

**"Approved by"**

**the Risk Management Committee  
Decision dated 08 March 2022  
Chairman of  
the Risk Management Committee**

  
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**Sh. Alakbarov**

**"Endorsed by"**

**the Supervisory Board Decision  
dated 10 March 2022  
Protocol No \_\_\_\_  
Chairman of the Supervisory Board**

  
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**E. Mehdiyev**

**THE POLICY OF "MUGANBANK" OJSC  
ON THE PREVENTION OF THE LEGALIZATION OF CRIMINALLY OBTAINED  
FUNDS OR OTHER PROPERTY AND THE FINANCING OF TERRORISM**

**BAKU 2022**

## **1. General provisions**

- 1.1 The AML/CFT Policy of "Muganbank" OJSC (hereinafter referred to as the "Policy") governs the anti-money laundering and combating the financing of terrorism (hereinafter referred to as the "AML/CFT") activities. This Policy has been made basing on the Civil Code of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan "On Banks", the Law of the Republic of Azerbaijan "On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism" and the international conventions signed by the Republic of Azerbaijan as a party.
- 1.2 It is the responsibility of the Supervisory Board and the Compliance Officer to control the implementation of this Policy.

## **2. The objective and principles**

### **The objective of the Policy:**

- 2.1 To prevent money laundering/financing of terrorism and protect the Bank, its employees and customers from any unintentional involvement in money laundering/financing of terrorism;
- 2.2 To improve the AML/CFT management at the Bank;
- 2.3 To comply with the requirements of AML/CFT laws of the Republic of Azerbaijan.

### **The principles of the Policy:**

- 2.4 The Policy sets the following minimum requirements of "Muganbank" OJSC (hereinafter referred to as the "Bank") for AML/CFT under applicable laws and applies to the entire branch/office network of the Bank:
- 2.5 Knowing Your Customer (Customer Identification) before entering any business relationship;
- 2.6 Applying the same AML/CFT policies and principles to all customers and transactions;
- 2.7 Suspicious Transaction Reporting to competent authorities in accordance with the regulations of the Financial Monitoring Service of the Republic of Azerbaijan;
- 2.8 No business relations shall be established or continued with customers, if:
  - there are reasonable suspicions on customer's involvement in the legalization of criminally obtained funds or other property and the financing of terrorism;
  - there are reasonable suspicions on customer's involvement in financing of terrorism, support of transnational organized crime, armed separatism, extremism and mercenary, illegal circulation of drug and psychotropic substances;
  - the financial-credit organization fails to take adequate AML/CFT measures;
  - the financial-credit organization has no physical presence in its country of registration;
  - the customer fails to provide necessary documents or provides false documents (information);
  - Opening of accounts, including deposit accounts and issuing deposit certificates under anonymous or fictitious names is not permitted at the Bank;
- 2.9 No correspondent relations shall be established or no bank transaction shall be conducted with shell banks.
- 2.10 Any transactions with the involvement of customers as described in Article 2.8 shall be cancelled for investigation purposes, and if necessary, be refused;
- 2.11 Business relations with customers shall only be established upon completion of customer and final beneficiary identification procedures;

- 2.12 The activities of existing and potential customers shall be comprehensively analyzed, the documents submitted by customers shall be recorded and examined, and additional information shall be collected in order to minimize the Bank's involvement in any scheme of suspicious financial transactions carried out by separate customers. According to the "Know Your Customer" principle, this action is:
- a) based on lawful and fair business practices;
  - b) increasing the watchfulness of the Bank's employees against any suspicious transactions, in particular, customer transactions, that, to the best of the Bank's knowledge and belief, are incompatible with the activities of the Bank;
  - c) aimed at timely detection of suspicious customer transactions.

### **3. Internal Control System for AML/CFT**

- 3.1 The procedures related to the internal control system are applied to the activities of the Bank's all business units, and all Bank employees must follow these procedures.
- 3.2 The Bank's Internal Control System for AML/CFT consists of the following basic components:
- Policies, internal rules and procedures
  - The Compliance Officer
  - Continuous trainings on AML/CFT
  - The Internal Audit

#### **The Compliance Officer;**

- 3.3 The Compliance Officer is appointed to implement and control the AML/CFT process at the Bank and exchange information with the financial monitoring authority.
- 3.4 The Compliance Officer is appointed in order to create an effective system in the field of AML/CFT, supervise the implementation of internal rules and procedures on AML/CFT by the Risk Management Committee with the aim to prevent the Bank's involvement in the legalization of criminally obtained funds and the financing of terrorism as a result of banking operations conducted or intended by customer, exchange information with the Financial Monitoring Service, and prepare and submit relevant reports on transactions that are subject to monitoring.
- The Compliance Officer is appointed to manage the internal rules and procedures governing the activities of the Bank in the field of AML/CFT, apply the issues of financial audit and information exchange, and develop and implement regulatory programs related to these issues. The Compliance Officer functions independently of other structures and periodically reports to the Risk Management Committee.

#### **Continuous trainings on AML/CFT;**

- 3.5 The Bank organizes regular trainings of its employees on AML/CFT.
- The trainings included in the program are held by the Compliance Officer no less than once every two years;
  - Out-of-program trainings on AML/CFT topics are held in case of any amendments in the regulatory-legal acts of the Government of Azerbaijan.
  - Out-of-program trainings are held in case of modifications/updates in the internal control policies and procedures of AML/CFT issues.

#### **Internal Audit**

- 3.6 Internal Audit is a function of checking the adequacy and effectiveness of policies and regulations, risk management, control/verification and training activities, the Policy and

operations in accordance with the requirements of laws and through a risk-based approach. Within the framework of Internal Audit activities:

- any deficiencies, errors and misuses identified as a result of the Internal Audit, along with the suggestions and recommendations on how to prevent their recurrence, are submitted to the Audit Committee in the form of a report;
- when determining the scope of an audit, any deficiencies, risky customers, services and transactions identified during the control and audit activities are included in the audit framework.

3.7 The Bank's Internal Audit system periodically checks the Bank's compliance with AML/CFT laws and assesses how adequately the internal control system works in this area.

#### **4. Final provisions**

4.1 The Bank's management and employees are responsible for compliance with the requirements of this Policy in accordance with the laws of the Republic of Azerbaijan.

4.2 This Policy comes into effect on the date of its approval, and the Supervisory Board of the Bank has the sole authority to make any amendments thereto.