

## **Anti-money laundering and Terrorist Financing Policies**

### **Introduction**

Pursuant to and combat money laundering and terrorist financing, Bank Keshavarzi of Iran has provided necessary measures along with special actions for implementing the Anti-money Laundering Act (ratified on January 22, 2008 by Islamic Parliament of which deems money laundering a crime) as well as the counter-terrorist financing Act (ratified on February 02, 2016 by Islamic Parliament) that deems terrorist financing a crime. Together with the regulations notified by Central Bank of I.R.I., "The Anti-money laundering and Terrorist Financing Policies of Bank Keshavarzi" will be edited by Financial Intelligence Unit and Anti-money laundering Center of Supreme council of Anti-money laundering of Ministry of Economic Affairs and Finance of I.R.I. as well as the latest advices of Financial Action Task Force, International Basel Committee on Banking Supervision and Wolfsburg Group, and these policies will be notified as described herein:

### **The Goals and Domain of the Policies**

By accurately implementing this policy deed, Bank Keshavarzi of Iran will be qualified to deal with the instructions on Anti-money laundering and Counter Terrorist Financing in accordance with the rules and regulations of the country and international standards. This policy deed is obligatory for the entire domestic and foreign branches of the bank. In addition, in case the regulations of the foreign country (of which the bank has a branch in it) are less effective compared to the standards and regulations of I.R.I. or have no anti-money laundering regulations, the foreign branches will have to observe the contents of this policy deed as well.

### **Bank Keshavarzi Policies for Identifying the Customers**

Bank Keshavarzi of Iran categorizes its customers regarding the risk of money laundering and terrorist financing in accordance with a risk-based model. Moreover, complete identification of customers will be carried out based on the mentioned categorization and through the following steps:

Declaring information regarding identity, address, occupation and income level of customers

In this stage, all natural and legal customers of Bank Keshavarzi will provide complete information regarding themselves and their associates (including attorneys, signatories, shareholders, beneficiaries, final beneficiaries and etc.) in accordance with the deeds and documents that had been determined by the Central Anti-laundering Task Force and approved by the board of directors of the bank. The deeds and documents, provided by the customers, will have to be in line with the customer identification rules and regulations as well as international standards.

### **Comparing and Due Diligence Information and Determining the Activity Level**

The information and documents that had been obtained from the customer will be compared with the original copies and shall be verified by the concerning authorities.

Websites available for verifying of true identity information of customers are mentioned herein:

Website for national ID No. of Iranian natural entities  
Website for national No. of Iranian legal entities  
Website for special No. of foreign natural and legal entities  
Website for postal code of I.R.I. Post Office  
Website for economical No. of Tax Affairs Organization  
Website for guild associations' code of Ministry of Industry, Mine and Trade  
Website for State Official Gazette

After implementing this stage, the activity level of customer will be determined based on "the instruction for determining the activity level of customer in financial institute".

### **Customer acceptance**

After completing the above-mentioned procedures, Bank Keshavarzi of Iran will accept or reject the customer based on the risk level of money laundering and terrorist financing. Bank Keshavarzi of Iran is entitled to refuse the customer in this stage.

Admission of walk-in customers and providing exchange services to them will only be possible after identifying the customer (based on valid documents) and when there will be no risk of money laundering and terrorist financing.

If the customer is on a high-risk level, it is possible that the bank would accept the customer conditioned on identifying the customer on an advanced level. The advanced model for identification of customers will be designed with suggestions of Central Task Force of Anti-money laundering and upon approval of the Board of Directors of the bank. If possible, the required procedures for carrying out the identification process of customers should be provided and notified while separating the following entities:

- Iranian non-political natural entities
- Iranian political natural entities
- Foreign non-political natural entities
- Foreign political natural entities
- Iranian legal entities
- Foreign legal entities
- Foreign or international institutions, organizations, embassies and consulates

The Division of Organization and Process Improvement and Division of Anti-money laundering and comparison are obliged to integrate the client acceptance and continuance evaluation into the audit process as a key element in mitigating litigation and business risk.. Moreover, the periodical updates will have to be carried out at least once every year.

If possible, the money laundering risk categorizing model would be in such a way that the following entities are to be considered high-risk customers:

- Political Authorities

- Charity-based Organizations
- Money Exchanges
- Non-financial occupations such as sellers of gold, jewels, gemstones as well as vehicle dealers, real estate agencies etc.
- Applicants for opening accounts based on power of attorney
- Absent customers (electronic customers)
- Investment funds, pension funds
- Non-citizen customers
- Customers who apply for opening partnership accounts
- Customers who request for safe deposit box

### **Establishment of Correspondent Banking Relationships**

In order to completely identify the correspondent banks, the anti-money laundering division of Bank Keshavarzi of Iran have to investigate regarding the following matters when establishing correspondent banking relationships and analyze the results according to a risk-based model:

- Geographical risk of the concerning bank, branches, abroad units and affiliated units (subsidiaries) .
- Structural and management status, status of regulating and nationality of the concerning bank, branches, abroad units and affiliated units regarding anti- money laundering and terrorist financing
- The various combination of clients of the concerning bank in regard to their operation and structure
- Products and services provided by the concerning bank to its customers and to the correspondent banks
- Investigating if political authorities are among the managers, shareholders and or individuals connected to the concerning bank
- Identification circumstances control and provide services to the political authorities as the customers of the concerning bank
- Controlling and monitoring circumstances of the suspicious transactions in the concerning bank
- Any probable sanctions on the concerning bank during the past years
- Regulations of the concerning bank for opening accounts and providing services to the customers and high-risk and special accounts including, trust accounts, nominee accounts, accounts based on power of attorney, shared accounts, pension fund account, investment account, electronic customers' account, non-citizen customers' account ,payable correspondent accounts
- How to control the wanted individuals and individuals under international and regional sanctions in financial and non-financial messages exchanged between these individuals and the concerning bank
- Anti-money laundering and terrorist financing policies and procedures which had been notified by the concerning bank and finding out how these policies and procedures are updated
- Quality of rules and regulations of the country of the concerning bank in regard to cooperation for providing complementary information with correspondent banks if it is be necessary

The result of studies and investigations of Anti-money laundering and Terrorist Financing Comparison Agents of Bank Keshavarzi of Iran (as an independent division) shall be notified to the correspondent banking committee. It is possible to establish correspondent relationships in line with the criteria and regulations mentioned in the instruction on Bank Keshavarzi of Iran on how to establish and keep correspondent relationships. Moreover, if there are no appropriate results in the indexes, which were considered for evaluating the correspondent bank, the anti-money laundering and terrorist financing agents will have to visit the bank that wants to establish correspondent banking relationship. This visit will have to be carried out before establishing broker relations or during an appropriate period after establishing these relations.

The Anti-money laundering and Compliance Division is responsible for suggesting appropriate methods for carrying out anti-money laundering and terrorist financing policies of the bank. In addition, the Central Anti-money laundering Task Force is responsible for comparing Bank Keshavarzi of Iran and verifying the policies thereof.

### **Monitoring Suspicious Transactions and reporting them**

All transactions of Bank Keshavarzi will have to be monitored based on Anti-money laundering Act and the by-law thereof, Anti terrorist-financing Act of I.R.I. as well as the instruction for identifying suspicious and how to report these suspicions and the transactions will have to be reported to Financial Intelligence Unit and Anti-money laundering Center of Islamic republic of Iran.

Anti-money laundering software of Bank Keshavarzi of Iran (AML) will have to be able to control the suspicious transactions of customers of Bank Keshavarzi of Iran based on the circular No. 91/161337 dated September 13, 2012 with the subject of “procuring and setting up Anti-money laundering software”. This software should operate automatically and provide the required reports based on the different parameters which shall be chosen by the user.

In international transactions and through SWIFT network, the focus is on clarity of transactions and the ability to trace them. Bank Keshavarzi of Iran will have to take all required cares in all transactions issued by SWIFT networks, depending on type of transactions in such a way that the entire elements involved in the transactions (for example transaction parties, origin of amounts, bank(s) involved in the transaction, company that transports the cargo, type of the cargo etc.) are monitored regarding international safety measures. None of the elements, involved in transactions issued by agricultural bank, must be in domestic and international sanctions. Bank Keshavarzi of Iran will have to use appropriate systems for monitoring.

In the SWIFT payment messages MT202, covering MT202, MT205 and covering MT205 will appear if the information received from the bank is not complete. In addition to returning the message, the matter will be submitted to the Financial Intelligence Unit of Anti-laundering Supreme Council of Ministry of Economic Affairs and Finance of I.R.I.

### **Training**

All employees of Bank Keshavarzi of Iran, related to the subject of these policies, will have to complete appropriate education courses. These courses are described herein:

- Anti-money laundering and terrorist financing education course
- Education course for how to determine suspicious transactions
- Education course for analyzing suspicious transactions (for employees of Anti-money laundering and Comparison General Department)

Anti-money laundering and Comparison General Department is entitled to request for other educational courses for the bank employees.

### **Electronic Transactions**

All domestic and abroad branches of Bank Keshavarzi are obliged to observe the principles and regulations of anti-money laundering for applications who wish to use electronic transactions in accordance with the instruction of Central Bank of Iran **“for observing the regulations of Anti-money laundering in payment systems and electronic banking”**.

### **Reporting the cash amounts that are more than the appointed maximum**

All domestic and abroad branches of Bank Keshavarzi are obliged to report any cash deposit that is more than the appointed maximum to the Anti-money laundering Department according to “the instruction Central Bank of Iran on **“how to report a cash deposit that is more than the appointed maximum”**”. After collecting the reports, the Anti-money laundering Department shall submit the contents to the Financial Intelligence Unit and Anti-money laundering Center of Islamic republic of Iran.

### **Keeping Documents**

All documents resulting from execution of this policy will have to be kept and archived in accordance with the regulations determined in the By-law regarding the period and term of archiving the commercial documents, deeds and books which was notified to the banks through circular No. 90/41478 dated May 16, 2011.

### **Approval and Updating the Policies**

These policies will have to be approved by the Central Workgroup of Anti-money laundering and ratified by the Board of Directors of the Bank. Henceforth, these policies will be updated whenever it might be necessary; however, the period for updating these policies must not exceed two years.

Seal:

Bank Keshavarzi, Secretariat of Board of Directors

Attachment of ratification No. 3, issued by board of directors on the meeting convened on June 14, 2016