Carnaval
— Kenya Limited —

5th floor Stellato Building, 42 Muthithi rd, Westlands Nairobi. P.O. Box 14934-00800 Nairobi.
Phone: +254 71 268 7912. Email: info@carnaval.co.ke

CARNAVAL KENYA LIMITED

ANTI-MONEY LAUNDERING

AND TERRORISM FINANCING

POLICY

5th floor Stellato Building, 42 Muthithi rd, Westlands Nairobi. P.O. Box 14934-00800 Nairobi.
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1. PURPOSE

The purpose of this Policy is to ensure compliance with anti-money Laundering Obligations issued by the Government of Kenya under the Financial reporting Center (FRC) and the Central Bank of Kenya Including applicable Provisions of the Proceeds of Crime and Anti-Money Laundering Act (No.9 of 2009), proceeds of Crime and Anti-Money Laundering Regulations 2013, the Prudential guidelines issued by the Central Bank and all other legal requirements.

It is also to assist vendors, suppliers, employees and directors of Carnaval and its affiliates to effectively identify, disclose and manage, and to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorism or criminal activities within Carnaval by complying with all applicable requirements under the Proceeds of Crime and Anti-Money Laundering Act of Kenya, Number 9 of 2009 and its implementing relevant legislations.

This document sets out CARNAVAL's policies and procedures for preventing money laundering, including KYC procedures.

This document will be useful to all management and staff to understand:

i. The legal requirements and different penalties for non-compliance;
ii. What CARNAVAL requires from them
iii. How to recognize money laundering and the action they must take if they do.

All members of CARNAVAL's management and staff are expected to:

i. Be aware of their personal obligations and the legal obligations of CARNAVAL
ii. Be aware of CARNAVAL's Policy and follow CARNAVAL's procedures
iii. Be alert for anything suspicious.
iv. Report suspicions in line with internal procedures

2. Objectives

2.1. The objectives of this Anti – Money Laundering and Terrorism Financing Policy (hereinafter referred to as (the "Policy") include:

i. Enable Carnaval to identify, assess, monitor, manage and mitigate the risks associated with money laundering and financing of terrorism.

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ii. Create awareness to Carnaval 's employees, directors, affiliates and contractors with regard to money laundering.

iii. Ensure compliance with Kenyan laws and regulations on Anti – Money Laundering and terrorism financing.

iv. Protect Carnaval from failure to implement operational controls or inadvertently committing money laundering and terrorist financing offences when acting through its employees, agents or other third parties.

v. Avoid reputational damage to Carnaval by having consistent controls in place that deter abuse of Carnaval services by money launderers and those involved in financing terrorism or criminal activities.

3. What is Money Laundering

Money laundering is the act of making illegally obtained proceeds ("dirty cash") appear legal ("clean").

The term "laundering" is used because people need to turn their "dirty" money into clean funds that they can use without arousing suspicion by getting the money earned into the financial system so that it becomes harder to trace and confiscate.

Money laundering is a global problem and Casino operators have a responsibility to prevent gambling being a source of crime or disorder, being associated with crime and disorder or being used to support crime. Casinos and other gambling entities are vulnerable and need to play their part in preventing criminals from successfully laundering their criminal activity.

Money laundering is a crime in the gambling sector and it can take two main forms:

i. Exchanging money, assets, goods and property that were acquired criminally for money or assets that appear to be legitimate or 'clean' (so called classic money laundering). This is frequently achieved by transferring or passing the funds through some form of legitimate business transaction or structure.

ii. The use of criminal proceeds to fund gambling as a leisure activity (so called criminal or 'lifestyle' spend).

Operators should report instances of money laundering or attempts by customers to launder money to the relevant authority and, where appropriate consent is requested, wait for such consent to deal with a transaction or an arrangement involving the customer, or

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wait until a set period has elapsed before proceeding. Operators should be aware that there is no *de minimis* threshold for the management and reporting of money laundering activity.

4. CARNAVAL's role in preventing Money Laundering

The prevention of money laundering from the point of view of CARNAVAL has three objectives:

i. Ethical – taking part in the fight against crime

ii. Professional- ensuring that CARNAVAL is not involved in recycling the proceeds of crime that would call into question its reputation, integrity and if fraud is involved, its solvency.

iii. Legal – complying with Regulations on anti-money laundering that impose certain specific obligations on gambling institutions and their employees.

5. Stages of money laundering

The first step in laundering process is the attempt to get the proceeds of crime into a financial system, sometimes using a false identity. They can then transfer the proceeds to other accounts or use it to buy other goods and services.

It eventually appears to be like any legally earned money and becomes difficult to trace back to its criminal past. The concerned persons can then invest or spend it or, as often the case, use it to fund more crime.

The laundering process is often described as taking place in three stages:

5.1. *Placement – (Injection or Pre-washing)*

Placement, being the first stage is the means by which funds from a criminal activity are introduced into the legitimate business, either directly or through using other retail businesses. This can be in the form of large sums of cash or a series of smaller sums. A Cashier/keyman may offer Chips, tokens or credit to the suspect.

5.2. *Layering – (Stacking or Washing)*

The aim of the second stage is to disguise the transaction through a succession of complex financial transactions with the purpose of erasing as quickly as possible all links to its illegal origin. The funds may be converted into shares, bonds or other easily negotiable asset or may be transferred to other accounts in other jurisdictions.

5.3. *Integration – (Recycling)*

Complex integration schemes then place the laundered funds back into the economy through other legitimate business, in such a way that they re-enter the financial system appearing as normal business funds that have been legitimately earned.

6. CARNAVAL Vulnerabilities

Money launderers need the world's financial system to launder the proceeds of their crimes and all gambling institutions in all countries are vulnerable. Thus, our own degree of vigilance must reflect these potential vulnerabilities. Cash transactions arising from drug related crimes are by no means the only risk. Fraud, for example, does not generate any cash, but the extensive proceeds still need to be laundered. Corruption by various individuals and companies including public officials produce a serious reputation risk for CARNAVAL. In addition, preventive measures put in place by International Financial Institutions over the past decade have results in the need for criminals to use more complex routes to gain access to the financial system, rather than placing their cash directly into the financial system. It must be stressed therefore that all CARNAVAL's products and services are at risk from being used by criminals to launder proceeds of their crime.

7. CARNAVAL AML/CFT POLICY

It is the Policy of CARNAVAL that:

7.1. Kenyan statutory and regulatory obligations to prevent money laundering are to be met in full.

7.2. Positive management action will be exercised in order to minimize the risk of CARNAVAL's services being abused for the purposes of laundering funds.

7.3. CARNAVAL will not continue established relationships with customers whose conduct gives rise to suspicion of involvement with illegal activities.

7.4. CARNAVAL's policy and procedures will be based upon the legislative requirements on money laundering.

8. Controls in place to mitigate potential risks

Staff are fully briefed on the policy and to inform the Manager of any suspicious activity/transactions they should come across. The Manager has responsibility for ongoing monitoring of the fulfilment of all AML/CFT duties. This involves the monitoring of all gaming activities and transactions and taking appropriate action. Furthermore, the Manager is the contact point regarding all AML/CFT issues for internal and external authorities,

including financial intelligence units (FIUs). Internal monitoring of all activities takes place and transactions are audited:

(i) to identify and address any potential risks identified.

(ii) to check the effectiveness of implementation of policy

(iii) to check the effectiveness of compliance oversight

(iv) the effectiveness of staff training

Multiple entries: The number of entries from any new player is restricted to 20. Multiple entries in different names from a single address or person should be regarded as suspicious activity. Entries of 4 or more from a single individual is regarded as unusual and further identification checks should be considered.

Accepting Cash Payments: Cash Collectors are required to report any suspicious cash payments to the Manager.

Ongoing Monitoring: Know your customer (KYC) knowledge will be used to assist with monitoring customer activities. All transactions are monitored – monitoring is daily & weekly.

Issuing Prize Cheques: Prize cheques are made payable to the person named on the entry. All prize cheques are crossed and marked A/C Payee.

A winner wanting a prize cheque made payable to a person of a different name will be required to make the request in writing. A cheque will only be issued when the identification of the payee has been verified by the Casino Manager and that the reason for re-issuing a cheque is accepted as legitimate.

Record-keeping: All transactions are recorded – all records are auditable – records are kept for 5 years.

Reporting of suspicious transactions

The Casino Manager has responsibility for monitoring for any suspicious activity. S/he will monitor transactions and if any suspicious activity is identified will undertake further enquiries to establish facts and then consider appropriate action which will include reporting suspicious transactions to the appropriate authority. The lottery manager will record & retain the decision-making process.

Any suspicious activity identified will then be investigated by the Casino Manager who will assess and analyse the information and decide whether to report the matter to the Financial Regulation Authority (FRC). This will be the decision of the Casino Manager who is the

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Nominated Anti Money laundering Officer. Records of any reports of suspicious activity and the subsequent decisions made by the Casino Manager to address the issue will be kept at the Casino at least 5 years.

In the event that when a suspicious activity is identified and further investigation by the Casino Manager cannot satisfy that the customer has a legitimate source of income and that the money being spent on the purchase of lottery was suspected to be from the proceeds of crime, (Organisation) will immediately cease a business relationship with the customer.

Procedures will be maintained to ensure the following:

i. That the identities of all persons conducting business with CARNAVAL are properly verified and sufficient information gathered and recorded to permit CARNAVAL to "know its customer" and predict the expected pattern of business.
ii. Transactions offered by counterparties that do not appear legitimate are declined.
iii. Established relationships are regularly monitored to ensure that they fit the customer's profile, especially in respect of large or abnormal transactions.
iv. Records are retained to provide an audit trail and adequate evidence to the law enforcement agencies in their investigations.
v. All suspicious transactions and activities are reported promptly to the Legal and Risk Department for investigations and further action in regard to involvement of law enforcement authorities.

Senior management is responsible for:

i. The day-to-day compliance with money laundering obligations within all segments of CARNAVAL for which they are responsible.
ii. Ensuring that the Legal and Risk Department is provided with prompt advice of unusual/ suspicious transactions and other matters of significance.
iii. Seeking from the Legal and Risk department, at least annually, a report relating to CARNAVAL's compliance with its AML obligations and acting on the findings and recommendations.
iv. Internal Audit to report deviations to the respective Senior Management and Managers to ensure rectification of exceptions found during their audit.

Head of legal and risk is responsible for:

i. Developing and maintaining policy in line with evolving statutory and regulatory obligations.

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ii. Developing internal procedures. The Legal and Risk function will have available copies of the current Regulations on Anti Money Laundering and ensure that it is up to date with new money laundering requirements and developments.
iii. Ensuring that staff are aware of their obligations and CARNAVAL's procedures, and that staff are adequately trained in money laundering prevention.
iv. Representing CARNAVAL to all external agencies in Kenya and in any other third party enquiries in relation to money laundering prevention or compliance.
v. Ensuring that all segments of CARNAVAL are complying with the stated policy and therefore monitoring operations and development of the policy to this end.
vi. Preparing regular compliance reports to the Board and Senior Management.
vii. Undertaking the internal review of all suspicions and determining whether or not such suspicions have substance and require disclosure to relevant Authorities.
viii. Obtaining and making use of national and international findings concerning countries with serious deficiencies.

All employees are responsible for:

i. Remaining vigilant to the possibility of money laundering.
ii. Complying fully with all anti-money laundering procedures in respect of customer identification, account monitoring, record keeping and reporting.
iii. Reporting all suspicions of money laundering to the Risk and Compliance Officer/Head of Risk.
iv. Promptly completing every year, "Annual Acknowledgment Form for the Prevention of Money Laundering" confirming that they had no suspicions during the prior year or that any suspicions have been reported and acknowledging that they have re-read this policy document.
v. Employees who violate any of the anti money laundering regulations or the policies and procedures outlined in this policy document will be subject to disciplinary action.

Legal and Risk Department is responsible for:

i. Reviewing compliance by CARNAVAL with money laundering statutory and regulatory obligations, in respect of CARNAVAL's money laundering policy and procedures.

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ii. Advising Senior Management of any deviations from CARNAVAL's policies and procedures that have been noted by the Legal and Risk Department during their reviews.

9. CUSTOMER DUE DILIGENCE/ KNOW YOUR CUSTOMER

9.1. Know Your Customer ("KYC") Policy

CARNAVAL has statutory obligations to know its customers and to understand the nature of the business that is being conducted with it. This applies to every type of customer regardless of who they are, their personal status or the type of service that they require. Know your customer means:

i. Seeking evidence of identity and address and independently confirming that evidence at the start of a business relationship with CARNAVAL.

ii. Seeking information regarding the nature of the business that the customer expects to conduct with CARNAVAL establishing sources of income and expected patterns of transactions, and keeping that information up to date, to show what might be regarded as normal activity for that customer.

"Know Your Customer" policy is the most effective weapon against being used unwittingly to launder money & terrorist financing. A "Know your customer policy"

i. Helps detect suspicious activity in a timely manner
ii. Promotes compliance with all laws
iii. Promotes safe and sound money transfer practices.
iv. Minimizes the risk that our service will be used for illicit activities
v. Protects the company's reputation.

The customer due diligence process should comprise the following:

i. Identify the direct customer, i.e. know who the individual or legal entity is;
ii. Verify the customer's identity using reliable, independent source documents, data or information;
iii. Identify beneficial ownership and control, i.e. determine which individual(s)ultimately own(s) or control(s) the direct customer, and /or the person on whose behalf a transaction is being conducted;
iv. Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, and

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v. Conduct on –going due diligence and scrutiny i.e. perform on going scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the knowledge/profile of the customer, its business and risk profile, including, where necessary, identifying the source of funds.

Customer identification with one of the photo identities approved by the local regulatory authority is mandatory irrespective of the amount.

CARNAVAL shall not allow or process transactions that are or appear to have been deliberately split into several amounts of US $ 10,000 or less.

i. CARNAVAL shall not keep anonymous accounts or accounts in obviously fictitious names.

ii. CARNAVAL shall not conduct business with shell companies.

Transactions above US $ 10,000 must be well supported with a declaration of source and purpose of funds.

9.2. KYC Procedures

i) For customer registration, following details should be captured:

Natural persons

- Full name
- Address and telephone No.
- Nationality
- Occupation / If self-employed, specific nature of business
- Verify valid original passport or National Identity Card of the customer.

ii) This requires the staff to do the following:

(a) Physically inspect the original of the customer's personal identification document;

(b) Check the customer is the person referred to in the identification document;

(c) Take the reasonable steps to ensure that the customer's personal identification document is genuine.

9.3. Risk Assessment

CARNAVAL shall conduct Customers' initial risk assessment on the basis of information obtained at the time of the customer transaction through the KYC process.

Risk assessment shall be updated on the basis of information obtained during the relationship and doing business with the customer. The relevant Information is based on customer's identity, nature and level of income, source of funding, location/domicile of customer, etc.

9.4. Circumstances where Enhanced Due Diligence is required:

CARNAVAL shall perform enhanced customers' due diligence if the customers fall within the definition of High Risk Customers, which are defined as under;

i. Non-resident customers / Foreign clients
ii. High net worth customers with no clearly identifiable source of income
iii. Politically Exposed Persons (PEPs).
iv. Higher government officials.
v. Journalist, judicial or army officials
vi. Where a customer has previously been reported to the FRC
vii. Customers mentioned or being investigated in any financial crime related offences.

There are policies and procedures in place to monitor the activities and transactions of High-Risk customers and if any unusual transactions observe will be reported in a Suspicious Transaction Report.

9.5. Customer Screening

CARNAVAL Customer Identification Process will include at minimum the following procedures as part of customer screening:

i. obtaining customer identifying information from each customer prior to commencing any transaction;
ii. providing each customer with adequate notice that they will be required to verify their identity before any transaction is commenced or processed.

The purpose of having an effective screening process is to ensure those individuals or entities classified as "Specially Designated National (SDNs)", and or, "Blocked Persons or Blocked Entities", are identified and reported to CBK, FRC and or the relevant authorities, immediately.

9.6. Transaction Monitoring

CARNAVAL is required by AML CFT regulations to monitor on an ongoing basis all complex, unusual, suspicious, large or any such transactions as may be deeming

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suspicious and report any and all such transactions to the regulator and other relevant authorities as required.

Where a transaction is deemed to be suspicious, complex, unusual, large, and where no reasonable explanation can be given as to the nature of transaction or source of funds, or the transaction or activities could constitute or be related to money laundering, the Compliance Officer shall report the suspicious or unusual transaction or activity to the FRC and CBK in the prescribed form immediately and, in any event, within seven (7) days of the date the transaction or activity that is considered to be suspicious occurred.

The number and volume of transactions going through the company will be monitored, together with scrutiny of transactions, according to the risks parameters defined.

The Compliance Officer will:

i. review on a daily, weekly and monthly basis whether the volume of transactions which is being processed by the customer is consistent customer records.
ii. keep a watch out for a sudden increase in business from an existing customer;
iii. look out for uncharacteristic transactions which are not in keeping with the customer's known level of activity;
iv. look out for peaks of activity at particular locations or at particular times;
v. look out for unfamiliar or untypical types of customer or transaction;
vi. Look out for transactions related to potential sanctions list matches or PEP's.

CARNAVAL shall file periodical reports to Central Bank of Kenya of any receipts and payments of and above US $10,000/= or the equivalent in any other foreign currency.

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10. POLITICALLY EXPOSED PERSONS POLICY

All customers must be screened against the PEP Lists. Politically Exposed Persons(PEPs) are defined as individuals being, or who have been, entrusted with prominent public functions, such as head of state or government, senior politicians, senior government, judicial or military officials, senior executives of public organizations and senior political party officials.

The concern is that there is a possibility, especially in countries where corruption is widespread that such PEPs may abuse their public powers for their own illicit enrichment through the receipt of bribes etc. Business relationships with such individuals holding important public positions as well as persons or companies closely related to them (i.e. family, close associates etc.) expose us to particularly significant reputation or legal risks. There should be enhanced due diligence in respect of such Politically Exposed Persons (PEPs)

The decision to deal with PEP should be taken at a senior management level. Which means where a PEP is identified express approval to proceed with the transaction must be obtained from the Manager in charge.

11. MONEY LAUNDERING RISK ASSESSMENT

Directors and senior management of CARNAVAL relation to ML/TF risk assessment undertake the following:

i. Ensure development of a documented framework to conduct ML/TF risk assessment.
ii. Review outcome of the risk assessment process.
iii. Understand the ML/TF risk profile of the institution.
iv. Allocation of adequate resources to undertake the process.
v. Approve any strategic decisions proposed by management after the assessment of the process.
vi. Ensure all departments/functions are involved in the process

In this regard, CARNAVAL shall undertake a Money Laundering Risk Assessment to enable it identify, assess, monitor, manage and mitigate the risks associated with money laundering.

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11.1. Responsibilities of senior management and the Compliance Officer

i. Implement the board approved ML/TF risk assessment framework.
ii. Identify the risks relating to products, services and delivery channels, clients and business.
iii. relationships, geography and other relevant factors.
iv. Continuously improve collection and analysis data used in the assessment.
v. Provide periodic reports of the institution's ML/TF risk assessment.
vi. Be responsible for carrying out any actions resulting from the gaps or deficiencies identified by the risk assessment exercise.
vii. Clearly identify and allocate duties and responsibilities as regards undertaking of the exercise.
viii. Ensure results as disseminated to all relevant parties.

11.2. Risk Assessment Methodology

AML risk assessment framework shall involve the following steps:

i. Identifying and assessing the money laundering and terrorism financing risks that may be associated with the institution's unique combination of products and services, customers, geographic locations and delivery channels;
ii. Conducting a detailed analysis of all available data to assess the level of risk within each high risk category; and
iii. Determining whether the institution's AML compliance program is adequate and provides the necessary controls to mitigate the risks identified.

12. IDENTIFICATION OF SPECIFIC RISK CATEGORIES

Attempts to launder money, finance terrorism, or conduct other illegal activities through the company can emanate from many different sources. However, certain products, services, customers, entities, and geographic locations may be more vulnerable or have been historically abused by money launderers and criminals.

This step involves identifying and assessing the money laundering and terrorism financing risks that may be associated with the institution's unique combination of:

i. Customers.
ii. Products and services.
iii. Geographic locations.
iv. Delivery channels and

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v. Other qualitative factors.

12.1. Country/geographical risk

The Company shall identify domestic and international geographical locations that poses a higher risk. Country risk, in conjunction with other risk factors, provides useful information as to potential money laundering and terrorist financing risks.

Factors that may result in a determination that a country poses a higher risk include:

i. Countries subject to sanctions, embargoes or similar measures issued by, for example, the United Nations ("UN"). In addition, in some circumstances, countries subject to sanctions or measures similar to those issued by bodies such as the UN, but which may not be universally recognized, may be given credence by a financial institution because of the standing of the issuer and the nature of the measures.

ii. Countries identified by credible sources as lacking appropriate AML/CFT laws, regulations and other measures.

iii. Countries identified by credible sources as providing funding or support for terrorist activities that have designated terrorist organisations operating within them.

iv. Countries identified by credible sources as having significant levels of corruption, or other criminal activity.

12.2. Customer Risk

i. The Company shall determine, based on its own criteria, whether a particular customer poses a higher risk. Certain customers may pose specific risks depending on the nature of business, the occupation of the customer, or the nature of anticipated account activity.

ii. CARNAVAL adopts a risk-based approach to check whether certain remittances may be suspicious taking into account such factors as the name of the beneficiary, the country of origin and amount of the transaction etc. In determining the risk profile of a particular customer, the staff should take into account factors such as the following:

- Origin of the customer (e.g. place of birth, residency), the place where the customers" business is established, the location of the counterparties with which the customer conducts transactions and does business, and whether the customer is otherwise connected with certain jurisdictions such as non-corporative countries and territories (NCCTS) designated by the FATF.
- Background or profile of the customer such as being or linked to, a politically exposed person.
- Nature of the customers' business which may be particularly susceptible to money laundering risk
- Any other information that may suggest that the customer is of a higher risk.

iii. The staff should exercise care if there is suspicion that a customer may be effecting a remittance transaction on behalf of a third party. If as remittance carries the name of a third party as the ordering person or otherwise does not appear to be consistent with the usual business/activity of the customer should be asked to provide further explanation of the nature of the remittance.

iv. The staff shall conduct on- going due diligence and scrutiny throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the business knowledge of the customer, his activity and risk profile, identifying the source of funds, etc.

v. The staff shall take extra care when dealing with persons or business from jurisdictions that have been listed by FATF as non-cooperative countries and Territories.

vi. The customer and the concerned staff/cashier are required to sign (Full signature) the application to execute any transaction. "No signature, No transaction".

12.3. Politically Exposed Persons (PEPs)

Operators will, as appropriate, identify and assess both domestic and foreign PEPs.

12.4. Human Behavior

Patron behavior patterns on the gambling floor could indicate money laundering. A patron's gambling activity and financial transactions may rise without explanation. In an

effort to avoid notice, a patron might appear to be coordinating his betting/gaming activities with other patrons (e.g. passing cash or payment back and forth). A patron may change his methods of bringing money into the betting establishment or use multiple sources or destinations unexpectedly for funds. For a win on a wager or jackpot, a patron may also request multiple monetary instruments.

12.5. Product Risk

- **Gaming volume and character**

  Money laundering could involve patrons bringing in large sums of money and placing higher stakes in shilling/dollar/Euro values. Larger gaming venues will require more rigorous monitoring. However, the Casino managers and Compliance officers must also be alert on small games, be alert to a patron's departure from ordinary patterns of play; similarly, the patron may structure transactions in a way to avoid reporting requirements at any betting premises, regardless of business volume.

- **Certain characteristics of games**

  Money laundering may be easier due to the rules of some games. If a game allows patrons bet on multiple games at once, this could make money laundering more likely. These games could be conduits for Money Laundering and the AMLCO has been instructed to monitor them closely.

- **Range of Financial Services**

  The Company will examine the range of financial services offered at the premises (e.g., customer deposit accounts, credit extensions and wire transfer facilities. This could be a potential opportunity for money launderers to use for illegal purposes.

12.6. *Delivery Channels Risks*

Some delivery channels may be more susceptible to ML/TF risk. Consequently, it should be assessed whether, and to what extent, the method of delivery, such as non-face-to-face or the involvement of third parties, including intermediaries and agents, could increase the inherent money laundering risk.

In undertaking this assessment, all delivery channels shall be listed to identify Inherent Risks, Rationale, Mitigation/ Controls, Scores, Weights used and the Residual Risk

12.7. *Other Qualitative Risk Factors*

CARNAVAL shall also assess additional risk factors that can have an impact on operational risks and contribute to an increasing or decreasing likelihood of breakdowns in

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key AML/CFT controls. Qualitative risk factors that directly or indirectly affect inherent risk factors may include:

- Significant strategy and operational changes.
- Structure of ownership/ business e.g. presence of subsidiaries.
- National Risk Assessments.

13. SUSPICIOUS TRANSACTIONS / ACTIVITY REPORTING

It is a requirement for CARNAVAL to monitor and report any suspicious transactions to the CBK, FRC and relevant authorities as required by law.

As the types of transactions that may be used by a money launderer are almost unlimited, it is difficult to define a suspicious transaction will often be one, which is inconsistent with a customer's known legitimate business or personal activities or with the normal business for that person. Therefore, the first key to recognition is knowing enough about the customers business to recognize that a transaction or a series of transactions is unusual;

i. The managers and employees of CARNAVAL shall be obliged to personally report their suspicions when there are reasonable grounds to suspect that the fund are proceeds of a criminal authority or to be used for terrorism or terrorism financing. Transactions which appear as an attempt to launder money or finance a terrorist/terrorism organization or activity, shall also be reported. An attempted suspicious transaction is one that a customer intended to conduct, and took some form of action to do so, but the transaction was never completed.

ii. The Compliance Officer shall be responsible for reporting suspicious transactions and to whom all internal reports should be made from the branches.

iii. The Compliance Officer shall keep a register of all STRs reported to the regulatory authority and all internal reports made to them by employees.

iv. Where an employee of the company suspects or has reasonable ground to believe that a customer might have engaged in criminality this information must be promptly be reported to the Compliance Officer. The Compliance Officer must promptly evaluate whether there are reasonable grounds for such suspicion and must then immediately report the case to the regulatory authority unless he considers that there are no reasonable grounds to support the suspicion. In any

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case, the Compliance Officer's findings and supporting reasons should be documented.

v. The company shall take steps to ensure that all employees are aware of these procedures and that it is a criminal offence to fail to report either knowledge or circumstances which give rise to a reasonable suspicion of criminality.

vi. Where it is known or suspected that a report has already been disclosed to the regulatory authority and it becomes necessary to make further inquiries of the customer, great care should be taken to ensure that the customer does not become aware that his name or activities have been brought to the attention of the law enforcement agencies.

vii. All STR are dealt with in the strictest confidence as required by the law.

viii. The Company's directors, officers and employees must not warn or inform their customers when information relating to them are being reported to/ investigated by the relevant authorities.

ix. Failure to report suspicious/unusual/attempted transactions shall attract legal and disciplinary action.

x. By ignoring key indicators on money laundering/terrorist financing, an employee is considered to have directly partaken in such a scheme through "wilful blindness". Wilful blindness is a situation when an employee becomes suspicious about a customer/transaction but does not report his/her suspicions, even though he/she is aware that the transaction is of an illegal nature or that the intentions of the customer's transaction is money laundering/terrorist financing.

14. TIPPING OFF

'Tipping Off'- any employee needs to make a judgement call as to whether any delay to the transaction, following request for consent, would have the effect of alerting ('tipping off') the customer.

It should be noted that it is an offence for employee or staff of CARNAVAL, following a disclosure to the Compliance Officer, CBK, FRC or relevant authority to alert or 'tip off' another person that a disclosure has been made or in any way prejudice an investigation.

5th floor Stellato Building, 42 Muthithi rd, Westlands Nairobi. P.O. Box 14934-00800 Nairobi.
Phone: +254 71 268 7912. Email: info@carnaval.co.ke

This means that employees or staff must not tell a customer that they are being investigated by law enforcement on suspicion of money laundering.

In situations where delaying a transaction may inadvertently lead to 'tipping off', it may make sense (**only in exceptional circumstances**) to process the transaction and then ensure that a Suspicious Transaction Report is submitted to the Compliance Officer immediately after and a copy of the report is also submitted to the regulator.

15. RED FLAGS

Red flag is a single factor that signals that a transaction is unusual and possibly suspicious. Customers/transactions like those mentioned below may warrant attention. Just because a customer appears on the list does not mean that he/she is involved in illegal activity. It only means that the transaction of the customer requires scrutiny.

16. ANTI-MONEY LAUNDERING EMPLOYEE TRAINING

CARNAVAL shall provide proper ant-money laundering and counter terrorist financing training to their staff on a periodical basis as prescribed in the regulations. Staff shall be made aware of their own personal legal obligations/responsibilities under the local regulations and that they can be personally liable to failure to report information to the authorities.

The training shall include the following:

i. Responsibility of the employees under the local regulations for obtaining sufficient evidence of identity, recognizing and reporting knowledge or suspicion of money laundering and terrorist financing.
ii. Duties and responsibilities of the employees.
iii. Procedure for reporting of suspicious transactions.
iv. Potential effect on the company, on its employees and customers if there is any breach of law or regulation.
v. Ways to identify suspicious transactions.
vi. Storing records

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17. RETENTION OF RECORDS

Record keeping is vital to ensure that law enforcement authorities have sufficient opportunity to reconstruct transactions for investigation.

The following records should be kept for a minimum period of ten years and made available to the relevant authorities as when demanded.

i. Transaction records
ii. Customer Registration Records
iii. Suspicious Transaction Records
iv. Employee Training Records
v. Internal and External Audit Records

Retention may be by way of original documents, stored on microfilm, or in computerized form in situations where the records relate to on-going investigations, or transactions that have been the subject to disclosure, they should be retained until it is confirmed that the case has been closed.

Failure to record and keep the prescribed records is an offence.

18. INDEPENDENT REVIEW OF ANTI-MONEY LAUNDERING PROGRAM

Internal audit has an important role to play in independently evaluating, on a periodic basis business policies and procedures on money laundering. This should include checking the effectiveness of the Compliance Officer function, the adequacy of management information reports of large or irregular transactions and the quality of reporting of suspicious transactions. The level of awareness of front-line staff of their responsibilities in relation to the prevention of money laundering should also be reviewed.

An annual internal audit on the efficacy of the implementation of the AML policy, procedures and control shall be carried out and a report provided to senior management.