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Global Think-Tank

KNOW YOUR CUSTOMER (KYC) POLICY AND PROCEDURES

The Policy was approved by the CESD LLC Board Members on September 10, 2024

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1. PURPOSE

The purpose of this Know Your Customer (KYC) Policy is to establish the principles, requirements, and procedures applied by CESD LLC to identify, verify, and understand its customers and business partners.

The Policy aims to ensure that CESD LLC has sufficient information about its customers, their business activities, ownership structures, and the nature and purpose of their business relationships.

The KYC framework supports the Company's efforts to prevent money laundering, terrorist financing, fraud, sanctions evasion, and other financial crimes.

2. SCOPE

This Policy applies to all employees, management, and relevant business units of CESD LLC involved in establishing, managing, or maintaining business relationships.

It covers the following categories, where applicable:

- Individual customers.
- Corporate customers and legal entities.
- Business partners and counterparties.
- Authorized representatives.
- Beneficial owners.
- Other relevant parties involved in business relationships.

All employees are required to comply with the requirements of this Policy.

3. GENERAL KYC PRINCIPLES

CESD LLC shall apply the following principles when establishing and maintaining business relationships:

- Identify and verify customers using reliable and independent information.
- Understand the nature and purpose of each business relationship.
- Identify and verify ultimate beneficial owners (UBOs), where applicable.
- Assess customer-related risks before establishing business relationships.
- Obtain sufficient information about customers' business activities.
- Maintain accurate and up-to-date customer information.
- Conduct ongoing customer reviews based on the customer's risk profile.
- Escalate unusual or suspicious circumstances to the Compliance Department.

CESD LLC shall not establish or maintain business relationships where required customer identification and verification cannot be satisfactorily completed, subject to applicable legal requirements.

4. CUSTOMER IDENTIFICATION AND VERIFICATION

CESD LLC shall obtain and verify appropriate identification information before establishing a business relationship.

The information and documentation required shall depend on the customer type and the level of risk associated with the relationship.

4.1 Individual Customers

For individual customers, the Company shall obtain relevant information, including:

- Full legal name.
- Date of birth.
- Nationality.
- Residential address.
- Passport or national identification details.
- Contact information.
- Tax identification number, where applicable.
- Purpose and intended nature of the business relationship.

The identity of individual customers shall be verified through reliable and independent identification documents or other appropriate verification sources.

4.2 Corporate Customers and Legal Entities

For corporate customers and other legal entities, CESD LLC shall obtain appropriate information and documentation, including:

- Full legal name of the entity.
- Certificate of incorporation or registration.
- Company registration number.
- Registered office address.
- Principal place of business.
- Nature of business activities.
- Constitutional documents, where applicable.
- Information regarding directors and authorized representatives.
- Ownership and control structure.
- Ultimate beneficial ownership information.
- Purpose and intended nature of the business relationship.

The Company shall take reasonable measures to verify the authenticity of the information and documentation provided.

5. BENEFICIAL OWNERSHIP IDENTIFICATION

CESD LLC shall take reasonable measures to identify and verify the ultimate beneficial owners of corporate customers and other legal entities.

The Company shall:

- Identify individuals who ultimately own or control the customer.
- Understand direct and indirect ownership structures.

- Obtain information regarding ownership percentages, where applicable.
- Identify individuals exercising control through other means.
- Verify beneficial ownership information using reliable sources.
- Document the ownership and control structure.

Where the ownership structure is complex or involves multiple layers of entities, additional information and documentation may be requested to establish the ultimate ownership and control.

Where no natural person can be identified through ownership or other means, the applicable legal fallback requirements shall be followed.

6. CUSTOMER RISK ASSESSMENT

CESD LLC shall assess the risk associated with each customer and business relationship before establishing the relationship and throughout its duration.

The assessment shall take into consideration, where relevant:

- Customer type and legal status.
- Country of residence or incorporation.
- Geographic exposure.
- Nature of business activities.
- Ownership and control structure.
- Products and services involved.
- Expected transaction volumes and patterns.
- Politically Exposed Person (PEP) status.
- Sanctions exposure.
- Adverse media information.
- Other relevant risk factors.

Based on the assessment, customers shall generally be classified into the following categories:

Low Risk: Customers presenting a lower level of identified risk based on their characteristics and business activities.

Medium Risk: Customers presenting an ordinary or moderate level of risk requiring standard due diligence and periodic reviews.

High Risk: Customers presenting elevated money laundering, terrorist financing, sanctions, or other financial crime risks requiring Enhanced Due Diligence.

The customer risk classification shall determine the appropriate level of due diligence and monitoring.

7. CUSTOMER DUE DILIGENCE (CDD)

CESD LLC shall conduct Customer Due Diligence to establish a clear understanding of the customer's identity, business activities, ownership structure, and intended business relationship.

CDD procedures shall include:

- Identification of the customer.
- Verification of customer identity.
- Identification and verification of beneficial owners, where applicable.
- Understanding the purpose and intended nature of the relationship.
- Obtaining information regarding business activities.
- Assessing the customer's risk profile.
- Establishing the expected nature and scope of business activities.

Additional information may be requested where necessary to clarify the customer's activities or assess potential risks.

8. ENHANCED DUE DILIGENCE (EDD)

Enhanced Due Diligence shall be applied to customers and business relationships identified as presenting higher risks.

Such customers may include:

- Politically Exposed Persons (PEPs).
- Customers established or operating in high-risk jurisdictions.
- Customers with complex or opaque ownership structures.
- Customers operating in high-risk industries.
- Customers with unusual or unexplained business activities.
- Customers associated with adverse media findings.
- Other customers identified as high risk based on the Company's risk assessment.

EDD measures may include:

- Obtaining additional identification documents.
- Obtaining further information about business activities.
- Establishing the source of funds and source of wealth, where appropriate.
- Conducting additional beneficial ownership checks.
- Obtaining supporting documentation.
- Increasing the frequency of customer reviews.
- Applying enhanced monitoring.
- Obtaining senior management approval where required.

The extent of Enhanced Due Diligence shall be proportionate to the identified risks.

9. POLITICALLY EXPOSED PERSONS (PEPs)

CESD LLC shall maintain appropriate procedures to identify Politically Exposed Persons, their family members, and close associates in accordance with applicable legal requirements.

Where a customer or beneficial owner is identified as a PEP, the Company shall apply appropriate enhanced due diligence measures.

These may include:

- Obtaining additional information about the customer's position and activities.
- Establishing the source of funds and source of wealth.

- Conducting enhanced customer reviews.
- Obtaining senior management approval where required.
- Applying enhanced ongoing monitoring.

PEP status shall be considered as a risk factor and shall not automatically result in rejection of a business relationship.

10. SANCTIONS AND ADVERSE MEDIA SCREENING

CESD LLC shall conduct appropriate screening of customers, beneficial owners, directors, and authorized representatives against applicable sanctions lists.

Screening shall be performed in accordance with applicable national and international sanctions requirements relevant to the Company.

Where appropriate, the Company shall also conduct adverse media checks to identify information relating to:

- Money laundering.
- Terrorist financing.
- Fraud and corruption.
- Financial misconduct.
- Sanctions violations.
- Other relevant criminal or regulatory matters.

Potential matches shall be reviewed and investigated by the responsible personnel.

Confirmed sanctions matches shall be handled in accordance with applicable legal requirements.

11. CUSTOMER ACCEPTANCE AND REJECTION

CESD LLC shall establish customer acceptance criteria based on its risk appetite and applicable legal and regulatory requirements.

The Company may decline to establish a business relationship where:

- Customer identity cannot be adequately verified.
- Required documentation is not provided.
- Beneficial ownership cannot be sufficiently established.
- The customer provides false, misleading, or inconsistent information.
- The relationship presents unacceptable financial crime risks.
- The relationship would violate applicable laws or sanctions.
- Identified risks cannot be adequately mitigated.

Decisions to reject or discontinue a business relationship shall be appropriately documented and escalated where necessary.

12. ONGOING CUSTOMER MONITORING AND PERIODIC REVIEW

CESD LLC shall maintain appropriate procedures to ensure that customer information remains accurate, complete, and up to date.

Periodic customer reviews shall be conducted based on the customer's risk classification.

Reviews may include:

- Updating identification documents and customer information.
- Reviewing business activities.
- Verifying ownership and control structures.
- Reassessing customer risk classifications.
- Reviewing sanctions and PEP screening results.
- Assessing changes in transaction patterns.
- Reviewing relevant adverse media information.

Additional reviews shall be conducted when significant changes occur in the customer's circumstances or risk profile.

13. CUSTOMER INFORMATION AND RECORDKEEPING

CESD LLC shall maintain appropriate customer records and documentation, including:

- Customer identification documents.
- Company registration documents.
- Beneficial ownership information.
- Customer risk assessment results.
- Due diligence and enhanced due diligence documentation.
- Sanctions and PEP screening results.
- Customer review records.
- Relevant correspondence and approvals.

Customer information shall be retained in accordance with applicable laws, regulatory requirements, and the Company's Record Retention Policy.

Access to customer information shall be restricted to authorized personnel.

14. CONFIDENTIALITY AND DATA PROTECTION

All customer information obtained during the KYC process shall be treated as confidential.

CESD LLC shall implement appropriate measures to protect customer information against unauthorized access, disclosure, alteration, or loss.

Customer information shall only be accessed, processed, and disclosed for legitimate business, compliance, or legally authorized purposes.

Employees shall comply with applicable data protection and confidentiality requirements.

15. EMPLOYEE RESPONSIBILITIES

All employees involved in customer onboarding and relationship management are responsible for implementing this Policy.

Employees shall:

- Obtain the required customer documentation.
- Ensure that customer information is complete and accurate.
- Identify inconsistencies or unusual circumstances.
- Escalate potential risks to the Compliance Department.
- Maintain confidentiality of customer information.
- Comply with applicable KYC and AML/CFT procedures.

Employees shall not bypass established KYC requirements without appropriate authorization and a lawful basis.

16. EXCEPTIONS AND ESCALATION

Any exception to standard KYC procedures shall be justified, documented, and approved by the appropriate authorized personnel, provided that such exception is permitted under applicable laws and regulations.

Where customer identification or verification cannot be satisfactorily completed, the matter shall be referred to the Compliance Department for assessment.

Any suspicious circumstances identified during the KYC process shall be escalated in accordance with the Company's AML/CFT Policy and applicable reporting requirements.

17. TRAINING AND AWARENESS

CESD LLC shall ensure that relevant employees receive appropriate training regarding KYC requirements and customer identification procedures.

Training shall cover:

- Customer identification and verification.
- Corporate customer documentation.
- Beneficial ownership identification.
- Customer risk assessment.
- PEP and sanctions screening.
- Enhanced Due Diligence.
- Customer information confidentiality.
- Identification and escalation of suspicious circumstances.

18. POLICY REVIEW AND AMENDMENTS

This Policy shall be reviewed at least annually or whenever significant changes occur in applicable laws, regulations, business activities, or the Company's risk profile.

Any amendments shall be reviewed and approved by the appropriate authorized governing body.

19. APPROVAL

This Policy was approved by the CESD LLC Board Members on September 10, 2024.

The Policy shall become effective as of the date of its approval and shall remain in force until amended or replaced by a subsequent approved version.