



UNOFFICIAL ENGLISH TRANSLATION

**DIRECTIVE OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION FOR
THE PREVENTION AND SUPPRESSION OF MONEY LAUNDERING AND
TERRORIST FINANCING**

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*This unofficial English text is for information purposes only and is not legally binding.
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APPENDICES

Directive for the Prevention and Suppression of Money Laundering and Terrorist Financing

N. 188(I)/2007
N. 58(I)/2010
N. 80(I)/2012
N. 192(I)/2012
N. 101(I)/2013
N. 184(I)/2014
N. 18(I)/2016
N. 13(I)/2018
N. 158(I)/2018

The Cyprus Securities and Exchange Commission, in accordance with the powers vested in it by virtue of section 59 of the Prevention and Suppression of Money Laundering Activities Law and section 3 of the Implementation of the provisions of the United Nations Security Council Resolutions or Decisions (Sanctions) and the European Union Council Decisions and Regulations (Restrictive Measures) Law of 2016 and for the purposes of harmonization with the actions of European Community titled:

N. 58(I)/2016

Official Journal of
the EE: L 141/73 of
the 5th June 2015

‘Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC’

issues the following Directive:

PART I
INTRODUCTORY PROVISIONS

Short title 1. This Directive will be cited as the Directive for the Prevention and Suppression of Money Laundering and Terrorist Financing.

Definitions 2. For the purposes of this Directive, unless the context shall prescribe otherwise:

“ABFS” shall mean the Advisory Body on Financial Sanctions established pursuant to a decision of the Council of Ministers, dated 25 May 2012, which is chaired by the Ministry of Finance and which deals with the examination of requests for the release of funds maintained in accounts of credit institutions, frozen pursuant to Sanctions and Restrictive measures, and which makes recommendations for their approval or rejection pursuant to a final decision to be taken by the Minister of Finance;

“alternate compliance officer” means the person referred to in paragraph 8;

“board of directors” means the board of directors of the Obligated Entity;

64(I)/2001
157(I)/2002
71(I)/2004
187(I)/2004
44(I)/2007

"Commission" means the Cyprus Securities and Exchange Commission established and operating pursuant to the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law;

"company" means a company of limited liability by shares, established under Company Law or a company established in another member state under the law applicable in its place of establishment or a company established under the

Cooperative Societies Law;

“compliance officer” means the person referred to paragraph 9;

“EU Directive” means an act of the European Union entitled ‘Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC” ;

‘Joint Guidelines’ means the guidelines on the risk factors issued by the European Securities and Markets Authority, the European Insurance and Occupational Pensions Authority and the European Banking Authority under Articles 17 and 18(4) of Directive (EU) 2015/849 on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions, as amended;

“MOKAS” means the Unit for Combating Money Laundering established according to section 54 of the Prevention and Suppression of Money Laundering Activities Law;

“Law” means the Prevention and Suppression of Money Laundering Activities Law;

“regulated market” has the meaning attributed to this term by section 2 of the Investment Services and Activities and Regulated Markets Law;

“Obliged Entity” means the persons referred to in section 59(1)(b) of the Law;

“money laundering and terrorist financing” means the money laundering offences and terrorist financing offences defined in section 2 of the Law;

“Sanctions Law” means the Implementation of the provisions of the United Nations Security Council Resolutions or Decisions (Sanctions) and the European Union Council Decisions and Regulations (Restrictive Measures) Law 58(I) of 2016.

“UIS” shall mean the Unit for the Implementation of Sanctions in the Financial Sector established pursuant to a decision of the Council of Ministers, dated 25 February 2016, which is chaired by the Ministry of Finance and which deals with the examination of requests that fall within the financial sector, affected by Sanctions and/or Restrictive measures, and which makes recommendations for their approval or rejection pursuant to a final decision to be taken collectively or by majority by the Ministers of Finance, Foreign Affairs and Energy, Trade, Industry and Tourism, or their representatives;

Without prejudice of the abovementioned provisions, terms used in this Directive that are not interpreted differently shall have the meaning given to them by the Law.

Where in the present Directive reference is made to the Law, this includes the Regulatory Administrative Decisions issued thereof.

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| Scope | 3. This Directive applies to all Obligated Entities. |
| Supervisory Authority for the application of the Directive | 4. The Supervisory Authority for the purpose of application of the present Directive is the Commission, in accordance with section 59 of the Law and section 3 of the Implementation of the provisions of the United Nations Security Council Resolutions or Decisions (Sanctions) and the European Union Council Decisions and Regulations (Restrictive Measures) Law of 2016. |

PART II
OBLIGED ENTITY'S OBLIGATIONS

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| Board of directors' responsibilities | 5. The Obligated Entity's board of directors: <ul style="list-style-type: none">(a) Determines, records and approves the general policy principles of the Obligated Entity in relation to the prevention of money laundering and terrorist financing and communicates them to the compliance officer.
(b) Appoints a compliance officer and, where is necessary, alternate compliance officer, assistant compliance officers and determines their duties and responsibilities, which are recorded in the risk management and procedures manual of paragraph 9(1)(c).
(c) Approves the risk management and procedures manual of paragraph 9(1)(c), which is communicated to all employees of the Obligated Entity, that manage, monitor or control in any way the customers' transactions and have the responsibility for the |
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application of the practices, measures, procedures and controls that have been determined.

(d) Ensures that all requirements of the Law, especially article's 58, and of the present Directive are applied, and assures that appropriate, effective and sufficient systems and controls are introduced for achieving the abovementioned requirement.

(e) Assures that the compliance officer, the alternate compliance officer and his assistants and any other person who has been assigned with the duty of implementing the procedures for the prevention of money laundering and terrorist financing, have complete and timely access to all data and information concerning customers' identity, transactions' documents and other relevant files and information maintained by the Obligated Entity so as to be fully facilitated in the effective execution of their duties.

(f) Ensures that all employees are aware of the person who has been assigned the duties of the compliance officer, alternate compliance officer, as well as, the compliance officer's assistants, to whom they report, according to paragraph 9(1)(e) any information concerning transactions and activities for which they have knowledge or suspicion that might be related to money laundering and terrorist financing.

(g) Establishes a clear and quick reporting chain based on which information regarding suspicious transactions is passed without delay to the compliance officer, either directly or through his assistants and notifies

accordingly the compliance officer for its explicit prescription in the risk management and procedures manual of paragraph 9(1)(c).

(h) Ensures that the compliance officer and the alternate compliance officer has sufficient resources, including competent staff and technological equipment, for the effective discharge of his duties.

(i) Assesses and approves the Annual Report of paragraph 10 and takes all action as deemed appropriate under the circumstances to remedy any weaknesses and/or deficiencies identified in the Annual Report.

Designation of
Board of Directors
Member
(Article 58D of the
Law)

5 A

Without prejudice to the provisions of section 58D of the Law, the designated member of the board of directors, that is referred to in the said section, may either be an executive or a non executive member. The Obligated Entity's board of directors determines the policies and procedures to ensure the application of the provisions of section 58D of the Law, that are stated in the risk management and procedures manual referred to in paragraph 9(1)(c). The said person may perform additional duties, where appropriate, taking into account the nature and the size of the activities of the Obligated Entity.

Obligations of the
internal audit
department

6.

The internal audit department of the Obligated Entity reviews and evaluates, at least on an annual basis, the appropriateness, effectiveness and adequacy of the policy, practices, measures, procedures and control mechanisms applied for the prevention of money laundering and terrorist

financing. The findings and observations of the internal auditor are submitted, in a written report form, to the board of directors which decides the necessary measures that need to be taken to ensure the rectification of any weaknesses and/or deficiencies which have been detected. The minutes of the abovementioned decision of the board of directors and the internal auditor's report are submitted to the Commission.

K.Δ.Π. 426/2007
2.11.2007

Customers'
acceptance policy

7. (1) According to paragraph 9(1)(b), a clear customers' acceptance policy is developed and established, which is completely in line with the provisions of the Law and the present Directive. The customers' acceptance policy is prepared after detailed assessment of the risks faced by the Obligated Entity from its customers and/or their transactions and/or their countries of origin or operations, as these are stated in Part IV

(2) The customers' acceptance policy set in an explicit manner, at least the following:

(a) the criteria for accepting new customers;

(b) categories of customers who are not acceptable for establishing a business relationship or an execution of an occasional transaction;

(c) criteria for categorisation of customers on a risk basis in at least three categories:

- i. low risk,
- ii. normal risk,

iii. high risk.

(3) The customers' categories of subparagraph 2(b) and (c), take into consideration factors such as the customer's background, type and nature of its business activities, its country of origin, the services and the financial instruments applied for, the anticipated level and nature of business transactions as well as the expected source and origin of funds.

PART III COMPLIANCE OFFICER

Appointment of compliance officer, alternate compliance officer and assistants of compliance officer (section 69 of the Law)

8. (1) According to paragraph 5(b) a compliance officer is appointed, who belongs to the senior management of the Obligated Entity so as to command the necessary authority.

(2) The Obligated Entity should appoint an alternate compliance officer, in case the compliance officer is absent, who should replace him temporarily, perform his duties as defined in the present Directive and the Law and fulfil the conditions of appointing a compliance officer. The Obligated Entity may outsource, as well, the function of the alternate compliance officer only if a natural person is appointed. The Obligated Entity records in the risk management and procedures manual referred to in paragraph 9(1)(c) the procedures it intends to apply for the said appointment.

(3) According to paragraph 5(b), where it is deemed necessary due to the volume and/or the geographic spread of the services/activities, assistants of the compliance officer are

appointed, by geographical district or otherwise for the purpose of assisting the compliance officer and passing internal suspicion reports to him.

(4) The Obligated Entity communicates immediately to the Commission, the names, the positions, as well as, the contact details of the persons it appoints as compliance officer, alternate compliance officer and assistants of the compliance officer.

Compliance
officer's duties

9. (1) As a minimum, the compliance officer's duties include the following:

(a) Designs, based on the general policy principles of paragraph 5(a), the internal practice, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing, and describes and explicitly allocates the appropriateness and the limits of responsibility of each department that is involved in the abovementioned.

It is provided that, the above include measures and procedures for the prevention of the abuse of new technologies and systems providing financial services, for the purpose of money laundering and terrorist financing (e.g. services and transactions via the internet or the telephone), as well as measures so that the risk of money laundering and terrorist financing is appropriately considered and managed in the course of daily activities of the Obligated Entity with regard to the development of new products and possible changes in the Obligated Entity's economic profile (e.g. penetration into new markets).

(b) Develops and establishes the customers' acceptance policy, according to paragraph 7 and submits it to the board of directors of the Obligated Entity for consideration and approval.

(c) Prepares a risk management and procedures manual regarding money laundering and terrorist financing. The said manual includes, inter alia, the details referred to in paragraphs 5(a), 5(g), 7, 9(1) and Parts IV, V, VI and VII.

(d) Monitors and assesses the correct and effective implementation of the policy, according to paragraph 5(a), the practices, measures, procedures and controls of point (a) and in general the implementation of the risk management and procedures manual of point (c). In this regard, applies appropriate monitoring mechanisms (e.g. on-site visits to different departments of the Obligated Entity) which will provide him all the necessary information for assessing the level of compliance of the departments and employees of the Obligated Entity with the procedures and controls which are in force. In the event that he identifies shortcomings and/or weaknesses in the application of the required practices, measures, procedures and controls, gives appropriate guidance for corrective measures and where deemed necessary informs the board of directors.

(e) Receives information from the Obligated Entity's employees, which is considered to be knowledge or suspicion of money laundering or terrorist financing activities or might be related with such activities. The

First Appendix

information is received in a written report form (hereinafter to be referred to as "Internal Suspicion Report"), a specimen of such report is attached in the First Appendix.

Second Appendix

(f) Evaluates and examines the information received as per point (e), by reference to other relevant information and discusses the circumstances of the case with the informer and, where appropriate, with the informer's superiors. The evaluation of the information of point (e) is been done on a report (hereinafter to be referred to as "Internal Evaluation Report"), a specimen of which is attached in the Second Appendix.

Third Appendix

(g) If following the evaluation described in point (f), the compliance officer decides to notify MOKAS, then he completes a report and submit it to MOKAS the soonest possible through the electronic page goAML (<https://reports.mokas.law.gov.cy/live>)(hereinafter to be referred to as "Compliance Officer's Report to the Unit for Combating Money Laundering"). The Obligated Entity should implement a system that will allow it to produce the said report in a printed form at any time.

It is provided that, aafter the submission of the compliance officer's report to MOKAS, the accounts involved and any other connected accounts, are closely monitored by the compliance officer and following any directions from MOKAS, thoroughly investigates and examines all the transactions of the accounts.

(h) If following the evaluation described in point (f) the compliance officer decides not to notify MOKAS, then he fully explains the reasons for such a decision on the

"Internal Evaluation Report" which is attached in the Second Appendix.

(i) Acts as the first point of contact with MOKAS, upon commencement and during an investigation as a result of filing a report to MOKAS according to point (g).

(i) Ensures the preparation and maintenance of the lists of customers categorised following a risk based approach, according to paragraph 7(2), which contains, inter alia, the names of customers, their account number and the date of the commencement of the business relationship. Moreover, ensures the updating of the said lists with all new or existing customers, in the light of additional information obtained.

(j) Detects, records, and evaluates, at least on an annual basis, all risks arising from existing and new customers, new financial instruments and services and updates and amends the systems and procedures applied by the Obligated Entity for the effective management of the aforesaid risks.

(k) Verifies that the third party with whom the Obligated Entity intends to rely on for the application of the customer identification and due diligence measures as laid down in sub-paragraphs (a), (b) and (c) of paragraph (1) of section 61 of the Law, is Obligated Entity, as defined in section 2A of the Law, and gives his/her written approval for the said reliance, which should be kept in the personal file of the third party. I

(l) Ensures that the branches and subsidiaries of the Obligated Entity that operate in countries outside the

Fourth Appendix

European Economic Area, have taken all necessary measures for achieving full compliance with the provisions of the present Directive, in relation to customer identification, due diligence and record keeping procedures.

(m) Provides advice and guidance to the employees of the Obligated Entity on subjects related to money laundering and terrorist financing.

(n) Acquires the required knowledge and skills for the improvement of the appropriate procedures for recognising, preventing and obstructing any transactions and activities that are suspected to be associated with money laundering or terrorist financing.

(o) Determines the Obligated Entity 's departments and employees that need further training and education for the purpose of preventing money laundering and terrorist financing and organises appropriate training sessions/seminars. In this regard, prepares and applies an annual staff training program, according to Part VIII. Assesses the adequacy of the education and training provided.

(p) Prepares correctly and submits timely to the Commission the monthly prevention statement of paragraph 11 and provides the necessary explanation to the appropriate employees of the Obligated Entity for its completion.

(q) Prepares the annual report according to paragraph 10.

(r) Responds to all requests and queries from MOKAS and the Commission, provides all requested information and fully cooperates with MOKAS and the Commission.

(s) Maintains a registry which includes the reports of points (e), (f) and (g), and relevant statistical information (department that submitted the internal report, date of submission to the compliance officer, date of assessment, date of reporting to MOKAS), the evaluation reports of point (d) and all the documents that verify the accomplishment of his duties specified in the present subparagraph.

(t) Maintains a registry with the data/information of the third parties, that the Obligated Entity relies on for the application of customer identification procedures and customer due diligence measures according to section 67 of the Law, as defined in paragraph 25 of the Directive.

(2) During the execution of his duties and the control of the compliance of the Obligated Entity with the Law and the present Directive, the compliance officer obtains and utilises data, information and reports issued by international organizations, as these are stated in paragraph 17.

Compliance officer's annual report

10. (1) The Annual Report, prepared by the compliance officer according to paragraph 9(1)(q), is a significant tool for assessing the Obligated Entity's level of compliance with its obligations laid down in the Law and the present Directive.

(2) The Annual Report is prepared and submitted for approval to the board of directors, within two months from the end of each calendar year (the latest by the end of February).

(3) The Annual Report, after its approval by the board of directors, is submitted to the Commission together with the minutes of the meeting, during which the Annual Report has been discussed and approved. It is provided that the said minutes include the measures decided for the correction of any weaknesses and/or deficiencies identified in the Annual Report and the implementation timeframe of these measures. These minutes and the Annual Report are submitted to the Commission within twenty days from the date of the relevant meeting, and not later than three months from the end of the calendar year.

(4) The Annual Report deals with money laundering and terrorist financing preventive issues pertaining to the year under review and, as a minimum, covers the following:

(a) Information for measures taken and/or procedures introduced for compliance with any amendments and/or new provisions of the Law and the present Directive which took place during the year under review.

(b) Information on the inspections and reviews performed by the compliance officer, reporting the material deficiencies and weaknesses identified in the policy, practices, measures, procedures and controls that the Obligated Entity applies for the prevention of money laundering and terrorist financing. In this regard, the report outlines the seriousness of the deficiencies and weaknesses, the risk implications and the actions

taken and/or recommendations made for rectifying the situation.

(c) The number of internal suspicion reports submitted by employees of the Obligated Entity to the compliance officer, according to paragraph 9(1)(e), and possible comments/observations thereon.

(d) The number of Reports submitted by the compliance officer to MOKAS, according to paragraph 9(1)(g) with information/details on the main reasons for suspicion and highlights of any particular trends.

(e) Information, details or observations regarding the communication with the employees on money laundering and terrorist financing preventive issues.

(f) Summary figures, on an annualised basis, of customers' total cash deposits in Euro and other currencies in excess of the set limit of 10.000 Euro (together with comparative figures for the previous year) as reported in the Monthly Prevention Statement of paragraph 11. Any comments on material changes observed compared with the previous year are also reported.

(g) Information on the policy, measures, practices, procedures and controls applied by the Obligated Entity in relation to high risk customers as well as the number and country of origin of high risk customers with whom a business relationship is established or an occasional transaction has been executed.

(h) Information on the systems and procedures applied by the Obligated Entity for the ongoing monitoring of customer accounts and transactions.

(i) Information on the measures taken for the compliance of branches and subsidiaries of the Obligated Entity, that operate in countries outside the European Economic Area, with the requirements of the present Directive in relation to customer identification, due diligence and record keeping procedures and comments/information on the level of their compliance with the said requirements.

(j) Information on the training courses/seminars attended by the compliance officer and any other educational material received.

(k) Information on training/education and any educational material provided to staff during the year, reporting, the number of courses/seminars organised, their duration, the number and the position of the employees attending, the names and qualifications of the instructors, and specifying whether the courses/seminars were developed in-house or by an external organisation or consultants.

(l) Results of the assessment of the adequacy and effectiveness of staff training.

(m) Information on the recommended next year's training program.

(n) Information on the structure and staffing of the department of the compliance officer as well as recommendations and timeframe for their implementation, for any additional staff and technical resources which may be needed for reinforcing the measures and procedures against money laundering and terrorist financing.

Monthly prevention statement

11. The compliance officer prepares and submits to the Commission, according to paragraph 9(1)(p), on a monthly basis, the Form 144-08-11 which includes details for the total cash deposits accepted by the Obligated Entity, the Internal Suspicions Reports, and the Compliance Officer's Reports to MOKAS, according to paragraphs 9(1)(e) and 9(1)(g), respectively. The completion of the Form provides the opportunity to the Obligated Entity initially to evaluate and, subsequently, to reinforce its systems of control and monitoring of its operations, for the purpose of early identification and detection of transactions in cash which may be unusual and/or carry enhanced risk of being involved in money laundering and terrorist financing operations. The said Form is completed and submitted to the Commission within fifteen (15) days from the end of each month.

PART IV

APPLICATION OF APPROPRIATE MEASURES AND PROCEDURES ON A RISK BASED APPROACH

Application of measures and procedures on a risk based approach

(section 61(2) of the Law)

12. (1) The Obligated Entity applies appropriate measures and procedures, on a risk based approach, so as to focus its effort in those areas where the risk of money laundering and terrorist financing appears to be higher.

(2) A risk-based approach:

(a) recognises that the money laundering or terrorist financing threat varies across customers, countries, services and financial instruments;

(b) allows the board of directors to differentiate between customers of the Obligated Entity in a way that matches the risk of their particular business;

(c) allows the board of directors to apply its own approach in the formulation of policies, procedures and controls in response to the Obligated Entity's particular circumstances and characteristics;

(d) helps to produce a more cost effective system; and

(e) promotes the prioritisation of effort and actions of the Obligated Entity in response to the likelihood of money laundering or terrorist financing occurring through the use of services provided by the Obligated Entity.

(3) A risk-based approach involves specific measures and procedures in assessing the most cost effective and proportionate way to manage the money laundering and terrorist financing risks faced by the Obligated Entity. Such measures and procedures are:

(a) identifying and assessing the money laundering and terrorist financing risks emanating from particular customers, financial instruments, services, and geographical areas of operation of the Obligated Entity

and its customers;

(b) documenting in the risk management and procedures manual of paragraph 9(1)(c), the policies, measures, procedures and controls to ensure their uniform application across the Obligated Entity by persons specifically appointed for that purpose by the board of directors;

(c) managing and mitigating the assessed risks by the application of appropriate and effective measures, procedures and controls;

(d) continuous monitoring and improvements in the effective operation of the policies, procedures and controls.

(4) The Obligated Entities when assessing the money laundering and terrorist financing risks and when applying risk based measures and procedures, should take into account, among others, the Joint Guidelines and the Guidelines issued by the Financial Action Task Force (FATF).

Identification,
recording and
evaluation of risks

13. (1) According to paragraph 9(1)(j), the compliance officer has the responsibility to identify, record and evaluate all potential risks. The successful establishment of measures and procedures on a risk-based approach requires the clear communication of the measures and procedures that have been decided across the Obligated Entity, along with robust mechanisms to ensure that these are implemented effectively, weaknesses are promptly identified and improvements are made wherever necessary.

(2) A risk-based approach involves the identification, recording and evaluation of the risks that have to be managed. The Obligated Entity assesses and evaluates the risk it faces, for usage of the services provided for the purpose of money laundering or terrorist financing. The particular circumstances of the Obligated Entity determine the suitable procedures and measures that need to be applied to counter and manage risk.

(3) In the cases where the services and the financial instruments that the Obligated Entity provides are relatively simple, involving relatively few customers, or customers with similar characteristics, then the Obligated Entity applies procedures that focus on those customers who fall outside the 'norm'.

(4) The identification, recording and evaluation of risk that the Obligated Entity face presupposes the finding of answers to the following questions:

(a) What risk is posed by the Obligated Entity's customers? For example:

- i. complexity of ownership structure of legal persons,
- ii. companies with bearer shares,
- iii. companies incorporated in offshore centres,
- iv. politically exposed persons,
- v. customers engaged in transactions which involves significant amounts of cash,
- vi. customers from high risk countries or from countries known for high level of corruption or organized crime or drug trafficking;

(b) What risk is posed by a customer's behaviour? For example:

- i. customer transactions where there is no apparent legal financial/commercial rationale,
- ii. situations where the origin of wealth and/or source of funds cannot be easily verified,
- iii. unwillingness of customers to provide information on the beneficial owners of a legal person;

(c) How did the customer communicate the Obligated Entity? For example:

- i. non face to face customer,
- ii. customer introduced by a third person;

(d) What risk is posed by the services and financial instruments provided to the customer? For example:

- i. services that allow payments to third persons,
- ii. large cash deposits or withdrawals.

(5) The application of appropriate measures and the nature and extent of the procedures of a risk based approach depends on different parameters. Indicative parameters are the following:

(a) the scale and complexity of the services;

(b) geographical spread of the services and customers;

(c) the nature (e.g. non face to face customer) and

economic profile of customers as well as of financial instruments and services offered;

(d) the distribution channels and practices of providing services;

(e) the volume and size of transactions;

(f) the degree of risk associated with each area of services;

(g) the country of origin and destination of customers' funds;

(h) deviations from the anticipated level of transactions;

(i) the nature of business transactions.

Design and implementation of measures and procedures to manage and mitigate the risks

14. (1) When the Obligated Entity identifies, according to paragraph 13, the risks it faces, then designs and implements the appropriate measures and procedures for the correct management and mitigation, which involve the verification of the customers identity, the collection of information for the construction of their economic profile and monitoring their transactions and activities.

(2) Taking into consideration the assessed risk, an Obligated Entity determines the type and extent of measures it adopts, to manage and mitigate the identified risks cost effectively. These measures and procedures may, for example, include:

(a) adaptation of the customer due diligence procedures in respect of customers in line with their

assessed money laundering and terrorist financing risk;
(b) requiring the quality and extent of requisite identification data for each type of customer to be of a certain standard (e.g. documents from independent and reliable sources, third person information, documentary evidence);

(c) obtaining additional data and information from the customers, where this is appropriate for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from the particular business relationship or the occasional transaction; and

(d) on going monitoring of high risk customers' transactions and activities.

(3) The risk assessment and the implementation of the measures and procedures of subparagraph (2) result in the categorisation of customers according to paragraph 7(2)(c). The said categorisation is based on criteria which reflect the possible risk causes and each category is accompanied with the relevant due diligence procedures, regular monitoring and controls.

(4) The category of low risk customers, according to paragraph 7(2)(c)(i), includes the customers that the Obligated Entity has determined to categorise as such according to section 63 of the Law.

(5) The category of high risk customers, according to paragraph 7(2)(c)(iii), includes the customers prescribed as high risk in section 64 of the Law ,as well as, any other

customer determined by the Obligated Entity itself to be classified as such.

(6) According to paragraph 9(1)(j), lists are prepared and maintained for the categories of customers, which contain, inter alia, the customers' names, account numbers, and date of commencement of business relationship. The said lists should be promptly updated with all new or existing customers that the Obligated Entity has determined, in the light of additional information received, that fall under the categories of paragraph 7(2)(c).

(7) The Obligated Entity is, at all times, in a position to demonstrate to the Commission that the extent of measures and control procedures that applies are proportionate to the risk it faces for the use of services provided, for the purpose of money laundering or terrorist financing.

(8) In view of this, documenting the measures and procedures set out in subparagraphs 2-6 above will assist the Obligated Entity to prove:

(a) the ways used to identify, record and assess the risk of its services being used for money laundering or terrorist financing;

(b) how it has determined the introduction and implementation of specific measures and procedures for the management and mitigation of risks; and

(c) the methods applied for monitoring and improving, whenever deemed necessary, the specific measures, procedures and controls.

Monitoring and improving the measures and procedures

15. The Obligated Entity monitors and evaluates, on an on going basis, the effectiveness of the measures and procedures that have been introduced for compliance purposes with the present Part.

Dynamic risk management

16. Risk management is a continuous process, carried out on a dynamic basis. Risk assessment is not an isolated event of a limited duration. Customers' activities change as well as the services and financial instruments provided by the Obligated Entity change. The same happens to the financial instruments and the transactions used for money laundering or terrorist financing. The measures, the procedures and controls are kept under regular review so that risks resulting from changes in the characteristics of existing customers, new customers, services and financial instruments are managed and countered effectively.

Relevant international organisations

17. On implementing appropriate measures and procedures on a risk based approach, and on implementing the customer identification and due diligence procedures, according to Part V, the compliance officer, ο λειτουργός συμμόρφωσης should consult data, information and reports [e.g. customers from countries which inadequately apply Financial Action Task Force's (FATF), country assessment reports] that are published in following relevant organisations:

(a) FATF - www.fatf-gafi.org

(b) the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) - www.coe.int/moneyval

(c) the EU Common Foreign & Security Policy (CFSP)-
http://ec.europa.eu/external_relations/cfsp/sanctions/list/consol-list.htm

(d) the UN Security Council Sanctions Committees -
www.un.org/sc/committees/

(e) the International Money Laundering Information Network (IMOLIN) - www.imolin.org

(f) the International Monetary Fund (IMF) –
www.imf.org

(g) the Joint Committee European Supervisory Authorities - <https://esas-joint-committee.europa.eu/>

(h) the Ministry of Foreign Affairs regarding the United Nations Security Council Resolutions or Decisions (Sanctions) or/and the European Union Council Decisions and Regulations (Restrictive Measures) -
http://www.mfa.gov.cy/mfa/mfa2016.nsf/mfa35_en/mfa35_en?OpenDocument

(i) the EU Sanctions Map -
<https://www.sanctionsmap.eu/#/main>

PART V

CUSTOMER IDENTIFICATION AND DUE DILIGENCE PROCEDURES

Obligation for customer identification and due diligence procedures	18. (1) In addition to the provisions of sections 60, 61 and 62 of the Law that refer to the obligation for customer identification and due diligence procedures, the Obligated Entity ensure that
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(sections 60, 61
and 62 of the Law)

the customer identification records remain completely updated with all relevant identification data and information throughout the business relationship. The Obligated Entity examines and checks, on a regular basis, the validity and adequacy of the customer identification data and information it maintains, especially those concerning high risk customers. The procedures and controls of paragraph 9(1)(a) also determine the timeframe during which the regular review, examination and update of the customer identification is conducted. The outcome of the said review is recorded in a separate note/form which should be kept in the respective customer file.

(2) Despite the provisions of subparagraph (1) and taking into consideration the level of risk, if at any time during the business relationship, the Obligated Entity becomes aware that reliable or adequate data and information are missing from the identity and the economic profile of the customer, then takes all necessary action, by applying the customer identification and due diligence procedures according to the Law and the present Directive, to collect the missing data and information, the soonest possible, so as to identify the customer and update and complete the customer's economic profile.

(3) In addition to the provisions of subparagraph (1) and (2), the Obligated Entity checks the adequacy of the data and information of the customer's identity and economic profile, whenever one of the following events or incidents occurs:

(a) an important transaction takes place which appears to be unusual and/or significant compared to the normal pattern of transactions and the economic profile of the customer;

(b) a material change in the customer's legal status and situation, such as :

- i. change of directors/secretary,
- ii. change of registered shareholders and/or beneficial owners,
- iii. change of registered office,
- iv. change of trustees,
- v. change of corporate name and/or trading name,
- vi. change of the principal trading partners and/or undertake new major business activities;

(c) a material change in the way and the rules the customer's account operates, such as:

- i. Change in the persons that are authorised to operate the account,
- ii. application for the opening of new account for the provision of new investment services and/or financial instruments.

Transactions that favour anonymity
(section 66(3) of the Law)

19. In the case of customers' transactions via the internet, phone, fax or other electronic means where the customer is not present so as to verify the authenticity of his signature or that he is the real owner of the account or that he has been properly authorised to operate the account, the Obligated Entity applies reliable methods, procedures and control mechanisms over the access to the electronic means so as to ensure that it deals with the true owner or the authorised signatory to the account.

Failure or refusal to submit information

20. (1) Failure or refusal by a customer to submit, before the

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for the verification
of customers'
identity

(section 62(4) of
the Law)

establishment of a business relationship or the execution of an occasional transaction, the requisite data and information for the verification of his identity and the creation of his economic profile, without adequate justification, constitutes elements that may lead to the creation of a suspicion that the customer is involved in money laundering or terrorist financing activities. In such an event, the Obligated Entity does not proceed with the establishment of the business relationship or the execution of the occasional transaction while at the same time the compliance officer considers whether it is justified under the circumstances to submit a report to MOKAS, according to paragraph 9(1)(g).

(2) If, during the business relationship, a customer fails or refuses to submit, within a reasonable timeframe, the required verification data and information according to paragraph 18, the Obligated Entity terminates the business relationship and closes all the accounts of the customer while at the same time examines whether it is justified under the circumstances to submit a report to MOKAS, according to paragraph 9(1)(g).

Construction of an
economic profile

(section 61(1) of
the Law)

21. (1) The Obligated Entity is satisfied that it's dealing with a real person and, for this reason, obtains sufficient evidence of identity to verify that the person is who he claims to be.

Furthermore, the Obligated Entity verifies the identity of the beneficial owners of the customers' accounts. In the cases of legal persons, the Obligated Entity obtains adequate data and information so as to understand the ownership and control structure of the customer. Irrespective of the customer's type (e.g. natural or legal person, sole trader or partnership), the Obligated Entity requests and obtains sufficient data and information regarding the customer's business activities and

the expected pattern and level of transactions.

However, it is noted that no single form of identification can be fully guaranteed as genuine or representing correct identity and, consequently, the identification process will generally need to be cumulative.

(2) The verification of the customers' identification is based on reliable data and information issued or obtained from independent and reliable sources, meaning those data, and information that are the most difficult to be amended or obtained illicitly.

(3) A person's residential and business address is an essential part of his identity and, thus, a separate procedure for its verification, according to point 1(c) of the Fifth Appendix, is followed.

(4) It is never acceptable to use the same verification data or information for verifying the customer's identity and verifying its home address.

(5) Without prejudice to the provisions of section 62(2) and (3) of the Law, the data and information that are collected before the establishment of the business relationship, with the aim of constructing the customer's economic profile and, as a minimum, include the following :

(a) the purpose and the reason for requesting the establishment of a business relationship;

(b) the anticipated account turnover, the nature of the transactions, the expected origin of incoming funds to

be credited in the account and the expected destination of outgoing transfers/payments;

(c) the customer's size of wealth and annual income and the clear description of the main business/professional activities/operations.

(6) The data and information that are used for the construction of the customer's-legal person's economic profile include, inter alia, the name of the company, the country of its incorporation, the head offices address, the names and the identification information of the beneficial owners, directors and authorised signatories, financial information, ownership structure of the group that the company may be a part of (country of incorporation of the parent company, subsidiary companies and associate companies, main activities and financial information). The said data and information are recorded in a separate form designed for this purpose which is retained in the customer's file along with all other documents as well as all internal records of meetings with the respective customer. The said form is updated regularly or whenever new information emerges that needs to be added to the economic profile of the customer or alters existing information that makes up the economic profile of the customer.

Identical data and information with the abovementioned are obtained in the case of a customer-natural person, and in general, the same procedures with the abovementioned are followed.

(7) Transactions executed for the customer are compared and

evaluated against the anticipated account's turnover, the usual turnover of the activities/operations of the customer and the data and information kept for the customer's economic profile. Significant deviations are investigated and the findings are recorded in the respective customer's file. Transactions that are not justified by the available information on the customer, are thoroughly examined so as to determine whether suspicions over money laundering or terrorist financing arise for the purposes of submitting an internal report to the compliance officer, according to paragraph 9(1)(e), and then by the latter to MOKAS, according to paragraph 9(1)(g) .

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|--|-----|---|
| Specific customer identification issues

Fifth Appendix | 22. | The Fifth Appendix includes customer identification and due diligence procedures that the Obligated Entity applies for specific customer identification issues. |
| Simplified customer identification and due diligence procedures

(section 63 of the Law) | 23. | (1) According to section 63 of the Law, the Obligated Entity, may apply simplified customer due diligence measures if the business relationship or the transaction presents a lower degree of risk. It is provided that the Obligated Entity collects sufficient information, so as to assess and to ascertain whether a business relationship or transaction presents a lower degree of risk. The Obligated Entity when assessing the abovementioned pays special attention to any activity of those customers or to any type of transactions, which may be regarded as particularly likely, by its nature, to be used or abused for money laundering or terrorist financing purposes. |

Enhanced customer identification and due diligence procedures

(section 64 of the Law)

24. According to section 64 of the Law, the Obligated Entity applies enhanced customer identification and due diligence procedures in respect of the customers referred to in section 64 of the Law, as well as in other situations, that pose a high degree of risk for money laundering or terrorist financing and are categorised by the Obligated Entity as high risk on the basis of its customers' acceptance policy, according to paragraph 7.

Reliance on third parties for customer identification and due diligence purposes

(section 67 of the Law)

25. (1) Without prejudice to the provisions of section 67 of the Law, the Obligated Entity may rely on third parties for the implementation of customer identification and due diligence procedures, as these are prescribed in section 61(1)(a),(b) and (c) of the Law, provided that the third person makes immediately available all data and information, which must be certified true copies of the originals, that were collected in the course of applying customer identification and due diligence procedures.

(2) The Obligated Entity obtains data and information so as to verify that the third person is subject to professional registration in accordance with the competent law of its country of incorporation and/or operation as well as supervision for the purposes of compliance with the measures for the prevention of money laundering and terrorist financing.

(3) The Obligated Entity may rely on third parties only at the outset of establishing a business relationship or the execution of an occasional transaction for the purpose of verifying the identity of their customers. According to the degree of risk any

additional data and information for the purpose of updating the customer's economic profile or for the purpose of examining unusual transactions executed through the account, is obtained from the natural persons (directors, beneficial owners) who control and manage the activities of the customer and have the ultimate responsibility of decision making as regards to the management of funds and assets.

(4) in the case the Obligated Entity relies to a third party, applies the following additional measures/procedures :

(a) before the establishment of the business relationship or the carrying out of the occasional transaction applies due diligence measures to the third party;

(b) sign an agreement with the third party specifying the obligations of each party;;

(c) maintains a separate file for every third party of the present paragraph, where it stores the relevant information

(d) the commencement of the cooperation with the third party and the acceptance of customer identification data verified by the third party is subject to approval by the compliance officer, according to paragraph 9(1)(k).

Ongoing monitoring of accounts and transactions

(section 58(e) and 61(1)(d) of the Law)

26. (1) The Obligated Entity has a full understanding of normal and reasonable account activity of their customers as well as of their economic profile and have the means of identifying transactions which fall outside the regular pattern of an account's activity or to identify complex or unusual

transactions or transactions without obvious economic purpose or clear legitimate reason. Without such knowledge, the Obligated Entity is not able to discharge its legal obligation to identify and report suspicious transactions to MOKAS, according to paragraphs 9(1)(g) and 27.

(2) The procedures and intensity of monitoring accounts and examining transactions are based on the level of risk and, as a minimum, achieve the following:

(a) identifying all high risk customers according to paragraph 7. Therefore, the systems or the measures and procedures of the Obligated Entity are able to produce detailed lists of high risk customers so as to facilitate enhanced monitoring of accounts and transactions;

(b) detecting of unusual or suspicious transactions that are inconsistent with the economic profile of the customer for the purposes of further investigation;

(c) the investigation of unusual or suspicious transactions from the employees who have been appointed for that purpose; the results of the investigations are recorded in a separate memo and kept in the file of the customer concerned;

(d) all necessary measures and actions must be taken, based on the investigation findings of point (c), including any internal reporting of suspicious transactions/activities to the compliance officer, according to paragraph 9(1)(e);

(e) ascertaining the source and origin of the funds credited to accounts.

(3) The Obligated Entity introduces and implements, where appropriate and proportionate, in view of the nature, scale and complexity of its business and the nature and range of the investment services and activities undertaken in the course of that business, adequate automated electronic management information systems which will be capable of supplying the board of directors and the compliance officer, on a timely basis, all the valid and necessary information for the identification, analysis and effective monitoring of customer accounts and transactions based on the assessed risk for money laundering or terrorist financing purposes.

(4) The monitoring of accounts and transactions are carried out in relation to specific types of transactions and economic profile, as well as by comparing periodically the actual movement of the account with the expected turnover as declared at the establishment of the business relationship. Furthermore, the monitoring covers customers who do not have a contact with the Obligated Entity as well as dormant accounts exhibiting unexpected movements.

(5) The automated electronic management information systems may be also used to extract data and information that is missing regarding the customer identification and the construction of a customer's economic profile.

(6) For all accounts, automated electronic management information systems are able to add up the movement of all related accounts on a consolidated basis and detect unusual or suspicious activities and types of transactions. This can be

done by setting limits for a particular type, or category of accounts (e.g. high risk accounts) or transactions (e.g. deposits and withdrawals in cash, transactions that do not seem reasonable based on usual business or commercial terms, significant movement of the account incompatible with the size of the account balance), taking into account the economic profile of the customer, the country of his origin, the source of the funds, the type of transaction or other risk factors. The Obligated Entity gives particular attention to transactions exceeding the abovementioned limits, which may indicate that a customer might be involved in unusual or suspicious activities.

PART VI
RECOGNITION AND REPORTING OF SUSPICIOUS
TRANSACTIONS/ACTIVITIES TO MOKAS

Reporting of
suspicious
transactions to
MOKAS

(sections 26, 27, 69
and 70 of the Law)

27. Without prejudice to the provisions of section 70 of the Law, the Obligated Entity, in cases where there is an attempt of executing transactions which knows or suspects that are related to money laundering or terrorist financing, reports, through the compliance officer its suspicion to MOKAS in accordance with paragraph 9(1)(g).

Suspicious
transactions

28. (1) The definition of a suspicious transaction as well as the types of suspicious transactions which may be used for money laundering and terrorist financing are almost unlimited. A suspicious transaction will often be one which is inconsistent with a customer's known, legitimate business or personal activities or with the normal business of the specific account, or in general with the economic profile that the

Obligated Entity has created for the customer. The Obligated Entity ensures that maintains adequate information and knows enough about its customers' activities in order to recognise on time that a transaction or a series of transactions is unusual or suspicious.

Sixth Appendix

(2) A list containing examples of what might constitute suspicious transactions/activities related to money laundering and terrorist financing is attached to the Third Appendix. The said list is not exhaustive nor includes all types of transactions that may be used, nevertheless it can assist the Obligated Entity and its employees in recognising the main methods used for money laundering and terrorist financing. The detection by the Obligated Entity of any of the transactions contained in the Third Appendix prompts further investigation and constitutes a valid cause for seeking additional information and/or explanations as to the source and origin of the funds, the nature and economic/business purpose of the underlying transaction, and the circumstances surrounding the particular activity.

Compliance officer's report to MOKAS

29. (1) All the reports of the compliance officer of paragraph 9(1)(g) are send or submitted to MOKAS via the website go AML (<https://reports.mokas.law.gov.cy/live>).

(2) After the submission of a suspicious report of paragraph 9(1)(g), the Obligated Entity may subsequently wish to terminate its relationship with the customer concerned for risk avoidance reasons. In such an event, the Obligated Entity exercises particular caution, according to section 48 of the Law, not to alert the customer concerned that a suspicious report has been submitted to MOKAS. Close liaison with MOKAS is, therefore, maintained in an effort to avoid any frustration to the investigations conducted.

(3) After submitting the suspicious report of paragraph 9(1)(g), the Obligated Entity adheres to any instructions given by MOKAS and, in particular, as to whether or not to continue or suspend a particular transaction or to maintain the particular account active.

According to section 26(2)(c) of the Law, MOKAS may instruct the Obligated Entity to refrain from executing or delay the execution of a customer's transaction without such action constituting a violation of any contractual or other obligation of the Obligated Entity and its employees.

(4) Furthermore, after the submission of a suspicious report of paragraph 9(1)(g), the customers' accounts concerned as well as any other connected accounts are placed under the close monitoring of the compliance officer.

Submission of
information to
MOKAS

30. The Obligated Entity ensures that in the case of a suspicious transaction investigation by MOKAS, will be able to provide without delay the following information:

(a) the identity of the account holders;

(b) the identity of the beneficial owners of the account;

(c) the identity of the persons authorised to manage the account;

(d) data of the volume of funds or level of transactions flowing through the account;

(e) connected accounts;

(f) in relation to specific transactions:

- i. the origin of the funds,
- ii. the type and amount of the currency involved in the transaction,
- iii. the form in which the funds were placed or withdrawn, for example cash, cheques, wire transfers,
- iv. the identity of the person that gave the order for the transaction,
- v. the destination of the funds,
- vi. the form of instructions and authorisation that have been given,
- vii. the type and identifying number of any account involved in the transaction.

PART VII RECORD KEEPING

Record keeping and
time period of
keeping
documents/data

(section 68 of the
Law)

31. (1) According to section 68(1) of the Law, the Obligated Entity keeps record of the documents/data mentioned in the above section of the Law and are specialised in the present Directive, including those referred to in paragraph 9(1)(k).

(2) According to section 68(2) of the Law, the documents/data of subparagraph (1), are kept for a period of at least five (5) years, which is calculated after the execution of the transactions or the termination of the business relationship.

It is provided that, the documents/data relevant to ongoing investigations are kept until MOKAS confirms that the investigation has been completed and the case has been closed.

- Format of records 32. (1) The retention of the documents/data, other than the original documents or their certified true copies that are kept in a hard copy form, may be in other forms, such as electronic form, provided that the Obligated Entity is able to retrieve the relevant documents/data without undue delay and present them at any time, to the Commission or to MOKAS, after a request.
- (2) When the Obligated Entity establishes a documents/data retention policy, takes into consideration the requirements of the Law and the present Directive and the potential needs of MOKAS and the Commission.
- Certification and language of documents 33. (1) The documents/data obtained, for compliance with the present Directive, are the following forms:
- a. Original, or
- b. True copy of the original, where the certification is made by the Obligated Entity in cases where it establishes the customer's identity itself, once the original is presented thereto, or
- c. True copy of the original, where the certification is made by third parties, in cases where they establish the customer's identity, pursuant to Article 67 of the Law and the provisions of paragraph 25 of this Directive, or
- d. True copy of the original, where the certification is made by a competent authority or person that, pursuant to the relevant provisions of the laws of their country, is responsible to certify the authenticity of documents or information. In this

case the documents should be apostilled or notarised, or

e. Provided that at least one of the procedures referred to in paragraph (2) of the Fourth Appendix of the present Directive is followed:

- i. Copy of the original, or
- ii. Data and information collected via electronic verification in accordance with the provisions of paragraph (2) below.

(2) Performing an electronic verification:

a. Electronic identity verification is carried out either directly by the Obligated Entity or through a third party. Both the Obligated Entity and the said third parties cumulatively satisfy the following conditions:

- i. the electronic databases kept by the third party or to which the third party or the Obligated Entity has access are registered to and/or approved by the Data Protection Commissioner in order to safeguard personal data (or the corresponding competent authority in the country the said databases are kept).
- ii. electronic databases provide access to information referred to both present and past situations showing that the person really exists and providing both positive information (at least the customer's full name, address and date of birth) and negative information (e.g. committing of offences such as identity theft, inclusion in

deceased persons records, inclusion in sanctions and restrictive measures' list by the Council of the European Union and the UN Security Council).

- iii. electronic databases include a wide range of sources with information from different time periods with real-time update and trigger alerts when important data alter.
- iv. transparent procedures have been established allowing the Obligated Entity to know which information was searched, the result of such search and its significance in relation to the level of assurance as to the customer's identity verification.
- v. procedures have been established allowing the Obligated Entity to record and save the information used and the result in relation to identity verification.

b. Information must come from two or more sources. The electronic verification procedure shall at least satisfy the following correlation standard:

- i. identification of the customer's full name and current address from one source, and
- ii. identification of the customer's full name and either his current address or date of birth from a second source.

c. For purposes of carrying out the electronic verification, the Obligated Entity shall establish procedures in order to satisfy the completeness, validity and reliability of the information to which it has access. It is provided that the verification procedure shall include a search of both positive and negative information.

d. It is provided that the Obligated Entity evaluates the results in order the conditions of Article 61(3) of the Law to be satisfied. The Obligated Entity establishes mechanisms for the carrying out of quality controls in order to assess the quality of the information on which it intends to rely.

(3) A true translation is attached in the case that the documents/data of subparagraph (1) are in a language other than Greek or English.

PART VIII EMPLOYEES' OBLIGATIONS, EDUCATION AND TRAINING

Employees'
obligations

(section 58 of the
Law)

34. (1) The Obligated Entity's employees can be personally liable for failure to report information or suspicion, regarding money laundering or terrorist financing.

(2) The employees cooperate and report, without delay, according to paragraph 9(1)(e), anything that comes to their attention in relation to transactions for which there is a slight suspicion that are related to money laundering or terrorist financing.

(3) According to section 26 of the Law, the Obligated Entity's employees fulfill their legal obligation to report their suspicions regarding money laundering and terrorist financing, after their compliance with subparagraph (2).

Employees'
education and

35. (1) The Obligated Entity ensures that its employees are fully

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training program

aware of their legal obligations according to the Law and the present Directive, by introducing a complete employee's education and training program.

(2) The timing and content of the training provided to the employees of the various departments is adjusted according to the needs of each Obligated Entity. The frequency of the training can vary depending on to the amendments of legal and/or regulatory requirements, employees' duties as well as any other changes in the financial system of the Republic.

(3) The training program aims at educating employees on the latest developments in the prevention of money laundering and terrorist financing, including the practical methods and trends used for this purpose.

(4) The training program has a different structure for new employees, existing employees and for different departments of the Obligated Entity according to the services that they provide. On-going training is given at regular intervals so as to ensure that the employees are reminded of their duties and responsibilities and kept informed of any new developments.

PART IX

DETECTION OF ACTIONS THAT ARE IN BREACH OF THE UNITED NATIONS SECURITY COUNCIL RESOLUTIONS OR DECISIONS ('SANCTIONS') OR/AND THE EUROPEAN UNION COUNCIL DECISIONS AND REGULATIONS ('RESTRICTIVE MEASURES')

36.

Detention of actions that are in breach of Sanctions and Restrictive Measures

(1) The Obligated Entity designs and implements measures and procedures for the detection of actions that are in breach or may potentially be in breach of the provisions of the United

Nations Security Council Resolutions or Decisions ('Sanctions') or/and the European Union Council Decisions and Regulations ('Restrictive Measures'), as provided for in the Sanctions Law.

(2) Where the Obligated Entity intends to take an action which falls within those cases that may be approved under the provisions of the Sanctions or Restrictive Measures, the said Entity shall submit, prior to taking the said action, through its compliance officer, a relevant application to the UIS, or, as the case may be, to its Credit Institution for submission by it to the ABFS, for approval or rejection.

(3) The Obligated Entity shall record in the manual provided for by paragraph 9(1)(c) of the Directive, the measures and procedures for the detection of actions that are in breach or may potentially be in breach of the provisions of the Sanctions and Restrictive Measures.

PART X FINAL PROVISIONS

Repeal Directive
R.A.D. 480/2012
No. 4608,
26.11.2012
R.A.D. 192/2016
No. 4952,
24.6.2016
R.A.D. 262/2016
No. 4964,
16.9.2016

37. The Directive DI144-2007-08 of 2012 for the prevention of money laundering and terrorist financing R.A.D. 480/2012, the amending Directive R.A.D. 192/2016 and the amending Directive R.A.D. 262/2016 are hereby repealed.

Entry into force 38. The present Directive shall enter into force as of its publication in the Official Gazette of the Republic.

FIRST APPENDIX

INTERNAL SUSPICION REPORT FOR MONEY LAUNDERING AND TERRORIST FINANCING

INFORMER'S DETAILS

Name:..... Tel:.....

Department:..... Fax:.....

Position:.....

CUSTOMER'S DETAILS

Name:.....

Address:

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.....Date of Birth:.....
 Tel:Occupation:
 Fax:Details of Employer:.....

 Passport No.:.....Nationality:.....
 ID Card No.:.....Other ID Details:

INFORMATION/SUSPICION

Brief description of activities/transaction:.....

Reason(s) for suspicion:.....

Informer's Signature	Date
.....

FOR COMPLIANCE OFFICER'S USE

Date Received: Time Received: Ref.....
 Reported to MOKAS: Yes/No ... Date Reported:..... Ref.....

SECOND APPENDIX

**INTERNAL EVALUATION REPORT FOR MONEY LAUNDERING AND TERRORIST
 FINANCING**

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Reference: Customer's Details:

Informer:..... Department:

INQUIRIES UNDERTAKEN (Brief Description)

.....
.....
.....

ATTACHED DOCUMENTS

.....
.....
.....
.....

COMPLIANCE OFFICER'S DECISION

.....
.....
.....

FILE NUMBER.....

COMPLIANCE OFFICER'S SIGNATURE

DATE

.....

THIRD APPENDIX

EXAMPLES OF SUSPICIOUS TRANSACTIONS/ACTIVITIES RELATED TO MONEY LAUNDERING AND TERRORIST FINANCING

A. MONEY LAUNDERING

1. Transactions with no discernible purpose or are unnecessarily complex.
2. Use of foreign accounts of companies or group of companies with complicated ownership structure which is not justified based on the needs and economic profile of the customer.
3. The transactions or the size of the transactions requested by the customer do not comply with his usual practice and business activity.
4. Large volume of transactions and/or money deposited or credited into, an account when the nature of the customer's business activities would not appear to justify such activity.
5. The business relationship involves only one transaction or it has a short duration.
6. There is no visible justification for a customer using the services of a particular Obligated Entity. For example the customer is situated far away from the particular Obligated Entity and in a place where he could be provided services by another Obligated Entity.
7. There are frequent transactions in the same financial instrument without obvious reason and in conditions that appear unusual (churning).
8. There are frequent small purchases of a particular financial instrument by a customer who settles in cash, and then the total number of the financial instrument is sold in one transaction with settlement in cash or with the proceeds being transferred, with the customer's instructions, in an account other than his usual account.

9. Any transaction the nature, size or frequency appear to be unusual, e.g. cancellation of an order, particularly after the deposit of the consideration.
10. Transactions which are not in line with the conditions prevailing in the market, in relation, particularly, with the size of the order and the frequency.
11. The settlement of any transaction but mainly large transactions, in cash.
12. Settlement of the transaction by a third person which is different than the customer which gave the order.
13. Instructions of payment to a third person that does not seem to be related with the instructor.
14. Transfer of funds to and from countries or geographical areas which do not apply or they apply inadequately FATF's recommendations on money laundering and terrorist financing.
15. A customer is reluctant to provide complete information when establishes a business relationship about the nature and purpose of its business activities, anticipated account activity, prior relationships with Financial Organisations, names of its officers and directors, or information on its business location. The customer usually provides minimum or misleading information that is difficult or expensive for the Obligated Entity to verify.
16. A customer provides unusual or suspicious identification documents that cannot be readily verified.
17. A customer's home/business telephone is disconnected.
18. A customer that makes frequent or large transactions and has no record of past or present employment experience.
19. Difficulties or delays on the submission of the financial statements or other identification documents, of a customer/legal person.

20. A customer who has been introduced by a foreign Obligated Entity, or by a third person whose countries or geographical areas of origin do not apply or they apply inadequately FATF's recommendations on money laundering and terrorist financing.
21. Shared address for individuals involved in cash transactions, particularly when the address is also a business location and/or does not seem to correspond to the stated occupation (e.g. student, unemployed, self-employed, etc).
22. The stated occupation of the customer is not commensurate with the level or size of the executed transactions.
23. Financial transactions from non-profit or charitable organisations for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organisation and the other parties in the transaction.
24. Unexplained inconsistencies arising during the process of identifying and verifying the customer (e.g. previous or current country of residence, country of issue of the passport, countries visited according to the passport, documents furnished to confirm name, address and date of birth etc).
25. Complex trust or nominee network.
26. Transactions or company structures established or working with an unneeded commercial way. e.g. companies with bearer shares or bearer financial instruments or use of a postal box.
27. Use of general nominee documents in a way that restricts the control exercised by the company's board of directors.
28. Changes in the lifestyle of employees of the Obligated Entity, e.g. luxurious way of life or avoiding being out of office due to holidays.
29. Changes the performance and the behaviour of the employees of the Obligated Entity

B. TERRORIST FINANCING

1. Sources and methods

The funding of terrorist organisations is made from both legal and illegal revenue generating activities. Criminal activities generating such proceeds include kidnappings (requiring ransom), extortion (demanding “protection” money), smuggling, thefts, robbery and narcotics trafficking. Legal fund raising methods used by terrorist groups include:

- i. collection of membership dues and/or subscriptions,
- ii. sale of books and other publications,
- iii. cultural and social events,
- iv. donations,
- v. community solicitations and fund raising appeals.

Funds obtained from illegal sources are laundered by terrorist groups by the same methods used by criminal groups. These include cash smuggling by couriers or bulk cash shipments, structured deposits to or withdrawals from bank accounts, purchases of financial instruments, wire transfers by using “straw men”, false identities, front and shell companies as well as nominees from among their close family members, friends and associates.

2. Non-profit organisations

Non-profit and charitable organisations are also used by terrorist groups as a means of raising funds and/or serving as cover for transferring funds in support of terrorist acts. The potential misuse of non-profit and charitable organisations can be made in the following ways:

- i. Establishing a non-profit organisation with a specific charitable purpose but which actually exists only to channel funds to a terrorist organisation.

- ii. A non-profit organisation with a legitimate humanitarian or charitable purpose is infiltrated by terrorists who divert funds collected for an ostensibly legitimate charitable purpose for the support of a terrorist group.
- iii. The non-profit organisation serves as an intermediary or cover for the movement of funds on an international basis.
- iv. The non-profit organisation provides administrative support to the terrorist movement.

3.

Unusual characteristics of non-profit organisations indicating that they may be used for an unlawful purpose are the following:

- i. Inconsistencies between the apparent sources and amount of funds raised or moved.
- ii. A mismatch between the type and size of financial transactions and the stated purpose and activity of the non-profit organisation.
- iii. A sudden increase in the frequency and amounts of financial transactions for the account of a non-profit organisation.
- iv. Large and unexplained cash transactions by non-profit organisations.
- v. The absence of contributions from donors located within the country of origin of the non-profit organisation.

FOURTH APPENDIX

NON-EXHAUSTIVE LIST OF FACTORS OF POTENTIALLY HIGHER RISK AND ENHANCED DUE DILIGENCE MEASURES

Without prejudice of the indicative (a) factors of potentially higher risk of money laundering and terrorist financing and (b) enhanced due diligence measures stated in Appendix III of the Law and the Joint Guidelines, the following indicative factors and measures should be taken into account by the Obligated Entities during the risk based approach and the application of enhanced customer due diligence measures:

1. Trusts accounts

2. Non face to face customers (paragraph 2(c) of Appendix III of the Law)

If the Obligated Entity concludes that the non-face-to-face business relationship or transaction as specified in paragraph 2(c) of Appendix III of the Law, presents higher risk of money laundering or terrorist financing, it should apply enhanced customer due diligence measures. The said measures may be the following:

- i. The first payment of the operations is carried out through an account opened in the customer's name with a credit institution operating and licensed in a country in the European Economic Area or third country, which is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law.
- ii. A direct confirmation of the establishment of a business relationship is obtained through direct personal contact, as well as, the true name, address and passport/identity card number of the customer, from a credit institution or a financial institution with which the customer cooperates, operating in a country in the European Economic Area or third country, which is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law (or a true copy of the confirmation).
- iii. Telephone contact with the customer at his home or office, on a telephone number which has been verified from independent and reliable sources. During the telephone contact, the Obligated Entity shall confirm additional aspects of the identity information submitted by the customer during the procedure of opening his account.
- iv. Communication via video call with the customer, provided the video recording and screen shot safeguards apply to the communication. It is provided that a customer, whose identity was verified hereunder cannot deposit an amount over €2.000 per annum, irrespective of the number of accounts that he keeps with the Obligated Entity, unless an additional measure of paragraph (b) of the present or of article 64(1)(a)(ii) of the Law is taken in order to verify his identity. During the internet communication, the Obligated Entity shall confirm additional aspects of the identity details submitted by the customer when opening his account.

It is provided that the Obligated Entity shall apply appropriate measures and procedures to:

- a. confirm and monitor both the amount of the customer's deposit and the risk for money laundering or terrorist financing and take additional measures to verify the customer's identity depending on the degree of the risk
 - b. ensure the normal conduct of business is not interrupted where the amount of the deposit exceeds the amount of €2.000 per annum;
 - c. warn the customer appropriately and in due time for the above procedure in order to obtain the customer's express consent prior to its commencement.
- v. Communication with the customer through at an address that the Obligated Entity has previously verified from independent and reliable sources, in the form of a registered letter (For example, such communication may take the form of a direct mailing of account opening documentation to him, which the customer shall return to the Obligated Entity or the Obligated Entity may send security codes required by the customer to access the accounts opened through the internet).

3. Accounts in the names of companies whose shares are in bearer form

If the Obligated Entity concludes that the business relationship or transaction with companies whose own shares or those of their parent companies (if any) have been issued in bearer form, presents higher risk of money laundering or terrorist financing, it should apply enhanced customer due diligence measures. The said measures may be the following:

- i. Takes physical custody of the bearer share certificates while the business relationship is maintained or obtains a confirmation from a bank operating in the Republic or a country of the European Economic Area that it has under its own custody the bearer share certificates and, in case of transferring their ownership to another person, shall inform the Obligated Entity accordingly.
- ii. The account is closely monitored throughout its operation. At least once a year, a review of the accounts' transactions and turnover is carried out and a note is prepared summarising the results of the review which must be kept in the customer's file.
- iii. If the opening of the account has been recommended by a third person as defined in paragraph 25, at least once every year, the third person who has introduced the customer provides a written confirmation that the capital base and the shareholding structure of the company or that of its holding company (if any) has not been altered by the issue of new bearer shares or the cancellation of existing ones. If the account has been opened directly by the company, then the written confirmation is provided by the company's directors.
- iv. When there is a change to the beneficial owners, the Obligated Entity examines whether or not to permit the continuance of the account's operation.

4. Customers from countries which inadequately apply Financial Action Task Force's ('FATF') recommendations

If the Obligated Entity concludes that the business relationship or transaction with a customer that is resident of a country, which applies FATF recommendations inadequately, presents higher risk of money laundering or terrorist financing, it should apply enhanced customer due diligence measures. The said measures may be the following:

- i. Exercises additional monitoring procedures and pays special attention to business relationships and transactions with the aforementioned persons. .
- ii. Transactions with persons from the said countries, for which there is no apparent economic or visible lawful purpose, are further examined for the establishment of their economic, business or investment background and purpose. If an Obligated Entity cannot be fully satisfied as to the legitimacy of a transaction, then a suspicious transaction report is filed to MOKAS, according to paragraph 9(1)(g).

FIFTH APPENDIX

SPECIFIC CUSTOMER IDENTIFICATION ISSUES

1. Natural persons residing in the Republic

(a) The Obligated Entity ascertain the true identity of natural persons who are residents of the Republic Cyprus by obtaining the following information:

- i. true name and/or names used as these are stated on the official identity card or passport,
- ii. full permanent address in the Republic, including postal code,
- iii. telephone (home and mobile) and fax numbers,
- iv. e-mail address , if any,
- v. date and place of birth,
- vi. nationality and
- vii. details of the profession and other occupations of the customer including the name of employer/business organisation.

(b) The acceptable method for the verification of the identification of a customer's identity is the reference to an original document which is issued by an independent and reliable source that carries the customer's photo. After the Obligated Entity is satisfied for the customer's identity from the original identification documents presented, it keeps copies of the pages containing all relevant information which are certified, by the Obligated Entity, as true copies of the original documents.

(c) In addition to the name verification, it is important that the customer's permanent address is also verified by using one of the following ways:

- i. visit at the place of residence (in such a case, the Obligated Entity's officer who carries out the visit prepares a memo which is retained in the customer's file), and
- ii. the production of a recent (up to 6 months) utility bill, local authority tax bill or a bank statement or any other document same with the aforesaid (to protect against forged or counterfeit documents, the prospective customers are required to produce original documents).

(d) In addition to the above, the procedure for the verification of a customer's identity is reinforced if the said customer is introduced by a reliable staff member of the Obligated Entity, or by another existing reliable customer who is personally known to a member of the board of directors. Details of such introductions are kept in the customer's file.

2. Natural persons not residing in the Republic

(a) For customers who are not normally residing in the Republic, in addition to the information collected according to point (1) of the present Appendix, the Obligated Entity, without prejudice to the application on a risk-sensitive basis, requires and receives information on public positions which the prospective customer holds or held in the last twelve months as well as whether he is a close relative or associate of such individual, in order to verify if the customer is a politically exposed person, according to point (5) of the Fourth Appendix.

(b) For those customers not residing in the Republic, passports are always requested and, if available, official national identity cards issued by competent authorities of their country of origin are obtained and certified true copies of the pages containing the relevant information from the said documents are obtained and kept in the customers' files. In addition, it is advised, if in doubt for the genuineness of any document (passport, national identity card or documentary evidence of address), to seek verification of identity with an Embassy or the Consulate of the issuing country or a reputable credit or financial institution situated in the customer's country of residence.

(c) In addition to the aim of preventing money laundering and terrorist financing, the abovementioned information is also essential for implementing the financial sanctions imposed against various persons by the United Nations and the European Union. In this regard, passport's number, issuing date and country as well as the customer's date of birth always appear on the copies of documents obtained, so that the Obligated Entity would be in a position to verify precisely whether a customer is included in the relevant list of persons subject to financial sanctions which are issued by the United Nations or the European Union based on a United Nations Security Council's Resolution and Regulation or a Common Position of the European Union's Council respectively.

3. Joint accounts

In the cases of joint accounts of two or more persons, the identity of all individuals that hold or have the right to manage the account, are verified according to the procedures set in points (1) and (2) of the present Appendix.

4. Accounts of unions, societies, clubs, provident funds and charities

In the case of accounts in the name of unions, societies, provident funds and charities, a Obliged Entity ascertains their purpose of operation and verifies their legitimacy by requesting the production of the articles and memorandum of association/procedure rules and registration documents with the competent governmental authorities (in case the law requires such registration). Furthermore, the Obliged Entity obtains a list of the members of board of directors/management committee of the abovementioned organisations and verifies the identity of all individuals that have been authorised to manage the account according to the procedures set in points (1) and (2) of the present Appendix.

5. Accounts of unincorporated businesses, partnerships and other persons with no legal substance

(a) In the case of unincorporated businesses, partnerships and other persons with no legal substance, the identity of the directors, partners, beneficial owners and other individuals who are authorised to manage the account is verified according to the procedures set in points (1) and (2) of the present Appendix. In addition, in the case of partnerships, the original or a certified true copy of the partnership's registration certificate is obtained.

(b) The Obliged Entity obtains documentary evidence of the head office address of the business, ascertains the nature and size of its activities and receives all the information required according to paragraph 21 for the creation of the economic profile of the business.

(c) The Obliged Entity requests, in cases where exists, the formal partnership agreement and also obtains mandate from the partnership authorising the opening of the account and confirming authority to a specific person who will be responsible for its operation.

6. Accounts of legal persons

(a) The Obligated Entity takes all necessary measures for the full ascertainment of the legal person's control and ownership structure as well as the verification of the identity of the natural persons who are the beneficial owners and exercise control over the legal person.

(b) The verification of the identification of a legal person that requests the establishment of a business relationship or the execution of an occasional transaction, comprises the ascertainment of the following:

- i. the registered number,
- ii. the registered corporate name and trading name used,
- iii. the full addresses of the registered office and the head offices,
- iv. the telephone numbers, fax numbers and e-mail address,
- v. the members of the board of directors,
- vi. the individuals that are duly authorised to operate the account and to act on behalf of the legal person,
- vii. the beneficial owners of private companies and public companies that are not listed in a regulated market of a European Economic Area country or a third country which is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law.
- viii. the registered shareholders that act as nominees of the beneficial owners,
- ix. The economic profile of the legal person, according to the provisions of paragraph 21.

(d) For the verification of the identity of the legal person, the Obligated Entity requests and obtains, inter alia, original or certified true copies of the following documents:

- i. certificate of incorporation and certificate of good standing of the legal person,
- ii. certificate of registered office,

- iii. certificate of directors and secretary,
- iv. 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, which is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law.
- v. memorandum and articles of association of the legal person,
- vi. a resolution of the board of directors of the legal person for the opening of the account and granting authority to those who will operate it,
- vii. in the 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,
- viii. documents and data for the verification, according to the provisions of the present Directive, the identity of the persons that are authorised by the legal person to operate the account, as well as the registered shareholders and beneficial owners of the legal person.

(e) Where deemed necessary for a better understanding of the activities, sources and uses of funds/assets of a legal person, the Obligated Entity obtains copies of its latest audited financial statements (if available), and/or copies of its latest management accounts.

(f) For legal persons incorporated outside the Republic, the Obligated Entity requests and obtains documents similar to the above.

(g) As an additional due diligence measure, on a risk-sensitive basis, the Obligated Entity may carry out a search and obtain information from the records of the Registrar of Companies and Official Receiver of the Republic (for domestic companies) or from a corresponding authority in the company's (legal person's) country of incorporation (for foreign companies) and/or request information from other sources in order to establish that the applicant company (legal person) is not, nor is in the process of being dissolved or liquidated or struck off from the registry of the Registrar of Companies and Official Receiver and that it continues to be registered as an operating company in the records of the Registrar of Companies and Official Receiver of the Republic or by an appropriate authority outside the Republic.

It is stressed that, if at any later stage any changes occur in the structure or the ownership status or to any details of the legal person, or any suspicions arise emanating from changes in the nature of the transactions performed by the legal person via its account, then it is imperative that further enquiries should be made for ascertaining the consequences of these changes on the documentation and information held by the Obligated Entity for the legal person and all additional documentation and information for updating the economic profile of the legal person is collected.

(h) In the case of a customer-legal person that requests the establishment of a business relationship or the execution of an occasional transaction and whose direct/immediate and principal shareholder is another legal person, registered in the Republic or abroad, the Obligated Entity, before establishes a business relationship or executes an occasional transaction, verifies the ownership structure and the identity of the natural persons who are the beneficial owners and/or control the other legal person.

(i) Apart from verifying the identity of the beneficial owners, the Law requires that the persons who have the ultimate control over the legal person's business and assets are identified. In the cases that the ultimate control rests with the persons who have the power to manage the funds, accounts or investments of the legal person without requiring authorisation and who would be in a position to override the internal procedures of the legal person, the Obligated Entity, verifies the identity of the natural persons who exercise ultimate control as described above even if those persons have no direct or indirect interest or an interest of less than twenty five per cent (25%) plus one (1) in the legal person's ordinary share capital or voting rights.

(j) In cases where the beneficial owner of a legal person, requesting the establishment of a business relationship or the execution of an occasional transaction, is a trust set up in the Republic or abroad, the Obligated Entity implements the procedure provided in paragraph 10 of the present Appendix.

7. Investment funds, mutual funds and firms providing financial or investment services

(a) The Obligated Entity may establish and maintain business relationships or execute occasional transactions with persons who carry out the above services and activities which are incorporated and/or operating in countries of the European Economic Area or a third country which, provided that: is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law

- i. the said persons possess the necessary license or authorisation from a competent supervisory/regulatory authority of the country of their incorporation and operation to provide the said services, and
- ii. are subject to supervision for the prevention of money laundering and terrorist financing purposes.

(b) In the case of the establishment of a business relationship or the execution of an occasional transaction with persons who carry out the above services and activities and which are incorporated and/or operating in a third country other than those mentioned in point (a) above, the Obligated Entity requests and obtains, in addition to the abovementioned, in previous points, documentation and the information required by the present Directive for the identification and verification of persons, including the beneficial owners, the following:

- i. a copy of the licence or authorisation granted to the said person from a competent supervisory/regulatory authority of its country of incorporation and operation, whose authenticity should be verified either directly with the relevant supervisory/regulatory authority or from other independent and reliable sources, and
- ii. adequate documentation and sufficient information in order to fully understand the control structure and management of the business activities as well as the nature of the services and activities provided by the customer.

(c) In the case of investment funds and mutual funds the Obligated Entity, apart from identifying beneficial owners, obtains information regarding their objectives and control structure, including documentation and information for the verification of the identity of investment managers, investment advisors, administrators and custodians.

8. Nominees or agents of third persons

(a) The Obligated Entity takes reasonable measures to obtain adequate documents, data or information for the purpose of establishing and verifying the identity, according to the procedures set in the previous points of the present Appendix:

- i. the nominee or the agent of the third person, and
- ii. any third person on whose behalf the nominee or the agent is acting.

(b) In addition, the Obligated Entity obtains a copy of the authorisation agreement that has been concluded between the interested parties.

9. Politically exposed persons' accounts

(a) When the Obligated Entity establishes a business relationship or carries out an occasional transaction with politically exposed persons, the Obligated Entity should apply enhanced due diligence measures. Without prejudice of the provisions of Article 64(1)(c) of the Law, in this case the Obligated Entity should apply the below additional enhanced due diligence measures:

- i. Puts in place appropriate risk management procedures to enable it to determine whether a prospective customer is a politically exposed person. Such procedures may include, depending on the degree of risk, the acquisition and installation of a reliable commercial electronic database for politically exposed persons, seeking and obtaining information from the customer himself or from publicly available information. In the case of legal entities and arrangements, the procedures aim at verifying whether the beneficial owners, authorised signatories and persons authorised to act on behalf of the legal entities and arrangements constitute politically exposed persons. In case of identifying one of the above as a politically exposed person, then automatically the account of the legal entity or arrangement should be subject to the relevant procedures specified in the Law and the present Directive.
- ii. The decision for establishing a business relationship or the execution of an occasional transaction with a politically exposed person is taken by a senior management person of the Obligated Entity and the decision is then forwarded to the compliance officer. When establishing a business relationship with a customer (natural or legal person) and subsequently it is ascertained that the persons involved are or have become politically exposed persons, then an approval is given for continuing the operation of the business relationship by a senior management person of the Obligated Entity which is then forwarded to the compliance officer.

- iii. Creates the economic profile of the customer by obtaining the information specified in paragraph 21. The details of the expected business and nature of activities of the customer forms the basis for the future monitoring of the account. The profile should be regularly reviewed and updated with new data and information. The Obligated Entity is particularly cautious and most vigilant where its customers are involved in businesses which appear to be most vulnerable to corruption such as trading in oil, arms, cigarettes and alcoholic drinks.

- iv. The account is subject to annual review in order to determine whether to allow its continuance of operation. A short report is prepared summarising the results of the review by the person who is in charge of monitoring the account. The report is submitted for consideration and approval to the board of directors and filed in the customer's personal file.

10. Trust accounts

When the Obligated Entity establishes a business relationship or carries out an occasional transaction with trusts:

- (a) must ascertain the legal substance, the name and the date of establishment of the trust and verify the identity of the trustor, trustee and beneficial owners, according to the customer identification procedures prescribed in the Law and the present Directive.

- (b) ascertains the nature of activities and the purpose of establishment of the trust as well as the source and origin of funds requesting the relevant extracts from the trust deed and any other relevant information from the trustees. All relevant data and information should be recorded and kept in the customer's file.

11. 'Client Accounts' in the name of third persons

- (a) The Obligated Entity may open "client accounts" (e.g. omnibus accounts) in the name of Obligated Entities ('third persons') from European Economic Area countries or a third country, which is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law.
- (b) In these cases the Obligated Entity:
- (i) applies customer identification procedures and due diligence measures to the third person prescribed in the Law and the present Directive.

 - (ii) ascertains that the third person is subject to mandatory professional registration in accordance with the relevant laws of the country of operation and

 - (iii) ascertains that the third person is subject to regulation and supervision by an appropriate competent authority in the country of operation for anti money laundering and terrorist financing purposes.

