CLIENT RISK ASSESSMENT POLICY AND METHODOLOGY

VG MARKETS LIMITED

Risk factors, weighting, scoring, classification and review

September 2026

VGM-KM-POL-002 | Version 1.0

PO Box 1212, Hamchako, Mutsamudu, Autonomous Island of Anjouan, Union of Comoros

Company No. 16087 | International Brokerage and Clearing House Licence No. L16087/VGM

DOCUMENT CONTROL

Field	Detail
Document	Client Risk Assessment Policy and Methodology
Reference	VGM-KM-POL-002
Version	1.0
Status	Approved and in force
Entity	VG Markets Limited, Autonomous Island of Anjouan, Union of Comoros
Licence	International Brokerage and Clearing House Licence No. L16087/VGM
Regulator	Anjouan Offshore Finance Authority (AOFA)
Document owner	Money Laundering Reporting Officer / Compliance Officer
Approved by	Board of Directors
Effective date	1 September 2026
Review frequency	At least annually, and on any material change to the business, its customers, jurisdictions, products, payment arrangements or regulatory obligations
Next scheduled review	31 August 2027
Classification	Internal and confidential

RELATIONSHIP TO OTHER DOCUMENTS

This Policy establishes the risk factors, weightings, scoring and classification used across the Company's AML/CFT framework. It is the **single authoritative source** for customer risk scoring. Where the AML/CFT Policy and Manual (VGM-KM-POL-001) or the Client Acceptance and Onboarding Procedure (VGM-KM-PRO-001) refer to customer risk rating, they refer to the methodology set out here.

> *"Customer" and "Client" are used interchangeably in this Policy. Both mean a Client as defined in the Client Agreement, together with any prospective client and, where the context requires, any beneficial owner, authorised person or controlling person connected with that client.*

1. PURPOSE

The purpose of this Policy is to establish a risk-based methodology for assessing and classifying customers according to their money laundering, terrorist financing, proliferation financing, sanctions, fraud and reputational risk.

VG Markets Limited shall apply a risk-based approach to customer onboarding, ongoing monitoring and periodic review to ensure compliance with:

- Money Laundering (Prevention) Act, Act 008 of 2005;
- Anjouan Offshore Finance Authority Act 2005;
- Applicable requirements issued by the Anjouan Offshore Finance Authority (AOFA);
- FATF Recommendations;
- United Nations sanctions requirements; and
- Internal AML/CFT Framework.

2. SCOPE

This Policy applies to:

- Individual customers;
- Corporate customers;
- Trusts;
- Partnerships;
- Introducing brokers;
- Affiliates;
- Professional clients;
- High-net-worth clients.

This Policy applies before account activation and throughout the customer relationship.

3. RISK-BASED APPROACH

VG Markets adopts a risk-based approach whereby customers presenting higher ML/TF risks are subject to enhanced scrutiny and monitoring.

The customer risk rating determines:

- Level of due diligence;
- Approval authority;
- Source of wealth requirements;
- Source of funds requirements;
- Transaction monitoring intensity;
- Review frequency.

4. RISK RATING CATEGORIES

Rating	Description
Low Risk	Minimal AML risk
Medium Risk	Normal AML risk
High Risk	Elevated AML risk requiring EDD
Prohibited	Relationship not permitted

5. CLIENT RISK FACTORS

Customer risk shall be assessed using five categories.

5.1 Geographic Risk (30%)

Low Risk Jurisdictions

Countries with:

- Strong AML framework;
- FATF membership;
- Effective supervision;

- Low corruption indicators.

Examples:

- Australia
- New Zealand
- United Kingdom
- Singapore
- Hong Kong
- Germany
- France
- Japan

Score = 1

Medium Risk Jurisdictions

Countries with:

- Developing AML frameworks;
- Higher corruption levels;
- Moderate regulatory oversight.

Examples:

- South Africa
- Malaysia
- Thailand
- Brazil
- Mexico

Score = 3

High Risk Jurisdictions

Countries:

- Subject to FATF increased monitoring;
- Significant corruption concerns;
- Elevated financial crime risks.

Score = 5

Prohibited Jurisdictions

Customers residing in:

- FATF blacklisted jurisdictions;
- UN sanctioned territories;
- Jurisdictions prohibited by Company policy.

Examples include:

- North Korea
- Iran
- Crimea Region
- Donetsk Region
- Luhansk Region

Override — no score is calculated. A customer resident in, or connected to, a prohibited jurisdiction is classified as Prohibited and the application is rejected, irrespective of any other factor.

5.2 Customer Profile Risk (20%)

Low Risk

- Salaried employee
- Teacher
- Engineer
- Accountant
- Government employee
- Pensioner

Score = 1

Medium Risk

- Self-employed consultant
- Small business owner
- Property investor
- High-net-worth individual

Score = 3

High Risk

- Cash-intensive businesses
- Casino operators
- Money service businesses
- Virtual asset operators
- Arms trading businesses
- Precious metals dealers
- Offshore financial services providers

Score = 5

5.3 PEP AND SANCTIONS RISK (20%)

Low Risk

Not a PEP.

Score = 1

Medium Risk

Domestic PEP.

Score = 3

High Risk

- Foreign PEP
- Family member of PEP
- Close associate of PEP

Score = 5

Prohibited

Confirmed sanctions match.

Override — no score is calculated. A confirmed sanctions match is classified as Prohibited, the application is rejected and the matter is escalated to the MLRO immediately.

The Company shall conduct sanctions screening against:

- United Nations sanctions lists;

- OFAC sanctions lists;
- UK sanctions lists;
- EU sanctions lists.

5.4 SOURCE OF WEALTH / SOURCE OF FUNDS RISK (15%)

Low Risk

- Employment income
- Pension income
- Regulated investments

Score = 1

Medium Risk

- Business profits
- Property sale proceeds
- Inheritance

Score = 3

High Risk

- Cryptocurrency gains
- Cash businesses
- Unexplained wealth
- Offshore structures
- Third-party funding

Score = 5

5.5 PRODUCT AND TRANSACTION RISK (15%)

Low Risk

Expected monthly funding:

USD 0 – USD 10,000

Score = 1

Medium Risk

Expected monthly funding:

USD 10,001 – USD 50,000

Score = 3

High Risk

Expected monthly funding:

Above USD 50,000

Score = 5

Additional high-risk indicators include:

- Third-party deposits;
- Multiple funding methods;
- Frequent withdrawals without trading;
- Rapid in/out movements;
- Structuring behaviour.

6. RISK SCORING METHODOLOGY

Weighting Matrix

Factor	Weight
Geographic Risk	30%
Customer Profile	20%
PEP Risk	20%
Source of Wealth	15%
Transaction Risk	15%

Total = 100%

Formula

Overall Risk Score =

(Geographic × 30%) + (Customer × 20%) + (PEP × 20%) + (SOW × 15%) + (Transaction × 15%)

7. FINAL RISK CLASSIFICATION

Final Score	Rating
1.00 – 2.00	Low
2.01 – 3.50	Medium
3.51 – 5.00	High

8. AUTOMATIC HIGH-RISK CUSTOMERS

The following customers shall automatically be classified as High Risk regardless of score:

- Foreign PEPs;
- Customers from FATF Grey List jurisdictions;
- Virtual asset service providers;
- Money service businesses;
- Trusts;
- Foundations;
- Nominee shareholder structures;
- Adverse media matches;
- Complex offshore ownership structures.

9. ENHANCED DUE DILIGENCE

EDD shall be applied to all High-Risk customers.

EDD measures include:

Identity Verification

Additional government-issued identification.

Source of Wealth Verification

Examples:

- Payslips;
- Employment contracts;
- Tax returns;
- Audited financial statements;
- Property sale agreements;
- Inheritance documents.

Source of Funds Verification

Examples:

- Bank statements;
- Payment receipts;
- Investment statements.

Senior Management Approval

Required prior to activation.

10. CUSTOMER RISK REVIEW

Risk Rating	Review Frequency
Low	Every 36 months
Medium	Every 24 months
High	Every 12 months
PEP	Every 12 months

11. TRIGGER EVENTS

Immediate reassessment is required where:

- Customer changes address;
- Customer changes ownership structure;
- Significant increase in deposits;
- Adverse media identified;
- Suspicious transaction identified;
- PEP status changes.

12. CUSTOMER RISK ASSESSMENT FORM

Each customer file shall contain:

- Initial Risk Assessment;
- Screening Results;

- CDD Documentation;
- EDD Documentation (where applicable);
- Approval Record;
- Ongoing Monitoring Notes.

13. APPROVAL MATRIX

Risk Level	Approval Authority
Low	KYC Analyst
Medium	Compliance Officer
High	MLRO
PEP	MLRO + Director
Sanctions Match	Reject

14. RECORD RETENTION

All customer risk assessments and supporting documentation shall be retained for a minimum of seven (7) years following termination of the business relationship. AOFA AML obligations require customer identification, beneficial ownership identification, suspicious transaction reporting and retention of transaction records.

15. GOVERNANCE AND RESPONSIBILITIES

15.1 Board of Directors

The Board shall:

- Approve this Policy.
- Review AML/CFT risk exposure at least annually.
- Ensure adequate AML/CFT resources are available.
- Approve High-Risk PEP relationships.
- Review material AML breaches and suspicious activity trends.

15.2 Money Laundering Reporting Officer (MLRO)

The MLRO shall:

- Maintain the Client Risk Assessment Framework.
- Review High-Risk customer files.
- Approve Enhanced Due Diligence outcomes.
- Receive and investigate internal suspicious activity reports.
- Submit Suspicious Transaction Reports where required.
- Maintain AML records and registers.
- Report AML matters to the Board.

15.3 Compliance Officer

The Compliance Officer shall:

- Oversee day-to-day implementation.

- Conduct quality assurance reviews.
- Ensure periodic reviews are completed.
- Monitor screening effectiveness.

15.4 KYC Team

The KYC Team shall:

- Conduct onboarding due diligence.
- Complete Client Risk Assessment Forms.
- Escalate High-Risk cases.
- Maintain customer files.

16. CUSTOMER RISK ASSESSMENT PROCEDURE

16.1 Initial Assessment

A Client Risk Assessment must be completed:

- Before account activation;
- Before accepting funds;
- Before permitting trading activity.

No account may be activated until:

1. Identity verification is completed.
2. Sanctions screening is completed.
3. PEP screening is completed.
4. Risk rating is assigned.
5. Appropriate approval is obtained.

16.2 Reassessment Events

The customer risk rating shall be reassessed upon:

- Material increase in deposits;
- Material increase in trading volume;
- Change of residence;
- Change of occupation;
- Change of ownership structure;
- Adverse media event;
- PEP status change;
- Suspicious activity investigation.

17. CORPORATE CUSTOMER RISK ASSESSMENT

All legal entities must undergo a separate risk assessment.

17.1 Corporate Risk Factors

Factor	Low	Medium	High
Ownership Structure	Simple	Moderate	Complex
Number of Layers	1	2-3	4+

Factor	Low	Medium	High
Regulated Status	Regulated	Partial	Unregulated
Jurisdiction	Low Risk	Medium Risk	High Risk
Business Activity	Standard	Higher Risk	High Risk Industry

17.2 Mandatory Corporate Documents

The following shall be obtained:

- Certificate of Incorporation;
- Constitutional Documents;
- Register of Directors;
- Register of Shareholders;
- Beneficial Ownership Information;
- Corporate Structure Chart;
- Proof of Address;
- Identification of Directors;
- Identification of UBOs.

18. BENEFICIAL OWNERSHIP ASSESSMENT

VG Markets shall identify and verify all beneficial owners.

A beneficial owner includes:

- Any natural person owning 25% or more;
- Any natural person exercising effective control;
- Any settlor, trustee, protector or beneficiary of a trust.

The Company shall not onboard customers where beneficial ownership cannot be reasonably established. AOFA guidance specifically requires identification of beneficial owners, nominees, agents and intermediaries.

18.1 UBO Risk Matrix

Structure Type	Risk
Individual Ownership	Low
Single Corporate Layer	Medium
Multiple Corporate Layers	High
Nominee Shareholders	High
Unidentified UBO	Reject

19. ADVERSE MEDIA SCREENING

19.1 Screening Requirements

Adverse media screening shall be conducted:

- At onboarding;

- During periodic review;
- Following trigger events.

Sources may include:

- Reputable news sources;
- Regulatory publications;
- Court records;
- Public enforcement notices.

19.2 Adverse Media Assessment

Result	Risk
No Results	Low
Civil Litigation	Medium
Regulatory Action	High
Fraud Allegations	High
Money Laundering Allegations	High

20. SANCTIONS SCREENING

20.1 Screening Requirements

All customers, directors, beneficial owners, authorised representatives and counterparties shall be screened against:

- United Nations sanctions;
- OFAC sanctions;
- United Kingdom sanctions;
- European Union sanctions;
- Internal watchlists.

AOFA expects licensees to screen against UN sanctions and applicable sanctions regimes.

20.2 Screening Frequency

Screening Type	Frequency
Onboarding	Mandatory
Existing Customers	Daily or Automated
Trigger Event	Immediate
Periodic Review	Mandatory

20.3 Potential Matches

Potential matches must:

- Be investigated;
- Be documented;
- Be approved by Compliance before onboarding proceeds.

Confirmed sanctions matches shall result in account rejection or account restriction.

21. ENHANCED DUE DILIGENCE PROCEDURE

21.1 EDD Triggers

EDD shall be conducted for:

- High-Risk customers;
- PEPs;
- High-Risk jurisdictions;
- Complex ownership structures;
- High-value customers;
- Adverse media cases.

21.2 EDD Requirements

Additional measures may include:

Source of Wealth

Obtain:

- Tax returns;
- Audited financial statements;
- Employment records;
- Property sale contracts;
- Inheritance records.

Source of Funds

Obtain:

- Bank statements;
- Transaction evidence;
- Investment account statements.

Additional Verification

- Video verification;
- Additional identification documents;
- Independent public record verification.

Approval

Senior Management approval must be obtained before activation.

22. ONGOING MONITORING PROGRAM

VG Markets shall monitor customer activity to ensure consistency with the customer's profile and expected behaviour. Ongoing CDD should include reviewing customer risk, updating KYC information and maintaining records of monitoring decisions.

22.1 Monitoring Alerts

The following scenarios shall generate alerts:

Scenario	Action
Deposit inconsistent with profile	Review
Withdrawal shortly after deposit	Review
Third-party payment	Escalation
Multiple funding methods	Review
Dormant account reactivation	Review
Large profit withdrawals	Review
Significant increase in turnover	Review
High-risk jurisdiction connection	Escalation

22.2 High-Risk Monitoring

High-Risk customers shall receive:

- Enhanced transaction monitoring;
- Annual KYC refresh;
- Enhanced sanctions screening;
- MLRO oversight.

23. CUSTOMER ACCEPTANCE POLICY

VG Markets shall not onboard:

- Anonymous customers;
- Sanctioned persons;
- Shell banks;
- Customers from prohibited jurisdictions;
- Customers with unverifiable identity;
- Customers with unverifiable source of wealth;
- Customers with unidentified beneficial owners;
- Customers involved in illicit activities.

24. APPROVAL MATRIX

Approval authorities are set out at section 13 and are not restated here.

25. RECORD KEEPING

The records to be retained, and the retention period applying to them, are set out at section 14 and are not restated here.

26. MANAGEMENT INFORMATION AND REPORTING

The MLRO shall prepare quarterly reports containing:

- Number of new customers;
- Number of High-Risk customers;
- Number of PEPs;

- Number of EDD cases;
- Number of sanctions alerts;
- Number of adverse media alerts;
- Number of suspicious activity investigations;
- Outstanding remediation actions.

27. SUPPORTING FORMS AND REGISTERS

This Policy is supported by the following forms and registers, which are maintained by Compliance as controlled documents and reviewed on the same cycle as this Policy. Appendix A to this Policy contains the Client Risk Assessment Form referred to at section 12.

Supporting document	Maintained in	Owner
Country Risk Matrix	Compliance register, reviewed at least quarterly against current FATF listings and applicable sanctions regimes	Compliance Officer
Occupation and business activity risk matrix	Compliance register	Compliance Officer
Source of wealth verification matrix	AML/CFT Policy and Manual, Appendix E	MLRO
Individual customer KYC checklist	AML/CFT Policy and Manual, Appendix C	MLRO
Corporate customer KYC and UBO checklist	AML/CFT Policy and Manual, Appendix D	MLRO
Enhanced due diligence checklist	AML/CFT Policy and Manual, Appendix E	MLRO
Transaction monitoring red-flag matrix	AML/CFT Policy and Manual, Appendix G	MLRO
PEP and sanctions escalation form	AML/CFT Policy and Manual, Appendix F	MLRO
Customer acceptance and rejection register	Compliance register	Compliance Officer

APPENDIX A — CLIENT RISK ASSESSMENT FORM

This form is completed for every customer before account activation and on each periodic review or trigger event. It is retained on the customer file with the supporting evidence relied on for each factor.

A.1 Customer and assessment details

Field	Entry
Customer name	
Account number	
Customer type	Individual / Corporate / Trust / Partnership / Foundation
Assessment type	Onboarding / Periodic review / Trigger event
Assessed by	
Assessment date	

A.2 Weighted factor scoring

Risk factor	Weight	Score (1, 3 or 5)	Weighted score	Evidence relied on
Geographic risk	30%			
Customer profile risk	20%			
PEP, sanctions and financial crime exposure	20%			
Source of funds and source of wealth risk	15%			
Product and transaction risk	15%			
Total weighted score	**100%**			

A.3 Overrides

Override	Applies	Effect
Confirmed sanctions match	Yes / No	Prohibited — reject and escalate to MLRO
Prohibited jurisdiction	Yes / No	Prohibited — reject
Beneficial ownership not established	Yes / No	Prohibited — reject
Foreign PEP, family member or close associate	Yes / No	Automatic High Risk
Adverse media match	Yes / No	Automatic High Risk
Trust, foundation or nominee structure	Yes / No	Automatic High Risk
Complex or multi-layered offshore ownership	Yes / No	Automatic High Risk
MLRO or Compliance Officer discretionary override	Yes / No	Rating as determined; reason recorded at A.4

A.4 Classification and approval

Field	Entry
Calculated score	
Classification before overrides	Low (1.00–2.00) / Medium (2.01–3.50) / High (3.51–5.00)
Override applied	Yes / No
Reason for override, additional controls imposed	
Final classification	Low / Medium / High / Prohibited
EDD required	Yes / No
Approval authority	KYC Officer / Compliance Officer / MLRO / MLRO and Director
Approved by, date	
Next review due	

End of Client Risk Assessment Policy and Methodology