

Financial Crime Policy

Waystone Corporate Services (Lux) S.A.
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1. Ownership and version history

Policy Owner	Approver	Date & version	Date of previous version	Description
Compliance Function and RC	Board of Directors	Second version, September 2021	July 2021	Set up of a new policy at entity level that implements the applicable regulatory requirements and the Company's approach to AML compliance aspects – update on the frequency of the DD screenings

2. Introduction, purpose and scope

Waystone Corporate Services (Lux) S.A. (hereafter "**Waystone**"), formerly known as MDO Services S.A., was incorporated on September 3rd. 2013 as a Luxembourg-based public limited company. Waystone is a specialised Professional of the Financial Sector ("**PFS**") defined by the Luxembourg Law of 5 April 1993 on the financial sector, as amended, ("**Law of 1993**").

Waystone is regulated by the Luxembourg supervisory authority, the *Commission de Surveillance du Secteur Financier* (“**CSSF**”).

CSSF entrusted Waystone with the following PFS licences pursuant to the Law of 1993:

the “corporate domiciliation agent” licence¹;

the “authorised family office” licence² although Waystone is not actively performing the activity; and

the “professional providing company incorporation and management services” licence³.

Waystone is committed to the highest standards of Anti-Money Laundering (“**AML**”), Know Your Client (“**KYC**”), Counter Terrorism Financing (“**CTF**”), and any other criminal offences in the context of its activities.

This financial crime policy (the “**Policy**”) has been accordingly adopted with the purpose of preventing the exposure of Waystone and its clients to financial crime risks (i.e. money laundering as well as terrorism financing). The Policy shall be binding for all employees and persons acting in the name or on behalf of Waystone.

It shall also be noted that Waystone joined in the course of 2020 the Waystone Group (the “**Group**”) and shall consequently take into consideration the Group’s approach to financial crime prevention.

The purpose of the Policy is to establish a clear and appropriate framework relating to the AML, KYC and CTF obligations Waystone is subject to and must comply with, as defined in the applicable laws, regulations circulars and guidelines with respect to the fight against money laundering and terrorism financing (and beyond, the fight against financial crime), in order for Waystone to aim at identifying, managing and reducing the risks relating to money laundering and terrorism financing to which it may be exposed and further, reduce its potential exposure to financial crime.

Such obligations shall also cover to the relevant extent the prevention of modern slavery, protection of human rights and fight against proliferation financing, to which Waystone pays attention in its day-to-day activities and in particular in its selection process on clients, delegates and outsourced service providers.

In accordance with the general principles adopted by the Financial Action Task Force (“**FATF**”), and as further implemented in Luxembourg, Waystone must apply a risk-based approach (“**RBA**”) to ensure that measures to identify, prevent manage and mitigate money laundering and terrorism financing risks are commensurate with the threats identified.

This Policy is owned by the compliance function of Waystone, and primarily by the *Responsable du Contrôle du respect des obligations* (“**RC**”), being as of the date of this Policy Mrs. Giulia Traverso, Compliance Officer. It applies to all employees of Waystone, irrespective of their role and responsibility as well as, to the extent necessary and on basis of the proportionality principle, to all service providers acting for or on behalf of Waystone.

¹ Law of 1993, Art. 28-6.

² Law of 1993, Art. 28-8.

³ Law of 1993, Art. 28-10.

This is the first approved version of the Policy adopted by Waystone (as it has been so far relying on the relevant policies and procedures of its sister company Waystone Management Company (Lux) S.A.) and it shall be reviewed at least on an annual basis. The RC is responsible for updating the Policy as and when required. All changes have to be validated by the authorised management of Waystone prior to being submitted to the board of directors of Waystone (the “**Board**”) for approval.

For the avoidance of doubt, part of the AML screening processes applied to clients of Waystone is performed by other entities of the Waystone Group through intra-group outsourcing, however Waystone remains ultimately in charge of the review of the screening results and risk categorisation of its clients as part of its core financial crime prevention obligations.

3. Definitions

Term	Definition
Authorised Management	Conducting Officers of Waystone as well as any other persons responsible for certain business lines
Beneficial Owner	Any natural person who ultimately owns or controls the customer and/or any natural person on whose behalf a transaction or activity is being conducted, as per definition provided pursuant to article 1 (7) of the Law of 2004
Business Relationship	A business, professional or commercial relationship which is connected with the professional activities of the institutions and persons covered by the Law of 2004 and which is expected, at the time when the contact is established, to have an element of duration. The term is primarily used in this Policy to designate persons with whom Waystone enters or plan to enter into a relationship (i.e. Initiators)
CDD	Customer Due Diligence
Customer (s)/ Counterparty(ies)/Initiator	The natural or legal person(s) with whom Waystone enters into a Business Relationship (the “Initiator” being the person or entity initially approaching Waystone to establish a Business Relationship). References to the term “client” in this Policy shall be understood as similar to this defined term.
COMEX or ExCo	Executive Committee of Waystone attended by the Conducting Officers and other persons being part of the senior management of Waystone (i.e. relevant persons heading service lines/departments within Waystone)
Client Acceptance Committee	Committee responsible, under the supervision of the Board, to review the due diligence performed on new clients prior to entering into a new Business Relationship
CSSF	The <i>Commission de Surveillance du Secteur Financier</i> , the Luxembourg supervisory authority for the financial sector

CRF (or FIU)	The Luxembourg <i>Cellule de Renseignement Financier</i> , the financial intelligence unit within the public prosecutor's office, in charge of receiving suspicious transaction reports
EDD	Enhanced Due Diligence
GDR	Grand Ducal Regulation dated 1 February 2010, as amended from time to time
Investor	Person whose name appears in the register of shareholders, unitholders or limited partners of a given investment fund
Law of 1993	The Luxembourg law of April 5, 1993 on the financial sector, as amended
Law of 1999	The Luxembourg law of May 31, 1999 on the domiciliation of companies, as amended
Law of 2004	The Luxembourg law of November 12, 2004 on the fight against money laundering and terrorism financing, as amended ⁴
ManCo	Waystone Management Company (Lux) S.A. which is part of the Waystone Group
PEP	Politically Exposed Persons, i.e. natural persons who are or have been entrusted with prominent public functions (as per list provided under article 3 (9) of Directive 2015/849) and immediate family members (e.g. siblings) or persons known to be close associates, of such persons – domestic PEPs shall be included in this definition (see Appendix B for further information)
RBO	Register of Beneficial Owners relating to entities registered with the Luxembourg Business Register and established pursuant to the Law of 13 January 2019
RC	The <i>Responsable du Contrôle du respect des obligations</i> who is an officer appointed <i>intuitu personae</i> , being an employee of Waystone.
RCSSF	CSSF regulation 12-02 of December 14, 2012 on the fight against money laundering and terrorism financing,
RFT	The <i>Registre des Fiducies et des Trusts</i> implemented by the Luxembourg law of July 10, 2020.
RIN	Countries that respect international norms on anti-money laundering and terrorism financing and that are not considered to have strategic deficiencies in their AML framework

⁴ https://www.cssf.lu/wp-content/uploads/L_121104_AML.pdf

RR	The <i>Responsible du Respect des obligations</i> , who is a member of the Authorised Management and an employee of Waystone.
SDD	Simplified Due Diligence
SPE or SPV	Special Purpose Entity or Special Purpose Vehicle (such definition may also apply, as the case may be, to securitisation companies)

4. Applicable laws and regulations

This Policy is based on existing applicable laws, regulations and guidelines, including but not limited to:

- FATF 40 Recommendations detailing the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation
- FATF Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorism Financing - High Level Principles and Procedures
- The Law of 1993
- The Law of 2004
- The law of 13 January 2019 establishing the RBO
- The GDR
- The RCSSF
- The CSSF Circular 01/47 (professional obligation of domiciliation agents of companies) 11/529, 17/650, 19/732
- The CSSF Circulars implementing the FATF statements
- The EU Regulation 2015/847 on the traceability of payment transactions
- The Commission Delegated Regulation (EU) 2016/1675, that identifies the high risk countries, as amended
- The EU AML directives 2001/97/EC, 2005/60/EC, 2013/25/EC, and 2015/849 (the “4th AMLD”) as amended by directive 2018/843 (the “5th AMLD”)
- Law of 10 July 2020, establishing the RFT
- The FIU Circulars and Guidelines on “Suspicious Operations Report” and “Freezing of Suspicious Transactions”⁵

ALCO guidelines and recommendations

Any other regulatory guidance published at national and supranational level (including but not limited to FAQs published by the CSSF)

The above list may be subject to further changes as the case may be. Moreover, specific reference to the National Risk Assessment (NRA) of money laundering and terrorism financing⁶ published by the Luxembourg Ministry of Finance in 2018, and revised in 2020⁷, and to the sub-sector risk assessment of money laundering and terrorism financing for the specialised professionals of the Financial Sector providing corporate services⁸ (“**ML/TF Sub-sector RA**”) published by CSSF in 2020.

⁵ <https://justice.public.lu/fr/organisation-justice/crf.html>

⁶ <https://mfin.gouvernement.lu/en/publications/Divers/NRA/NRA.html>

⁷ <https://mj.gouvernement.lu/fr/dossiers/2020/lutte-blanchiment.html>

⁸ https://www.cssf.lu/wp-content/uploads/ML_TF_risk_analysis_TCSP.pdf

These documents were taken into account by Waystone as part of its own self-assessment of financial crime risks to which it is exposed by virtue of its activities.

As stated in the ML/TF Sub-sector RA, and with specific respect to those so-called “Professionals performing Trust and Company Service Provider (TCSP) activities” as is the case of Waystone, “*As per the FATF reports, it notes how TCSPs can be abused/misused to set up complex structures that conceal the identity of beneficial owners. The report highlights the challenges associated with identifying beneficial ownership, particularly when TCSP services are delivered through non-face-to-face channels. The identification and transparency of beneficial ownership is, thus, central to the TCSP industry in its AML/CFT efforts. Luxembourg’s NRA also considers TCSP activities to be high risk (see previous section). This is driven by several factors, including that: (1) globally the sector is characterised by a range of different professions that can act as TCSPs; (2) there are a large number of international and potentially higher-risk beneficial owners of structures incorporated by TCSPs; (3) non-face-to-face transactions are available; and (4) complex structures can be used.*”.

In light of the above, as stated in the self-assessment of financial crime risks performed by Waystone, last reviewed and updated in June 2021, and to be read in conjunction with this Policy, Waystone’s inherent risk level (construed as the risk level actually faced by Waystone, before the implementation of the mitigation measures detailed in this Policy) is considered to be medium-high.

However, Waystone considers its residual risk level (construed as the risk level it actually faces, after the implementation of the mitigation measures detailed in this Policy) as medium-low by virtue of its size, the nature of its offered services and its internal organisation.

5. Key concepts

What is money laundering

Article 1 of the Law of 2004 provides that “Money Laundering” shall mean any action as defined in articles 506-1 of the Luxembourg Criminal Code and 8-1 of the amended law of 19 February 1973 concerning the sale of medicinal substances and measures to combat drug addiction.

Money laundering is defined as:

- *knowingly facilitating the misleading justification* of the origin of goods, constituting the direct or indirect object or product of a primary crime;
- *knowingly helping the investment, the dissimulation or the conversion of goods* constituting the direct or indirect object or product of a primary crime or constituting the benefit of a primary crime;
- *acquiring, detaining or using goods* constituting the direct or indirect object or product of a primary crime or constituting the benefit of a primary crime, *with the knowledge that these goods derive from a primary crime.*

As a result, Waystone and its employees can be potentially exposed to AML and CFT risks while performing its activities, namely incorporation of companies, provision of directorship, corporate secretarial, rental and domiciliary agency services.

The list of predicated offences includes, inter alia:

- Any offence punishable by a term of imprisonment of a minimum of more than six months
- Insider dealing and market manipulation
- Embezzlement
- Breach of trust
- Bribery
- Corruption
- Fraud and swindle
- Forgery of money
- Forgery and product piracy
- Illicit trafficking in narcotic drugs and psychotropic substances
- Arms trafficking
- Illicit trafficking in stolen goods and other goods
- Involvement with an organised criminal gang
- Human trafficking and illicit trafficking of immigrants
- Sexual exploitation, including of minors
- Crimes and misdemeanours against the environment
- Murder and bodily harm
- Kidnapping, illegal detention and taking of hostages
- Theft
- Smuggling
- Extortion
- Tax crimes related to direct taxes, value added tax, registration and inheritance duties as per recently included references under article 506-1 of the Luxembourg Criminal Code to the concepts of aggravated tax fraud i.e. *fraude fiscale aggravée* and of tax swindle i.e. *escroquerie fiscale*.

What is Terrorism Financing?

Terrorism financing is defined pursuant to article 135-5 of the Luxembourg Criminal Code as “providing or collecting funds or other properties with the intention that they are used to, or knowledge that they may be used with a view to commit one or more terrorist offences”.

Terrorism is defined as “an offence, which, owing to its nature or context, can be seriously damaging to a country or an international organisation or body, and has been deliberately committed in order to:

- gravely intimidate a population,
- improperly compel the public authorities or an international organisation or body to perform or refrain from any act, or
- severely destabilise or destroy the fundamental political, constitutional, economic or social structures of a country or an international organisation or body.

It should be noted that terrorists aim to conceal the financing and financed activity. The techniques used are similar to those used by money launderers. Hence a suspicious transaction relating to money laundering could also be linked with terrorism financing.

Overview of applicable criminal and administrative sanctions

In the field of AML and CFT, Waystone is subject to the supervision of both CSSF and FIU. Under the terms of applicable Luxembourg criminal law provisions as referred to above, the offence of money laundering for the perpetrator, co-perpetrator and accomplices is punishable by a term of imprisonment of

one to five years and/or fines ranging from EUR 12,500 to EUR 5,000,000 (or 10 % of the total annual turnover of the relevant legal person). In addition, depending on the financial gain realised through the offence (if any), the fine may be increased to four times the amount at stake according to the Law of 19 December 2020.

CSSF may also impose administrative sanctions upon the entities it supervises should they knowingly and repeatedly commit breaches to applicable laws and regulations relating to the prevention of money laundering. Such sanctions may be subject to publication at the discretion of CSSF and their scope includes, amongst others, the possibility to impose a temporary prohibition of professional activity of the professional as well as members of the management body and employees or the request of freezing and/or sequestration of assets.

Enhanced administrative sanctions and measures may also be taken, such as warnings, reprimands, public statements, administrative fines, or withdrawal or suspension of the relevant licence, which may affect the professional as well as the members of the management body and any such other persons responsible for the non-compliance by the professional of its obligations. Once a given sanction can no longer be challenged before court, it shall be published on the CSSF website.

6. Waystone's organisation and set-up

Waystone, acting as authorised specialised PFS, provides its customers with the following type of services:

- provision of a registered office (establishment of a “seat”) as domiciliary agent within the meaning of the Law of 1999;
- office space rental in Waystone's premises; company incorporation which consists in performing, on behalf of the relevant customer, certain tasks such as the setup, the administration and the accounting of a Luxembourg or foreign company whether commercial or financial in nature;
- company management services which includes the provision of independent directors, executives or managers, who would be in charge of the management of the customer;

Waystone might also provide additional services that are ancillary to the domiciliary agency services. It shall be noted that Waystone considers its domiciliary agency service as the one incurring the higher level of financial crime risk compared to office rental and corporate secretary services.

For the avoidance of doubt, Waystone may act as domiciliary agent of investment funds) that the ManCo manages as management company or alternative investment fund manager. Such a service shall however not be understood as central administration agency, i.e. no registrar and/or transfer agency services are performed by Waystone.

In such case, and considering that the ManCo is responsible for the implementation of a financial crime prevention framework on behalf of the investment funds it manages on a mandatory basis in its capacity as management company as per legally prescribed requirements, relevant exchanges between Waystone and the ManCo may take place to ensure a pragmatic and efficient approach. It is in particular applicable in cases where a potential new client of Waystone is already a client of the ManCo, or, as the case may be, of another entity of the Waystone Group, in which case the previously performed CDD may be used by Waystone for client acceptance purposes and ongoing monitoring of the Business Relationship.

In all cases Waystone plays a central role in the establishment and maintenance of appropriate financial crime prevention measures over all its Business Relationships. Financial crime risks and operational aspects are taken into account by Waystone at all stages of a Business Relationship. With respect to the investment funds to whom Waystone offers domiciliation services, relevant RC services might also be provided on a case-by-case basis, subject to satisfactory due diligence and a dedicated contractual arrangement.

Relevant and appropriate vigilance measures may have to be taken on a case-by-case and reasonable basis in terms of clients-related risks of exposure to financial crime. Taking into consideration RBA principles, Waystone is managing its exposure to financial crime in a transparent and business-oriented manner.

When Waystone comes into contact with a prospective new client, an initial assessment of potential AML/KYC risks relating to a given counterparty is performed prior to entering into a Business Relationship. The results of this first process are brought to the attention of the Client Acceptance Committee. The Committee shall decide on the acceptance or refusal of the counterparty as a client. It shall also be noted that new clients may be discussed at group level prior to acceptance, as well as on an ongoing basis.

If the Customer is an investment fund or a SPV, on an initial as well as on an ongoing basis, such assessment may have to take into account potential AML/KYC risks to which a given fund or SPV may be exposed to by virtue of the assets held in its portfolio. Waystone's approach to the financial crime risks related to asset classes held in portfolio of the fund/SPV is based on practical aspects and relies on an approach adopted at ManCo level, it being understood that by way of principle Waystone expects that appropriate and commensurate controls on asset classes targeted by the fund/SPV are in place so that such asset classes may give rise to risks related to money laundering, terrorism financing and targeted financial sanctions (including proliferation financing).

Waystone pays specific attention to and does not intend to enter into Business Relationships that would potentially result in higher financial crime risks on the asset side and consisting in:

- Targeted financial sanctions, which include measures such as asset freezing and prohibitions to prevent the availability of funds or other assets, directly or indirectly, for the benefit of designated persons and entities.
- Proliferation financing, which is the act of providing funds or financial services that are used, in whole or in part, for the manufacture, acquisition, possession, development, export, shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons of mass destruction.

Waystone's categorisation of companies domiciled is based on the overall distinction between regulated and unregulated entities, which may be summarised as per the below table, that is only indicative:

regulated entities	unregulated entities
<ul style="list-style-type: none"> – CSSF regulated entities (i.e. management companies, alternative investment managers, UCITS, alternative 	<ul style="list-style-type: none"> – SOPARFI – Unregulated alternative investment funds and, as the case may be, their general partner – Securitisation vehicles

investment funds such as SIF and SICARs, Securitisation vehicles)	– Société de gestion de Patrimoine Familial
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While regulated entities shall generally not incur financial crime risks higher than low, these however are subject to an additional assessment and risk categorisation by Waystone. The fund/SPE and the Initiator are subject to a prior due diligence and the fund/SPE assets of the fund/SPE undergo the screening against targeted financial sanctions list before entering into the relationship or in case the fund/SPV targets liquid asset classes or regulated or unregulated entities.

Waystone ensures that relevant preliminary screening and ongoing monitoring are performed within the perimeter of the Group and relevant questions are raised by Waystone at initial and ongoing due diligence stages. Waystone shall also ensure appropriate transaction monitoring of its Business Relationships, and verify on a regular basis that the activities its clients conduct are in line with their corporate object and services provided. It shall be noted that office rental services may not require specific ongoing transaction monitoring in all cases depending on their corporate object (professional associations for example).

With respect to unregulated entities, these may generally represent a potential higher financial crime risk compared to regulated ones, and in this case as well Waystone collects the necessary information, carries out a prudent analysis and, consequently, the level of risk of the customer is identified.

The RC shall, on an *ad hoc* basis and applying a risk-based approach, oversee, with the support of the other entities that are part of the Group, the implementation of dedicated checks and verifications to clients-related risks relating to money laundering and terrorism financing, in particular but not limited to tax-related offences. Relevant discussions may take place from an AML asset management risk at initial as well as ongoing stage of a given Business Relationship.

It shall also be noted that, with respect to liquid assets and shares of entities held in portfolio of the fund/SPV, domiciled at Waystone and managed by the ManCo, automatic regular verifications are performed on the basis of the OFAC, EU and UN targeted financial sanctions lists, via internal risk management tools. Checks on illiquid assets are performed on an *ad hoc* and best efforts basis, it being understood that Waystone shall require any information it may deem necessary from relevant counterparties to implement appropriate vigilance on assets. Last but not least, tax-related aspects on activities pertaining to the fund/SPV managed by Waystone are also taken into account. Further reference shall be made to the financial crime policy of the ManCo.

The ManCo established in 2020 an internal working group on “Know Your Transaction” with the objective to establish a framework of generally expected checks to be conducted on illiquid asset classes. Any question relating to vigilance on asset classes shall be raised to the attention of the Compliance Function.

Waystone is committed to identify, prevent and manage any potential or actual financial crime risk to which it and/or its customers may be exposed in the course of its business activities. Reputational aspects are taken into account for this purpose, within a general framework including but not limited to reliance upon the practical compliance framework, established and maintained by the Group. Relevant recourse to the RC and the Compliance Function, and potential whistleblowing, must be sought or performed whenever deemed necessary for financial crime prevention purposes.

It shall also be noted that, as of the date of this Policy, Mrs. Giulia Traverso has been formally proposed as the RC of Waystone, while Mr. Darren Gorman has been appointed as the RR of Waystone in the meaning of the Law of 2004. Relevant notification to the CSSF was performed in April 2021.

Roles and responsibilities for financial crime prevention

Waystone's approach is twofold. While its direct clients are the Initiators, who requested Waystone to be provided with the domiciliation services and/or corporate incorporation services, and the funds or the SPVs themselves, Waystone must also pay specific attention to potential risks arising from third parties involved with a given client structure. In that respect, it is essential to ensure a good understanding of the main business purpose of a given Business Relationship and of the corporate structures involved, to identify its UBOs and their source of wealth and funds.

An appropriate and balanced approach shall be applied to each Business Relationship also depending on the existence or not of the relevant client entity at initial acceptance stage, i.e. relevant CDD to be performed on the Initiator, and on contemplated project if entity is not existing yet or alternatively on an existing structure changing service providers such as a Luxembourg company changing its registered office and becoming a client of Waystone.

In the context of the fight against money laundering and terrorism financing, Waystone shall adopt an approach focused on material risks, both during the customer identification process, which is coordinated within the perimeter of the Group, and the monitoring of the relationship, while taking into account:

- the purpose and scale of the relationship;
- the necessary due diligence information in order to identify the counterparty/Initiator and its Beneficial Owner(s), and verifying its identity and reputation;
- verifying the licensing status, level of regulation and supervision as well as the reputation of the customer;
- the due diligence process and risk assessment must be presented to the Client Acceptance Committee; and
- ongoing monitoring of the counterparty and review of the due diligence information shall be performed. The ongoing monitoring is achieved in the context of the regular oversight of the relationship and it is performed annually for the high-risk relationships, every two years for the medium risk relationships and every three years for the low risk relationships.

In order to identify, understand and evaluate Waystone's potential exposure to money laundering or terrorism financing, the guidelines issued by the competent authorities on the supra national and national risk assessment and on the ML/TF Sub-sector RA should be also considered.

Reference shall also be made to the relevant procedures and supporting documentation and questionnaires applicable at Group level.

Regarding verifications on Beneficial Owners and main Initiator representatives performed by Waystone in its client acceptance process, these will generally be performed on the basis of information gathered by the members of the teams that manage the relationship with the potential customers regarding the Initiator, its shareholding and beneficial ownership structure.

Waystone (or as the case may be another entity of the Group), once the relevant entity and individuals have been identified, will perform an initial screening of these on the relevant tools. In addition to this initial screening, which shall be submitted to the Compliance Function for review, validation and risk assessment purposes, ongoing screening takes place at least on a daily basis, it being understood that Waystone may also directly perform additional immediate screening on an *ad hoc* basis if deemed necessary to ensure immediate application of any restrictive measure without delay.

Checks will generally consist in verifications relating to the identified ultimate beneficial owners or “UBOs” (on basis of their identity and year of birth, and while Waystone usually applies the standard 25% ownership threshold, individuals owning less than 25% but at least 10% of the relevant entity may also be considered as UBOs to determine the person(s) exerting effective control based on a case-by-case approach consistent with CSSF Circular 19/732 and the related “UBO Identification and Verification Procedure” of the ManCo, dated August 2020, which should be read in conjunction with this Policy) and, as the case may be, individuals exercising a decision-making role on behalf of the relevant Initiator (such scope of individuals depending on practical aspects of the Business Relationship to be discussed between relevant stakeholders).

Overall reputational and financial crime checks are also performed on the basis of publicly available sources. In addition, the RC may request performing any additional check or verification as may be deemed necessary from a pure RBA perspective. For the avoidance of doubt, specific checks on source of wealth and source of funds of the Initiators are always performed on a best efforts basis. That being said, should the RC raise any doubt on the financial resources of a given Initiator, further checks and verifications may take place on an *ad hoc* basis.

In any case, and considering general RBA principles, Waystone adopts a flexible approach and discussions on a particular case may be held at the relevant level for acceptance purposes (e.g. possibility for cases to be discussed at ExCo or Board level if need be).

General financial crime business risk analysis

Waystone performs a financial crime business risk analysis as per provisions contained in CSSF circular 11/529, the Law of 31 May 1999 and the RCSSF in order to identify, understand and evaluate its potential exposure to money laundering or terrorism financing.

Professionals have to attach particular importance to the assessment of the risk of money laundering and terrorism financing pertaining to their respective field of activity, taking into account certain risk factors, including those relating to its customers, countries or geographic areas, products, services, transactions or delivery channels. This assessment has to be documented and updated and the professional must be able to demonstrate to the competent authorities that the measures are appropriate in view of the identified risks.

The Law of 2004 provides for non-exhaustive lists of risk factors and risk variables to be taken into account when determining the application of SDD or EDD measures.

Potential major AML/KYC/CTF risk generating factors may be identified at different levels:

- Customer (incl. Investor, activity) risk factors;
- Customer’s source of wealth and funds;

- Product, service, transaction or delivery channel risk factors;
- Geographical risk factors (as per relevant country-risk approach at Group level)

The following elements will be taken into account in combination with the above-mentioned categories:

- Purpose of the Business Relationship
- Realised or expected volume/importance of the Business Relationship
- Expected duration of the Business Relationship

Evaluation of the potential risks: whenever one of the above-mentioned elements is not considered as low risk according to the Annex IV of the Law of 2004, an EDD will be assigned.

There are 3 possible outcomes:

- Low risk over all factors: overall low risk.
- High risk of one factor: overall medium risk.
- High risk of at least two factors: overall high risk.

LOW RISK: The initial and ongoing SDD mean that the identification of the Business Relationship and the beneficial owner can be reduced in situations, where, after analysis of the specific situation, the risk analysis presents a low degree of risk. Waystone shall, as the case may be, take into account the non-exhaustive list of potential lower risk cases and factors set out in the RCSSF, Annex III of the Law of 2004.

MEDIUM RISK: The initial and ongoing standard due diligences mean that the identification of the Business Relationship and beneficial owner(s) thereof must be performed using an increased level of vigilance and no reliance upon third parties.

HIGH RISK: Annex IV of the Law of 2004 introduces a non-exclusive list of factors and types of evidence of potentially higher risk. Regarding complex and unusual legal structures, particular care must be applied to the analysis of the construction, the reason for the complexity, the documentation of the links between the entities and persons involved in the construction, the documentation of the ultimate beneficial owners, the apparent lack of economic or lawful purpose as well as the documentation of those who dispose of the power to make investment decisions and, at last, the documentation of the origin of funds.

Waystone may identify additional factors creating higher risk situations. The key must be to always understand and analyse the reasons, which cause a Business Relationship to be high risk and to take appropriate actions to mitigate that risk.

Waystone applies the RBA principle to the evaluation of risks, therefore exceptions to this method may exist. However, any exception needs to be documented and authorised accordingly.

Guidance on the risk analysis is attached to the policy (Appendix A) and reviewed whenever the business model changes materially. This analysis is performed by consideration of the main features of the clients and the location of their Initiators as well as practical information relating to the Business Relationship, put in perspective with the services provided by Waystone.

For the avoidance of doubt, any relationship with PEPs, persons subject to sanction lists or residing in countries identified by the FATF as having serious deficiencies in their AML/CTF framework, respondents, persons not present physically or complex legal arrangements, shall in all circumstances require an increased level due diligence, irrespective of the outcome of the risk analysis.

From a self-risk-assessment perspective, Waystone considers its residual risk exposure to financial crime arising by virtue of its activities as MEDIUM LOW.

Approach on higher risk indicators as per 4th AMLD

In the context of the strengthened requirements applicable to the financial sector contained in the 4th AMLD, every market player must take into consideration higher risk indicators from a financial crime prevention perspective. With specific respect to the integration of tax crimes as primary offences to AML rules and regulations, tax compliance risk is an integral part of such indicators.

As per CSSF Circular 17/650, as amended by CSSF Circular 20/744, information on the nature and purpose of the Business Relationship must be obtained, in particular in terms of financial flows (by way of analogy with the corresponding provisions on the origin of funds as per article 24 of the RCSSF) for the purpose of assessing the financial standing of a potential client and prevent the intended project from being used for money laundering linked to a primary offence, committed or intended in Luxembourg or abroad, including but not limited to tax crimes.

A general check on the viability of the project from a financial perspective might be achieved by requesting a prospective client to indicate the expected size of the relevant entity to be launched, its projected trading activity, if need be, as well as the economic and legal relevance of specific intermediary structures to be potentially established for *ad hoc* purposes (e.g. asset holding vehicles, in particular offshore entities being set up in jurisdictions not having a direct link with the overall purpose of the entity to be set up, which may trigger the need for further analysis in the context of DAC 6 reporting requirements, to be analysed on a case-by-case basis).

Obtaining this information is mandatory since 1st January 2017, for any new Business Relationship (for pre-existing ones, relevant verifications should be done at the appropriate point in time on a risk-sensitive basis as per requirements of the GDR). The non-exhaustive list of risk indicators annexed to CSSF Circular 17/650 may also be used in order to identify potential money laundering risks resulting from a primary tax offence – in case of doubt on such factors, an EDD of the Business Relationship should be performed.

Among others, the following situations may be considered as indicators of a potential higher tax risk requiring internal escalation to the RC, it being understood that these may have to be completed and/or illustrated with relevant facts and figures to the extent possible:

- Personal asset-holding vehicle projects, for which the origin of funds must be carefully assessed and reviewed in order to clarify whether their sole purpose would be to avoid any taxation
- Legal entity or arrangement with no clear economic or legal purpose, which is located in a country that is not a FATCA/CRS participating jurisdiction for automatic exchange of information purposes
- Legal entity or arrangement which has been subject to multiple structural/statutory modifications over a short period of time (e.g. changes at governing body level, head office migration in a

- country that is not a FATCA/CRS participating jurisdiction, material amendments to the corporate object) with no specific justification
- Complex legal structuring (e.g. multiple layers and intermediary corporate structures) with no specific justification
 - No direct written contact with client, relevant representatives, PO box address, factors driving doubts on substance (i.e. apparent lack of human and/or technical resources)
 - Tax residency in a country that is not a FATCA/CRS participating jurisdiction
 - Reluctance to provide CRS/FATCA and other tax-related information
 - Absence of relevant investor tax reporting measures in compliance with applicable laws
 - In case of a fund, insufficient information at transfer agency level on the quality and status of investors to complete accurate subscription tax returns
 - Abusive use by a fund of the SICAR tax status (Waystone does not provide any services to SICARs and the ManCo does not manage SICARs as of the date of this Policy)
 - Complex investment structuring involving jurisdictions not compliant with international transparency standards
 - Tax base erosion achieved via cross-border transactions which may not comply with relevant transfer pricing rules or other applicable tax requirements
 - Transactions conducted on jurisdictions that are not subject to AEOI/CRS/FATCA, transactions which do not have an apparent economic rationale or resulting in structural losses

At initial stage and as may be further described in relevant supporting procedures (be it at initial acceptance or ongoing oversight stages), relevant checks and verifications should therefore be performed by Waystone on those particular tax aspects.

Without prejudice to the content of said procedures, and on a case-by-case basis depending on the entity to which these are addressed to, the following questions may generally be asked:

- Please, can you indicate to what extent any tax considerations have been taken into account in the design of your project, be it in terms of target investments, including any specific written analysis, advice or opinion undertaken either internally or with a third party?
- Could you please also confirm, to the extent applicable, that your company is fully compliant with relevant tax requirements applicable to it by virtue of its domestic laws and regulations as well as in respect of the activities it performs?
- Please confirm to what extent your procedures and policies for the prevention of money laundering and terrorism financing cover any tax-related primary offences as per recent developments (e.g. extension of scope of article 506-1 of the Luxembourg criminal code, CSSF circular 17/650)?
- Please confirm to what extent any tax aspects are considered towards your clients and their risk classification, be it in terms of overall fund structure, target investments and/or investors, ownership structure for shareholding purposes and to what extent your company may request its clients to provide, from a tax compliance perspective, any written analysis, advice or opinion undertaken either internally or with a third party?

For the needs of due diligence documentation, Waystone may request to be provided with any tax-related memorandum or information (e.g. tax opinion, advanced tax agreement or so-called “tax ruling”) on a case-by-case and duly justified basis.

7. Due diligence processes and principles

1. General requirements

All new and existing Business Relationships are subject to due diligence requirements. Relevant identification of the Business Relationship should take place at preliminary stage prior to entering into any agreement, as well as at ongoing stage when changes to the ownership or legal structure of a given Business Relationship take place or in case any doubts arise about the real identity of the Business Relationship, its Initiator or appointed representatives – the main aim being to ensure that the Business Relationship is adequate from an AML/CTF standpoint.

Types of due diligence

The risk factors are comprised in the relevant Waystone due diligence questionnaires in line with provisions contained in Annex III (lower risks) and Annex IV (higher risks) of the Law of 2004 and CSSF Circular 17/661. The criteria that Waystone uses to assess whether there is a high, medium or low AML/CTF risk are contained in the above-mentioned due diligence questionnaires which take into account the following criteria as a minimum:

- (1) Customer risk factors (e.g. address location, PEPs, sanctions, reputational aspects)
- (2) Product, service, transaction or delivery channel risk factors
- (3) Geographical risk factors (for distribution countries and target assets)
- (4) Any other (for instance investment focus, asset holding structuring)

Waystone considers that the industry in which it operates benefits from the combined expertise of a diversified number of professionals and accordingly acknowledges that, compared to other types of financial services, the corporate services industry is not exposed to a critical level of financial crime risks. However, it is understood that all checks and verifications on Business Relationships need to be performed thoroughly. The above is a non-exhaustive list of factors and types of evidence of potential lower or higher risks. Additional factors will be used when deemed necessary. The factors are considered in conjunction in order to establish a risk-based assessment.

In general, but subject to case-by-case assessment, no Business Relationship should be considered as high risk and standard due diligence exercises shall be performed accordingly as per guidance contained in section VI.

Nature of the due diligence

Initial and ongoing SDD must be carried out in respect of any situations classified as low risk after the relevant risk-based assessment, while initial and ongoing EDD must be carried out in respect of any situations classified as high risk after the relevant risk-based assessment.

The minimum information to be obtained depends on the level of risk detected by Waystone. The risk factors mentioned in the Annexes III and IV of the Law of 2004 should in any case be considered. Should a high risk be detected the information requested will be more detailed and subject to a broader scope. All information and analysis should be kept together with the relevant due diligence questionnaire. The obtained information and the resulting decision shall be documented in writing and shall be available to the competent authorities.

Timing of the due diligence

Initial due diligence shall in all cases be performed before entering into any Business Relationship to ensure that the counterparty does not represent any specific AML/CTF risk higher than low. The content of the due diligence controls will be dependent upon the risk level identified taking into account relevant risk factors listed in this Policy.

2. Identification of Business Relationship and CDD on natural and legal persons

The identity of a legal person contains:

- Name and legal form
- Address of the registered business, and if the business is executed elsewhere, address of the place where the activity is actually performed
- National identification number (e.g. trade registry number, VAT number)
- List of directors, including name and forename, date & place of birth, nationality, national ID if applicable, and home address.
 - For business companies, the directors are those physical persons who manage the day to day activity of the company, e.g. the CEO, CFO, COO, etc...
 - For legal arrangements (e.g. collective investment schemes, pension schemes), the directors are the “administrators”; these may be members of the board of directors, the council of a foundation, etc.
 - The list of directors shall comprise their name and forename, date of birth, and, as the case may be, nationality and current country of residence.

To establish the identity of moral entities, the minimum documents are recent constitutive documents or equivalent as well as a valid and current trade registry extract. Initiators being in most cases regulated entities, relevant copy of the proof of regulation shall be obtained as well. The legal representatives of the moral entity shall be identified as well on basis of reliable documents issued and prepared by the moral person on behalf of whom such representatives act (e.g. organisational chart, list of authorised signatories, etc.)

The identification of Beneficial Owners shall be performed as follows:

- In the case of partnerships or other types of structures without legal personality, all partners (in case of partners being legal entities, the natural persons ultimately controlling those legal entities) shall be identified in accordance with the requirements outlined above. Alternatively, if the case applies and according to an RBA assessment, only the persons who exercise effective control over the partnership will be identified.

In the case of commercial companies, the following physical persons qualify as Beneficial Owners:

- The natural person(s) who own or control, directly or indirectly, at least 25% + 1 of the shares, voting rights or ownership in the company;
- Where no one can be identified under the above scenario; the natural person(s) who control(s) the legal entity via other means; i.e. any natural person that may exert control by any means or have significant influence on the management of the commercial company (in CSSF Circular 19/732, points 50 to 56 provide a list of non-exhaustive factors and scenarios that are useful to determine if a natural person exert control by other means). Furthermore, Waystone should take into consideration, pursuant to point 53 of this circular that control might be presumed (such as using or benefiting from property owned by the legal person).

- If no one has such influence, the person(s) in charge of the day-to-day management of the company.

In the case of legal arrangements, the following physical persons qualify as Beneficial Owners:

- Those who own or control, directly or indirectly, at least 25% of the assets
- If no one reaches this threshold, any person that may have significant influence on the management or control of the legal arrangement
- If no one has such influence, the person(s) in charge of the day-to-day management of the legal arrangement.

For any other case, the RC will provide relevant guidance to determine applicable identification requirements. Pursuant to the 4th AMLD, it shall be noted that in the case of corporate entities, the generally accepted ownership threshold of more than 25% shall from now on merely be construed as an indication, i.e. depending on the circumstances, a natural person holding less (or more) than 25% may have to be considered as Beneficial Owner. Likewise, for trusts and similar arrangements, it is now provided that all participants to the arrangement, being the settlor, the trustee, the protector (if any), the beneficiaries and any such other natural person exercising ultimate control over the trust (by means of direct or indirect ownership or by other means), must be identified. In this specific case, the previously existing threshold of at least 25% for beneficiaries of trusts is no longer applicable.

Likewise, and as the case may be, access to information made available in the country of domicile of a given entity on beneficial ownership aspects (e.g. publicly accessible registers as foreseen by the 4th AMLD) may be used for the purpose of identification, it being understood that the verifications to be performed shall not solely rely on the information obtained (i.e. no exclusive reliance upon data contained into said registers).

In the case of trusts, all below listed persons shall be considered as Beneficial Owners:

- Settlor(s);
- Trustee(s);
- Protector(s);
- If any, the beneficiary(ies) or the class(es) of individuals who benefit from the trust;
- Any other individual that exercises an effective control over the trust through a direct or indirect ownership or other means.

The identification of the Initiator (if a natural person) and/or the Beneficial Owner shall contain the following:

- name and forename,
- date & place of birth,
- nationality,
- proof of identity, if applicable (ID card, passport or valid driving licence and bearing a clear picture and the signature of its holder), and
- personal and professional address

The identity is established based on the legal documentation of the company, public information or any other documentation that is reliable and provides sufficient details to establish the identity of the

Beneficial Owner. The Initiator is required to inform Waystone on a proactive basis if any change in beneficial ownership takes place. Any relevant change must be included in the RBO extract of the related entity to the extent necessary.

The identity shall be verified using independent sources and the RBA. The verification should leave no doubt about the correctness and completeness of the identity information, the real existence of the persons at the start of the relationship and the validity of the documentation reviewed. The documentation used to establish and verify the identities may contain the following:

- Identification documents of the Initiator, the legal representatives and, if appropriate, the identification documents of the directors and the beneficial owner(s) (copies of passports, ID cards, driving licences, by-laws/articles of incorporation or equivalent documents, certificate of registration or equivalent documents)
- Evidences of verification of the identification documents
- Result of sanction and terrorist list checks
- Results of political exposed persons checks
- CV of founders/directors/key persons
- Company history
- Risk analysis
- Minutes from the Client Acceptance Committee documenting the acceptance or refusal of the Business Relationship
- Any correspondence with the Business Relationship to clarify doubts as applicable

Waystone approach on risk categorisation

In the following cases, Waystone, subject to a specific risk assessment of the Business Relationship evidencing a low risk of money laundering or financing terrorism, may consider applying SDD:

- Initiator located in RIN countries, regulated and subject to an effective supervision considered equivalent to CSSF supervision
- Financial professionals located in RIN countries, regulated and subject to an effective supervision considered equivalent to CSSF supervision
- Companies whose shares are listed on a recognised exchange in a RIN country for which information is readily accessible (e.g. from the website of such recognised exchange)

The minimum is the complete and satisfactory identification of the Business Relationship, the identity of the Beneficial Owner and its source of wealth and fund, and the purpose of the relationship.

The criteria to assess whether the relationship is low risk:

- Entity located in RIN country; and
- Entities whose structures and subsidiaries are clearly identified; and
- Entity regulated and subject to effective supervision considered equivalent to CSSF supervision for AML/CTF purposes and listed on the website of the regulating body; or
- Entity whose shares are listed on an “equivalent stock exchange” for which information is readily accessible (e.g. from the website of such recognised exchange).

Initial and ongoing EDD must be carried out in respect of:

- PEPs,
- Complex legal constructions,
- Persons (client, Beneficial Owner, legal representatives) residing in countries, or undertaking transactions with counterparties located in countries identified by FATF as having an insufficient AML/CTF regime,
- Persons deemed to be terrorists or subject to official sanctions as published on the lists issued by the Luxembourg ministry of finance or OFAC,
- Those clients who are otherwise classified as high risk,

Enhanced risk means that additional controls should be performed in relation to the factors or indicators of higher risk.

Regarding PEPs, it means that the origin of funds invested must be verified with particular care each time any investment is done. The handling of identified PEPs who are in fact not the Beneficial Owners of a given client (e.g. case of authorised signatories) shall be discussed on a case-by-case basis. Relevant recourse to the approach implemented at Group level may also be sought.

Regarding non-face-to-face relationships, particular care must be applied to ensure that the person entering into a relationship really exists (ID fraud), is still alive, that the identity belongs to the persons who want to enter into the Business Relationship with Waystone (ID theft).

Regarding complex legal transactions, particular care must be applied to the analysis of the construction, the reason for the complexity, the documentation of the links between the entities and persons involved in the construction, the documentation of the ultimate beneficial owners as well as the documentation of those who dispose of the power to make investment decisions and, at last, the documentation of the origin of funds.

Waystone may identify other types of high risk situation. The key must be to always understand and analyse the reasons, which cause a Business Relationship to be high risk and to take appropriate actions to mitigate that risk.

It is fundamental to document any analysis performed and information obtained. All information should be kept together with the due diligence of the Business Relationship, and records shall be kept.

8. Suspicious transaction management

1. Definition

As part of its duties in the prevention of financial crime, Waystone must report to the relevant authorities any actual or suspected money laundering and/or terrorism financing activity or transaction. While CSSF is in charge of ensuring compliance with the professional obligations regarding the fight against money laundering and terrorism financing by all the persons subject to its supervision, the FIU is in charge of receiving the suspicious declarations concerning suspicious activities or transactions in the field of money laundering and/or terrorism financing, investigating accordingly with respect to facts reported and disclose them to the relevant national or international authorities when required.

A suspicion requires an element, either a transaction or a fact that triggers suspicion. The suspicion relates to a predicate offence (e.g. corruption, embezzlement, insider trading, tax fraud...) regardless of whether those filing the report can determine the predicate offence.

The obligation to report suspicious transactions is applicable where there are reasonable grounds to suspect that a Business Relationship is linked or related to, or to be used for laundering and/or terrorism, terrorist acts, by terrorist associations, organisations or groups or by those who finance terrorism.

The suspicion may be based on press information or the information provided by a third party, it may be linked to persons involved in a Business Relationship or transactions, or it may be based on transactions.

Doubt is rarely sufficient to justify a suspicion. Waystone employees are obliged to raise any doubts relating to the existence and identity of a Business Relationship and the Beneficial Owners, doubt about the purpose and nature of a relationship, as well as doubts about the origin of funds **before** the Business Relationship is formalised and approved by the Client Acceptance Committee.

If a doubt appears during the Business Relationship, it should be dealt with diligently. In case that such investigation may tip-off the person or entity subject to the doubts, the case shall be treated as a suspicious case and escalated to the RC without delay.

The general principles governing the handling of suspicious transactions or activities are further detailed in the relevant FIU circulars

2. Handling of suspicious activity or suspicious transaction cases

As soon as an employee raises a suspicion, he or she shall inform the RC without delay. The RC shall validate the suspicion without delay, ensuring that the data received is correct and the suspicion based on documented facts.

The RC should inform the RR and the Board about the suspicious transaction prior to reporting it. But it is the RC's sole decision whether to report or not. The RC shall nominate a replacement to ensure that in case of absence, no delay occurs in the treatment of suspicions and that the CRF has always a point of contact. Other members of the ManCo's compliance team may assist in that respect.

None of the Waystone employees are authorised to inform the persons subject of the suspicious transaction report unless the CRF provides the authorisation to do so.

The RC shall define trigger events and unusual transaction reports with each service provider in order to be made aware about unusual transactions and review them. The RC should inform the RR and the Board about the suspicious transaction prior to reporting it. But it is the RC's sole decision whether to report or not.

Waystone is fully cooperating with the Luxembourg authorities responsible for combating money laundering and terrorism financing. The RC has been duly registered on the GoAML platform maintained by the CRF on behalf of Waystone for online reporting and follow up purposes.

Further information on the fight against money laundering and suspicious transaction reporting can be found on the website of the CRF.

With respect to the suspicious transactions to be detected by the stakeholders of a given Business Relationship, for which the RC may not be immediately informed, a specific request to the board of directors of the relevant entity or to the appropriate contact person to obtain a general statement from them it will keep the RC informed about suspicious transactions may be formulated on a case-by-case basis.

9. Regulatory compliance aspects

1. Compliance framework reminder

This Policy shall be read in conjunction with applicable existing policies, procedures and guidelines available to all staff of Waystone, of the ManCo and of the Group to the relevant extent.

Any query relating to this Policy or financial crime shall be raised directly to the RR or the RC.

2. Training

Knowledge is essential to the implementation of this Policy. All staff members of Waystone and of the Board will participate in a yearly AML training held by the Compliance Function of Waystone or by the Compliance Function of another entity of the Group, highlighting for each relevant team and business line the core financial crime concepts and aspects to take into account from an RBA perspective. In addition, any new staff member shall receive appropriate training on this Policy and its core principles within a reasonable timeframe upon arrival.

3. Data protection

The processing of personal data obtained within the AML/CTF/KYC and due diligence framework, may only be processed for the purposes detailed in this Policy and its supporting procedures.

The processing of personal data according to the Law of 2004 is considered as a public interest issue in accordance with the applicable laws and regulations relating to data protection (including but not limited to the so-called General Data Protection Regulation).

In order to provide the data subjects with all the relevant information on their rights, processing of personal data and other important information, Waystone relies on a dedicated privacy notice publicly available on its website at <https://www.waystone.com/waystone-policies/>.

4. Recruitment aspects

To the relevant applicable extent, Waystone shall, as part of its recruitment procedures, ensure that the staff fulfils the criteria of adequate professional standing and experience according to the risk of money laundering and terrorism financing as required by article 45 of the RCSSF (e.g. an extract of criminal register may be requested).

5. Record keeping

Waystone is subject to compliance with specific record keeping obligations in the field of money laundering or terrorism financing in order to enable the Luxembourg authorities to investigate. The below shall be read in conjunction with the provisions of the record keeping policy approved by the ManCo, or any superseding policy to be adopted by Waystone directly.

With respect to CDD, a copy of the documents and information which are necessary to comply with the applicable due diligence requirements shall be kept for a period of five years after the end of the relationship with the relevant customer.

According to article 3 (6) of the Law of 2004, Waystone could keep such data for an additional period of five years if this is needed to ensure the efficient application of internal measures to detect and prevent money laundering and terrorism financing activities.

Upon expiry of the retention periods referred above, data shall be deleted.

10. Policy owner and ongoing review

The RC has been formally appointed as the owner of this Policy. Any amendments to this Policy may be made by the RC, and reviewed by the conducting officers of Waystone as well as any relevant stakeholder prior to being submitted the Board for approval.

Appendix A Risk Assessment of money laundering

Money laundering requires the existence of illicit funds, i.e. funds relating to primary offences. Waystone's incoming payments are related to the activities it performs.

Hence the risk of money laundering stems from the Initiators as they might invest the proceeds of potentially illicit funds/activities, and the management of the risks depends on the effectiveness of the Policy, procedures and controls implemented and executed by the other stakeholders of a given client.

Before Waystone accepts the Business Relationship, it performs a risk assessment to detect money laundering threats and vulnerabilities at the relevant level relating to the counterparty, including but not limited to:

- the Initiator and its legal representatives, and/or the UBO of the or a stakeholder of a given entity
- the entities held by an SPV or trust

See below general guidance relating to the CDD measures which may be performed by Waystone on Initiators and, as the case may be, natural persons:

- Identification
- Identification of the Beneficial Owner (in particular for automatic exchange of information for tax purposes)
- Clarification on whose behalf the person acts (in case of proxy)
- Purpose and nature of the relationship
- Origin of wealth and funds and information about expected amounts to be held
- Determination whether the natural person(s) acting on behalf of the Initiator is a PEP or not
- Whether the Initiator or the natural person(s) acting on behalf of the Initiator is on a sanction or terrorist list

The Initiator risk assessment

The money laundering risk linked to the Initiator stems from the fact that:

- it may set-up a scheme whereby investors would be victims of a fraudulent investment scheme (e.g. Madoff, Alan Stanford, etc.)
- it may set-up a scheme to allow itself and/or third parties to launder money (i.e. commit or participate to the commission of primary offences).

The minimum risk criteria to assess the Initiator:

Is the Initiator based in a country having a higher AML risk level and/or subject to economic sanctions?

- Are any of the managing persons, who conduct the daily business, subject to sanctions?
- Is the Initiator regulated and supervised for AML/CTF purposes by his home regulator?
- Was the Initiator subject to sanctions or investigations relating to money laundering by its home authority?
- Professional reputation & bad press

- PEP-check: Does the UBO or the natural person(s) acting on behalf of the Initiator act for and on behalf of a PEP?
- The ownership and beneficial ownership/control structure of the Initiator (including via shareholding or other means)

Entity risk assessment

The focus of the entity risk assessment is mainly purporting to assess the commitment of the governing body of the entity to prevent money laundering. The money laundering risk linked to the entity may occur if:

- it facilitates the appointment of stakeholders or attracts investors who will inject funds related to primary offences.
- it aims at applying low level of AML/CTF to facilitate the investment and divestments of assets relating to primary offences.

The risk assessment is based at least on the following criteria:

- has the governing body approved an AML/CTF policy and controls?
- has the governing body appointed an RC (to the extent mandatory), or at the very least designated a contact person for Waystone's RC needs?
- are any of the governing body members on a sanctions list and/or subject to sanctions from the CSSF for failure to comply with AML/CTF requirements?

This risk assessment shall also consider terrorism financing risks. In practice, the techniques to disguise the financing are similar to the money laundering techniques, although the origin of the funds can be legitimate. Waystone's payments, besides the payment of rent and other general services, which are not subject to AML or CTF obligations, are those to its own shareholders and to its delegated functions. The risk of terrorism financing at the level of Waystone is close to nil and no mitigating actions aside of the relevant CDD measures in place and relating to clients are taken. It shall however be noted that, in case where the scope of domiciliary agency services offered to a given client include the management of bank accounts of the relevant serviced entity, specific vigilance measures on the counterparties to any transaction shall be adopted.

Appendix B – Politically Exposed Persons

A politically exposed person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognised that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorism financing (TF).

FATF recommendation 12 requires countries to implement measures requiring financial institutions to have appropriate risk management systems in place to determine whether customers or beneficial owners are foreign PEPs, or related or connected to a foreign PEP, and, if so, to take additional measures beyond performing normal customer due diligence (CDD) (as defined in Recommendation 10) to determine if and when they are doing business with them.

FATF clarifies that the use of commercial databases is not mandatory and actually not required as the knowledge about the customer should be sufficient to determine whether or not a customer is a PEP.

Waystone's customers may be natural and legal persons. Waystone may meet the persons directing the respective business on a face-to-face basis, and in such case, shall request the ID card/passport and the CV of the key persons who have an influence on the conduct of the business.

Waystone relies on the data collected from its clients in order to determine if a person is a PEP and to which extent he/she may set up an entity for the sole purpose of hiding his funds. The probability that a PEP intends to launch an investment fund to hide his illicit sources of revenues is low. The risk is greater when the PEP establishes an unregulated legal entity such as a SPE or a trust. This Policy is put in place to manage and mitigate this risk.

In addition, regarding distributors, global distributors, Initiators and investment funds, Waystone and the ManCo shall ensure that the relevant PEP checks are performed, based on dedicated tools (e.g. specific online databases and other publicly available information).

Nonetheless, would the Initiator invest his own funds into an investment fund, the transfer agent would perform its due diligence on the entity used to invest or the investor, and determine, using a commercial database, if the customer is a PEP.