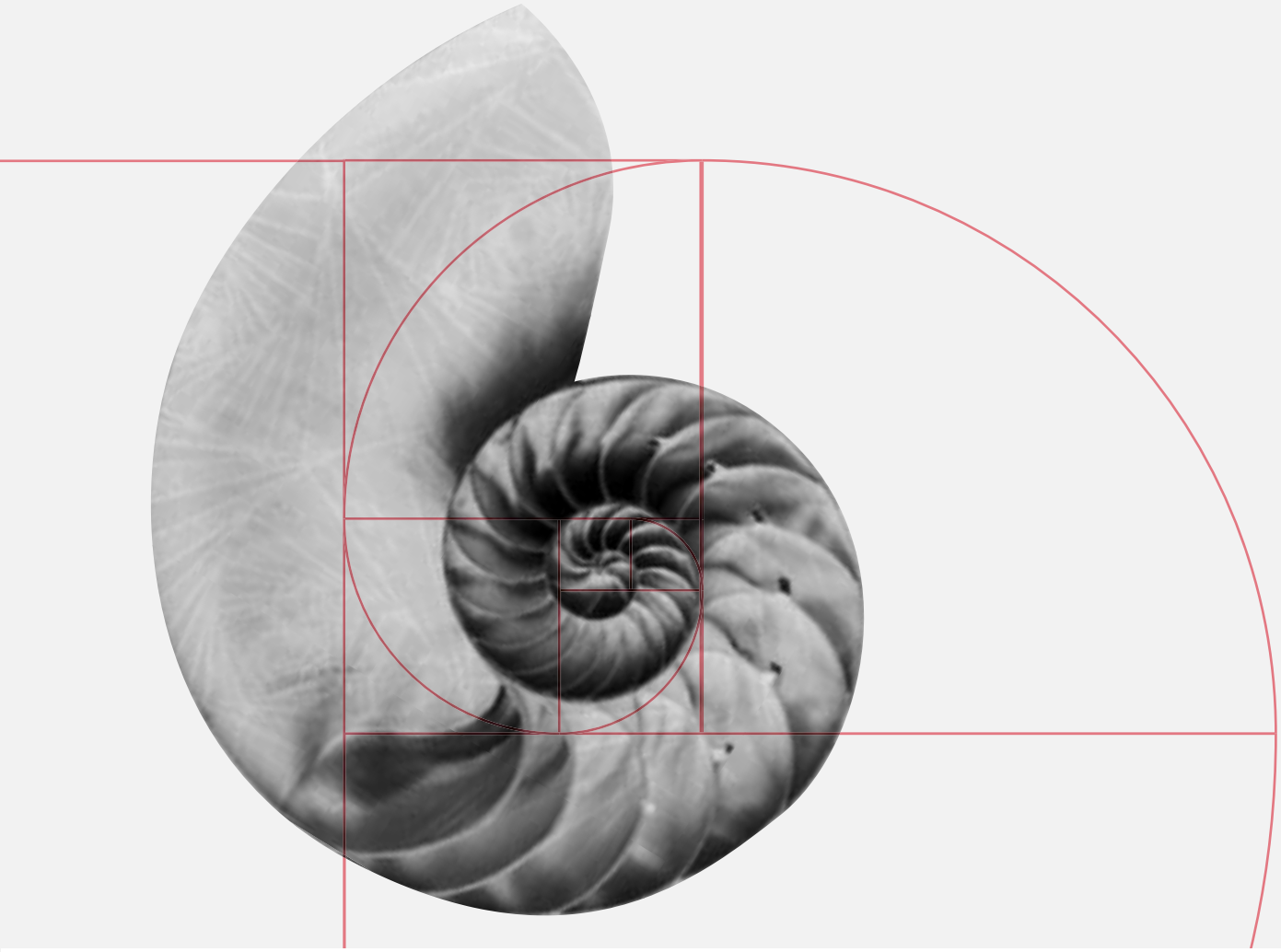
CORDROS

Anti-Money Laundering & Counter Financing Terrorism Policy.



Non-adherence to any part of this policy may result in disciplinary action including dismissal from the employment of Cordros Capital Limited and its subsidiaries

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Foreword.

Cordros Capital Limited and its subsidiaries (Cordros) conduct business in the Federal Republic of Nigeria and is committed to assisting the fight against money laundering [ML] and terrorist financing [TF], by operating an effective risk-based approach. By doing so, the firm will seek to maintain compliance with legislative and regulatory requirements.

This policy actively manages risks associated with money laundering and terrorist financing, and through risk mitigants, seeks to prevent, detect and report suspicions of money laundering and terrorist financing.

1. *Purpose*

This policy sets out Cordros' (the Firm) principles and measures adopted to ensure that the firm adheres to applicable laws and regulatory requirements in relation to combating money laundering, corruption and terrorist financing. This document describes the degree of due diligence to be applied when establishing, managing, monitoring and declassifying/terminating business relationships at the various stages of the client relationship lifespan.

This document requires that the firm, all its branches and representative offices comply with the following basic principles:

i. We do not accept funds which we know, or are expected to know, are proceeds of criminal activities.

ii. We do not enter into or maintain business relationships with shell banks (a financial Institution with no physical presence in any country).

iii. We must always determine the identity of a contracting party and beneficial owners in respect of a transaction.

iv. A risk-based approach is applied throughout clients' relationship lifespan.

v. We undertake additional investigations for business relationships and transactions with increased risks

For employees, the main objectives of this policy are to:

i. Enhance awareness of all employees (especially those in higher-risk roles) to the money laundering and financing terrorism risks the business faces;

ii. Enable staff follow a Risk Based Approach in mitigating money maundering (ML) and terrorism financing (FT) risks, and provide reasonable assurance that the firm does not accept assets which it knows or should reasonably be expected to know are proceeds of crime;

iii. Ensure that the firm remains complaint with all relevant money laundering legislation and regulation;

iv. Define a framework for staff encountering suspicious activity, transactions or behavior to escalate/notify the Money Laundering Compliance Officer (MLCO) or Compliance Dept.;

v. Retain the confidence of the Organization's key stakeholders, including regulators and law enforcement agencies.

2. *Scope*

This policy applies to all businesses undertaken by the firm where it is required to identify and undertake due diligence with respect to clients' relationships for anti-money laundering purposes. The policy applies to all employees of the firm and each member of staff must ensure they understand the personal roles and responsibilities resulting from this policy.

Non-adherence to any part of this policy may lead to disciplinary action, up to including dismissal.

This policy does not intend to discourage any business area from engaging in activities that may be perceived as higher risk, but, simply ensures that any such relationships can be engaged in a manner that safe guards the integrity and reputation of the financial industry and the firm.

3. *Roles and Responsibilities*

(a) The Board

The Board will be responsible for ensuring the AML/CFT measures adopted by the firm are sufficiently robust and adequate for the firm's operations. The Board will also have the responsibility of ensuring that any staff involved in whistleblowing or making suspicious activity reports is protected from any form of victimization.

(b) Executive Management

The implementation and maintenance of an effective AML program that meets the firm's objectives will primarily be the responsibility of Executive Management led by the CEO. The executive Management team must ensure adequate resources are made available for the implementation, review and control of the AML/CFT program, including the appointment of an AML/CFT Compliance Officer with the relevant competence, authority and independence to undertake the institution's AML/CFT compliance program.

(c) AML/CFT Compliance Officer

The duties of the AML/CFT Compliance Officer, among others, will include:

i. Developing an AML/CFT Compliance manual;

ii. Providing reports to the Board on issues of the Company's AML/CFT program;

iii. Receiving and vetting suspicious transaction reports from staff;

iv. Filing suspicious transaction reports with the NFIU;

v. Rendering regulatory reports with the NFIU, where necessary, to ensure compliance;

vi. Ensuring that the firm's compliance program is implemented;

vii. Coordinating the training of staff in AML/CFT awareness, detection methods and reporting requirements; and

viii. Serving both as liaison officer with the SEC and NFIU and a point-of contact for all employees on money laundering and terrorist financing issues.

4. *Overview of Money Laundering*

(a) What is Money Laundering

Money Laundering is the process by which money that is illegally obtained is made to appear to have been legally obtained. By a large variety of methods, the nature and ownership of these criminal proceeds are concealed. The consequence is that the origin of and the entitlement of the money are disguised and the money can be reused to benefit the criminal and/or their associates.

This process is often achieved by converting the original illegally obtained proceeds which can take the form of cash, property, and jewelry, into other forms such as deposits or securities, and to confuse the audit trail, such converted proceeds are transferred from one financial institution to another.

(b) The Three stages of Money Laundering

Regardless of who uses the device of money-laundering, the operational principles are essentially the same. Money-laundering is a dynamic three-stage process that requires:

i. Placement:

Moving the funds from direct association with the crime and entering same into the financial system. Generally, this stage serves two purposes; (a) it relieves the criminal holding and guarding large amounts of bulky cash; and (b) it places the money into the financial system. It is during the placement stage that money launderers are most vulnerable to being caught. This is due the fact that placing large amounts of money into the legitimate financial system may raise the suspicions of anti-money laundering officers.

The placement of the proceeds of crime can be done in a number of ways. For example, cash could be packed into a suitcase and smuggled to a country, or the launderer could use structuring to evade reporting threshold laws and avoid suspicion. Some other common methods include:

- Loan Repayment: Repayment of loans or credit cards with illegal proceeds
- Gambling: Purchase of gambling chips or placing bets on sporting events
- Currency Smuggling: The physical movement of illegal currency or monetary instruments over the border
- Currency Exchanges: Purchasing foreign currency with illegal funds.
- Blending Funds: Using a legitimate cash focused business to co-mingle dirty funds.

ii. Layering:

Disguising the trail to foil pursuit. After placement comes the layering stage. The layering stage is the most complex, and often entails the international movement of funds. The primary purpose of this stage is to separate illicit money from its source. Money launders achieve this by a series of sophisticated transactions that obscure the audit trail and sever link with the original crime. e.g. the money launderers may begin to move funds electronically from one country to another, then divide them into investments placed in advanced financial options or foreign markets, constantly moving to elude detection.

iii. Integration:

This is the final stage of money laundering. It is the stage the money is made available to the criminal in what seems to be legitimate sources. Having been placed initially as cash and layered through a number of financial transactions, the criminal proceeds are now fully integrated into the financial system and can be used for any purpose.

It has increasingly been recognized that the ease with which money can be laundered has facilitated and encouraged criminal activity. Consequently, regulations requiring all financial institutions to establish appropriate and risk proportionate systems and controls are in place. In keeping with our regulatory and legislative obligations we must take precautions to mitigate the risk of our operations being used for criminal purposes such as money laundering, terrorist financing, corruption or for activities conducted in contravention of sanctions.

5. *The AML Policy*

(a) The Policy

It is the policy of Cordros to comply with all relevant Anti-Money Laundering and Counter Financing of Terrorism Legislations and Regulations in Nigeria and International best practices.

All staff and senior management are committed to the adherence to regulations and statutes in place, to prevent Financial Crime, Terrorism and Money Laundering. To achieve this, the Firm will implement and adhere to the Securities and Exchange Commission's regulations on AML and industry best practice. All employees must read this AML/CFT Manual and failure to follow the procedures set out herein may lead to disciplinary action and where appropriate, dismissal regardless of any regulatory or statutory sanction that may also be applied to the employee. The firm undertakes to:

i. Ensure that clients' identities are satisfactorily verified;
ii. Ensure that the clients are known at the acceptance stage and throughout the business relationship;
iii. Ensure that all employees are suitably trained;
iv. Encourage awareness of the need for employees to report promptly any suspicious client or transaction;
v. Adopt and communicate a risk-based approach in verifying the identity of clients and the authenticity of transactions;
vi. Allocate senior management with appropriate responsibilities for managing the risks associated with AML and Terrorist Financing; and
vii. Appoint and support a designated AML/CFT Compliance Officer.

(b) Regulatory overview

As a business registered and regulated in Nigeria, the firm is required to comply with two parallel regimes: the regulatory and legislative regimes.

i. **Regulatory**: The regulatory requirements as prescribed by the SEC (Capital Market Operators Anti-Money Laundering and Combating the Financing of Terrorism) Regulations, 2013 and Rule 9.12 & 9.13 of the NSE rulebook which aims to prevent and detect money laundering and to counter terrorism financing. To achieve this, the regulations sets out systems and controls that require senior management to establish appropriate procedures and controls to manage the risk of a firm's services or products being used for the purposes of financial crime.

   The SEC regulations, 2013 relate to institutional liability generally and they require systems and procedures to be implemented to deter criminals from using financial institutions to launder money. The Policies and procedures to be established, and discussed later in the Manual, include

   - Customer due diligence (CDD) measures and on-going monitoring;
   - Internal reporting;
   - Record-keeping procedures
   - Internal controls
   - Risk assessment and management;
   - Compliance monitoring
   - Recognition of suspicious transactions and reporting procedures
   - Staff training programs

   Failure to implement these measures will institute proceeding by the Securities Exchange Commission for money laundering regulatory infractions.

ii. Legislative:

The legislative requirements in the Money Laundering Prohibition (Amendment) Act (MLPA), 2012, The Terrorism (Prevention) Act 2011 and The Terrorism (Prevention) (Amendment) Act, 2013 are the set of money laundering legislation applicable throughout Nigeria to the proceeds of all crimes. Within the legislation, there is a disclosure regime contained which makes it an offence for a firm or an employee of the firm not to disclose knowledge or suspicion of proceeds of crime and money laundering. The list of crimes includes, but not limited to:

- Participation in an organized crime and racketeering;
- Terrorism, including terrorist financing;
- Trafficking in human beings and migrant smuggling;
- Sexual exploitation, including sexual exploitation of children;
- Illicit trafficking in narcotic drugs and psychotropic substances;
- Illicit arms trafficking;
- Illicit trafficking in stolen and other goods;
- Corruption and Bribery;
- Fraud;
- Counterfeiting currency;
- Counterfeiting and piracy of products;
- Environmental crime;
- Murder, grievous bodily injury;
- Kidnapping, illegal restraint and hostage taking;
- Robbery or theft;
- Smuggling;
- Extortion;
- Forgery;
- Piracy; and
- Insider trading and market manipulation.

Further, Cordros Capital Limited has the duty to:

- Ensure transactions above the threshold of N5,000,000 for individuals and N10,000,000 for corporate persons, or the equivalent in any currency, are reported to the NFIU and Securities and Exchange Commission ("SEC")
- Ensure a transfer of funds or securities to or from a foreign country in excess of US$10,000 or its naira equivalent is reported to the Securities and Exchange Commission ("SEC") and NFIU.

6. *Principal provisions of Money Laundering Prohibition (Amendment) Act 2012*

Cordros Capital Limited faces AML and anti- corruption scrutiny from the following regulatory bodies (in addition to other statutory bodies):

- Securities and Exchange Commission (SEC)
- Special Control Unit Against Money Laundering (SCUML) - (NFIU)
- Nigerian Stock Exchange (NSE)

The MLPA 2012 creates four main offences broadly described below:

- Assistance
- Failure to report
- Retaining
- Tipping off

(a) Assistance:

It is an offence for any person to acquire, use, possess, conceal, disguise, convert, transfer or remove property out of Nigeria, or to enter into an arrangement that they know or suspect facilitates the acquisition, retention, use or control of criminal property on behalf of another person.

It is an offence to assist anyone whom you know or suspect to be laundering any property obtained from criminal conduct. However, to be guilty of an offence of this type, the individual must have done more than simply committing the act of assistance, but must have done so with requisite knowledge.

This means that the person must either know or suspect that the property represents proceeds of a criminal conduct, or that he/she is helping someone who is, or has been engaged in or benefitting from a criminal conduct. Anyone found guilty of this offence and convicted carries a prison sentence of not less than 2 years.

(b) Failure to report:

The mandatory reporting offence now applies to those working in the financial sector, such as the employees of this firm. It is an offence for any person that discovers information during the course of their employment that makes them know or suspect that criminal funds are being laundered, or which raises reasonable grounds for suspicion, not to report their knowledge to the firm's designated Money Laundering Compliance Officer or law enforcement agencies, where necessary.

In addition to the MLPA 2012, there is a specific Nigerian legislation relating to terrorism. The main legislation, The Terrorism (Prevention) Act 2011 and the Terrorism (Prevention) Amendment Act, 2013 makes it an offence for those working in the regulated sector who fail to report (as soon as possible) any knowledge, suspicion, or reasonable grounds for suspicion of offences or attempted offences relating to the following:

i. Fund raising: covers inviting another to provide money or property to fund terrorism
ii. Use and possession: covers using money or other property for the purpose of terrorism
iii. Funding arrangements: Covers involvement in funding arrangements as a result of which money or other property is made available to terrorism

(c) Retaining:

Any person who retains the proceeds of a crime or of any illegal activity on behalf of another person commits an offence and will

be liable on conviction to imprisonment for a term of not less than 5 years or to a fine equivalent to five times the value of the proceeds of the criminal conduct or to both such fine and term of imprisonment.

(d) Tipping off:

Even where suspicions are reported, staff must generally be careful not to alert the suspicions of the alleged launderer, as this can amount to an offence for the employee. This offence, if convicted, is punishable by a term of imprisonment of between two and three years or a fine of **N500,000.00 to N1,000,000.00.**

Where a firm is convicted of an offence under the Money Laundering (Prohibition) Act, the Federal High Court may order that the corporation be wound up and its properties forfeited to the Federal Government of Nigeria. Staff must remain vigilant and ensure that no client relationship exposes the firm to this risk.

IF YOU BECOME SUSPICIOUS OF ANYTHING THAT INDICATES CRIMINAL ACTIVITY INCLUDING BUT NOT LIMITED TO MONEY LAUNDERING YOU ARE REMINDED OF YOUR OBLIGATIONS AND RESPONSIBILITIES TO REPORT THE SUSPICION TO THE COMPLIANCE DEPARTMENT IMMEDIATELY

7. *Risk - Assessment*

In order to comply with anti-money laundering and terrorist financing regulatory requirements, we detail below the Risk Assessment for the firm.

The Business will undertake a periodic risk-based assessment of its money laundering risks with the aim of using internal and external information to identify the major risk areas in relation to our clients, products and services. In instances where risks have been identified as High or Higher, the firm will review the relationship at least annually. In addition, a Risk Management Committee will be established and meetings will be conducted to raise and address issues and questions regarding the application of the risk-based approach.

Each business unit will need to consider its AML and CTF risks by taking into consideration its business, products and clients.

(a) Risk Based Approach:

The firm will use appropriate risk variables to classify all its clients into one of three (3) AML risk grouping; High, Medium or Low Risk and ensure that these assessments are subject to regular review. The Firm will consider a number of factors when determining the risk profile of a client. This will include, but not limited to, the clients Political Exposure (PEPs), geographic or domicile risks (Country location) and industry/ activity risks. Overall, as part of the firm's risk-based approach, Management commits to:

i. Establish clear client acceptance standards which elevate to require enhanced due diligence as the risk of the client increases

ii. Establish procedures relating to client identification and screening against appropriate information sources and/or databases to determine acceptability

iii. Establish procedures to ensure client profiling identifies the purpose and reasons of clients seeking a business relationship with the firm

iv. Ensure roles and responsibilities are clearly defined and documented

v. Establish and conduct relevant training

vi. Appoint a designated money laundering compliance officer responsible for oversight of the AML program

vii. Establish monitoring procedures designed to identify and report unusual or suspicious activity

viii. Maintain records of the client verification process and transactions for the period stipulated by law.

8. *Client/Customer Due Diligence Measures*

(a) Who is our client?

One of the most important ways in which money laundering can be prevented is by establishing the identity of clients prior to commencing a business relationship with them. So, it is vital that we must clearly identify who the underlying client/s is/are. You must Know Your Customer (KYC). In some complex arrangements you may wish to seek advice from the Money Laundering Compliance Officer, but generally the relationship will be clear.

Know your clients (KYC) requirements:

i. help the firm, at the time client's due diligence is carried out, to be reasonably satisfied that customers are who they say they are, to know whether they are acting on behalf of others, whether there are any government sanctions against serving the client, and

ii. assist law enforcement with information on customers or activities under investigation

The client must be identified as soon as reasonably practicable after first contact with us and then verified promptly. In most cases we will obtain this information before processing a financial transaction.

Where a client cannot be verified satisfactorily the matter must be brought to the attention of the Money Laundering Compliance Officer. The unwillingness of the client to undergo the due diligence process may be a factor for suspicion.

KYC should not just end at verifying the identity of the client, but also establishing the nature of business to be undertaken. Client Relationship Managers (CRM) are required to fully assist the Compliance Department in obtaining all

relevant information in relation to the client. The additional information to be obtained at the start of a client relationship may include:

- Purpose/reason for establishing relationship
- Anticipated nature and level of activity
- Relationships of signatories and underlying beneficial owners
- Expected origin of funds

Employees, especially CRMs should note that the firm needs to identify who has control over the funds that form or relate to the relationship being initiated. If this cannot be easily identified, you must discuss the potential transaction with the Money Laundering Compliance Officer.

(b) Sanctions Check

All potential clients should be checked against the EFCC, the Nigerian Police Force and the United Nations Security Council sanctions lists for financial sanctions targets. This should be undertaken before conducting the transaction for the client. Post transaction checking should only be in exceptional cases as determined by the Compliance department. All employees are reminded that it is a criminal offence to make funds or financial services available to any persons listed on the sanctions list.

(c) Client Take-on process (On - Boarding)

When a client is introduced to company, either through a marketing channel or a direct request for financial service from Cordros Capital Limited, the take on process **MUST** be followed. It is envisaged that the below steps may take place at the same time and therefore these steps are an illustrative work flow. However, all steps must be completed prior to undertaking any new business.

Process Summary

- The person who is introducing the business must have completed the Company's client on-boarding form prior to commencing business.
- Obtain the full individual/ business name/company name of the client;
- Ensure the proposed business is within permitted business activities of this Firm
- If a corporate client, ascertain that the individual/s is/are authorized to act on behalf of the client by obtaining a Board resolution on official company letter headed paper and other relevant corporate documentation.
- Ensure that the client's identity has been properly established in accordance with the AML and account opening procedures;
- At all stages, employees should consider their other regulatory and fiduciary responsibilities set out elsewhere in the Compliance manual and always treat customers fairly.

9. *Due Diligence Assessment*

During client identification and verification, an assessment will be made on the money laundering risk that a client might pose to the firm and on this basis determine which of the two measures will be applied:

9.1. Enhanced due diligence (EDD)

for higher risk situations, clients operating in high risk jurisdictions, complex organizations, and politically exposed persons. Enhance Due Diligence is required where the customer and product/service combination are considered to present a higher risk of money laundering or financing terrorism. There are a number of situations that can be counted as high risk, such as:

i. where you do not meet your client face to face;

ii. the jurisdiction in which the client is domiciled i.e. sensitive/high risk countries

iii. the industry in which the client operates i.e. sensitive industry e.g. defense, Firearms or Tobacco; or

iv. where you are dealing with a politically exposed person (PEP)

Where the firm has assessed a client as having an increased risk profile, it may be appropriate to conduct enhanced due diligence procedures on that customer's account. Key considerations when undertaking a process of enhanced due diligence are to develop an understanding (and documentary evidence as applicable) of:

i. Where the client's funds and source of wealth/investment originate from;

ii. Other businesses the client may have investments in;

iii. The current and recent historical financial position of the prospective client;

iv. Any other entities or connected persons associated with the client;

v. The identity of each beneficial owner and signatory.

vi. The anticipated account activity levels, products, services and geographic dispersion of transactions for the client.

A high-risk customer does not mean that they will be involved in money laundering or other criminal activity but that there is an increased opportunity to be involved.

(a) Sensitive country

A sensitive country refers to a country that the Financial Action Task Force (FATF) has identified as having weak measures to combat money laundering and terrorist financing. As at October 2018 had reviewed over eighty (80) countries and out of the 68 countries identified by FATF as having strategic deficiencies, fifty-five (55) have made the necessary reforms to address their AML/CFT weaknesses and have been removed from the list. The Financial Action Task Force (FATF) advises firms to:

i. apply enhanced due diligence measures in accordance with the risks involved in dealing with such countries, and also consider the Democratic People's Republic of Korea (North Korea) and Iran as high risk for the purposes of the Money Laundering Regulations 2007.

ii. take appropriate actions in relation to the following jurisdictions **(current list as at 17th May, 2019)** to minimize the associated risks, which may include enhanced due diligence measures in high risk situations. The FATF website will be reviewed on a periodic basis for the purpose of updating the below list accordingly.

- Bahamas
- Botswana
- Cambodia
- Democratic People's Republic of Korea (DPRK)
- Ethiopia
- Ghana
- Iran
- Pakistan
- Serbia
- Sri Lanka
- Syria
- Trinidad and Tobago
- Tunisia
- Yemen

(b) Politically Exposed Persons (PEPs)

When applying EDD measures, the category of PEPs comprises of higher-ranking public officials, members of parliament, and such persons' immediate families and close associates. Prominent PEPs can pose a higher risk because of their position and may make them vulnerable to corruption. Before the Company delves into relationships of this nature, approval from the Money Laundering Compliance Officer and the CEO must be obtained before commencing business with such persons.

Where the client is already a client of the firm and has an ongoing relationship with us and is identified to be a PEP, approval must be obtained the Money Laundering Compliance Officer and the CEO in order to continue the business relationship.

(c) What is a PEP?

The Firm must consider risks associated with providing services to individuals or entities which are associated with Politically Exposed Persons (PEPs). For the purpose of this manual, the Financial Action Task Force (FATF) definition of PEP will be relied on and is as follows:

Domestic PEPs: individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, Governors, Local government chairmen, senior politicians, senior government officials, judicial or military officials, senior executives of state-owned corporations, important political party officials, family members and close associates and Members of Royal Families.

Foreign PEPs: individuals who are or have been entrusted with prominent public functions by a foreign country, for example, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.

International organization PEPs: persons who are or have been entrusted with a prominent function by an international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions, i.e. directors, deputy directors and members of the board or equivalent functions.

Family members are individuals who are related to a PEP either directly or through marriage or similar (civil) forms of partnership i.e. spouse, partner, children and their spouses or partners, and parents.

Close associates are individuals who are closely connected to a PEP, either socially or professionally. They are persons with whom joint beneficial ownership of a legal entity or legal arrangement is held, with whom there are close business relationships, or who is a sole beneficial owner of a legal entity or arrangement set up by the primary PEP.

When dealing with PEPs, the staff employee responsible for client on boarding should undertake enhanced due diligence procedures to satisfy themselves of the legitimacy of the client's source of funds and nature of the business, and also consider the requirement for enhanced ongoing monitoring of that account activity for potentially suspicious behavior.

If due diligence checks identify a client as a PEP or having a link with a PEP, the client's file must be referred to the Money Laundering Compliance Officer for sign off from both MLRO and CEO before onboarding the client.

9.2. Simplified due diligence (SDD)

which may be applied to certain firms in the financial sector, companies listed on a regulated market, public authorities, certain pension funds and low risk products.

Simplified due diligence is the lowest level of due diligence that can be completed on a client. This is appropriate where there is little opportunity or risk of your services or customer becoming involved in money laundering or terrorist financing.

When completing simplified due diligence, there is no requirement to verify your customer's identity to the extent of a standard or enhanced due diligence approach. However, the business relationship must be continually monitored for events which may trigger a requirement for further due diligence in future.

Typically, clients that are required to disclose information regarding their ownership structure and business activities or companies that are subject to the Money Laundering Regulations are seen to be a lower risk.

For instance, where the client is a financial services business subject to Money Laundering Requirements, and is not a money service operator, the MLCO may be satisfied if proof of their status has been obtained e.g. Capital Market Operators.

Also, if the client is listed on a regulated market, they may be perceived to be a lower risk as they are required to disclose information, so SDD may be applied.

If at any point during the relationship with a client, additional intelligence becomes available which suggests that the client or product may pose a higher risk than originally thought a more enhanced level of due diligence should be conducted and the issue raised with the Money Laundering Compliance Officer.

(a) Who qualifies for simplified due diligence?

The following clients and products qualify:

i. Capital Market Operators provided they are subject to requirements for the combating of money laundering and terrorist financing which are consistent with the provisions of this Manual and are supervised for compliance with them;

ii. Public companies (listed on a securities exchange or similar situations) that are subject to regulatory disclosure requirements;

iii. Government ministries and parastatals / enterprises;

iv. A pension, superannuation or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme; and

v. Beneficial-owners of pooled-accounts held by Designated Non-Financial Businesses and Professions (DNFBPs) provided that they are subject to requirements to combat money laundering and terrorist financing consistent with the provisions of Money Laundering (Prohibition) Act.

(b) Tips to keep in mind

The following tips are useful to keep in mind when dealing with Clients, whether they are Individuals or Institutions:

Do's

- Always understand exactly who it is you are dealing with; Knowing Your Client (KYC), and being able to show evidence that you do, is a very important factor in demonstrating you and the Firm meet the requirements of the Money Laundering Regulations.
- Ask questions of identity and address and be satisfied with the answer. If queried by a Client, always inform the Client politely that "you are carrying out mandatory due diligence checks which will protect the Client as well as the firm.
- Report suspicions when you have 'concerns. The law protects you from being sued once you have submitted a suspicion report to the MLCO. There are no degrees of suspicion, it is either you are suspicious of a client/ transaction or you aren't.

Don'ts

- Don't discuss your suspicions with Clients or other employees. You leave yourself open to accusations of 'Tipping Off' which carries a stiff prison sentence if found guilty.
- Don't allow anyone to silence you with less documentary evidence of identity than is required. Evidence of proper procedures carried out in full will always protect you and the business.
- Don't be scared to discuss situations or queries arising with the MLCO if you need to. He/she is mandated to assist in matters of financial crime or money laundering where queries exist.

10. *Introductions by an intermediary who is an agent of the client*

When dealing with Intermediaries, blind reliance should not be placed on intermediaries/ third parties. The responsibility for client identification and verification remains with us and we must take all necessary steps to obtain assurance that adequate AML measures are implemented by the intermediaries.

Cordros Capital Limited's relationship with the intermediary may include a formal agreement and analysis of the intermediary's disciplinary record; product provided; operational experience and any other relevant information available depending on the nature of the transaction. Intermediaries must be reviewed annually and assessed to ensure that it is appropriate to rely upon their confirmation.

Due diligence is required and employees will be required to verify the intermediary as well as the underlying client and must satisfy themselves that the intermediary:

a. Is able to provide the necessary information concerning its due diligence process (in rare situations where Cordros Capital Limited does not have direct access to the underlying client/s;
b. Is regulated/governed in accordance with the core principles of AML/CFT measures;
c. Is able to make available copies of identification data and other relevant documentation relating to CDD requirements upon request without delay; and
d. Will provide account information where requested by relevant authorities.

11. *Making payments*

Prior to making payment to a client, staff must ensure that the client has not been added to any Sanctions/wanted list.

It may, in general, be assumed that all clients are reviewed in a timely manner upon notification by the Money Laundering Compliance Officer of an update to the list of financial sanctions targets.

In addition, payments should only be made to the client, and not to a third party. Where funds are transmitted in relation to a client's transaction, they must be from/to a known and verified bank account of that client.

12. *Record Keeping*

The money laundering Regulations requires firms to retain records concerning Clients identification and transactions for use as evidence in any possible future investigation. Our client on-boarding documents facilitate the establishment of the identity and verification of the Client and it is the firm's policy to retain copies of such documents for six (6) years after the relationship with the Client has ended.

The full scope of records to be maintained should cover:

a. Client information
b. Transactions
c. Internal and external suspicion reports
d. Money Laundering Compliance Officer's reports
e. Evidence of Training and compliance monitoring

13. *Staff training*

It is the policy of the firm that all new staff are given Anti-Money Laundering training prior to commencing their role or within a reasonable period of commencement. It is a regulatory requirement that every relevant member of staff receives adequate training on money laundering and terrorist financing prevention. At Cordros Capital Limited, training may take place either through electronic learning, face to face talks, and ad-hoc emails. The training provided will be developed by the Money Laundering Compliance Officer in collaboration with the Compliance Department. The scope of training will cover, as a minimum, the following key areas: AML/CFT Regulations and offences;

a. The nature of Money laundering;
b. Money laundering 'red flags' and suspicious transactions, including trade-based money laundering typologies;
c. Reporting requirements;
d. Know Your Clients requirements; and
e. Record keeping and retention policy.

The Firm will obtain an annual declaration from each employee to the effect that they have read and understood the anti-money laundering Manual

This declaration will also be made available for new joiners to attest within a reasonable timeframe after joining. This period should be no longer than 30 days.

A training registered will be maintained to record the relevant training provided to each employee.

The Compliance department will be responsible for ensuring that a copy of the Annual AML/CFT training program is submitted to the SEC and NFIU before 31st December every year against the next year.

14. *Monitoring*

It is the responsibility of the Client relationship manager to conduct ongoing monitoring of the business relationship with their clients. Ongoing monitoring of a business relationship includes:

a. Scrutiny of transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with the firm's knowledge of the client, his business and risk profile;

b. Ensuring that the documents, data or information held by the firm are kept up to date.

c. Monitoring client activity helps identify, during the course of a continuing relationship, unusual activity. If unusual events cannot be rationally explained, they may involve money laundering or terrorist financing. Monitoring client activity and transactions throughout a relationship helps give greater assurance that the firm is not being used for the purposes of financial crime.

What is monitoring?

The essentials of any system of monitoring are that:

- it flags up transactions and/or activities for further examination;
- these reports are reviewed promptly by the right person(s); and
- appropriate action is taken on the findings of any further examination.

The firm will conduct monitoring in two ways.

Firstly, a manual system will be utilized and reliance will be placed upon employees' alertness. It will rely upon such factors as employees' intuition, direct exposure to a client face-to-face or on the telephone, and the ability, through practical experience, to recognize transactions that do not seem to make sense for that client. All potential issues will be discussed with the Money Laundering Compliance Officer.
Employees will further be trained to look for the following attributes:

- the unusual nature of a transaction: e.g., abnormal size or frequency for that client or peer group;
- the nature of a series of transactions: for example, a number of cash credits;
- the geographic destination or origin of a payment: for example, to or from a high-risk country; and
- the parties concerned: for example, a request to make a payment to or from a person on a sanctions list.

Secondly, compliance monitoring will be undertaken on a risk-based approach and a sample of clients will be selected both new and existing. Such sampling may be by reference to specific types of transactions; the profile of the client, or by comparing their activity or profile with that of a similar, peer group of clients, or through a combination of these approaches.

Higher risk accounts and client relationships, such as a relationship with a PEP will generally require more frequent or intensive monitoring. In such cases the compliance monitoring may be undertaken on a more regular basis, but this will be established in the Compliance strategy/ Plan for the year. Senior management will be updated on a regular basis as to the frequency and numbers of monitoring reviews conducted and where necessary, on an exceptional basis, the findings of those reviews.

15. *Reporting Obligations*

As part of the firm's regulatory reporting obligation, where thresholds stipulated by the regulators are exceeded, it is the responsibility of the firm (specifically the money laundering Compliance Officer) to make a disclosure to the NFIU and SEC. The table below details out some of the anti-money laundering reporting requirements with related penalties for non-compliance. It should be noted that the SEC specifically requires the report be filed with it in addition to the NFIU.

Report Type	Reportable Transaction	Penalties for Non-Compliance
Mandatory Disclosure	A single transaction of N5million and above by an individual and N10million and above by corporate body within 7 days of occurrence of the transaction.	N250,000 – N1million per day for each day of the contravention.
International Transfers of Funds and Securities	Transfer to or from a foreign country of funds and securities of $10,000 and above or its equivalent in other currencies within 7 days of occurrence of the transaction.	N10 million or minimum 3 years imprisonment or both for an individual. N25 million for corporate bodies
Suspicious Transaction	Transactions that exhibit any of these characteristics: • Involves frequency which is unjustifiable or unreasonable • Involves transactions surrounded by unusual or unjustified complexity • Appears to have no economic justification or lawful justification	N1 million for each day the offence continues for corporate bodies)

SUSPICIOUS TRANSACTIONS "RED FLAGS"

Additionally, we are required to make suspicious transaction reports to the NFIU in instances where a red flag i.e. sufficient reason to suspect a transaction is linked to money laundering or terrorist financing, exists.

When dealing with transactions, it is important that you as an employee of the firm are able to identify key signs that a transaction may be suspicious. Staff need to be aware and increase their focus when dealing with:

i. Transactions involving high-risk countries vulnerable to money laundering,

ii. Transactions involving shell companies.

iii. Transactions with correspondents that have been identified as higher risk.

iv. Large transaction activity involving monetary instruments such as traveler's cheques, bank drafts, money order, particularly those that are serially numbered.

v. Transaction activity involving amounts that are just below the stipulated reporting threshold or enquiries that appear to test an institution's own internal monitoring threshold or controls.

Customer facing/relations staff would need to be vigilant and pay special attention to all complex, unusual large transactions or unusual patterns of transactions that have no apparent or visible economic or lawful purpose. Such transactions or patterns of transactions include:

i. significant transactions relative to a relationship,

ii. transactions that exceed certain limits,

iii. very high account turnover inconsistent with the size of the account balance or

iv. Transactions which fall out of the regular pattern of the account's activity.

TERORRIST FINANCING "RED FLAGS"

i. Persons involved in a transaction share an address or phone number, particularly when the address is also a business location or does not seem to correspond with the stated occupation (e.g., student, unemployed, or self-employed).

ii. Securities transaction by a non-profit or charitable organization, for which there appears to be no logical economic purpose or for which there appears to be no link between the stated activity of the organization and other parties in the transaction.

iii. Large volume of securities transactions through a business account, where there appears to be no logical business or other economic purpose for the transfers, particularly when this activity involves designated high-risk locations.

iv. The stated occupation of the clients is inconsistent with the type and level of account activity.

v. Multiple personal and business accounts or the accounts of non-profit organizations or charities that are used to collect and channel securities to a small number of foreign beneficiaries.

Escalation

Where an employee has reasonable grounds to suspect, or detects a transaction which is irregular, the employee must raise this with the Money Laundering Compliance Officer as soon as possible. A review panel will be instituted immediately to investigate the matter with the supervision of the ML Compliance Officer.

A record of every action undertaken during the investigation will be maintained, as well as the confidentiality of the ongoing investigation or the potential outcome.

The Review Panel will need to examine as far as possible, without tipping off the customer, the background and purpose for such transactions and set forth their findings in writing. Where the Panel concludes that sufficient or reasonable grounds exists to suspect that funds are the proceeds of criminal activity or related to terrorist financing, a suspicious activity report would be made to the NFIU. All suspicious transactions, including attempted transactions will be reported regardless of the amount involved.

All employees are prohibited from discussing the fact that a report is required to be filed with the authorities.

Revision History.

Version	Policy Owner	Status	Date	Revisions
1	Legal & Compliance	Approved	March 2014	Original version
2	Legal & Compliance	Approved	January 2019	Revised