

# JCC Customer Acceptance Policy

## 1. Purpose and scope of Policy

The purpose of this Customer Acceptance Policy (the “**Policy**”) is to set the criteria for accepting and categorizing customers and to comply with applicable legal, regulatory and/or card schemes’ requirements as well as JCC’s risk appetite.

All JCC departments and JCC staff must meet the requirements of this Policy.

## 2. General Principles

### 2.1 Customer Acceptance Principles

The evaluation of a customer’s risk is fundamental to JCC’s effort to prevent and suppress money laundering, terrorist financing and other illegal activities.

JCC reserves its right to deny the establishment of a business relationship with person (physical and/or legal) assessed to fall within the groups of not accepted customers described below or indeed if for any reason JCC is uncomfortable with the establishment of a business relationship.

This Policy is designed to ensure that JCC adequately assesses prospective and existing customers from an AML/CTF/Sanctions Compliance perspective to ensure that it establishes and maintains relationships with customers with no ML/TF/Sanctions relationships or transactions. In parallel, the Policy covers areas outside JCC’s risk appetite, where a business relationship cannot be accepted.

JCC transacts only with customers meeting minimum risk assessment criteria and without significant failure, as described below.

In the case of vendors, the same principles apply.

### 2.2 Customer Risk Assessment Scorecard

JCC has adopted the use of a scorecard to determine the risk level of prospect and current customers. The scorecard uses various criteria such as:

1. **Geography Risk Factors:** Scoring is allocated based on the geographical risks associated with each customer. If the entity is an individual, then s/he is scored for both his/her ID/Passport Country and his/her Country of Residence. In the case of a legal entity, several factors are considered, including the legal entity’s Country of Registration and Country of Economic Activity, as well as the Country of Residence and the Country of ID/Passport of all its Ultimate Beneficial Owners, Shareholders, Directors, and Signatories.
2. **Customer Risk Factors:** Scoring is allocated based on certain characteristics associated with the customer. In the case of individuals, scoring is allocated in

the case the customer is a PEP/PEP related or if they are associated with Negative Media. In the case of legal entities, scoring is allocated in the case the legal entity is associated with a PEP, in the case the legal entity is associated with Negative Media, in the case the legal entity is part of a complex structure or if nominee shareholders are included in the legal entity's structure.

3. **Product Risk:** Scoring is allocated based on the type of products the customer has. Certain products such as e-commerce gateway carries a higher risk score.
4. **Distribution Channel Risk:** Scoring is allocated based on the method of onboarding the customer.
5. **Behaviour Risk Factors:** Scoring is attributed based on behavioural aspects of the customer such as whether the merchant is overly secret or evasive about information requested by JCC or if there is any inconsistency in the information provided.
6. **Industry Factors:** The industry in which the customer is involved is considered for the scoring, taking into consideration Card Scheme rules on this matter.
7. **Legal form:** If the customer is a legal entity or a legal arrangement, the type of the legal entity / arrangement is considered for the scoring.

The above criteria are used in combination to determine the risk level of each customer. Customers, based on the score reached by their characteristics, are categorized as:

- Not Accepted (see Appendix 1)
- High Risk (see Appendix 2)
- Significant Risk
- Medium Risk (see Appendix 3)
- Low Risk

Depending on each risk category, different due diligence measures are required. Simplified due diligence measures may apply to required for Low Risk customers, Normal due diligence measures are required for Medium Risk customers and Enhanced Due Diligence measures are required for Significant and High Risk customers.

### 2.3 List of conditions under which a business relationship with an existing client is terminated

JCC may terminate a business relationship with an existing customer if any of the following conditions applies:

1. If they are introduced by an approved eligible third party and a subsequent meeting did not take place with JCC staff.
2. If, during the review / customer re-assessment process, the customer fails or refuses to provide vital information requested by JCC.
3. If a court order by the local authorities was/is issued against a customer, resulting in an unacceptably increased ML/TF risk associated with the customer.
4. If the customer's activities change, and the new activities fall within the JCC's non-accepted types of business.
5. If a customer was/is convicted for any serious predicate offence.

6. If a customer attempts to deceive JCC.
7. If the customer or, in the case of a legal entity, any of its directors, shareholders, beneficial owners, or signatories is added on sanctions lists issued by the EU, UN, UK OFSI or OFAC, then, existing business relationships are treated according to the provisions of the Group Sanctions Policy.
8. If instructed by card schemes or MOKAS.
9. If the customer is violating card scheme regulations.
10. If the customer has high fraud transaction ratio or excessive chargebacks.

If JCC has reasonable grounds to believe that the customer is involved in money laundering or terrorism financing activities, then all necessary measures are considered, including the termination of the business relationship, subject to the directions of the local FIU.

## 2.4 Approval and Annual Review

This Policy is approved by the Board of Directors through the Board Risk Committee. The policy is reviewed at least annually by the Compliance function and any amendments are submitted to the Board Risk Committee for approval.

## 3. Exception Approval Process

In cases where there is a request for deviation from this Policy, which:

1. is fully justified.
2. does not violate the legal/regulatory framework, or constitutes a significant moral lapse, nor does it constitute a significant reputational risk for JCC and
3. has the approval of the Compliance Officer

then, this exception can be allowed with the agreement of the CEO or, in his absence, the Deputy CEO of JCC. The Board Risk Committee to be notified of any comments and confirmation of the deviation.

## 4. Implementation Key Processes

JCC has in place procedures for the implementation and monitoring of this policy. The Policy is effectively communicated to all staff as to mitigate any resulting compliance risks. Procedures, among others, provide guidance as to the necessary information to help examine/assess a case, ensure that the potential or actual breaches raised are assessed and escalated in a timely manner, ensure the tracking of the outcome and monitoring of mitigation actions and ensure appropriate record keeping.

Systems and processes are adjusted accordingly, and staff is adequately trained to support effective implementation and monitoring processes of the Policy.

## Appendix 1- Examples of Entities (Individuals or Legal Entities), Accounts, or Transactions Not Accepted by JCC

### **Important Notes:**

1. JCC has decided that the risk associated with certain groups of customers is unacceptably high and has, therefore, decided not to establish a business relationship with them. In the case of vendors, the same principles apply. Apart from the requirements of the Prevention and Suppression of Money Laundering Activities Law N.188(I)/2007, as amended from time to time (the “**Law**”) and the CBC directive, JCC, as part of its Risk Appetite Statement, has included in this category other types of customers based on the ML / TF risk associated with them.
2. The categorization of a customer as Not Accepted is based on the overall score assigned by the scorecard, considering all risk parameters. To that effect, the below list is not an exhaustive list of Not Accepted customer types.
3. For Countries Categorization, please refer to **Appendix 4**.
4. The scorecard incorporates parameters / examples as described below which can be implemented systemically. To that effect, some of the below parameters / examples, which cannot be implemented systemically, are also considered in the overall risk assessment of clients.

### **An Entity/Client is considered Not Accepted if it:**

1. Carries out illegal activities, including specific human rights violations (such as drug dealing, fraud, human trafficking, slavery, forced labor, prostitution, child pornography, pedophilia, etc.)
2. Is convicted for a crime considered as a predicate offence, as prescribed by the Law.
3. Fails to provide adequate identification information or to disclose its financial operations.
4. Is a shell company, a shell bank or a bank which deals with shell banks or shell companies.
5. Is a terrorist or deals with terrorist activities (such as financing terrorist activities etc.)
6. Requests to have accounts in the name of anonymous or fictitious persons.
7. Is from /carries out transaction with a political regime not recognized by the United Nations.
8. Is subject to specific sanctions (i.e. EU, UN, OFAC, OFSI, local lists), including close family members, close associates and related entities (irrespective of the percentage of ownership, either direct or indirect, held by the entities subject to sanctions).
9. Is an Entity designated under Sectoral Sanctions (including related entities).
10. Is acting on behalf of or dealing/trading with any sanctioned person or is involved in any sanctioned activity.
11. Is an individual customer whose Country of Residence is a Country included in Categories A, A1 or A2.

12. Is an individual customer whose ID / Passport Country is a Country included in Category A.
13. Is a legal entity whose Country of Registration or Country of Economic Activity is a Country included in Categories A, A1 or A2.
14. Is a legal entity where the Country of Residence of any of its Directors, Signatories, Shareholders (=>25%) or Beneficial Owners (=>25%) is a Country included in Categories A, A1 or A2. Existing customers remain active until final closure of accounts is possible.
15. Is a legal entity with bearer shares or has a provision to issue bearer shares.
16. Is a customer who falls under the following categories:
  - a. Is a non-face to face customer<sup>1</sup> from,
  - b. Is a trust established in,
  - c. Is a Foundation for business or private purposes registered in,Category A, A1, A2 or B Countries.

An exception can be provided, with the approval of the AMLCO, for cases where the client's group<sup>2</sup> structure, leading to the beneficial owner, contains a trust established in a category B country.

17. Is a Politically Exposed Person (PEP)<sup>3</sup>:
  - a. From Category A, A1 or A2 Country, Russia or Belarus as per paragraph 25 (currently under Category B)
  - b. From other Category B countries (for new customers)
  - c. From Ukraine (for new customers)
  - d. For whom the source of wealth cannot be determined or the reasoning for establishing a business relationship is not clear.
18. Is a trust:
  - a. Which is governed by the Cyprus Legal framework but is not registered in the Cyprus Register of Trusts, or
  - b. Whose ultimate beneficial owners are not determined (discretionary trust), or
  - c. Whose purpose is not compatible with the business activity/economic profile of the account holder, or there is no legitimate economic reason for its establishment.
19. Operates in the following high-risk industries and is not regulated/licensed in a Category F Country: (a) Casinos, (b) Betting Houses, (c) Prize Competitions, (d) Financial Services Firms, or Brokerage Firms<sup>4</sup> (e) Banking or Insurance Institutions, (f) Armed Security Services, (g) Credit Acquiring including Asset Management for acquiring credit facilities from credit institutions (h) Crowdfunding Services Provision.

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<sup>1</sup> Customers met in person by staff do not fall in the non-face-to-face category

<sup>2</sup> Provided that the group is well established with legitimate business.

<sup>3</sup> Refer to FATF definition of a PEP and to AML-TF Policy.

<sup>4</sup> In very exceptional cases, Financial or Brokerage Firms can be accepted and treated as high-risk customers, provided that Compliance functions's consent is obtained

20. Operates in the following high-risk industries and is not registered in a Category F Country: (a) Precious metals/stones<sup>5</sup>, (b) Pawn shops, (c) Sporting / Hunting / Antique guns, (d) Internet Gaming other than electronic gambling, (e) Trading of art collection.
21. Is an Online Gambling or Online Casino company.
22. Is a business whose primary activity consists of the sale of cannabis-related and/or cannabidiol (CBD) products intended for human consumption, inhalation, smoking, or ingestion.
23. Is a Payment Institution or an Electronic Money Institution (**MSB**) (including MSBs providing Money Transmission Services and Currency Exchange Services) which is not regulated in a Category F Country.
24. Operates in the following Not Accepted Industries: (a) Online Pharmacies (where the merchant sells prescription medicine online), (b) Trading in Binary options, (c) Dating, (d) Adult Entertainment, (e) Fortune Telling, (f) Medium activities, (g) Crypto Asset Service Providers and Virtual Asset Service Providers (CASPs and VASPs, including related services (custody services, trading platforms, exchange services, wallet services, order execution, payment processing, etc.)), (h) Military Missions, (i) Production and/or Wholesale Trading of Nuclear Related Raw Materials, Products and Services, and (j) Defense / Arms / Military Industry.
25. Is a client with a Russian / Belarusian nexus with any of the following characteristics:
  - i. Individuals included on the Putin List, as per the US Treasury Department's CAATSA 241 report, dated 29/1/2018 (including any legal entities they own / participate in share capital / control by more than 20%).
  - ii. State-Owned Russian / Belarusian entities (including any legal entities they own / participate in share capital / control by more than 20%<sup>6</sup>)
  - iii. Legal entities registered in Russia / Belarus or with main Tax Residency in Russia / Belarus. The prohibition does not apply to legal entities they own / participate in share capital / control registered outside Russia / Belarus.
  - iv. Entities designated under Sectoral Sanctions by OFAC / EU / UK (including any legal entities they own / participate in share capital / control by more than 20%<sup>7</sup>).
  - v. Politically Exposed Persons (PEPs) from Russia and Belarus (including PEP related individuals and PEP related entities which participation in the share capital / are controlled / owned by the PEPs by more than 20%<sup>7</sup>).
  - vi. Temporarily, it is forbidden to commence / maintain a business relationship with individuals:
    - a. Whose permanent residency is in Russia or Belarus, and they are not holders of a passport from an EU country, Iceland, Lichtenstein, Norway or Switzerland.

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<sup>5</sup> Conglomerate/well established companies (substantiated through independent sources) that are in the mining / exploration of gold and other precious metals industries from countries not included in Category F, can be accepted and treated as high-risk customers.

<sup>6</sup> For participation in Legal entities between 5% and 20% Compliance function's approval applies

- b. With a passport from Russia / Belarus and who (1) do not reside in an EU country, Iceland, Lichtenstein, Norway or Switzerland or (2) are not holders of a passport from an EU country, Iceland, Lichtenstein, Norway or Switzerland.

Exceptions apply for people planning to move to Cyprus (except under a tourist visa).

- vii. Temporarily, it is forbidden to commence a business relationship with an entity whose UBO is an individual falling under the criteria described in point vii, above.
- viii. Individuals (irrespective if they are in possession of dual nationality) or legal entities (irrespective of country of registration), where a direct or indirect connection is identified with the Russian government (either through structure, or through transactional activity, or common investments).
- ix. Individuals (irrespective if they are in possession of dual nationality) or legal entities (irrespective of country of registration) where a direct or indirect connection is identified with another individual or legal entity, unless this has been whitelisted, with no intention and absence of action to immediately disengage, and this is identified through:
  - corporate structure (applies only for relationships between legal entities),
  - common investments,
  - any form of trading transactional activity.
- x. Individuals and Legal entities (irrespective of dual nationality or registration) with a Russian / Belarusian nexus with high or significant negative media.
- xi. Individuals and Legal entities (irrespective of dual nationality or registration) with influence on the Russian economy or Russian State.

26. Is a legal entity with a complex structure, where there is no transparent and legitimate economic reason for its complexity.

27. Is a foreign government organization of a country not included in Category F and there is no reasonable ground/business justification for establishing such a business relationship.

28. Is a non-Profit Organisation or Charity or Foundation for charity purposes, which is either:

- not registered/established and operating in Cyprus or
- registered/established and operating in Cyprus but is not reputable and well known.

Exceptionally, a business relationship could be established with a limited selective list of the aforementioned entities registered/established and operating in a Category F Country, if they relate to very reputable global organizations, and there is a justifiable need for operating an account in Cyprus.

The above provisions also apply to clients who are ultimately owned by more than 50% by Non-Profit Organizations or Charities or Foundations set up for charity purposes.

29. Is introduced by an eligible third party but has not been met in person before the opening of accounts.
30. Is a client whose overall profile is deemed to entail higher risk of sanctions circumvention.
31. Is the Embassy of Cuba, Iran or Syria.
32. Is an e-commerce customer dealing in the card-absent provision of services under the following categories:
  - Cyberlockers and similar remote digital file-sharing services;
  - Games of Skill merchants;
  - Fireworks or pyrotechnic devices or supplies.

### **Ring Fencing Guidelines**

Regarding the above prohibitions, in cases where the client is part of a group operating in, amongst other industries, an industry which is considered not accepted as per the above parameters, the client may in very exceptional cases be accepted if mitigating measures are taken to ensure, beyond reasonable doubt, that the transactions processed through the JCC merchant account are not connected to the non-accepted activities of the group, whilst ensuring that the non-accepted activities represent a minimal portion of the overall turnover, determined on an ongoing case by case basis. Such clients could be accepted as High Risk under very specific conditions, including consent from the AMLCO.

### **Examples of Not Accepted Types of Transactions**

Transactions related to trading of ivory and/or any protected species and related products.

## Appendix 2 - Examples of High-Risk customers (individuals and/or legal entities)

### Important Note:

1. The following categories of customers are designated as high-risk and should be subject to enhanced due diligence measures, as prescribed by:
  - a) the Law or the CBC Directive:
    - Politically Exposed Persons (“PEPs”)
    - Foundations and Trust Accounts
    - Client accounts in the name of third persons
    - Clients residing in High-Risk Countries (on a reasonable validated risk basis)
    - Investment funds, financial services firms and firms providing investment services from third countries considered medium or high-risk
    - Customers conducting complex or unusually large transactions or unusual types of transactions
    - Transactions generated from High-Risk countries (on a risk basis)
  - b) JCC, in accordance with its risk appetite on ML and TF risk.
2. The categorization of a customer as High Risk is based on the overall score assigned by the automated scorecard, considering all risk parameters.
3. For Countries Categorization, please refer to **Appendix 3**.

### Examples Geography Risk Factors, which, considered on their own, classify a customer as High Risk:

1. Individuals whose ID / Passport Country is a Country included in Category A1<sup>7</sup>
2. Individuals whose Country of Residence is a Country included in Category B.
3. Legal entities whose Country of Registration or Country of Economic Activity is a Country included in Category B.
4. Legal entities where the Country of Residence of any of its Directors, Signatories, Shareholders (=>25%) or Beneficial Owners (=>25%) is a Country included in Category B.

### Examples of Customer / Legal form Risk Factors, which, considered on their own, classify a customer as High Risk:

1. Legal entities with complex corporate structures, provided there is a transparent and legitimate economic reason for their complexity.

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<sup>7</sup> If the individual is also resident in a Category A1 Country, then they are considered as Not Accepted

2. Foreign government organizations and Embassies of countries other than the ones included under Category F, provided there is reasonable ground/business justification for establishing a business relationship.
3. Persons associated with negative media related to ML/TF (the negative media identified need to be classified as High Risk.)

**Examples of Economic Activity Risk Factors, which, considered on their own, classify a customer as High Risk:**

1. Customers involved in the Production and/or Wholesale Trading of (i) Petroleum Products, such as oil and petrol, (ii) Energy such as natural gas, CO2 emissions or wind power.
2. Customers operating in the following high-risk industries, provided they are regulated/licensed in a Category F Country:
  - (i) Financial or Brokerage<sup>8</sup> firms,
  - (ii) Insurance Services Companies,
  - (iii) Payment Institutions and Electronic Money Institutions (including MSBs providing Money Transmission Services and Currency Exchange Service),
  - (iv) Organizations providing Armed Security Services,
  - (v) Crowdfunding Services Provision,
  - (vi) Sporting / Hunting / Antique guns.
3. Customers operating in the following high-risk industries, provided they are registered in a Category F Country: (a) Precious metals/stones<sup>9</sup>, (b) Pawn shops, (c) Trading of art collection.
4. Non-Profit organizations, Charities and Foundations set up for charity purposes, provided that are (a)<sup>10</sup> reputable and well-known charities established/registered and operating in Cyprus or (b) registered in a Category F Country and provided they relate to very reputable global organizations, and there is a justifiable need for operating a bank account in Cyprus.
5. Funds, whose overall risk score, based on the 'Scorecard of Investment Funds' (included in the Portal) is determined as high risk.
6. Foundations for business or private purposes, if they are not registered in a Category A, A1, A2 or B country.

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<sup>8</sup> In very exceptional cases, Financial or Brokerage Firms, regulated/licensed in other than a Category F Country, can be accepted and treated as high-risk customers, provided that Compliance function's consent is obtained.

<sup>9</sup> Conglomerate/well established companies (substantiated through independent sources) that are in the mining/ exploration of gold and other precious metals industries from countries not included in Category F can be accepted and treated as high-risk customers

<sup>10</sup> The provisions for points (a) and (b) also apply to clients who are ultimately owned by more than 50% by Non-Profit Organizations or Charities or Foundations set up for charity purposes.

**Examples of Behaviour Risk Factors, which, considered on their own, classify a customer as High Risk:**

1. Customers flagged by Compliance for Close Monitoring.

## Appendix 3 - Examples of Medium-Risk customers (individuals and/or legal entities)

The following customer characteristics and activity-related factors, when considered individually, result in the customer being classified as Medium risk.

- a) Operation as a non-financial institution involved in stored-value card purchase and/or loading activities;
- b) Operation as a union, association (including parents' associations), or community council (κοινοτικά συμβούλια);
- c) Face-to-face customer relationships involving gambling and lottery activities.

## Appendix 4 - Country Risk Categorization

The Geography Risk Factors used by the scorecard to determine the risk level of prospect and current customers, derive from a country risk categorization methodology, which assesses the ML/TF risk emanating from each country and geographic area.

The ML/TF risk of each country is based on several indexes and standards available reviewed by the AMLCO. Examples of such indexes and standards include the Basel AML Index Report, the Corruption Perception Index, FATF/Moneyval Public Statements, EU List of High-Risk Countries, EU/OECD List of Non-Cooperative Jurisdiction for Tax Purposes, Sanctions imposed by OFAC/EU/UN.

The country risk categorization is utilized for the scorecard to assign scores for geographical risk factors. Individuals are scored based on their Country of Residence and their Country of ID / Passport. Legal entities are scored based on the Country of Registration, Country of Economic Activity, as well as the Country of Residence and ID/Passport Country of their Directors, Signatories, Shareholders (=>25%) and Beneficial Owners (=>25%).

Countries fall within the following ML/TF categories:

1. Category A: Countries included in Appendix 3 of the Sanctions Policy and dissolved jurisdictions/countries
2. Category A1: Countries included in Appendix 3 of the Sanctions Policy and Countries associated with severe negative media relating to ML/TF/Evasion of Sanctions
3. Category A2: Countries included in Appendix 2 of the Sanctions Policy
4. Category B: Countries with High Risk profile/characteristics including, among others, countries with significant deficiencies as per FATF, and counties included in the EU/Moneyval list of high-risk countries.
5. Category C: Countries near war zones and/or near jurisdictions with connections with known terrorist organisations or associated with Significant Negative Media regarding ML/TF Deficiencies
6. Category D: Countries determined by the Compliance function taking into consideration various Indexes (e.g. Basel, CPI, FSI)
7. Category E: Medium Risk Countries
8. Category F: Countries which entail the lowest ML/TF risks, including, among others, EEA countries.