



# SWFO INTERNATIONAL - FZE

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## ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM AND ILLEGAL ORGANISATIONS (AML/CFT) COMPLIANCE POLICY

AML/CFT and KYC Compliance Policy

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SPC Free Zone, E311 • Sheikh Mohammad Bin Zayed Rd. • Al Zahia, Sharjah, U.A.E.

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**GLOSSARY OF TERMS USED IN THE AML/CFT AND KYC COMPLIANCE POLICY**

AML	Anti-Money Laundering
AMLD	Anti-Money Laundering and Combatting the Financing of Terrorism Supervision Department
CDD	Customer Due Diligence
CFT	Combating the Financing of Terrorism
CBUAE	Central Bank of the UAE
DMCC	Dubai Multi Commodities Centre Authority
EDD	Enhanced Due Diligence
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FT	Financing Terrorism
GOLD AND SILVER	Gold and Silver
ID	Identification
INTERPOL	International Police Organization
KYC	Know Your Customer
LBMA	London Bullion Market Association
ML	Money Laundering
MLRO	Money Laundering Reporting Officer

OECD	Organisation for Economic Co-operation and Development
OFAC	Office of Foreign Assets Control
PEP	Politically Exposed Person
GOLD AND SILVER	Precious M and Stones
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
RJC	Responsible Jewellery Council
VR	Verification
UAE	United Arab Emirates
UBO	Ultimate Beneficial Owner
UN	United Nations

## 1. INTRODUCTION

- 1.1. In recent years, rapid globalisation and accelerating technological disruptions have led to combating of money laundering and the financing of terrorism become a challenge of unprecedented magnitude. Everyday organisations, across the globe, see new threats arise because of their global presence and vast diversity of products, markets, business lines, and distribution channels. Several factors such as development of an integrated and interconnected global economy, free trade, establishment of global banking and financial systems, increasing proliferation of new non-cash payment methods, and less restricted movement of human capital have opened new avenues for money launders. An internationally coordinated and coherent at various levels is required to protect the integrity and stability of the international financial system, cut off the resources available to terrorists, and make it more difficult for those engaged in crime to profit from their criminal activities.

For the purpose of this policy (“the Policy”), Money Laundering, Financing of Terrorism and Financing of Illegal Organisations is defined as follows:

- **Money Laundering**

Money laundering is defined as any financial or banking transaction aimed at concealing

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or changing the identity of illegally obtained funds by passing them through the financial and banking system to make them appear as originating from legitimate sources, and then re-pumping and investing them in a legal manner contrary to their real nature. Simply put, money laundering is the process of making dirty money look clean. Criminals launder money so they can avoid detection by law enforcement authorities and make personal use of illicit proceeds – including further criminal activity and investment in legitimate businesses.

Federal Decree-Law No. (20) Of 2018 On ‘Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations’ (the “AML/CFT Law”) defines money laundering as engaging in any of the following acts wilfully, having knowledge that the funds are the proceeds of a felony or a misdemeanour (i.e., a predicate offence):

- Transferring or moving proceeds or conducting any transaction with the aim of concealing or disguising their illegal source.
- Concealing or disguising the true nature, source or location of the proceeds as well as the method involving their disposition, movement, ownership of or rights with respect to said proceeds.
- Acquiring, possessing or using proceeds upon receipt.
- Assisting the perpetrator of the predicate offense to escape punishment.

### **Stages of Money Laundering:**

Money laundering often involves a complex series of transactions that are difficult to separate. However, it is common to think of money laundering as occurring in three stages:

**Placement:** This is the first stage in separating the illicit funds from their illegal source. During this phase, initial proceeds derived from illegal activity is introduced into the financial system. Typically, this is executed by placing the funds into circulation through formal financial institutions, casinos, real estate sector, gold and precious metal industry, restaurant, and other legitimate businesses, both domestic and international.

**Layering:** Once the proceeds from illicit activities has entered into the financial system, the next stage in the process involves converting the illegal funds into another form and creating complex layers of financial transactions to conceal the origin and ownership of funds, making it difficult to associate the funds to the predicate crime.

**Integration:** This is the third stage that completes the money laundering cycle. By this

stage, the laundered fund appears to be legitimate, and it is exceedingly difficult to distinguish between legal and illegal wealth. The integration schemes are designed to place the laundered proceeds back into the economy in what appears to be normal business or personal transactions.

- **Financing of Terrorism**

Over time, the number and type of terrorist groups and related threats have changed, but the basic need for terrorists to raise, move and use funds has remained the same. As the size, scope and structure of terrorist organisations have evolved, so too have their methods to raise and manage funds. Terrorists regularly adapt how and where they raise and move funds and other assets in order to circumvent safeguards that jurisdictions have put in place to detect and disrupt this activity. Terrorist financing involves dealing with funds and assets, in any form, that may be used for financing terrorist activities. The funds and assets may be from either legitimate or criminal sources.

The AML/CFT Law defines Financing of Terrorism as:

- Committing any act of money laundering, being aware that the proceeds are wholly or partly owned by a terrorist organisation or terrorist person or intended to finance a terrorist organisation, a terrorist person, or a terrorism crime, even if without the intention to conceal or disguise their illicit origin; or
- Providing, collecting, preparing, or obtaining proceeds or facilitating their obtainment by others with intent to use them, or while knowing that such proceeds will be used in whole or in part for the commitment of a terrorist offense, or committing such acts on behalf of a terrorist organisation or a terrorist person while aware of their true background or purpose.

- **Financing of Illegal Organisations**

The AML/CFT Law defines Financing of Illegal Organisations as:

- Committing any act of money laundering, being aware that the proceeds are wholly or partly owned by an illegal organisation or by any person belonging to an illegal organisation or intended to finance such illegal organisation or any person belonging to it, even if without the intention to conceal or disguise their illicit origin.
- Providing, collecting, preparing, obtaining proceeds or facilitating their obtainment

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by others with intent to use such proceeds, or while knowing that such proceeds will be used in whole or in part for the benefit of an Illegal organisation or of any of its members, with knowledge of its true identity or purpose.

## 2. NEGATIVE EFFECTS OF MONEY LAUNDERING

- 2.1. Money laundering, terrorist and proliferation financing can destabilise communities, economic sectors, or national economies. Criminals and terrorist networks may be able to carry out their criminal and potentially destructive activities via a multitude of mechanisms and structures by transforming the proceeds of illicit activities into legitimate money.
- 2.2. Money laundering has potentially devastating economic, security, and social consequences. Money laundering is a process to making crime worthwhile. It provides the fuel for drug dealers, smugglers, terrorists, illegal arms dealers, corrupt public officials, and others to operate and expand their criminal enterprises. This drives up the cost of government due to the need for increased law enforcement and health care expenditures (for example, for treatment of drug addicts) to combat the serious consequences that result. Crime has become increasingly international in scope, and the financial aspects of crime have become more complex due to rapid advances in technology and the globalization of the financial services industry.
- 2.3. Money laundering impairs the development of the legitimate private sector through the supply of products priced below production cost, making it therefore difficult for legitimate activities to compete. Money launderers often use front companies, which commingle the proceeds of illicit activity with legitimate funds, to hide the ill-gotten gains. These front companies have access to substantial illicit funds, allowing them to subsidize front company products and services at levels well below market rates. Criminals may also turn enterprises which were initially productive into sterile ones to launder their funds leading ultimately to a decrease in the overall productivity of the economy. Furthermore, the laundering of money can also cause unpredictable changes in money demand as well as great volatility in international capital flows and exchange rates.
- 2.4. In any country, strong financial institutions – such as banks, non- bank financial institutions (NBFIs), and equity markets – are critical to economic growth. While the financial sector is an essential constituent in the financing of the legitimate economy, it can be a low-cost vehicle for criminals wishing to launder their funds. Consequently, the flows of large sums of laundered funds poured in or out of financial institutions might undermine the stability of financial markets. Also, there is often a correlation between money laundering and fraudulent activities undertaken by employees. In addition, money laundering may damage the reputation of financial institutions involved in the scheming resulting to a loss in trust

and goodwill with stakeholders. In worst case scenarios, money laundering may also result in bank failures and financial crises.

- 2.5. Money laundering also reduces tax revenue as it becomes difficult for the government to collect revenue from related transactions which frequently take place in the underground economy. This loss of revenue generally means higher tax rates than would normally be the case if the untaxed proceeds of crime were legitimate. More taxes are also paid for public works expenditures inflated by corruption.
- 2.6. The socio-economic effects of money laundering are various because as dirty money generated from criminal activities are laundered into legitimate funds; they are used to expand existing criminal operations and finance new ones. Further to that money laundering may lead to the transfer of economic power from the market, the government and the citizens to criminals, abetting therefore crimes and corruption. Furthermore, the sheer magnitude of the economic power that accrues to criminals from money laundering has a corrupting effect on all elements of society.
- 2.7. The social and political costs of laundered money are also serious as laundered money may be used to corrupt national institutions. Bribing of officials and governments undermines the moral fabric in society, and, by weakening collective ethical standards, corrupts our democratic institutions. When money laundering goes unchecked, it encourages the underlying criminal activity from which such money is generated

### **3. AML / CFT LEGAL AND REGULATORY FRAMEWORK**

#### **3.1. International Legislative and Regulatory Framework**

- Fighting against money laundering and financing of terrorism is critical for international security, integrity of the financial system and sustainable growth. In response to the threats posed by money laundering and terrorist activities, the international community has acted on many fronts, including the creation of various organizations that are viewed as the international standard setters. The AML/CFT legislative and regulatory framework of the UAE is part of a larger international AML/CFT legislative and regulatory framework made up of a system of intergovernmental legislative bodies and international and regional regulatory organisations.
- Among the major intergovernmental legislative bodies, and international and regional regulatory organisations are:

- The United Nations (UN)
- Financial Action Task Force (FATF) on Money Laundering
- Afghanistan: Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA)
- African Development Bank (AfDB)
- Anti-Money Laundering Liaison Committee of the Franc Zone (CLAB)
- Asian Development Bank (ADB)
- Asia/Pacific Group on Money-Laundering (APG)
- Asset Recovery Interagency Network Asia Pacific (ARIN-AP)
- Asset Recovery Interagency Network for Southern Africa (ARINSA)
- Asset Recovery Interagency Network for West Africa (ARINWA)
- Association of Certified Anti-Money-Laundering Specialists
- Australian Transaction Reports and Analysis Centre (AUSTRAC)
- Basel Committee on Banking Supervision
- Camden Asset Recovery Inter-agency Network (CARIN)
- Caribbean Financial Action Task Force (CFATF)
- Council of Europe – Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)
- Directorate General Justice (European Commission)
- Directorate General for International Co-operation and Development (DG DEVCO)
- Directorate General for Migration and Home Affairs (DG HOME)
- Directorate General for Neighbourhood and Enlargement Policy (DG NEAR)
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)
- Egmont Group of Financial Intelligence Units
- Eurasian Group (EAG)
- European Banking Federation
- European Bank for Reconstruction and Development (EBRD)
- European Central Bank (ECB)
- European Commission
- European Counter Terrorism Centre (ECTC)
- European External Action Service (EEAS)
- European Judicial Training Network (EJTN)
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)
- European Union
- European Police Office (EUROPOL)
- European Union’s Judicial Cooperation Unit (EUROJUST)
- Financial Action Task Force (FATF)
- Financial Action Task Force of South America Against Money Laundering (GAFISUD)
- Financial Action Task Force of Latin America (GAFILAT)
- Financial Stability Board
- FIU.NET

- European Border and Coast Guard Agency (FRONTEX)
- Gambling Regulatory Authority (GRA)
- GIZ Global Programme “Combatting Illicit Financial Flows” (GP IFF)
- Global Counterterrorism Forum (GCTF)
- Global NPO Coalition on FATF
- Group of International Finance Centre Supervisors (GIFCS)
- Inter-American Development Bank (IDB)
- International Association of Insurance Supervisors (IAIS)
- International Association of Judges (IAJ)
- International Association of Prosecutors (IAP)
- International Consortium of Investigative Journalists (ICIJ)
- International Commission of Jurists (ICJ)
- Inter-Governmental Action Group Against Money-Laundering in West Africa (GIABA)
- International Organization of Securities Commissions (IOSCO)
- International Monetary Fund (IMF)
- International Organization of Securities Commissions (IOSCO)
- International Criminal Police Organisation (Interpol)
- Joint committee of the European Supervisory Authorities
- Middle East and North Africa Financial Action Task Force (MENAFATF)
- Northern Ireland Co-operation Overseas (NI-CO)
- Office of Foreign Assets Control (OFAC)
- Offshore Group of Banking Supervisors (OGBS)
- Organization of American States / Inter-American Committee Against Terrorism (OAS/CICTE)
- Organization of American States / Inter-American Drug Abuse Control Commission (OAS/CICAD)
- Organization for Security and Co-Operation in Europe (OSCE)
- Organisation for Economic Co-operation and Development (OECD)
- Stolen Asset Recovery Initiative (StAR)
- Task Force on Money Laundering in Central Africa (GABAC)
- UN Counter-Terrorism Committee (CTC)
- UN Alliance of Civilizations (UNAOC)
- United Nations Development Programme (UNDP)
- United Nations Office on Drugs and Crime (UNODC)
- United Nations Educational, Scientific and Cultural Organisation (UNESCO)
- United Nations High Commissioner for Refugees (UNHCR)
- United Nations Interregional Crime and Justice Research Institute (UNICRI)
- United Nations Security Council (UNSC)
- United Nations World Tourism Organisation (UNWTO)
- United Nations Counter-Terrorism Committee and Executive Directorate (UNCTED)
- Wolfsberg Group

- World Bank
- World Customs Organization (WCO)
- World Health Organisation (WHO)

### 3.2. National Legislative and Regulatory Framework

- The United Arab Emirates (UAE) is fully committed to combating money laundering and terrorism financing and detecting and deterring them in accordance with established legislation. The competent authorities have put in place an institutional system to oversee, control, and collect information on all practices that may lead to financial crimes, including money laundering and terrorism financing.
- As a committed member, the UAE contributes to global anti money laundering efforts and combating financing of terrorism (AML/CFT) and strives to fully implement the standards set by the International Financial Action Task Force (FATF). In 2018, the UAE, with the extensive participation of all concerned authorities, conducted its first national risk assessment on money laundering and terrorist financing, identifying several areas in which the risks are high. The following Laws and its Implementation Regulation was issued to combat the threat of AML/CFT.
  - Federal Decree-Law No. (20) Of 2018 On ‘Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations’.
  - Cabinet Decision No. (10) Of 2019 Concerning the Implementing Regulation of Decree Law No. (20) Of 2018 On ‘Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations’.
  - Cabinet Decision No. (58) of 2020 Regulating the Beneficial Owner Procedures.
  - Cabinet Decision No (74) Of 2020 On Regarding Terrorism Lists Regulation and Implementation of UN Security Council Resolutions on the Suppression and Combating of Terrorism, Terrorist Financing, Countering the Proliferation of Weapons of Mass Destruction and its Financing and Relevant Resolutions.
  - Cabinet Resolution No. (16) of 2021 regarding the consolidated list of violations and administrative fines inflicted on violators of anti-money laundering measures
  - Federal Law No. 7 of 2014 on Combating Terrorism Offences.
  - Regulation No. 1/2019 regarding declaration of currencies, negotiable bearer financial instruments, precious METALS& precious stones in possession of travellers entering or leaving the UAE (issued by the UAE Central Bank on 14/1/2019 pursuant to Article 8 of Federal Law No. 20/2018).
  - Federal Law No. 5 of 2012 on Combating Cyber Crimes.
  - Federal Penal Law No. 3 of 1987 (as amended), the Penal Code.
  - Federal Penal Procedures Law No. 35/1992 (as amended), the Penal Procedures law.

- Central Bank Board of Directors' Decision No. 59/4/219 regarding procedures for AML and CTF and Illicit organizations.
- Guidelines for Financial Institutions on anti-money laundering and combating the financing of terrorism and illegal organisations issued by the UAE Central Bank on 23/6/2019.
- Ministerial Decision No. (532) of 2019 regarding the establishment of the Anti-Money Laundering Department 2019
- Decision of the Minister of Justice No. 533 of 2019 regarding the procedures for combating money laundering and financing of terrorism for lawyers, notaries, and professionals.
- Ministerial Decision No. 534/2019 on the establishment of the Committee for the management of frozen, seized, and confiscated assets.
- Ministerial Decision No. 535/2019 on the procedures for the authorisation application presented by those designated on terrorist lists to use a part of frozen assets.
- Ministerial Decision No. 536/2019 on the mechanism of grievance against the decisions issued regarding listing on local terrorist lists.
- Ministerial Decision No. 563/2019 on the procedures and conditions of the applications for the international judicial cooperation in the distribution of the proceeds of crime.
- Cabinet Decision No. 16/2021 regarding the unified list of violations and administrative fines for the said violations of measures to combat money laundering and terrorism financing that are subject to the supervision of the Ministry of Justice and the Ministry of Economy.

It is the basic legislative framework that criminalizes money laundering and terrorist financing operations and capitalizes on the effectiveness of the legal and institutional framework in the implementation of procedures and measures that contribute to anti-money laundering efforts and combating the financing of terrorism and illegal organizations. The above legislation may not be all encompassing and will be updated and amended by relevant Federal authorities from time to time.

#### **4. AML / CFT PENALTIES UNDER UAE FEDERAL LAW NO. (20) OF 2018**

- 4.1. Fines for violations of the UAE Federal Decree Law No. (20) of 2018 can be substantial and may include both civil and criminal penalties. Thus, SWFO INTERNATIONAL - FZE and its employees shall take exceptional care towards complying with the provisions of the UAE Federal Decree Law No. (20) of 2018. Articles 14 to 31 of the Federal Decree Law No. (20) of 2018 describe penalties concerning money laundering offenses, as follows.
- 4.2. **Article (14) of the Federal Decree Law No. (20) of 2018**

The Supervisory authority shall impose the following administrative penalties on the financial institutions, designated nonfinancial businesses and professions and non-profit organisations in case they violate the present Decree Law No. (20) of 2018 and its Implementing Regulation:

- a. Warning
- b. Administrative penalties of no less than AED 50,000 (fifty thousand dirham) and no more than AED 5,000,000 (five million dirham) for each violation.
- c. Banning the violator from working in the sector related to the violation for the period determined by the supervisory authority.
- d. Constraining the powers of the Board of Directors, supervisory or executive management members, managers or owners who are proven to be responsible of the violation including the appointment of temporary inspector.
- e. Suspending Managers, Board of Directors, and supervisory and executive management members who are proven to be responsible of the violation for a period to be determined by the Supervisory Authority or request their removal.
- f. Suspend or restrict the activity or the profession for a period to be determined by the supervisory authority
- g. Cancel the License.

#### 4.3. **Article (15) of the Federal Decree Law No. (20) of 2018**

The Financial institutions and designated nonfinancial businesses and professions shall, upon suspicion or if they have reasonable grounds to suspect a transaction or funds representing all or some proceeds, or suspicion of their relationship to the Crime or that they will be used regardless of their value, to inform the Unit without delay, directly and provide the Unit with a detailed report including all the data and information available regarding that transaction and the parties involved, and to provide any additional information required by the Unit, with no right to object under the confidentiality provisions.

Lawyers, notaries, other legal professionals, and independent legal auditors shall be exempted from this provision if the information related to these operations have been obtained subject to professional confidentiality.

The Implementing Regulation of the present Decree Law No. (20) of 2018 shall determine the rules, controls, and cases of the obligation to report suspicious transactions

**4.4. Article (22) of the Federal Decree Law No. (20) of 2018**

1. Any person who commits or attempts to commit any of the acts set forth in Clause (1) of Article 2 of the Decree Law No. (20) of 2018 shall be sentenced to imprisonment for a period not exceeding ten years and to a fine of no less than (100,000) AED one hundred thousand and not exceeding (5,000,000) AED five Million or either one of these two penalties.

A temporary imprisonment and a fine of no less than AED 300,000 (three hundred thousand dirham) and no more than AED 10,000,000 (ten million dirham) shall be applied if the perpetrator of a money laundering crime commits any of the following acts:

- a. If he abuses his influence or the power granted to him by his profession or professional activities.
  - b. If the crime is committed through a non-profit organisation.
  - c. If the crime is committed through an organized crime group.
  - d. In case of Recidivism
2. An attempt to commit a money laundering offense shall be punishable by the full penalty prescribed for it
  3. A life imprisonment sanction or temporary imprisonment of no less than (10) ten years and penalty of no less than AED 300,000 (three hundred thousand dirham) and no more than AED 10,000,000 (ten million dirham) is applied to anyone who uses Proceeds for terrorist financing.
  4. A temporary imprisonment sanction and a penalty of no less than AED 300,000 (three hundred thousand dirham) shall be applicable to anyone who uses the Proceeds in financing illegal organisations.

**4.5. Article (23) of the Federal Decree Law No. (20) of 2018**

1. A penalty of no less than AED 500,000 (five hundred thousand) and no more than AED 50,000,000 (fifty million dirham) shall apply to any legal person whose representatives or managers or agents commit for its account or its name any of the crimes mentioned in the Decree Law No. (20) of 2018.
2. If the legal person is convicted with terrorism financing crime, the court will order its dissolution and closure of its offices where its activity is performed.

3. Upon issuance of the indictment, the court shall order the publishing of a summary of the judgment by the appropriate means at the expense of condemned party.
- 4.6. **Article (24) of the Federal Decree Law No. (20) of 2018**
- Imprisonment and a fine of no less than AED 100,000 (one hundred thousand) and no more than AED 1,000,000 (one million dirham) or any of those two sanctions is applied to anyone who violates on purpose or by gross negligence the provision Article (15) of the Decree Law No. (20) of 2018.
- 4.7. **Article (25) of the Federal Decree Law No. (20) of 2018**
- Imprisonment for no less than six months and a penalty of no less than AED 100,000 (one hundred thousand dirham) and no more than AED 500,000 (five hundred thousand dirham) or any of these two sanctions shall apply to anyone who notifies or warns a person or reveals any transaction under review in relation to suspicious transactions or being investigated by the competent authorities.
- 4.8. **Article (28) of the Federal Decree Law No. (20) of 2018**
- Imprisonment or a fine of no less than AED 50,000 (fifty thousand dirham) and no more than AED 5,000,000 (five million dirham) shall be applied to anyone who violates the instruction issued by the Relevant Authority in the UAE for the implementation of the directives of UN Security Council under Chapter (7) of UN Convention for the Suppression of the Financing of Terrorism and Proliferation of Weapons of Mass Destruction and other related decisions
- 4.9. **Article (30) of the Federal Decree Law No. (20) of 2018**
- Imprisonment and a fine or one of the two penalties shall be imposed on anyone who intentionally fails to disclose or refrains from providing additional information upon request, from him or deliberately conceals information that must be disclosed or deliberately presents incorrect information, in violation of the provisions provided for in Article 8 of the Decree Law No. (20) of 2018. Upon conviction, the Court may rule on the confiscation of seized funds without prejudice to the rights of others acting in good faith
- 4.10. **Article (31) of the Federal Decree Law No. (20) of 2018**
- Imprisonment or a fine of no less than AED 10,000 (ten thousand dirhams) and no more than AED 100,000 (one hundred thousand dirhams) shall be applied to any person who

violates any other provision of the Federal Decree-law No. (20) of 2018

## 5. SWFO INTERNATIONAL - FZE' COMMITMENT

- 5.1. As a responsible organisation and in its capacity as a free zone limited liability company established in Dubai Creative Clusters under Dubai Development Authority, Government of Dubai, SWFO INTERNATIONAL - FZE is committed to supporting both domestic and international efforts and initiatives aimed at combating money laundering, the financing of terrorism and the financing of illegal organisations in addition to implementing such internal measure as may be deemed necessary.
- 5.2. The compliance to regulatory requirements and supporting efforts to combat money laundering and terrorist financing is a top priority with SWFO INTERNATIONAL - FZE and is directed by their Senior Management. Through this Policy Document, SWFO INTERNATIONAL - FZE wishes to convey its position on AML/CFT and reiterate that the Company shall conduct business operations in total compliance with all applicable laws, regulations, and worldwide best practices in the domain of AML/CFT. SWFO INTERNATIONAL - FZE considers and shall continue to consider the fight against money laundering and/or counter terrorist financing as highly important for the organization and recognize it as a team effort. The issuance of this Policy together with the implementation and operation of the procedures and controls therein, reflects SWFO INTERNATIONAL - FZE' commitment in this regard.
- 5.3. SWFO INTERNATIONAL - FZE is willing to support and co-operate and with:
- Government agencies; and
  - Recognized law enforcement agencies, domestic or international,
- including global regulatory bodies such as FATF, OFAC, UN, EU, and the local regulatory authority, namely the Central Bank of the UAE (CBUAE) and Anti-Money Laundering and Combatting the Financing of Terrorism Supervision Department (AMLSD), as part of any effort in combating money laundering and/or the financing of terrorism.
- 5.4. SWFO INTERNATIONAL - FZE shall maintain the highest operating standards to safeguard the interest of all stakeholders including customers, shareholders, employees, business partners, and the jurisdiction in which the Company operate. This shall be accomplished through ongoing and continual development of staff members, use of up-to-date technology and systems that support the efforts to combat money laundering and counter terrorist financing and other related financial crimes.

- 5.5. As an established organisation conducting business in the gold and/or precious metals sector, SWFO INTERNATIONAL - FZE is committed to responsible sourcing and supply chain management. SWFO INTERNATIONAL - FZE is required to map its supply chain to identify and assess the risks of contributing to conflict, Money Laundering, Terrorism Financing or serious Human Rights abuses, associated with gold and/or precious metals which they produce, distribute, transport, export, sell and/or purchase.
- 5.6. SWFO INTERNATIONAL - FZE adheres to following the guidelines and codes:
- OECD Due Diligence Guidance for Responsible supply Chains of Minerals from Conflict Affected and High-Risk Areas
  - RJC Code of Practice
  - LBMA RESPONSIBLE GOLD GUIDANCE
  - DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain

## **6. POLICY CUSTODIAN**

- 6.1. SWFO INTERNATIONAL - FZE' Senior Management Team shall be the appointed custodian of this AML/CFT Compliance program, policy, and procedures. The ultimately responsibility for the implementation and enforcement of the policy shall lie with the Chairman of SWFO INTERNATIONAL - FZE.

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## **7. GOVERNANCE OF RISK: THREE LINES OF DEFENCE**

- 7.1. To mitigate and control the risk involved, AML/CFT program at SWFO INTERNATIONAL - FZE will create three lines of defence:
- Operations – This is the first line of defence – functions that own and manage risks. As the frontline for KYC and CDD, they will handle customer onboarding, identification, and due diligence – all processes that require collection and analysis of immense amounts of data, primarily acquired through lengthy customer questionnaires and investigations.
  - Compliance – This is the second line of defence – functions that oversee risks. The compliance department, which is managed by MBG Corporate Services (<https://www.mbgcorp.com/ae/>) will develop policies and procedures, devise customer questionnaires and requirements, and maintain the technologies necessary to streamline KYC and CDD processes. They will be responsible for training and guiding all relevant staffs at SWFO INTERNATIONAL - FZE on AML/CFT program. They will also design the criteria to divide the clients into risk categories and monitor ongoing Suspicious Transactions.

- Internal Audit – This is the third line of defence – functions that provide independent assurance. This will determine if everyone has established the proper controls. They must ensure that KYC and CDD programs are based on complete, correct information, and approved protocols have been followed at the time of customer onboarding and the execution of transactions. In the event of any perceived gaps, they will discuss the shortfall with management and develop remediation plans. Our Internal Audit function will also be managed by MBG.

## 8. POLICY GOVERNANCE

- 8.1. SWFO INTERNATIONAL - FZE will establish an AML/CFT Committee, which will act as a forum for coordination and implementation of AML/CFT procedures within SWFO INTERNATIONAL - FZE. The AML/CFT Committee will have a wide-ranging mandate be assigned, including the task of monitoring, and coordinating the identification, assessment, and response of the risks that SWFO INTERNATIONAL - FZE is or might be exposed to pertaining to money laundering and terrorism financing thereby building a strong and sustainable AML/CFT structure in SWFO INTERNATIONAL - FZE.
- 8.2. SWFO INTERNATIONAL - FZE' AML/CFT Committee shall hold at least four (4) regularly scheduled meetings regarding gold and silver transactions each year to discuss AML/CFT matters, review Action Plans and recommend follow up actions based on outcomes of review. The committee shall try to conduct at least one meeting each Quarter, but under no circumstances shall the gap between two (2) AML/CFT Committee meeting shall be more than six (6 months). The Committee shall discuss initiatives required to be undertaken to continually improve SWFO INTERNATIONAL - FZE' accomplishment in the AML/CFT areas.
- 8.3. The AML/CFT Committee shall maintain written minutes or other records of its meetings and activities. Minutes of each meeting of the Committee shall be distributed to every member of the Committee and the Board.
- 8.4. The AML/CFT Committee's structure will be as mentioned below:

Structure of SWFO INTERNATIONAL - FZE' AML/CFT Committee		
Position	Designation	Name
Head	Chairman	Mr. Alexander F. Ming JP.BFC.CPA
Deputy	Managing Director	Mr. Joseph Arthur-Dick
Member	MBG Subject Matter Expert	TBD

- 8.5. The AML/CFT Committee's key responsibilities will be as follows:
- To prepare a policy and process manual for implementing the provisions of UAE's Federal Decree-Law No. (20) Of 2018 and Cabinet Decision No. (10) Of 2019
  - To ascertain the proper implementation and effectiveness of the procedures and processes on fighting money laundering and terrorism financing operations within SWFO INTERNATIONAL - FZE.
  - To prepare a staff training program on the methods of controlling financial and banking operations, in accordance with the control procedure guide, and with other legal and regulatory texts in force.
  - To review periodically the above-mentioned procedures and processes, and to develop them in line with up-to-date methods and guidance on combatting of money laundering and financing of terrorism.
  - To access periodically the Company's approach to and results of risk identification, assessment and mitigation plans for the principal legal and regulatory compliance risks facing the Company
  - To prepare effective customer identification and due diligence program for onboarding a new customer as well as updating CDD throughout the relationship with the customer.
  - To periodically review resources, systems and tools available to the Compliance Officer and ensure that they are appropriate to the nature, size and complexity of the business.
  - Review reports of internal audit and suggest necessary modifications to the Compliance Program.
  - To review ongoing challenges / issues in implementation of the AML/CFT procedures and processes and ensure proper controls are in place.
  - Take corrective / preventive actions if any gaps are identified.
  - To discuss information about current and emerging legal and regulatory compliance risks and enforcement trends that may affect the Company's business operations, performance or strategy.
  - To review the reports submitted by the Compliance Unit on adopted procedures, unusual operations, and high-risk customers.
  - To define the process to be followed by senior management team for approving business relationship with high-risk customers or executing the high-risk transaction by SWFO INTERNATIONAL - FZE.
  - Discuss on developing internal programs focussed on promoting an ethical culture within the organisation
  - Review any data suggesting significant non-compliance involving any of the Company's officers. The Chief Compliance Officer will report to the Committee any data suggesting significant non – compliance that could affect the Compliance Program or the Company.
  - Review on a regular basis the company's significant risk exposures or compliance violations and the steps that have been taken to monitor, correct and/or mitigate such violations or risks.

- Discuss the following areas and decide whether any actions need to be taken:
  - Updates on Sanctions
  - Notices / Circulars received from Regulatory Authority
  - Suspicious Activity Reports (SARs) raised during the Quarter
  - Enhanced CDD conducted during the Quarter
  - Training conducted and attendance records of the staff
  - Feedback / Queries received from Regulatory Authority
  - Pattern Analysis conducted during the Quarter
  - Any new risks associated with AML/CFT that is identified

## **9. ROLE OF THE KEY MEMBERS OF THE AML/CFT COMMITTEE**

- 9.1. The ultimate responsibility for proper supervision, reporting, and compliance pursuant to AML/CFT shall rest with SWFO INTERNATIONAL - FZE and its Board of Directors.
- 9.2. The Head of the AML/CFT Committee will be responsible for the following:
- Responsible for the oversight of all activities of the at SWFO INTERNATIONAL - FZE
  - Establishing transparency, honesty, and integrity throughout the business activities
  - Implementing the robust compliance program across each business product, services suppliers, customers, country in which SWFO INTERNATIONAL - FZE deals, and delivery channel.
  - Ensuring that the SWFO INTERNATIONAL - FZE has in place adequate screening procedures to ensure high standards when appointing or employing officers or employees.
  - Approving the overall business risk assessment for SWFO INTERNATIONAL - FZE
  - Reviewing the quarterly compliance report along with high-risk areas
  - Ensuring that all employees of the organization are being trained on the AML/CFT
  - Approving and Implementation of the Compliance Policy of the Organization
  - Reviewing the issues raised by the Chief Compliance Officer and Internal Auditor and ensuring it is resolved in a timely manner
  - Developing a good knowledge of all applicable Laws, Rules, Regulations, Notices and the Standards related to the Precious Metals and Stones industry in the UAE
  - Establishing the Internal Audit function and reviewing the effectiveness of the same
  - Setting the tone of zero tolerance against fraud
- 9.3. SWFO INTERNATIONAL - FZE shall appoint a Chief Compliance Officer, either in-house or outsourced, having a minimum of 15 years of experience in the field of AML/CFT and who will be responsible for the Compliance functions of the organization. The Chief Compliance Officer will be the authorized Money Laundering Reporting Officer (MLRO) of the company.

The Chief Compliance Officer will also be responsible for:

- Creating and implementing the AML/CFT compliance program for SWFO INTERNATIONAL - FZE and ensuring compliance with AML/CFT Laws, Regulations, Notices, the Standards, and international laws.
- Establishing and maintaining AML/CFT policies, procedures, processes, and controls in relation to the business of SWFO INTERNATIONAL - FZE.
- Ensuring compliance by the staff of SWFO INTERNATIONAL - FZE with the provisions of AML/CFT Guidelines, its implementing rules and regulations and SWFO INTERNATIONAL - FZE' AML/CFT and KYC Compliance Policy.
- Disseminating to the Board of Directors, Officers, and all employees any circulars, resolutions, instructions, and policies issued by the UAE Regulatory Agencies in all matters relating to the prevention of money laundering and combatting of Financing of Terrorism and Financing of Illegal Organisations.
- Liaising between SWFO INTERNATIONAL - FZE and UAE Regulatory Agencies in matters relating to compliance with the provisions of the AML/CFT Compliance Guidelines and its implementing rules and regulations.
- Preparing and submitting to UAE Regulatory Authorities written reports on SWFO INTERNATIONAL - FZE' compliance with the provisions of the AML/CFT Compliance Guidelines and its implementing rules and regulation, in such form as the UAE Regulatory Agencies may determine, and within such period as the UAE Regulatory Agencies may allow in accordance with the AML/CFT Guidelines, or as amended.
- Create gap analysis document on existing AML/CFT Procedures and current Laws, Regulations, Notices, and the Standards of the UAE in order to determine the extent of the level of compliance and recommend actions if required.
- Designing the compliance training program and providing regular training for employees and other staff members at SWFO INTERNATIONAL - FZE, particularly when any laws change, or a new risk is identified.
- Receiving Internal Suspicious Transaction alerts from employees and investigating the matter along with presenting the internal audit review reports to the AML/CFT Committee for approval to report all suspicious cases to the FIU.
- Reporting and filing Suspicious Transaction Report (STR) to FIU, if required
- Providing support and assistance to FIU with all information it requires for fulfilling their obligations.
- Performing more extensive, due diligence for high-risk customers and include proactive monitoring for suspicious types of activities.

9.4. The Head, Legal & Compliance will be responsible for the following:

- Implementing the SWFO INTERNATIONAL - FZE' Anti-Money Laundering and Combating Terrorist Financing Policy and Procedures across all units.
- Carrying out the compliance officer function of the organization to ensure the day today functions are adhering to the regulations.

- Customer onboarding and KYC documentation.
- Conducting Customer Due Diligence and Enhanced Due Diligence.
- Liaising with other companies to obtain documents and information as required.
- Monitoring day-to-day transactions of SWFO INTERNATIONAL - FZE for any unusual, structured, suspicious, and blacklisted ones.
- Monitoring trade-based money laundering and tracing structured transactions.
- Monitoring of suspicious accounts periodically.
- Providing guidance to the Compliance Team on how to identify suspicious activities and structured transactions
- Providing support and advice to other departments in relation to the application of ML rules and regulations to their function.
- Assisting in training to the entire staff of the organization.
- Reviewing and addressing Watch list and alerts. Update the blacklists on a regular basis.
- Liaising with compliance department of other companies.
- Creating sound internal controls and monitoring adherence to them.
- Maintaining records as required by SWFO INTERNATIONAL - FZE AML/CFT policy & procedures.
- Liaising between the Chief Compliance Officer and SWFO INTERNATIONAL - FZE regarding Compliance matters.
- Taking proper remedial actions and inform Chief Compliance Officer if violations are identified
- Reporting of unusual or suspicious transaction to Chief Compliance Officer
- Educating the staffs at SWFO INTERNATIONAL - FZE Branches regarding Anti-Money Laundering & Combating Terrorist Financing and 'Know Your Customer' procedures

## 10. INTERNAL AUDIT

- 10.1. SWFO INTERNATIONAL - FZE will appoint an internal auditor who will be responsible for independently assessing the effectiveness of the AML/CFT compliance and ensuring AML/CFT processes comply with regulatory and management requirements. The internal auditor will also play an important role in improving the controls by regularly tracking potentially identified weaknesses. Internal audit employees should have sufficient AML/CFT expertise and auditing experience. Internal audit function should be independent and have sufficient authority within the SWFO INTERNATIONAL - FZE to be able to perform the responsibilities with objectivity. The Internal Auditor should report to the AML/CFT Committee.
- 10.2. The AML/CFT-related responsibilities of the Internal Auditor should include:

- Conducting periodic assessment of relevant AML/CFT program documentation (for example, KYC/ CDD/enhanced due diligence [EDD] policies and procedures and procedures related to identifying, investigating, and reporting suspicious transactions);
- Conducting testing of AML/CFT controls and processes carried out by both first and second lines of defence, such as KYC/CDD/EDD, training, suspicious-activity reporting, record keeping, and retention, among others;
- Conducting periodic evaluation of the SWFO INTERNATIONAL - FZE' AML/CFT risk assessment; and
- Following up on any remedial actions arising from independent audit or regulatory reviews/audits of our operations.

## **11. PURPOSE AND RATIONALE**

- 11.1. The purpose of this Policy is to set out provisions, procedures and controls as enacted by SWFO INTERNATIONAL - FZE concerning Anti-Money Laundering (“AML”) and Combating the Financing of Terrorism and Financing of Illegal Organisations (“CFT”). All relevant personnel at SWFO INTERNATIONAL - FZE must be aware of its existence and the contents within the Policy and hold the personal and corporate responsibility to bring any AML/CFT concerns to the attention of the AML/CFT Committee and/or any of its members.
- 11.2. The rationale behind the Policy is unequivocally clear. SWFO INTERNATIONAL - FZE will only accept those Business Relationships:
- Whose sources of funds can be reasonably established as legitimate; and
  - Who do not pose any risk (actual or potential) to SWFO INTERNATIONAL - FZE' reputation and commitment towards AML/CFT.
- 11.3. SWFO INTERNATIONAL - FZE will also ensure that all its staff are aware of the Policy and its contents, including the penalty for any non-compliance, and will not tolerate any involvement in illegal activities by its staff/management

## **12. POLICY STATUS AND SCOPE**

- 12.1. The provisions, procedures and controls detailed below are mandatory and shall apply to:
- All employees, regardless of their function or location of work;
  - All clients, including Buyers, Sellers, Miners, refiners, Suppliers, Gold & Precious

METALS Trading Companies

- 12.2. Employees of SWFO INTERNATIONAL - FZE shall ensure that they adhere to the standards to comply with norms set forth by local as well as international regulatory authorities and to protect SWFO INTERNATIONAL - FZE and its reputation from being misused for any illicit activity.
- 12.3. Breach of the Policy by any SWFO INTERNATIONAL - FZE' employees, or affiliates shall constitute a disciplinary offence and SWFO INTERNATIONAL - FZE reserves the right to take any additional action as it, in its sole discretion, deems fit in securing the diligent and proper implementation and enforcement of this Policy.
- 12.4. If SWFO INTERNATIONAL - FZE, its personnel and/or premises are inadvertently used for money laundering or other illegal activities, SWFO INTERNATIONAL - FZE can be subject to potentially serious civil and/or criminal penalties. Therefore, it is imperative that every member, officer, director, and employee is familiar with and complies with the processes and procedures set forth in this Policy.
- 12.5. If any client of SWFO INTERNATIONAL - FZE is found to have violated any provisions of this Policy, then SWFO INTERNATIONAL - FZE may take any of the following measures:
- Warning;
  - Temporary suspension of the operations of the Client's account;
  - Termination of the Client's account;
  - Reporting to the relevant Authorities.

**13. RISK FACTORS OF SPECIFIC CONCERN TO SWFO INTERNATIONAL - FZE**

- 13.1. As a Gold and Silver Wholesale Trading Company in the UAE, in addition to the generalised AML/CFT risk factors, there are several additional risk factors which SWFO INTERNATIONAL - FZE should be aware of and take into consideration while identifying and assessing the ML/FT risks to which it is exposed.

Some of these risk factors depend on the specific stage of the Gold and Silver supply chain, and the role of the dealer in regard to the business relationships associated with each stage. Other risk factors relate to the nature and type of the customer or transaction involved.

- 13.2. As a Gold and Silver Wholesale Trading Company, in addition to the generalised AML/CFT risk factors, there are several additional risk factors which SWFO INTERNATIONAL - FZE

should be aware of and take into consideration while identifying and assessing the ML/FT risks to which it is exposed.

13.3. **Stage involved in Gold and Silver Supply Chain & Role of Dealers in Gold and Silver (DGOLD AND SILVER / DGS):**

The trade in Gold and Silver consists of a complex ecosystem or supply chain from extraction of the raw mineral to eventual sale to the final customer, in which numerous participants are involved. DGOLD AND SILVER may perform a wide variety of roles or functions relating to the trade in Gold and Silver, and to understand these roles and the potential ML/FT risks they entail, it is necessary to have a basic understanding of the stages of the supply chain. It should be understood that the supply chains for different Gold and Silver may have certain characteristics which are unique to that particular Gold and Silver or category of Gold and Silver. Furthermore, the supply chain is not necessarily a strictly vertical one, in that different participants may trade with each other in multiple directions at different stages of the chain, and certain stages may run concurrently or be skipped altogether. However, in general, these stages, and some of the major ML/FT risks to which each stage is vulnerable, may be simplified as follows:

**Extraction / Production:** In this stage, the raw minerals containing the Gold and Silver are extracted, whether through mechanised industrial means (as in underground or open pit mining) or through artisanal methods (as in alluvial manual collection). This stage may also include the sorting and grading of raw minerals, and their preparation for sale. Key ML/FT risks at this stage include but are not limited to the infiltration of the extraction/production process by criminal or terrorist organisations; vulnerability of the supply chain to the introduction of illicit Gold and Silver, or “commingling”; over-, under-, or false invoicing and accounting fraud. References to this type of fraud throughout this section include but are not limited to misrepresentations of quantity, quality/purity, origin, or price, and the substitution of Gold and Silver with other (fake) materials, for the purpose of ML/FT. This stage is also vulnerable to numerous predicate offences, such as theft, embezzlement, smuggling, and bribery/corruption. Thus, the extraction/production process may be used as a vehicle for both the creation of and the laundering of illicit proceeds.

**Trading in raw minerals:** In this stage, raw ores are obtained from the extraction source and traded by dealers. This stage of the supply chain may also involve the export and import of raw ores. Moreover, the market for different types of raw Gold and Silver may have different characteristics and regulatory regimes. For example, the gold trade in the UAE is strongly impacted by the requirements and compliance of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, RJC Code of practice, DMCC Rules for Risk Based Due Diligence in the Gold & Precious Metals Supply Chain, or LBMA Gold Guidance.

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DGOLD AND SILVER may participate in this stage of the supply chain as traders of raw materials, either as importers, exporters, or as wholesalers or intermediaries in transactions between other physical or legal persons. Such transactions may take place on a direct party-to-counterparty basis, through tenders or auctions, or via electronic or internet exchanges.

This stage of the Gold and Silver supply chain can be one of the most vulnerable to ML/FT risks, in that the number and variety of participants (including street vendors and regional dealers) can be high, and raw minerals may pass through numerous traders' hands before moving on to the next stage of the supply chain. Moreover, in the case of some categories of Gold and Silver, operational, accounting, and fiscal controls can often be decentralised over multiple geographic regions and legal jurisdictions, making them vulnerable to exploitation by fraudsters, criminals, and terrorists. Key ML/FT risks include but are not limited to:

- Commingling or entry of conflict minerals into the supply chain, benefitting criminal or terrorist organisations;
- Infiltration of criminal or terrorist organisations among raw mineral traders;
- Prevalence of cash (or cash equivalent) transactions;
- Vulnerability to smuggling.

**Beneficiation:** In this stage of the GOLD AND SILVER supply chain, raw minerals are transferred to technically specialised intermediaries for purification and preparation for sale by various processes, such as refining/smelting in regard to precious metal ores. This stage can also include the recycling of existing GOLD AND SILVER (e.g., the re-smelting of scrap precious metals). DGS may participate in this stage of the supply chain as technical specialists (refiners, cutters, polishers, etc.), or as wholesalers, agents, buyers, or sellers trading with, or on behalf of, such specialists.

Key ML/FT risks at this stage include but are not limited to: the obscuring of traceability of GOLD AND SILVER through the beneficiation process; trade-based ML; the prevalence of cash/cash-equivalent transactions; and vulnerability to commingling.

**Wholesale Trade:** In this stage, processed GOLD AND SILVER (that is, refined precious metals), as well as finished goods (that is, jewellery) are traded on a wholesale basis for a variety of purposes, and through diverse channels, some of which may entail the physical exchange of goods and others of which may be virtual in nature (for example, through certificates or various derivative products). These purposes may include but are not limited to transactions involving:

- Sales to manufacturers/fabricators (e.g. jewellers, factories) for use in various finished products or industrial processes;

- Sales to/from other wholesaler dealers/intermediaries or retail merchants for inventory, stockpiling, or speculation/trading;
- Sales related to Financial Institutions or commodity exchanges for trading or investment purposes.

DGS may participate in this stage of the supply chain as wholesale traders or intermediaries, as well as agents/buyers/sellers on behalf of industrial and retail end users.

Key ML/FT risks at this stage include but are not limited to commingling, trade-based ML, and other known typologies and methods associated with placement, layering and integration.

**Retail trade:** In this stage, beneficiated GOLD AND SILVER or finished goods (in particular jewellery fabricated from GOLD AND SILVER) are sold to, or acquired from, retail customers in the primary or secondary markets. DGS involved in this stage are usually retail merchants involved in selling or buying direct to/from the public. This stage is particularly vulnerable to ML/FT risks connected with commingling, as well as to the classic ML/FT risks associated with placement, layering and integration, and to predicate offences such as fraud, theft and robbery or embezzlement, among others.

#### 13.4. ML/TF Risks to be considered by SWFO INTERNATIONAL - FZE:

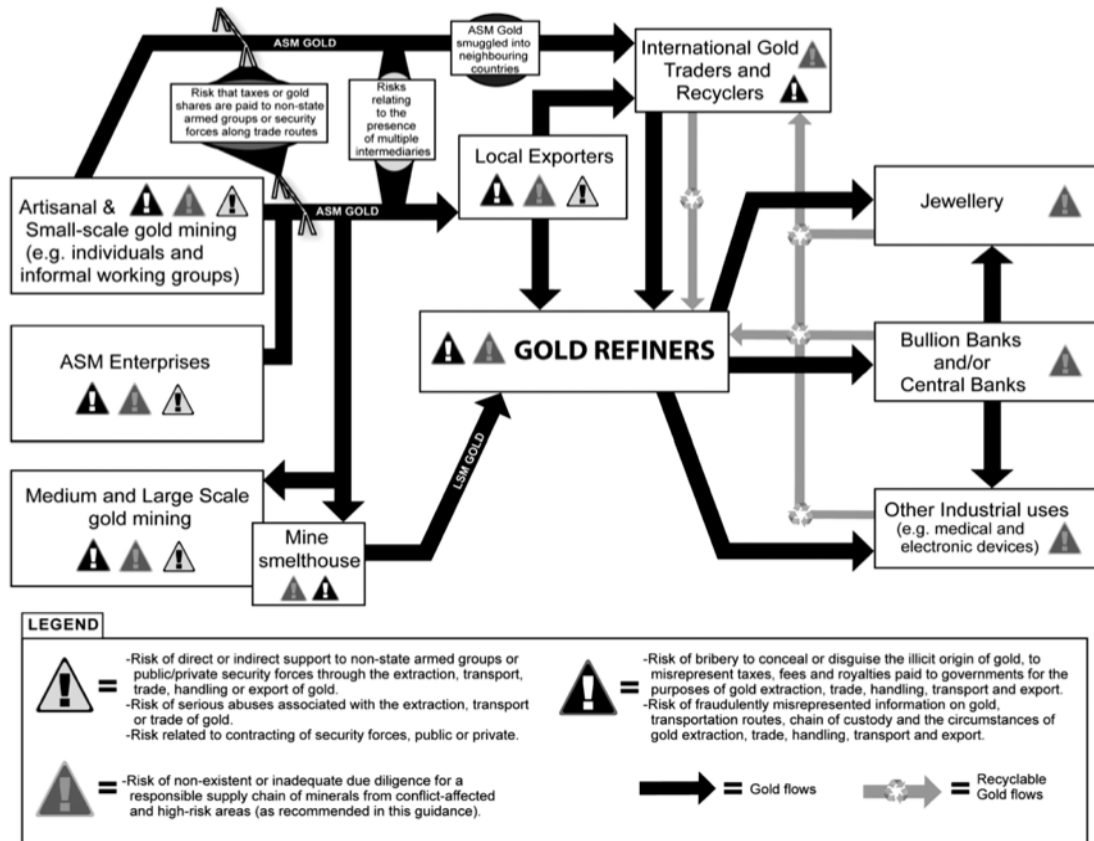
When required to apply AML/CFT measures, SWFO INTERNATIONAL - FZE, acting in any of the roles mentioned above, should carefully consider factors such as customer risk, geographic risk, channel risk, and product, service, and transaction risk. In particular, consideration should be given to such factors as:

- Counterparty/customer type, complexity and transparency (e.g. whether the counterparty or customer is a physical person, a legal person or a legal arrangement; if a legal person or arrangement, whether part of a larger, more complex group; and whether there is any association with a PEP) – particularly in relation to whether the party appears to be acting on their own or at the behest of a third party, and whether their knowledge and experience level in regard to the product or service and transaction type is appropriate;
- Country of origin of the GOLD AND SILVER—particularly in relation to whether the country is a known production or trading hub for the type of GOLD AND SILVER; has

adequate regulations and controls; is a High-Risk Country (e.g. is subject to international financial sanctions, has a poor transparency or corruption index, or is a known location for the operation of criminal or terrorist organisations);

- Country of origin or residence status of the counterparty or customer (whether a UAE national or a foreign customer, and in the case of the latter, whether associated with a High-Risk Country)—particularly in relation to the locations where the transaction is conducted, and the goods are delivered;
- Channel by which the counterparty/customer is introduced (e.g. referrals versus walk-in, international versus domestic, in-person or via the internet or other media) and communicates (e.g. remote or personal contact, direct or indirect through a proxy);
- Type, nature and characteristics of the products and/or services, including but not limited to: quantity, quality/level of purity, price/value, form (whether physical or virtual, raw or processed/finished, etc.), rarity, portability, potential for anonymity;
- Type, size, complexity, cost and transparency of both the transaction (including whether the physical or virtual exchange of merchandise is involved) and the means of payment or financing—particularly in relation to whether they appear to be consistent with the counterparty or customer’s socio-economic profile, local market practices, and the degree of expertise required;

- Novelty or unusual nature of the transaction or financial arrangements (including, for example, requirements to expedite the transaction beyond what is customary, unusual delivery requirements, or unusual requests for secrecy), particularly compared with what is normal practice in the local market.



**Risks in the supply chain of gold from conflict-affected and high-risk areas**

The above figure is taken from OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

**14. PROCEDURES AND CONTROLS (GENERAL)**

- 14.1. SWFO INTERNATIONAL - FZE is required to establish and implement internal control procedures aimed at preventing and impeding money laundering and combatting financing of terrorism and financing of illegal organisations. This Policy contains, as an integral part to it, certain procedural checks and balances (collectively “Procedures and Controls”) to ensure the vigilant and effective operation of the Policy.
- 14.2. Such procedures shall, among other thin Gold and Silver, ensure that all stakeholders are aware of the provisions of the law, its implementing rules and regulations, as well as all reporting and control procedures established by SWFO INTERNATIONAL - FZE and the

supervising authority.

14.3. SWFO INTERNATIONAL - FZE shall see to it that their respective policies and procedures for dealing with AML/CFT are clearly set out and reflected in their operating manual.

14.4. The Procedures & Controls are as follows:

- Identification, Verification and Know-Your-Customer (“KYC”)
- Updating of KYC information
- Activity Monitoring
- Reporting of Suspicious Activities
- Training and Awareness
- Record Keeping

Detailed information on the above procedures is dealt in succeeding sections.

## **15. PERIODICAL REVIEW**

15.1. This AML/CFT Policy shall be reviewed on at least an Annual basis. Any review shall take into consideration legislative changes regarding AML/CFT and shall also examine the previous twelve months implementation of the Policy together with how such implementation may be improved. Any amendments made to the Policy must have received prior written sign-off from the SWFO INTERNATIONAL - FZE Management Team whereupon they shall take effect immediately.

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## **16. IDENTIFICATION, VERIFICATION AND KNOW-YOUR-CUSTOMER**

16.1. Identification (ID), Verification (VR), and Know-Your-Customer (KYC) are effective defences against laundering money and/or financing of terrorism and together form the first key step in the Procedures and Controls. Carrying out of ID, VR and KYC procedures are mandatory.

16.2. SWFO INTERNATIONAL - FZE shall establish, document, and maintain a written identification, verification and KYC program, (hereinafter referred to as “Customer Identification Program”) appropriate for its size and business that, at a minimum, includes each of the requirements under KYC Checklist. The Customer Identification Program shall be part of the SWFO INTERNATIONAL - FZE’ AML/CFT compliance program.

16.3. SWFO INTERNATIONAL - FZE shall obtain and record competent evidence of the true and

full identity of the client, Ultimate Beneficiary Owner, representative capacity, domicile, legal capacity, occupation, or business purposes of clients, as well as other identifying information on those clients, whether they be occasional or usual, using documents detailed in the KYC Checklist. Following applicant screening and background information check, along with review of business plan, source of funds and expected levels of activity, an initial decision will be made with respect to the application status, that is the client may be accepted, rejected, or more information may be required.

- 16.4. Clients should be made aware of the SWFO INTERNATIONAL - FZE' explicit policy that business transactions will not be conducted with applicants who fail to provide competent evidence of their activities and identity, but without derogating from SWFO INTERNATIONAL - FZE' legal and ethical obligations to report suspicious transactions. Where initial verification fails to identify the applicant or give rise to suspicion that the information provided is false, additional verification measures should be undertaken to determine whether to proceed with the business. Details of the additional verifications are to be recorded.
- 16.5. If during the business relationship, SWFO INTERNATIONAL - FZE has reason to doubt (i) the accuracy of the information relating to the customer's identity; or (ii) that the customer is the beneficial owner; or (iii) the intermediary's declaration of beneficial ownership; or (iv) if there are any signs of unreported changes, SWFO INTERNATIONAL - FZE shall take further measures to verify the identity of the customer or the beneficial owner, as applicable. Such measures may include the following:
- referral of names and other identifying information to criminal investigating authorities; and
  - review of disciplinary history and disclosure of past relevant sanctions.
- 16.6. The Customer Identification Program must include procedures for responding to circumstances in which the Compliance Monitoring Team cannot form a reasonable belief that it knows the true identity of a customer. These procedures should describe, among others, the following:
- When SWFO INTERNATIONAL - FZE should not do business with a client
  - The terms under which a customer may conduct business transactions while SWFO INTERNATIONAL - FZE attempts to verify the customer's identity
  - When SWFO INTERNATIONAL - FZE should file a Suspicious Activities / Transaction Report
- 16.7. The Customer Identification Program must include procedures for providing customers

adequate notice that SWFO INTERNATIONAL - FZE is requesting information to verify their identities.

- 16.8. In rare events or incidences where a Customer fails to provide adequate KYC information or appears hesitant/unwilling to provide information as required to establish adherence to KYC norms, SWFO INTERNATIONAL - FZE shall not proceed with a transaction for such as Customer and flag the case as a High-Risk customer. Such cases are marked for reporting to the Regulator through Suspicious Transaction Report (STR), and for increased monitoring.

## **17. CUSTOMER ONBOARDING**

- 17.1. As a policy, SWFO INTERNATIONAL - FZE only conducts business with corporate customers. However, there are indirect business relationships with individuals who are members of corporates customers of SWFO INTERNATIONAL - FZE.

### **17.2. CORPORATE CUSTOMERS**

- Before establishing a business relationship, a company search and/or other commercial inquiries shall be made to ensure that the corporate/other business applicant has not been, or is not in the process of being dissolved, struck off, wound-up or terminated. In case of doubt as to the veracity of the corporation or identity of its directors and/or officers, or the business or its partners, a search or inquiry with relevant Supervising Authority/Regulatory Agency shall be made.
- SWFO INTERNATIONAL - FZE shall obtain from all corporate customers the following information:
  - Incorporated name.
  - Shareholders (To include 'active' and 'silent' or 'sleeping' partners).
  - Ultimate beneficial owners (the Beneficial Owner shall be whoever person that ultimately owns or controls, whether directly through a chain of ownership or control or by other means of control such as the right to appoint or dismiss the majority of its Directors, 25% or more of the shares or 25% or more of the voting rights in the Legal Person).
  - Managers (That person having day-to-day control of the company if not a shareholder/partner).
  - Authorised Signatories.
  - Passport of All shareholders, Ultimate beneficial owners, Managers, Signatories.
  - National Identity Document of shareholders, Ultimate Beneficial Owners, Managers, Signatories (Emirates ID, if a customer is a resident/citizen of UAE).
  - Memorandum and Articles of Association.

- Power of Attorney (if applicable).
- Proof of physical address of the company.
- Contact details.
- Business activities (type and volume).
- Source of funds and wealth.

The above list is a summary of the information required. A detailed checklist is attached in Appendix A.

- As part of the process for identifying and verifying customers, and for authenticating the original documents upon which the verification is based, SWFO INTERNATIONAL - FZE will include procedures for the certification of the customer identification and address documentation it obtains. SWFO INTERNATIONAL - FZE shall request corporate clients to produce or show the original documents for verification purposes. Such procedures will encompass:
  - Certification by employees (for example, by including the name, title of position, date, and signature of the verifying employee(s) on the copies of documents maintained on file, along with a statement representing that the copy of the document is a “true copy of the original”) and/or,
  - third parties (for example, by including the name, organization, title of position, date, and signature of the verifying person, along with a statement representing that the copy of the document is a “true copy of the original”).

If physical verification is not possible, or the customer is not in the UAE, SWFO INTERNATIONAL - FZE staff may do the verification of original ID on a secured video platform such as Zoom or Google Meet and store screenshot of evidence of verification.

- For companies or businesses, in case the original ID documents are not available, a duly authenticated document by the UAE Embassy in the home country of the Company or duly attested documents by UAE Notary Public in case the Company is in the UAE can be acceptable in place of the original documents. In cases where documents are obtained from foreign sources in countries which are members of the Hague Apostille Convention, SWFO INTERNATIONAL - FZE may request documents certified by Apostille seal.
- SWFO INTERNATIONAL - FZE shall take additional care in dealing with cases where customer verification is done without face-to-face contact with the ultimate client or the legal representative of the client for corporate customers.

### 17.3. INDIVIDUAL MEMBERS OF CORPORATE CUSTOMERS

- SWFO INTERNATIONAL - FZE shall obtain from all individual member of corporate customers, including shareholders, beneficial owners, directors, managers, authorised signatories, power of attorney holders, and other key managerial people, the following information:
  - Individual's full name (as per passport)
  - Date and place of birth
  - Nationality
  - Passport Number
  - National Identity Document (Emirates ID, for UAE nationals / resident)
  - Physical Address (residential and business / home country and UAE)
  - Contact details
  - Declaration regarding Beneficial Ownership, that is, the person who has ultimate ownership or entitlement over funds
  - Whether customer is Politically Exposed Person (PEP) or Close Associate of a PEP

The above list is a summary of the information required. A detailed checklist is attached in Appendix B.

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- As part of the process for identifying and verifying customers, and for authenticating the original documents upon which the verification is based, SWFO INTERNATIONAL - FZE will include procedures for the certification of the customer identification and address documentation it obtains. SWFO INTERNATIONAL - FZE shall request members of corporate clients to produce or show the original documents for verification purposes. Such procedures will encompass:
  - Certification by employees (for example, by including the name, title of position, date, and signature of the verifying employee(s) on the copies of documents maintained on file, along with a statement representing that the copy of the document is a "true copy of the original") and/or,
  - third parties (for example, by including the name, organization, title of position, date, and signature of the verifying person, along with a statement representing that the copy of the document is a "true copy of the original").

If physical verification is not possible, or the customer is not in the UAE, SWFO INTERNATIONAL - FZE staff may do the verification of original ID on a secured video platform such as Zoom or Google Meet and store screenshot of evidence of verification.

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- For individual, in case the original ID documents cannot be presented for verification, a duly authenticated document by the UAE Embassy in the home country of the individual or duly attested documents by UAE Notary Public in case the individual is in the UAE can be acceptable in place of the original documents. In cases where documents are obtained from foreign sources in countries which are members of the Hague Apostille Convention, SWFO INTERNATIONAL - FZE may request documents certified by Apostille seal.

## 18. KYC PROCESS

18.1. SWFO INTERNATIONAL - FZE maintains clear customer acceptance policies and procedures, including a description of the types of customers that are likely to pose a higher risk than average risk. Before accepting a potential client, KYC and due diligence procedure are followed, by examining factors such as customers' background, country of origin, public or high-profile position, business activities or other risk indicators.

18.2. KYC is to be carried out according to mandatory Customer KYC checklist:

- Corporate KYC Checklist (Refer to Appendix A)
- Individual Members of Corporate Client KYC Checklist (Refer to Appendix B)

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18.3. SWFO INTERNATIONAL - FZE should be required to conduct KYC and CDD procedure when:

- Establishing a new business relationship.
- Carrying out occasional transactions above the applicable designated threshold.
- There is suspicion of money laundering or terrorist financing.
- If SWFO INTERNATIONAL - FZE has doubts about the veracity or adequacy of the previously obtained customer identification data.
- It is necessary to obtain additional information from existing customers based on the conduct of the account.
- When there are changes to signatories, mandate holders, beneficial owners, and other relevant key personnel.

If the customer is unable to comply with these requirements, SWFO INTERNATIONAL - FZE should:

- Not open the account, commence business relations, or perform the transaction.

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- Terminate the business relationship.
  - Consider filing a suspicious-transaction report in relation to the customer.
- 18.4. SWFO INTERNATIONAL - FZE is strictly forbidden to do business with shell companies. Shell companies shall mean an institution that has no physical presence in any country, no active business and which merely exists on paper.
- 18.5. An integral part of the KYC process is the carrying out of customers screening and relative risk assessment. Screening ensures that a customer is not listed on the official sanctions lists issued by Government and law enforcement agencies. Background checking is designed to identify any adverse information about the past conduct of an individual that may influence their suitability as a customer.
- 18.6. When conducting the KYC process, there shall be no reliance on third party information or “hearsay”. For applicants introduced to SWFO INTERNATIONAL - FZE by a third party, SWFO INTERNATIONAL - FZE must carry out and perform all identification, verification, and KYC procedures.
- 18.7. It should be borne in mind that KYC is more than a procedure and is a discipline that is to be encouraged and developed. For example, KYC should become second nature so that in addition to the foregoing, any significant information related to the customer obtained during GS transactions, telephone discussion, visits, online search, etc. and which is deemed to be relevant for the purposes of the Policy should be recorded. Fresh due diligence should be undertaken, especially if it appears that the veracity or accuracy of previous information is doubted.

## **19. RISK BASED APPROACH**

- 19.1. A risk-based approach is one of the most effective ways to protect against money laundering and financing of terrorism. It is essential to understand that certain risks associated with the various elements of a customer profile may be indicative of potential criminal activity, such as geographic and jurisdictional issues, business and product types, distribution channels and prevailing transaction types and amounts.
- 19.2. Customers will be reviewed, assessed, and allocated with an appropriate level of risk of money laundering. Customers will be designated as – High, Medium or Low Risk.
- 19.3. All customers are subject to a risk assessment and risk rating for Gold and Silver transacting which will be recorded in the file. Due diligence requirements must be commensurate with the risk level associated with the customer and enhanced due diligence will be necessary for all higher risk customers.

- High risk customer will be subjected to enhanced levels of due diligence that go beyond the core policies and principles contained in this policy as defined in the next section on Enhanced Due Diligence.
- Medium risk customers will be subjected to standard level of due diligence in accordance with the core policies and procedures contained within this policy. With regards to a Medium Risk Customer, the Company shall include additional steps to mitigate the medium risk identified for their clients. Some of the documents that may be required to be obtained to provide additional comfort over the risk factors may include, but not limited to, the following:
  - Audited Financial Statement
  - Tax Returns, if available
  - AML Framework, if required by law in their jurisdiction
  - Supply Chain Policy and adherence to the supply chain regulations
- Low risk customer may be subjected to simplified due diligence procedures in accordance with the core policies and procedures contained within this policy. However, great care should be exercised to ensure that the Company continues to meet its legal obligations.

- 19.4. Although it is accepted that failure to provide satisfactory due diligence documentation might be indicative of a money laundering concern, it is also recognized that due to the geographic diversity of businesses, on occasion it might prove difficult or impossible to obtain documentation that exactly meets the criteria set out in this policy. In such cases, alternative due diligence methods shall be adopted to mitigate the risks.
- 19.5. If the situation mentioned in Clause 20.4 occur, and there are no reasons to suspect money laundering, the customer documentation should be referred to senior management and/or the Chief Compliance Officer, together with an explanation as to the type of issues that arose. Senior management, in consultation with the Chief Compliance Officer, will review the documentation and consider the risks associated with acceptance of identification evidence that falls outside these procedures.
- 19.6. The risks considered in the assessment and decision process, and the conclusions reached should be properly documented for the customer KYC file, with appropriate sign-off by the individuals involved. Only Senior Management, in consultation with the Chief Compliance Officer, may determine the High-risk level to be attributed to any customer and/ or approve documentation that does not meet the exact requirements of the Company's anti-money laundering policy.
- 19.7. In addition to trigger-based reviews, SWFO INTERNATIONAL - FZE shall conduct periodic

review of Customer's KYC and conduct CDD based on the risk profile of the customer:

- High Risk Customers: Every 12 months
- Medium Risk Customers: Every 18 months
- Low Risk Customers: Every 24 months

In relation to customers who did not trigger an alert, SWFO INTERNATIONAL - FZE may consider refreshing required information and conducting a simplified due diligence by asking the customer to confirm baseline information on file along with documentary proofs.

For customers who triggered an alert, a more in-depth assessment, and review of the customer activity, may be required.

## 20. ENHANCED DUE DILIGENCE

- 20.1. A High-Risk Customer will be one who presents a higher-than-normal adverse potential risk of involvement in money laundering or financing of terrorism or financing of illegal organization or any other matter that Senior Management or the Chief Compliance Officer consider to be significant.
- 20.2. To mitigate the increased risks associated with the High-Risk Customers, it will be necessary to consider the application of a level of enhanced due diligence for those customers. SWFO INTERNATIONAL - FZE' Senior Management, in consultation with the Chief Compliance Officer, will determine whether the level of risk is acceptable.
- 20.3. Enhanced Due Diligence ("EDD") will need to go beyond the normal requirements applied to the approval and monitoring of customers, as contained within this policy. As the reasons for designation as high risk will vary from customer to customer, the nature and level of enhancement will need to be determined separately as and when high risk customers are identified.
- 20.4. To perform EDD on their customers, the additional documents that may be required to be collected by SWFO INTERNATIONAL - FZE for the High-Risk Customer may include, but not limited to, the following:
- Audited Financial Statement
  - Tax Return
  - Bank Statements
  - AML/CFT Policy

- Bank Reference Letter
  - Dubai Good Delivery / LBMA / RJC Certificates
  - Independent Assurance Report
  - Business Profile
- 20.5. The above-mentioned additional documents, if collected in full or partially, will assist the team to perform further checks to identify controls within the client organization to help gauge the risk and obtain a comfort on engaging with such client.
- 20.6. In case, SWFO INTERNATIONAL - FZE is not satisfied with the mitigating controls identified during the EDD, the customer will be rejected and will not be onboarded.
- 20.7. All High-Risk customer files must be approved by Senior Management.
- 20.8. SWFO INTERNATIONAL - FZE shall perform Enhanced Due Diligence in the following scenarios:
- Customer entities incorporated in High-risk countries.
  - Politically Exposed Persons (PEPs) and Close Associates of PEPs.
  - If the customer/transaction is found to be suspicious/unusual.
  - Any other suspicious cases alerted based on the rule violation(s).

The above scenarios are reviewed periodically and updated as required through the Quarterly Compliance Committee Meeting.

## **21. POLITICALLY EXPOSED PERSONS ("PEPs")**

- 21.1. A Politically Exposed Person or PEP is a term that is used to describe a person who holds a public position that may be exposed to corruption. The following list contains examples of persons who may be considered PEPs, although this list should not be viewed as exhaustive:
- Current and Ex - Head & Deputy Head of state or National Government (President, Prime Minister, Government Ministers, Provincial Governors, Cabinet Members their Deputies (assistants), Senior Ministerial staff, and Secretaries.
  - Current and ex-Members of National and Provincial Assemblies and Senate.
  - Senior Civil Servants including Senior Government Officials, Heads of Government Departments, and Police Service.
  - Senior Judicial & Military officials
  - Senior Executives of state-owned Corporations.
  - Influential Religious leaders of National / International repute.

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- High ranking Officers in Diplomatic Service (Ambassadors, High Commissioners, Envoys, Attachés, Consul Generals, Consuls, Honorary Consuls, Counselors etc)
- Senior Political Party Officials and functionaries such as Leader, Chairman, Deputy leader, Secretary General, and Executive Committee or any other Senior ranks in party (does not include middle ranking or more junior individuals).
- Close family members of PEPs includes: Spouses, children, parents, siblings, and may also include other blood relatives and relatives by marriage.
- Closely associated persons includes: Close business colleagues and personal Advisors / Consultants to the politically exposed person as well as persons who are expected to benefit significantly by being close to such a person.

21.2. Adverse risk is created for PEPs as they might use their public position, or find that their public position is unknowingly used, for their own personal benefit or the benefit of others who may be involved in illegal activities such as corruption, bribery and fraud.

21.3. Adverse risk is increased considerably when a PEP is located in a high-risk country.

21.4. SWFO INTERNATIONAL - FZE will ensure that each underlying beneficial owner or controller is not a PEP by performing searches on official national and international databases to screen names against its database or referring to publicly available information. The results of such verification will be recorded.

21.5. In the event that a PEP is identified, SWFO INTERNATIONAL - FZE will:

- Assign a rating of high risk to the customer;
- Complete PEP Report, ensuring that the Head of AML/CFT Committee approves establishing a business with the customer;
- Conduct enhanced due diligence and be vigilant in monitoring the business relationship;
- Ensure reasonable measures will be taken to establish source of wealth and source of funds;
- PEP relationships will be tracked for the purposes of reporting and monitoring.

## **22. SANCTIONED INDIVIDUALS/ENTITIES**

22.1. SWFO INTERNATIONAL - FZE will take all required steps to ensure that all customers with whom a business relationship is established are screened against relevant notices such as:

- United Nations sanctions (UN)
- UAE (Local Terrorist List)
- the Office of Foreign Assets Control (OFAC)
- Her Majesty's Treasury Department – UK (HMT)
- European Union sanctions (EU)

- 22.2. Any confirmed matches to sanctions lists will be declined a business relationship, and the necessary reports will be made to Financial Intelligence Unit (FIU).
- 22.3. SWFO INTERNATIONAL - FZE shall document and record all the actions that were taken to comply with the sanctions regime and the rationale for such action. AML/CFT Committee will consider if any further action is required such as freezing of funds.

### **23. UPDATING OF KYC INFORMATION**

- 23.1. KYC is an ongoing process. The foundation of any customer due diligence and monitoring procedures lies in the initial collection of KYC information and the ongoing updating of that information.
- 23.2. SWFO INTERNATIONAL - FZE will take reasonable steps to ensure that KYC information and documents is updated as and when required.
- 23.3. As a minimum standard, KYC information must be updated every year for business relationships that are ongoing.

### **24. MONITORING OF CLIENTS' ACTIVITIES**

- 24.1. With regards to established Business Relationships, SWFO INTERNATIONAL - FZE is obliged to undertake ongoing supervision of customers' activity, including auditing transactions executed throughout the course of the relationship to ensure that they are consistent with the information, types of activity, and risk profiles of the customers.
- 24.2. In the case of customers or Business Relationships identified as high risk, SWFO INTERNATIONAL - FZE will obtain more information about the purpose of transactions and enhance ongoing monitoring and review of transactions in order to identify potentially unusual or suspicious activities.

24.3. In keeping with the level of risk involved, SWFO INTERNATIONAL - FZE will evaluate the specifics of the transactions examined in relation to the customer's due diligence information or profile and obtaining sufficient information on the counterparties and/or other parties involved (including but not limited to information from public sources, such as internet searches), in order to determine whether the transactions appear to be:

- Normal (that is, the transactions are typical for the customer, for the other parties involved, and for similar types of customers).
- Reasonable (that is, whether the transactions have a clear rationale and are compatible with the types of activities that the customer and the counterparties are usually engaged in).
- Legitimate (that is, whether the customer and the counterparties are permitted to engage in such transactions, such as when specific licenses, permits, or official authorisations are required).

## **25. INDICATORS OF SUSPICIOUS ACTIVITIES – RED FLAGS**

25.1. Criminals' methods are constantly evolving, and in many cases are specific to the particularities of a given market or a given type of trust and company services. The following list of red-flag indicators of potentially suspicious transactions is therefore by no means exhaustive.

It is noted the presence of one or more of the indicators below does not necessarily mean that a transaction involves ML/FT; however, it is an indication that enhanced due diligence or further investigation may be required, so that an appropriate determination can be made by the SWFO INTERNATIONAL - FZE' appointed Chief Compliance Officer as to whether the transaction is suspicious or not.

25.2. A red flag should be raised with respect to trade practices in the following circumstances:

- Precious metals and stones originate from a country where there is limited production or no mines at all.
- Trade in large volumes conducted with countries which are not part of a specific precious metals and stones pipeline.
- An increase of the volume of the activity in a DGS account despite a significant decrease in the industry-wide volume.
- Selling or buying precious metals and stones between two local companies through an

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intermediary located abroad (lack of business justification, uncertainty as to actual passage of goods between the companies).

- Volume of purchases and/or imports that grossly exceed the expected sales amount.
- Sale of gold bars, coins, and loose diamonds from a jewelry store (retail).
- A single bank account is used by multiple businesses.

25.3. A red flag should be raised with respect to the Business Relationship, or the Customer in the following circumstances if the customer:

- Suddenly cancels the transaction when asked for identification or information.
- Is reluctant or refuses to provide personal information, or the SWFO INTERNATIONAL - FZE has reasonable doubt that the provided information is correct or sufficient.
- Is reluctant, unable, or refuses to explain:
  - their business activities and corporate history;
  - the identity of the beneficial owner;
  - their source of wealth/funds;
  - why they are conducting their activities in a certain manner;
  - who they are transacting with;
  - the nature of their business dealing in gold and silver trading with third parties (particularly third parties located in foreign jurisdictions).
- Is under investigation, has known connections with criminals, has a history of criminal indictments or convictions, or is the subject of adverse information (such as allegations of corruption or criminal activity) in reliable publicly available information sources.
- Is a designated person or organisation (i.e. is on a Sanctions List).
- Is related to, or a known associate of, a person listed as being involved or suspected of involvement with terrorists or terrorist financing operations.
- Insists on the use of an intermediary (either professional or informal) in all interactions, without sufficient justification.
- Actively avoids personal contact without sufficient justification.
- Is a politically exposed person or has familial or professional associations with a person who is politically exposed.
- Is a foreign national with no significant dealing in gold and silver trading in the country, and no clear economic or other rationale for doing business with the SWFO INTERNATIONAL - FZE.
- Is located a significant geographic distance away from the SWFO INTERNATIONAL - FZE, with no logical rationale.
- Refuses to co-operate or provide information, data, and documents usually required to facilitate a transaction, or is unfamiliar with the details of the requested transaction.
- Makes unusual requests (including those related to secrecy) of the SWFO INTERNATIONAL - FZE or its employees.
- Is prepared to pay substantially higher fees than usual, without legitimate reason.

- Appears very concerned about or asks an unusual number of detailed questions about compliance-related matters, such as customer due-diligence or transaction reporting requirements.
- Is conducting a transaction which appears incompatible with their socio-economic, educational, or professional profile, or about which they appear not to have a good understanding.
- Uses legal persons, legal arrangements, or foreign private foundations that operate in jurisdictions with secrecy laws.
- Requests services (for example, smelting and reshaping of gold into ordinary-looking items) that could improperly disguise the nature of the GOLD AND SILVER or conceal beneficial ownership from competent authorities, without any clear legitimate purpose.
- Claims to be a legitimate DGS but cannot demonstrate a history or provide evidence of real activity.
- Is a business that cannot be found on the internet or social business network platforms (such as LinkedIn or others).
- Is registered under a name that does not indicate that activity of the company is related to GOLD AND SILVER, or that indicates activities different from those it claims to perform.
- Is a business that uses an email address with a public or non-professional domain (such as Hotmail, Gmail, Yahoo, etc.).
- Is registered at an address that does not match the profile of the company, or that cannot be located on internet mapping services (such as Google Maps).
- Is registered at an address that is also listed against numerous other companies or legal arrangements, indicating the use of a mailbox service.
- Has directors or controlling shareholder(s) who cannot be located or contacted, or who do not appear to have an active role in the company, or where there is no evidence that they have authorised the transaction.
- Is incorporated or established in a jurisdiction that is considered to pose a high money laundering, terrorism financing, or corruption risk.
- Has a complex corporate structure that does not appear to be necessary or that does not make commercial sense.
- Appears to be acting according to instructions of unknown or inappropriate person(s).
- Conducts an unusual number or frequency of transactions in a relatively short time period.
- Asks for short-cuts, excessively quick transactions, or complicated structures even when it poses an unnecessary business risk or expense.
- Requests payment arrangements that appear to be unusually or unnecessarily complex or confusing (for example, unusual deposit or installment arrangements, or payment in several different forms), or which involve third parties.
- Provides identification, records or documentation which appear to be falsified or forged.

- Requires that transactions be processed exclusively or mainly through the use of cash, cash equivalents (such as cashier's cheques, gold certificates, bearer bonds, negotiable third-party promissory notes, or other such payment methods), or through virtual currencies, for the purpose of preserving their anonymity, without adequate and reasonable explanation.

25.4. A red flag should be raised with respect to the transaction if it:

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

compared to the assets of those legal entities.

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

25.5. A red flag indicator for means of payment:

- Involves cash, cash equivalents (such as cashier's cheques, gold certificates, bearer bonds, negotiable third-party promissory notes, or similar instruments), negotiable bearer instruments, or virtual currencies, which do not state the true payer, especially where the amount of such instruments is significant in relation to the total value of the transaction, or where the payment instrument is used in a non-standard manner.
- Involves unusual deposits (e.g. use of cash or negotiable instruments, such as traveller's cheques, cashier's cheques and money orders) in round denominations (to keep below the reporting threshold limit) to pay for GOLD AND SILVER. The negotiable instruments may be sequentially numbered or purchased at multiple locations, and

may frequently lack payee information.

- Is divided into smaller parts or installments with a short interval between them.
- Involves doubts as to the validity of the documents submitted in connection with the transaction.
- Involves third-party payments with no apparent connection or legitimate explanation.
- Cannot be reasonably identified with a legitimate source of funds.

## **26. REPORTING OF SUSPICIOUS ACTIVITIES**

- 26.1. SWFO INTERNATIONAL - FZE shall institute a system for mandatory reporting of suspicious transactions pursuant to under the UAE AML/CFT legislative and regulatory framework. Any suspicious activities/transactions (SARs/STRs) or additional information required in relation to them, shall be reported to the FIU through the goAML system.
- 26.2. Where any employee or personnel, director or officer of SWFO INTERNATIONAL - FZE knows that the client has engaged in any of the predicate crimes, the matter must be promptly reported to the Compliance Department.
- 26.3. The Compliance Department will review the matter and if sufficient evidence is available then the matter will be escalated to the Chief Compliance Officer to review and decide whether the matter needs to be reported to the FIU as Suspicious Activity.
- 26.4. If there are reasonable grounds to suspect that the customer has engaged in an unlawful activity, the Chief Compliance Officer, on receiving such a report, must promptly evaluate whether there are reasonable grounds for such belief and must then immediately report the case to the FIU unless the Chief Compliance Officer considers, and records an opinion, that such reasonable grounds do not exist.
- 26.5. SWFO INTERNATIONAL - FZE shall maintain a register of all suspicious transactions that have been brought to the attention of its Chief Compliance Officer, including transactions that are not reported to the FIU. The register shall contain details of the date on which the report is made, the person who made the report to the Chief Compliance Officer and information sufficient to identify the relevant papers related to said reports.
- 26.6. SWFO INTERNATIONAL - FZE acknowledges that failure to report a suspicious transaction, whether intentionally or by gross negligence, is a federal crime. Any person who fails to perform their statutory obligation to report a suspicion of money laundering, or the financing of terrorism or of illegal organisations, is liable to a fine and/or imprisonment or both.

## **27. TIPPING OFF AND CONFIDENTIALITY**

27.1. Tipping off a customer, is an unauthorised act of disclosing information that:

- may result in the customer, or a third party (other than FIU) knowing or suspecting that the customer is or may be the subject of:
  - a suspicious transaction report; or
  - an investigation relating to money laundering or terrorist financing;and
- may prejudice the prevention or detection of offences, the apprehension or prosecution of offenders, the recovery of proceeds of crime, or the prevention of money laundering or terrorist financing.

27.2. SWFO INTERNATIONAL - FZE' directors, officers, and employees shall not warn customers that information relating to them has been or is in the process of being reported to the FIU, or communicate, directly or indirectly, such information to any person other than FIU. Any violation of this confidentiality provision shall render them liable for criminal, civil and administrative sanctions under the UAE AML/CFT law.

## **28. TRAINING AND AWARENESS**

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28.1. SWFO INTERNATIONAL - FZE shall provide education and training for all its staff and personnel, including directors and officers, to ensure that they are fully aware of their personal obligations and responsibilities in combating money laundering and financing of terrorism and illegal organization, and to be familiar with its system for reporting and investigating suspicious matters.

28.2. SWFO INTERNATIONAL - FZE may, due to the scale and nature of its operations, assign the role of Chief Compliance Officer, Internal Audit or Training to a competent Person and/or a Professional Company, who has relevant experience and expertise in the field of AML/CFT. In such a scenario, the credentials of the outsourced Person and/or the Professional Company must be validated to ensure that they possess sufficient experience around AML/CFT and will be able to perform the duties effectively.

28.3. SWFO INTERNATIONAL - FZE shall, at least once a year, make arrangements for refresher training to remind key staff and officers of their AML/CFT responsibilities and to make them aware of any changes in the laws and rules relating to AML/CFT.

28.4. New employees will receive appropriate training within 30 days of their hire date. Training for all employees must include not only the legal elements of AML/CFT laws and regulations but should also cover job specific applications of these laws. Ongoing training will be

provided and updated regularly to reflect current developments and changes to laws and regulations.

- 28.5. To ensure the continued adherence to SWFO INTERNATIONAL - FZE' AML/CFT and KYC policies and procedure, all employees are required to confirm their awareness of the contents of this Compliance Policy by signing the acknowledgment form annually, or more frequently, as required by the Compliance Committee.

## **29. RECORD KEEPING**

- 29.1. The following documents shall be considered as SWFO INTERNATIONAL - FZE' AML/CFT Documents:

- All clients' documentation as provided in KYC checklist and/or correspondences, including the documents obtained during CDD and/or EDD.
- All documentation concerning a suspicious activity report concerning a client or applicant together with any response or follow up.
- Records of AML/CFT training sessions attended by SWFO INTERNATIONAL - FZE' staff, officers and their affiliates, the dates, content, and attendees.
- Records of minutes of the meeting of the AML/CFT Committee, including the details of all decisions taken by the committee.
- Records of all AML/CFT decisions taken by the senior management

- 29.2. As a matter of fact, the objective of keeping records is to ensure that SWFO INTERNATIONAL - FZE can provide the basic information for the reconstruction of the transaction, at the request of the competent authorities.

- 29.3. Documents may be retained as originals or copies, or as scan images of original documents onto pen drives, hard disks, online systems, cloud-based systems, etc. provided that such forms are admissible in UAE Court of Law.

- 29.4. SWFO INTERNATIONAL - FZE shall designate at least two (2) persons responsible for safekeeping of records.

- 29.5. All records must be available for prompt and swift access by the relevant authorities when required, request for such records by government authorities may be fulfilled within a reasonable time frame, not to exceed fifteen (15) business days.

## **30. RECORD RETENTION POLICY**

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30.1. The following document retention periods shall be followed:

- All records of transactions of covered clients, especially customer identification records, shall be maintained and safely stored, physically or in electronic form, in an easily accessible place for five (5) years from the date of transaction.
- With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the date of closure.
- If the records relate to ongoing investigation or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed by the FIU that the case has been closed.

### **31. RECORD DESTRUCTION POLICY**

- 31.1. Records must be deleted / destroyed when they have reached the conclusion of the retention period.
- 31.2. Records should be disposed of in a manner which preserves the confidentiality of the record(s).
- 31.3. Records that have no retention requirement, and/or duplicate records, must be deleted / destroyed, unless approval to preserve said record is obtained from the senior management at SWFO INTERNATIONAL - FZE.

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### **32. NON-RETALIATION POLICY**

- 32.1. It is a policy of SWFO INTERNATIONAL - FZE not to retaliate in any way against anyone who in good faith discloses any information regarding money laundering to any relevant regulatory authority, government agency or to other relevant bodies involved in the prevention of money laundering and combating terrorism financing. Any member of SWFO INTERNATIONAL - FZE found to have retaliated shall be subject to disciplinary action, up to and including dismissal.



END OF DOCUMENT

**APPENDIX A – CORPORATE KYC CHECKLIST**

The following information/documents must be collected and retained:

	Document / Information	Completed
1	Proof of legal existence of the Company:	
	• Trade License	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	• Certificate of Incorporation / Share Certificates	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	• Memorandum and Articles of Association	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
2	Proof of the company's Registered Address and Office/Principal Address (primary address where the business activity is performed) in the country of origin and/or physical address within the UAE:	
	• Utility bill (e.g. electricity, water, phone)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	• Tenancy contract / purchase agreement	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	• Bank statement or Letter from Bank	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	• Local authority tax bill	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	• Letter from Public Authority	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
3	Contact details of the Company:	
	• Office telephone number(s)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	• Company email address	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

	<ul style="list-style-type: none"> <li>Company website</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
4	Verification of contact details above via the due diligence conducted by SWFO INTERNATIONAL – FZE staff	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
5	Board Resolution permitting the intended business relationship and transaction	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
6	Ultimate Beneficiary Owner Declaration	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
7	Identities, addresses and CDD of the following (as per Appendix A above):	
	<ul style="list-style-type: none"> <li>All shareholders / partners of the Company</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>All managers of the Company</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>All Authorised Signatories of the Company</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>All Ultimate Beneficiary Owner of the Company</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>Individuals holding Powers of Attorney from the company</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>Third party mandate holders of Applicant Company</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
8	Understanding the relationship that exists between the principals of the company and the powers of attorney/third party mandate holders	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
9	Details of the company's business including	
	<ul style="list-style-type: none"> <li>Main products or services</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

	<ul style="list-style-type: none"> <li>Names and addresses of parent company and/or subsidiaries, if applicable</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>Main activities geographical areas</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
10	Understanding the source of funds originating from the Company	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

**APPENDIX B – INDIVIDUAL MEMBERS OF CORPORATE CLIENT KYC CHECKLIST**

The following information/documents must be collected and retained:

	Document / Information	Completed
1	Basic Customer Information:	
	<ul style="list-style-type: none"> <li>• Legal name (Change of Name Deed in case the name does not match with the name on the Passport)</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Date of Birth</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Place of Birth</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Nationality</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Father's Name</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
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2	Identity Documents	
	<ul style="list-style-type: none"> <li>• Passport</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Home country National ID (Emirates ID if the individual is a UAE national / resident)</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
3	Address Proof Documents (any one)	
	<ul style="list-style-type: none"> <li>• Utility bill (e.g. electricity, water, phone)</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Tenancy contract / purchase agreement</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Bank statement</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>• Driving License with address on it</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

	<ul style="list-style-type: none"> <li>Local authority tax bill</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>Letter by employer or employment contract in case of a reputed company</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
4	Contact details of the individual:	
	<ul style="list-style-type: none"> <li>Telephone number(s)</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>Mobile number(s)</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	<ul style="list-style-type: none"> <li>Email address</li> </ul>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
5	Verification of contact details above via their testing by SWFO INTERNATIONAL – FZE staff	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
8	Understanding the source of funds and wealth of each individual/shareholder/manager	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
9	Ultimate Beneficiary Owner Declaration	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
10	Whether the individual/shareholder/manager is a Politically Exposed Person (PEP) or a Close Associate of a PEP	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A