

Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) Policy

FMDQ Securities Exchange Limited

October 2026

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1.0 POLICY

The Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation Financing ("**AML/CFT/CPF**") Policy Framework (the "**Policy**") sets out the guidelines for FMDQ Securities Exchange Limited ("**FMDQ Exchange**" or the "**Company**")'s compliance with AML/CFT/CPF obligations under the law, as well as regulatory directives and aims to actively prevents any transaction that facilitates criminal activities.

1.1 DESCRIPTION

This Policy defines the parameters which will assist FMDQ Exchange to mitigate the adverse effects of criminal economic activities and promote integrity and stability in the financial markets. It outlines guidelines and procedures in connection with the identification and disclosure of any real, potential, or perceived threat of Money Laundering and Terrorism Financing and Proliferation Financing. It is also critical to preserving the Company's corporate integrity, reputation, and operational efficiency.

The Policy is intended to support, not replace, applicable laws governing AML/CFT/CPF, such as the Securities and Exchange Commission ("**SEC**") Anti Money Laundering/ Combating the Financing of Terrorism and Proliferation Financing Regulations for Capital Market Operators, 2022, the Money Laundering (Prevention and Prohibition) Act, 2022 , Terrorism (Prevention and Prohibition) Act, 2022 and any other relevant laws.

1.2 POLICY PURPOSE AND OBJECTIVES

The purpose of this Policy is to:

- Ensure compliance risks (reputational, legal, and economic) are easily identified, and adequately mitigated
- Prevent the abuse of FMDQ Exchange's resources for Money Laundering ("**ML**"), and Terrorism Financing ("**TF**") and Proliferation Financing ("**PF**")
- Minimise the risks faced by the Company from any relations or undertaking any transaction that may relate to or may facilitate ML, TF and/or PF or any other illicit activity
- Protect the integrity of the securities market against all forms of abuse, fraudulent and unfair trade practices
- Provide guidance on the standards of conduct and practice that must be followed in the implementation of the Know Your Customer ("**KYC**") and Customer Due Diligence ("**CDD"**) requirements of the capital market

1.3 SCOPE AND APPLICABILITY OF THE POLICY

The Policy applies to FMDQ Exchange, its Board of Directors, Management, Stakeholders and Staff with respect to compliance with rules and regulations that govern FMDQ Exchange's operations.

1.4 DEFINITIONS

Important definitions to bear in mind are set out as follows:

Compliance Officer:	is an individual who possesses relevant competence, authority and independence to implement the Company's AML/CFT/CPF compliance programme
Securities and Exchange Commission:	the Securities and Exchange Commission established under the Investments and Securities Act, 2025
Money Laundering:	has been defined as the process whereby criminals attempt to conceal the illegal origin and/or illegitimate ownership of property and assets that are the proceeds of their criminal activities. It is, thus, a derivative crime
Financing of Terrorism:	includes activities that provide both legitimate and illegitimate money characterised by concealment of the origin or intended criminal use of the funds
Financing of Proliferation	the act of raising, moving, or making available funds, other assets, or other economic resources or financing in whole or in part to persons or entities for purposes of Weapons of Mass Destruction (WMD) including the proliferation of their delivery or related materials (including both technologies and dual use of goods) for non-legitimate purposes
Know Your Customer:	this entails due diligence activities of obtaining and verifying customer identity, preservation of records of customers and mandatory disclosure of transactions to authorised statutory bodies
Customer Due Diligence:	this covers steps taken to identify clients and validate their identities
Nigeria Financial Intelligence Unit ("NFIU"):	Nigerian Financial Intelligence Unit
Politically Exposed Persons ("PEPs"):	Individuals who are or have been entrusted with prominent public functions in any country; generally presenting a higher risk for potential involvement in bribery and corruption by virtue of their position and the influence that they may hold

1.5 POLICY STATEMENT

The following statements shall guide the principles and procedures for AML/CFT/CPF compliance. FMDQ Exchange shall:

- Formulate and implement internal controls and other procedures that will deter criminals from using its facilities for money laundering, and terrorism financing and proliferation financing and to ensure that its obligations under subsisting laws and Regulations are met
- Designate AML/CFT/CPF Chief Compliance Officer ("**CCO**") at the Management level, with the relevant competence, authority, and independence to implement the institution's AML/CFT/CPF compliance programme
- Ensure the CCO reports directly to the Board of Directors and on dotted lines to the Chief Executive Officer, to ensure a measure of authority and independence for the function. The role of the CCO shall be distinct from the functions of financial reporting, risk management and internal audit
- Comply with the requirements of the Money Laundering (Prevention and Prohibition) Act, 2022, Terrorism (Prevention and Prohibition) Act, 2022 and Terrorism Prevention (Freezing of International Terrorists Funds and other Related Measures) Regulations 2013, including related laws and Regulations
- Comply promptly with all the requests made pursuant to subsisting laws and Regulations and shall provide relevant information to the SEC, the Nigerian Financial Intelligence Unit and other relevant law enforcement agencies on AML/CFT/CPF matters
- Identify and report to the NFIU, in the course of its business, any suspicious transactions derived from the criminal activities defined in AML/CFT/CPF SEC Regulations
- Ensure the implementation of the requirements of the AML/CFT/CPF SEC Regulations are not inhibited through the Company's Confidentiality Agreement or Policy
- Exit relationships which pose heightened money laundering risks to FMDQ Exchange
- Effectively communicate the Policy to raise the level of staff awareness on AML/CFT/CPF issues

2.0 GENERAL

2.1. KNOW YOUR CUSTOMER

KYC is the due diligence that Financial Institutions, Financial Market Operators, Capital Market Operators, Financial Market Infrastructures, and other regulated companies must perform to identify their clients and ascertain relevant information before carrying out any financial businesses with them. A client for the purposes of this KYC segment is defined as:

- An entity that has a business relationship with FMDQ Exchange
- Any entity connected with a financial transaction, which can pose significant reputational or other risks to FMDQ Exchange

Specifically, in dealing with clients, FMDQ Exchange shall:

- Obtain the necessary documents and information from every client (anyone who FMDQ Exchange receives money from to provide a business)

- Report to the regulatory authorities on suspicious transactions, which may ultimately have a bearing on money laundering activities
- Update client information as frequently as practicable
- Identify the clients, as well as their beneficial owners and verify such client's identity using reliable, independent source documents, data, or information
- Conduct independent verification of the legal status of incorporated entities and sole proprietorships with the Corporate Affairs Commission, in writing
- Refuse to transact business with "shell companies" as described under the International Conventions
- Perform enhanced due diligence for higher risk clients, business relationships or transactions. including:
    - Politically Exposed Persons ("**PEP**"), cross border transactions and business relationships
    - Client /entities/ companies situated in high risk countries
    - Any other businesses, activities or professions as may be prescribed by regulatory, supervisory, and competent authorities

2.2. RECORD KEEPING AND RETENTION REQUIREMENTS

FMDQ Exchange shall maintain all necessary records of transactions, both domestic and international for at least five (5) years after completion of the transactions or such a longer period as may be required by the SEC or NFIU. Records of all suspicious transactions shall be kept for the same period.

2.3. REQUESTS FOR AML/CFT/CPF RECORDS BY REGULATORY AND LAW ENFORCEMENT AGENCIES

Upon request by a regulatory or law enforcement agency, FMDQ Exchange shall make available records related to AML/CFT/CPF compliance or its clients as soon as possible from the date of the request.

2.4. TRANSACTION REPORTING

FMDQ Exchange shall exercise due diligence in identifying and reporting a suspicious transaction. Suspicious transactions shall include:

- Transactions belonging to entities considered to be terrorist organisations
- Transactions which are structured to avoid reporting and record keeping requirements
- Transactions which are structured to finance money laundering, terrorism and proliferation
- Altered or false identification or inconsistent information or any transaction involving criminal activity in FMDQ Exchange's view

FMDQ Exchange shall ensure timely and accurate rendition of all AML/CFT/CPF returns as specified in the SEC AML/CFT/CPF Rules and Regulations as well as other relevant Regulations/Act/Guidelines/Circulars that may be issued from time to time by various government agencies.

2.5. POLITICALLY EXPOSED PERSONS

Business relationships with family members or close associates of PEPs involve reputational risks similar to those PEPs themselves. FMDQ Exchange shall evaluate the risks to its business operations when dealing with PEPs. The following factors shall guide identification of PEPs' risk characteristics:

- Nature of the client and the client's businesses: The source of the client's wealth, the nature of the client's business and the extent to which the client's business history presents an increased risk for money laundering and terrorist financing
- Purpose and activity: The size, purpose, services involved in the relationship
- Relationship: The nature and duration of FMDQ Exchange's relationship with the client
- Client's corporate structure
- Public information: Information is known or reasonably available to FMDQ Exchange about the client

2.6. RESPONSIBILITIES

a. Board of Directors

The Board of Directors' responsibilities include, but are not limited to:

- Decision-making based on quarterly reports received on AML/CFT/CPF matters
- Ensuring an operational AML/CFT/CPF Policy is formulated by Management and reviewed, as may be required
- Ratifying the AML/CFT/CPF Policy as approved by the Board Regulation, Risk and Audit Committee ("**BRRAC**")

b. Board Regulation, Risk and Audit Committee

The BRRAC's responsibilities include, but are not limited to:

- Approving the AML/CFT/CPF Policy
- Reviewing all periodic report on AML/CFT/ CPF matters
- Providing guidance regarding the management of AML/CFT/ CPF compliance risks

c. Managing Director (MD)

The MD's responsibilities include, but are not limited to:

- Ensuring that adequate controls are in place to mitigate the identified compliance risks
- Developing an AML/CFT/CPF Policy
- Managing compliance risks in the Company
- Ensuring implementation of Board decisions on compliance matters
- Ensuring that processes are efficient and in accordance with applicable laws and policies

d. Compliance Officer

The Compliance Officer's responsibilities include, but are not limited to:

- Developing an AML/CFT/CPF Compliance Programme
- Diligent reporting to the Board of Directors
- Rendering returns and reports to applicable regulatory bodies such as the SEC and NFIU
- Ensuring that the Capital Market Operators compliance programme is implemented
- Coordinating the training of staff in AML/CFT/CPF awareness, detection methods and reporting requirements
- Serving both as liaison officer with the SEC and NFIU

e. Internal Audit

The Internal Auditor's responsibilities include, but are not limited to:

- Incorporating compliance testing in their normal audit program
- Reporting on results of the independent testing to the Board through the MD, as well as the BRRAC
- Carrying out independent review of the Policy and providing assurance to the Board, BRRAC and Management

f. All Staff

The responsibilities of FMDQ Exchange's Staff include, but are not limited to:

- Implementing the measures and approaches diligently and to the best of their ability
- Familiarising themselves with guidelines, policies and best practices relating to their respective areas of responsibility
- Reporting any legal violations or other forms of misconduct in accordance with FMDQ Exchange's Policies and Procedures

2.7. CONDUCTING REVIEWS AND ASSESSMENTS

The Compliance Officer shall undertake the review of the AML/CFT/CPF Policy at least once every two (2) years, except in certain situations where new AML/CFT/CPF Regulations are introduced which would necessitate an earlier review/update of the Policy. The Board of Directors is saddled with the overall responsibility to approve the AML/CFT/CPF Policy and other updates or amendments to same, upon same being first considered by the BRRAC.

3.0. POLICY (IES)

3.1. GOVERNANCE/INDEPENDENCE

The Compliance Officer shall establish the requisite compliance tools (such as the compliance framework, register, tracker etc.) that are independent of operational departments and Management of FMDQ Exchange shall ensure the Company's compliance structures are adequately governed. FMDQ Exchange staff shall be responsible for reporting all compliance issues to the Compliance Officer.

3.2. COMPLIANCE WITH EXTERNAL REGULATION

FMDQ Exchange shall conduct its business in a manner that promotes a robust AML/CFT/CPF compliance culture in all its operations to ensure 100% compliance with applicable laws, regulations, rules, and guidelines, and zero tolerance with regulatory sanctions.

3.3. CONSEQUENCES

A breach of the AML/CFT/CPF laws is a serious offence and could result in lengthy investigations, significant fines and criminal sanctions (including imprisonment of employees).

3.4. REFERENCES

The Policy is in line with the requirements of the SEC regulations on Capital Market Operators Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation Financing.