

Payler AML Policy

1. General Provisions

The activity of PAYLER EU OU is providing virtual currency wallet service and virtual currency exchange service.

PAYLER establishes the present AML Policy which regulates and controls the risks associated with money laundering and terrorist financing identified in the PAYLER under the Risk Assessment.

PAYLER enters into business relationships with clients. Business relationship means a relationship that is established upon conclusion of a long-term contract by an obliged entity in economic or professional activities for the service or sale of goods or distribution thereof in another manner or that is not based on a long-term contract, but whereby a certain duration could be reasonably expected at the time of the establishment of the contract and during which PAYLER entity repeatedly makes separate transactions in the course of economic, professional or official activities while providing a service or official service, performing official operations or offering goods.

When establishing business relationships with customers, PAYLER identifies and verifies data using technology means.

PAYLER applies the due diligence measures before the establishment of a business relationship or making of a transaction outside a business relationship.

PAYLER has and does not establish any correspondent relationships with shell banks and/or any such credit institutions that knowingly allow shell banks use in their accounts.

PAYLER does not provide services to trusts.

PAYLER guarantees enhanced privacy due to AML/KYC compliance with SumSub integration.

Identification of private and business clients, as well as risk assessment will be carried out in accordance with the requirements of Estonian legislation. The description is below in this policy.

2. Procedure for application of due diligence measures regarding a customer

PAYLER applies the following due diligence measures to customers:

1. Identification of a customer or a person participating in an occasional transaction and verification of the submitted information based on information obtained from a

reliable and independent source, including using means of electronic identification and trust services for electronic transactions;

2. Identification and verification of a customer or a person participating in an occasional transaction and their right of representation;
3. Identification of the beneficial owner and, to verify their identity, taking measures to the extent that allows PAYLER to make certain that it knows who the beneficial owner is, and understands the ownership and control structure of the customer or the person participating in an occasional transaction;
4. An understanding of business relationships, an occasional transaction or operation and, where relevant, gathering information thereon;
5. Gathering information on whether a person is a politically exposed person, their family member, or a person known to be a close associate;
6. Monitoring of a business relationship where business relationship is established.

PAYLER applies all due diligence measures concerning a customer, but determines the scope and exact manner of the application of the due diligence measures based on the risk assessment of the customer.

To understand a business relationship, PAYLER identifies permanent seat, place of business or place of residence, profession or field of activity, main contracting partners, payment habits, whether the customer acts for or on behalf of another person and in case of a legal person, also the experience of the customer or person participating in the occasional transaction. In the case of an occasional transaction made outside of a business relationship.

Business relationship monitoring includes:

1. Control of transactions, made in business relationship, to ensure that the transactions are consistent with full knowledge of PAYLER about the customer, its activities and risk profile;
2. Regular updating of documents, data and information collected in the course of due diligence measures;
3. Identification of the source and origin of the funds, used in transaction.

In case of occasional transaction, PAYLER gathers information on the origin of the property used in the transaction, instead of the data mentioned in the previous paragraph. If needed, PAYLER also gathers information on the origin of the customer's wealth.

If PAYLER establishes a business relationship with a customer whose beneficial owner must be registered in their country in accordance with EU law, PAYLER will also ask the customer for a certificate of registration or an extract from the register.

PAYLER implements due diligence measures and collects information until complete satisfaction about the knowledge and understanding of the customer's activities, the purpose of the business relationship or occasional transaction and the origin of funds, used in the transaction.

3. Identification of natural person

The initial identification of a natural person is made on the basis of identification document(s) provided by the customer.

During the identification process the documents are checked for the accuracy of the information provided and the following is gathered:

- if the document is still legally valid;
- if the photo on the document corresponds to person's appearance;
- if person's ID number corresponds to person's gender and age.

A copy of the submitted ID document will be made in a manner that its quality allows to review the data contained on it.

During the identity confirmation procedure the status of the person as 'politically exposed' is also to be assessed.

Only official sources can be used to confirm the provided information, such as State registers or foreign representative organs. Other sources may be used only if there is no reason to doubt their accuracy and competence.

Trustworthy customer recommendations are not a valid replacement for the proper identification procedure. Knowing the customer personally or customer being publicly known, is not a basis for non-compliance with the identification requirement. Identification procedure must also be established for persons who are publicly known and for persons directly or indirectly related to them.

Identification of the natural person must not be re-established and verified in a situation where PAYLER already has a valid business relationship with the customer and the customer wishes to receive new service. Outside of business relationship, the identity of the customer must be established each time the customer wishes to make a transaction.

Identification of a natural person is not a one-time procedure. Information regarding the natural person should be checked constantly and updated when possible.

Should any doubts arise, the actual beneficiary must be revealed – a person that actually controls the legal person and receives profit from it.

4. Identification of legal person

Information review is conducted by the use of public registries and databases or by sending inquiries to the relevant State authorities. A certificate from the registry may be replaced by the authorised access to the registry.

All documents issued by the foreign State authorities must be legalised or have an apostille with the exception of Latvia, Lithuania, Poland, Russia and Ukraine. This provision may be amended if Estonia signs and ratifies an international agreement(s) with other States that would make the use of apostille unnecessary.

Legal person's identification procedure also requires to establish if there are politically exposed persons amongst the members of the board or other similar organs, or amongst owners, beneficiaries or representatives of the legal person in question. Should the information provided by the customer be not trustworthy enough, this matter can be verified by the means of submitting an inquiry to the relevant State officials or international organisations.

All the obtained information is carefully studied in order to determine if the company has any subsidiaries, representatives or in any other way connected to States that do not cooperate in the field of international fight against money laundering and finance of terrorism, or if those States are considered as low tax jurisdictions.

If the legal person is an international organisation, then its field(s) of activity must be confirmed. In addition, documents serving as a legal basis for this international organization's activities in Estonia must be obtained and assessed.

If a legal person acts as a representative of another person, then the information of the representative must also be gathered in accordance with the present AML policy.

Identification of the legal person must not be re-established and verified in a situation where PAYLER already has a valid business relationship with the customer and the customer wishes to receive new service. Outside of business relationship, the identity of the customer must be established each time the customer wishes to make a transaction.

Only an authorised legal representative may register a legal entity on the website of PAYLER. The authorised representative must provide sufficient documents proving his authority to represent the legal person. Should the provided documents fail to provide the required information or if there is any doubt regarding their validity, no business relationship may be started and the account may be blocked.

Any transaction with the legal person requires the registration of its current beneficiary. If the legal person in question has more than one beneficiary, then all other beneficiaries must also be registered. If it is impossible to identify the beneficiary of the legal person in question, then all of its owners must be confirmed and sufficient explanation must be provided by the customer.

Special care should be exercised when confirming the actual beneficiary if the planned transaction may in any way be connected to the risk, increase due to the field of activity of the legal person in question or its state of registration, type of provided services and nature of the transaction and also in the case if that legal person is registered in or connected to a low tax jurisdiction.

5. Identification of the beneficial owner

The beneficial owner is a natural person who, taking advantage of their influence, makes a transaction, act, action, operation or step or otherwise exercises control over a transaction, act, action, operation or step or over another person and in whose interests or favor or on whose account a transaction or act, action, operation or step is made.

PAYLER identifies the beneficial owner of the legal person in stages.

In the case of companies, a beneficial owner is a natural person who ultimately owns or controls a legal entity through direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that person, including through bearer shareholdings, or through control via other means.

Direct ownership is a manner of exercising control whereby a natural person holds a shareholding of 25 percent plus one share or ownership interest of more than 25 percent in a company; indirect ownership is a manner of exercising control whereby a company that is under the control of a natural person holds or multiple companies that are under the control of the same natural person hold a shareholding of 25 percent plus one share or an ownership interest of more than 25 percent in a company.

In case of doubt, PAYLER also identifies the beneficial owner of the natural person, i.e. the person controlling natural person's activities and benefiting from it. Such doubt may arise if PAYLER has a feeling that a natural person is inclined to enter into a business relationship or enter into a transaction. In such case, the person exercising control over the natural person, shall be deemed to be a beneficial owner.

If PAYLER determines that the transactions or operations are actually carried out on behalf of third party, PAYLER will take all measures to identify the real beneficiary and the real purpose of the business relationship or transaction.

6. Customer risk profile

PAYLER determines the Customer's risk profile.

In order to determine the risk profile and the degree of risk, the following will be taken into account:

1. The purpose of the transaction and the information that the obligated person has collected about the purpose of the business relationship or the occasional transaction;
2. The volume of assets deposited by the client or the property volume of an occasional transaction;
3. The expected duration of the business relationship;
4. Factors characterizing lower risk of a customer and application of simplified due diligence measures;
5. Factors characterising higher risk and application of enhanced due diligence measures.

All information concerning a definite geographical area should be collected only from internationally recognized reliable sources.

PAYLER determines whether the business relationships or transactions (except for specified money-changing transactions) undertaken without an account being opened present a high risk for money laundering or terrorism financing. For this purposes PAYLER implements appropriate internal risk management systems, policies, procedures and controls.

When determining the level of risk, PAYLER takes into account that the determination of the level of risk must not be unduly influenced by only one risk factor. The weight of risk factors must not be influenced by the economic or profit considerations of PAYLER. The methodology must not unreasonably lead to a situation where the majority of customer relationships have a lower than usual level of risk. The consideration of risk factors must not be in conflict with EU directives and law.

7. Risk Assessments

Risk related to clients

PAYLER works both with natural and legal person customers, who are mainly from Estonia and Europe, but may also be from other parts of the world. PAYLER would like to avoid transactions with customers from sanctioned countries.

Any customer and his planned transaction are evaluated regarding the risk factor of money laundering and finance of terrorism (customer risk).

PAYLER evaluates its clients and transactions executed, categorizing the risk accordingly, as "low", "middle" or "high".

The "low" risk category means that simplified steps can be applied to the client / transaction, both in terms of identification, background check, and required documents.

The "middle" risk category means that PAYLER applies strengthened diligence measures for the client / transaction.

The "high" risk category means that PAYLER applies enhanced due diligence measures in addition to the customer due diligence measures.

Risk appetite

PAYLER wishes to avoid transactions and business relationships with persons who meet the following characteristics:

- persons from sanctioned countries and/or sanction lists;
- persons who cannot be identified;
- persons who refuse to identify themselves;
- persons wishing to carry out transactions which are not understandable;
- persons wishing to carry out transactions which have been carried out for very large amounts in cash;
- legal persons whose ownership structure is not clear.

PAYLER may establish business relationships with persons from countries outside the European Economic Area, as well as e-residents. In case of persons meeting these characteristics, PAYLER applies enhanced due diligence measures, including the assessment of the risk associated with such persons. Based on the Risk Assessment, customers, meeting these characteristics will be classified in the risk category “high” and the measures according to the category “high” will be applicable.

8. Understanding of business relationships, an occasional transaction or operation

Before the start of commercial relationship the following must be set:

- nature of the planned agreement;

- terms of the planned agreement;
- volume of the planned agreement.

Received information is kept in a written form.

In order to understand the purpose of the business relationship or the purpose of the occasional transaction, PAYLER identifies, inter alia, the permanent seat, place of business or place of residence, profession or field of activity, main contracting partners, payment habits, whether they act for or on behalf of another and, in the case of a legal person, also the experience of the customer or person participating in the occasional transaction.

In the case of an occasional transaction made outside of a business relationship, PAYLER gathers information on the origin of the property used in the transaction.

9. Simplified due diligence measures

PAYLER may apply simplified due diligence measures if it has established that the customer and the activities related to him/her involve a lower-than-usual risk of money laundering or terrorist financing.

Before the application of simplified due diligence measures to a customer, PAYLER establishes that the business relationship, transaction or operation is of a lower risk and the credit institution and financial institution attribute to the transaction, operation or customer a lower degree of risk.

PAYLER may apply a simplified due diligence measures to the following types of clients, if there is a low risk or suspicion of Money Laundering and Terrorist Financing:

- a. Credit or financial institution covered by the EEA Regulations;
- b. Credit or financial institution carrying out one or more of the financial business activities and which is situated in a country outside the EEA, which:
 - a). In accordance with a decision of the Regulator, imposes requirements equivalent to those laid down by the EEA Regulations, and
 - b). It is under supervision for compliance with those requirements.

- c. Listed companies whose securities are admitted to trading on a Regulated Market in a country of the EEA or in a third country which is subject to disclosure requirements consistent with community legislation;
- d. Domestic public authorities of countries of the EEA;
- e. If other factors that characterize low risk activity are applicable to the company.

10. Enhanced due diligence measures

PAYLER applies enhanced due diligence measures in order to adequately manage and mitigate a higher-than-usual risk of money laundering and terrorist financing.

Enhanced due diligence measures are applied always when:

- a. Upon identification of a person or verification of submitted information, there are doubts as to the truthfulness of the submitted data, authenticity of the documents or identification of the beneficial owner;
- b. The person participating in a transaction made in economic or professional activities, the person participating in an official operation, the person using an official service or the customer is a politically exposed person;
- c. The person participating in a transaction made in economic or professional activities, the person participating in an official operation, the person using an official service or the customer is from a high-risk third country or their place of residence or seat or the seat of the payment service provider of the payee is in a high-risk third country;
- d. The customer or the person participating in a transaction or the person using an official service is from such country or territory or their place of residence or seat or the seat of the payment service provider of the payee is in a country or territory that, according to credible sources such as mutual evaluations, reports or published follow-up reports, has not established effective AML/CFT systems that are in accordance with the recommendations of the Financial Action Task Force, or that is considered a low tax rate territory;
- e. If other factors that characterize high risk activity are applicable to the company.

11. Procedure for data: storing and making available

PAYLER registers the transaction date or period and a description of the substance of the transaction.

For the purpose of identification of persons and verification of submitted information, PAYLER retains the originals or copies of the documents, information registered and the documents serving as the basis for the establishment of a business relationship for no less than five years after the termination of the business relationship.

PAYLER does not have to retain the originals or copies of the documents serving as a basis for the identification of persons and verification of submitted information where:

- a. The person was identified using e-identification and trust services for e-transactions, or
- b. The document is available to PAYLER in an electronic database of the state throughout the period of 5 years.

During this period, PAYLER also retains the entire correspondence relating to the performance of the duties and obligations and all the data and documents gathered in the course of monitoring the business relationship or occasional transactions as well as data on suspicious or unusual transactions or circumstances which were not reported to the Financial Intelligence Unit.

12. Tasks and duties of the AML Officer

Duties of the AML Officer includes the following:

- a. Organization of the collection and analysis of information referring to unusual transactions or transactions or circumstances suspected of money laundering or terrorist financing, which have become evident in the activities of PAYLER. For this, AML Officer keeps all reports of suspicious and unusual transactions received from staff members, as well as the information gathered for the analysis of those reports and any other relevant documents as well;
- b. Reporting to the Financial Intelligence Unit in the event of suspicion of money laundering or terrorist financing, including obligation to keep the notifications

transmitted to the FIU together with the time of transmission of the notification and the data of the employee who transmitted the notification;

- c. Periodic submission of written statements on compliance with the requirements arising from the RahaPTS to the management board or to the director, at least quarterly, and if necessary, exceptionally;
- d. Performance of other duties and obligations related to compliance with the requirements of the RahaPTS.

13. Internal Control Regulation

Procedures of internal control system

The internal control review program ensures that the employees and members of the company abide to the provisions of the applicable legislation in the field of income legalization obtained by illegal means and terrorism finance. The program ensures that the employees abide to the internal company rules and regulations in the field of internal control.

Internal control of PAYLER stipulates the following:

- a. Regularly, at least once every six months, internal checks will be carried out regarding the proper implementation of internal regulations of PAYLER and applicable legislation;
- b. The member of the board of PAYLER must be provided with regular written reports regarding all violations of internal regulations in the field of money laundering prevention and prevention of finance of terrorism;
- c. All violations revealed during checks will be handled properly by the means chosen by the management board member.

Company employees training program

The program regarding the training of employees in the field of Anti Money Laundering Legislation and Prevention of finance of terrorism is made in accordance to the applicable legislation and includes proper instructions for the employee regarding control methods and information analysis. Any employee must be properly instructed by the authorized workers during the period of a month from the start of work.