

# **BES LLC**

## **Risk Assessment and Risk Appetite Policy**

As of 27.07.2022

# RISK ASSESSMENT

## 1. Introduction

- 1.1. Risk assessment is a document that sets the criteria and actions needed for proactive identifying and addressing risks of money laundering and terrorist financing in BES LLC.
- 1.2. While acknowledging that risk can never be eliminated, effective risk identification linked to client due diligence measures should reduce the risk of criminals using BES LLC for criminal activities especially associated with money laundering and terrorist financing.
- 1.3. This risk assessment identifies risks, assesses the extent of the risk, and sets the criteria for determining the client’s risk profile. The AML Procedure establishes the actions that need to be taken to reduce the risks identified, according to each client’s risk profile.
- 1.4. This Risk assessment is aligned with Saint Vincent and the Grenadines Proceeds of Crime Act 2013, Anti-Money Laundering and Terrorism Financing Regulations 2014, Anti-Terrorist Financing and Proliferation Act 2015, Anti Money Laundering and Terrorist Financing Code 2017, United Nations (Anti-Terrorism Measures) Act, Cap 183 of the Revised Laws of 2009, Prevention of Money Laundering Guidance Notes and other relevant SVG laws and regulations.

## 2. Risk categories

For the purpose of identification, assessment and analysis of risks of money laundering and terrorist financing related to its activity BES LLC shall take into account the following risk categories:

- 1) risks relating to clients;
- 2) risks relating to countries, geographic areas or jurisdictions;
- 3) risks relating to products, services or transactions;
- 4) risk relating to communication, mediation or products, services, transactions or delivery channels between the obligated entity and clients.

BES LLC identifies and assesses the risks which are relevant in the context of BES LLC business model within the categories set out in the Act.

### 2.1. Risks relating to BES LLC clients

Risk	Likelihood	Impact	Mitigating action
The BES LLC client is listed in a Sanctions List	3	4	Check sanctions lists before establishing the relationship and once a year
The BES LLC client is a Politically Exposed Person or associated to it	3	3	Check the PEP list before establishing the relationship and once a year.
The BES LLC client is person whose location and/or activity is unclear	2	1	Request explanations from the BES LLC client
There is no clear understanding that the BES LLC client is a real beneficiary of the funds to be invested	3	4	Ask the BES LLC client additional questions and reject the services if the answers are incomplete

## 2.2. Risks relating to countries, geographic areas or jurisdictions

Risk	Likelihood	Impact	Mitigating action
The BES LLC client is a resident of, or its economic activities take place in one of the high-risk geographic areas.	2	4	Check sanctions lists before establishing the relationship and once a year
The BES LLC client is a resident of, or significant part of its economic activities take place in jurisdiction where/which:			
a. according to reliable sources, no effective measures have been taken against money laundering and terrorism funding.	2	4	Check sanctions lists before establishing the relationship and once a year
b. according to reliable sources, there is a high level of corruption or other criminal activity.	3	4	Check sanctions lists before establishing the relationship and once a year
c. is subject to sanctions, embargoes or other similar measures imposed by the United Nations.	3	4	Check the sanctions lists before establishing the relationship and once a year
d. incurred by the United Nations in the list of countries financing or supporting terrorism.	3	4	Check sanctions lists before establishing the relationship and once a year
e. terrorist organizations listed by the United Nations are having their operations.	1	4	Reject the service

## 2.3. Risks relating to products, services or transactions

Risk	Likelihood	Impact	Mitigating action
Payments received from unknown or associated third party, i.e. payer and beneficial owner does not match	2	4	Return money unless relevant explanations received from the Client or a BES LLC client
Counterparty of the transaction wants to be invisible to the public authorities	1	4	Report all such clients
Counterparty is related to transactions where payments are made by unknown or unidentified third persons	2	4	Return money unless relevant explanations received from the Client or a BES LLC client
The BES LLC client's service is related to transactions where Politically Exposed Person (or persons associated to it) or persons listed in a sanctions list are involved	1	4	Check sanctions list before establishing the relationship and once a year
The transaction involves payments through	1	4	All such transfers will be

banks (or other payment institutions) in such countries where no effective measures have been taken to combat money laundering and terrorist financing.			double checked
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### 3. Risk matrix

3.1. The “**Likelihood**” of a risk factor to occur is divided in a 5-level scale comprising “**Very unlikely to occur**”, “**Unlikely to occur**”, “**Could occur**”, “**Likely to occur**”, and “**Almost certain to occur**”.

1. Very unlikely to occur: Less than 10% chance of happening.
2. Unlikely to occur: 10% to 35% chance of happening.
3. Could occur: 35% to 60% chance of happening.
4. Likely to occur: 60% to 90% chance of happening.
5. Almost certain to occur: More than 90% chance of happening.

3.2. The “**Impact**” of a risk factor is also divided in a 5-level scale comprising “**Negligible**”, “**Minor**”, “**Moderate**”, “**Major**”, and “**Extreme**” impact.

1. Negligible
  - o Financial loss up to 10 000 USD
  - o Reportable to the Regulator
  - o General staff dissatisfaction
2. Moderate
  - o Financial loss of 50 001 USD up to 100 000 USD
  - o National short-term Media coverage
  - o Reportable to the Regulator and potentially need to amend internal processes
  - o Some staff may decide to leave
3. Major
  - o Financial loss of 100 001 USD up to 300 000 USD
  - o National long-term Media coverage
  - o Reportable to the Regulator and certain need to amend internal processes
  - o Skilled staff may decide to leave
4. Extreme
  - o Financial loss of more than 300 001 USD
  - o International Media coverage
  - o Activities result in fines from the Regulator and potentially lead to various litigations

#### 4. Risk scoring (tables)

<b>Likelihood</b>	Almost certain to occur	5	5	10	15	20	25
	Likely to occur	4	4	8	12	16	20
	Could occur	3	3	6	9	12	15
	Unlikely to occur	2	2	4	6	8	10
	Very unlikely to occur	1	1	2	3	4	5
Risk Matrix			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Extreme
		<b>Impact</b>					

Risk level	Risk score	Escalation level
Extreme	15-25	Management board.
High	9-12	AML Compliance Officer monitored by management board member responsible for AML.
Moderate	6-8	Staff and AML Compliance Officer.
Low	1-5	Staff monitored by AML Compliance Officer.

- **Risks scored 1-5:** are considered **low risk** and therefore are tolerated by BES LLC. **Action:** Accept the risk i.e. do nothing (Tolerate).
- **Risks scoring 6-8:** are considered **moderate risks** and should be managed so that they are made as low as possible. **Action:** Continue the activity but actively work on mitigating the risk (Treat).
- **Risks scoring 9-12** are considered **high risks**. These risks must be treated, i.e. an action plan should be developed and implemented that seek to reduce the potential impact of the risk (i.e. reduce the risk score). **Action:** Move the risk, for example outsource to another organization (Transfer).
- **Risks scoring 15-25** are considered as **extreme risks**. These risks must be treated, i.e. an action plan should be developed and implemented that seek to reduce the potential impact of the risk (i.e. reduces the risk score). These risks will be added to the risk register and will be reviewed. **Action:** Preferred action is to stop the activity, as it is too risky. If, in exceptional circumstances, the Management Board can effectively and considerably mitigate the risk then the new reduced risk may be accepted (Terminate).

# RISK APPETITE

## 1. Introduction

- 1.1. The Risk Appetite, together with the Risk Assessment, establishes the approach through which risk appetite is established, communicated, and monitored, including risk appetite statement, risk thresholds and limits for the material risks, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite of BES LLC.
- 1.2. The Risk Appetite is the basis for risk management principles and risk-taking activities and establishing vision and strategy of risks of BES LLC is prepared to accept and manage in pursuit of its business objectives.
- 1.3. The objective of the Risk Appetite is to establish appropriate and consistent links between BES LLC business strategy, the risk strategy, and the risk mitigation measures. The Risk Appetite is based on the BES LLC strategy.

## 2. Development, approval and maintenance of the Risk Appetite

- 2.1. The Risk Appetite is approved by the Management Board. The Risk Appetite will thereafter be reviewed at least once a year, taking into account changes in applicable laws and regulations and the BES LLC strategic plans. In the event of changes in applicable laws and regulations, the Risk Appetite will be revised as soon as possible or within the timeframe for applicability of the new requirements.

## 3. Definitions

- 3.1. ‘**Risk appetite**’ means the aggregate level and types of risk that BES LLC is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives.
- 3.2. ‘**Risk capacity**’ means the maximum level of risk that BES LLC is able to assume given its capital base, its risk management and control capabilities, and its regulatory constraints. Risk capacity means the maximum level of risk that BES LLC can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and its obligations to depositors, shareholders, fixed income investors, as well as other clients.
- 3.3. ‘**Risk Profile**’ means point in time assessment of BES LLC gross and, as appropriate, net risk exposures (after taking into account any mitigating factors) aggregated within and across each relevant risk category based on forward looking assumptions.

## 4. General Statement

### 4.1. BES LLC vision

BES LLC's overall risk appetite approach is risk tolerant related to mission and vision and risk averse for all other risks.

### 4.2. BES LLC clients

BES LLC does not enter into business relationship with persons with the following characteristics:

- Citizens or residents of high-risk / prohibited countries.
- Obtaining further appropriate information regarding the BES LLC client’s background.
- Requesting relevant financial information, such as financial statements, source of health/funds, net worth, or similar.

- Obtaining more detailed information about a BES LLC client's source and structure of wealth.
- Conducting internet or media searches.

#### 4.3. Operational Risk

4.3.1. Operational risk of BES LLC is due to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Due to the planned activities, operational risk is one of the most material risks for BES LLC.

### **5. Key elements of risk appetite framework**

5.1. The Management Board establishes the general principles and risk appetite by approving this risk appetite statement and other internal documents and strategies, and revising the same on a regular basis, taking into account, inter alia, changes in the activities and operating environment or strategy of BES LLC.

5.2. The ultimate responsibility for the proper management of the risks appetite and risk profile lies with the Management Board and shall comply with the following conditions:

- risk appetite framework shall consider all material risks to which BES LLC is exposed, and the Management Board shall establish risk limits, tolerances and thresholds for all risks considered as material;
- risk appetite and risk strategy are consistent, and both are implemented accordingly;
- risk appetite framework is forward-looking and in line with the strategic planning horizon, and regularly reviewed;
- risk strategy appropriately considers the financial resources of BES LLC;
- risk appetite is documented in writing;
- risk appetite is communicated to the staff of BES LLC.

5.3. It is the responsibility of the Management Board to introduce routines to BES LLC that are based on sound sourcing management practices and requirements to ensure that routines are adhered to and to ensure the monitoring and compliance with risk appetite.

The Risk Management monitors risk profile through internal procedures developed and implemented by the Management Board.

### Annex 1 Risk Appetite Scale

	Risk Appetite Scale				
Risk appetite approach	Risk Seeking	Risk Tolerant	Risk Neutral	Moderately Risk Averse	Risk Averse
Risk taking vs reward	Aggressive risk taking is justified	Willing to take greater than normal risks	Balanced approach (risk vs reward) to risk taking	Cautious approach towards risk taking	Accept as little risk as possible
Negative impact	Willing to accept a large negative impact to pursue strategic objective	Willing to accept some negative impact to pursue strategic objective	Potential negative impact and strategic sub-objective completion given equal considerations	Only willing to accept a small negative impact	Not willing to accept any negative impact
Risk response approach	Risk is accepted as much as risk capacity allows	Preference to accept or reduce risk through internal measures	No reference towards risk response approaches	Preference to avoid risk or transfer it to an outside party	Those risks that cannot be effectively treated or transferred are avoided
Risk response decision criteria	Minimum risk response actions are taken within risk capacity	Risk response actions can be taken	Risk response actions made continuously	Risk response actions given a relatively higher priority	Risk response actions are taken in any case