



Transaction Monitoring Policy

PARADECH GROUP INC.

Registered Canadian MSB

Date: 01.12.2024

1. Introduction

PARADECH GROUP INC. is committed to maintaining a strong Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) framework, in compliance with Canadian regulatory requirements, including FINTRAC guidelines. This policy outlines the procedures and controls implemented for effective transaction monitoring to detect and prevent illicit activities.

2. Objectives

- Identify and flag suspicious transactions that may indicate money laundering or terrorist financing.
- Ensure compliance with FINTRAC regulations and global AML standards.
- Protect the integrity of the financial system and our business operations.
- Maintain proper record-keeping for audits and regulatory reporting.

3. Scope

This policy applies to all transactions conducted through PARADECH GROUP INC's platform, including:

- FIAT-to-Crypto transactions

4. Risk-Based Approach (RBA)

We employ a **Risk-Based Approach (RBA)** to monitor transactions, ensuring enhanced scrutiny for higher-risk clients and activities. Risk factors considered include:

- Transaction size and frequency
- Geographic location (outside of our appetite jurisdictions)
- Client's risk profile (e.g., PEPs, high-net-worth individuals, institutional clients)
- Source of funds and wealth

5. Transaction Monitoring Rules & Triggers

Our system automatically flags transactions based on the following parameters:

5.1. Threshold-Based Monitoring

- Transactions exceeding **€10,000** require additional verification and proof of source of funds.
- Transactions exceeding **€50,000** in a single month are subject to enhanced due diligence (EDD).

5.2. Behavioral & Pattern Analysis

- **Rapid movement of funds:** Multiple transactions within a short time frame.
- **Structuring/Smurfing:** Breaking large transactions into smaller amounts to evade reporting thresholds.
- **Unusual trading activity:** Frequent buy/sell activity inconsistent with client profile.

5.3. High-Risk Jurisdictions

Transactions involving high-risk jurisdictions (as per FATF lists) are automatically flagged for review.

5.4. Crypto-Specific Risk Indicators

- Deposits/withdrawals from/to **mixers, tumblers, or darknet markets** are prohibited.
- Use of newly created wallets with no prior transaction history is flagged.

6. Customer Due Diligence (CDD) & Enhanced Due Diligence (EDD)

6.1. Standard CDD Measures

- Mandatory KYC verification for all customers.
- Collection of **ID, proof of address, and selfie verification**.
- PEP and adverse media screening at onboarding and every 3 months.

6.2. Enhanced Due Diligence (EDD) Triggers

EDD is required when:

- A transaction exceeds **€10,000**.
- A client is flagged as **high risk** (PEP, adverse media).
- There is a **sudden increase in transaction volume**.

EDD Measures:

- Source of funds verification (bank statement, salary slip).
- Additional documentation (business contracts, tax records, invoices).
- Increased frequency of ongoing monitoring.

7. Suspicious Activity Reporting (SAR)

If a transaction is deemed suspicious:

1. The Compliance/AML team conducts an internal review.
2. If confirmed, a **Suspicious Transaction Report (STR)** is filed with FINTRAC.
3. The transaction may be **blocked or rejected** pending further investigation.
4. The client may be subject to **account closure** if found engaging in illicit activity.

8. Ongoing Monitoring & Reviews

- All clients are **continuously monitored** for suspicious activities.
- Periodic reviews of high-risk clients are conducted **at least every 3 months**.
- Randomized transaction audits ensure compliance with internal controls.
- AML software tools are regularly updated to enhance risk detection capabilities.

9. Record-Keeping & Compliance Audits

- Transaction records are retained for **at least 5 years**.
- Reports and findings are documented and shared with regulatory bodies when required.

10. Employee Training & Responsibilities

- All employees undergo AML training upon hiring and **annually thereafter**.
- The **Compliance Officer (MLRO)** oversees transaction monitoring and regulatory reporting.

11. Conclusion

This Transaction Monitoring Policy ensures that PARADECH GROUP INC. adheres to Canadian regulatory standards while effectively mitigating financial crime risks. We remain committed to maintaining a secure and compliant financial ecosystem.

Signed By: Daryna Krasnovych

Position: AML OFFICER

Date: 01.12.2024

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