



## **LM INCRYPTUS EXCHANGE – UAB**

# **INFORMATION LEAFLET CONCERNING AML & KYC POLICIES & PROCEDURES**

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## TABLE OF CONTENTS

<b>1. INTRODUCTION .....</b>	<b>2</b>
<b>2. THE PURPOSE OF THIS POLICY.....</b>	<b>2</b>
<b>3. LEGISLATIVE &amp; REGULATORY FRAMEWORK.....</b>	<b>3</b>
<b>4. THE ARRANGEMENTS PUT IN PLACE BY THE COMPANY TO ENSURE COMPLIANCE WITH THE AML/CT ACTS AND REGULATIONS AND THE GUIDANCE NOTES .....</b>	<b>5</b>
<b>5. RECORD-KEEPING OBLIGATIONS .....</b>	<b>8</b>
<b>6. REVIEW AND AMENDMENTS.....</b>	<b>9</b>

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# INFORMATION LEAFLET CONCERNING AML & KYC POLICIES & PROCEDURES

## 1. INTRODUCTION

- 1.1. 'incryptus.org' is a domain owned and operated by "LM Incryptus Exchange, UAB", a company incorporated under the laws of Lithuania, with company registration number 306021634, having its registered office at Perkūnkiemio g. 13-91, LT-12114 Vilnius, Lithuania (the "**Company**", "**we**", "**our**" and/or "**us**").
- 1.2. In accordance with the Lithuanian 'Law on the Prevention of Money Laundering and Financing of Terrorism', the Company is registered with the Lithuanian Register of Legal Entities and the Lithuanian Financial Crime Investigation Service as a '**Virtual Currency Exchange Operator**' and '**Depository Virtual Currency Wallet Operator**', under registration number 306021634.

## 2. THE PURPOSE OF THIS POLICY

- 2.1. In its role as a regulated '**Virtual Currency Exchange Operator**' and '**Depository Virtual Currency Wallet Operator**', the Company is required to abide by the anti-money laundering (AML) and Counter Terrorism Financing legislation and regulations applicable in Lithuania (the "**AML & CFT Laws and Regulations**" – see further below), which apply to all of its activities, and has a duty to safeguard its customers' money.
- 2.2. In line with these obligations it the policy of the Company to prohibit and actively prevent Money Laundering, Terrorist Financing and The Proliferation of Weapons of Mass Destruction, as well as any activity that facilitates Money Laundering, the Funding of Terrorists or Criminal Activity and/or the Proliferation of Weapons of Mass Destruction.
- 2.3. We focus on developing a culture where the highest priority is given to ensure compliance with government regulations. This is helped by regular staff training to make sure they are aware of the law and their responsibilities.
- 2.4. We recognize that it is a legal requirement for us to notify the regulatory authorities whenever it has suspicions of any criminal activity by individuals engaged in a money transfer / foreign currency transaction.
- 2.5. In this context, the Company has adopted a comprehensive set of internal policies and procedures designed to assist the Company and its officer's, staff, agents and third party

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outsourced service providers in complying with the requirements of the relevant AML & CFT Laws and Regulations prevent the Company from being used by money launderers to further their illicit business, is set out in the Company's "**Manual for the Prevention of Money Laundering and Terrorist Financing**", "**Client Acceptance Policies and Procedures Manual**" and "**Anti-Money Laundering (AML) Suspicious Transactions Reporting Policy**".

2.6 In line with the foregoing, the principal objective of this Policy is then to provide the Company's (prospective) Clients with an overview of the obligations of the Company in relation to complying with the applicable AML & CFT Laws and Regulations.

### **3. LEGISLATIVE & REGULATORY FRAMEWORK**

3.1 The relevant AML legislation and regulations applicable in Lithuania include, *inter alia*, the latest versions of the following:

#### **A. DOMESTIC LEGISLATIVE FRAMEWORK**

- a) Law on the Prevention of Money Laundering and Terrorist Financing of the Republic of Lithuania;
- b) Law on the Implementation of Economic and other International Sanctions of the Republic of Lithuania;
- c) Instructions approved by the Board of the Bank of Lithuania for credit institutions to suppress money laundering and/or terrorist financing;
- d) Resolution of the Government of the Republic of Lithuania "*On the approval of the list of criteria for regarding a customer as causing a low risk of money laundering and/or terrorist financing and of criteria for determining the existence of a high risk of money laundering and/or terrorist financing and of the rules to identify the Customer and the beneficiary as well as several interrelated monetary operations and on the establishment of a procedure for providing information about the noticed evidence of potential money laundering and/or terrorist financing, violations of the Law on the Prevention of Money Laundering and Terrorist Financing of the Republic of Lithuania and sanctions taken against offenders*";
- e) Resolution of the Government of the Republic of Lithuania "*On the approval of the list of criteria on the basis whereof a monetary operation or transaction is considered suspicious or unusual and of the practice statement for suspending suspicious monetary operations and transactions and submitting information*

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*about the suspicious or unusual monetary operations or transactions to the Financial Crime Investigation Service under the ministry of the interior”;*

- f) Resolution of the Government of the Republic of Lithuania *“On the approval of the rules for keeping the register of suspicious or unusual monetary operations and transactions of the customer and identification of the criterion that characterizes large-scale permanent and regular monetary operations”;*
- g) Information of the Lithuanian Financial Crime Investigation Service (the **“LFCIS”**) for Legal Entities Carrying out the Activities of Virtual Currency Exchange Operators and (or) Depository Virtual Currency Wallet Operators in the Republic of Lithuania (the **“Guidance Notes”**).

3.2 The above-mentioned regulatory framework may hereinafter, collectively, be referred to as the **“AML/CT Acts and Regulations”**.

### **B. INTERNATIONAL LEGISLATIVE FRAMEWORK**

3.3 The domestic AML/CT Acts and Regulations mentioned above are further supplemented by the following international legislative instruments, rules and regulations:

- a) Regulation (EC) No 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community;
- b) Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;
- c) United Nations International Convention for the Suppression of the Financing of Terrorism;
- d) United Nations International Convention for the Suppression of the Financing of Terrorism;
- e) United Nations Security Council resolutions;
- f) 40 recommendations of the international Financial Action Task Force (FATF);
- g) 8 recommendations of the international Financial Action Task Force (FATF);
- h) The Basel Committee recommendations on customer identification;
- i) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism – USA PATRIOT ACT, Act of 2001);

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- j) Wolfsberg Anti-Money Laundering Principles for Correspondent Banking;
- k) Global Anti-Money Laundering Recommendations for Private Banking (Wolfsberg Anti-Money Laundering Principles).

**C. STATEMENT OF REQUIREMENTS UNDER THE AML/CT ACTS AND REGULATIONS**

3.4 Under the AML/CT Acts and Regulations and the Guidance Notes:

- a) The senior management of the Company is responsible for ensuring that the systems of control operated in the Company appropriately address the requirements of both the AML/CT Acts and Regulations and the Guidance Notes.
- b) The Company must adopt a risk-based approach to the AML/CT Acts and Regulations and their requirements.
- c) The Company must ensure that it knows its customer to such an extent as is appropriate for the risk profile of each customer.
- d) Effective measures must be in place that require the Company to have both internal and external reporting requirements, whenever money laundering or terrorist financing is known or suspected.
- e) The Company must establish and maintain effective training regimes for all of its officers and employees.
- f) The Company must be able to provide documentary evidence of its compliance with the AML/CT Acts and Regulations and the Guidance Notes.

**4. THE ARRANGEMENTS PUT IN PLACE BY THE COMPANY TO ENSURE COMPLIANCE WITH THE AML/CT ACTS AND REGULATIONS AND THE GUIDANCE NOTES**

**A. Corporate Governance**

4.1. As required by the AML/CT Acts and Regulations and the Guidance Notes, the Company has appointed:

- a) a dedicated '**Money Laundering Reporting Officer**' (the "**MLRO**"), who is responsible for organizing the implementation of Money Laundering and/or Terrorist Financing Prevention measures specified in the AML/CT Acts and Regulations and for liaising with the LFCIS, as well as,
- b) a Member of the Board of Directors, who serves as the Company's 'Nominated Officer', with overall responsibility:

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- (i) for the establishment and maintenance of effective Money Laundering and/or Terrorist Financing Prevention measures and systems of control;
- (ii) the appointment of a dedicated 'MLRO' with adequate seniority and experience; and
- (iii) ensuring that all of the Company's employees and staff are aware of the name and contact details of the Nominated Officer and MLRO.

**B. Internal policies and control procedures**

In line with its obligations as a regulated '**Virtual Currency Exchange Operator**' and '**Depository Virtual Currency Wallet Operator**', the Company has established a detailed "**Manual for the Prevention of Money Laundering and Terrorist Financing**", as well as a comprehensive "**Client Acceptance Policies and Procedures Manual**" and "**Anti-Money Laundering (AML) Suspicious Transactions Reporting Policy**", which contain the Company's internal policies and control procedures, *inter alia*, related to the following:

- c) Identification of the customers (and, where relevant, of the beneficial owners) and verification of their identity and place of abode;
- d) Risk assessment and risk management having regard to the various types of identified ML and TF risks.
- e) Organisation of monitoring of business relationships, transactions and/or operations;
- f) Implementation of international financial sanctions and restrictive measures;
- g) Submission of reports and information to the LFCIS;
- h) Keeping of registers;
- i) Storage of the information specified in the AML/CT Acts and Regulations;
- j) Updating of the information concerning the identification of the customers (and, where relevant, of beneficial owners);
- k) Organisation of training for employees to familiarise them with requirements for the Prevention of Money Laundering and/or Terrorist Financing.

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**C. Verification of the identity and place of abode of customers (and, as the case may be, their beneficial owner(s))**

4.2. As part of the above-mentioned internal policies and control procedures and as per the requirements of the AML/CT Acts and Regulations, in its role as a regulated as a '**Virtual Currency Exchange Operator**' and '**Depository Virtual Currency Wallet Operator**', the Company is required to take measures to verify the identity and place of abode of customers (and, as the case may be, their beneficial owner(s)), as follows:

- a) before carrying out virtual currency exchange operations or transactions in virtual currency with funds amounting to 1.000,- EUR or more, or the equivalent amount in foreign or virtual currency; or
- b) before depositing virtual currency to, or withdrawing virtual currency from, the depository virtual currency wallet in the amount equal to 1.000,- EUR or more, or the equivalent amount in foreign or virtual currency;

regardless of whether any such transaction is carried out in a single operation or in several operations, which appear to be linked (the value of the virtual currency is determined at the time the monetary operation is carried out or the transaction is concluded), except for the cases where the customer and the beneficial owner have been already identified.

4.3. Furthermore, the Company must notify the LFCIS of the customer identification data and information on performed virtual currency exchange operations or transactions in virtual currency, if the value of such monetary operation or transaction amounts to 15.000,- EUR or more, or an equivalent amount in foreign or virtual currency, regardless of whether the transaction is carried out in a single monetary operation or in several operations which appear to be linked.

4.4. The data confirming the customer's identity shall be included in the information submitted to the Financial Crime Investigation Service, and if the monetary operation is performed through a representative – also the data confirming the identity of the representative, the amount of the monetary operation, the currency used in performing the monetary operation, the data of performance of the monetary operation, the mode of performance of the monetary operation, the entity on whose behalf the monetary operation has been performed.

4.5. For the purposes of the foregoing, several linked monetary operations shall mean several daily virtual currency exchange operations or transactions in virtual currency when the

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total value of operations and transactions in funds amounts to 15.000,- EUR or more, or an equivalent amount in foreign or virtual currency.

- 4.6. The information specified in paragraphs 4.3 through 4.5 above must be submitted to the LFCIS immediately, not later than within seven (7) working days from the day of performance of the monetary operation or conclusion of the transaction.

**D. Reporting of Suspicious Monetary Operations or Transactions to the LFCIS**

- 4.7. Finally, in its role as a regulated as a '**Virtual Currency Exchange Operator**' and '**Depository Virtual Currency Wallet Operator**', the Company must report to the LFCIS about suspicious monetary operations or transactions:

- a) **Immediately upon receipt of the information** that the customer intends or will attempt to carry out a suspicious monetary operation or transaction.
- b) Upon establishing that a customer is carrying out a suspicious monetary operation or transaction; in this event, the Company must suspend the operation or transaction disregarding the amount of the monetary operation or transaction and, **not later than within three (3) working hours from the suspension of the monetary operation or transaction**, report this operation or transaction to the FCIS.
- c) Immediately, **not later than within one (1) working day from the emergence of such knowledge or suspicions**, report to the FCIS if they know or suspect that property of any value is, directly or indirectly, derived from a criminal act or from involvement in such an act, also if they know or suspect that such property is used to support one or several terrorists or a terrorist organization.

**5. RECORD-KEEPING OBLIGATIONS**

- 5.1. In all instances that a transaction with a customer is concluded, the records of the transaction shall be retained in accordance with the Company's '**Communications Recording, Record Keeping and Record Destruction Policy**' for a **period of not less than ten (10) years** from the day of conclusion of transactions or other business relationship with the customer. This obligation refers to new and existing customers (monitoring).
- 5.2. Information on customers shall be updated if additional products are purchased by such customers, or amendments are made to existing products.
- 5.3. Records are kept for a period of **minimum ten (10) years** from the date of concluding a single transaction, death of a customer, termination date of the business relationship or

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maturity of the product. Records are kept in electronic and hard copy formats. These documents are kept at the Company's business premises (principal place of business).

5.4. The following records shall be obtained and retained in instances of concluding a single transaction, concluding transactions as part of a business relationship or establishment of a business relationship:

- a) Identity of customer;
- b) If the customer acts on behalf of a third party, the identity of the third party as well as a copy of the mandate between the customer and the third party;
- c) If a third party acts on behalf of a customer, the identity of the third party as well as a copy of the mandate between the customer and the third party;
- d) The method of identification and verification of particulars;
- e) The exact nature of the transaction or business relationship;
- f) The parties to a transaction as well as the monetary value thereof;
- g) The particulars of the employee or representative that obtained the information;

5.5. The information, documentation or forms furnished by the customer to verify the information;

5.6. No person shall be authorized to destroy any record except if the destruction of such record was authorized by the AMLCO. No person shall be authorized amend any record kept in terms of this Policy.

## 6. REVIEW AND AMENDMENTS

6.1. The Company reserves the right to review and/or amend this 'Information Leaflet Concerning AML & KYC Policies & Procedures' and any related arrangements and/or policies, in its sole discretion, whenever it deems fit or appropriate.

6.2. The Company ensures that its 'Information Leaflet Concerning AML & KYC Policies & Procedures' and any related Manuals, Policies and Procedures are implemented and monitored on a periodic basis to ensure their effectiveness. In particular, the Company is set to review and update its 'Information Leaflet Concerning AML & KYC Policies & Procedures' at least annually and, where appropriate, on an ad hoc basis to ensure it complies with applicable rules and regulations.

6.3. When this 'Information Leaflet Concerning AML & KYC Policies & Procedures' is modified (hereinafter referred to as "**Change(s)**") we will post such Changes on our Website(s)

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and/or otherwise notify our Customers of such Changes. Each such notification shall be deemed as sufficient notice and it is our Customers duty to consult and/or to check regularly this 'Information Leaflet Concerning AML & KYC Policies & Procedures' on our Website(s) regarding any such Changes.

- 6.4. Therefore, Customers are encouraged to review this 'Information Leaflet Concerning AML & KYC Policies & Procedures' from time to time so as to ensure that they are aware of any Changes.
- 6.5. Any questions about this 'Information Leaflet Concerning AML & KYC Policies & Procedures' can be directed to our 'Compliance Department': [support@incryptus.org](mailto:support@incryptus.org).