



**Cutros Group Inc.**

(Reg.Nr. BC1449093)

**AML/CTF Policy**

List of changes

<b>Version</b>	<b>Date</b>	<b>Description</b>	<b>Author(s)</b>
<b>1.0</b>	2024/01/29	Document creation	Anna Lombardo
<b>2.0</b>	2024/03/21	First Update	Anna Lombardo
<b>3.0</b>	2025/11/30	Yearly review Update	Anna Lombardo



## 1.- Introduction

Cutros Group Inc. (hereinafter, “**Cutros**”), an authorized Money Service Business officially registered with the Financial Transactions and Reports Analysis Centre of Canada (hereinafter, “**FINTRAC**”), holding registration number M24887352, has to perform AML/CTF Duties, as defined below, and exercise due care with respect to the prevention and fight of money laundering and the financing of terrorism in accordance with Canadian laws.

The AML/CTF Duties shall be exercised on a risk-based approach to determine and adjust the depth of the due diligence obligation according to the risk assessment made on the business of Cutros, its Customers and transactions.

The risk-based approach only allows Cutros establish and adapt the scale of the Customer Due Diligence on a risk-sensitive basis to the Customer or the transaction but it does not allow to simply waive one, several or all of the measures.

## 2.- Legal and regulatory frame

- Proceeds of Crime (Money Laundering) and Terrorist Financing Act<sup>1</sup>
- Updated Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada<sup>2</sup>
- FINTRAC Assessment on Terrorist Financing<sup>3</sup>
- FINTRAC Guidance on Compliance Program requirements<sup>4</sup>
- FINTRAC Guidance on Risk assessment requirements<sup>5</sup>
- FINTRAC Guidance on the Proceeds of Crime (Money Laundering) and Terrorist Financing and associated Regulations developed by FINTRAC for reporting entities<sup>6</sup>
- FINTRAC Guidance on money laundering and terrorist financing indicators<sup>7</sup> for Money Services Businesses and Virtual Currency Transactions<sup>8</sup>
- FINTRAC Guidance on identity verification<sup>9</sup>, and methods for the identity verification<sup>10</sup>

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<sup>1</sup> <https://laws-lois.justice.gc.ca/eng/acts/P-24.501/>

<sup>2</sup> <https://www.canada.ca/en/department-finance/programs/financial-sector-policy/updated-assessment-inherent-risks-money-laundering-terrorist-financing-canada.html>

<sup>3</sup> <https://fintrac-canafe.canada.ca/intel/assess/tfa-2018-eng>

<sup>4</sup> <https://fintrac-canafe.canada.ca/guidance-directives/compliance-conformite/Guide4/4-eng>

<sup>5</sup> <https://fintrac-canafe.canada.ca/guidance-directives/compliance-conformite/rba/rba-eng>

<sup>6</sup> <https://fintrac-canafe.canada.ca/guidance-directives/guidance-directives-eng#s3>

<sup>7</sup> [https://fintrac-canafe.canada.ca/guidance-directives/transaction-operation/indicators-indicateurs/msb\\_mltf-eng](https://fintrac-canafe.canada.ca/guidance-directives/transaction-operation/indicators-indicateurs/msb_mltf-eng)

<sup>8</sup> [https://fintrac-canafe.canada.ca/guidance-directives/transaction-operation/indicators-indicateurs/vc\\_mltf-eng](https://fintrac-canafe.canada.ca/guidance-directives/transaction-operation/indicators-indicateurs/vc_mltf-eng)

<sup>9</sup> <https://fintrac-canafe.canada.ca/guidance-directives/client-clientele/client/msb-eng>

<sup>10</sup> <https://fintrac-canafe.canada.ca/guidance-directives/client-clientele/Guide11/11-eng>



- FINTRAC Guidance on ongoing monitoring requirements<sup>11</sup>
- FINTRAC Guidance on record keeping requirements<sup>12</sup>
- FINTRAC Guidance on Politically Exposed Persons<sup>13</sup>
- FINTRAC Guidance on travel rule<sup>14</sup>
- Ministerial directives and transaction restrictions<sup>15</sup>
- FINTRAC special bulleting on ideologically motivated violent extremism: a terrorist activity financing profile<sup>16</sup>
- FATF “Black and grey” lists<sup>17</sup>
- Listed Terrorist Entities<sup>18</sup>

### 3.- Definitions

- (a) **AML/CTF** shall mean anti-money laundering and counter-terrorist financing.
- (b) **AML/CTF Duties** shall mean the obligations set forth by any applicable AML/CTF Law.
- (c) **AML/CTF Policy** shall mean the present policy on the fight against money laundering and terrorist financing.
- (d) **Beneficial Owner** shall mean any natural person who ultimately owns or controls the Customer and/or any natural person on whose behalf a transaction or activity is being conducted. The Beneficial owner shall at least include:
- 1) In the case of corporate entities: (i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that entity, including through bearer shareholdings, or through control via other means, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Canadian law or subject to equivalent international standards which ensure adequate transparency of ownership information. A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the Customer held by a natural person shall be an indication of direct ownership. A shareholding of 25 % plus one share or an ownership interest of more than 25 % in the Customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s),

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<sup>11</sup> <https://fintrac-canafe.canada.ca/guidance-directives/client-clientele/omr-eng>

<sup>12</sup> <https://fintrac-canafe.canada.ca/guidance-directives/recordkeeping-document/record/msb-eng>

<sup>13</sup> <https://fintrac-canafe.canada.ca/guidance-directives/client-clientele/pep/pep-non-acct-eng>

<sup>14</sup> <https://fintrac-canafe.canada.ca/guidance-directives/transaction-operation/travel-acheminement/1-eng>

<sup>15</sup> <https://fintrac-canafe.canada.ca/obligations/directives-eng>

<sup>16</sup> <https://fintrac-canafe.canada.ca/intel/bulletins/imve-eng?wbdisable=true>

<sup>17</sup> <https://www.fatf-gafi.org/en/countries/black-and-grey-lists.html>

<sup>18</sup> <https://www.publicsafety.gc.ca/cnt/ntnl-scr/cntr-trrrsm/lstd-ntts/crrnt-lstd-ntts-en.aspx>



shall be an indication of indirect ownership; (ii) if, after having exhausted all possible means and provided there are no grounds for suspicion, no person under point (i) is identified, or if there is any doubt that the person(s) identified are the Beneficial owner(s), the natural person(s) who hold the position of senior managing official(s).

Control through other means may be determined in accordance with the following criteria: (i) the direct or indirect right to exercise a dominant influence over a Customer, on the basis of a contract entered into with that Customer or of a clause of the articles of association of that Customer, where the law governing that Customer allows being subject to such contracts or such statutory clauses; (ii) the fact that a majority of the members of the administrative, management or supervisory bodies of the Customer, in office during the financial year as well as the preceding financial year and until the preparation of the consolidated financial statements, were appointed through direct or indirect exercise of the voting rights of one natural person; (iii) the direct or indirect power to exercise or the actual direct or indirect exercise of a dominant influence or control over the Customer, including the fact that the Customer is placed under a single management with another undertaking; (iv) an obligation, under the applicable law to which the parent undertaking of the Customer is subject, to prepare consolidated financial statements and a consolidated management report;

- 2) in the case of *fiducies* and trusts, all following persons: (i) the settlor; (ii) the *fiduciarie(s)* and trustee(s); (iii) the protector, if any; (iv) the beneficiaries, or where the individuals benefiting from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates; (v) any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means;
- 3) in the case of legal entities such as foundations, and legal arrangements similar to trusts, the natural person(s) holding equivalent or similar positions to those referred to in the previous point.

- (e) **Business relationship** means a business, professional or commercial relationship which is connected with the professional activities of the institutions and persons covered by this law and which is expected, at the time when the contact is established, to have an element of duration.
- (f) **Compliance Officer** shall mean the person in charge of the compliance of the Company with the AML/CTF Duties on day-to-day basis.



- (g) **Customer** shall mean any individuals or legal entity entering into a Business relationship with the Company.
- (h) **Director** shall mean the director of Cutros.
- (i) **Merchants** shall mean any legal entity or individual entering into a merchant contract with Cutros.
- (j) **Money laundering** shall mean: (i) Knowingly facilitating, by any means, the false justification of the nature, origin, location, disposition, movement or ownership of the property or proceeds obtained or derived directly or indirectly as a result of the commission of a designated offence; (ii) knowingly assisting in a placement, dissimulation, disguise, transfer or conversion transaction of property or proceeds obtained or derived directly or indirectly as a result of the commission of a designated offence; (iii) having acquired, held or used the property or proceeds obtained or derived directly or indirectly as a result of the commission of a designated offence, knowing that originated from a designated offence.
- (k) **Operational Units** shall include but is not limited to the Compliance specialists and the transaction monitoring specialists.
- (l) **Politically Exposed Person (PEP)** shall mean natural persons who are or have been entrusted with prominent public functions and immediate family members or persons known to be close associates of such persons. Where a PEP is no longer entrusted with a prominent public function he or she will remain a PEP, for at least 12 months, but at least until such time as that person is deemed to pose no further risk specific to politically exposed persons. In this regard, a natural person who are or have been entrusted with prominent public functions shall include:
  - 1) heads of State, heads of government, ministers and deputy or assistant ministers;
  - 2) members of parliament or of similar legislative bodies;
  - 3) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal except in exceptional circumstances;
  - 4) members of courts of auditors or of the boards or directorates of central banks;
  - 5) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
  - 6) members of the administrative, management or supervisory bodies of State-owned enterprises;
  - 7) important officials and members of the governing bodies of political parties;
  - 8) directors, deputy directors and members of the board or equivalent function of an international organisation;



None of the categories set out above shall be understood as covering middle ranking or more junior officials.

Similarly, “immediate family members” refers to all physical persons, including in particular: (i) the spouse; (ii) any partner considered by national law as equivalent to the spouse; (iii) the children and their spouses, or partners considered by national law as equivalent to a spouse; (iv) the parents; and (v) the brothers and sisters.

Similarly, “persons known to be close associates” shall mean all natural persons, including: (i) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relationships with a PEP; (ii) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of a PEP.

- (m) **Terrorism Financing** shall mean: (i) providing or collecting by any means, directly or indirectly, unlawfully and intentionally, funds, assets or properties of any nature, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts; and (ii) providing or collecting by any means whatsoever, directly or indirectly, unlawfully and knowingly, funds, securities or property of any kind, with the intention of seeing them used or knowing that they will be used, in whole or in part, by a terrorist or a terrorist group, including in the absence of a link to one or more specific terrorist acts, even if they have not actually been used by the terrorist or the terrorist group. In this regard, the term “funds” includes property of every kind, whether tangible or intangible, movable or immovable, acquired by any means whatsoever, and legal documents or instruments in any form whatsoever, including in electronic or digital form, which evidences a right of ownership or interest in these assets and bank credits, traveller’s checks, bank checks, money orders, shares, securities, bonds, bank drafts and letters of credit, without prejudice to exhaustiveness of this enumeration.
- (n) **Source of funds** shall mean the origin of the funds involved in a business relationship or occasional transaction
- (o) **Source of wealth** shall mean the origin of the Customer’s total wealth.
- (p) **Whistle-blower** shall mean a person who reports a wrongful, unethical or unlawful behavior, misconduct internally or externally.

#### **4.- Cutros activities**

##### **4.1 Digital Wallet services**

Cutros is the operator of a digital wallet which allows both individuals (users) and legal entities (merchants) to open an account, hold balance and make payment transactions.



#### **4.2.- Payment Processing Services**

Remitting or transmitting from one person or entity to another using an electronic funds transfer network. This includes remitting or transmitting funds, as instructed by the merchants, carried out by means of a payment method that permits payment by that means for the provision of goods and services.

Cutros is providing payment services for good or services when: (i) Cutros receives payment instructions and act as an intermediary between a payer purchasing goods or services and a payee supplying goods or services; and (ii) the payee has an agreement with Cutros to have access to the transfers carried out as a payment for the goods or services.

As a payment processor, Cutros process payment transactions which have been accepted from the Merchants. Cutros thus enables Customers it enters into a Business relationship (Merchants) to securely and reliably accept payments.

#### **4.3.- Virtual Currency**

The business activity of dealing in virtual currency includes both virtual currency exchange and virtual currency transfer services.

Virtual currency exchange services include exchanging: (i) funds for virtual currency; (ii) virtual currency for fuds; or (iii) virtual currency for another virtual currency.

Virtual currency transfer services include: (i) transferring virtual currency at the request of a client; or (ii) receiving transfer of virtual currency for remittance to a beneficiary.

### **5.- Roles and responsibilities**

#### **5.1 Management Body**

The Management Body is responsible for defining the compliance principles to which Cutros has to adhere. It has to demonstrate a clear commitment by ensuring that an appropriate policy is in place and that the compliance risks are managed appropriately.

The Management Body must formally approve the Compliance Policy and any other governance-related document. The efficiency of implementation of this policy has to be evaluated on an annual basis by means of a status report.

#### **5.2.- Executive Director**

Executive Directors is responsible for guaranteeing compliance with the legal and regulatory provisions and establishing among other, internal anti-money laundering and terrorist financing policies and procedures and ensuring their proper implementation.



Executive Director shall take the most important decisions concerning the prevention of money laundering and terrorist financing.

Executive Director shall ensure that Cutros has policies, controls and procedures that enable it to effectively manage and mitigate its money laundering and terrorist financing risks and the Executive Director shall approve such policies, controls and procedures.

In the case of enhanced due diligence measures (EDD), the Executive Director shall constitute the ultimate level of escalation for the decision to commence or continue the Business Relationship.

Executive Director must also define the human and technical resources needed to reach these objectives. Without prejudice to the above-mentioned directors' own responsibility, Executive Director must appoint an anti-money laundering and terrorist financing officer (i.e. the Compliance Officer) to carry out the AML Duties on a day-to-day basis.

### **5.3.- Compliance Officer**

The Compliance Officer shall be appointed by the Executive Director.

The name of the Compliance Officer, as well as any changes regarding this function, shall be communicated to FINTRAC.

The Compliance Officer has the following tasks and obligations with respect to AML/CTF related issues:

- (a) Ensure that Cutros has specific internal and relevant rules & procedures regarding AML/CTF Duties and ensure the execution of such rules and procedures;
- (b) Be the central point of contact for questions of internal and external persons related to the fight and prevention of money laundering and terrorist financing;
- (c) Support and give advice to the Executive Director and staff members of Cutros;
- (d) Assess Business relationships with Customer classified as high risk;
- (e) Assess transactions that are deemed to be high risk;
- (f) Assess Business relationships with PEP and relating family member or persons known to be close associates of PEP;
- (g) Identify and assess the risks of ML/TF which may result from the development of new products and business practices, including new distribution mechanisms, and the use of new or developing technologies related to new or pre-existing products;
- (h) Instruct special verifications and/or intensified monitoring of Business relationships for AML/CTF reasons;
- (i) Initiate and/or execute additional clarifications/investigations and documentation regarding Customer and/or transactions;



- (j) Monitor compliance with the AML Duties by all concerned employees;
- (k) Cooperate with FINTRAC and other relevant authorities;
- (l) Organise internal training for the prevention of money laundering and terrorist financing;
- (m) Update this AML/CTF Policy including any annexes and any other local AML policy when needed;
- (n) Prepare, at least once a year, a summary report on his activities and his operations, which shall be submitted to the Management Body;
- (o) Report regularly to the Management Body on compliance issues and other relevant compliance related matters. In addition, the Compliance Officer shall inform immediately the Management Body of any event which may endanger business operations and/or reputation of Cutros or exposes Cutros to a significant legal or compliance risk or of any significant violation of rules;
- (p) File suspicious activity reports (SAR) and suspicious transactions reports (STR);
- (q) Evaluation of the continuation of the opportunity to continue a business after the filing of SAR/STR, which shall be submitted to the attention of the Executive Director;
- (r) Control compliance with this AML/CTF Policy;
- (s) Assess the positive hits raised by the screening on blacklists/sanctions/PEPs controls;
- (t) Perform a detailed analysis of the refused prospects and terminated Customers or cases on the blacklist and report any suspicious elements of money laundering or terrorist financing to the Management Body;
- (u) Assess transactions with suspicious or unusual patterns after the first analysis of the first line of defense;
- (v) The Compliance Officer shall have the professional experience, knowledge of the legal and regulatory framework relating to AML/CTF, the hierarchy and powers within the entity (including the power to access on a timely basis the identification and verification data of Customers and other information and documentation required by the due diligence measures), as well as the availability necessary to the effective and autonomous exercise of his/her function;
- (w) Without prejudice to their responsibility, the Compliance Officer may delegate in writing the exercise of individually detailed tasks to one or more employees of Cutros, provided that the latter are suitable for the delegation.
- (x) The accumulation of the function of Compliance Officer and one or more other functions shall not impede the independence, objectivity and decision-making autonomy of the Compliance Officer. His/her workload shall be adapted so that the efficiency of the AML/CTF framework is not compromised.



- (y) The compliance with the AML/CTF Policy shall be subject to regular controls and verifications, at a frequency determined according to the money laundering and terrorist financing risks to which Cutros is exposed. The Compliance Officer shall report in writing on a regular basis and, if necessary, on an ad hoc basis to the Management Body. These reports concern the follow-up of the recommendations, problems, shortcomings and irregularities identified in the past as well as the new problems, shortcomings and irregularities identified. Each report specifies the risks related thereto as well as their seriousness (measuring the impact) and proposes corrective measures, as well as in general the opinion of the persons concerned. These reports shall mention the money laundering or terrorist financing suspicions, which were identified and shall also express a judgement on the adequacy of the AML/CTF Policy and of the collaboration between Cutros' departments as regards AML/CTF.

Cutros shall ensure that its Compliance function is adequately resourced to perform its duties, including to test compliance with the procedures, policies and controls.

#### **5.4.- Operational Units**

Operational Units have the following tasks and obligations:

- (a) Carry out the Customer Due Diligence in accordance with this AML/CTF Policy;
- (b) Maintaining and updating an adequate Know Your Customer-profile in the CRM system;
- (c) Submitting all necessary documentation to the Compliance Officer for the assessment of (i) Business relationship with Customer classified as high risk, (ii) transactions that are deemed to be high risk and (iii) Business relationship with PEP and relating family member or persons known to be close associates of PEP;
- (d) Reporting any suspicion of money laundering or terrorism financing or any other event, which may endanger business operations and/or reputation of Cutros or exposes Cutros to a significant legal or compliance risk or of any significant violation of rules to the Compliance Officer;
- (e) Inform without delay the Compliance Officer about the decision based on an indication of money laundering or terrorist financing not to enter into a Business Relationship or execute a transaction based on an indication of money laundering or terrorist financing;
- (f) Inform on a regular basis the Compliance Officer of the decisions (not based on an indication of money laundering or terrorist financing) not to enter into a Business Relationship or execute a transaction. The information shall include the reasons



underlying the formal refusal of a new Business Relationship and all other pertinent information;

- (g) Continuous monitoring of Customers and transactions.
- (h) Initial assessment of critical cases or unusual event (e.g. for the attention of the Compliance Officer).
- (i) Initial assessment of Business relationship with PEP and relating family member or persons known to be close associates of PEP for the attention of the Compliance Officer.
- (j) Support the Compliance Officer with the filing of reports to supervisory and/or official, in particular with the collection of relevant information and documents.
- (k) Perform the screening on blacklist/sanctions/PEP before the acceptance of the Customer on an ongoing basis.
- (l) Maintain and update operational policies and procedures.

## **6.- AML-related requirements and duties**

### **6.1.- General**

In accordance with the applicable laws, the following anti-money laundering and terrorist financing professional obligations apply to Cutros on a risk based-approach:

- (a) Obligation to perform a ML/TF risk assessment which is complete and comprises all the activities, risk variables and factors to which it is exposed;
- (b) Obligation to perform Customer Due Diligence;
- (c) Obligation to perform ongoing due diligence and periodic reviews on Cutros's existing Customers on a risk-sensitive basis;
- (d) Obligation to keep certain records and information;
- (e) Obligation to perform adequate internal management requirements and employees training;
- (f) Obligation to comply with group-wide policies and procedures;

### **6.2.- Obligation to perform a ML/TF risk assessment**

Cutros shall take appropriate steps to identify, assess and understand the risks of ML/TF that it faces, taking into account risk factors including those relating to the Customer, countries or geographic areas, products, services, transactions or delivery channels. Those steps shall be proportionate to the nature and size of Cutros.

Cutros shall consider all relevant risk factors before determining the overall risk level and the level and type of appropriate measures to apply in order to manage and mitigate these risks.



Cutros shall document, keep up-to-date and make the risk assessments available to FINTRAC.

AML/CTF risk assessment is performed to identify and assess the risks of ML/TF which may result from the development of new products and business practices, including new distribution mechanisms, and the use of new or developing technologies related to new or pre-existing products.

Cutros shall: (i) assess the risks before the launch or use of these products, practices and technologies; and (ii) take appropriate measures to manage and mitigate these risks.

Each Customer needs to be risk assessed before being approved by Cutros.

### **6.3.- Obligation to perform Customer due diligence**

Cutros will need to perform the Customer Due Diligence prior to enter into a Business relationship. The decision to enter into a Business relationship shall be taken after the completion of the Customer Due Diligence.

The decision to enter into a Business relationship with a Customer with a high-risk profile, may only be taken by the Executive Director after assessment and recommendation of the Compliance Officer.

Without prejudice to Cutros's obligation to identify the Customer (i.e. collecting the identification information), the verification of the identity can be performed during the establishment of the relation and before the first transaction, if the following conditions are all met:

- (a) the AML/CTF risk is low and efficiently managed;
- (b) it is necessary not to interrupt the normal conduct of business;
- (c) No transaction is performed before the completion of the verification;

Failure to receive the missing documents within the set deadline might result in the closure of the Business Relationship or in blocking the acceptance of any transactions for the Business Relationship. No transactions shall be carried out by the Customer until full compliance with the Customer Due Diligence requirements is obtained.

Whenever Cutros decides not to enter into a Business Relationship or execute a transaction, it shall document the reasons of refusal and, whenever necessary, notify the authorities.

#### **6.3.1.- Scope of the Customer Due Diligence (CDD)**

Customer Due Diligence procedures shall include:



- (a) Identification of the Customer and verification of the Customer's identity on the basis of documents, data or information obtained from a reliable and independent source (e.g. requesting official documents), including, where available, electronic identification ensuring secure, remote identification process;
- (b) Identification of the Beneficial Owner(s), taking risk-based and adequate measures to verify their identity or to understand the ownership and control structure of the legal person, fiducie, trust, company, foundation or similar legal arrangements, using relevant information or data obtained from a reliable and independent source;

Identification and verification obligation must thus go further than the direct Customer and extend to Beneficial Owner(s);

To this purpose, a declaration of Beneficial Owner shall be collected from the Customer or the Beneficial owner itself. This declaration contains at least the following information: surname, first name and nationality as well as date and place of birth, address and where appropriate, the official national identification number. The Customer shall commit to communicate any subsequent changes without delay to the Company;

- (c) For any legal entity, identification of the Customer proxies and verification of the Customer proxy's identity shall be made with one valid authentic official identification document issued by a public authority which bears the Customer's signature and picture such as the Customer's passport, his ID, his residence permit, his driving licence or any other similar document;
- (d) Provision of information on the purpose and intended nature of the Business Relationship. The Source of Funds and the Source of Wealth will be requested when applicable (cf. Section 6 of the Annex 3 for more details);
- (e) Gather and record of information on the types of transactions for which the Customer seeks a Business Relationship;
- (f) Performance of ongoing monitoring of the Business Relationship, including the review of transactions and keeping up-to-date the documents, data or information held as stated below in the scope ongoing due diligence. Performance of the screening before approval of the Business Relationship and on an ongoing basis of the screening on blacklist/sanctions/PEP;

It has to be mentioned that the keeping of anonymous and numbered accounts, anonymous passbooks, safe-deposit boxes or accounts in obviously fictitious names is prohibited (Art 3(4) of the AML law).

### **6.3.2.- When is the performance of the due diligence mandatory?**



as required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (the Act) and associated Regulations<sup>19</sup>, Cutros shall perform Customer due diligence in the following situations:

- (a) when entering into a Business relationship (i.e. before the execution of the agreement);
- (b) when carrying out large cash transactions
- (c) when carrying out large virtual currency transactions
- (d) in the event of suspicious transactions
- (e) when carrying out issuing or redeeming traveller's cheques, money orders, or similar negotiable instruments of \$3,000 or more
- (f) when carrying out transmitting \$1,000 or more in funds by means other than an electronic funds transfer
- (g) when initiating an electronic funds transfer of \$1,000 or more
- (h) when carrying out foreign currency exchange transactions of \$3,000 or more
- (i) when carrying out transfer of virtual currency in an amount equivalent to \$1,000 or more
- (j) when carrying out exchange of virtual currency in an amount equivalent to \$1,000 or more
- (k) when remitting funds in the amount of \$1,000 or more to a beneficiary, by means other than an electronic funds transfer
- (l) when remitting funds to the beneficiary of an international electronic funds transfer of \$1,000 or more
- (m) when remitting virtual currency to a beneficiary in an amount equivalent to \$1,000 or more
- (n) when there is a suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold; and
- (o) when there are doubts about the veracity or adequacy of previously obtained Customer identification data.

In addition, an ongoing due diligence shall be applied on a regular basis and at any time trigger events happens (e.g. any unusual transactions, hits on name screening, etc.)

### **6.3.3.- Simplified Due Diligence (SDD)**

In accordance with paragraphs 5(a) to (g) of the Act Proceeds of Crime (Money Laundering) and Terrorist Financing Act, Cutros can apply Simplified Due Diligence (SDD) measures in situations when a lower risk of money laundering and terrorist financing is identified.

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<sup>19</sup> <https://fintrac-canafe.canada.ca/guidance-directives/client-clientele/client/msb-eng>



Before applying simplified Customer Due Diligence measures, Cutros shall ascertain that the Business Relationship or the transaction presents a lower degree of risk.

When assessing the risks of money laundering and terrorist financing relating to types of Customers, geographic areas, and particular products, services, transactions or delivery channels, Cutros shall take into account at least the factors of potentially lower risk situations, in particular:

(a) Customer risk factors:

- 1) public companies listed on a stock exchange and subject to disclosure requirements (either by stock exchange rules or through law or enforceable means), which impose requirements to ensure adequate transparency of Beneficial ownership;
- 2) public administrations or enterprises from countries or territories having a low level of corruption;
- 3) Customers that are resident in geographical areas of lower risk as set out in point (c);

(b) Product, service, transaction or delivery channel risk factors:

- 1) life insurance policies for which the premium is low;
- 2) insurance policies for pension schemes if there is no early surrender option and the policy cannot be used as collateral;
- 3) a pension, superannuation or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages, and the scheme rules do not permit the assignment of a member's interest under the scheme;
- 4) financial products or services that provide appropriately defined and limited services to certain types of Customers, so as to increase access for financial inclusion purposes;
- 5) products where the risks of money laundering and terrorist financing are managed by other factors such as purse limits or transparency of ownership (particularly, certain types of electronic money);

(c) Geographical risk factors - registration, establishment, residence in:

- 1) Canada;
- 2) third countries having effective anti-money laundering and counter terrorist financing systems;
- 3) third countries identified by credible sources as having a low level of corruption or other criminal activity;
- 4) third countries which, on the basis of credible sources such as mutual evaluations, detailed assessment reports or published follow-up reports,



have requirements to combat money laundering and terrorist financing consistent with the revised FATF Recommendations and effectively implement those requirements.

Cutros shall carry out sufficient monitoring of the transactions and Business Relationship to enable the detection of unusual or suspicious transactions.

Cutros shall gather sufficient information in every circumstance to determine whether the Customer satisfies all of the conditions required to apply the Simplified Customer Due Diligence measures, which means that Cutros must have access to a reasonable amount of information relating to the SDD requirements, and must monitor the Business Relationship at all times so as to ensure that the conditions for the application of the SDD are at all times fulfilled.

Irrespective of the frequency of review of the Business Relationship, Cutros shall verify at least once a year whether the conditions which allowed the application of SDD measures are still met. If there were no transactions during this period, Cutros shall carry out this verification during the following reactivation of the Business Relationship.

The SDD process will be limited for low-risk customers.

If there is information available which suggests that the degree of risk is not lower, or where there is a suspicion of money laundering or terrorist financing or when there is a doubt about the veracity or adequacy of previously obtained data, or in specific cases of higher risks, the application of the SDD regime is not possible.

Nevertheless, all the information necessary to know whether Simplified Due Diligence measures can apply shall be gathered and kept.

#### **6.3.4.- Enhanced Due Diligence (EDD)**

Cutros is required to apply, on a risk-sensitive basis, Enhanced Customer Due Diligence measures, in situations which present a higher risk of money laundering or terrorist financing, in particular:

(a) Customer risk factors:

- 1) the Business relationship is conducted in unusual circumstances;
- 2) Customers that are resident in geographical areas of higher risk;
- 3) legal persons or arrangements that are personal asset-holding vehicles;
- 4) companies that have nominee shareholders or shares in bearer form;
- 5) businesses that are cash-intensive;
- 6) the ownership structure of the company appears unusual or excessively complex given the nature of the company's business;



(b) Product, service, transaction or delivery channel risk factors:

- 1) products or transactions that might favour anonymity;
- 2) non-face-to-face Business relationships or transactions, without certain safeguards, such as secure, remote identification process;
- 3) payment received from unknown or unassociated third parties;
- 4) new products and new business practices, including new delivery mechanism, and the use of new or developing technologies for both new and pre-existing products;

(c) Geographical risk factors:

- 1) countries identified by credible sources, such as mutual evaluations, detailed assessment reports or published follow-up reports, as not having effective anti-money laundering and counter terrorist financing systems;
- 2) countries identified by credible sources as having significant levels of corruption or other criminal activity;
- 3) countries subject to sanctions, embargos or similar measures;
- 4) countries providing funding or support for terrorist activities, or that have designated terrorist organisations operating within their country.

Cutros shall examine, as far as reasonably possible, the background and purpose of any transaction, that fulfils at least one of the following conditions:

- (a) it is a complex transaction;
- (b) it is an unusually large transaction;
- (c) it is conducted in an unusual pattern; or
- (d) it does not have an apparent economic or lawful purpose.

In particular, Cutros shall increase the degree and nature of monitoring measures of the Business Relationship, in order to determine whether those transactions or activities appear unusual or suspicious.

With respect to Business Relationships or transactions involving high-risk countries, Cutros shall apply the following enhanced Customer Due Diligence measures:

- (a) obtaining additional information on the Customer and on the Beneficial Owner(s) and updating more regularly the identification data of the Customer and Beneficial Owner;
- (b) obtaining additional information on the intended nature of the Business relationship;
- (c) obtaining information on the Source of Funds and Source of Wealth of the Customer and of the Beneficial owner(s);
- (d) obtaining information on the reasons for the intended or performed transactions;



- (e) obtaining the approval of the Executive Director for establishing or continuing the Business Relationship;
- (f) conducting enhanced monitoring of the Business Relationship by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

Cutros shall not enter into or continue a correspondent relationship with a shell bank or a financial institution that is known to allow its accounts to be used by a shell bank. Cutros shall ensure that the respondent institutions do not permit their accounts to be used by shell banks. As a matter of principle, Cutros does not engage in any correspondent relationships.

With regard to transactions or Business Relationships with Politically Exposed Persons, Cutros shall additionally:

- (a) have appropriate risk management systems, including risk-based procedures, to determine if the Customer or Beneficial owner is a Politically Exposed Person;
- (b) obtain Executive Director approval for establishing or continuing, for existing Customers, Business relationships with such persons;
- (c) take reasonable measures to establish the Source of Wealth and Source of Funds that are involved in the Business Relationship or transaction with such persons;
- (d) conduct enhanced ongoing monitoring of the Business Relationship.

These measures also apply where a Customer has already been accepted and the Customer or the Beneficial owner is subsequently found to be, or subsequently becomes, a Politically Exposed Person.

In general, Cutros shall pay special attention to any money laundering or terrorist financing threat that may arise from products or transactions that might favor anonymity, and take measures, if needed, to prevent their use for money laundering or terrorist financing purposes.

#### **6.3.5.- Ongoing Due Diligence**

Cutros shall conduct ongoing monitoring of the Business Relationship and keep up-to-date the documents, data or information collected under the Customer Due Diligence process. To this end, Cutros shall review existing records, particularly for higher-risk categories of Customers. With respect to high-risk Customers, the frequency of the review shall be performed at least annually.

Taking-into-account a risk-based approach, such duty implies to continuously monitor the Customers' transactions during the entire Business Relationship and to check if such transactions are standard, usual, and coherent according to the contemplated Business



Relationship. Cutros will also ensure the consistency between the statements made by the Customer at acceptance into Business Relationship to the nature of transactions and the actual transactions performed, notably with regard to the origin or the destination of the funds involved.

Cutros shall also pay special attention to certain activities and transactions where the amount or the transaction itself appear to be unusual. The outcomes of such monitoring shall be kept in writing and stored at least during five (5) years.

Ongoing due diligence includes at least the obligation to identify without delay the States, persons, entities or groups involved in a transaction or Business relationship subject to restrictive measures in financial matters in the context of the fight against terrorist financing. Where persons, entities or groups referred previously are identified, Cutros shall apply, without delay, the required restrictive measures and inform the relevant authorities competent for financial sanctions.

Following the adoption or update of the official lists as referred to above, Cutros shall ensure that the internal system used for this control or made available by an external service provider which it uses for the purposes of this control is adapted without delay in order to be able to comply with the obligations as described in this document.

#### **6.4.- Obligation to keep certain records and information**

Cutros shall retain the following documents, data and information for the purposes of preventing, detecting and investigating the fight against money laundering and terrorist financing, possible money laundering or terrorist financing:

- (a) in the case of Customer Due Diligence, a copy of or references to the documents, data and information which are necessary to comply with the Customer Due Diligence requirements, account files, as well as the results of any analysis undertaken, for a period of five years after the end of the Business Relationship with the Customer or after the date of an occasional transaction;
- (b) the supporting evidence and records of transactions which are necessary to identify or reconstruct individual transactions in order to provide, where necessary, evidence in the framework of an investigation or criminal proceedings, for a period of five years after the end of a Business Relationship with the Customer or after the date of an occasional transaction.

Cutros shall also retain the information concerning the measures taken in order to identify the Beneficial owners.



Without prejudice to longer retention periods prescribed by other laws, Cutros shall delete the personal data at the end of the retention period referred to above

### **6.5.- Adequate internal management requirements**

Cutros shall:

- (a) establish adequate and appropriate policies and procedures of Customer Due Diligence, reporting, record keeping, internal control, risk assessment, risk management, compliance management and communication in order to forestall and prevent operations related to money laundering or terrorist financing;
- (b) take adequate and appropriate measures to make their relevant employees aware of and train them as regards the provisions concerning the professional obligations in the fight against money laundering and terrorist financing applicable to them. These measures shall include participation of the relevant employees in special ongoing training programmes to be informed of new developments, including information on techniques, methods and trends in money laundering and terrorist financing, and to help them recognise operations that may be related to money laundering or terrorist financing and to instruct them as to how to proceed in such cases. The special ongoing training programmes shall provide the employees with clear explanations of all aspects of the laws and obligations as regards the fight against money laundering and terrorist financing and, in particular obligations concerning Customer Due Diligence and Suspicious Transaction Reporting;
- (c) have systems in place that enable them to respond fully and rapidly to enquiries from FINTRAC;

### **6.6.- Training obligation applicable for all staff members**

All staff members, including the Executive Director and Management Body members, should be aware of the legal and internal regulations on measures against money laundering and terrorist financing.

Each employee of Cutros (not only those that are concerned by the AML Duties of this AML/CTF Policy) has to complete at least once a year an AML/CTF training (introductory course or refresher). These events are held by the Compliance Officer, in collaboration with any relevant responsible persons for training. Participation will be mandatory and checked. The Compliance Officer is responsible for organizing AML/CTF training of all staff and shall keep a record of attendance to these trainings.

The training and awareness-raising program (which is approved by the Executive Director) shall be provided on a regular basis to all employees of Cutros, including the Compliance Officer, especially when there have been significant legal and regulatory changes.



This program, as well as its realization, shall be documented in writing. The Executive Director is responsible for ensuring that sufficient resources are made available to support the approved program.

#### **6.7.- Obligation to cooperate with the authorities and obligation to report**

Cutros, its Executive Director and employees are obliged to cooperate fully with the Canadian authorities responsible for the fight against money laundering and terrorist financing.

In any case, all suspicious transactions/operations shall be reported to the Compliance Officer of Cutros who will decide whether a SAR/STR needs to be filed, or a reporting be made to the relevant competent authorities.

In case a competent authority requests information from Cutros, such a request shall be escalated to the Compliance Officer who will decide how to handle it.

Cutros files the following reports with FINTRAC, as applicable: (i) Suspicious Transaction Reports (STR); (ii) Large Cash Transaction Reports (LCTR); (iii) Large Virtual Currency Transaction Reports (LVCTR); (iv) Electronic Funds Transfer Reports (EFT); and (v) Terrorist Property Reports (TPR).

#### **7.- Performance of Customer Due Diligence by a third party**

Subject to certain conditions, the performance of Customer due diligence can be done by third parties.

Cutros shall set up detailed contractual arrangements when AML/CTF processes are outsourced to third parties.

Please note that the sole Customer due diligence can be delegated, except for conducting ongoing due diligence for the Business relationships including scrutiny of transactions undertaken throughout the course of the Business relationships.

Two kinds of delegation can be distinguished: (i) the reliance on Customers due diligence performed by a Third Party (“Third Party delegation”); and (ii) the delegation of the performance of Due Diligence to third parties by way of contract (“outsourcing”).

Even though the process of Customer Due Diligence may be performed by a third party, the final decision as to whether a Business Relationship is established falls to Cutros and the ultimate responsibility for performing the due diligence obligations remains with Cutros. Then, Cutros remains liable for the keeping record of any information and documents transferred by the delegator in both case of delegation.



## **8.- Controls**

Controls on the KYC activities carried out by the business are subject to: (a) regular systematic controls carried out by the relevant Operational Units as first line of defense. Those controls will be carried out at least once a month and will have to cover a sufficient number of contracts in order to get assurance on the quality of the KYC activities carried out by the business; (b) quarterly sample controls are carried out by Compliance (2nd line of defense); (c) whenever required as per statutory obligations an internal audit shall assess the management and control of the risks on an independent basis and report to the Management Body with a summary report and on the AML/CTF subject.

## **9.- Violations**

Non-compliance with the provisions of this AML/CTF Policy are subject to disciplinary sanctions.

## **10.- Whistleblowing**

Whenever a staff member concludes that a situation is worth to be informed to Cutros in terms of the potential commission any of the situation under whistle-blower definition, this person is encouraged to follow the disposition contained in this section.

Cutros encourages employees to follow up in the situations and potential risk brought to the attention of the Compliance Officer.

Limited by the confidentiality and secrecy rules applicable to the steps, decisions and operations of the escalation of suspicious activities, if employees are aware that no action was taken in regard to a situation worth to be brought to the attention of authorities, they may use their legal right and obligation of acting as a whistle blower.

Before bringing to the attention of the third party any situation, employees should attend to raise the issue internally in order to allow the responsible person to take actions in the matter.

Employees which happen to detect a corrupted action or a facilitation of ML or TF within Cutros shall immediately report the situation to the Compliance Officer or the Management Body for disciplinary actions and to immediately create applicable action plans and controls to bring the situation under control and to comply with applicable laws and regulations.

The encouragement and protection of whistle-blowers cannot conflict at any point with the general obligations of labor law, professional secrecy and should be always aligned with the principle of bona fides.



Management Body, Executive Director(s) and employees of Cutros may not be subject to threats, retaliatory or hostile action, and in particular to adverse or discriminatory employment actions due to the report of a suspicion of money laundering or terrorist financing.

Approved by:

DocuSigned by:  
*Anna Lombardo*  
CE119CAF59BD456  
Anna Lombardo  
Director