

# KRIPTOMAT COMPLIANCE MANAGEMENT SYSTEM

General compliance system description – overview

*Making it the right way with the right attitude.*

November 2020  
Kriptomat oü

Version 1.1

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KRIPTOMAT OÜ

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/Public/ 1

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|                                     |           |
|-------------------------------------|-----------|
| <b>Preamble</b>                     | <b>2</b>  |
| <b>Compliance Strategy</b>          | <b>3</b>  |
| Culture of compliance               | 3         |
| Compliance Goals                    | 5         |
| Communication                       | 6         |
| Compliance Corporate Governance     | 6         |
| <b>Prevention</b>                   | <b>7</b>  |
| Compliance Risk Assessment          | 7         |
| Kriptomat Code of Conduct           | 7         |
| Compliance Training                 | 9         |
| Compliance Helpdesk                 | 9         |
| Human Resources                     | 9         |
| Relationship with Business Partners | 10        |
| Internal Control System             | 10        |
| <b>Detection</b>                    | <b>10</b> |
| Internal Audit                      | 11        |
| <b>Reaction</b>                     | <b>12</b> |
| Investigation and Case Management   | 12        |
| <b>Evaluation</b>                   | <b>13</b> |
| Evaluation of the CMS Effectiveness | 13        |
| Continual Improvement               | 13        |
| <b>Support</b>                      | <b>14</b> |

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/Public/ 2

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## Preamble

Kriptomat vision is **#EverybodyDeservesCrypto** for our customers and society. We support the development of virtual currencies, namely its further adoption by building a trustworthy environment in which customers can feel safe and secure to either make the first steps into the crypto world or continue with their regular use of crypto. We also build bridges between the “old economy” and “new economy” as part of our business is dedicated to B2B and provide our business partners technical solutions for introducing virtual currency services into their business. Our team is working hard to evolve our company to meet the business needs of the new economy and the new phase of virtual assets market adoption. Our guiding principles to meeting these goals are **Trust & Security, Accessibility, and Team**. Because our service depends on all three principles which are embedded in our every day as well as strategic decisions and gives us directions on how to achieve our goals and live our mission to the fullest.

Integrity is what we stand for and ethics requires patience, strength, and dedication. We care how we do what we do; it matters how we achieve our goals. This is the very opposite of instant earnings, so we are running on a longer track. Trust is not something easy to receive and is not granted, you need to earn it. Legal compliance and working ethically is a basic requirement to obtain customers, employees, and other stakeholder trusts. Our management and employees strictly follow the rule that if something doesn't feel ok, you should listen to your inside voice of corporate integrity and refuse anything that is not in sound with the inner voice.

To support our firm integrity stance, we set up a set of internal rules and processes that assure we are staying on the right path. Besides, we incorporated the Segregation of duties principle in all key processes for additional security and to prevent fraud and error.

Acting with integrity determines our business attitude and decisions we make from the top-down. The management is the role model for all the company and supports and requires a sense of responsibility for each employee. The corporate culture is not

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/Public/ 3

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a single person thing, it something that is built through time and together with the team. So we are building and shaping Kriptomat corporate culture having in mind the main three guiding elements:

- Trust & Security – for building the long-term meaningful business relationships in a safe environment - organization and technically wise, supported by certified compliance with the best industry practice of information security in the form of ISO 27001:2013 Standard
- Accessibility – for making the crypto accessible to everyone at any time and
- Team – for everyone who is helping us to become one of the top crypto exchange services.

## Compliance Strategy

Our compliance strategy consists of 4 main groups of building blocks – culture, compliance goals, communication, and corporate governance. Each such block is specifically addressed and discussed within the company as only in mutual resonance do they offer an effective achievement of the compliance strategy.

### Culture of compliance

Corporate Culture is the overall attitude of the company when operating on an everyday basis. It reflects the soul of the company. Compliance cannot be reached if there is no proper corporate culture in place to assure an organization meets its obligation. Corporate culture is being built from the very beginning of the company's establishment and is a long-term story which is developed slowly however can be ruined quickly by inappropriate actions and with long-term consequences. So the culture of the company by its essence needs to be cherished and properly nourished by the top management and by every employee. Achieving this depends above all on the efficient and appropriate leadership at all levels and clear values and goals of an organization, and needs to be supported with the

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/Public/ 4

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implementation know-how, knowledge, awareness, promoting compliant behavior and continuous improvement.

At Kriptomat we are highly aware of the importance of building and maintaining the corporate culture as a substrate for the state of compliance. We care about how things are done and how we achieve our business goals. Our business partners, our shareholders, our employees, and other interested stakeholders, including the crypto community, rightly expect us to behave prudently and with integrity which expectations we gladly fulfill.

We give ourselves clear rules and guidelines about what is allowed and expected and what is not allowed. We strictly adhere to the regulation and have incorporated legal requirements in our internal processes along with an internal set of rules. Our Code of Conduct serves as the main behavioral guidelines and is addressed to all our managers and employees as well as other contractors that provide services to Kriptomat.

Since internal rules and guidelines cannot cover all situations someone may face, the overall guideline to work ethically, with integrity, and transparently apply, and most importantly – to take the responsibility for the made decision.

We are fully committed to compliance and compliance is our strategy in achieving our business goals. We follow our legal obligations, internal rules, guidelines, and procedures as well as business ethics. When it comes to implementation the management is fully and visibly devoted to compliance, promoting it on every step and in every decision they make and thus demonstrating exemplary attitude and integrity with the highest awareness that internal relations operate on a pyramid principle.

We are fully committed to the following:

- We respect market regulations and data privacy
- We do not bribe and do not accept bribes and strictly follow internal Anti-Bribery and Corruption Policy
- We implemented the Segregation of Duties principle in all key processes

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- Control checkpoints are implemented within all processes following the Internal Rules of Control
- Responsibility and automatic initiation of the disciplinary process for violation of internal rules is mandatory
- All our responsibility, obligations, mission, goals, principles, values are communicated and thus expected to be adhered to.

## Compliance Goals

As we did not want to stay at some general or even abstract level, we set clear goals that are regularly assessed, evaluated, and measured. In this way, we make sure that our compliance system is efficient, up-to-date and at the same time allows us to regularly check the possibilities for improvement in accordance with the continuous improvement principle. We take the responsibility for our behavior while keeping in mind economic as well as social aspects. This is completely in line with our mission “Everyone deserves crypto”.

Everyone at Kriptomat is expected to behave by the law requirements, internal process and guidelines, and high ethical standards. By doing so we protect our company from

- Business damage (in the form of financial and other penalties by the authorized official bodies or in the form of claims for damages by the parties due to non-compliance with the contractual requirements)
- Reputational damage
- Loss of licenses

All internal processes and guidelines are prepared based on a risk-based approach that assures proactive measures for additional security. We regularly conduct business risk assessments and assure mitigation measures are being implemented

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to reduce the risks. The current risk areas for the compliance management system are as follows:

- Legal requirements for a license for virtual currency service providers
- Anti-money laundering and countering the financing of terrorism (AML / CFT) compliance
- Information Security
- Anti-corruption / integrity
- Data privacy

Other important areas such as corporate governance, financial reporting, tax compliance, labor law are covered by applicable corporate functions.

## Communication

We understand the importance of efficient communication thus we enforced clear communication protocols and responsibilities for providing accurate and timely communication within the organization. Strong communication skills are mandatory in enforcing compliance culture as high awareness and responsibility for communicating are indispensable tools in assuring know how formation and implementation within the organization. For this reason, communication protocols are set up in accordance with pyramid principles. Important information is also available to external stakeholders and on our website.

## Compliance Corporate Governance

Based on the pyramid top-down principle, management is ultimately responsible for promoting and safeguarding compliance. For this purpose, we have established a compliance management system that is being maintained and regularly evaluated and continuously improved. We will never stop improving and will always set our goals a bit higher to assure corporate culture growth and prosperity.

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The compliance department is directly under the supervisory of the management board. By doing so we communicated the importance of compliance to all our interested stakeholders and also provided a compliance officer to be able to implement compliance measures from the very top-down and with all management powers. The compliance officer regularly reports to the management board about the status of the compliance management system. The compliance officer is supported by the supporting departments such as the legal department, and payment processing department.

## Prevention

### Compliance Risk Assessment

A risk-based approach is helping us to implement preventive misconduct measures through the business processes and the compliance risk assessment is an essential source of information for the compliance program.

Compliance risk assessment is accompanied by mitigation measures. Risks are managed by the risk owners who are responsible for the management of “their” risks and they provide reports to the compliance officer.

In case of relevant internal developments or changes or significant external factors (eg. legislative changes), ad-hoc compliance risk assessments are conducted.

### Kriptomat Code of Conduct

We act with honesty, dedication, fairness, and integrity. All represent the key components of our corporate culture.

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To prevent potential misconduct, we have established clear rules for legally and morally compliant business behavior in all business relationships and integrated compliance controls into the business processes.

Internal Rules of Control is an internal document that defines three lines of compliance operational defense: first-line – the onboarding of new clients, second line – compliance, and third-line – internal audit. By setting clear expectations and responsibilities within the organization we assure the integrity of Kriptomat and assure the internal compliance rules meet the legislative AML and CFT requirements on a national and international level.

The Code of Conduct promotes working with integrity, following high ethical standards and applicable legislation. It defines Ethical Principles that apply to conducting business:

- Legality,
- Impartiality,
- Honesty,
- Correctness and Transparency,
- Confidentiality,
- Value of Collaborators and Employees and
- Personal Integrity.

By promoting our core values and living them to the fullest we wish to gain trust from our stakeholders as trust is the foundation of all successful cooperation.

Our Code of Conduct applies to the Management Board, to all employees and external service providers.

Our Code of Conduct is available on the Kriptomat website.

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## Compliance Training

To assure compliance awareness, we conduct regular training programs. By Compliance Training Program we pursue the following goals:

- Creating, maintaining, and raising compliance awareness;
- Know-how transfer;
- To assure compliance risks are known and understood broadly within the organization as appropriate to a person's role in the organization;
- Raising awareness about the Code of Conduct and Compliance Guidelines;
- Necessary preventive and reporting actions within the organization.

The Compliance Training Program is managed by a compliance officer with support from the legal department.

## Compliance Helpdesk

The compliance team is available for any compliance-related assistance and can be reached through e-mail [compliance@kriptomat.io](mailto:compliance@kriptomat.io).

## Human Resources

Our recruiting process provides special attention to integrity and is managed in such a way that supports our guiding principles – Trust & Security, Accessibility, and Team. All our employees need to understand and support our guiding principles. We are immensely proud of our team and their devotion to work with the highest moral and ethical principles that reflect in everyday business operations.

Human Resources is responsible to take adequate disciplinary measures in all cases where misconduct has been detected.

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## Relationship with Business Partners

We care about who we work and thus we provide an assessment of all our service providers before entering a business relationship with them. Suppliers are required to submit answers to our Supplier Questionnaire based on which we assess their business from various business aspects including compliance, corporate culture, and information security.

Kriptomat has high demands on the integrity of its business partners and applicable requirements are included in contractual agreements. In case certain relation with illicit business conduct is detected this may present an obstacle in conducting business with such a business partner unless we are assured that sufficient measures have been established that business will be lawfully conducted with integrity.

## Internal Control System

Internal Rules of Control define all relevant controls that are integrated into the compliance process. The controls are regularly checked for their effectiveness and are updated if needed.

## Detection and Reporting

All employees and external service providers are expected to conduct business fairly and in a transparent manner and to help prevent and detect misconduct. If misconduct should occur, it should be detected as soon as possible.

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All employees are required to immediately report any concerns and report to their direct manager for initial support. If this is not possible, the information should be provided to a compliance officer.

Any employee and also external service providers and other interested stakeholders are encouraged to report a violation or suspicion of a violation against the legal framework and/or internal rules. We encourage clear and transparent communication and we strictly prohibit any form of retaliation.

Our clients may always ask for our assistance in all compliance-related matters.

All reports are assessed and appropriately investigated.

## Internal Audit

The Internal Audit department observes the adherence with internal rules and procedures as well as with legal framework. To assure the independence of the audit, the Internal Audit Department is independent and represents the highest authority in the supervision of compliance within the organization and whether employees are conforming to the rules and procedures applicable and also whether audited rules and procedures are effective and efficient.

If the Internal Audit detects information that is relevant to Compliance, especially if it detects the need for CMS to be changed, Compliance will be informed and required to evaluate whether and which measures are needed to improve/adjust the CMS.

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## Reaction

### Investigation and Case Management

In all cases where initial suspicion is supported by facts, an internal investigation is conducted. This applies to internal cases as well as cases reported by external stakeholders – clients, banks, police, and other authorities.

An internal investigation is confidential, fair and comprehensively documented. Special attention is given to ensuring privacy.

When a report or claim is received from our clients and/or police or other authorities, such claim is followed by detailed review, preparation of our response and in some cases also internal investigation is conducted.

When a nonconformity or noncompliance is detected, Kriptomat

- Reacts to the nonconformity/noncompliance by taking action to control and current it and/or manage the consequences;
- Evaluates how to eliminate the root causes of the nonconformity and/or noncompliance in the order it does not recur, by reviewing the nonconformity and/or noncompliance and determining the causes for it and determine if similar nonconformities/noncompliance exist or could potentially occur;
- Reviews the effectiveness of the corrective action taken;
- Makes changes to the compliance management system if needed.

If no misconduct or noncompliance has been determined, gathered information should be used to identify possible opportunities for improvement of CMS.

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## Evaluation

### Evaluation of the CMS Effectiveness

Evaluation of the performance and effectiveness of CMS is essential to assure its efficiency, therefore Kriptomat monitors and evaluates CMS continuously through predefined key indicators for the performance and effectiveness of the CMS. Examples of such key indicators are:

- Effectiveness of the communication
- Compliance training conducted and the opinion/scoring of the attendees
- Resource allocation
- Number of resolved reports
- Status of implementation of mitigation measures
- Awareness of the employees

At Kriptomat we regularly monitor virtual currency service-related legislation to assure we are compliant with all applicable legislation.

The evaluation of the CMS effectiveness is included in the yearly management review.

### Continual Improvement

We are dedicated to always strive to be better and to reach further. This also applies to our CMS, especially with the awareness that we are in a business that is constantly changing and is also technically demanding. CMS's suitability, adequacy, and effectiveness are continually challenged based on changes in the industry, legal framework, internal and external knowledge, and experience as well as good practice.

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## Support

For the CMS to be efficient and compliance goals to be fulfilled, appropriate resources need to be established, maintained, evaluated, and assured. To assure that compliance receives all the needed support it is directly supervised by the management board. By doing so the company has shown the strongest commitment to compliance.

Everyone in Kriptomat must understand the value of integrity, and also, they need to understand Kriptomat as an organization, the context of our business, and understand the potential compliance risks as well as risk-based approach as a principle.

All resources working in compliance need to be highly professional, with excellent communication and analytic skills and knowledge of relevant laws and good practice.

Our team consists of experienced international experts, among others, in the field of business development, banking industry, IT industry, corporate law, and information security. The compliance process is supported by the appropriate information system that enables smooth technical business operations.

Training on a regular basis is provided to all Kriptomat employees as well as to the key external service providers.

Tallinn, November 2020

Eduard Kotšetov, director

Dejan Davidović, Chief Compliance & Integrity Officer

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