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## **AML & KYC POLICY**

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ETFinance is a trading name of MAGNUM FX (CYPRUS) LTD authorized and regulated by the CySEC under license No. 359/18 with registered address at KPMG Center 1 Agias Fylaxeos Street, 2<sup>nd</sup> floor-Office 1, 3025, Limassol, Cyprus. 83 % of retail investor accounts lose money when trading CFDs with this provider. You should consider if you understand how CFDs work and if you can afford the great risk of losing your money.



## **1. PURPOSE**

ETFinance is a trading name of MAGNUM FX (CYPRUS) LTD authorized and regulated by the Cyprus Securities and Exchange Commission (CySEC) under license No. 359/18 (the 'Company') enforces this Policy as means of providing Anti-Money Laundering and Know Your Client guidance in order to achieve full compliance with the relevant anti-money laundering legislation.

## **2. LEGAL FRAMEWORK**

The Anti-Money Laundering Law of 2007 (the "Law") and the Directive DI144-2007-08 regarding the prevention of Money Laundering and Terrorist Financing provide the relevant Legal Framework that Investment Firms are obliged to follow.

The procedures and policies implemented by the Company for this purpose are set out below:

- a) Due diligence procedures that include identification of clients.
- b) Procedures that relate to record keeping of clients' identity and their transactions.
- c) Procedures that relate to internal reporting to a competent person.
- d) Appropriate procedures of internal control, risk management, with the purpose of preventing money laundering activities.
- e) Procedures that allow thorough examination on individual transactions that by nature are considered volatile towards money laundering activities. Such transactions in particular include complex, large amounts, and may take place without apparent financial or legal purpose.
- f) Procedures that inform employees of the aforementioned procedures.
- g) Procedures for frequent training of the employees in the recognition and handling of transactions that may relate to money laundering.

## **3. POLICY**

The Company adopts procedures and processes that ensure compliance with the Law and Directives issued by CySEC on this matter:

### **3.1 Client Identification and Due Diligence Procedures**

All legal and regulatory requirements that relate to client identification and due diligence procedures have been put in place. The client categorization, identification and due diligence is therefore divided as (i) low risk, (ii) normal risk and (iii) high risk.



The following conditions will render a Client to be classified as High Risk:

- Limited or no personal conduct with the customer
- Bearer shares found in the names of companies' accounts
- Trust Accounts
- 'Client accounts' in the name of a person
- Accounts of 'politically exposed persons'
- Involvement with internet gambling or gaming
- Clients related to countries which defectively apply FATF's recommendations
- Clients related to third countries or involved in cross-frontier correspondent banking
- Clients that their characteristics, class or type entail a higher risk of money laundering and terrorism financing

In the likelihood that the Client unreasonably fails or refuses to provide the necessary documentation requested by the Company in order to verify their identity and proceed with construing their economic profile, the Company may suspect involvement with money laundering or terrorism financing activities.

If such a suspicion is raised, the Company is obliged to cease any business relationship with the Client and report the Client to MOKAS if necessary.

### **3.2 Client Due Diligence Procedure**

The Client Due Diligence procedure, specified by the Law, entails a risk-based approach and comprises of the following:

- A reliable and independent source should be used to verify identification of the client.
- Identification of the beneficial owner and taking risk-based and adequate measures to verify his/ her identity based on documents, data or information issued by or received from a reliable and independent source. As regards to legal persons, trusts and similar legal entities, taking risk-based and adequate measures to understand the ownership and control structure of the client.
- Establish the purpose and indention of the business relationship.
- Continuous monitoring of the business relationship and continuous scrutiny of transactions should take place in order to ensure that any conduct is consistent with the data and information held by the firm in relation to the client.

Prior to the establishment of a business relationship, the Client and beneficial owner identification must take place. Alternatively, such identification may be obtained after the establishment of a business relationship in order to avoid any interruption of the normal



course of business and where there is little risk of money laundering or terrorist financing occurring. If this is the case, the procedures shall be finalized at the earliest convenience. Existing records must be reviewed frequently in order to ensure that existing documents, data or information are kept up-to-date. Due diligence procedures shall apply to both new Clients and existing Clients on a risk related approach.

### **3.3 Simplified Client Due Diligence**

A Client is categorized as low risk and thus due diligence procedures are simplified when:

- Credit or financial institutions regulated by the European Directive 2005/60/EC and its relative transposition member countries legislation on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.
- Credit or financial institutions situated in a third country which imposes requirements equivalent to those laid down by the European Union and are under supervision for compliance with those requirements.
- Listed companies whose securities are admitted to trading on a regulated market of an EU member state and listed companies from third countries which are subject to disclosure requirements consistent with Community legislation.
- Domestic public authorities of EU member states.

### **3.4 Enhanced Client Due Diligence**

Enhanced Due Diligence should be carried out in situations where given the circumstances high risk of money laundering or terrorist financing is likely to occur. The Company should set additional identification measures, especially in cases where face to face client interaction did not take place. The following could therefore apply:

- Request additional documents, data or information to ensure the Client's identity.
- Request certifications by credit or financial institutions to verify the documents supplied.
- Confirm that the first payment of the transaction is made in the Client's name with an EU credit institution, through the account opening procedure.

The Company should further adopt the following due diligence measures in order to determine whether the Client is a politically exposed person:

- Obtain confirmation from a Senior Management before establishing a business relationship with the client.
- Take measures that will confirm the origin of the client's assets and the source of funds that are related with the establishment of the business relationship or transaction.



- Engage in continuous and enhanced monitoring of business relationships.

#### 4. CLIENT ACCOUNT OPENING PROCEDURES

**4.1. KYC documentation for natural persons:** before allowing new clients to trade with the Company, the following KYC documents should be obtained on order to verify the Client's identity:

- Copy of Passport;
- Required documents for proof of address - Utility bill, bank statement
- Filled out Front Office Questionnaire.

**4.2. KYC documentation for legal persons:** when corporate Clients are involved, the following identification procedure is followed during an account opening with the Company:

- Certificate of incorporation and Certificate of Good Standing of the legal person
- Certificate of Registered Office
- Certificate of Directors and Secretary
- Certificate of Registered Shareholders in the case of private companies and public companies that are not listed in a regulated market of a European Economic Area country or a third country with equivalent disclosure and transparency requirements
- Memorandum and articles of association of the legal entity
- A resolution of the board of directors of the legal entity for the opening of the account and granting authority to those who will operate it
- In cases where the registered shareholders act as nominees of the beneficial owners, a copy of the trust deed/agreement concluded between the nominee shareholder and the beneficial owner, by virtue of which the registration of the shares on the nominee shareholder's name on behalf of the beneficial owner has been agreed
- Documents and data for the verification of the identity of the persons, that is authorised by the legal entity to operate the account, as well as the registered shareholders
- Copies of its latest audited financial statements (if available), and/or copies of its latest management accounts
- Personal information regarding the Directors:
  - a) Copy of his/ her Passport (with photograph and signature specimen included).
  - b) A recent copy of confirmation of address in the person's name – bank statement.

All documentation provided must not be expired in the next 6 months.



It is essential for the Company to maintain clear record-keeping procedures and policies when it comes to Client identification and individual transactions. In this way the Company will be able to supervise individual relationships with Clients, acknowledge the Clients day-to-day business and, acquire evidence that can be used as proof in case any disputes or investigations arise. In addition, it is essential for the Company to assign responsibility to a BackOffice employee who will approve and monitor new client accounts.

Furthermore, it is good practice for the Company to withhold customer identification documents for at least five (5) years after an account is terminated. The Company shall also retain all transaction records for at least seven (7) years after an account is terminated.