

## Qavala AML and KYC Policy

### Introduction

Qavala has adopted and enforces Anti-Money Laundering / Counter-Terrorist Financing Policy and a Know Your Customer Policy (collectively, the “AML/ KYC Policy”). Policy is reviewed periodically and updated / amended from time to time based on prevailing industry standards and international regulations designed to facilitate the prevention of illicit activity including money laundering and terrorist financing. All senior management and employees of Qavala are required to acknowledge and be familiar with the Policies. This document covers AML Policies regarding Qavala's Cards, Exchange, Depositing, Withdrawal and Cryptocurrency Services which are Qavala's main business activity.

Qavala considers a range of anti-money laundering legislation and guidance, including but not limited to: the Financial Action Task Force (“FATF”) regulations and guidelines; JMLSG Guidance Notes; the UK’s Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017, UK Bribery Bill, the Money Laundering Regulations 2007; the Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015); the Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007; Canada’s Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA); the US Bank Secrecy Act 1970 and the US Patriot Act 2001; the Asia-Pacific Group on Money Laundering Guidelines; Singapore’s Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act; the Organised Crime Act 2015; the Mutual Assistance in Criminal Matters Act; Japan’s Act on Punishment of Organised Crimes and Control of Crime Proceeds (Act No. 136 of 1999) (the Act on Punishment of Organised Crimes); and the Act on Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007); Australia’s Proceeds of Crime Act 2002, the Anti-money Laundering and Counter-terrorism Financing Act 2006; and the Financial Transaction Reports Act 1988.

**Money Laundering Risks** Money laundering is an act of engaging in acts designed to conceal or disguise the true origins of illegal derived proceeds so that the proceeds appear to have derived from legitimate origins or constitute legitimate assets. Terrorist financing is an attempt

to conceal either the origin of the funds or their intended use, which could be for criminal purposes. Qavala uses third party crypto transaction monitoring and source of funds software to track and tag funds deposited into its platform, preventing any sorts of illegal activities.

Qavala requires KYC identification documents from all Clients before any transaction is made as an extra measure of risk reduction and compliance.

## **AML/KYC**

The Policies are designed to:

1. Prevent Qavala from being used, intentionally or unintentionally, by criminal elements for money laundering or financing terrorist or other criminal and illegal activities;
2. Enable Qavala to know and understand its customers, contributors, and other contacts with which Qavala has any financial dealings with (collectively, “Clients”) and their financial background and source of funds better, which in turn would help it to manage its risks prudently;
3. Put in place appropriate controls for detection and reporting of suspicious activities;
4. Equip employees and contractors of Qavala with the necessary training and measures to deal with matters concerning KYC/AML procedures and reporting obligations.

Our Policy will be reviewed and updated on a regular basis to ensure appropriate procedures and internal controls are in place to account for both changes in regulations and changes in our business.

## **Qavala User Verification**

It is Qavala’s policy to prohibit and actively prevent money laundering (“ML”) and any activity that facilitates money laundering or terrorism financing (“TF”) or criminal activities. Qavala is subject to regulation designed to combat ML and TF as set out in all legislation as applicable.

Qavala also reviews other regulatory authorities’ guidance and internationally accepted regulations to prevent money laundering and to combat terrorism financing.

Qavala insists on a comprehensive and thorough KYC and AML compliance framework. This includes monitoring of suspicious transactions and obligatory reporting to local regulators and other compliance authorities.

Qavala reserves the right to refuse registration to persons from jurisdictions that do not meet international AML standards or from prohibited territories within the meaning of User Agreement. Qavala reserves the right to carry out Qavala Account-holder diligence verification of its users and their transactions. Enhanced Qavala Account-holder review may be carried out periodically at our sole discretion as part of our ongoing risk assessment. In addition to this, any attempt to abuse Qavala or its platform will result in immediate account suspension and reporting violations to respective authorities.

For users who want to deposit or withdraw fiat currencies into the system, the mandatory KYC procedure is required. An in-depth study of incoming payments starts from 15000.00 EUR per month for each user.

The in-depth study of incoming payments includes a request for evidence of the origin of funds. As evidence of the origin of funds, the client can provide: an extract from the bank account to which the user receives a salary, a loan agreement with a third party, a lease of premises, other contracts that can justify the legal origin of the funds.

The Qavala AML and KYC policies are as follows:

1. Transactions conducted via the Qavala platform will be subject to AML transaction monitoring;
2. Identity and proof of address documents and transaction records will be maintained for at least six years and will be submitted to regulators as required without prior notification to registered users;
3. Qavala may at any time without liability and without disclosing any reason, suspend the operation of your account. Qavala shall notify you after exercising its rights.

In compliance with its various obligations relating to preventing ML and TF Qavala has:

1. Appointed a Money Laundering Reporting Officer in each of its jurisdictions of operation, as required by the applicable laws;
2. Senior Management who take on responsibility for AML and Financial Crime;

3. Systems to verify the identification of clients;
4. Processes where any knowledge or suspicions of money laundering will be reported;
5. Training for all relevant staff on AML;
6. Systems to monitor our controls;
7. A process to retain adequate records.

To be eligible to use the Qavala Services, you must:

1. Pass our regulatory due diligence checks;
2. Not be in breach of these Terms;
3. Not have had any previous Qavala Account closed by us or blocked by us. We may at our discretion permit your use of the Services notwithstanding that you have had a Qavala Account previously closed or blocked.

### **Required Information**

Qavala accepts only natural persons as Clients, not legal entities. Upon registration, Clients go through an automated verification process where they submit:

1. Full name;
2. Date of birth;
3. A unique photo of a Client holding government-issued ID;
4. Proof of residence.

All submitted client information is manually reviewed by a Compliance Officer.

#### **Government-issued ID**

Verification of identity is required by obtaining a high-resolution, non-expired copy of the Client's government-issued ID (passport, national identity card, or a driver's license). The submitted images require full color image (All information on the ID must be completely clear and readable).

The edges of the ID document must be clearly visible on a contrasting background.

#### **Proof of residence**

Verification of residence is required by obtaining a copy of an acceptable address proof document issued in the 3 months prior to establishing an account. The document must carry the Client's name and address. A valid proof of residence document can be:

1. Bank statement;
2. Debit or credit card statement;
3. Utility bill (water, electricity, gas, internet, phone);
4. Payroll statement or official salary document from employer;
5. Insurance statement;
6. Tax document;
7. Residence certificate.

Proof of residence documents must contain the Client's name, address, and be dated less than 3 months ago and must be in English or translated by professional interpreter. When required by the Company, translation must be certified by notary public of state authority.

Company reserves the right to discard provided document and require additional proof of residence.

### **Politically Exposed Persons**

Company will conduct additional process of due diligence of you for Politically Exposed Persons (PEPs), or their family members. Qavala screens all Clients against global PEP lists before they are allowed to establish a relationship with Qavala.

### **Source of income / proof of funds**

At its sole discretion Company may require Client to provide information and documentation to proof the funds of Client are originating from the legitimate source. Upon Company's request, Client must provide documental evidence of source of income, including but not limited to letter from employer regarding amount of salary supported by banking statement, contracts, agreements to which Client is/was a party, letter

from third party confirming and describing transaction what benefited Client.

All abovementioned documentation may be disclosed upon request of state authority and Company shall not be liable for such disclosure.

### **Internal controls**

Qavala implements and maintains internal controls for the purpose of ensuring that all of its operations comply with AML & TF Prevention legal requirements and that all required reports are made on a timely basis.

### **Compliance Officer**

The Compliance Officer is the person, duly authorized by Qavala, whose duty is to ensure the effective implementation and enforcement of the AML/KYC Policy. It is the Compliance Officer's responsibility to supervise all aspects of Qavala's anti-money laundering and counter-terrorist financing, including but not limited to:

1. Collect Clients' identification information;
2. Establishing and updating internal policies and procedures for the completion, review, submission and retention of all reports and records required under the applicable laws and regulations;
3. Monitoring transactions and investigating any significant deviations from normal activity;
4. Implementing a records management system for appropriate storage and retrieval of documents, files, forms and logs;
5. Updating risk assessment regularly;
6. Providing law enforcement with information as required under the applicable laws and regulations.

### **Monitoring and Reporting**

Qavala diligently monitors transactions for suspicious activity. Transactions that are unusual are carefully reviewed to determine if it appears that they make no apparent sense or appear to be for an illegal purpose. When such suspicious activity is detected, the Compliance Officer will determine whether a filing with any law enforcement authority is necessary.

Suspicious activity can include more than just suspected money laundering attempts. Activity may be suspicious, and Qavala may wish to make a filing with a law enforcement authority, even if no money is lost as a result of the transaction.

The Compliance Officer initially makes the decision of whether a transaction is potentially suspicious. Once the Compliance Officer has finished his review of the transaction details, he makes the decision as to whether the transaction meets the definition of suspicious transaction or activity and whether any filings with law enforcement authorities should be made.

For the purpose of the Policies, a “Suspicious Transaction” means: Gives rise to a reasonable ground of suspicion that it may involve proceeds of criminal or other illegal activity, regardless of the value involved;

Appears to be made in circumstances of unusual or unjustified complexity;

Appears to have no economic rationale or bona fide purpose;

Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Ongoing monitoring is an essential element of effective implementation. Qavala diligently monitors transactions for Suspicious Transactions and other suspicious activity.

## **Record-keeping**

Our AML Compliance Officer is responsible for ensuring that AML records are maintained properly. We document our verification, including all identifying information provided by a Client, the methods used and results of verification, and the resolution of any discrepancies identified in the verification process. We keep records containing a description of any document that we relied on to verify a Client’s identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. With respect to non-documentary verification, we retain documents that describe the methods and the results of any measures we took to verify the identity of a Client.

We also keep records containing a description of the resolution of each substantive discrepancy discovered when verifying the identifying information obtained. We retain records of all identification information

for seven years after the account has been closed, or as long as reasonably necessary to comply with applicable regulations; we retain records made about verification of the customer's identity for seven years after the record is made, or as long as reasonably necessary to comply with applicable regulations.

## **Training**

All new employees receive anti-money laundering and terrorism financing prevention training as part of the mandatory new-hire training program. All applicable employees are also required to complete AML and KYC training annually. Participation in additional targeted training programs is required for all employees with day-to-day AML and KYC responsibilities.

This training includes:

How to identify signs of money laundering and potential terrorism financing that arise during the course of the employees' duties;

Steps needed to be done once the risk is identified (including how, when and to whom to escalate unusual or suspicious customer activity;

What employees' roles are in Qavala's compliance efforts and how to perform them; Qavala's record retention policy; The disciplinary consequences (including civil and criminal penalties) for non-compliance.

Our operations are regularly reviewed to check whether certain employees require specialized additional training. Written procedures are updated to reflect any such changes.