



SM CAPITAL MARKETS

Global Online Trading

SM CAPITAL MARKETS CLIENT ACCEPTANCE POLICY

SM CAPITAL MARKETS LTD (previously named ABC 123 (CY) LTD)
is authorized and regulated by CySEC License (339/17)
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INTRODUCTION

SM Capital Markets Ltd previously ABC 123 Ltd (hereinafter the “Company”) is a Cypriot Investment Firm incorporated and registered under the laws of the Republic of Cyprus, with registration No. HE 346068. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under the license No. (339/17)

SCOPE

The Client Acceptance Policy (hereinafter the “CAP”) is prepared in line with the provisions of the Law and the Directive DI144-2007-08 OF 2012 of CySEC for the prevention of money laundering and terrorist financing and includes the principles guidelines which define the Client categorisation criteria and the criteria for acceptance of new Clients.

GENERAL PRINCIPLES

The Company shall classify Clients into various risk categories and based on the risk perception decide on the acceptance criteria for each category of Clients.

The Company shall apply for all prospective clients’ a due diligence and KYC procedures prior to account opening in accordance with the principles and procedures set in Section 28 of the Risk Management and Procedures Manual as well as with Back Office Manual regarding the Prevention of Money Laundering and Terrorist Financing.

All documents and data described in Appendix 1 of the Risk Management and Procedures Manual regarding the Prevention of Money Laundering and Terrorist Financing must be collected before accepting a new Client.

No account shall be opened in anonymous or fictitious names(s).

No account shall be opened unless the prospective Client is approved by the Head of Back Office and / or the AML Compliance Officer.

CRITERIA AND CATEGORIES

The Company shall adopt appropriate systems and controls which shall reflect the degree of risk associated with the business and its clients. The following risk factors shall be evaluated: nature of clients, products and type of transactions intended, geographical area of operations. Based on potential risk the

prospective clients shall be determined in the low, normal or high-risk category, or declined as per conditions below.

The risk-based approach involves the identification, recording and evaluation of the risk that the Company has to manage. The risk-based approach aims to direct Company's resources to where the risk is greatest. It cannot be uniformly applied; therefore, it takes into consideration factors such as the clients' background, type and nature of its business activities, its country of origin, the services and the financial instruments applied for, the anticipated level and nature of business transactions as well as the expected source and origin of funds. Back Office and AMLCO are responsible to categorise the clients.

LOW RISK CATEGORY

The following types of Clients can be classified as low risk clients and a simplified client due diligence and identification procedures should be performed.

- Credit or financial institution covered by the EU Directive
- Credit or financial institution carrying out one or more of the financial business activities as these are defined by the Law and which is situated in a country outside the EEA, which in accordance with a decision of the Advisory Authority, imposes requirements equivalent to those laid down by the EU Directive and it is under supervision for compliance with those requirements.
- Listed companies whose securities are admitted to trading on a Regulated Market in a country of the EEA or in a third country which is subject to disclosure requirements consistent with community legislation
- Domestic public authorities of countries of the EEA.

NORMAL RISK CATEGORY

Any Client who does not fall under the "Low risk" or "High risk" categories should be set in normal risk category clients.

HIGH RISK CATEGORY

The following types of Clients can be classified as high-risk Clients with respect to the Money Laundering and Terrorist Financing risk which the Company faces:

- Clients who are not physically present for identification purposes (non-face to face Clients)
- Clients whose own shares or those of their companies have been issued in bearer form
- Trust accounts

- Clients' accounts under the name of a third person
- Politically exposed persons' accounts and its associates
- Clients who are involved in electronic gambling/gaming activities through the internet
- Clients from countries which inadequately apply FATF's recommendations
- Any other clients determined by the Company itself to be classified as such.

All Non-face to face Clients shall be classified as high-risk category.

In addition, a sub-categorisation shall be used for evaluating the risk and distributing the clients accordingly:

- 1) High-Low category where fall the clients from EU countries, or non-EU but submitted a certified ID, or residents of country that don't fully comply with FATF but submitted a certified international passport.
- 2) High-Medium category – a combination of clients from non-EU countries submitted an international passport, or from the country that don't fully comply with FATF but submitted a certified IDs.
- 3) High-High category – clients residing in countries that don't fully comply with FATF requirements, submitted non-certified identification documents, different that international passport, all PEPs.

In addition, clients shall be categorised on a weekly base depending on the amount they deposited and the payment methods they use as follows:

- 1) High-Low category – includes all bank wire transfers regardless the amount and deposits up to \$1000 received via the other payment methods.
- 2) High-Medium category – fell deposits between \$1000- \$15000 (excluding bank wire transfers) and all deposits via credit cards, regardless the amount, where a copy of the card is submitted.
- 3) High-High – all deposits above \$15000 (excluding bank wire transfers), all deposits done via e-wallets or cash deposits, for example via Western Union,

For more information refer to the Risk Evaluation Tables.

CLIENTS' RE-CATEGORISATION

Under special circumstances the clients can be re-categorised, meaning that clients can be moved from a higher to lower risk category when the following conditions arise:

- Client visited Company offices or Company's employee met with him/her.

- Client presented additional documents (International passport, Bank reference letter, certified copies, etc.)
- Client's residential address has changed and the client resides in a lower risk country
- Client's residential country has been moved from a sanction list or been improved.

Under special circumstances the clients can be also re-categorised, but in meaning that clients can be moved from a lower to higher risk category when the following conditions arise:

- Client's residential address has changed and the client resides in a higher risk country
- Client's residential country has been moved in a sanction list.
- Client's status has changed, for example the client has become a PEP.
- Client has used suspicious trading behaviour: unusual high deposit, numerous credit cards and/or rejected transactions, third party's deposits, etc.

LOW RISK CLIENTS

The Company shall accept clients who fall in low risk category as long as the general principles set in paragraph '*Criteria and Categories*' of this Policy are followed.

Moreover, the Company shall follow the *Simplified Client Identification and Due Diligence Procedures* for such Clients, according to section 30.2 of the Company's Risk Management and Procedures Manual regarding the Prevention of Money Laundering and Terrorist Financing.

NORMAL RISK CLIENTS

The Company shall accept clients who are categorised as normal risk ones as long as the general principles set in paragraph '*Criteria and Categories*' of this Policy are followed.

HIGH RISK CLIENTS

The Company shall accept clients who are categorised under high risk category as long as the general principles set in paragraph '*Criteria and Categories*' in this Policy are followed.

Moreover, the Company shall apply the *Enhanced Client Identification and Due Diligence measures* for high risk clients, according to the due diligence and identification procedures for the specific types of high risk clients set out in the Company's Risk Management and Procedures Manual regarding the Prevention of Money Laundering and Terrorist Financing, as applicable.

JOINT ACCOUNTS

The Company may accept joint accounts of two or more persons, provided that the identity of all individuals that hold or have the right to manage the account are verified in accordance to the Company's verification requirements as included below and in the AML Manual of the Company.

NOT ACCEPTABLE CLIENTS

The Company may decline to accept a client when there appears a risk of abusing its services. The following list predetermines the type of Clients who are not acceptable for establishing a Business Relationship or an execution of an Occasional Transaction with the Company:

- Clients who fail or refuse to submit, the requisite data and information for the verification of his identity and the creation of his economic profile, without adequate justification;
- Shell Banks;
- Clients who reside in jurisdictions that require the Company to establish regulated representative offices in such jurisdictions and the Company has not done so. Such jurisdictions are advised by the Compliance function.

CLIENTS IDENTIFICATION, DUE DILIGENCE AND KYC PROCEDURES

With regards to the Law and for the needs of KYC procedure, the Company shall create a profile for each prospective client before valuating the risk and takes a decision of his acceptance. Therefore, all prospective clients shall complete an Investment Questionnaire which differs for natural personas and legal entities. Prospective introducers have to complete additional questionnaire concerning the aspects of business relations with the Company.

All prospective clients are obliged to provide the Company with certain documents prior account opening. The list with the required documents differs depending on the status – natural person or legal entity. Additional documents are required depending on the relations with the Company – where client acts on his own or on behalf of third part, or where client introduces new clients for the Company or acts individually.

A) Prospective client natural person:

- a valid colour proof of identity issued by an Independent authority such as a Passport, National ID, International driver's license;
- a colour proof of residence issued up to six (6) months back;

- a proof of signature.
- In addition, there could be requested more documents (e.g. credit cards or a bank statements).
- Prospective client legal entity:
 - Certified copy of the Certificate of Incorporation
 - Certified copy of the Certificate of Registered Office
 - Certified copy of the Certificate of Directors and Secretary
 - Certified copy of the Certificate of Shareholders
 - Certified copy of the Memorandum and Articles of Association
 - Board of Directors Resolution regarding opening an account with the Company
 - Certified copy of the Passports or IDs of all individuals who grant authority to act and sign on behalf of the Legal entity.
 - Certified copy of the Passport or ID of the beneficial owner
 - Declaration for the ultimate beneficial owners of the Legal entity if different from the shareholders
 - Certified copy of the bank statement or utility bill where address stated must be same as the stated on the Agreement.

B) Prospective client intending to introduce clients (IB)

- Depending on the legal status, these clients shall provide the Company with the relevant required documents (see the lists above)

C) Prospective client acting on behalf of third part shall provide the Company with a Certified Power of Attorney plus the full set of required documents depending of his legal status (see the lists above)

All provided documents are kept in KYC electronic copy files and backed up in separate servers away from the physical presence of the back office and/or in i-cloud. They are stored with a limited access.

Rejected client's documents shall be kept in a virtual copy file together with all relevant information regarding their rejection.

Both accepted and rejected clients shall be duly informed of Company's decision by the Head of Back Office, and by AML Compliance Officer in cases of their rejection.

MISCELLANEOUS

The Company will provide all appropriate training to all employees involved with clients' acceptance and monitoring. The concerned employees must be aware of the content of this policy and failing to this will be sanctioned.

The Policy is subject to internal control and review by:

Regular reviews made by Risk Management and AMLCO,
Annual Internal Audit Report to review procedures in conjunction with all legal regulatory requirements,
Adequate ongoing staff training.

UPDATES

The Company will perform a periodical review of this Document, at least once a year. The Document is in line with the Company's operational model, and therefore in case of any changes in the operations, these will be properly reflected in this Document.