

Knight Markets Anti-Money Laundering (AML) Policy

1. POLICY STATEMENT

Knight Markets (hereinafter referred to as “Knight Markets”, “we”, “us”, or “our”) is committed to the highest standards of preventing money laundering, terrorist financing, fraud, corruption, and bribery. As a prime-of-prime brokerage delivering institutional-grade infrastructure and bespoke liquidity solutions for professional trading groups, we maintain robust risk assessment, due diligence, and compliance measures to adhere to global regulations, including those set by the Financial Action Task Force (FATF). Our A-Book model ensures all trades are routed to tier-1 liquidity providers, eliminating conflicts of interest and enhancing transparency. We operate a transparent environment with continuous monitoring, training, and reporting at the core of our compliance functions to prevent financial crime.

Knight Markets understands its responsibility to combat money laundering across all financial transactions, including those involving the proceeds of crime. Our policies apply to:

- Financial institutions
- Providers engaged in exchange services between virtual and fiat currencies
- Other entities as outlined in global AML regulations

2. PURPOSE

This policy ensures Knight Markets complies with global AML regulations, including the prevention, identification, and reporting of money laundering and terrorist financing. It provides a systematic approach for employees to understand their responsibilities and maintain exemplary knowledge of financial crime regulations. Our objectives include protecting clients and employees from financial crime risks, ensuring robust controls, and reporting suspicious activities to relevant authorities, such as those guided by FATF and OFSI.

3. SCOPE

This policy applies to all Knight Markets staff, including permanent, fixed-term, temporary employees, third-party representatives, subcontractors, agency workers, volunteers, interns, and agents across all locations. Adherence is mandatory, and non-compliance may lead to disciplinary action.

4. WHAT IS FINANCIAL CRIME & MONEY LAUNDERING?

Financial crime encompasses criminal conduct involving money, securities, or financial services, including fraud, market misconduct, handling proceeds of crime, or terrorist financing. Money laundering involves disguising the origins of illicit funds to make them appear legitimate. Knight Markets mitigates these risks through policies tailored to our A-Book model, which routes all trades to tier-1 liquidity providers, and our use of segregated client accounts at BNY Mellon.

4.1 RELEVANT ACTS AND REGULATIONS

Knight Markets adheres to global AML standards, including regulations on:

- Money Laundering
- Fraud
- Corruption
- Bribery
- Tax Evasion

4.2 THE FINANCIAL ACTION TASK FORCE (FATF)

Knight Markets uses FATF Recommendations and high-risk country lists to ensure compliant AML controls, particularly for clients and transactions involving high-risk jurisdictions or sanctions targets advised by OFSI.

5. RESPONSIBLE PEOPLE

The Chief Operating Officer (COO) serves as Knight Markets' Compliance Officer, overseeing AML compliance, risk assessments, due diligence, and suspicious activity reporting. The Compliance Officer collaborates with senior management to foster a culture of compliance and serves as the point of contact for regulatory authorities.

5.1 RESPONSIBILITIES

The Compliance Officer is responsible for:

- Overseeing AML risk assessments and due diligence processes.
- Receiving and evaluating suspicious activity reports.
- Ensuring compliance with Money Laundering Regulations.
- Developing and implementing AML controls, including those for high-frequency trading and PAMM accounts.
- Training employees on financial crime risks, with a focus on institutional clients and customized liquidity.
- Reporting annually to senior management on AML processes and improvements.

6. OBJECTIVES

Knight Markets aims to:

- Maintain policies and controls to mitigate money laundering and terrorist financing risks, tailored to our A-Book model and institutional clients.
- Ensure all staff are trained to recognize money laundering signs, particularly in high-frequency trading and PAMM structures.
- Prohibit cash payments, aligning with our institutional focus.
- Conduct frequent risk assessments and audits, including for customized liquidity pools and tier-1 liquidity provider relationships.
- Implement robust client identification and due diligence procedures, as detailed in our Due Diligence Policy.
- Maintain strict transaction monitoring and suspicious activity reporting.
- Ensure secure custody of client funds in segregated accounts at BNY Mellon.

7. PROCEDURES AND CONTROLS

Knight Markets maintains robust AML procedures, including:

- Risk assessment
- Customer due diligence (CDD, SDD, EDD)
- Transaction monitoring for high-frequency trading and PAMM accounts
- Record keeping
- Staff training
- Suspicious activity reporting
- Compliance audits

7.1 INTERNAL CONTROLS & MEASURES

Knight Markets:

- Maintains policies tailored to our A-Book model and institutional clients.
- Reviews AML policies bi-annually with an external compliance consultant.
- Appoints a Compliance Officer to oversee AML compliance.
- Screens employees and conducts extensive training on high-frequency trading and liquidity risks.
- Uses client identification procedures and due diligence questionnaires for professional trading groups and PAMM accounts.
- Ensures traceable transactions, with all trades routed to tier-1 liquidity providers.

7.2 ANTI-BRIBERY & CORRUPTION

Knight Markets maintains a zero-tolerance Anti-Bribery & Corruption Policy, ensuring high standards of integrity to mitigate risks associated with organized crime and money laundering.

7.3 PROLIFERATION FINANCING

Knight Markets assesses proliferation financing risks within our AML framework, particularly for global liquidity relationships. We use enhanced due diligence to monitor counterparties and ensure compliance with the Money Laundering and Terrorist Financing (Amendment) (No. 2) Regulations 2022.

7.4 RISK ASSESSMENT

Knight Markets adopts a risk-based approach, considering:

- Client types (professional trading groups, PAMM managers).
- Geographic risks (FATF high-risk countries, OFSI sanctions lists).
- Transaction types (high-frequency, large-volume, algorithmic).
- Liquidity provider relationships and custody at BNY Mellon.
- Internal and external risks, including system vulnerabilities.

7.4.1 AML RISK ASSESSMENT

Quarterly risk assessments identify and monitor risks, with written records maintained for all reviews and updates.

7.5 DUE DILIGENCE

Knight Markets adheres to Know Your Customer (KYC) principles, using three tiers of due diligence:

- **Simplified Due Diligence (SDD):** For low-risk, existing clients with small transactions.
- **Customer Due Diligence (CDD):** Standard verification for most clients, including beneficial owner checks for PAMM accounts.
- **Enhanced Due Diligence (EDD):** For high-risk clients, high-frequency traders, or those from FATF high-risk countries.

7.5.1 STANDARD DUE DILIGENCE ASSESSMENT

CDD includes verifying client identity, business purpose, and beneficial ownership for corporate entities, using due diligence questionnaires.

7.5.2 ENHANCED DUE DILIGENCE ASSESSMENT

For high-risk clients, Knight Markets conducts extra due diligence checks, including financial and criminal background, source of funds, and ongoing monitoring. This includes:

- Obtaining information on the customer, beneficial owners, and close associates.
- Assessing transaction history and geographical implications.
- Conducting adverse media screening to identify reputational or legal risks through reviews of public records and news sources, with findings documented in due diligence reports.

- Enhanced referencing and senior management approval for high-risk relationships.

7.5.3 VERIFICATION

Verification uses reliable, independent sources, including electronic identification and official documents, ensuring robust risk mitigation.

7.5.4 EMPLOYEE SCREENING

Employees are screened for skills, integrity, and AML risks, with tailored assessments based on their roles in handling institutional clients or PAMM accounts.

7.6 HIGH-RISK IDENTIFICATION

High-risk clients include:

- Politically Exposed Persons (PEPs) and their associates.
- Entities in FATF high-risk countries.
- Unregistered organizations.
- Clients with complex or high-frequency trading strategies.

7.6.1 HIGH-RISK COUNTRIES

Knight Markets cross-references clients and transactions against FATF high-risk country lists and OFSI sanctions.

7.6.2 POLITICALLY EXPOSED PERSONS (PEPs)

PEPs are identified using commercial databases and an in-house list, with EDD applied to mitigate risks.

7.6.3 BENEFICIAL OWNERS

Beneficial owners of PAMM accounts and corporate clients are verified using the Central Register and due diligence questionnaires.

7.7 DUE DILIGENCE PROCESSES

Detailed processes are outlined in our Due Diligence Program, ensuring compliance with KYC and AML regulations.

7.7.1 THIRD PARTY RELIANCE

Knight Markets relies on third parties for due diligence only when they meet Money Laundering Regulations requirements, ensuring equivalent standards.

7.8 TRANSACTION MONITORING

Knight Markets monitors:

- Complex or large transactions, including high-frequency trades.
- Unusual patterns in PAMM allocations or algorithmic strategies.
- Transactions involving high-risk jurisdictions or OFSI sanctions targets.

8. RECORDS MANAGEMENT

Knight Markets retains records for:

- Client identification and verification.
- Due diligence and transaction records.
- Company incorporation documents for PAMM accounts.
- Audit and training logs, as per legal retention periods.

9. ONGOING DUE DILIGENCE & AUDITS

The Customer Service and Compliance Teams perform annual due diligence checks on active clients, with quarterly audits to ensure AML controls remain effective. Improvement recommendations are provided to senior management.

10. TRAINING

Knight Markets' AML training program includes:

- Workshops on high-frequency trading and PAMM risks.
- Assessment tests and 1-2-1 coaching.
- Tailored resources for employees handling institutional clients.
- Regular updates on AML regulations and FATF guidance.

11. RESPONSIBILITIES

Senior Management ensures:

- Risk assessments identify vulnerabilities in high-frequency trading and liquidity provision.
- Resources are allocated to high-risk areas, such as PAMM accounts.
- Policies are updated regularly to reflect FATF and OFSI guidance.
- Employees are trained to handle institutional-grade transactions and custody practices.