

Bank Keshavarzi AML & CFT Policies

Introduction

Money laundering and terrorist financing is an ominous phenomenon that has become one of the global challenges. In this regard, the Islamic Republic of Iran, along with other countries, has criminalized this phenomenon, prepared the required laws and regulations, and approved them by the competent authorities. Likewise, BANK KESHAVARZI has been advised provided laws along with other stipulated regulations and guidelines to its own subsidiaries and committed to implementing thereto.

The Goals

The first goal of the BANK KESHAVARZI is to implement the Anti-Money Laundering and Terrorist Financing Law at all levels of the bank, including branches and Headquarters. Another important goal is to ensure that the bank's products and services are not used to purge the proceeds of criminal operations and keeping all employees aware of their commitment to combating money laundering and terrorist financing.

Domain

Anti-Money Laundering Law - Anti-Terrorism Financing Law - Implementing Regulations of the Anti-Money Laundering Law announced on 22/07/1398 in 158 articles and 212 enforceable notes - All instructions and directives issued by the Central Bank in the field of combating money laundering and financing Financial Terrorism

Customer acceptance policy

Customer Identification:

In compliance with international standards as well as current laws and regulations, BANK KESHAVARZI takes following measures regarding their customers.

- 1- Before any work interaction, appropriate identification procedures apply "as simple, common, double identification ." And in cases where it is not possible to perform the above procedures, any work interaction will be avoided.

- 2- In order to verify the identity of the persons who refer to the bank on behalf of the original person under any title, such as (guardian, trustee, lawyer and legal representative). In addition to the implementation of the authentication process regarding the representative, valid and official documents indicating the agency, such as a power of attorney, are also obtained and implemented.
- 3- In order to document and verify the information of the client and the accuracy and authenticity of the information and documents provided .Inquiries from the relevant authorities ("For natural persons, adaptation of documents and information from the civil registration system and legal entities from the document registration system and foreign persons, both natural and legal from the Pezhvak system") and in case of non-compliance with identity information, providing any Service is denied until the discrepancy is corrected.
- 4- In the case of legal entities about to be established, all the necessary arrangements have been made by issuing directives and actions in the relevant systems. (Circular No. 35)

Determining the level of activity expected of individuals

Determine the expected level of CUSTOMER activity IN COMPLIANCE WITH the regulations and other requirements set by FIU -Financial Intelligent Unit-in cooperation with "BANK MARKAZI JOMHOURI ISLAMI IRAN"- the central bank of I.R.I- FOR PURPOSE OF Ongoing monitoring CDD on a regular basis as well as assess the risk thereof action is taken.

obviously, providing the implementation of the real persons- Including Iranians and foreigners-Integrated Business Module (Subject of Article (26) of the Executive Regulations of the Anti-Money Laundering Law) Take action to verify the information, If the information is verified and the appropriateness of the activity is evaluated, and if these cases are not confirmed, the client's activity level will be re-determined immediately and positive documents related to the supervisory body (Central Bank) will be sent.

In case of discrepancies between the client's financial behavior and the expected level of activity, by calling the client and presenting the form (form), the discrepancy with the level of activity and completing it will be investigated and updated.

Continuous monitoring of accounts

- Customer information Due Diligence (CDD) and thereof compliance

- Continuous refining of customer accounts and information and its compatibility with databases.
- Continuous account refinement with Shahab code and without Shahab code
- Continuous refining of the "Ward's bank accounts".
- Continuous refinement of multiple current accounts
- Matching the information received from real and legal customers with the original of the received documents and verification through the competent databases.

The most important, relevant databases as following:

- National Registration Database "National Registration"
- National Identity Database of Iranian Legal Entities "ilenc.ir"
- Dedicated number database of foreign natural and legal persons "Fielda System"
- The power of attorney inquiry site "ssaa.ir"

Observance of regulations concerning the service not provided for following customers:

- Customers who refuse to provide the required information and documents.
- Customers whose names are on the blacklisted, confiscated, suspicious, etc. lists issued by the competent authorities.
- Restrictions on the provision of services in relation to immature persons, foreign nationals, bank debtors, etc. according to current regulations
- In cases where customer due diligence identification is not possible.
- Anonymous or non-traceable electronic financial transactions.
- Caution take place in providing services to suspects

Customer identification procedures

In order to carry out the usual identification procedures, appropriate measures will be taken to ensure that the following is done for the client:

- Customer authentication using only the reliable and independent sources and obtaining valid documents
- Ensure the identification of the real owner based on reliable information and documents
- Understanding the nature, purpose and extent of client activity during business interaction

- Verification of documents of persons who act on behalf of other persons under any title (including guardian, trustee, guardian, lawyer and representative of a legal entity).

Implement the usual identification process continuously by taking appropriate measures such as ensuring that the information obtained from the client is up to date and valid.

In the following cases, when the risk of business interactions of customers is assessed as high, enhanced due diligence procedures and measures are adopted:

- In business interactions with individuals and legal entities that, according to domestic and international sources, their risk is higher.
- In cases where the beneficiary of life insurance is a legal entity, or the beneficiary of legal arrangements
- Correspondent Banking accounts
- Privet banking services
- Politically Exposed Persons (PEPs)
- During unusual transactions or unusual transaction patterns that do not have a specific legal or economic purpose.

Risk Management in Bank sector

One of the most important risks that in the last few decades, has been in the focus of banking supervisors and specialized authorities and policy makers, both nationally and internationally, and its growth and expansion has been constantly monitored; is the risk of money laundering and terrorist financing in banks. These two harmful phenomena have ominous effects on the economy and society. Weakening the private sector, decreased confidence in financial markets, Increasing countries' credit risk and etc. From a macro perspective on one hand and the negative effects and consequences of this phenomenon on performance, reputation and reliability of the bank on the other hand are part of the negative consequences of money laundering and terrorist financing .The following measures are taken to deal with this ominous phenomenon:

- Customer identification/verification and ongoing due diligence
- Integrated customer risk management
- preventing the abuse of criminals from the financial system
- Refuse to provide services to shell banks, rental offices and paper companies
- Due diligence and transparency regarding cover payment messages related to International electronic bank wire transfer
- Core principles for effective banking supervision
- Customer classification Based on Risk-Based Approach

- Assess RISK OF MONEY LAUNDERING THROUGH E-BANKING and FINTECH

Reports

In addition to case and periodic reports, the AML & CFT of BANK KESHAVARZI submits a report on the measures taken at the end of each year and the progress of the programs to the FIU and the CBI.

In cases where there is a suspicion of money laundering or terrorist financing, if the usual identification process raises the client's suspicion, while managing the identification process and taking appropriate measures to ensure his confidence, immediately report it to the FIU and follow the instructions of them.

Submitting a report to the FIU regarding transactions above the threshold by the client in cases where changes that lead to the revocation or suspension of the identity of a natural or legal person (such as death, ward, termination of liquidation or prohibition of transaction)

Establish the necessary mechanism in payment systems in order to prevent those electronic transfers in which the sender or recipient is one of the persons on the sanctions list and send a report to FIU.

If at any stage of customer identification it is determined that the information provided by the client is not accurate or authentic .In accordance with the regulations, reports of suspicious cases will be sent to the center.

In case of suspicion of illegal trading parties, including persons with illegal foreign exchange activity, the details of the said persons along with the records of exchanges are reported to Central Bank of the Islamic Republic of Iran and the subject in the form of suspicious operations report to the FIU.

In BANK KESHAVARZI, Cash transactions above a prescribed threshold REPORTING TO THE FINANCIAL INTELLIGENCE CENTRE

BANK KESHAVARZI provides a report consists of indicative lists of customers who received primary service for FIU on monthly basis.

Requirements relating to record-keeping

In the case of customer due diligence, a copy of the documents and information which are necessary to comply with the customer due diligence requirements including, where available, information obtained through electronic identification means, relevant trust services or any other secure, remote or electronic, identification process regulated, recognized.

Regulatory and procedural

The **development of a M&E system (monitoring and evaluation)** for ongoing monitoring, disclosure and Proportional punishment thereof, due diligence process or through ongoing **monitoring procedures**. Periodic, seasonal inspection and review Periodic, seasonal inspection and review ensures that all designated body Under Bank's supervision have appropriate procedures for Identify transactions and operations suspected of money laundering or terrorist financing and take action to submit a report in case of identification.

Bank inspectors are obliged to send immediate or periodic reports to the center in case of violation of the correct implementation of anti-money laundering and anti-terrorist financing regulations by individuals in all branches under their supervision, based on the level of threat resulting from the violation.

Training Courses

Training, designed for AML & CFT- In-person and distance learning- Continuous and at least two training courses per year for all bank employees and bank affiliates staff Will be held.

International Banking - Foreign Exchange Operations

In order to establish Correspondent Banking relations with foreign and domestic banks, BANK KESHAVARZI identifies the Correspondent parties as follows:

- Obtaining the necessary and sufficient information about the correspondent bank, its commercial nature and activity, history and credit,
- Ownership and management structure, framework of anti-money laundering laws and regulations in the jurisdiction of the respective country.
- Review and evaluate how their activities are complied with the laws and regulations of the fight against money laundering and terrorist financing.
- Obtaining the approval of the senior management of the bank and the approval of the board of directors before establishing a Correspondent Banking relationship
- Obtain and review the required information on anti-money laundering and anti-terrorism financing policies and procedures through a questionnaire completed by the requesting bank or based on the available general information provided by them.
- Refuses to establish any correspondent banking relationship with shell banks
- Before establishing any branch or representative office in high-risk countries in terms of money laundering and terrorist financing, take appropriate measures to monitor (control) the risk.
- All electronic foreign exchange transfers are done through approved messaging systems and routes under the supervision of the Central Bank of the Islamic Republic of Iran, and when sending all the mentioned transfers, the complete information of the sender and receiver is received.

- Control and monitoring of legal entities and agencies of foreign commercial companies, except for the agencies of international organizations, embassies and similar legal entities, in terms of registering agencies and obtaining national identities from the integrated identity database of Iranian legal entities to provide services.
- Controlling the dedicated number of representations of international organizations, embassies and other legal entities similar to the Ministry of Intelligence, after approval by the Ministry of Foreign Affairs to provide services.

Interest-free Foundation and charities

All designated persons are obligated, when issuing licenses or renewing previous ones for designated non-financial businesses and professions in various sectors, to obtain appropriate pledge from applicants for observing the Act and regulation on anti-money laundering and terrorism financing and to keep the pledge in their files. Inclusion of such pledge in articles of association of legal persons, in cases declared by the Council, may be mandatory.

In the event the customer does not produce identification documents (CDD-EDD) referred to in the foregoing Articles or suspicion exists as regards money laundering activities or other related offences, designated persons shall have to avoid providing services.

Encrypted currencies

Considering that along with the development of electronic and digital banking activities, money launderers and criminals are also trying to increase their criminal activities and prevent financial tracking by using and abusing new methods of money transfer. And it shall be considered that cryptocurrencies, which in recent years have been used as a tool for unmediated trading and due to their special structures and difficult tracking, have been considered an attractive tool for money launderers, so its preventive solutions should be studied. It has been taken seriously and in addition to the pathology of the issue, it has been informed at the bank level.

Approve and update policies

This policy has been approved by the Central Council for Combating Money Laundering and Financing of Terrorism of the Bank and approved by the Board of Directors of the Bank.

