



REPORT OF THE OFFICER RESPONSIBLE OF CONTROLS (RC)
RELATING TO ANTI MONEY LAUNDERING / COMBATING THE FINANCE OF TERRORISM

Reference Period:

01.01.2022 - 31.12.2022
(the "RP")

Pan-European Opportunities Fund S.C.A., SICAV-RAIF

Corporate partnership limited by shares (société en commandite par actions)
Investment company with variable capital (société d'investissement à capital variable)
Reserved alternative investment fund (fonds d'investissement alternatif réservé)

1A, Heienhaff - L-1736 Senningerberg
(the "Fund")

Confidential Document, for the exclusive attention of the Person(s) responsible for compliance with AML/CFT obligations (RR) of the Fund mentioned hereabove.

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Report on the Reference Period

1. Introduction

1.1. General

Pan-European Opportunities Fund S.C.A., SICAV-RAIF is a collective investment fund set up as a SCA, SICAV-RAIF pursuant to the Luxembourg Law of 12 July 2013 for an unlimited period of time. The Fund operates as an open-ended reserved alternative investment fund (RAIF) pursuant to the Luxembourg Law of 23 July 2016.

The Fund is governed by a general partner (*associé commandité*), European Union New Initiatives Investment Company S.à r.l. (EUNIC), which is a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg, having its registered office at 1A, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg, and registered with the RCS Luxembourg under number B.262878 (hereinafter referred as to the "General Partner" or "GP").

The Fund is duly represented by the Board of Managers of its General Partner (the "**Board**") constituted by the following persons as per the RP:

- Mr. Marc Schiettekat
- Mr. Marc Spiessens
- Thales Solutions S.à r.l.-S. represented by Mr. Ivaylo Markov.

Thales Solutions S.à r.l.-S. is a private limited liability (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg, having its registered office at 2, Place de Strasbourg, L-2562 Luxembourg, Grand Duchy of Luxembourg, and registered with the RCS Luxembourg under number B234788. According to our assessment, none of these individuals and company present higher-risk factors.

The Fund has delegated its daily management to an Investment Fund Manager, Audentia Capital Management Ltd, which is a limited company incorporated and existing under the laws of Malta, with registered office at 10 Kent Street Sliema, SLM 2128, Malta, and registered with the Malta Business Registry under number C.79067. Audentia Capital Management Ltd is established as an alternative investment fund manager (hereinafter the "AIFM" or "IFM").

The Fund is set up as an Umbrella Fund having the possibility to operate several economically segregated "Subfunds" (also known as Compartments). Each Subfund may differ from the others in its investment strategy, investment restrictions and investors targeted, to which it may dedicate. The present Risk Assessment however contemplates the Fund as a legal entity and therefore aggregates the different compartments' assets and investors.

1.2. Applicable AML/CFT framework

As the Fund is a Reserved Alternative Investment Fund (RAIF), the Fund is subject to the law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended (the "AML Law") and supervised by the *Administration de l'Enregistrement, des Domaines et de la TVA* ("AED") for the purpose of Anti-Money Laundering and Combating the Financing of Terrorism (hereinafter "AML/CFT").

In this Report, reference is made to regulatory guidance issued by the CSSF (such as notably its Circulars or FAQ): even though the Fund is supervised by the AED, the same points are nevertheless addressed, as the AED's supervision has and is expected to develop in accordance with the practice established by the CSSF.

1.3. Periodical Reporting obligation

In compliance with Article 42, paragraph (6) of the CSSF Regulation n° 12-02 of 14 December 2012, and AED guidance on the "RC report for year 2022 on AML/CFT purposes" available on its website, the RC shall prepare, at least once a year, a summary report on his activities and operations. This summary report shall be submitted by the RC to the RR. This report covers the AML/CFT activities and operations relating to the Fund for the RP. This report covers the AML/CFT activities and operations relating to the Fund for the Reference Period and shall be transmitted to the AED by the 31st of May 2023.

1.4. AML/CFT Regulatory Watch

The RC would like to notify the Fund and its IFM of the material developments in the practical, regulatory and legal AML/CFT framework that occurred during the RP. The detailed list is attached as Annex 1 hereto.

2. Terms and Abbreviations

“AED” *“Administration de l’enregistrement des domaines et de la TVA”* in Luxembourg is primarily responsible for managing the collection of VAT revenues and property registration, it also has some responsibilities related to anti-money laundering (AML) supervision.

In particular, the AED is responsible for supervising certain designated non-financial businesses and professions (DNFBPs) in Luxembourg for AML purposes. These include unregulated collective investment schemes, real estate agents, accountants, notaries, and lawyers. The AED is tasked with ensuring that these DNFBPs comply with AML regulations, including customer due diligence requirements, reporting suspicious transactions, and maintaining proper records.

“AML/CFT” Anti-Money Laundering/Combating the Financing of Terrorism.

“AML Law” The Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended.

“CDD” *“Customer Due Diligence”*, a process that Luxembourg professionals must use to identify, verify, and assess the risks associated with their customers. In the context of Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), a “customer” refers to any individual or entity that has a business relationship with the Fund.

The purpose of CDD is to prevent money laundering, terrorist financing, and other illegal activities by ensuring that businesses know who their customers are, what they do, and where their funds come from. The process of CDD involves collecting information about the customer, including their name, address, date of birth, and other identifying information (Know Your Customer). This information is then used to verify the customer's identity using various methods such as document verification, public records and other tools. In addition, CDD requires to assess the risk associated with the customer, based on factors such as the type of business they are engaged in, their geographic location, and the nature of their transactions. The level of risk determines the level of due diligence that is required, with higher-risk customers requiring more thorough checks.

“CSSF” *“Commission de Surveillance du Secteur Financier”*, the financial regulatory authority in Luxembourg. It was established in 1998 and is responsible for supervising and regulating the financial sector in Luxembourg, including banks, investment funds, insurance companies, and other financial services providers.

“Dual Use” *“Dual-use items”* are goods, software, or technology that can have both civilian and military applications. These items can be used for legitimate commercial purposes, but they may also have the potential to be used in military or weapons-related applications.

Dual-use items can include a wide range of goods, such as chemicals, electronics, computers, lasers, and other technologies. They may also include software that has both civilian and military applications, such as encryption software.

Due to the potential security risks associated with dual-use items, governments and international organizations regulate their trade and transfer through various means, including export controls, licensing requirements, and trade embargoes. These regulations aim to prevent dual-use items from falling into the wrong hands, such as terrorist groups or countries with nuclear ambitions.

“FAQ”	Compendium of “Frequently Asked Questions” collected and publicly responded to by the CSSF and AED. The FAQ constitute important regulatory guidelines that all Luxembourg professionals are expected to adhere to.
“FATF”	<p>“Financial Action Task Force”, an intergovernmental organization established in 1989 to combat money laundering and terrorist financing. The FATF is based in Paris, France and currently has 39 member countries, as well as regional organizations and observer countries.</p> <p>The FATF sets international standards and promotes the implementation of legal, regulatory, and operational measures to combat money laundering, terrorist financing, and other threats to the integrity of the global financial system. It also conducts peer reviews of member countries' AML/CFT systems to assess compliance with the FATF's standards and provides guidance and technical assistance to support the implementation of effective AML/CFT measures.</p>
“Initiator”	“Initiator” is a person or entity that establishes a fund and typically plays a key role in its management and operations. Initiators may be individuals, investment firms, or other entities that identify an investment opportunity and develop a fund to pursue it and typically also are responsible for raising start capital.
“NCA”	“National Competent Authority”, meaning in this report, primarily the CSSF or the AED, depending on the type of supervised entity. NCA can also refer to another authority competent to supervise an entity for AML/CFT purposes in a specific context.
“NRA”	The Luxembourg “National Risk Assessment” on ML/TF (Money Laundering/Terrorist Financing), a process used by governments and regulatory authorities to identify, assess and understand the risks associated with ML/TF in their country or jurisdiction.
“PEP”	<p>PEP stands for “Politically Exposed Person”. PEPs are individuals who hold prominent public positions or are associated with them, such as government officials, senior politicians, high-ranking military officers, and heads of state-owned enterprises.</p> <p>PEPs are considered to be at a higher risk of corruption, money laundering, and other financial crimes due to their access to public funds and influence over government decisions.</p>
“SAR/STR”	<p>“SAR” stands for Suspicious Activity Report, which is a report filed by financial institutions or other regulated entities to the relevant authorities when they suspect that a transaction or activity may involve illicit or suspicious activity, such as money laundering or terrorism financing.</p> <p>“STR” stands for Suspicious Transaction Report, which is a similar report filed by financial institutions to the relevant authorities when they suspect that a transaction or series of transactions may be related to money laundering or terrorism financing.</p>
“SNRA”	The EU Supra-National Risk Assessment of the risks of ML/TF affecting the European internal market and relating to cross-border activities.
“SSRA”	The ML/TF Sub-Sectorial Risk Assessment of the CSSF for the collective investment sector.
“TFS”	<p>“Targeted Financial Sanctions”, measures used by governments and international organizations to restrict the financial activities of individuals, entities, or countries that are deemed to pose a threat to national security or international peace and stability.</p> <p>These sanctions are targeted at specific individuals or entities, rather than entire countries or populations, and typically involve freezing their assets, banning them from traveling, and prohibiting financial transactions with them. The purpose of these sanctions is to disrupt the financial networks that support the targeted individuals or entities and prevent them from carrying out their harmful activities.</p>

“UCI” “Undertaking for Collective Investments”, meaning an entity which is set up to manage the pooled assets of an undefined number of investors in accordance with a preset program. Luxembourg UCIs include: UCITS, Part II funds, SIFs, RAIFs, SICARs and unregulated AIF.

3. Risk Assessment

The RC has carried out a ML/TF Risk Assessment of the Fund in accordance with the Article 2 of the AML Law and CSSF Circular 11/529. This assessment which relies on the questionnaire completed in Appendix 2 “ML/TF Risk assessment Controls” covers the following:

Item:	Relevant Section
a) the results of the identification and assessment of ML/TF risks and the measures taken to mitigate them, as well as the ML/TF risk level tolerance;	2.3 Residual ML/TF Risk
b) the results of the due diligence conducted on clients, initiators of UCIs, portfolio managers to whom it delegates the management, investment advisers, including ongoing due diligence;	Section 2. of Risk Assessment 2.5 Key Risk Figures
c) the results of the enhanced due diligence conducted on intermediaries acting on behalf of their clients in accordance with the provisions of Article 3 of CSSF Regulation 12-02, including the ongoing due diligence;	Section 5. of Risk Assessment
d) the results of the enhanced due diligence on persons identified as politically exposed persons (PEPs) in accordance with the provisions of Article 3-2(4)(d) of the AML/CFT Law;	Sections 4.5 and 5.3. of Risk Assessment
e) the results of the due diligence conducted on assets of UCIs, including the ongoing due-diligence;	Section 4. of Risk Assessment 2.5 Key Risk Figures
f) the monitoring of the positions blocked due to AML/CFT in the registers of unit-holders of UCIs and/or intermediaries involved in the marketing of UCIs;	Section 5.10 of Risk Assessment 2.5 Key Risk Figures
g) the periodic review of all business relationships according to their risk level;	Section 4.1, 5.1, 5.9 of Risk Assessment 2.5 Key Risk Figures
h) in the case of delegation of tasks relating to professional obligations to third parties, the results of the monitoring carried out on the compliance of the services provided by these third parties, not only with the legal and regulatory provisions but also with the contractual provisions; where appropriate, the reasons why the IFM has chosen new third parties during the year;	Section 2. of Risk Assessment
i) statistical history concerning the identified suspicious transactions which inform about the number of suspicious transaction cases reported to the Financial Intelligence Unit (FIU) by the IFM, as well as the total amount of funds involved;	2.5 Key Risk Figures
j) statistical history concerning the transactions reported in the framework of the financial sanctions relating to terrorist financing and those linked to the implementation of the United Nations Security Council resolutions and acts adopted by the European Union as referred to in point 305 as well as the amount of the funds involved;	2.5 Key Risk Figures
k) the number of identified breaches of AML/CFT professional obligations.	2.5 Key Risk Figures
l) the number of AML/CFT actions implemented, with a description of the main actions, and the deadline for their implementation, pursuant to Article 7(2) of Grand-ducal Regulation of 1 February 2010 and Article 42(5) of CSSF Regulation 12-02. The number of actions results in particular from the work of the AML/CFT Compliance Officer, the internal audit, the external réviseur (auditor) or of the CSSF’s inspections.	3. Recommendations / Action Points

3.1. Methodology

The risk assessment was generally conducted following the 3 Step-methodology of the Risk based Approach:

- Inherent Risk assessment:** Relevance of the Inherent risks outside of the Fund’s control resulting from exterior threats (predicate offences) and vulnerabilities (structure, ownership, activity, links with countries having lower AML/CFT standards, service providers, transactions, channels). The Inherent ML/TF Risk Level was scored as the sum of inherent risk factors’ values, weighed in accordance with their relevance (1 “Low Relevance” to 4 “High Relevance”).
- Risk Mitigation:** Existence, appropriateness and quality of measures to mitigate the identified risks, which include an adequate internal organization, the performance of initial and periodical customer due-diligence, the application of risk-based mitigation measures and ongoing monitoring as well as other relevant controls to confirm the pertinency of the risk profile of the customer, transaction, or business relationship and which shall allow to

identify changes that may require a re-assessment of the risk level and corresponding AML/CTF measures. The mitigating measures were weighed in accordance with the quality of controls in place (1 “Low Quality” to 4 “High Quality”).

3. **Residual Risk assessment:** evaluating the residual exposure to non-mitigated ML/TF risk as well as the correspondence of such risk level with the declared overall ML/TF risk appetite. The residual ML/TF Risk is the difference between the Inherent ML/TF Risk Level and the quality level of mitigating measures.

3.2. Assessment on Organizational Arrangements

3.2.1. Inherent Risk

In accordance with Luxembourg’s National Risk Assessment (“NRA”) led by the Executive Secretariat of the National ML/TF Prevention Committee (NPC) on the UCI sector, the RC assessed the relevance of certain inherent risk factors such as:

- Sectorial Risk;
- Internal Organization;
- Use of and dependency on third parties directly or indirectly influencing ML/TF risk, such as notably AML/CFT delegates;
- Activity on account of market structure and the products, services and transactions offered or performed;
- Clients/Investors and geography and the channels of distribution;

as well as other risk factors identified by regulatory practice and further detailed in the attached Appendix 2 “ML/TF Risk assessment Controls”.

The following sections describe the higher inherent risk factors and their relevance for the Fund as well as the assessed quality of relevant mitigating measures.

➤ Luxembourg’s financial sector risk

Our assessment of the ML/TF inherent risks associated with the Funds’ operation out of Luxembourg’s financial sector is guided by risk-assessments conducted in SNRA, NRA and SSRA. In this context, the FATF has highlighted the securities sector, including collective investments, as being exposed to ML/TF schemes. Indeed, the sector is generally characterized by its complexity, internationality, high level of interaction, high volumes, speed and anonymity. These characteristics create opportunities for individuals who would abuse or misuse the sector for illicit purposes, including for ML/TF.

In its report on the assessment of the risks of ML/TF affecting the internal market and relating to cross-border activities, also known as the SNRA, the EU Commission noted that despite mitigating measures in place, the risk of ML/TF remains significant for certain segments of the financial sector, and in particular for institutional investments. This is due to the overall higher exposure to product and customer risks, pressure from competition in the sector and a limited understanding of operational AML/CFT risks.

The ML/TF SSRA conducted by the CSSF (latest update 2022) has statistically assessed the ML/TF vulnerability of the main actor types on the Luxembourg Collective Investment Sector.

The investment sector in Luxembourg is large and diverse with a variety of entities such as wealth & asset managers, broker-dealers, traders/market makers, undertakings for collective investments in transferable securities (UCITS) management companies, alternative investment fund managers (AIFMs), self or internally managed undertakings for collective investments (UCIs), pension funds and regulated securitization vehicles. The detection challenges are not to be underestimated, given high market fragmentation in terms of the number of providers and a high volume of retail and institutional investors. Collective investments are particularly vulnerable to be abused or misused for different types of fraudulent practices, including for example Ponzi schemes, confidence, or boiler room scams and, use of fictitious or shell companies.

In recent years, Luxembourg has been strengthening its AML/CFT regime. The mitigating factors in place within reduce the inherent risk level to a lower residual risk level. Broadly speaking, mitigating factors are strongest in the financial sector, which has been covered by the EU AML/CFT framework since 1991 and has a good awareness of the risks.

As a RAIF (i.e. an unregulated fund), the Fund is supervised by the AED and managed by a IFM supervised for AML/CFT aspects per se, while significant activities exposing it to relevant risk, (notably as regards the administration of its investor relationships, asset management, risk diversification, risk management, transparency and governance substance) are not subject to any regulation or supervision.

The inherent ML/TF risk related to the Luxembourg financial sector in which the Entities evolve is thus rated as being overall “High” and the relevance of this risk factor to the IFM and Fund is significant.

With regard to the fund's overall vulnerability to ML/TF and the above lower regulation density of the Fund and its IFM, we rate the inherent risk related to the Fund's sector as being “High”.

3.2.2. Mitigating measures

The internal organization of the Entities must be adequate to respond to the challenges represented by the inherent ML/TF risks to which the Entities are exposed. An adequate internal organization shall notably allow all relevant Entity staff to identify and mitigate risks and also escalate particularly severe ML/TF issues to the Entity's senior management or national competent authority.

Given the complexity of the AML/CFT framework and the sectorial risk (as defined above), failure to achieve a compliant internal organization represents not only a risk to be exposed to unmitigated ML/TF risks, but also represents a regulatory compliance risk, which could lead to significant fines and reputational damage.

The risks and challenges are directly influenced by the Fund's business model. Fund working with external initiators typically bear higher risks, as they are under economic pressure to adapt and cover external strategies and risk appetites. The Fund was initiated by M. Marc Schiettekat and M. Marc Spiessens which are both Board Members. This puts the Fund in control of its strategy and operating model.

The inherent ML/TF risk related to the internal organization is thus rated as being “Medium-Low”.

The following sections relate to relevant mitigation factors, as examined hereunder.

➤ Internal AML/CFT Documentation

The Fund is required to have developed an appropriate internal documentation which details the AML/CFT obligations to which the Entities are subject as well as the implementing control procedures.

In this context, we noted that:

- The Fund's Board has adopted an AML/CFT Policy which is compliant with legal and regulatory requirements;
- The Fund has defined its own ML/TF Risk Appetite Statement (“RAS”), which guides the Fund's activity;
- Both documents have been approved by the Board and duly notified to all staff and AML/CFT delegates.

As the Luxembourg AML/CFT regulatory framework is in constant evolution, we nevertheless remind that both documents should be reviewed during the course of the year.

➤ Appointment of RR and RC

Pursuant the article 4(1), fourth paragraph of the AML Law, the Fund shall appoint a person amongst the members of their management bodies, responsible for compliance with the professional obligations as regards the fight against money laundering and terrorist financing, in French a “*Responsable du Respect des obligations*” (the “RR”). For this purpose, the Board was appointed by itself as collectively acting as RR of the Fund.

It is important to note that according to the CSSF requirements, the RR shall be available without delay upon contact by the Luxembourg AML/CFT competent authorities. In the case of joint responsibility of the members of the Board of Managers, at least one of board members must fulfil this requirement.

Based on inquiries and assessment, we conclude that the RR have sufficient experience, competences and skills for processing the supervision of the Fund activity. We note that all members of the Board have attended an annual AML/CFT training session during the RP.

Pursuant the article 4(1), second paragraph, sub-paragraph a) of the AML Law of 12 November 2004, as amended, the Fund shall appoint a compliance officer at the appropriate hierarchical level to ensure the control of compliance with AML/CFT obligations, in French a "*Responsable du Contrôle du respect des obligations*" (the "RC"). For this purpose, Mr. Robin Vandekerckove was appointed by the Board as RC of the Fund as from March 14th, 2022.

We also confirm that the Fund's RC is registered on Go AML as a declarant for the Fund, thus in position to make SAR/STR on behalf of the Fund.

According to the information received, there was no STR/SAR made during the RP as the Fund hasn't been launched yet.

➤ Conclusion on the internal organization of the Fund

Based on the above, we rated the overall Quality of Controls related to the Fund's Internal Organization and Procedures as being "**High Quality**".

3.3. Assessment on Distribution model

A fund's Inherent ML/TF risk increases with the size and complexity of its distribution activity, i.e., whenever a fund does target a broad range of investors, including notably investors which may not be subject to or regulated for AML purposes (such as notably retail investors).

As a RAIF, the Fund may not be distributed and has to rely on private placement (where not prohibited) as well as reverse solicitation by eligible (professional) investors only. The investors are thus directly known and approved by the Fund's Board, which largely negates this type of risk.

3.4. Assessment on AML/CFT delegates and intermediaries

3.4.1. Inherent Risk

The inherent ML/TF risk increases with customer remoteness, i.e., whenever a fund does not have direct contact with the ultimate customer and has to rely on the AML/CFT controls carried out by delegates of the Fund or other intermediaries.

This is especially the case where investors are onboarded and administered by a third-party registry and transfer agent ("TA") and/or subscribe through intermediaries such as notably banks, clearing institutions or nominees.

On the assets' side, inherent risk is increased where asset management is entrusted to external investment managers who are then responsible to conduct appropriate CDD on assets and transaction counterparties.

The following list includes the Delegates/Service Providers to the Fund and their assessed ML/TF risk:

Role	Name	Country	Competent Authority	CDD Score
GP	EUNIIC S.à r.l.	Luxembourg	AED	Medium
AIFM	Audentia Capital Management Ltd	Malta	MFSA	Medium
Domiciliary, Central Administration	Bolder Luxembourg S.A.	Luxembourg	CSSF	Low
Depository	Q securities S.A. Luxembourg Branch	Luxembourg	CSSF	Low
Property Manager	Chrysavgi Management Group Ltd	Cyprus	-	High

Given the significant number of third parties directly or indirectly performing AML/CFT on account or on behalf of the Fund, the Inherent risk due to the dependency on AML/CFT delegates and other intermediaries is higher. The AIFM is regulated and supervised in a country providing an equivalent level of regulation and control, which reduce the inherent risk level. However, the property manager which should execute the AML/CFT function on the assets of the Fund on behalf of the AIFM is not regulated and supervised for AML/CFT, which is a higher risk factor. As a result of our assessment, we consider that the ML/TF inherent risk relating to the delegates and intermediaries may be rated as “**Medium-High**”.

The following sections relate to effectively found mitigating factors, as examined.

3.4.2. Mitigating Measures

➤ IFM

The Fund and its Board of Managers are responsible of the asset management, central administration and core activities with material exposure to ML/TF risk. While the Fund may delegate these activities to equally licensed and supervised third parties, the IFM retains overall responsibility, including on AML/CFT aspects. The IFM must in either way be organized and equipped to carry out relevant AML/CFT itself and also monitor the performance of delegated AML/CFT controls based on relevant AML/CFT “key performance indicators” to be received from any delegate.

The Fund is managed by the IFM, Audentia Capital Management Ltd. Being regulated by the Malta Financial Services Authority (“MFSA”) as a passported EU IFM, the IFM has the right to operate and manage investment funds in other EU member states without the need for additional authorization or registration. The IFM’s required regulatory status was verified and was found to be duly covered by the Fund’s CDD. We found no particular ML/TF risk pertaining to the IFM.

➤ Registrar and Transfer Agent

The Fund’s Transfer Agent (“TA”) is the primary actor in charge of administrating relationships with the Fund’s investors, especially executing initial and ongoing CDD on the Fund’s direct investors. As such, the TA must have the regulatory licenses or authorizations required to perform this important activity.

The TA’s required regulatory status was verified and was found to be duly covered by the delegator’s CDD. The TA is duly regulated by the CSSF in Luxembourg. As a result, we found no particular M/TF risk pertaining to the TA.

➤ Custodian / Depository / Banker

While the Fund’s assets are typically of the non-financial type that cannot be kept in safe custody by the Fund’s depository, the depository is still obliged to monitor the Fund’s assets and cash, as well as executing and controlling cash flows in and out of the Fund. As such, the depository must have the regulatory licenses and authorizations required to perform this important activity and conduct relevant controls.

The Fund has appointed Q securities S.A. Luxembourg Branch, in Luxembourg, as depositary bank. The depositary's required regulatory status was verified. The Depositary is duly regulated by the CSSF in Luxembourg. However, the performance of formal (initial) due diligence on the AML/CFT activity of the depositary could not be verified. We therefore recommend scheduling such CDD by end of the year.

➤ Property Manager

The portfolio management, as a delegated activity, represents another material potential point of vulnerability to ML/TF. Delegated portfolio management is characterized by the fact that the delegated portfolio manager ("PM") has a limited agency to initiate transactions on behalf of the Fund on a discretionary basis, while respecting the applicable investment restrictions. Being in the position to select assets and trading counterparties, any PM must guarantee to perform an adequate level of AML/CFT on such counterparties. The PM must therefore be suitably authorized and supervised for AML/CFT purposes.

One of the service providers is Chrysavgi Management Group Ltd which has been appointed by the IFM as Vineyard & Property Manager of the Fund. Based on the PPM of the Fund, Chrysavgi Management Group Ltd is a private limited liability company incorporated in Paphos, Cyprus on 16 August 2016 to serve as external specialist advisor to manage vineyards and to design tailor made profitability programs for wine producing companies. This company does not propose, bring or suggest any transactions, purchases, sales, whatsoever. All the investments are brought to the attention of the IFM by the GP and its Board members.

The portfolio management of the Fund is still conducted by the IFM. As a consequence, the IFM shall still remain conscious of the Fund's obligations and shall identify the counterparties to assets' transactions made on behalf of the Fund. This verification to be included in an initial due diligence has not been materialized and exchanged with the Fund and RC for the RP. We received the confirmation that a due diligence was conducted by the Fund on the IFM and the AML/CFT activity on the assets held in the portfolio. We found no particular ML/TF risk pertaining to the Property Manager and portfolio management activity of the IFM.

➤ Conclusion on the Delegates / Services Providers

We obtained sufficient comfort from the assessment of AML/CFT delegates and other intermediaries of the Fund that:

- Most of the AML/CFT delegates are regulated in equivalent countries for the services and activities conducted on behalf of the Fund;
- No delegate was found to represent a higher ML/TF risk.

Based on the above, we rate the overall quality of controls relating to the Fund's Delegates and Services Providers as being "**High Quality**".

3.5. Assessment on Assets (Fund Activity)

3.5.1. Inherent Risk

The Fund activity presents multiple ML/TF risk factors, as predicate offences may be committed by trading counterparties (both on the sell and buy side) or affect the traded assets themselves.

As the Fund is primarily active in vineyards and properties (i.e. in real estate), which are typically not organized on regulated markets, the ML/TF risk essentially depends on the inherent ML/TF risk of each asset, as may be determined by the relevant national risk assessment with regard to the economic sector with which the asset has significant links. In the Fund's case, real estate is a sector that is considered to have a high ML/TF risk. This is because real estate transactions involve large sums of money, multiple interested parties (most of which may be not regulated) and have a history of having been used to conceal the true ownership of assets.

As of the date of the report, the Fund has not been launched yet and there is no asset in its portfolio.

According to the above, the level of inherent ML/TF risk on the Fund's asset-side activity for the RP is "**Medium-Low**".

3.5.2. Mitigating Measures

As the PM is not supervised for AML/CFT purposes by an equivalent authority, all the relevant controls depend principally on the IFM and the Fund.

In this context, we shall obtain sufficient comfort on the AML/CFT controls performed, notably that:

- a risk-based approach is followed when subjecting investments to initial CDD, taking into account relevant inherent higher risk factors (including notably Country Risk, Sectorial, PEP, TFS, and Dual Use) and taking account of the ML/TF RAS defined for the Fund.
- Procedures exist to suspend any activity on assets for which ML/TF suspicions may not be cleared.

As there was no investment by the Fund for the RP, no control has been performed by the PM.

We therefore rate the overall quality of controls related to the activity of the Fund as being **“Not applicable”**.

3.6. Assessment on Investors

3.6.1. Inherent Risk

The Inherent ML/TF risk of a Fund is significantly driven by its investors, notably by:

- The investor’s “remoteness”, meaning the degree to which the Fund’s senior management effectively knows the final beneficiaries of the amount subscribed into the Fund. This is notably increased by the presence of intermediary investors, or the complexity of the distribution strategy pursued by the Fund;
- The investors’ principal geographic location for operations, which may be weakly regulated for AML/CFT purposes or present political or social deficiencies that increase the probability of predicate offenses;
- The investors’ typology, which includes higher risk individuals (High Net Worth Individuals, PEP) as well as higher risk entities or contractual arrangements such as foundations, trusts or non-profit organizations.

As of the date of the report, the Fund has not been launched yet and there is no investor.

Based on the above, the inherent ML/TF risk related to the investors is being rated as **“Low”**.

The following sections examine the controls carried out on the investors’ side.

3.6.2. Mitigating Measures

As the Fund has not been launched yet and there is no investor, no AML/CFT CDD was conducted by the Fund’s TA.

Nonetheless, we obtained sufficient comfort on the controls to be conducted by the TA, notably that:

- It will apply a risk-based approach, taking into account relevant inherent higher risk factors (including notably Country Risk, Investor Typology, PEP and TFS, while taking account of the ML/TF RAS defined.
- Ongoing monitoring includes daily name-screenings and periodical update of KYC in accordance with inherent risk level will be set.
- Intermediary investors will be duly identified as such and subjected to enhanced due-diligence measures, notably to ascertain the adequateness of the CDD they carry out and to obtain comfort on disclosure of underlying investors (if requested).
- Ultimate Beneficial owners will be identified.

Another key element of AML/CFT efficiency depends on the TA’s communication with the IFM and the Fund’s Board, where potential issues that could implicate ML/TF must be readily escalated. We received the confirmation that this information will be duly reported to the Board of the Fund when the activity will have started.

Based on the above, we rate the overall quality of controls related to the Fund’s Investors’ as being **“Not applicable”**.

3.7. Residual ML/TF Risk

The RC controlled the risk-based application of appropriate measures to mitigate the inherent risk linked to the internal organization, distribution, activity, and counterparties such as notably AML/CFT delegates, service providers and investors. The effectiveness of such ML/TF risk mitigating measures was assessed based on the information provided and proprietary research.

The residual ML/TF Risk of the Fund was assessed by the RC as follows:

OVERALL INHERENT ML/TF RISK LEVEL	HIGH
Inherent ML/TF Risk Level related to the sector of the Fund:	Medium-Low Risk
Quality of Mitigating Measures	High Quality
Inherent ML/TF Risk Level related to the AML/CFT delegates and intermediaries of the Fund:	Medium-High Risk
Quality of Mitigating Measures	High Quality
Inherent ML/TF Risk Level related to the activity/assets of the Fund:	Medium-Low Risk
Quality of Mitigating Measures	N/A
Inherent ML/TF Risk Level related to investors of the Fund:	Low Risk
Quality of Mitigating Measures	N/A
OVERALL RESIDUAL ML/TF RISK OF THE FUND	LOW

The ML/TF Risk of the Fund for the RP was assessed by the RC as depicted in the chart, whereby the Inherent ML/TF Risk Level was scored as the sum of inherent risk factors' values, weighed in accordance with their relevance (1 "Low Relevance" to 4 "High Relevance"). The residual ML/TF Risk score is the difference between the Inherent ML/TF Risk Level's score and the ML/TF Control values, weighed in accordance with their quality (1 "Low Quality" to 4 "High Quality").

In the light of the above, the RC rates the overall residual ML/TF risk to be in the "Low" range.


As the Fund's stated risk appetite level is "Medium-Low", the Fund is within its defined risk comfort zone.

4. Recommendations / Actions points

Based on the above, the RC would like to make the following recommendations:

- To ensure the review of the AML Policy for the new period;
- To schedule the AML trainings for all board members;
- To ensure the adequate communication to the Fund and its RC of the results of the AML/CFT function delegated to the IFM, property manager and/or TA.

May 26th, 2023



Robin Vandekerkove
AML/CFT Compliance Officer, RC

Annex 1 – AML/CFT Regulatory Watch

The RC would like to notify the Fund and its IFM of the following material developments in the practical, regulatory and legal AML/CFT framework that occurred during the RP:

January 2022

On January 10th, 2022, the European Commission published the Delegated Regulation of 7.1.2022 which amends the Delegated Regulation (EU) 2016/1675 on the list of high-risk countries. This Regulation is a supplement to the Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the 4th AML Directive). Accordingly, the Bahamas, Botswana, Ghana, Iraq and Mauritius have been removed from the list. However, the Burkina Faso, Cayman Islands, Haiti, Jordan, Mali, Morocco, Philippines, Senegal, and South Sudan have been added in the list. In compliance with article 1, § (30) of the AML Law of 12 November 2004, the Company shall consider as a high-risk country any country included in the list of high-risk third countries pursuant to Article 9(2) of Directive (EU) 2015/849. The country's risk scoring of the Company shall be adapted according to the Commission Delegated Regulation.

On January 26th, 2022, Transparency International published its annual report on the Corruption Perception Index 2021. Looking back at the results over the last 10 years, 25 countries have significantly improved their scores, including Armenia, Estonia and Seychelles. But 23 others have significantly declined, including advanced economies such as Australia, Canada and the United States – the latter dropping out of the top 25 countries on the Index for the first time. Everywhere else, anti-corruption efforts have stagnated. The index provided in the annual report provides a good indication of the level of ML/TF risks in the listed jurisdictions, and especially in case of PEP identification. This index can be used by professionals to document their countries risk classification.

February 2022

(Nothing to report)

March 2022

On March 1st, 2022, the CSSF published a circular letter relating to the restrictive measures of the EU in response to the current situation in Ukraine. The European Union decided a number of sanctions and other restrictive measures in this respect, in particular such as adopted and entered into force on 23 February 2022, 25 February 2022 and 28 February 2022, with more to be expected.

As a result, amendments as regards the financial restrictive measures have recently been made to the existing European regulations, i.e.:

- to Council Regulation (EU) 269/2014, notably by first adding to Annex I three hundred and fifty-eight persons (mainly members of the State Duma) and four entities to the list of persons, entities and bodies which are subject to financial and other restrictive measures, and by adding subsequently the members of National Security Council who supported Russia's immediate recognition of the two self-proclaimed republics Donetsk and Luhansk, the persons who facilitated the Russian military aggression from Belarus, as well as those members of the State Duma not yet included in that list who ratified the government decisions of the Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Donetsk People's Republic and between the Russian Federation and the Luhansk People's Republic. The President of the Russian Federation, Vladimir Vladimirovich Putin, and the Minister for Foreign Affairs of the Russian Federation, Sergey Viktorovich Lavrov, are also included in that list;
- as well as to Council Regulation (UE) 833/2014 by imposing, inter alia, further restrictive measures prohibiting the financing of Russia, its government and its Central Bank, and prohibiting transactions related to the management of reserves as well as of assets of the Central Bank of Russia, including transactions with any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia.

We also draw your attention to the new Council Regulation (EU) 2022/263 of 23 February 2022 concerning restrictive measures in response to the recognition of the non-government-controlled areas of the Donetsk and Luhansk oblasts of Ukraine and the ordering of Russian armed forces into those areas. This EU Regulation lays down new rules on penalties imposing restrictions on economic relations with the non-government-controlled areas of the Donetsk and Luhansk oblasts of Ukraine.

In a **Circular letter dated on March 10th, 2022**, the CSSF sent a reminder relating to the European Union restrictive measures adopted in response to the situation in Ukraine. The CSSF reminds that investment funds and investment fund managers shall ensure, where applicable, that:

- Restrictive measures are identified and applied to the clients, investors and investments (assets) without delay;
- The Ministry of Finance is informed of the measures taken without delay per email: sanctions@fi.etat.lu; and
- A copy of this communication is sent to the CSSF at the same time at the following e-mail address: adm_jurcc@cssf.lu, by clearly indicating in the title Financial sanctions.
- The investment funds and investment fund managers remain responsible for application of sanctions, even in case of delegation, and shall be aware of the cases which may be identified and reported.

On March 11th, 2022, the CSSF published the Circular 22/801 relating to the FATF statements. The Democratic People's Republic of Korea and Iran are still considered as high-risk jurisdictions. On jurisdiction, the United Arab Emirates, is added to the list of jurisdictions under increased monitoring of the FATF. Here is the updated list: Albania, Barbados, Burkina Faso, Cambodge, Haiti, Cayman Islands, Jamaica, Jordania, Mali, Malta, Morocco, Myanmar, Nicaragua, Pakistan, Panama, Philippines Islands, Senegal, South Sudan, Syria, Turkey, Uganda, United Arab Emirates and Yemen. These jurisdictions currently have strategic AMF/CFT deficiencies for which they have developed an action plan with the FATF to address these deficiencies. Zimbabwe is no longer on the FATF list. The country's risk scoring of the Company shall be adapted accordingly.

On March 18th, 2022, the CSSF published a list of FAQs on the AML/CFT RC Report to be submitted by investment funds and investment fund managers supervised for AML/CFT purposes by the CSSF. For entities with a financial year end at 31/12/2021, the deadline to submit the RC report is 31/05/2022. This report signed by the RC should be transmitted via e-file or Sofie communication platform, except for registered AIFM which should use the eDesk module.

On March 25th, 2022, the « Direction de l'enregistrement, des domaines et de la TVA » (AED) sent a reminder relating to the international financial sanctions following the Russia/Ukraine situation. The AED draws the attention of the RR and RC to their obligation in researching and verifying the identity of their client and/or beneficial owner among the natural persons and entities listed in the international financial sanctions lists. Any person identified on an international financial sanctions list shall be automatically subject to enhanced AML/CFT due diligence. A presentation and a list of FAQs are available on its website (in French).

April 2022

On April 8th, The CSSF published a reminder on certain key upcoming dates as well as certain deadlines related to the application of exceptions in relation to certain prohibitions, foreseen in the context of the EU's financial restrictive measures in response to the current situation in Ukraine. In particular on 12 April 2022, several financial restrictive measures must be put in place by professionals. In this regard, it should be noted, in particular, the financial restrictive measures, with their key dates, provided for in Regulation (EU) 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, as amended.

May 2022

On May 31st, 2022, the CSSF published an updated version of the ML/TF sub-sector risk assessment (SSRA) for the collective investment sector. This updated version illustrates the effectiveness of the efforts made by the CSSF and the private and public sectors to mitigate the risk of money laundering and terrorist financing in the collective investment sector.

The inherent risk for the collective investment sector remains high with the following statistical average risk categorizations:

- The CSSF also raised the attention on threats evolution with the following warnings:
- Criminal offences associated with cybercrime;
- Purchases of businesses by Organized criminal groups in the hospitality sector;
- Abuse of virtual assets due to sharp increase in total market capitalization of cryptocurrencies and trading volumes of virtual assets such as non-fungible tokens;

- Impact of the geographical crisis leading to de-risking strategies due to the extent of financial sanctions to a larger population/geographical scope;
- Increase in human-centred predicate offences of money laundering due to massive refugees' flows.
- The SSRA assesses the evolution of the ML/TF vulnerabilities for each cluster used pursuant to the methodology, namely UCITS ManCo, AIFM and self or internally-managed UCI, as of 31/12/2020. Luxembourg registered AIFMs and FIAAGs had been identified as a class needing significant improvements.

The CSSF also reported the positive results observed in entities:

- The increased involvement in the AML/CFT framework of the Senior Management and control functions of these entities;
- The result of the work performed by the professional associations to provide guidance to their members;
- The continued guidance provided by the CSSF to the supervised entities; and
- The strengthening of the cooperation between the CSSF and these professional associations to bring further clarity to issues identified by the market participants.
- Finally, the CSSF issued the following recommendations to be followed by the private sector:
 - For cross-border intermediaries consider information such as the type/geographical origin of the underlying investors as part of the risk assessment criteria.
 - Improve the AML/CFT due diligence performed on assets, especially for alternative non-UCITS-like strategies.
 - When outsourcing the screening of Targeted Financial Sanctions to non-European entities, ensure that the Luxembourg applicable, notably European, Sanction lists are screened.
 - Review the IT components of AML/CFT systems.
 - Improve the quality of RC reports.

June 2022

On June 22nd, 2022, the CSSF published a circular 22/815 following the FATF declaration made during its meeting in June. In this circular, the CSSF reminds the situation about the Democratic People's Republic of Korea (North Korea) and Iran. The CSSF reminds that these two countries remain subject to enhanced surveillance and strengthened measures due to their AML deficiencies even for Iran which put on place some measures and procedure to work on this deficiency. However, Iran did not succeed to apply all measures needed so it remains as country with AML deficiencies. Regarding the countries under monitoring, the FATF add Gibraltar which presents AML deficiencies but the country prepared with FATF an action plan to work on these deficiencies. Malta has been taken off from the list of countries under monitoring due to its substantial efforts made about them.

On June 24th, 2022, the Council of the European Union, has adopted Regulation (EU) 2022/994 of 24 June 2022 implementing Regulation (EU) 2022/879 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine: the following entities were added to the sanctioned companies: Rossiya RTR/RTR Planeta, Rossiya 24/Russia 24 and TV Centre International.

July 2022

On July 14th, 2022, the European Banking Authority published the Guidelines on the role and responsibilities of the AML/CFT compliance officer (the Guidelines).

These guidelines specify the role, tasks and responsibilities of the AML/CFT compliance officer, management body and senior manager in charge of the AML/CFT compliance as well as internal policies, controls and procedures as referred to in Article 8, 45 and 46 of Directive (EU) 2015/849.

These guidelines specify that credit or financial institutions (as defined in Article 3(1) and 3(2) of Directive (EU) 2015/849) should appoint one member of their management body who will ultimately be responsible for the implementation of the AML/CFT obligations and clarify the tasks and functions of that person. They also describe the roles and responsibilities of the AML/CFT compliance officer when this person is appointed by the management body pursuant to the proportionality criteria. When the credit or financial institution is part of a group, the Guidelines prescribe that a group AML/CFT compliance officer should be appointed and clarify this person's tasks and responsibilities. These guidelines apply from 31 December 2022.

On July 20th, 2022, the Luxembourgish Parliament adopted the Law of 20 July 2022 setting up a monitoring committee for restrictive measures in financial matters and amending: 1° Article 506-1 of the Penal Code; 2° the Law of 19 December 2020 on the implementation of restrictive measures in financial matters.

The Law of 20 July 2022, which entered into force on 24 July 2022, sets up an interinstitutional committee in charge of monitoring the implementation of restrictive measures in financial matters (financial sanctions) within the meaning of the Law of 19 December 2020 on the implementation of restrictive measures in financial matters.

Indeed, the implementation of financial sanctions, once adopted, requires mechanisms bringing together national competent authorities and arrangements allowing, among others, ensuring their strict and consistent application.

This law of July 20th, 2022, establishes the duties and tasks of this Committee as follows:

- Monitor the implementation of financial sanctions adopted by United Nations Security Council resolutions and European Union acts, in the context of the fight against the financing of terrorism and the fight against the financing of the proliferation of weapons of mass destructions;
- Monitor the implementation of the financial sanctions decided at national level in accordance with the law of 19 December 2020;
- Improve the communication and diffusion of the policies and strategies regarding the application of financial sanctions.

On July 26th, 2022, the FATF issued updated guidelines in order to indicate good practices in the design and implementation of a sound risk-based approach for the real estate sector. All professionals must ensure that a risk assessment (RA) is designed and implemented to deal with real estate ML/TF risks they are exposed to. This RA should include indicators of geographical, customer and transaction risks.

Geographical factors

The professional must assess the geographical risk inherent to the business by identifying different factors: the effectiveness of the counterparty country's AML/CFT regime and its deficiencies, the level and nature of threats and vulnerabilities relevant to its real estate sector, the source of the funds and the target property location are, among others, to be investigated.

Client Risks

The degree of risk associated with the customer/counterparty can be heightened by specific situations, for example inconsistencies in its behavior and avoidance of face-to-face contacts, its citizenship by investment program related to real estate purchases, its professional activity sector... Also, the unusual introduction of unknown third parties, complex legal structures, lawyers, notaries, financial institutions or others during the course of the process are to be viewed as risk heightening factors.

Transaction Risks

Transactional risk assessment must be tailored to the professional's business practices, but some factors are, as above, raising the inherent risk level of the intended business, as for example:

- Proposals of settlement by way of virtual currencies;
- Use of complex, diversified and unexplained loans/financing;
- Use of cash, promissory notes, bills of exchange or any negotiable instrument that can be paid by the debtor in cash;
- Unexplained foreign currency payments;
- Unusual transactions (obvious loss, successive exchanges of the same or multiple properties, requests to expedite transactions.);
- Key beneficial ownership and financial details are also to be assessed before taking part in real estate transactions.

These risks must be assessed, rated and documented in a time efficient yet comprehensive manner for the development and implementation of mitigation measures (Compliance Monitoring Program). These actions must be taken business-

wide, but also for each specific client and service. They should be performed regularly in order to keep up with the sector's products, services, developments and technologies evolutions.

Based on the conclusion of the risk assessment, mitigation processes have to be implemented. The purpose of these measures is to verify the identity of every counterparty and those purporting to act on their behalf, the identity of the beneficial owner, the counterparty's circumstances and business (expected nature of transactions) and the source of funds.

On July 29th, 2022, a new amendment (amongst others) of the AML/CFT Law of 12 November 2004, applicable in Luxembourg has been adopted. The changes notably:

Extend the definition of trust and company services providers subject to the law by reference to their activity;

Concern Lawyers who act as depositaries of bearer shares;

Extend the application to persons who (Art. 2 (13)) by way of a business relationship (i.e., not necessarily their main professional activity) assist other persons in the planning or execution of transactions for their customer concerning the:

- o buying and selling of real property or business entities,
- o managing client money, securities or other assets,
- o opening or management of bank, savings or securities accounts,
- o organization of contributions necessary for the creation, operation or management of companies,
- o creation, domiciliation, operation or management of trusts, companies or other similar structures,
- o or acting for and on behalf of their customer in any financial or real estate transaction;

The legal changes further:

- o emphasize the principle that the identification of beneficial owners is not subject to the risk-based approach and must be carried any way;
- o specify that initial and ongoing customer due diligence (CDD) must include consulting the register of effective beneficiaries for Luxembourg legal entities and, where applicable, obtain an equivalent register extract for legal entities established in another EU Member state;
- o detail the level of CDD to be performed on PEP and related persons;
- o establish the cooperation between Luxembourg and other EU NCA, including the right to require or be associated in inspections or investigations in the relevant member state's territory.

August 2022

On 25 August 2022, the CSSF updated the RC FAQ, which now addresses the following questions:

- Which entities are required to write and submit an AML/CFT RC report to the CSSF?
- Should an entity be dissolved and placed into non-judicial liquidation, shall an AML/CFT RC report still be submitted?
- What is the submission deadline for the AML/CFT RC report?
- How should the AML/CFT RC report be transmitted to the CSSF?
- Shall the AML/CFT RC report be signed by the RC?
- Should no findings be reported in the AML/CFT RC report?
- What should the AML/CFT RC report contain?
- What do you mean by results of AML/CFT due diligence?
- Extent of the RC's liability irrespective of his/her nomination
- Can the failure to submit an RC report lead to sanctions by the CSSF?

September 2022

In September 2022, we noted the creation of the *Luxembourg AML Expert Working Group* between representants of ALFI, ALCO, ABBL, Luxembourg Bar, CSSF, FIU, IRE, LPEA, LUXREAL

In order to further strengthen their collaboration in the fight against money laundering and the financing of terrorism, the Luxembourg Bankers' Association (ABBL), the Cellule de Renseignement Financier (CRF) and the Commission de Surveillance du Secteur Financier (CSSF) have signed a Public Private Partnership on 13 September 2022.

The Expert Working Group AML OPC 's mission is to reflect on AML/CFT topics affecting the field of collective investment fund management in general and the Luxembourg investment fund industry and their managers in particular, in order to propose mitigation solutions.

October 2022

On October 10th, the Ministry of Justice published a communication on the Financial Action Task Force evaluation which was conducted in Luxembourg. This communication gave a short summary on the assessments and control of the country. It also informed that the final report shall be adopted and published by the plenary session of the FATF by June 2023.

On October 12th, 2022, the AED issued a questionnaire, addressed it to a number of AIF and expects it to be returned completed by November 2022.

The questionnaire is very similar to the one to be filled in by RAIF.

As expected further to the comments made by the Luxembourg Ministry of Justice in its latest vertical ML/TF risk assessment on Legal Persons and Legal Arrangements, the Registration Duty, Estate and VAT Authority (AED) caught up on its surveillance of non-RAIF AIF that are not supervised by the CSSF.

The AED, as the supervisory authority of the other financial institutions (autres établissements financiers) according to the articles 2-1 (8), 1 (3a) e) and 2 (1) 7 of the Law of 12 November 2004 on the fight against money laundering and financing of terrorism, as amended (AML/CFT Law), has under its AML/CFT supervision the Luxembourg alternative investment funds (AIFs), being unregulated and no supervised financial vehicles by any other Luxembourg supervisory authority.

On October 18th, the CSSF published a new link to a statistics page relating to the AIFM Reporting dashboard. Main figures regarding the Luxembourg financial center are now regularly updated and directly available on the CSSF website: <https://www.cssf.lu/en/statistics/>.

On October 18th, the CSSF published a clarification relating to the cash accounts of AIFs: all cash of an AIF has to be booked in cash accounts opened in the name of the relevant AIF, or in the name of their AIFM or depositary acting on behalf of the AIF. As specified under Article 19(7) of the AIFM Law, only central banks, EU authorized credit institutions as well as third country authorized banks may qualify as eligible entities for the purpose of holding cash accounts in the relevant market where cash accounts are required for the purposes of the AIF's operations. The designated AIFM shall ensure that these requirements are applied on the cash accounts of AIFs by no later than June 30th, 2023.

On October 20th, the European Union Agency for Criminal Justice Cooperation (Eurojust) published its report on money laundering which presents key findings of the agency and money laundering cases. Eurojust has recorded around 3,000 cases of cross-border money laundering over the last six years. In 2021, the Agency received over 600 cases, which is more than twice as many as were reported in 2016. The report covers (i) predicate offence; (ii) complex money laundering schemes; (iii) financial and banking information; (iv) asset recovery; (v) cooperation with third countries; (vi) cooperation with the European Public Prosecutor's Office; (vii) potential conflicts of jurisdiction; and (viii) spontaneous exchange of information.

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On October 26th, the CSSF published the Circular 22/822 relating to the FATF statements (repealing the CSSF Circular 22/815 of June 22nd, 2022). Myanmar has been added to the list of high-risk jurisdictions on which enhanced due diligence and, where appropriate, countermeasures are imposed, with the Democratic People's Republic of Korea and Iran. Regarding the jurisdictions under increased monitoring of the FAFT, the Democratic Republic of the Congo, Mozambique, and Tanzania were added to the list. These jurisdictions currently have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF to address these deficiencies. The complete list is: Albania, Barbados, Burkina Faso, Cambodia, Cayman Islands, Democratic Republic of the Congo, Gibraltar, Haiti, Jamaica, Jordan,

Mali, Morocco, Mozambique, Panama, Philippines, Senegal, South Sudan, Syria, Tanzania, Turkey, Uganda, United Arab Emirates and Yemen. Nicaragua and Pakistan are no longer under this increased monitoring.

Also on October 26th, the CSSF published an appendix to the Circular 22/822. Considering that the FATF does not call for the application of enhanced due diligence measures to be applied on jurisdictions under its increased monitoring, the CSSF encourages the professionals under its supervision to take into account the information presented in the FATF statements in their risk analysis. The appendix to Circular 22/822 provides a description of the FATF analysis and of the measures required.

November 2022

The Grand-Ducal Regulation of 14 November 2022 on details on the Law of 19 December 2020 relating to the implementation of restrictive measures in financial matters was published in the Official Register of Luxembourg. The law imposes the immediate execution, without prior notice, of restrictive measures imposed by Luxembourg. Furthermore, the natural and legal persons which impose restrictive measures shall inform the Minister of Finance without delay.

On November 8th, the CSSF sent a communication relating to the AML/CFT controls applied in terms of preventing tax offences (CSSF Circulars 17/650 and 20/744). A thematic review was conducted by the UCI on-site inspection department of the CSSF on IFMs in November and December 2021.

The CSSF shared the key findings:

- The risk assessment did not cover all relevant aspects of Circular CSSF 20/744;
- The control of AML/CFT predicated tax offences were not sufficiently covered at the level of the compliance monitoring plan and/or internal audit plan;
- The agreements relating to the delegation of tax calculation, filing and reporting did not contain any clause relating to the prevention of tax fraud and the IFMs did not appropriately monitored the tax risks arising from the delegation of securities lending activities (as for example).

The CSSF reported the best practices of IFMs such as:

- Tax due diligences performed, documented and endorsed by the IFMs before performing complex investments;
- Risk assessments made in relation to Circular CSSF 20/744.

On November 22nd, the European Banking Authority (EBA) published guidelines on remote customer onboarding. These Guidelines set out the steps to ensure safe and effective onboarding practices in line with applicable AML/CFT framework. It is important to note that these guidelines are technologically neutral and do not prioritize the use of one tool over another.

On November 23rd, the Ministry of Justice in Luxembourg published a communication on the decision of the Court of Justice of the European Union (CJUE) relating to the national register of beneficial owners (RBE) whom the creation has been imposed to European Members States by the 4th AML Directive. The CJUE said that access without distinction to the RBE is contrary to articles 7 and 8 of the Charter of Fundamental Rights of the European Union, and it is not limited to what is strictly necessary and proportionate to the objective pursued. As a consequence, access to the RBE is temporarily suspended except for national authorities. The free access to public will be soon replaced by the access to the persons having a legitimate interest (entities in the scope of the AML Law, journalist or civil organizations having an interest in relation to the fight against ML/TF). It is reminded that in the context of the verification of identity of the beneficial owners, the companies shall conduct their own assessment, and the RBE is only an additional tool allowing them to compare the result of their analysis with the data of the RBE.

December 2022

On December 7th, the CSSF sent a communication relating to the AML/CFT surveys 2022. They confirmed the launch of the new campaign on February 15th, 2023. The questionnaire was amended and the changes in questions will be highlighted in the survey. The completed survey will have to be submitted through the CSSF eDesk portal by March 31st, 2023, either by the RR or RC.

On December 14th, the FATF organized a webinar relating to the ML/TF risks in the real estate sector. The speakers exchanged on the mitigation measures in place in various countries such as United Kingdom, Germany, and USA. The importance was given on the identification of counterparties of investments, including their beneficial owners and the origin of their funds. Furthermore, the use/purpose of the real estate shall be also included in the ML/TF assessment of such assets.

On December 16th, the CSSF held its annual general conference to the attention of the Compliance Officers in Luxembourg. The results of the assessment by the CSSF of the first AML/CFT surveys and AML/CFT external reports were shared. Furthermore, the CSSF and the FIU also presented the conclusions of their inspections and investigations in the financial sector with specific recommendations. The new requirements in the implementation of the AML/CFT Law and Regulations were exposed.

Annex 2 – ML/TF Risk Assessment Controls

Reference Period: 01.01.2022 - 31.12.2022