

Cryptocurrency Risk Management and Compliance Policy

Velatus N.V.

Introduction and Objective

This **Cryptocurrency Risk Management Policy** establishes the protocols and safeguards Velatus N.V. utilizes to securely integrate cryptocurrency into its gaming operations. As digital assets become increasingly relevant in the betting and gaming sectors, Velatus N.V. recognizes the need for enhanced security, regulatory compliance, and vigilant risk oversight specific to crypto asset transactions. This policy details the steps required to meet Curaçao's regulatory expectations and global anti-money laundering (AML) requirements while protecting business integrity and customer trust.

Application: The policy applies to all Velatus N.V. employees, affiliates, contractors, and third-party providers involved in cryptocurrency operations.

Compliance Framework and Legal Standards

Velatus N.V. adheres to a comprehensive framework that aligns with national and international cryptocurrency regulations, specifically:

- **Curaçao Anti-Money Laundering Ordinances:** Adherence to reporting obligations under NORUT and NOIS, focusing on unusual and suspicious transactions.
- **Gaming Board Curaçao Guidelines:** Compliance with industry-specific guidelines for the management of digital assets in licensed gaming activities.
- **FATF Virtual Asset Recommendations:** Incorporation of international best practices for monitoring virtual assets.
- **EU Anti-Money Laundering Directives (AMLD5 & AMLD6):** Ensuring all customer interactions and transactions meet stringent KYC and risk-based monitoring criteria.

The **Compliance and Legal Department** ensures Velatus N.V. remains up-to-date with evolving cryptocurrency regulations, conducting regular assessments and providing quarterly reports to the Board.

Governance Structure

To enforce cryptocurrency risk management effectively, Velatus N.V. has created a governance model with dedicated roles across departments:

Executive Board: Ultimate oversight, responsible for approving policy changes and monitoring overall compliance.



Head of Compliance: Oversees daily compliance with cryptocurrency usage, regulatory reporting, and submission of audit findings to the Curaçao FIU when necessary.

Risk Oversight Committee: This committee, comprising cross-functional leaders, assesses risk exposures quarterly, reviewing security controls and compliance benchmarks.

Internal Audit Team: Conducts independent audits quarterly, reviewing policy adherence and reporting directly to the Executive Board.

Risk Identification and Management

Market and Volatility Risk

Cryptocurrencies are known for significant value swings, which can impact payouts and deposits. To address this:

- **Preference for Stablecoins:** Where possible, Velatus N.V. encourages high-value payouts in stablecoins to reduce volatility impact.
- **Scheduled Payout Intervals:** Large payouts are distributed across fixed intervals to buffer against sharp market drops.

Process: The Financial Operations Team monitors cryptocurrency valuations daily, making adjustments to payouts to reflect real-time market values. Transaction values are documented, and any market-driven adjustments are reported to the Head of Compliance.

Regulatory and Compliance Risks

Given the changing nature of crypto regulations, Velatus N.V. commits to a proactive approach to compliance, including:

- **Real-Time Regulatory Monitoring:** Ongoing analysis of regulatory updates that could affect cryptocurrency operations, especially Curaçao-specific directives.
- **Comprehensive Documentation:** Full record-keeping of all transactions and customer interactions is maintained for five years, per Curaçao FIU requirements.

Process: Monthly audits of all crypto records ensure accuracy, while regulatory updates are tracked by the Legal Team. Any gaps in documentation are corrected immediately to ensure compliance.

Anti-Money Laundering (AML) and Fraud Prevention

Due to cryptocurrency's pseudo-anonymous nature, Velatus N.V. has established strong AML/CFT controls to prevent fraudulent activities, including:

- **Enhanced Due Diligence (EDD):** Customers exceeding transaction thresholds must provide additional documentation for verification.
 - **Ongoing Monitoring for High-Risk Activity:** All crypto transactions are monitored in real-time to detect anomalies such as rapid deposits and withdrawals.
- 

Procedure Flow for EDD: If a transaction is flagged for enhanced due diligence, it is escalated to the Compliance Team, who may request additional documents and investigate further using blockchain tracing tools. High-risk transactions may be paused until clearance is confirmed.

Cybersecurity and Asset Security

With heightened cyber risk for digital assets, Velatus N.V. employs extensive security measures:

- **Cold Storage for Reserves:** A majority of digital assets are stored offline in cold wallets, secured with multi-factor authentication.
- **Hot Wallet Security and Monitoring:** Operational wallets used for daily transactions are secured with real-time monitoring and strict transaction limits.

Process: Cryptocurrency balances in both cold and hot wallets are reconciled daily. Transactions from cold wallets require approval from senior management and are logged for audit review.

AML Due Diligence and Reporting Procedures

To maintain compliance with AML/CFT standards, Velatus N.V. applies rigorous due diligence procedures:

- **Know Your Customer (KYC) Protocols:** All customers must complete identity verification before engaging in crypto transactions, including verification of government-issued ID.
- **Real-Time Transaction Monitoring:** Transactions are continuously monitored for unusual patterns, flagged for review, and assessed for potential money laundering risks.
- **Suspicious Activity Reporting (SAR):** All flagged transactions are reported to FIU Curaçao, following regulatory standards.

Procedure Flow: Suspicious transactions trigger an alert in the compliance system. The Compliance Officer reviews these alerts, and a SAR is submitted to FIU Curaçao within 24 hours if warranted. Records of suspicious transactions are stored securely for audit purposes.

Operational Security for Cryptocurrency Management

Separation of Cold and Hot Wallets

Velatus N.V. ensures the secure handling of assets by separating operational and reserve holdings:

- **Cold Wallets:** Used exclusively for long-term storage and held offline to prevent unauthorized access.
- **Hot Wallets:** Contain limited funds to fulfill daily transactions and are protected with robust security layers.



Process: Transfers from cold storage to hot wallets require senior-level approvals, and any adjustments are documented daily. Discrepancies in wallet balances are flagged for immediate investigation.

Controlled Access and Authentication

Only authorized personnel with multi-factor authentication can access digital asset storage. Any transfer outside standard procedures triggers immediate review.

Transaction Monitoring and Review

Real-Time Monitoring

Velatus N.V. leverages a blockchain analytics system to monitor transaction patterns in real-time, identifying potential fraudulent or unusual activities.

Monitoring Flow: Transactions exceeding predefined limits or displaying irregular frequency are flagged for review, prompting an investigation by the Compliance Team. Legitimate transactions are cleared, while suspicious activities are logged and monitored further.

Regular Audits and Compliance Reviews

Quarterly internal audits and an annual third-party audit verify adherence to compliance protocols, with findings reported to the Executive Board.

Training and Staff Awareness

All staff managing cryptocurrency transactions undergo regular training on:

- **AML/CFT regulations specific to cryptocurrency**
- **Cybersecurity standards**
- **Incident management** for handling suspected fraud or breaches.

Policy Updates and Review

This policy is reviewed annually or as required by regulatory developments. Approved changes are communicated to all relevant employees to ensure ongoing compliance and operational alignment.

Approved by:

Velatus N.V. Executive Board

Effective Date: 18/11/2024

