

POLICY

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ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. LLC

Anti-Money Laundering and Counter
Terrorist Financing:
Policy Document

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Policy Approval

The undersigned acknowledge that they have reviewed the ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C AML & CFT Policy and procedures and agree with the approach it presents. Any further changes to this policy can only be recommended by Compliance officer duly approved by Compliance committee and the CEO.

This Policy is drafted as per related Laws, Regulations, and Directives in force. In the event of any material change being affected to the regulations following the date of this Policy coming into force or any new guidance come in future ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C , shall make such amendments to the Policy as are necessary so as to ensure that the intent, spirit and letter of the Regulation is

Name and Title	Signature
Prepared by:	
Reviewed and approved by:	

1. Glossary & Key Terms

Term	Particular
Decree-Law (or “AML-CFT Law”)	Federal Decree-Law No. (20) of 2018 On Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations.
Decision (or “AML-CFT Decision” or “Cabinet Decision”)	Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations.
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
Crime	Money Laundering crime and related predicate offences, or Financing of Terrorism or Illegal Organisations.
Account	An account is defined as a formal relationship with the Company established to effect transactions in securities, including, but not limited to, the purchase or sale of securities and the holding of securities or other assets for safekeeping or as collateral.
Customer or Client	It means any natural person or juristic person who has relationship or conducting business with the Company or who is delegated or authorized to conduct activities related to a relationship or a business with the Company on behalf of another party; including the ultimate beneficiary of the relationship or business as well as a person having power of control or final decision making.
Beneficial Owner	The natural person who owns or exercises effective ultimate control, directly or indirectly, over a client or the natural person on whose behalf a transaction is being conducted or, the natural person who exercises effective ultimate control over a legal person or legal arrangement.
Transaction	All disposal or use of Funds or proceeds including for example: deposits, withdrawals, conversion, sales, purchases, lending, swap, mortgage, and donation and includes any transaction undertaken by the Company for or on behalf of its customers in the course of carrying on a business in or from DGCX.
Corresponding Banking Client	Relationship between a correspondent financial institution and a respondent one through a current account or any other type of account(s) or through a service related to such an account and includes a corresponding relationship established for the purpose of securities transactions or transfer of funds.
Customer Due Diligence (CDD)	The process of identifying or verifying the information of a Client or Beneficial owner, whether a natural or legal person or a legal arrangement, and the nature of its activity and the purpose of the business relationship and the ownership structure and control over it
Governing Body	Means the board of directors, senior management, committees of management or partners
Know Your Customer (KYC)	It means a practice to know the customer, keeping of identification evidence, address, and other relevant documents of the customer.
MLRO	Means Money Laundering Reporting Officer pursuant to FSRA AML Rules.
Money laundering (“ML”)	Any person, having the knowledge that the funds are the proceeds of a felony or a misdemeanor, and who willfully commits any of the following acts, shall be considered a perpetrator of the crime of Money Laundering: a-Transferring or moving proceeds or conducting any transaction with the aim of concealing or disguising their illegal source;

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	<p>b-Concealing or disguising the true nature, source or location of the proceeds as well as the method involving their disposition, movement, ownership of or rights with respect to said proceeds;</p> <p>c-Acquiring, possessing or using proceeds upon receipt;</p> <p>d-Assisting the perpetrator of the predicate offense to escape punishment.</p>
Proliferation financing (PF)	Provision of funds or financial services used for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations
Terrorist financing	It may not involve the proceeds of criminal conduct but is rather an attempt to conceal the intended use of the funds, which is for criminal purposes, and sometimes the origin of the funds. Legitimate sources of funds are a key difference between terrorist financiers and traditional criminal organizations. In addition to charitable donations, legitimate sources include foreign government sponsors, business ownership and personal employment.
Politically Exposed Persons (PEP)	<p>Natural persons who are or have been entrusted with prominent public functions in the State or any other foreign country such as Heads of States or Governments, senior politicians, senior government officials, judicial or military officials, senior executive managers of state owned corporations, and senior officials of political parties and persons who are, or have previously been, entrusted with the management of an international organisation or any prominent function within such an organisation; and the definition also includes the following:</p> <ol style="list-style-type: none"> 1. Direct family members (of the PEP, who are spouses, children, spouses of children, parents). 2. Associates known to be close to the PEP, which include: <ol style="list-style-type: none"> (a) Individuals having joint ownership rights in a legal person or arrangement or any other close business relationship with the PEP. (b) Individuals having individual ownership rights in a legal person or arrangement established in favour of the PEP.
High Risk Customer	A customer who represents a risk either in person, activity, business relationship, nature of geographical area, such as a customer from a high-risk country or non-resident in a country in which he does not hold an identity card, or a customer having a complex structure, performing complex operations or having unclear economic objective, or who conducts cash-intensive operations, or operations with an unknown third party, or operations without directly confronting any other high risk operations identified by financial institutions, or designated non-financial businesses and professions, or the Supervisory Authority.
Sanctions	Means any law executing foreign policy, security, sanction, trade embargo, or anti-terrorism objectives or similar restrictions imposed, administered or enforced from time to time by: (i) the U.A.E.; (ii) the United Nations Security Council; (iii) the European Union; (iv) H.M. Treasury of the United Kingdom; (v) the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury; (vi) any other relevant governmental authority; or (vii) any of their successors.
Funds	Assets in whatever form, whether tangible, intangible, movable or immovable including national currency, foreign currencies, documents or notes evidencing the ownership of

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Term	Particular
	those assets or associated rights in any form including electronic or digital forms or any interests, profits or income originating or earned from these assets
Proceeds	Funds generated directly or indirectly from the commitment of any felony or Misdemeanor including profits, privileges, and economic interests, or any similar funds converted wholly or partly into other funds.
Source of Funds	Means the origin of customer's funds which relate to a transaction or service and includes how such funds are connected to a customer's source of wealth.
Source of Wealth	Means how the customer's global wealth or net worth is or was acquired or Accumulated.
Means	Any means used or intended to be used for the commission of an offence or felony.
Suspicious Transaction:	Transactions related to funds for which there are reasonable grounds to suspect that They are earned from any felony or misdemeanor related to the financing of terrorism or of illegal organizations, whether committed or attempted.
Suspicious Transaction Reports (STRs)	Means a report in the prescribed format to be made to the Financial Intelligence Unit (FIU) suspicious transactions and any additional information required in relation to them, and also put in place and update indicators that can be used to identify the suspicion of a crime involving ML/FT.
Risk Based Approach	A Risk Based Approach is a method for allocating resources to the management and mitigation of ML/FT risk in accordance with the nature and degree of the risk.
Targeted Financial Sanctions	Targeted Financial Sanctions are part of an international sanction's regime issued by the UN Security Council under Chapter (7) of the United Nations Convention for the Prohibition and Suppression of the Financing of Terrorism and Proliferation of Weapons of Mass Destruction

2. Preface

This document is to serve as a guidance to the Anti-Money Laundering (“AML”) and Combating the Financing of terrorism (“CFT”) policies and procedures of ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C MANUFACTURERS LLC (hereinafter “ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C ” or the “Company”) in order to raise awareness amongst all employees about Money Laundering and Terrorist Financing and the means of combating them effectively. The Compliance Officer (CO) and Money Laundering Reporting Officer (“MLRO”) is responsible for keeping this manual up to date.

The Company is obliged by applicable laws and regulation to play its part in international effort to combat the threats of money laundering and terrorist financing by deploying appropriate measures to identify and anticipate such activity. We must conduct business only with reputable customers who are involved in legitimate business activities and whose funds are derived from legitimate sources. Appropriate measures must be kept ensuring that we do not, even inadvertently, accept forms of payment that are known or suspected to be means of laundering money. One such measure is in implementing risk based “Know-your-Customer” (“KYC”) due diligence procedures calibrated to the risk in question, as well as systematic ‘Red flags’ to detect unacceptable or suspicious forms of payment. Our employees acknowledges that failure to manage the risks arising from money laundering can expose the Company to not only statutory and regulatory non-compliance but also to reputational and financial threat. This will result in imposition of financial penalties at corporate and personal level. They can also result in action against senior management of the Company for failing to deploy and operate an appropriate system of internal control.

There is potential for regulatory enforcement actions against the Company and its employees. Failure to adhere to the provisions of this AML & CFT Manual may also subject the Company employees to disciplinary action including termination of employment. The Company will report violations to the appropriate regulator or law enforcement authorities as required by applicable law or regulation.

This manual shall be approved by Board of Directors (herein referred to as the “BOD” or the “Board”) and procedures shall be developed that will be adhered by all the Company employees to prevent opportunities for money laundering in relation to the Company and its activities. Every director and employee will familiarize him/herself with what may constitute a crime of money laundering and the procedures to be adhered to prevent this crime from taking place within the Company. It is the responsibility of the MLRO to ensure that this document is maintained and up to date. The MLRO will regularly and at least on an annual basis review its contents with the relevant process owner and amend as required.

The Company is committed to taking all reasonable measures to comply with the AML requirements of legislation and appropriate guidelines in line with applicable regulations. The Company will, always, ensure the highest standards of due diligence to protect its employee and safeguard its brand and reputation.

3. Overview of ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. LLC AML & CFT policy procedure

This policy is designed to ensure that ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C complies with relevant regulations relating to AML and CFT in the UAE real estate sector. Further, it is designed to ensure compliance with the requirements in UAE central bank legislation, including the need to have adequate systems and controls in place.

The Policy sets the tone at the top, defines core principles to combat money laundering and terrorist financing activities and provides protection to ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C , against exploitations by perpetrators. The policy was adopted to achieve the compliance with the following:

1. Federal Law No. 4/2002 Issued on 22/01/2002 On Anti-Money Laundering and Combating Financing of Terrorism amended by virtue of Federal Law No. 9/2014 dated 26/10/2014.Cabinet Resolution 38/2014 Concerning the Executive Resolution of Federal Law 4/2002.
2. Federal Law No. (7) Of 2014 Issued on 20/08/2014 on combating terrorism Offences.
3. Regulations regarding Declaration by Travelers entering or leaving the United Arab Emirates carrying cash and monetary or financial bearer instruments 2011.
4. Federal Law 5/2012 on Combating Cyber Crimes.
5. Federal Penal Law 3/1987 (as amended).
6. Federal Penal Procedures Law 35/1992 (as amended).
7. UAE Central Bank ("CBUAE") and/or the Financial Intelligence Department of the CBUAE circulars Issued from time to time.
8. Circular No. 24/2000, issued by the UAE Central Bank, providing guidelines on how financial institutions are to monitor for money laundering activity and reporting of suspicious transactions.
9. Circular No. (2) of 2015 on "Freezing/Unfreezing Accounts of Individuals Classified as Associated with Terrorist Groups and Organizations, according to the United Nations Resolutions" and Circular No. (3) of 2015 on "List of Terrorist Groups and Organizations Approved by the United Arab Emirates".
10. Federal Decree-law No. (20) of 2018 on anti-money laundering and combating the financing of terrorism and financing of illegal organizations
11. Cabinet decision no. (10) Of 2019 concerning the implementing regulation of decree law no. (20) of 2018 on anti- money laundering and combating the financing of terrorism and illegal organizations
12. Circular No. (1) Of 2020 on Implementation of United Nations Security Council (UNSC) and UAE Cabinet Resolutions regarding UNSC and Local Lists.
13. Cabinet decision no 74 regarding terrorism lists regulation and implementation of UN security council resolutions on the suppression and combating of terrorism, terrorist financing, countering the proliferation of weapons of mass destruction and its financing and relevant resolutions.

All the above require ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C to follow strict Know Your Customer (KYC) guidelines in onboarding its clients by ensuring adequate back due diligence checks including source of funds.

4. Objective

This policy's objective is to prevent the intentional or unintentional use of our services by criminal elements for money laundering or terrorist financing activities. ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C prepared this policy to give our employees a good understanding of what they and the company should or should not do to comply with the laws and regulations for the prevention of the money laundering and how to recognize that this activity can take place.

At ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C , we aim to accomplish the following:

- Understanding of the key elements of AML/CFT Sanction policies and procedures;
- Set out staff obligations in preventing, detecting and reporting unusual or suspicious transactions;
- Ensure that products and services of the Exchange are not used to launder the proceeds of crime;
- Adheres and implements all applicable laws of Anti Money Laundering Procedure issued by Central Bank of the UAE & Ras Al Khaimah Multi Commodities Centre Authority, monitors and implements its amendments issued from time to time;
- Developing, communicating and updating all staff policies and procedures on prevention of money laundering and combating financing terrorism;
- Obtaining and verifying proper KYC documents for all existing and prospective customers;
- Maintaining relevant / supporting records for due diligence for all customers relative to the transactions they carry out with the organization;
- Ensures that all required procedures and system controls are followed as advised under Anti-Money Laundering Regulations;
- Cooperate with regulatory authorities in a timely disclosure on suspicious transactions;
- Undergoes audit procedures to ensure on detection and prevention of money laundering and financing of terrorism related transactions;
- Conducts training on a regular basis aimed to bring in total understanding and awareness among staff on AML Laws and Regulations.
- Reports Suspicious Transactions to FIU (Anti Money Laundering and Suspicious Case Unit) in Central Bank of the UAE;
- Promote a "know your customer" policy as a cornerstone principle for the business ethics and Practices.
- Introduce a controlled environment where no business with a customer is transacted until all essential information concerning the customer has been obtained;
- Adherence to this policy is absolutely fundamental for ensuring that all the companies, regardless of geographic location, fully comply with applicable anti-money laundering legislation;
- ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C is committed to examining its anti-money laundering strategies, goals and objectives on an ongoing basis and maintaining an effective AML policy for the company business.

5. Policy Notes

5.1 Key Roles and Responsibilities

General Manager Responsibility

- Implementing the robust compliance program across each business service, counterparty, country in which it deals, delivery channel of its services and customers;
- Ensuring that the Company has in place adequate screening procedures to ensure high standards when appointing or employing officers or employees;
- Approving the overall business risk assessment for the Company;
- Ensuring that all employees / brokers of the Company are being trained on the AML/CFT compliance;
- Reviewing the issues raised by the Compliance and Audit Committee and ensuring it is resolved in a timely manner;
- Hire outside agency to assist in AML /CFT compliance implementation & review, if need be
- To oversight all activities of the Company.

Compliance Officer/ Money Laundering Reporting Officer (MLRO)

Pursuant to Cabinet Resolution, Article 9 the MLRO will carry out the below functions:

- Solely responsible for creating and implementing the AML/CFT Sanction compliance program for the Company ensuring compliance with AML/CFT Sanction Laws, Regulations, Notices, the Standards, and International laws;
- Making sure the business is prepared with appropriate AML/CFT Sanction policies, procedures, processes, and controls;
- Compliance of the business against internal AML/CFT Sanction policies and procedures in day-to-day activities is implemented;
- Collaboration with the Central Bank and any other competent authorities for any matters regarding AML/CFT Sanction related matters/ queries;
- Assess all suspicious transaction alerts from employees and take appropriate decisions to report all suspicious cases to the FIU;
- Evaluate suspicious customers and transaction behaviour and reporting to the Central Bank on the AML platform
- Transaction Monitoring to identify high-risk, unusual, and suspicious customers/transactions;
- Submission of Suspicious Transaction Reports to the FIU in a timely;
- Submission of Real Estate Transaction Report (REAR) to the FIU in cases where cash payment of AED 55,000/-, is involved.
- Consider filing of SAR, FFR, PNMR, HRCR reports where transactions in real estate involve the use of NFTs
- Provide support and assistance to FIU with all information it requires for fulfilling their obligations;
- Regular training for newly hired employees and other staff members, particularly when any state or federal laws change;
- Designing the compliance training which covers all persecutes of training schedule including training calendar, fit and proper assessments, handling of noncompliance staff etc;
- Efficient transaction monitoring including pre monitoring and post monitoring;
- Retention of all necessary supporting documents for transactions, KYC, transaction monitoring, suspicious transaction reporting and AML training;
- Mandatory reporting to CBUAE done according to the Standards of the CBUAE.
- Maintain ultimate confidentiality in the performance of duties, whether regarding the data, information, or persons dealt with.

While the AML/CFT program is overseen by the MLRO, the CEO/Shareholder is responsible for ensuring that the business complies' with the AML/CFT Policy. Generally, the tone of complying with the relevant regulations lies at the top.

6. Guidance on Money Laundering

The Phrase “Money Laundering” is generally understood to mean any act or attempted act to conceal or disguise the true origin and ownership of illegally obtained proceeds so that they appear to have originated from legitimate sources thereby avoiding prosecution, conviction and confiscation of the illegal proceeds. Money Laundering can be used by terrorist organizations, tax evaders, smugglers, by those engaged in bribery or anyone who receives money for illegal activities or through illegal means. Countering money laundering is of critical importance as it ensures that illegal funds do not remain hidden and do not get integrated into legal business and consequently into the legal economy.

Money laundering usually consists of 3 (three) steps:

- a) **Placement:** This is the initial stage and during this stage, the money generated from illegal/criminal activity such as sale of drugs, illegal firearms, etc. is disposed of. Funds are deposited into financial institutions or converted into negotiable instruments such as money orders or traveler’s cheque. For example, cash received by a drug smuggler can be taken to a bank and changed into a money order or traveler’s cheque.
- b) **Layering:** In this stage, funds are moved into other accounts in an effort to hide their origin and separate illegally obtained assets or funds from their original source. This is achieved by creating layers of transactions, by moving the illicit funds between accounts, between businesses, and by buying and selling assets on a local and international basis until the original source of the money is virtually untraceable. Thus, a trail of unusually complex transactions is created to disguise the original source of funds and thereby make it appear legitimate. For example, money can be moved into and out of various offshore bank accounts through electronic funds transfers.
- c) **Integration:** Once the illegitimate money is successfully integrated into the financial system, these illicit funds are reintroduced into the economy and financial system and often used to purchase legitimate assets, fund legitimate businesses, or conduct other criminal activity. The transactions are made in such a manner so as to appear as being made out of legitimate funds.

7. Governance of Risk: Three Lines of Defense

The Company has three line of defense which is appropriate for an organization irrespective of size and complexity.

The governance and management framework is organized in accordance with regulatory guidelines:

- **Operations** - The first line of defense - functions that owns and manage risk; This primarily includes brokers / agents that come in contact with potential customers / leads
- **Compliance** - The second line of defense - functions that oversee or specialize in risk Management and compliance;
- **Internal Audit** - The third line of defense - functions that provide independent assurance. This can be a contracted outside third party or an internal separate function.

8. KYC process adopted by ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C in onboarding clients

The Company has adopted a risk-based approach in onboarding customers as per FATF recommendations. In adherence to the risk-based approach it has put in place and appropriate risk matrix (**Annexure 1**) for classifying its customers in observation of Article (3) third paragraph of the decision of the chairman of the board of Directors, number (R/17) year 2010, for the procedures against the money laundering and terrorism financing.

The clients onboarding is carried through Know Your Customer ('KYC') process. The due diligence process conducted on behalf of its clients are all in accordance with FATF recommendations and industry best practices. Annexure II- Requirement for on-boarding the clients

8.1 (a) Snapshot of assessing Client Risk

Having determined its business AML risk, the factors to be considered when undertaking an assessment of customer risk include, but is not limited to:

- identifying the customer and any beneficial owner;
- obtain information on the purpose and intended nature of the business relationship;
- the nature of the customer, its ownership and control structure;
- the nature of the customer business relationship with other parties; and
- the customers country of origin, residence, nationality, place or incorporation or place of business.
- Once a client is assessed by its overall risk profile, the appropriate on-boarding method is chosen, and the requisite verification carried out.

8.1 (b) KYC Verification Process

'Know Your Customer' checks are required to ensure Company is dealing with bonafide individuals and organisations and help identify suspicious behaviour or practices. The Company has approved and is implementing a risk-based approach in applying appropriate customer due diligence, based on the identified AML-CFT risks associated with each customer, but moreover to confirm who their customers/suppliers are and that the funds used for the transactions come from legitimate sources and used for legitimate purposes. In general, the Company has set the following minimum policy related to know-your-customer:

Customer Identification Process

Individuals

Customer identification, i.e. presentation of the valid identification document described below, is mandatory for all individuals that want to execute transaction. The type of identification documents that are acceptable during the customer identification process are:

- Residents
 - Valid Emirates ID
 - Valid UAE National ID
 - Diplomatic ID – only for members of the embassies and international organizations in UAE
- Non-residents
 - Valid Passport with valid entry visa
 - Valid GCC National ID (for GCC nationals)

The original identification document must be collected at all times during the Customer Identification Process and

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a photocopy should be retained.

If any of the individual is executing transaction on behalf of other individual or Company, an authorization letter from the individual or Company, including other Company or individual KYCs, as the case may be.

Corporates

Customer identification process for corporates is followed irrespective of type and amount of any transactions executed;

1. Customer identification process for corporates is followed independently and during opening the customer account with Company.
2. No customer account is allowed for corporates that have been registered, or have their registered, office outside the UAE, unless Company incorporation documents, self-declaration letter is provided.

The type of identification documents that are acceptable during the customer identification process are:

1. Commercial License, from a government office or responsible ministry, e.g. Chamber of Commerce and Industry, Ministry of Commerce etc.;
2. Trade License from a government office or responsible ministry, if different from the Commercial License;
3. Identification documents for every shareholder/partner/owner of the corporate;
4. in case any of the shareholder/partner/owner is another corporate, the identification document of the shareholder/partner/owner of that corporate;
5. repeat the steps until the shareholders/partners/owners of any corporate are individuals – ultimate beneficial owners
6. If Company is executing transaction on behalf of other Company, an authorisation letter from the authorizing Company, including its KYCs is required.

ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C will ensure a due diligence software is installed when they start on boarding substantial number of clients for carrying out the due diligence checks. Such a software solution normally has inbuilt data feeds from UN resolution passed sanctions, European Union, UK Treasury and Office of Foreign Assets Control (OFAC) sanctions lists.

An appropriate background check will help ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C to ensure that clients are on boarded only after a thorough check is carried out and sources of funds are from legitimate sources.

8.1 (c) Customer Due Diligence

It is the process of identifying or verifying the information of the client or the beneficiary Owner, whether he is a natural or legal person, or a legal arrangement, the nature of his work, the purpose of the business relationship, the ownership structure and the control over it, for the purposes of implementing Federal Decree Law No. (20) of 2018 and its implementation regulation.

Individuals

All individuals that want to execute cash transaction for amount equals or exceeding AED 55k must be fully registered on KYC Form before executing the transaction; the procedure followed for customer registration must include the following data and information are mandatory:

1. Full legal name, as described in the original Identification Document presented;
2. Residential status, i.e. “resident” or “non-resident”;
3. ID type, issue country, number, issue & expiry date
4. Contact type & number;
5. Date of Birth;
6. Nationality

For existing, or already registered customers, the original identification document must be collected to

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verify the identity of the individual presented in the counters. The customer profile, i.e. the individual customer data and information collected and input in the System must be maintained every year, or after the expiration of the identification document used (whichever comes first), and CDD process is repeated again.

Corporate

All corporates must be fully registered on KYC Form before executing the transaction; the procedure followed for customer registration must include the following data and information are mandatory: ☒ Full legal name of entity, as described in the original identification document presented;

- Business activity
- Trade license #
- Licensing authority
- Establishment date
- Incorporation country
- Registered address
- Politically exposed person (Y/N)
- Controlling person of entity
- Full legal name, as described in the original Identification
- Document presented;
- Residential status, i.e. "resident" or "non-resident";
- ID type, issue country, number, issue & expiry date
- Contact type & number;
- Date of Birth;
- Nationality

For existing, or already registered customers, the original identification document must be collected to verify the identity of the individual presented in the counters. The customer profile, i.e. the company customer data and information collected and input in the System must be maintained every year, or after the expiration of the identification document used (whichever comes first), and CDD process is repeated again.

Enhanced Due Diligence (EDD)

Individuals

All individuals that want to execute cash transaction for amount equals or exceeding AED 55k and from sanctioned countries or recently travelled to/from sanctioned countries must be fully registered on KYC Form before executing the transaction; the procedure followed for customer registration must include the following additional data and information are mandatory:

- Evidences of source of funds, e.g. bank statement, cash
- withdrawal slip, custom declaration document etc;
- Complete information of the real purpose of transaction, e.g
- AML Self-Declaration form;

Corporates

EDD is executed for transactions with entities who are either registered in sanctioned countries or their senior management personnel or ultimate beneficial owners are nationals of sanctioned countries, irrespective of amount, frequency, or type of transaction.

- Completed fully, and signed appropriately, corporate booklet which includes the full KYC questionnaire;
- Ownership structure, signed by the Company's owners;
- The purpose and nature of the business relationship with the Company;
- Copies of valid business permissions from competent authorities, e.g. certificates of incorporation, trade license, regulatory licenses etc.;

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- Original Identification Documents of Ultimate Beneficial Owners, photocopied and stamped duly verified as true copies of the original;
- Source of wealth and funds e.g latest audited financial statements, bank statement etc.
- Full list of authorized signatories, managers, and representatives of the corporate;
- Completed annual activity with the Company, and the expected purposes of the transactions;
- The details that must be recorded in the System include:
- Full legal name, as in the certificate of incorporation;
- Residential status;
- Full registered physical address – P.O. Box does NOT suffice as valid registered address;
- Company official phone numbers;
- Fax number details;
- Email addresses of Company officials (where present);
- Date of establishment;
- ID type, and trade license number;
- Trade license place of issue, date of issue, and expiry date;
- Type of business (activity code);
- Expected annual activity with the Company – number and total amount of transactions;
- Connect all ultimate beneficial owners, managers, and
- representatives which were individually registered with full CDD.

Customer Acceptance Policy

As per the customer acceptance policy of the Company the staff will follow the below guidelines:

- Physically inspect the original customer's identification document (ID).
- Check whether the customer is the person referred to in the identification document.
- Take reasonable steps to ensure that the customer's identification document is genuine.
- Ensure that the records of existing customers remain updated
- and relevant. Check customer's source of income and wealth according to the customer profile.

8.1 (d) Process for handling Politically Exposed Persons

Generally, EDD may be triggered if the Client is determined as Politically Exposed Person ('PEP'). PEPs are persons who are or have been entrusted with prominent functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials, and individuals who are or have been entrusted with prominent functions by international organizations. The family of PEPs are their direct family members – their spouses, child and their spouses, and parents. People associated with PEPs are individuals who have joint beneficial ownership of an entity, legal arrangement, or any close working relationship with PEPs. As per the FATF recommendations, there is need to carry out enhanced due diligence. As per the FATF recommendations for both the local and international PEP's enhanced due diligence should be carried out. In case of identification of PEP senior management approval other than the MLRO, is required as in such case the customer is high risk.

All business relationship with Domestic PEPs will be executed normally, unless there are high-risk business relationship accompanying such persons.

Foreign Politically Exposed Persons (FPEPs) are those PEPs who have permanent residential address outside the UAE.

Customer Registration will be established with FPEPs only after getting approval from the senior management and MLRO of the Company, including reasonable measures to establish the source of wealth and funds e.g cash withdrawal slip, bank statement. If any existing customer, or the beneficial owner of an existing corporate customer, has subsequently found to be linked to or has become FPEP, then the relationship will be continued only after prior approval from the senior management and MLRO of

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Company.

FPEPs will be subject to EDD measures, and discreet inquiries must be made for ascertaining the purpose and ultimate beneficial owner for each and every transaction made by them. In case of any suspicion, then an STR has to be filed with the FIU.

Every new party is required to undertake PEPs Declaration Form.

8.1 (e) Prohibited Clients and cash transactions

The Company will ensure not to permit any dealings with the following type of clients:

- anonymous persons;
- those who use fake or fictitious names; and
- those who deal with numbers without utilizing names of persons.

The business understands that as per AML Guidelines it requires registration of all cash deposit transactions with a value of fifty-five thousand (55,000/-) Dirhams and more or equivalent in foreign currencies.

If the person who deposits the amount is not the client, ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C shall maintain a copy of proof of the ID of the person depositing the money.

9. On-Going Client on going due diligence / monitoring

After on-boarding Client, the Company will also carry out on going due diligence of its clients as per the FATF recommendations which requires “accurate and continues review of the Client relationship with the transactions conducted by the Client and accurate inspections of such transactions to verify they are consistent with the Client data and information.” Further as per on-going monitoring of the activity of the client is carried out.

ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C shall conduct on-going due diligence / monitoring of the clients in three ways:

- (1) through monthly searches of past and current customers (including rejected customers) using the relevant search engines;
- (2) Whenever there is an update on the UN /UAE sanction lists (as communicated by the AML on the subscribed email) ; and
- (3) Seeking additional documentation as deemed appropriate.

10. Record Keeping

ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C maintains Clients trade records and documents for at least 5 years from the date of closing of the Client’s account or from the date of their final transaction.

Further all the active client’s records will be stored as appropriate in safe vaults.

In adherence to FATF recommendations, the Company is obligated to:

- Keep true copies of the documents obtained during Client on-boarding.
- Keep records of all transactions of clients including the cash and currencies to provide evidence if ever necessary to prosecute criminal activity.
- Keep reviewing Client files to ensure the information is up to date.
- Keep updated records of all SARS filed.
- Keep records and documents in an electronic format and specifically in the form of microfilms or soft formats.

11. Suspicious Transaction Reporting

As per Federal Law No. 9 of 2014, since the Suspicious transactions are defined as “any transactions involving reasonable grounds for suspicion; in terms of being derived from an offence or misdemeanor or related to terrorism or terrorist organizations financing; whether executed or planned to be executed.

The MLRO is responsible for receiving and investigating any information suggesting the need to file an STR or SAR. The MLRO investigates the background and purpose of the activity in question and establish the findings in writing. The MLRO decides if the issue merits the filing of an SAR or STR. For all cases in which there is no filing made, the MLRO keeps a written record of the reasoning.

The MLRO shall cooperate with the UAE Financial Intelligence Unit and allow them to review and examine the records, files, documents, papers, correspondences, and forms. In doing so, the Company shall ensure processes are put in place to report STR/SARs to AML.

12. Employee AML Training Programs

To maintain an effective AML/CFT Sanction program in the business process, all our employees should be aware of this policy and trained to identify and report suspicious activity. For this purpose, the Compliance Officer or a third party will provide all relevant employees with annual AML/CFT training.

The employees are required to understand their obligations with regards to AML and submit written verification that they have attended regular Compliance & AML / TFS trainings. Attendance at these trainings is mandatory, and the MLRO may require confirming their understanding of relevant AML/CFT requirements. The training will be delivered by the Compliance officer and MLRO.

Videography of the training sessions is also advised but only upon gaining written consent from employees or all participants.

The training program frequency for all staff should be conducted as follows:

- a. Mandatory induction training on AML/CFT sanctions and fraud for all new hires.
- b. For all other employees, refresher training at regular intervals;
- c. As and when there are changes in the AML/CFT Sanction laws or regulations.

Different channels are used for imparting AML/CFT Compliance Trainings. The channels are:

- a. Onsite training for new joiners: New Joiner is given a briefing about the systems and basic KYC check and AML/CFT sanction procedures of the company;
- b. Training Sessions (Meetings);
- c. Inter Office Communications;
- d. Email Updates;
- e. E learning platforms
- f. Third party training

Assessment:

Assessments are done periodically and those that do not achieve the desired results, undergo a refresher training.

Training Material:

The Topics covered by AML/CFT training has been tailored specifically for the organization in a separate material which incorporates all the requirements of CBUAE.

Training Register:

The Compliance Team will maintain the record of attendance of all conducted training sessions.

13. Anti-Bribery & Anti-Corruption

The Company is committed to applying high standards of honesty and integrity consistently across its operations and in all our business dealings. ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C is subject to the provisions of the UAE. The Federal Penal Code - articles 234 to 239 contain provisions which criminalize the bribery or attempted bribery of both public and private sector employees.

The Company has a zero-tolerance policy towards bribery and corruption. It recognizes that bribery and corruption have an adverse effect on communities wherever they occur. If endemic, they can threaten laws, democratic processes and basic human freedoms, impoverishing states and distorting free trade and competition. Corruption is often associated with organized crime, money laundering and on occasions the financing of terrorism. The level and efficacy of investment and financing can be reduced, particularly within economically disadvantaged societies.

14. UBO Identification

As per Article 5, of Cabinet Decision No. (58) of 2020, UBO is anyone who owns or controls, whether directly or indirectly, through shares or bearer shares:

- 25% or more of the legal person's share capital;
- or 25% or more of the legal person's voting rights.

While the Company recognizes the above criteria for UBO identification, in scenario where there may be no person holding 25% or more shares, the UBO shall be the person who has control over decision making or exercises control over the entity.

UBO Identification process should follow;

- 1- Obtain Trade License
- 2- Memorandum or Articles of Association
- 3- Verify Shareholding pattern
- 4- If there was a recent change in shareholding pattern, investigate the reasons for change
- 5- Obtain ID / Passport of the identified UBOs
- 6- Take declaration regarding the Beneficial Ownership

15. Know Your Customer (KYC)

'Know Your Customer' checks are required to ensure Company is dealing with bonafide individuals and organisations and help identify suspicious behaviour or practices. The Company has approved and is implementing a risk-based approach in applying appropriate customer due diligence, based on the identified AML-CFT risks associated with each customer, but moreover to confirm who their customers/suppliers are and that the funds used for the transactions come from legitimate sources and used for legitimate purposes. In general, the Company has set the following minimum policy related to know-your-customer:

Customer Identification Process

Individuals

Customer identification, i.e. presentation of the valid identification document described below, is mandatory for all individuals that want to execute transaction. The type of identification documents that are acceptable during the customer identification process are:

- Residents
 - Valid Emirates ID
 - Valid UAE National ID
 - Diplomatic ID – only for members of the embassies and international organizations in UAE

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- Non-residents
 - Valid Passport with valid entry visa
 - Valid GCC National ID (for GCC nationals)

The original identification document must be collected at all times during the Customer Identification Process and a photocopy should be retained.

If any of the individual is executing transaction on behalf of other individual or Company, an authorization letter from the individual or Company, including other Company or individual KYCs, as the case may be.

Corporates

Customer identification process for corporates is followed irrespective of type and amount of any transactions executed;

1. Customer identification process for corporates is followed independently and during opening the customer account with Company.
2. No customer account is allowed for corporates that have been registered, or have their registered, office outside the UAE, unless Company incorporation documents, self-declaration letter is provided.

The type of identification documents that are acceptable during the customer identification process are:

7. Commercial License, from a government office or responsible ministry, e.g. Chamber of Commerce and Industry, Ministry of Commerce etc.;
8. Trade License from a government office or responsible ministry, if different from the Commercial License;
9. Identification documents for every shareholder/partner/owner of the corporate;
10. in case any of the shareholder/partner/owner is another corporate, the identification document of the shareholder/partner/owner of that corporate;
11. repeat the steps until the shareholders/partners/owners of any corporate are individuals – ultimate beneficial owners
12. If Company is executing transaction on behalf of other Company, an authorisation letter from the authorizing Company, including its KYCs is required.

16. Bi-Annual AML Reports

The MLRO shall review the AML Policy and related framework and file Bi-Annual AML Reports. This Report shall confirm to the relevant authorities whether ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C is complying with AML obligations, and whether it is following the required procedures during client on-boarding, ongoing due diligence of these clients, and employee training. This report shall be submitted to the Central Bank AML Unit.

17. Annual Audits of AML/CFT program

ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C is aware that the AML/CFT program implemented is subject to an independent audit on an annual basis to measure its effectiveness and efficiency. An independent audit will be carried out through third party qualified to conduct a risk-based audit appropriate to the real estate business category.

18. Red Flag Indicators

The Company shall install Red Flag Indicators at both transaction and on-boarding levels to mitigate its risk. The potential Red Flag adopted are in line with the UAE CB guidance on Suspicious Transaction Reporting and include;

18.1 General Indicators

- Transactions involving locations with poor AML/CFT regimes or high exposure to corruption.
- Significant and/or frequent transactions in contrast to known or expected business activity.
- Significant and/or frequent transactions in contrast to known employment status.
- Ambiguous or inconsistent explanations as to the source and/or purpose of funds.
- Where relevant, nervous or uncooperative behavior exhibited by the LFI's employees and/or customers.

18.2 Wire transfers to and from bank accounts

- Significant and/or frequent cash payments for transfers.
- Transfers to or from locations that have poor AML/CFT regimes or high exposure to corruption.
- Transfers to high-risk countries or known tax havens.
- Transfers to numerous offshore jurisdictions with no business rationale.
- Same home address provided by multiple remitters.
- Reluctant to provide the LFI with identification details.

18.3 Purchase of valuable commodities

- Significant and/or frequent cash purchases of valuable properties.
- Regularly buying and selling of real estate that is not supported with a business purpose and/or does not make economic sense.

18.4 Off-shore Companies

- Large numbers of companies registered with the same office address.
- Address on file is for a 'Virtual office'.
- Accounts/facilities are opened/operated by company formation agents.
- Lack of information regarding overseas directors/beneficiaries.
- Complex ownership structures.
- Companies where there is no apparent business purpose.

18.5 Nominees, trustees, family members or third parties

- Customers using family members or third parties, including the use of children's accounts.
- Transactions where third parties seem to be retaining a portion of funds, which would indicate the use of mules.
- Accounts operated by someone other than the account holder.
- Many transactions conducted at various LFIs and/or branches, in one day.
- Significant and/or frequent transactions made over a short period of time.

18.6 Electronic transfers to and from bank accounts

- Transfers to or from locations that have poor AML/CFT regimes or high exposure to corruption.
- Transfers involving accounts located in high-risk countries or known tax havens.
- Transfers to offshore jurisdictions with no business rationale.
- Multiple transfers sent to the same person overseas by different people.
- Departure from the UAE shortly after transferring funds.
- Transfers of funds between various accounts that show no economic purpose (i.e., multiple transfers incurring bank fees where one single transfer would have been sufficient).

18.7 Gatekeepers/professional services

Utilizing 'Professionals' to establish seemingly legitimate business activities, for example, Lawyers, Accountants, Brokers, Company Formation Agents.

- Accounts and/or facilities opened and/or operated by company formation agents.
- Gatekeepers that appear to have full control.
- Known or suspected corrupt professionals offering services to criminal entities.
- Accounts operated by someone other than the account holder.

18.8 Cash deposits

- Large cash deposits followed immediately by withdrawals or electronic transfers.

18.9 Cash couriers

- Transactions involving locations with poor AML/CFT regimes or high exposure to corruption.
- Customers originating from locations with poor AML/CFT regimes/high exposure to corruption.
- Significant and/or frequent cash deposits made over a short period of time.

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- Significant and/or frequent currency exchanges made over a short period of time.

19. ML/FT Risk Assessment: Risk Based Approach

A risk-based approach (RBA) is central to the effective implementation of the AML/CFT legislation. The Risk based approach is designed to identify, assess, and understand the ML/TF risks to which the company can be exposed, and implement the most appropriate mitigation measures.

We understand, assess and identify the money laundering and terrorism financing associated with our everyday business on a day-to-day basis.

We shall implement a sound ML/FT risk assessment methodology to suit the size, nature and complexity of the daily business. Our process methodology can be summed up as (Higher the risk, greater the risk mitigation procedures). We employ additional parameters which are relevant to nature, size, and complexity of our business before we enter into a new business relationship and in order to identify and assess ML/FT Risks.

The use of an RBA thus allows us to allocate the resources more efficiently and effectively, within the scope of the national AML/CFT legislative and regulatory framework, by adopting and applying preventative measures that are targeted at and commensurate with the nature of risks imposed on the company.

Money Laundering & Terrorist financing risks associated with the following parameters at ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C are assessed **(also known as Enterprise – wide Risk Assessment)**:

- Customer Risk
- Counter party Risk (i.e., foreign correspondent banks, financial institutions, agents, etc.)
- Product Risk
- Jurisdictional Risk or country Risk
- Delivery Channel or interface Risk (Face to face or non-face to face)

The Customer Risk Profiling in particular shall be determined based on the weighing of the following factors / questions

	Item	YES / NO
1	Is the UBO known / verified?	
2	Has the MLRO approved the Data Screening (i.e. Sanctions Check & Adverse Media Check)	
3	Is the transaction a Cross Border Transaction, to or from, a country listed as a 'High-Risk Jurisdiction & subject to a Call for Action"	
4	Is the UBO a Politically Exposed Person "PEP"	
5	Does the Customer have a tax registration in UAE and / or UAE Banking Relationship	
6	Does the Customer have physical office in UAE (lease agreement) or is in process of company formation. (Mark NO for virtual office).	
7	Is the UBO a national of "Jurisdiction under Increased Monitoring" (Elevated Risk) - Refer FATF List	
8	Is there another business (employees / representatives) that is acting as director in legal person, or providing registered office/ correspondence address for the legal person.	
9	Client (Signatory / authorised person), initiated the documents, in UAE. Face to Face meeting with Signatory / authorised person was done.	
10	- Individuals are only shareholders (no corporate shareholding). - In case of Corporate Shareholder(s), attested documents received from the home country (attested by MOFA (Ministry of Foreign Affairs) or equivalent.	
11	Business is not an Off-Shore Company and is owned by a UAE Resident	

	Individual or Company)	
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19.1 National Risk Assessment

The National Risk Assessment (NRA) is an activity undertaken to develop risk-based anti-money laundering and countering the financing of terrorism (AML/CFT) actions and facilitate allocation of available resources to control, mitigate, and eliminate risks.

The NRA will help the company to have a more comprehensive and shared understanding of the inherent risks of Money Laundering and Terrorist Financing faced by the company while conducting its business activities.

As part of the NRA, 21 predicate offences have been identified. The NRA at ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C will evaluate its business activities and transactions based on these 21 predicate offenses which are regarded for Money Laundering as defined in the FATF guideline:

- Participation in an organized criminal group and racketeering
- Terrorism, including terrorist financing
- Trafficking in human beings and migrant smuggling
- Sexual exploitation, including sexual exploitation of children
- Illicit trafficking in narcotic drugs and psychotropic substances
- Illicit arms trafficking
- Illicit trafficking in stolen and other goods
- Corruption and bribery
- Fraud
- Counterfeiting currency
- Counterfeiting and piracy of products
- Environmental crime
- Murder, grievous bodily injury
- Kidnapping, illegal restraint and hostage-taking
- Robbery or theft
- Smuggling (including in relation to customs and excise duties and taxes)
- Tax crimes (related to direct taxes and indirect taxes)
- Extortion
- Forgery
- Piracy
- Insider trading and market manipulation.

19.2 Assessing Enterprise Financial Crime Risk

An important first step in applying an RBA is to identify, assess and understand the ML/FT risks by way of an ML/FT risk assessment of the entire business of ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C . The purpose of such an ML/FT business risk assessment is to improve the effectiveness of ML/FT risk management:

- by identifying the **inherent ML/FT risks** faced by the enterprise as a whole;
- determining how these risks are effectively **mitigated** through internal policies, procedures and controls; and
- establishing the **residual ML/FT risks** and any gaps in the controls that should be addressed.

We, at ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C , follows the standard methodology to

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conduct Risk Assessments as depicted in the below diagram:



As depicted in the diagram above, the risk assessment process can be considered in 3 Phases:

- **Phase 1:** Determine the Inherent Risk;
- **Phase 2:** Assess the Internal Control Environment (both design and operating effectiveness); and
- **Phase 3:** Derive the Residual Risk.

Phase 1: Inherent Risk Assessment

Inherent Risk represents the exposure to money laundering, sanctions or bribery and corruption risk in the absence of any control environment being applied.

In order to Identify Inherent Risks, assessment across the following five risk categories is required:

1. Clients
2. Products and Services
3. Channels
4. Geographies
5. Other Qualitative Risk Factors

Managing the risk factors inadequately could lead to reputation risk, regulatory or legal sanction and possible consequent financial costs and thus a risk-based approach is used to determine inherent risk. Each risk factor is usually assigned a score or weighting which reflects the level of risk associated with that risk factor and the prevalence of that risk compared to other risk factors.

Phase 2: Assessment of Internal Control (Mitigation factor)

Once the inherent risks have been identified and assessed, internal controls must be evaluated to determine how effectively they offset the overall risks.

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Controls are programs, policies or activities put in place to protect against the materialization of a ML risk, or to ensure that potential risks are promptly identified. Controls are also used to maintain compliance with regulations governing an organization's activities.

The control activities are required to be followed by all 3 line of defense employees and are evaluated from time to time for their effectiveness in mitigating the inherent money laundering risk and to determine the residual risk rating.

The Company staff needs to ensure that AML controls are usually assessed across the following control categories:

- AML Corporate Governance; Management Oversight and Accountability
- Policies and Procedures
- Know Your Client ("KYC"); Enhanced Due Diligence ("EDD")
- Politically Exposed Persons ("PEP")
- Previous Other Risk Assessments (local and enterprise-wide)
- Management Information/Reporting
- Record Keeping and Retention
- Designated AML Compliance Officer/Unit
- Detection and STR filing
- Monitoring and Controls
- Training
- Independent Testing and Oversight (including recent Internal Audit or Other Material Findings)
- Other Controls/Others

Each area should be assessed for overall design and operating effectiveness. There may be both a positive or negative indicator of control execution and these should be clearly documented in order to assess the operating effectiveness of each control. Additionally, controls should be linked to Key Performance Indicators or other metrics where possible.

Phase 3: Assessment of Internal Control (Mitigation factor)

Once both the inherent risk and the effectiveness of the internal control environment have been considered, the residual risk can be determined.

Residual risk is the risk that remains after controls are applied to the inherent risk. It is determined by balancing the level of inherent risk with the overall strength of the risk management activities/controls.

The residual risk rating is used to indicate whether the ML risks within the company are being adequately managed. It is possible to apply a 3 tier rating scale, to evaluate the Residual Risk on a scale of High, Moderate and Low. **(Refer Annexure 5)**

The following definitions could be considered to describe the level of residual risk applied to a 3 tier rating scale:

- i) **Low Residual Risk:** The overall inherent risk of the Company, based on the clients, products/services, channels, geographies and other qualitative factors, is low-to moderate and the mitigating controls are sufficient to manage this inherent risk;
- ii) **Moderate Residual Risk:** The overall inherent risk of the Company, based on the clients, products/services, channels, geographies and other qualitative factors, is low-to moderate and the mitigating controls are not adequate to manage this level of risk, OR the overall inherent risk of the FI, based on the clients, products/services, channels, geographies and other qualitative factors, is high and the mitigating controls are adequate to manage this inherent

risk

- iii) **High Residual Risk:** The overall inherent risk of the Company, based on the clients, products/services, channels, geographies and other qualitative factors, is moderate to-high and the mitigating controls are not sufficient to manage this inherent risk.

Given the above methodology, certain rules can be adopted within a ML risk assessment when finalizing risk ratings, for example:

- i) A Strong control environment can lower the residual ML risk in comparison to the inherent risk;
- ii) If the Company receives a High rating of inherent ML risk, it can never achieve a residual ML risk rating of Low; and
- iii) In order to improve its residual ML risk, either the inherent ML risk can be reduced or the AML controls can be strengthened.

Weighting and Scoring

Due to the nature of each Business, products and services (including transactions), client base and geographic footprint, a risk-based approach is used to calculate inherent risk.

Each risk factor is usually assigned a score which reflects the associated level of risk. Each risk area may then be assigned a weight which reflects the level of importance in the overall risk calculation relative to other risk areas. Similarly, each control may be assigned a weight which reflects the relative strength of that control. An illustrative guide for weighting is shown in **Annexure 4**.

For example, if the focus of a business division within a Company is foreign individuals real estate investment and a proportion of client base is in different international jurisdictions, geography, therefore, may be considered of higher relevance (and therefore receive higher weight) than client type for another division of the Company that deals in domestic resident clients. Similarly, certain controls have a more direct impact on the mitigation of ML risk, such as front line controls where client due diligence is weighted more heavily than controls around independent testing.

It is necessary to determine whether the residual risk is equal to the Company's risk appetite for ML risk or whether the residual risk exceeds the risk appetite. In the latter case, measures will need to be agreed in order either to reduce the inherent risk or strengthen the control environment to ensure the residual risk comes back into line with the risk appetite. Alternatively, it may lead to discussion as to whether the risk appetite is correctly positioned. The importance of senior management's involvement is especially critical here.

A Company's risk appetite may be calibrated against other factors outside of the ML risk Assessment Program. For example, a set of scenarios and/or examples of risks/unwanted events which are relevant for the company can be described and articulated to include a threshold impact amount, for example, an acceptable level of loss per annum as a result of civil litigation.

Nevertheless, an example set of scenarios that could form part of a risk appetite evaluation and discussion with senior management could include defining expectations (risk appetite) and reporting on success and/or shortcomings (residual risk) with respect to the following risks: reputation, regulatory, civil liability and criminal liability.

20. Targeted Financial Sanctions

The term targeted sanctions means that such sanctions are imposed against specific individuals or groups, or undertakings. The term targeted financial sanctions includes both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of individuals, entities, groups, or organization who are sanctioned.

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ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C aims to implement TFS as follows;

- a. In case of a confirmed match, the Company must freeze the designated person's funds without delay and report the same on the goAML Portal by submitting a Funds Freeze Report (FFR), within 24 hours. The FFR includes information related to the type and amounts of assets frozen, ID details of the matched person, and other supporting documents.
- b. In case of a partial name match, the company is bound to suspend the transaction with the person / customer immediately and file a Partial Name Match Report (PNMR) via the goAML Portal. The PNMR must capture the details around the suspended transaction and ID details of the partially matched person, along with supporting documents.
- c. In the event that customer due diligence procedures and measures taken and there were suspicious in any form, the MLRO must be alerted and submit the suspicious transaction reports (STRs)/ suspicious activity reports (SARs) to the FIU through the goAML system.

The Cabinet Decision No. 74 of 2020 does not provide any timeframe for withholding the frozen funds; thus, the obligation to keep such funds could apply indefinitely. It is pertinent to note that the Company is obligated to lift the freezing measures once the sanctioned person has been removed from the Sanctions Lists.

Annexures

Annexure 1: Risk Assessment Matrix

When on-boarding new clients, and throughout the relationship with each of the client ALKANZ ALSATEEA FOR JEWELLERY TRADING CO. L.L.C performs anti-money laundering (AML) and know-your-customer (KYC) risk assessments to determine a client's overall money laundering risk (AML Risk). The below standard risk matrix has been identified to be most suitable.

AML Risk Rating Matrix				
Type of Risk	Description	Risk	Score	Weight
Nature of Client	Resident	Low	0-10	10%
	Non- Resident	Medium	11-20	
	Resident Corporate more than 10 years in UAE	Low	0-10	15%
	Resident Corporate more than 5 years	Medium	11-20	
	Non- Resident Corporate	High	21-30	
Criminal/ Disciplinary Risks [this risk applies to both Individual and corporate]	No criminal or disciplinary history disclosed through relevant searches or Disclosed by the applicant.	Low	1-10	20%
	Criminal or disciplinary history disclosed or discovered through relevant searches but such that it does not any AML / CFT connections or implications.	Medium	11-20	

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	Criminal or disciplinary history disclosed or discovered through relevant searches related to previous AML / CFT issues.	High	21-30	
Regulated FATF country	It is disclosed that the individual client is residing, or the corporate is domiciled in these places.	Low	0-10	
Unregulated in a FATF member country for corporate client.	Same as above	Medium	11-20	
Individual investor and the corporate client located in a non-FATF country.	Same as above	High	21-30	
Geographic Risk [this risk applies to both Individual and corporate]	Applicant is established in a FATF member country.	Low	1-10	15%
	Applicant is established in a non-FATF member country.	Medium	11-20	
	Applicant is established in a country categorized as a high risk or non-cooperative by FATF.	High	21-30	
Funding Source Risk [this risk applies to only corporate clients]	Source of funds clearly proven through audited financial statements and other public sources confirming the nature of the applicant's business.	Low	1-10	15%
	Source of funds verified by audited financial statements but no other public information available regarding the applicant's business.	Medium	11-20	
	Source of funds cannot be verified through audited financial statements or public sources.	High	21-30	
Politically Exposed Persons (PEPs)	No PEPs	Low	1-10	10%
	Locally domiciled PEP	Low	1-10	
	A relative of a director or owner has been disclosed as a PEPs, but none with direct ownership or control of the applicant.	Medium	11-20	
	A director or owner is a PEP	High	21 - 30	
	Foreign PEP	High	21-30	

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The Total Risk Score shall be the sum of the 'Risk Score' multiplied into percentage weight for all 5 types of risk. The clients is then categorized into a risk category based on the following scale:

Low Risk Applicant	Total Risk Score between 1-10
Medium Risk Applicant	Total Risk Score between 11-20
High Risk Applicant	Total Risk Score between 21-30

Annexure 2: Requirement for on-boarding the clients

The FATF Recommendation #1 requires entities to use a risk-based approach to understand the inherent AML/CFT risks arising from their business. Accordingly, the Manager has implemented a risk- based approach as outlined below in onboarding clients.

The documents gathered during the on boarding provides the following:

I. Individual/partnership clients:

- The client's full name, nationality, date and place of birth based on the original valid identity card or passport.
- Country of origin, permanent place of residence, current address and contact details, indicating the address in detail along with phone numbers.
- Nature and place of work, income sources and investment policy of the Client, including the purpose and intended nature of the business relationship.
- Confirming the legal status of expatriates working in the state and obtaining senior management's approval if the Client or Real Beneficiary is a Politically Exposed Foreign Person or member of their families or persons associated with them.
- Data of the proof of identity of the legal representative. The original power of attorney must be seen.

II. For corporate persons/trusts:

- The corporate person's name, legal form, country of origin, date and number of registrations with the competent authorities based on a valid trade license or professional license approved by the concerned authorities, as the case may be.
- A copy of the Memorandum of Association and Articles of Association of the corporate person.
- Names and addresses of partners and shareholders
- Names and addresses of the real beneficiaries (UBO), owners, and persons authorized to sign for the corporate person, and the provisions that regulate the power binding the corporate person or the legal structure in a manner that shows equity structure and binding decision-making powers.
- If the corporate person is incorporated outside the State, the required documents notarized by the competent authorities must be submitted.
- The headquarter, current address and contact details, indicating the address in details and phone numbers
- Nature of business, activities, capital and investment policy of the corporate person.
- Data of proof of identity for natural persons representing the corporate person, subject to examining the original power of attorney and ensuring that there is no legal impediment that prevents dealing with such representatives and obtaining their signature specimen.

Annexure 3: Process for Risk Assessment

The below process describes the risk assessment methodology to be applied by the company:

1. Define the inherent risk factors
2. Weight the inherent risk factors as per methodology
3. Collect the data and subject it to appropriate review
4. Score the inherent risk factors to arrive at both a. an individual risk category rating, e.g. High, Moderate, Low (HML); and b. an overall HML score
5. Define the control effectiveness categories
6. Identify all the controls and map either to:
 - a. the Controls categories:
 - i. Weight the Categories based on importance, number of controls, number of key controls; and
 - ii. Score the control effectiveness by aggregating the results to get an overall HML score; OR
 - b. the Inherent risk categories:
 - i. Weight the controls based on importance, key Controls.
 - ii. Map the Controls to each of the Inherent risk categories and score those controls in aggregate against each risk category; and
 - iii. Aggregate the control effectiveness categories to get an overall HML score;
7. Note and record the shortcomings or weaknesses in each of the identified controls for future remediation work (see 10 below)
8. Take the overall inherent risk score and apply the controls effectiveness score by applying the residual risk matrix
9. Arrive at the residual risk and determine at the appropriate governance body whether the residual risk is within FI tolerance or risk appetite; and
10. Determine the remediation action plan covering those items in 8 above that are determined as being in need of further action, by whom and by when.

Annexure 4: Factor Weightings**Inherent Factor Weighting**

Inherent Factor Weighting	
Inherent Factor	Inherent Weighting
Channels	5-10%
Clients	25-35%
Country / Geography	20-30%
Products & Service	20-30%
Other Qualitative Risk Factors	10-15%

Control Factor Weighting

Control Factor Weighting	
Control Factor	Control Weighting
KYC (incl. All requirements)	20-30%
Monitoring & Controls	20-30%
Policies & Procedures	10-15%
Other Risk Assessments	10-15%
AML Corporate Governance; Management Oversight & Accountability	5-10%
Management Information / Reporting	5-10%
Record Keeping & Retention	5-10%
Designated AML Compliance Officer / Unit	5-10%
Detection and SAR Filing	5-10%
Training	5-10%
Independent Testing & Oversight	5-10%
Other Controls / Others	5-10%

Annexure 5: Calculation of Residual Risk

3-tier Residual / Risk Rating Approach

Calculation of Residual Risk		
Inherent Risks	Control Strengths	Residual Risks
Low	90-100%	Low
	89-80%	Moderate
	<80%	High
Moderate	90-100%	Low
	89-80%	Moderate
	<80%	High
High	90-100%	Low
	89-80%	Moderate
	<80%	High

Annexure 6: AML Suspicious Activity/Transaction Indicators

GENERAL INDICATORS

- Purchases that are unusual for client
- Unusual payment methods, such as large amounts of cash, multiple or sequentially numbered money orders, traveller's checks, or cashier's cheques, or payment from third parties.
- Attempts by client or supplier to maintain high degree of secrecy with respect to the transaction, such as request that normal business records not be kept.
- A client not asking for a reduced price or negotiating over the list price, in circumstances where such practices are traditional or common.
- Purchase appears to be beyond the means of the client based on his stated or known occupation or income.
- Client may attempt to use a third-party cheque or a third-party credit card.
- Funds come from an offshore financial center rather than a local bank.
- Large or frequent payments made in funds other than dirhams.
- Transaction lacks a business purpose.
- Purchases or sales that are not in conformity with standard industry practice.

CUSTOMER A RETAIL CLIENT:

- Suddenly cancels the transaction when asked for identification or information.
- Is reluctant or refuses to provide personal information, or has reasonable doubt that the provided information is correct or sufficient.
- Is reluctant, unable, or refuses to explain:
 - their business activities and corporate history.
 - the identity of the beneficial owner.
 - their source of wealth/funds.
 - why they are conducting their activities in a certain manner.
 - who they are transacting with.
 - the nature of their business dealings with third parties (particularly third parties located in foreign jurisdictions)
- Is under investigation, has known connections with criminals, has a history of criminal indictments or convictions, or is the subject of adverse information (such as allegations of corruption or criminal activity) in reliable publicly available information sources.
- Is a designated person or organization (i.e. is on a Sanctions List)
- Is related to, or a known associate of, a person listed as being involved or suspected of involvement with terrorists or terrorist financing operations.
- Insists on the use of an intermediary (either professional or informal) in all interactions, without sufficient justification.
- Actively avoids personal contact without sufficient justification.
- Is a politically exposed person or has familial or professional associations with a person who is politically exposed.
- Is a foreign national with no significant dealings in the country, and no clear economic or other rationale for doing business.
- Refuses to co-operate or provide information, data, and documents usually required to facilitate a transaction or is unfamiliar with the details of the requested transaction.
- Makes unusual requests (including those related to secrecy)
- Is prepared to pay substantially higher fees than usual, without legitimate reason.
- Appears very concerned about or asks an unusual number of detailed questions about compliance-related matters, such as customer due-diligence or transaction reporting requirements.
- Is conducting a transaction which appears incompatible with their socio-economic, educational, or professional profile, or about which they appear not to have a good understanding.

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- Uses legal persons, legal arrangements, or foreign private foundations that operate in jurisdictions with secrecy laws.

CLIENT IS A LEGAL ENTITY

- Is a business that cannot be found on the internet or social business network platforms (such as LinkedIn or others).
- Is a business that uses an email address with a public or non-professional domain (such as Hotmail, Gmail, Yahoo, etc.).
- Is registered at an address that does not match the profile of the company, or that cannot be located on internet mapping services (such as Google Maps).
- Is registered at an address that is also listed against numerous other companies or legal arrangements, indicating the use of a mailbox service.
- Has directors or controlling shareholder(s) who cannot be located or contacted, or who do not appear to have an active role in the company, or where there is no evidence that they have authorized the transaction.
- Is incorporated or established in a jurisdiction that is considered to pose a high money laundering, terrorism financing, or corruption risk.
- Has a complex corporate structure that does not appear to be necessary or that does not make commercial sense.
- Appears to be acting according to instructions of unknown or inappropriate person(s).
- Conducts an unusual number or frequency of transactions in a relatively short time.
- Asks for short-cuts, excessively quick transactions, or complicated structures even when it poses an unnecessary business risk or expense.
- Request's payment arrangements that appear to be unusually or unnecessarily complex or confusing (for example, unusual deposit or instalment arrangements, or payment in several different forms), or which involve third parties.
- Provides identification, records or documentation which appear to be falsified or forged.
- Requires that transactions be effected exclusively or mainly through the use of cash, cash equivalents (such as cashier's cheques, gold certificates, bearer bonds, negotiable third-party promissory notes, or other such payment methods), or through virtual currencies, for the purpose of preserving their anonymity, without adequate and reasonable explanation.

THE TRANSACTION

- Involves the use of a large sum of cash, without an adequate explanation as to its source or purpose.
- Appears structured so as to avoid the cash reporting threshold.
- Involves delivery instructions that appear to be unnecessarily complex or confusing, or which involve foreign jurisdictions with no apparent legitimate connection to the counterparty or customer.
- Includes contractual agreements with terms that are unusual or that do not make business sense for the parties involved.
- Involves payments to/from third parties that do not appear to have a logical connection to the transaction.
- Involves the unexplained use of powers-of-attorney or similar arrangements to transact business on behalf of a third party.
- Appears to be directed by someone (other than a formal legal representative) who is not a formal party to the transaction.
- Involves a person acting in the capacity of a director, signatory, or other authorized representative, who does not appear to have the required competency or suitability.
- Involves persons residing in tax havens or High-Risk Countries, when the characteristics of the transactions match any of those included in the list of indicators.
- Is carried out on behalf of minors, incapacitated persons or other categories of persons who appear to lack the mental or economic capacity to make such decisions.
- Involves several successive transactions which appear to be linked, or which involve the same parties or those persons who may have links to one another (for example, family ties, business ties, persons of the same nationality, persons sharing an address or having the same representatives or attorneys, etc.).
- Involves recently created legal persons or arrangements, when the amount is large compared to the assets of those legal entities.

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- Involves foundations, cultural or leisure associations, or non-profit-making entities in general, especially when the nature of the merchandise or the characteristics of the transaction do not match the goals of the entity.
- Involves legal persons which, although incorporated in the country, are mainly owned by foreign nationals, who may or may not be resident for tax purposes.
- Involves unexplained last-minute changes involving the identity of the parties (e.g. it is begun in one individual's name and completed in another's without a logical explanation for the name change) and/or the details of the transaction.
- Involves a price that appears excessively high or low in relation to the value (book or market) of the goods, without a logical explanation.
- Involves circumstances in which the parties: – Do not show particular interest in the details of the transaction; – Do not seem particularly interested in obtaining a better price for the transaction or in improving the payment terms; – Insist on an unusually quick completion, without a reasonable explanation.
- Takes place through intermediaries who are foreign nationals or individuals who are non-resident for tax purposes.
- Involves unusually high levels of assets or unusually large transactions compared to what might reasonably be expected of clients with a similar profile.
- Involves indications that the counterparty does not have or does not wish to obtain necessary governmental approvals, filings, licenses, or other official requirements.
- Involves any attempt by a physical person or the controlling persons of a legal entity or legal arrangement to engage in a fraudulent transaction (including but not limited to over- or under-invoicing of goods or services, multiple invoicing of the same goods or services, fraudulent invoicing for non-existent goods or services; over- or under shipments (e.g. false entries on bills of lading); or multiple trading of the same goods and services).

THE MEANS OF PAYMENT

- Involves cash, cash equivalents (such as cashier's cheques, gold certificates, bearer bonds, negotiable third-party promissory notes, or similar instruments), negotiable bearer instruments, or virtual currencies, which do not state the true payer, especially where the amount of such instruments is significant in relation to the total value of the transaction, or where the payment instrument is used in a non-standard manner.
- Involves unusual deposits (e.g., use of cash or negotiable instruments, such as traveler's cheques, cashier's cheques, and money orders) in round denominations (to keep below the reporting threshold limit) to pay for PMS. The negotiable instruments may be sequentially numbered or purchased at multiple locations and may frequently lack payee information.
- Is divided into smaller parts or instalments with a short interval between them.
- Involves doubts as to the validity of the documents submitted in connection with the transaction.
- Involves third-party payments with no apparent connection or legitimate explanation.
- Cannot be reasonably identified with a legitimate source of funds.

ENTITY-WIDE AML-CFT RISK ASSESMENT

Product Risk	Score
Nature of product	6
Flexibility of product	6
Availability or use in overseas	8
Ability to use as/transform into cash	8
Informal market	8
Total average score	8
Over Product Risk	Medium
Customer Risk	Score
Customers incorporated in high risk jurisdiction	1
Customers whose senior management or UBO are nationals of High Risk Countries	1
Customers matched with TFS list during TFS screening	1
Customers with unnecessarily complex beneficial owner structures	1
Customers with Lack of obvious economic purpose	1
Non-resident customers	1
Customers with PEP status	1
Customers who have close associates with PEP status	1
Customers with Non-face to face dealings	1
Large cash transactions	1
Customers found during CDD with discrepancies in customer identification documents	1
Customers with Incomplete or unreliable documents/information.	1
Customers who fail to provide UBO information.	1
Customers that can't prove a history of real business activity	1
Total average Score	3
Overall customer risk	low
Transaction Risk	Score
Unusual transactions/one-off transactions	3
Small and frequent transfers from different accounts.	1
Customers Actively avoiding personal contact	1
Single bank account is used by multiple businesses.	1
Transactions are inconsistent with the individual's socio-economic profile	1
Transaction that turns active after a long period of dormancy without reliable explanation.	1
Transactions entered that do not make any commercial sense.	1
Instances that uses an intermediary, or does not appear to be directing the transaction, or appears to be disguising the real client	1
Total average Score	3
Overall transaction risk	low
Country/Geography Risk	Score
Customers located in Low economic and political stability	1
High use of the informal banking system	1
Weak border control measures	1
Targeted financial sanctions	1
High level of corruption	1

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The presence of terrorist and other non-state armed groups	1
High rate of money laundering, drug dealings, human trafficking and other illicit activities	1
Lack of anti-terrorism control measures	1
FATF High risk country (Black list)	1
FATF Country with increased monitoring (Grey list)	1
Total average Score	3
Total average country risk	Low
Delivery channel Risk	Score
Instances of products delivered by Third party (third party risk)	1
Instances products are delivered with Non-face to face (Non-face to face risk)	1
Total average Score	3
Total average delivery channel risk	Low

OVERALL ENTITY-WIDE RISK ASSESSMENT	LOW
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SCORE RATING	
1 to 3	LOW
4 to 8	MEDIUM
8 to 10	HIGH

MANAGER

PREPARED BY
COMPLIANCE DEPARTMENT