

## AML/CTF KYC – RELATED FAQs

**What is money laundering and terrorist financing?** Money laundering involves hiding or disguising the true origin of funds acquired through illegal activities. Terrorist financing refers to providing financial support to terrorist activities or individuals involved in planning or leading such activities. We take strong measures to combat these illegal activities.

**Why is financial institution requesting customers to provide information?** Financial institutions are legally obligated to implement the "Know Your Customer" principle and mitigate the risks associated with illegal activities. By requesting customer information, we ensure transparency regarding the origin of funds, the nature of transactions, and compliance with regulatory requirements.

**What is the "Know Your Customer"? Why is the "Know Your Customer" principle necessary?** The "Know Your Customer" (KYC) principle refers to the practice of financial institutions verifying the identity and understanding the nature of their customers' business activities, regularly monitoring business relations, and verifying the source of funds. It involves collecting customer information, assessing risks, and ensuring compliance with anti-money laundering and counter-terrorism financing regulations. The implementation of the "Know Your Customer" principle is necessary to prevent financial crimes, identity theft, money laundering, terrorist financing, and sanctions violations. It ensures regulatory compliance, protects customer funds, and promotes a secure financial environment. Relevant legislation governs the implementation of this principle, including the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing and guidelines provided by regulatory bodies.

**What steps should I take to assist with implementing the Know Your Customer principle?** To support compliance with the "Know Your Customer" principle, we kindly request that you submit and update information within the specified deadlines. Additionally, please inform us promptly about any changes in your activities or personal details. Accurate contact information allows us to reach out if additional information is required. For further assistance or questions, please contact our customer support team.

**Why do I need to fill in the questionnaire and provide extensive personal information?** The "Know Your Customer" questionnaire helps us understand your business activities, expected transactions, and the source of funds. It is a legal requirement to gather up-to-date customer information, which enables us to identify and prevent suspicious transactions and safeguard your funds.

**Why do I need to provide information about the ownership and control structure of legal entity?** To comply with legal requirements, we ask customers (legal entities) to provide information on the ownership and control structure, including the identification of natural persons involved. This information is crucial for regulatory compliance and ensuring transparency.

**Why do I need to provide a copy of my identification document?** In accordance with the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing, customer identities or those representing a legal entity must be verified. Making a copy of the relevant pages of your identification document is necessary to meet this legal obligation.

**Why do I need to provide information and documents/explanations to support transactions in my account? What documents can I provide to confirm the origin (source) of my funds/assets?** Monitoring customer transactions is a standard process aimed at preventing illegal activities and ensuring the security of funds. To fulfill legal obligations, we may request additional information or documentation related to

transactions. Providing comprehensive details and relevant documents helps us promptly review and process your transactions. In accordance with applicable regulations, the institution is required to understand and verify the origin (source) of a client's funds and assets. To ensure compliance, the institution requests documents that confirm the legal origin (source) of the funds/assets. Examples of acceptable documents for various sources of funds/assets include:

- Sale of Real Estate:
  - Sale Agreement: Submit the agreement documenting the sale of the real estate.
  - Evidence of Payment: Provide a document confirming the money transfer related to the sale, such as a payment order.
- Employment Income:
  - Payslips: Submit your recent payslips from your employer.
  - Bank Account Statement: Provide a bank account statement for the past three months showing incoming payments from your employer.
- Savings:
  - Bank Account Statements: Submit your current and savings account statements for the past three months.
- Business Ownership:
  - Bank Statements: Provide your bank statements for the past three months, indicating incoming payments from your business as dividends.
  - Proof of Ownership: Include relevant documents proving your ownership of the legal entity, if applicable.
- Loan:
  - Payment Order: Submit a payment order or any other document verifying the money transfer related to the loan.
  - Loan Agreement: Include a copy of the loan agreement.
- Gift:
  - Payment Order: Provide a payment order or any other document confirming the money transfer related to the gift.
  - Gift Agreement: Include a copy of the gift agreement.

Please note that this list of documents is not complete, as each situation is assessed individually. You may be asked for additional documents that confirm the origin of funds/assets, not included in this list.

**Why does the financial institution inquire whether I or my close family members are politically exposed persons (PEPs)?** To comply with the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing, we are obligated to collect information about politically exposed persons (PEPs). Being classified as a politically exposed person or having close relations with one does not automatically limit services. However, additional procedures may be necessary to meet legal requirements. The definition of politically exposed persons includes individuals holding important public positions and their close family members or associates.

**Why additional information and documents are requested after submitting an account application?**

Before establishing a business relationship, we need to understand your activities, transaction details, the source of funds and other information. In certain cases, additional information or documents may be required to ensure full comprehension of your business operations. Providing accurate and detailed information helps expedite the account opening process.

**Do I become a suspect if financial institution asks me to answer questions or provide certain documents?**

A request for additional information or documents does not imply suspicion. This is a standard process followed by all customers. Our goal is to ensure compliance with legal requirements, prevent financial crimes, and protect the security of your account. The request for information does not imply suspicion. Collecting customer data is a routine procedure mandated by law. It is a standard process for all customers to ensure regulatory compliance and the security of financial transactions.

**What happens if I don't provide the requested information or provide false information?**

Failure to provide the necessary information or documentation may result in limitations on certain services, such as the suspension of transactions or restrictions on account usage. However, your funds will remain intact. It is essential to provide accurate information to comply with legal obligations and maintain a smooth business relationship.

## AML/CFT Definitions

**Anti-Money Laundering (AML):** measures taken by companies to prevent, detect, and report money laundering activities. These measures are regulated by the Law of the Republic of Lithuania on the Prevention of Money Laundering and Terrorist Financing. It ensures that financial institutions take the necessary steps to prevent money laundering and terrorist financing.

**Money Laundering:** illegal process of disguising the origin of illegally obtained funds to make them appear legitimate. It involves concealing the true source of the money making it difficult to trace back to criminal activities.

**Counter-Terrorist Financing (CTF):** collective efforts undertaken to disrupt and prevent the flow of funds that support terrorist activities that enables terrorists to carry out their operations. It involves measures to identify, track, and disrupt the financing of terrorism.

**Terrorist Financing:** involves providing financial support in any form to terrorist activities or individuals who plan, or lead such activities.

**Know Your Customer (KYC):** process through which financial institutions gather information about their customers to better understand their identity, assess potential risks, and ensure compliance with regulatory requirements. The purpose of KYC is to prevent fraudulent activities, money laundering, and other illicit financial practices by having a comprehensive understanding of the customers and their financial profiles.

**Source of Funds:** origin and means by which currency or financial instruments are obtained and deposited into an account. It entails identifying and documenting the specific sources from which funds are derived, including the activities or transactions that generated the money.

**Source of Wealth:** origin of an individual's accumulated assets and financial resources. It provides insights into the activities that have contributed to their overall net worth. It recognizes that wealth can be generated through various activities.

**Politically exposed person (PEP):** individual who holds or has held a significant position in the government or influential organizations. Due to the potential risk of corruption or misuse of power, PEPs receive close attention and monitoring from financial institutions and organizations. Special measures are implemented to prevent activities such as money laundering and bribery.

**Authorized Signatories:** individuals who have been granted the legal authority to act on behalf of a customer or entity. Officially recorded by financial institutions as individuals with the legal right to represent the customer's interests and have control over their accounts or business operations.

**Ultimate Beneficial Owner:** natural person(s) who ultimately own or control an entity, either directly or indirectly. They have ultimate ownership and control over the assets or operations.

**Sanctions:** economic or trade-based measures imposed by governments or international bodies to promote foreign policy or national security goals. These measures may include asset freezes or commercial prohibitions targeting specific jurisdictions, individuals, or entities.