation to report suspicious activity (“SAR”);
  - c. Obligation to report transaction conducted by prescribed entities (as defined in AML&CFT Act Rules Article 11);
  - d. Obligation to report transaction involving terrorist property;
  - e. Obligation to report certain transaction with no legitimate purpose;
  - f. Other reporting obligations which may or may not relate to suspicions in ML/TF activities, and include obligation to report international currency transfers, obligation to report large cash transactions (not applicable to WeTrade since no cash transactions are allowed).
- 7.10 The procedure for suspicious matter reporting is described below.
- 7.11 STR is to be filed on a transaction or attempted transaction regarding which WeTrade suspects or has reasonable grounds to suspect that it involves proceeds of a crime, relate to terrorist financing, is complex, unusual or large, and does not have any apparent visible economic or lawful purpose.
- 7.12 In slight contrast, a SAR shall be reported on a series of transactions and/or attempted transactions (which form a pattern or trend) which WeTrade suspects or has reasonable grounds to suspect to involve proceeds of crime or is related to terrorist financing.
- 7.13 It is important that any attempt to overcome the threshold requirements by conducting 2 or more transactions below the prescribed threshold amounts with the purpose to avoid the reporting has been identified, investigated and where necessary reported to the authorities.
- 7.14 Reports filed with FIU on suspicious Money Laundering or financing of terrorism shall be recorded and kept according requirements set out in this Programme.
- 7.15 It is prohibited to disclose to the client concerned or to other third persons outside WeTrade the fact that a report has been filed or that a Money Laundering investigation is being or may be carried out.

## **8. Record Keeping**

- 8.1 In accordance with meeting legislative obligations, WeTrade will retain all records relevant to its AML and CFT Programme and policies, including the following:
- a. The AML and CFT Programme and all reviews and addendums to the same;
  - b. Its AML and CFT Policy and all reviews and addendums to the same;
  - c. Transactional records;
  - d. Client identification and verification records;
  - e. Audits and compliance reviews;
  - f. Suspicious matter and other reports made to FIU;
  - g. All enquiries relating to ML and TF made to WeTrade by the FIU or law enforcement agency;
  - h. Management approvals;
  - i. Client account/relationship records;
  - j. Annual compliance reports and other management reports;
  - k. Training and compliance monitoring reports; and
  - l. Information relating to the effectiveness of training.



- 8.2 Records in respect of client identification and verification are to be retained for 6 years after account closure.
- 8.3 Where WeTrade (or its agent or intermediary) carries out a client identification and verification procedure with respect to a prospective client to whom WeTrade proposes to provide a service, it must make (and retain) a record of:
  - a. The procedure (i.e. the Checklist); and
  - b. Information obtained in the course of carrying out the procedure (i.e. supporting documentation to verify the identification of the client); and
  - c. Such other information (if any) about the procedure as is specified in the AML and CFT Act.
- 8.4 Records in respect of financial transactions are to be retained for six (6) years after the date of the transaction.
- 8.5 AML and CFT Programme and addendums together with any documentation relevant to the reason for amendment are also to be retained for 6 years after the adoption of the AML and CFT Programme and/ or amendments cease to be in force.

## **9. Financial Intelligence Unit (FIU) Feedback**

- 9.1 FIU is the main AML and CFT regulator. FIU's role is to monitor WeTrade's compliance with the AML/CFT legislation.
- 9.2 FIU may provide WeTrade with feedback in respect of its performance on the management of ML/TF risk. FIU also has the power to compel licensees to produce certain information.
- 9.3 The receipt of any notice, direction or recommendation from FIU will be immediately referred to the AML and CFT Compliance Officer.
- 9.4 Notices from FIU may include the following:
  - a. To compel production of information or documents;
  - b. To enter premises under a monitoring warrant;
  - c. To require an external audit or AML and CFT risk assessment;
  - d. To provide remedial direction; and
  - e. To accept enforceable undertakings.
- 9.5 The Chief Compliance Officer as well as AML and CFT Compliance Officer (s), in conjunction with other representatives, will take all steps necessary to comply with any feedback, notices, orders, warrants etc or to implement any directions issued by FIU.
- 9.6 The AML and CFT Compliance Officer will prepare appropriate reports for FIU. Reports required by law or by FIU will be forwarded within the period specified in such law or any notice or order or if FIU allows a longer period, that longer period.
- 9.7 The Chief Compliance Officer as well as AML and CFT Compliance Officer (s) will have due regard to any feedback provided by FIU in respect of WeTrade's performance in managing its ML/TF risks. Such feedback will be incorporated into ongoing monitoring programmes and the AML and CFT Programme will be amended (where appropriate).
- 9.8 The Chief Compliance Officer will be responsible for the implementation of any specific recommendations made by FIU to WeTrade in respect of its ML/TF risk management performance.
- 9.9 The AML and CFT Compliance Officer (s) will monitor FIU information sources, circulars, and guidance notes, in respect of domestic and international issues which may affect the business. This includes financial sanctions and updates to lists of terrorist groups.



## **10. Independent Review of AML And CFT Programme**

10.1 A review of the AML and CFT Programme will be undertaken annually by the Chief Compliance Officer together with the review of the whole Programme and Policy or as part of conducting independent AML/CFT risk assessment.

10.2 The review of the Programme and/or independent AML/CFT risk assessment may be also undertaken by an external service provider that will be retained to conduct the review (outsourced independent assessment as third line of defence).

10.3 The purposes of the review will be to:

- a. Assess the effectiveness of the AML and CFT Programme, having specific regard to the ML/TF risks faced by WeTrade;
- b. Assess whether AML and CFT Programme complies with the AML and CFT Act;
- c. Assess whether the AML and CFT Programme has been effectively implemented; and
- d. Assess whether WeTrade have complied with the AML and CFT Programme.

10.4 The result of the review, including any report prepared, will be provided to the Board of Directors.

## **11. Systems To Re-Assess Risk**

11.1 WeTrade will continue to review all areas of its business to identify potential ML/TF risks that may not be covered in the procedures described above. The additional areas of ML/TF risks are in respect of new products, services, distribution channels and developing technologies.

11.2 Additional procedures to address these ML/TF risks are as follows:

- a. Chief Compliance Officer will be consulted by any person having responsibility for a new service or method of delivery or new technology ("the project manager") at design stage or prior to the introduction of the new service, delivery method or technology. He will be required to advise on the ML/TF risk factors which are to be considered having regard to:
  - b. The target market (client type);
  - c. The service features;
  - d. Foreign jurisdictional features / offerings;
  - e. Any electronic access to / the delivery method of the service;
  - f. The business structure and process.

11.3 The Chief Compliance Officer or appointed responsible AML and CFT Compliance Officer will, in consultation with the project manager undertake the risk assessment and formulate the controls and systems to manage any ML/TF risks.

11.4 The Chief Compliance Officer or appointed responsible AML and CFT Compliance Officer will review the AML and CFT Programme, policies and procedures to ensure that any new ML/TF risks are identified in the AML and CFT Programme and amendments to the AML and CFT Programme are made. All amendments will require Board approval.

11.5 The Chief Compliance Officer or appointed AML and CFT Compliance Officer will formulate staff awareness and training programmes in respect of the change to ML/TF risks and will oversee the delivery of training programmes.

11.6 All records relevant to the risk assessment, addendums to the AML and CFT Programme and the training programmes are to be retained.

11.7 The Chief Compliance Officer or appointed AML and CFT Compliance Officer will ensure that any government or FATF findings concerning the approach to money laundering and terrorism financing prevention in particular countries or jurisdictions, is assessed and appropriate amendments made to the AML and CFT Programme. Furthermore, all compliance procedures will be made and communicated to all Representatives