

Varalen Capital Markets LLC

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy

Varalen Capital Markets LLC, a foreign company incorporated in USA under Company number 5263705, Registered in New York State (USA) 30 WALL STREET, 8TH FLOOR, NEW YORK, NY 10005-2205, represented by its General Manager Michael Butcher, hereinafter referred to as the Company, has developed this Policy for anti-money laundering (AML) and combating the financing of terrorism (CFT) (hereinafter, the Policy). This Policy includes the information cluster about Customer authentication and due diligence procedures (hereinafter, Due Diligence Policy and Know Your Customer Policy).

1. GENERAL PROVISIONS

1. Money laundering is the legalization of ownership, use, disposal of money or other assets and properties received from illegal activities.

2. The anti-money laundering procedures are legal, informational and technical procedures developed by the governments of the respective countries aimed at the identification and prevention of operations with cash or other property such as placement, layering, integration for the purpose of legalization of the ownership, use and operation of such money and property received from illegal activities or aimed at the financing of terrorism.

3. Placement of money or other properties means physical placement thereof with banks and non-bank financial institutions; conversion of illicit profits into other assets and financial instruments such as payment orders and cheques; purchase of expensive goods with cash and further reselling. As a rule, foreign banks having no efficient regulations and internal policies or insufficient AML regulations are used for the laundering of illegal proceeds that are further placed in regulated areas as ostensibly "legitimate" assets.

4. Layering means actions aimed at the separation of certain proceeds from their original source by various financial operations (multiple transfers between different financial institutions, cash crediting, using invoices, waybills and other documents having signs of fraud or executed in a non-compliant form, and fictitious and (or) fraudulent transactions) aimed at concealing the original source of the proceeds.

5. Money or other property integration is the movement of previously laundered money or other assets into the economy to make them ostensibly legitimate and use them for further purchases or criminal actions and (or) for financing terrorism.

6. Customers are physical persons, including business persons, legal entities, beneficial owners of companies, or persons having control over the companies, physical persons being beneficial owners of legal entities, except when other persons are reasonably supposed to be beneficial owners.

7. Beneficial owners are physical persons having ultimate control over the assets of a company (through ownership or otherwise) and/or being the original principal source of funds available at the accounts, and the due check of the origin of their welfare shall be made.

8. Beneficial ownership is the ultimate control exercised by persons specified in par. 6 and 7 above, over the funds available at the accounts, through ownership or otherwise.

9. Account – a trading, current, nominal or other account, including money market accounts, opened in the name of and held by a Customer under the laws of the state of residence and the rules and regulations of third parties.

2. CUSTOMER'S OBLIGATIONS

1. The Customer shall comply with the laws of the state of residence and the international standards combating illicit trade, ML and FT.

2. Never be involved, directly or indirectly, in any activities stipulated in Article 1 hereof, and in any other illegal operations, using informational and telecommunication technologies, audiovisual and other software and devices, or otherwise.

3. Guarantee and confirm the legitimacy of origin of the Customer's funds placed at the accounts or of any other assets and property of the Customer, confirm the ownership rights to the equity and property or the rights to use or hold such equity and property.

4. At the request of the Company, submit any documents (in printed and/or electronic format) certifying the Customer status for identification purposes:

- **for physical persons:** documents valid as at the date of submission containing identification information (an ID document, a document certifying the right to stay legitimately in the state of residence, a document containing a taxpayer identification number, a document certifying no criminal record), personal signature specimen.

- **for legal entities:** documents valid as at the date of submission containing information identifying the sole executive body of the Customer, certifying the powers of the former, constitutive documents, documents certifying the legal entity status (validly existing, under restructuring / liquidation / bankruptcy procedure), a list of members or shareholders register or any other register containing information on the beneficial owners of the legal entity, seal specimen (if any).

5. Submit the documents listed in par.4 above with a duly certified translation into the language of the state of residence, if the identifying documents of the Customer are executed and submitted, in full or in part, in a foreign language.

6. Submit duly legalized documents if such documents are issued by public authorities of foreign states.

7. Submit at the request of the Company any other documents specified in par. 4 above, whether original or copies thereof duly certified in the state of residence.

8. Fulfil other obligations towards the Company in conformity with the laws of the state of residence, international conventions or other international standards, with this Policy and other corporate rules and regulations of the Company.

3. COMPANY'S OBLIGATIONS

1. The Company shall comply with the laws of the state of residence and the international standards combating illicit trade, ML and FT.

2. Comply with the prohibition against informing Customers and other persons of any AML/CFT measures being undertaken, and against consulting them on the necessity to submit any documents required by law, and against any other actions that would hinder due implementation of AML/CFT measures.

3. Assist the relevant authorities of the states of residence in collecting information, pretrial investigations, proceedings and enforcement measures in respect of any facts indicating the violation by the Customer of any AML/CFT requirements.

4. Keep confidential any information concerning the corporate regulations and policies of the Company developed and implemented by it for AML/CFT purposes, unless otherwise required by the applicable law.

5. Comply with any other requirements of the applicable law of the state of residence and the international standards combating illicit trade, ML and FT.

4. CUSTOMER AUTHENTICATION (KNOW YOUR CUSTOMER POLICY)

Powers of the Company

Besides the Customer identification procedures specified in this Policy, the Company conducts:

- Customer polling (sending questionnaires);
- Due diligence check of the Customers being companies, including anti-corruption expertise of constitutive documents;
- oral polling with further recording of the necessary information in the Customer profile in the events specified in the following rubric;
- procedures identifying the Customers acting on behalf of other Customers (either physical or legal persons) as a representative (agent, attorney);
- makes use of external available sources of information permitted by the law;
- other measures and procedures that the Company deems fit.

Customers Refusing to be Identified

If a potential or existing Customer either refuses to provide information required under this Policy or intentionally misstates such information, the Company shall refuse to provide any services and to conclude any agreements and contracts with such Customer and repudiate any agreements and contracts already existing and interrupt the provision of any services being rendered. Such Customer shall be given the high risk status.

Customer's Suspicious Activities

The Company may control the Customer's activities and compliance with the AML/CFT requirements.

The Company may monitor information about the Customer's transactions to identify any dealings deemed unusual in comparable circumstances.

The Company exercises professional control of the Customer's activities and compliance with the AML/CFT requirements, if the Customer or his/her/its representative:

- exhibits unusual concern about the Company's compliance with the government reporting requirements and the AML/CFT Policy, or is reluctant or refuses to reveal any information to the Company about his/her/its business activities or furnishes unusual or suspect identification or business documents, whether in a printed or electronic format;
- submits identification information that is false or misleading;
- has a questionable financial and business background;
- exhibits a lack of concern about investment and other financial risks;
- has difficulty describing the nature of his/her/its expected or existing business and industry;
- asks for any special privileges or advantage over other customers regarding the implementation of this Policy;
- has accounts in the states not complying with the recommendations of FATF (Financial Action task Force) Group;
- engages in excessive journal entries between unrelated accounts without any apparent business purpose.

The above list of events requiring professional control of the Customer's activities and

compliance with the AML/CFT requirements is not exhaustive.

If the Company has identified one or more of the above-listed events, it shall proceed to the collection, processing and analysis of additional internal or external information, apply to the relevant authorities of the respective countries for account freeze, as the case may be.

5. DUE DILIGENCE POLICY

Along with the KYC Policy, the Company conducts due diligence check analyzing his/her/its competitiveness, rating among similar structures engaged in purchase and sale, supply/performance/provision of similar goods/works/services respectively. As a result of such due diligence check the Company concludes whether there are any legal risks, whether the Customer is financially reliable and investment-attractive.

The Due Diligence Policy is also implemented for the purpose of preventing corruption that may directly or indirectly entail violation of the AML/CFT standards.

For the purposes of this Policy, the term Corruption may include:

a) abuse of power, bribery (giving or receiving bribes), abuse of authority, commercial bribery or other misuse by the Customer or its representatives / beneficial owners of their powers or authority against the legal interests of the society and the state for private gain and benefit, be it money, values or other properties or material services or other material rights, in personal interests or in the interests of other persons, or illegal granting of such benefits to any such persons as stated above;

b) doing actions specified in paragraph «a» above, on behalf or in the interests of a Customer being a legal entity.

Upon receipt of a Customer application, the Company may:

- check the correctness and accuracy of the Customer financial and other corporate information;
- seek confirmation of estimates/assumptions made in the Customer's business plan;
- assess the feasibility of the Customer's long/short equity strategies;
- check all the documents and forms for compliance with the applicable laws of the respective state of residence and the internal policies and procedures of the Company;
- make sure that the financial and other statements of the Customer are correct and submitted in due course;
- check for the required certificates and licenses of the Customer;
- identify the amount (if any) of the Customer's internal and external debt;
- make sure that the Customer has all powers and competence to carry out his/her/its business activities.

Other Due Diligence Procedures

The Company may apply any other due diligence procedures and practices in respect of its Customers for the purpose of professional expertise of the following Customer information:

- history and development milestones of the Customer;
- Customer's main objectives, methods of achieving them;
- Customer positioning at the international market, further prospects;
- Customer specific information;
- key strategic goals and performance indicators of the Customer;
- to what extent the Customer's goals meet the SMART principle (specific, measurable, achievable, relevant, and time bound);
- to what extent the strategies applied match the current position of the Customer

(structure, financial position, potential etc.);

- what interested persons or groups of persons have influence over the development of strategies;
- mainstems of the Customer's investment policy.
- what controls are implemented to the Customer's activities;
- whether the formal and the real structure of the Customer are the same;
- how the control and management policies are optimized to reduce administrative expenses and fasten reaction to an administrative action;
- what groups inside the Customer's structure have influence on the operations management, how the balance of interests can be maintained in the framework of the Customer's strategy;
- basic procedures and processes of the Customer's economic activities;
- how the basic economic processes are performed;
- what laws or internal policies regulate the economic and financial processes of the Customer;
- compliance of the economic and financial processes with the laws and the applicable internal policies of the Customer;
- weaknesses and strengths of the economic and financial processes.

As a rule, the following basic economic and financial processes are analyzed:

- marketing;
- sales;
- production;
- material supplies and management;
- engineering;
- procurement and supply;
- financial and economic management, including planning, accounting, performance control and analysis, cash flow management;
- investment management;
- quality management.

Upon the analysis of the above-mentioned activities, the Company concludes on:

- compliance of the actual management practices of the Customer with the laws of the respective country of residence or with the Customer's internal policies and procedures;
- correspondence of the actual management practices of the Customer to comparable similar Customers' practices (for similar industry, scope of business);
- description of key economic and financial processes stating their potential weaknesses;
- recommendations and aggregate actions plan for Customer management improvement.

6. DEPOSIT AND WITHDRAWAL OF MONEY

If a Customer deposits money, he/she/it acts as payer, and the payer name shall be the same as the Customer name. No third persons are admitted to deposit the money, i.e. Person A shall not deposit money on its own behalf in favor of Person B.

Similarly, when withdrawing money, the name of withdrawing Customer shall be the same as the name of paying Customer being the holder of the account from which the money is withdrawn.

For bank transfers, the account from which the deposit was made shall be the same as the account where the money is transferred. For online transfers, the input and output accounts shall also be the same.

7. SPECIAL PROVISIONS

1. The Customers have been duly informed and understand that the relations between them and the Company may be subject to the laws and regulations of the respective states of residence, being members of international treaties and conventions regarding AML and CFT.

2. The Company regularly checks persons, including its own employees working under civil contracts. Any information about such persons that may seem suspicious to the Company will be with the administrative bodies of the Company to decide, as the case may be, whether such person will stay with the Company or whether any penalties or prosecution shall be imposed on such person.

If the Company employees hold any accounts with the Company they are subject to the applicable laws, the provisions of this AML/CFT Policy and other corporate policies and procedures of the Company.

3. The Customer undertakes to comply with this Policy to the fullest extent and in case of non-compliance in full or in part shall bear statutory responsibility, including the responsibility for fraudulent actions of third persons, specified herein.