

Capital Q Ventures Inc. & Capital Q Management LLC

Anti-Money Laundering (AML) Program: Compliance and Supervisory Procedures

UPDATED AS OF JANURAY 1, 2023

I. Introduction

A. Purpose and Scope of the AML Program

The purpose of the Anti-Money Laundering (AML) Program for Capital Q Ventures Inc & Capital Q Management LLC (hereafter referred to as "the Company") is to establish and maintain a robust framework to detect, prevent, and mitigate the risks of money laundering, terrorist financing, and other illicit financial activities. The AML Program is designed to comply with the requirements set forth in the Bank Secrecy Act (BSA), the USA PATRIOT Act, and all other relevant anti-money laundering regulations and guidelines.

The Company is committed to conducting its business in an ethical and responsible manner, and the AML Program reflects our dedication to maintaining the highest standards of integrity and compliance. By implementing this program, we aim to protect our business, stakeholders, and the broader financial system from the potential harm associated with money laundering and illicit financial activities.

B. Regulatory Background

The AML Program has been developed in accordance with applicable laws and regulations governing anti-money laundering and countering the financing of terrorism. These regulations include, but are not limited to:

Bank Secrecy Act (BSA): Enacted by the U.S. Congress in 1970, the BSA requires financial institutions to assist in the detection and prevention of money laundering. It establishes certain reporting and recordkeeping requirements for financial institutions to identify and report suspicious activities.

USA PATRIOT Act: The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001 expanded the government's powers to combat money laundering and terrorist financing. It introduced various measures, including customer identification requirements and the obligation to establish AML programs.

C. Designation of AML Compliance Officer

To ensure the effective implementation and ongoing oversight of the AML Program, the Company has appointed a qualified individual as the AML Compliance Officer. The AML Compliance Officer's responsibilities include:

- Overseeing the implementation and maintenance of the AML Program.
- Monitoring the Company's compliance with AML laws and regulations.
- Conducting ongoing risk assessments and updating the program as necessary.
- Providing AML training to employees.
- Serving as the point of contact for AML-related matters.
- The AML Compliance Officer reports directly to senior management and, if necessary, escalates AML concerns to the Board of Directors.

In conclusion, the Company recognizes the critical importance of combating money laundering and other illicit financial activities. This AML Program is designed to be dynamic and responsive to changing risks

and regulatory requirements. By fostering a culture of vigilance and adherence to the AML Program's policies and procedures, the Company aims to protect its reputation, safeguard its clients and investors, and contribute to the broader effort to maintain the integrity of the global financial system.

II. AML Risk Assessment

A. Customer Risk Assessment

The Company acknowledges that not all customers pose the same level of risk concerning money laundering and terrorist financing. Therefore, a comprehensive Customer Risk Assessment (CRA) will be conducted to categorize customers into risk tiers based on the likelihood of their involvement in illicit financial activities.

1. Risk Categorization

- a. Low-Risk Customers: Customers with a low likelihood of involvement in money laundering or terrorist financing based on objective criteria such as type of business, jurisdiction, and transaction history.
- b. Medium-Risk Customers: Customers who have moderate characteristics that may warrant additional monitoring beyond standard procedures.
- c. High-Risk Customers: Customers that exhibit higher-risk indicators, including but not limited to politically exposed persons (PEPs), non-resident customers from high-risk jurisdictions, and customers involved in high-value transactions or complex structures.

2. Enhanced Due Diligence (EDD)

High-risk customers will be subjected to Enhanced Due Diligence (EDD) procedures to ensure a deeper understanding of their transactions, sources of funds, and beneficial ownership. The AML Compliance Officer will determine the specific EDD measures applicable to each category of high-risk customers.

B. Product and Service Risk Assessment

The Company recognizes that certain products and services may present a higher risk of money laundering or terrorist financing than others. To address these risks appropriately, a Product and Service Risk Assessment (PSRA) will be conducted, considering factors such as complexity, anonymity, and potential for rapid movement of funds.

1. High-Risk Products and Services

The Company will identify and assess high-risk products and services, including but not limited to private banking, correspondent banking relationships, and wire transfers to high-risk jurisdictions.

2. Mitigating Controls

The AML Compliance Officer will implement specific controls and monitoring mechanisms for high-risk products and services to detect and prevent suspicious activity effectively.

The CRA and PSRA will be reviewed and updated at least annually or more frequently if significant changes occur in the Company's customer base, products, or services.

III. Customer Due Diligence (CDD) Procedures

A. Customer Identification Program (CIP)

1. General CIP Requirements

The Company will implement a robust Customer Identification Program (CIP) to verify the identity of all customers opening accounts or engaging in covered transactions. The CIP will be applied to both new and existing customers as required by law.

2. Identification Documentation

The CIP will require customers to provide valid and current identification documents, such as government-issued IDs, passports, driver's licenses, or any other official identification acceptable under applicable regulations.

3. Verification of Identity

The Company will verify the identity of customers through reliable and independent sources, cross-referencing the information provided with government databases or reputable identity verification services.

4. Non-Face-to-Face Customers

For customers opening accounts or engaging in transactions remotely (non-face-to-face), the Company will employ additional verification measures, such as video conferencing, dual-factor authentication, or other secure methods to ensure the accuracy and validity of the information provided.

B. Enhanced Due Diligence (EDD)

1. Criteria for EDD

The AML Compliance Officer will establish criteria to trigger Enhanced Due Diligence (EDD) on high-risk customers identified during the Customer Risk Assessment (CRA). EDD will also be performed for complex and higher-value transactions that may be indicative of suspicious activity.

2. Additional Information

High-risk customers subject to EDD will be requested to provide additional information about their business activities, sources of funds, and beneficial ownership. The Company will use appropriate risk-based measures to verify the accuracy of the information.

3. Ongoing Monitoring

High-risk customers will be subject to continuous monitoring to detect any changes in their transactions or risk profile. The AML Compliance Officer will determine the frequency and extent of ongoing monitoring based on the level of risk posed by each customer.

C. Politically Exposed Persons (PEPs)

1. Identification of PEPs

The Company will implement procedures to identify Politically Exposed Persons (PEPs) in accordance with regulatory definitions. PEPs include individuals who hold prominent public positions, their family members, and close associates.

2. Enhanced Scrutiny

PEPs identified during the onboarding process or ongoing monitoring will be subject to Enhanced Due Diligence (EDD) to assess their exposure to potential risks of money laundering or corruption.

3. Approval for Business Relationships

The decision to establish or continue business relationships with PEPs will be subject to approval by senior management after careful consideration of the associated risks.

IV. Suspicious Activity Reporting (SAR) Procedures

A. Identify Red Flags

The Company recognizes the importance of promptly identifying and reporting suspicious activities that may indicate potential money laundering, terrorist financing, or other illicit financial activities. To facilitate the detection of red flags, the following are examples of behaviors or patterns that may warrant further scrutiny:

1. Unusual Transactions

a. Large or frequent transactions that are inconsistent with a customer's profile or known business activities.

b. Rapid movement of funds or unusual patterns of incoming and outgoing wire transfers.

2. Structuring or Smurfing

Transactions designed to evade reporting requirements by breaking down large amounts into smaller, less conspicuous amounts.

3. Inconsistent Information

Discrepancies or inconsistencies in customer-provided information, such as mismatched identification documents or unverifiable contact details.

4. Third-Party Transactions

Transactions involving unknown or unrelated third parties that lack a clear business rationale.

5. High-Risk Jurisdictions

Transactions involving countries or regions known for weak AML/CFT controls or high levels of corruption.

6. Politically Exposed Persons (PEPs)

Transactions with individuals who are PEPs or close associates of PEPs.

B. Reporting Process

1. Internal Reporting

All employees and personnel are required to report any suspicious activity or red flags to their immediate supervisor and the AML Compliance Officer promptly. The Company encourages a culture of vigilance and encourages employees to err on the side of caution when identifying potential suspicious activities.

2. SAR Filing

The AML Compliance Officer will assess the reports of suspicious activity and determine whether there is sufficient evidence to support the filing of a Suspicious Activity Report (SAR). If warranted, the AML

Compliance Officer or an authorized designee will submit SARs to the appropriate authorities, such as the Financial Crimes Enforcement Network (FinCEN), as required by law.

3. SAR Confidentiality

The Company will maintain strict confidentiality regarding SAR filings and will only disclose SAR information to the appropriate law enforcement and regulatory agencies as mandated by law.

C. Protection from Retaliation

The Company is committed to protecting employees who report suspicious activities in good faith. Any form of retaliation against employees for reporting suspicions or cooperating with law enforcement will not be tolerated and may result in disciplinary action, up to and including termination.

D. Recordkeeping

The Company will retain all documentation related to SARs, including supporting evidence, internal reports, and SAR filings, in accordance with regulatory requirements. The record retention period will adhere to applicable laws and regulations.

V. Ongoing Monitoring and Recordkeeping

A. Transaction Monitoring

1. Real-time Monitoring

The Company will implement a robust system for real-time monitoring of customer transactions. The system will be designed to identify and flag unusual or potentially suspicious activities based on predefined thresholds and red flag indicators.

2. Anomaly Detection

The transaction monitoring system will use data analytics and pattern recognition to detect deviations from normal customer behavior and identify potential suspicious activities.

3. Regular Review and Updates

The AML Compliance Officer will regularly review the transaction monitoring system's effectiveness and update rules and parameters as needed to reflect changes in money laundering and terrorist financing risks.

B. Recordkeeping

1. Customer Due Diligence (CDD) Records

The Company will maintain comprehensive records of customer due diligence efforts, including customer identification documents, verification results, and any other relevant information collected during the onboarding process.

2. Suspicious Activity Reports (SARs)

All documentation related to the filing of SARs, including copies of the reports, internal analysis, and any correspondence with law enforcement or regulatory agencies, will be meticulously retained.

3. Training Records

Records of AML training sessions provided to employees will be maintained to demonstrate compliance with training requirements.

4. Transaction Records

The Company will retain transaction records, including transaction logs, for the period mandated by applicable regulations.

C. Internal Reporting and Review

1. Regular Reporting to Management

The AML Compliance Officer will provide periodic reports to senior management and the Board of Directors, summarizing the AML Program's effectiveness, key risk indicators, and any significant AML-related issues.

2. Internal Reviews

The Company will conduct regular internal reviews and testing of the AML Program to assess its compliance with policies and procedures and the overall effectiveness of the program.

D. Cooperation with Regulatory Authorities

The Company recognizes the importance of cooperating fully with law enforcement and regulatory authorities in their efforts to combat money laundering and terrorist financing. The AML Compliance Officer will promptly respond to requests from these authorities and provide any necessary information to support their investigations.

E. Amendments to the AML Program

The AML Compliance Officer will be responsible for proposing and implementing any necessary amendments to the AML Program based on changes in regulations, industry best practices, or identified weaknesses in the program's effectiveness.

VI. AML Training Program

A. Training Content

The Company acknowledges that a well-informed and knowledgeable workforce is essential in effectively combating money laundering and terrorist financing. To ensure all employees understand their roles and responsibilities within the AML Program, comprehensive AML training will be provided to relevant personnel.

1. General AML Training

All employees will receive general AML training covering the following topics:

- Overview of money laundering and terrorist financing risks and their impact on the financial system.
- Explanation of the Company's AML policies, procedures, and internal controls.
- Recognition of red flags and suspicious activities.
- Reporting procedures for potential suspicious activities.

- The importance of customer due diligence and enhanced due diligence.
- Understanding the role of the AML Compliance Officer and the reporting hierarchy for AML matters.

2. Role-Specific Training

Employees with specific AML-related roles, such as frontline staff, compliance personnel, and senior management, will receive additional training tailored to their responsibilities.

B. Training Frequency

1. Initial Training

All employees will undergo AML training upon joining the Company to familiarize themselves with AML policies and procedures.

2. Ongoing Training

The Company will provide regular, ongoing AML training to employees to reinforce their knowledge and keep them informed of any updates to the AML Program, regulatory changes, or emerging trends in money laundering and terrorist financing.

3. Role-Based Training

Employees taking on new roles or responsibilities related to AML will receive role-specific training as required.

C. Recordkeeping

The Company will maintain records of AML training provided to employees, including attendance records, training materials, and any assessments or certifications associated with the training. These records will be kept in compliance with applicable record retention requirements.

D. AML Training Effectiveness

The AML Compliance Officer will conduct periodic assessments to evaluate the effectiveness of the AML training program. Feedback from employees and management will be considered in making improvements to the training content and delivery.

E. Acknowledgment of AML Policy

All employees will be required to acknowledge in writing that they have received, understood, and will comply with the Company's AML policies and procedures. This acknowledgment will be kept on file as evidence of employees' commitment to AML compliance.

VII. Independent Testing and Review

A. Periodic Independent Testing

The Company recognizes the importance of independent testing to assess the effectiveness and adequacy of the AML Program. Periodically, the Company will engage an independent and qualified third-party to conduct a comprehensive review of the AML Program. The independent testing will assess the program's design, implementation, and overall compliance with applicable AML regulations and industry best practices.

B. Scope of Independent Testing

The independent testing will cover various aspects of the AML Program, including but not limited to:

1. Customer Due Diligence (CDD) Procedures

- Review of the customer risk assessment process and its accuracy.
- Evaluation of customer identification and verification procedures.
- Assessment of Enhanced Due Diligence (EDD) measures for high-risk customers.

2. Transaction Monitoring

- Evaluation of the transaction monitoring system's effectiveness in identifying suspicious activities.
- Assessment of the accuracy of rules and parameters used in the monitoring system.

3. Suspicious Activity Reporting (SAR) Procedures

- Review of the process for identifying, documenting, and reporting suspicious activities.
- Evaluation of the quality and timeliness of SAR filings.

4. AML Training Program

- Assessment of the adequacy and relevance of the AML training content.
- Evaluation of the effectiveness of training delivery and employee comprehension.

C. Reporting and Remediation

Upon completion of the independent testing, the third-party will provide a detailed report of their findings and recommendations. The AML Compliance Officer and senior management will carefully review the report and take appropriate actions to address any identified weaknesses or deficiencies promptly.

D. Internal Review

The Company will also conduct periodic internal reviews of the AML Program to supplement the independent testing. These internal reviews will be performed by the AML Compliance Officer or a designated team to ensure ongoing compliance with AML policies and procedures.

E. AML Program Enhancements

Based on the findings of the independent testing and internal reviews, the Company will make any necessary enhancements or updates to the AML Program. The AML Compliance Officer will be responsible for implementing these changes and monitoring their effectiveness.

VIII. Reporting and Escalation

A. Reporting to Management

The AML Compliance Officer will provide regular reports to senior management and the Board of Directors regarding the AML Program's status, effectiveness, and any significant AML-related matters. These reports will include, but not be limited to, the following:

1. Overview of AML Program Effectiveness

- Provide an assessment of the overall effectiveness of the AML Program.
- Highlight any improvements made based on independent testing, internal reviews, or regulatory updates.

2. Key Risk Indicators

- Share key risk indicators related to money laundering and terrorist financing.
- Highlight any emerging trends or changes in risk levels.

3. SAR Filings and Investigations

- Summarize the number and nature of Suspicious Activity Reports (SARs) filed.
- Provide updates on the status of ongoing investigations related to SAR filings.

4. Employee Training and Awareness

- Report on the AML training provided to employees, including attendance and assessment outcomes.
- Highlight any areas for improvement in employee awareness and understanding of AML obligations.

B. Escalation Procedures

1. Significant AML Concerns

In the event of significant AML concerns that cannot be adequately addressed at the operational level, the AML Compliance Officer will escalate the matter to senior management. Senior management will then determine the appropriate course of action, which may include consulting with legal counsel or engaging external experts.

2. Reporting to Regulatory Authorities

The Company is committed to cooperating with regulatory authorities and will promptly report any suspicious activities or other AML-related matters, as required by law. The AML Compliance Officer will ensure timely and accurate reporting in accordance with regulatory guidelines.

3. Legal Counsel Involvement

In complex or sensitive AML matters, the AML Compliance Officer may seek legal counsel to provide guidance on potential legal and regulatory implications. Legal counsel will also be involved in reviewing and approving SAR filings, if deemed necessary.

IX. Amendments to the AML Program

A. Procedure for Amendments

The AML Compliance Officer will be responsible for proposing any necessary amendments or updates to the AML Program. The amendment process will follow these steps:

1. Risk Assessment

The AML Compliance Officer will conduct periodic risk assessments to identify any changes in the Company's risk profile related to money laundering and terrorist financing.

2. Regulatory Changes

The AML Compliance Officer will monitor changes in AML regulations and guidance issued by relevant regulatory authorities. Any regulatory updates will be assessed for their impact on the AML Program.

3. Internal Reviews and Independent Testing

Findings from internal reviews and independent testing may uncover areas for improvement in the AML Program. These findings will be considered in the amendment process.

4. Senior Management Approval

Proposed amendments to the AML Program will be submitted to senior management for review and approval. Senior management will carefully assess the proposed changes, considering their impact on the Company's AML efforts and overall business operations.

5. Implementation

Approved amendments will be promptly implemented by the AML Compliance Officer. The AML Program documentation, policies, and procedures will be updated to reflect the changes.

B. Recordkeeping

The Company will maintain records of all amendments made to the AML Program, including the date of the amendment, the reasons for the change, and the individual responsible for proposing and implementing the amendment. These records will be retained in compliance with applicable record retention requirements.

C. Communication and Training

Upon implementation of any amendments to the AML Program, all relevant employees will be promptly informed of the changes. The AML Compliance Officer will ensure that appropriate training is provided to employees affected by the amendments to ensure their understanding and compliance with the updated policies and procedures.

D. Review Frequency

The AML Program will undergo periodic reviews to assess its continued effectiveness and relevance. These reviews will consider changes in the Company's risk profile, regulatory environment, and best practices in the industry. The AML Compliance Officer will determine the frequency of such reviews, which will be conducted at least annually.

X. Employee Acknowledgment

A. Employee Acknowledgment of AML Policy

All employees, contractors, and relevant personnel of Capital Q Ventures Inc & Capital Q Management LLC will be required to acknowledge, in writing, their understanding of the Company's AML policies and procedures. This acknowledgment will serve as evidence of their commitment to complying with the AML Program's requirements.

B. Acknowledgment Content

The acknowledgment form will include the following elements:

1. Statement of Understanding

Employees will affirm that they have read, understood, and will adhere to the Company's AML policies and procedures.

2. Reporting Obligations

Employees will acknowledge their responsibility to report any suspicious activities or red flags to their immediate supervisor and the AML Compliance Officer.

3. Compliance Commitment

Employees will affirm their commitment to upholding the highest ethical standards and participating fully in the Company's AML compliance efforts.

4. Consequences of Non-Compliance

Employees will be informed of the potential consequences of non-compliance with the AML Program, including disciplinary action, up to and including termination of employment.

C. Timing of Acknowledgment

The acknowledgment form will be provided to employees upon joining the Company as part of the onboarding process. Additionally, employees will be required to re-acknowledge their understanding of the AML policies and procedures periodically, such as annually or as part of ongoing AML training.

D. Recordkeeping

The Company will maintain records of all employee acknowledgments, including signed acknowledgment forms and the dates of acknowledgment. These records will be retained in compliance with applicable record retention requirements.

E. Training and Communication

The AML Compliance Officer will include an overview of the acknowledgment process in the AML training program. Additionally, the importance of employee acknowledgment will be communicated regularly to reinforce the significance of AML compliance throughout the organization.

CERTIFICATION FOR ALL EMPLOYEES

I, Michael Quatrini, CEO, hereby certifies each employee has signed and acknowledge that they have received, read, and understood the Anti-Money Laundering (AML) policies and procedures of Capital Q Ventures Inc & Capital Q Management LLC. And are aware of their responsibilities under the AML Program and commit to complying with its requirements in all aspects of their work. Each Employee signature is retained in a digital file on the Company's Server.



**Michael P Quatrini, CEO
Capital Q Ventures Inc., Manager
Capital Q Management LLC**

Capital Q Ventures Inc. & Capital Q Management LLC

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ACKNOWLEDGED AND AGREED:

I, _____ hereby acknowledge that I have received, read, and understood the Anti-Money Laundering (AML) policies and procedures of Capital Q Ventures Inc & Capital Q Management LLC. I am aware of my responsibilities under the AML Program and commit to complying with its requirements in all aspects of my work.

I understand that as an employee/contractor of Capital Q Ventures Inc & Capital Q Management LLC, I am required to report any suspicious activities or red flags related to money laundering, terrorist financing, or other illicit financial activities to my immediate supervisor and the AML Compliance Officer promptly.

I further understand that non-compliance with the AML Program may result in disciplinary action, up to and including termination of my employment/contract.

I hereby affirm my commitment to uphold the highest ethical standards and actively participate in the Company's efforts to combat money laundering and terrorist financing.

Signature: _____ Date: _____

(Printed Name)

Appendix: Rules and Resources

1. Regulatory Authorities and Guidelines
 - a. Bank Secrecy Act (BSA)
 - b. USA PATRIOT Act
 - c. Financial Crimes Enforcement Network (FinCEN)
 - d. Securities and Exchange Commission (SEC) AML Regulations
 - e. Financial Industry Regulatory Authority (FINRA) AML Regulations
2. FINRA's Small Firm AML Template
 - Used as a reference to structure and design the AML Program for Capital Q Ventures Inc & Capital Q Management LLC.
3. Guidance from International Organizations
 - a. Financial Action Task Force (FATF) Recommendations
 - Recommendations on AML and combating the financing of terrorism.
4. Internal Research and Industry Best Practices
 - a. Capital Q Ventures Inc & Capital Q Management LLC's Risk Assessment
 - Identifying the specific risks associated with the Company's business activities and customer base.
 - b. Capital Q Ventures Inc & Capital Q Management LLC's Customer Due Diligence Procedures
 - Developing the customer identification and verification processes tailored to the Company's operations.
 - c. Capital Q Ventures Inc & Capital Q Management LLC's Transaction Monitoring System
 - Implementing real-time transaction monitoring mechanisms to identify suspicious activities.
5. Legal and Compliance Experts' Advice
 - a. Advice from Legal Counsel
 - Guidance on legal requirements and compliance with relevant laws and regulations.
 - b. Input from AML Compliance Experts
 - Recommendations from AML compliance professionals to ensure best practices in the AML Program's design.