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# THE GUIDE OF ORIENTATION FOR PREVENTION OF CRYPTOASSETS LAUNDERING, FINANCING OF THE TERRORISM AND POLICIES “KNOW YOUR CLIENT”



## GENERAL CONSIDERATIONS

The Exchange Offices are commercial entities whose activity is intended for the intermediation of cryptoassets, securities and other related activities ran in accordance with the provisions of the Presidential Decree with Rank and Force of Law No. 3.196, issued on December 8, 2017, published in Extraordinary Official Gazette No. 6.346 dated December 8, 2017 and submitted to authorization and approval by the Venezuelan Superintendence of Cryptoassets and Related Activities (SUPCACVEN).

As an essential objective, they must offer with excellence the best solutions of intermediation, especially of the cryptoassets that use the systems of distributed accounting technology known under the international technical term of “blockchain” in an innovative, safe way, in the framework of Laws, Regulations and Standards. They must reach a high level of leadership in the National Market of Cryptoassets, with a plan to extend its operations to international level, based on reliability, solidity and identification with the public, through an efficient service, always in compliance with the Laws.

In order to be transparent and always with the truth, all the acts performed within the House of Exchange, on its behalf or in relation to it, will be characterized by a high sense of responsibility and professionalism. These acts comply with the confidence that the society and the clients provide in the Exchange Office. To respect the rights of the clients to handle their data confidentially, which applied to this new digital exchange space; both the entity and its employees must protect the information disclosed to them by their clients and those of the institution that are reserved, without this being a reason for concealment and collaboration in Illicit Acts. The Exchange Office must have a Corporate Governance Model and a staff committed to its role for its clients.

They will aim to create a desirable work environment within the framework of a civilized coexistence, all our activities are based on the commitment to total justice and mutual respect in relations with the clients, the competitors and the multiple associations with which we interact.

The objective of this Guide is to serve as a first technical reference of the elements that will be considered to regulate the Prevention of Cryptoassets Laundering and Financing of the Terrorism, to be implemented by all parties interested in becoming authorized entities to operate in the Bolivarian Republic of Venezuela. It is sought to avoid using capital that comes from activities illicit or of dubious origin within the operations carried out with each of the products and services offered or negotiated with customers, especially in operations of purchase and sale of cryptoassets.

In order to obtain a license to operate as Cryptoassets Exchange Offices, interested parties must present a project to the entity in which the existing Policies and Procedures are taken into account to guarantee the transparency of their operations, emphasizing the internal processes aimed to avoid the Laundering of Cryptoassets and Financing of Terrorism in accordance with the best international practices in the field. Those interested in obtaining a license to operate as Cryptoassets Exchange Offices should incorporate in their projects, innovative approaches that can be applied as new modalities and regulations aimed at combating the criminal activities associated with the exchange of Cryptoassets, which may affect the good operation of intermediation operations on the national territory.

The suggestions described here should be considered for the subsequent implementation that the specific departments of the Exchange Offices must directly or indirectly carry out or link with the operations of Cryptoassets and derivatives thereof, especially by those in direct contact with the clients. Its supervision will be held by the Compliance Officer that all entities that intend to operate in the Bolivarian Republic of Venezuela must have.



The Cryptoassets Exchange Offices must apply all the procedures considered to comply with the “Know Your Clients” policies, these must be incorporated and explicitly sustained at the time of the formal presentation of the project to obtain an operational license. We must highlight that the client concept includes persons or entities with whom commercial links have been established or maintained through operations, employees (permanent or temporal), advisors, and other persons with whom a contractual link of any kind or characteristic is held and over which there is a need for “Due Diligence”.

In accordance with the particular characteristics of the different products or services, the officials in charge of the relationship with the clients will be obliged to have knowledge of the economic activity they develop and ensure that the products or services of the entity are not used as instrument for the concealment, management, investment or use in any form of money or other values derived from criminal activities.



## Aspects related to the “know your customer” policy or schemes (kyc)

The knowledge of the client begins with the process of entering the system and compliance with the requirements established for each of the products, businesses or services through which it can be linked to this entity. It is to consider all the information requirements associated with the most relevant personal and commercial data of the clients, which must be adequately supported and must be verifiable. The responsibility for verification thereof is part of the obligations of those who are interested in operating as Cryptoassets Exchange Offices. The knowledge of the activities of the habitual client and the market, allows guaranteeing the connection of people as users of the products and services that we introduce to the market. It is to define the indispensable information and documentation requirements necessary to link clients with the entity by type of product, offered service, market segment or type of entity.

The process of getting to Knowing the Client will be based on four (4) points focused on the nature of said clients, which are:

- Natural Person
- Legal Entities
- Foreign Natural Person
- Foreign Legal Entiti

In that order, the entity must evaluate the following fundamental aspects for each client:

- Defining aspects of the type of company and economic activity
- Aspects related to the information necessary for its connection
- Aspects related to supporting documentation
- Aspects related to the verification of presented data

For the Know Your Client policies established by the Exchange Office, the procedures proposed by the interested parties should be evaluated, that allow:

### At the time of its Evaluation

- Confirm the information provided in the opening process
- Verify that the opening documents contain all the necessary information to approximate the knowledge of the client
- Register the complete data in the support system
- Request references that allow getting know the client
- Review and confirm the data of client’s former accounts
- Visit the client in his commercial headquarters to obtain a direct perception of his economic activities in the cases if it would be considered necessary
- Adequately discover the economic activity that the clients develop, the magnitude and the basic characteristics of their standard transactions (origin and destination)
- Discover volume and movement of clients’ funds, so that they are related to the operation of the businesses they run

### During the Contractual Relationship

- Maintain permanent contact with the client
- Request the client to provide permanent updates of the data and the documentation



- Make periodic visits to verify the progress of their business
- Establish internal mechanisms to identify those operations that are the subject of suspicion according to the guidelines established to guarantee their legality.
- Establish possible patterns of behavior, frequency, volume and characteristics of the transactions that it carries out

In the project to be presented it is to indicate all the specific requirements that will be requested by the Cryptoassets Exchange Offices for each evaluation and approval of the mentioned different types of clients. Also it is to explicitly incorporate all the aspects associated with the evaluation of operational and technological risk, the organizational structure of the Exchange Office, Business Plan and Market Positioning, Added Value Proposal, the Internal Regulation of Processes, the Contract Models to be used with the clients, the architecture that supports operability, the procedures to guarantee the continuity of these and the Operational Contingency Plan, the internal procedures to demonstrate the levels of security that will be implemented to protect the clients and the reports of specific information on each Exchange Office that will be requested by the Regulatory Entity to supervise, audit and verify that they comply with the essential elements required to exercise said activity in the Bolivarian Republic of Venezuela.

The Houses of Exchange must contemplate in the project that will be presented and will be subject to review and approval of the SUPCACVEN, all the necessary information to evaluate the profile of the all participating non-Venezuelan citizens and the companies that are constituted abroad, verify all the indispensable requirements linked to the identity of the natural persons and of all those shareholders and members of the Boards of Directors of the foreign companies, to deepen the means of control and revision to guarantee the real identification of the real Beneficial Owner;

Also the processes must be detailed to verify that no potential client of the Exchange Offices appears on the lists issued by the United Nations Security Council, by Resolutions to the archives of INTERPOL and in any other database that may be useful, to verify the identity of natural person or legal entity associated with all those illicit activities or that contribute to the financing of terrorism worldwide. In case the person appears in any of the mentioned lists, his/her approval as client must be rejected and immediately communicated to the SUPCAVEN.

The Exchange Offices must verify that the requests of potential clients are not associated to:

- Natural persons or legal entities that collect money from the public in a massive and habitual manner without having the prior authorization of the competent authorities
- Merchants that distribute, mediate or possess merchandise entered into the country in an irregular manner, or produced in an illegal manner
- Clients with criminal records in general
- Individuals who have a business which nature makes impossible to verify the legitimacy of the activities or the origin of the funds
- Financial intermediation entities that are not authorized to operate by the Corresponding Authority
- Politically Exposed Persons (PEP)
- Companies that engage in betting activity of any kind

The Exchange Offices must present in the project those procedures that allow internal verification that their employees do not acquire, protect, invest, transport, transform, custody or manage assets that have their mediate or immediate origin in activities of extortion, illicit enrichment, kidnapping, rebellion, arms trafficking, crimes against the financial system, public administration, or linked to the objects under the crime investigation, related to the trafficking of toxic drugs, psychotropic drugs and substances, or the goods received from such illegal activities or performance to



legalize, conceal or cover up their true nature, origin, location, destination, movement or rights over such assets, or perform any other act to conceal or cover up their illicit origin, incurring in a crime that merits the sanctions established in the current legal texts in accordance with the respective legal competence according to the crime established to be verified.

The Exchange Offices must demonstrate in the project, all the processes associated with the special treatment of those irregular situations presented with their transactional operations, establishing the parameters to support the immediate interruption in case of detecting criminal activities that contravene the provisions set by the Regulator Entity. Any suspension generated with the prevention of money laundering or the financing of terrorism does not exempt from the obligation to report the operation or comply with the other established internal control and supervision procedures.

In any case, it must be sufficiently documented and supported by the reason why the Exchange Office has been separated from the client, so that all the specific elements that will allow the respective investigation to be carried out by the SUPCACVEN to guarantee the application of the criteria applied in the internal process applied to the suspension. This investigation must be accompanied by a report prepared by the respective Compliance Officer and authorized by the internal regulations of the Exchange Office.

The Exchange Offices should emphasize on the evaluation of potential clients, and should establish internal parameters that allow the preparation of a profile by client that estimates a weight to calculate the level of specific risk associated with its commercial activities. The Exchange Offices must provide in the project, those procedures that guarantee the audit and control of each transaction and of the internal accounting organization of the entity, being able to apply all those mechanisms that strengthen the technological architecture required to maintain the continuity of operations and respond effectively to the audit and control processes that will be applied by the SUPCACVEN.

The Exchange Offices must consider the following approaches associated with the process of legitimizing capital and financing terrorism. The process of legitimization begins once the crime that gives rise to the money ends. The success of the operations, which are carried out during the different stages, is a complex process that makes it difficult for the authorities to investigate, track and identify both the authors of the crime of laundering and the owners of the money. These stages can be used individually or as a whole, and are not mutually exclusive or sequential, nor the exclusive that can be used.



## Stages of the legitimization process

The Stages of the Legitimation Process are:

### **14.1 Obtaining or Collecting:**

It is the stage prior to the legitimization of capital. On it, the collection or reception of the proceeds of the criminal activity is done. This stage begins at the moment in which the same author, individual, collector or criminal organization, initiate the process of legitimation.

### **14.2 Accumulation or Placement or Circulation:**

In this stage, the actors manage the introduction of money in the national or international economy, in the vast majority of cases using changed financial system and through various commercial operations, preferably through cash operations.

### **14.3 Transformation or Diversification:**

This stage can be defined as one where, with the intervention of several people, multiple financial and commercial operations are carried out aimed at concealing the illicit origin of money. Once the resources are placed in a bank account or in a channel with a licit nature, the legitimator tries to disperse them by transferring them to other accounts, inside or outside the country, or converting them into another group of financial papers or digital instruments.

### **14.4 Integration or Investment:**

This stage consists of integrating illicit money with licit activities, giving them the appearance of legality. In this stage, resources are invested in other types of assets or property. The large sums thus recycled are intended for the incorporation or acquisition of companies, commercial businesses, furnishings and real estate and any other activities.

### **14.5 The Reuse:**

In this stage, the legitimization process starts the new cycle to feed the criminal chain.



## Final considerations

Finally, we urge all those interested in obtaining a license to operate as Exchange Offices in the Bolivarian Republic of Venezuela, to deepen the guidelines set forth in the International Regulatory System and in the different Agreements of a multilateral nature for the Prevention of Laundering of Assets, Financing of Terrorism and “Know Your Customer” policies, among which we allow ourselves to suggest, in a merely unlimited manner, the following:

- The Basel Declaration of Principles of December 12, 1988, on prevention of the use of the banking system for laundering money with criminal origin
- The United Nations Convention of Vienna against Drugs and Psychotropic Substances Trafficking, December 20, 1988
- Directive 91/308/EEC, of the Council of the European Communities, on June 10, 1991, concerning the Prevention of the Use of the Financial System for Money Laundering
- The recommendation of the Financial Action Task Force (FATF) of February 1990 and revised in June 1996 and October 2001. (There have been developed other regional recommendations, but practically all have been incorporated into the 40 recommendations in his latest revision)
- The Resolution of the European Parliament, on June 21, 1996, on the application of directive 91/308/EEC, on Money Laundering
- The Patriot Act, in November 2001, and other subsequent regulations on the same subject
- Resolution No. 1267 on 15/10/99 of the Security Council of the United Nations (UN), regarding Freezing of Funds and Prohibition of Doing Any Business
- Guide for the Prevention of Terrorist Financing of the Financial Action Task Force (FATF)