

METHODICAL INSTRUCTIONS

On actions to be taken in respect of politically exposed persons of foreign states in prevention of the legalization of criminally obtained funds or other property and the financing of terrorism

1. General

- 1.1. These Methodical Instructions have been developed based on the provisions of Law of the Republic of Azerbaijan “Prevention of the legalization of criminally obtained funds or other property and the financing of terrorism” with the objective of improving the internal supervision system and reducing risks at the International Bank of Azerbaijan OJSC (hereinafter referred to as “the Bank”) in connection with struggle against legalisation of monetary funds or other property by criminal way and financing terror, “Requirements on establishment of the internal control system by monitoring entities and other persons involved in monitoring which are legal persons for preventing the legalization of criminally obtained funds or other property and the financing of terrorism” of the Financial Monitoring Service under the Central Bank of the Republic of Azerbaijan, Regulations of the Bank and other standard legal acts.
- 1.2. These Methodical Instructions set the internal procedures for defining politically exposed persons of foreign countries by the Bank’s relevant structural divisions, making decision in relation thereof, and other relevant procedures.

2. Definitions used

- 2.1. **Bank’s structural division** – Bank’s relevant departments and territorial branches.
- 2.2. **FMS** – Financial Monitoring Service under the Central Bank of the Republic of Azerbaijan.
- 2.3. **ISM**– Internal Supervision and Monitoring Department.
- 2.4. **Compliance officer** – a person appointed by a head of the Bank’s structural division, responsible for supervising implementation of internal rules and procedures on the action against legalisation of monetary funds or other property received by criminal way and financing terror at the Bank’s structural division, carrying out exchange of information with ISM, as well as preparing and submitting relevant reporting forms in connection with operations to be monitored.

- 2.5. **Compliance officer of the Bank** – a person appointed by an order of the Chairman of the Board of Directors responsible for supervising implementation of internal rules and procedures on the action against legalisation of monetary funds or other property received by criminal way and financing terror at the Bank, carrying out exchange of information with FMS, as well as preparing and submitting daily reports in connection with operations to be monitored.
- 2.6. **Client** – a natural or legal person regularly or irregularly using any service of the Bank.
- 2.7. **Beneficiary** – a natural or legal person receiving economic or any other benefit as a result of transactions carried out with monetary funds or other property, as well as original owner of a legal person in relation of which transactions are carried out, or a natural person carrying out control of a customer.
- 2.8. **Identification** – identification of a customer, beneficiary and representative, as well as legal capacity, representative authority and business activity.
- 2.9. **Verification** – ascertaining, through reliable sources, truthfulness of identification information obtained about a customer, beneficiary and authorised representative.
- 2.10. **Politically exposed persons of foreign states** – persons that are holding or had held significant position in a foreign country, and their family members and relatives.

3. Persons having relationship to politically exposed persons of foreign states

According to the current legislation and recognized international practice, politically exposed persons of foreign countries include persons that are holding or had earlier held positions in any foreign country:

- Heads of state and government;
- Influential politicians;
- Members of government;
- Judges of higher instance courts;
- Military employees of higher ranks;
- Ambassadors of foreign countries;
- Officials of political parties;
- Leading officials of state-run companies.

Politically exposed persons of foreign countries include also family members and relatives of the abovementioned persons.

4. Identification of politically exposed persons of foreign states

- 4.1. Following sources may be used to identify politically exposed persons of foreign states:
- Information received from a customer (Questionnaire of foreign state's political persons);
 - Information obtained by the Bank;
 - Information obtained from subsidiaries of the Bank;
 - Information on declarations related to politically exposed persons on their incomes and funds (if a list of persons submitting information on declaration on the source of incomes and funds in any country is published);
 - Information gathered from databases (On FMS's Website, Word Check search base and other Internet and information sources);
 - Information received from mass media.
- 4.2. Structural divisions of the Bank should conduct monitoring of their customer base in order to discover politically exposed persons of foreign states. At the same time, before establishing business relations with a new customer, it should be verified whether or not he/ she is a politically exposed person of foreign states (his/her or of the owner - natural person – a share exceeding 10%).
- 4.3. Customers or beneficiaries related to politically exposed persons of foreign states should conditionally be divided into three groups:
- those discovered after establishing business relations;
 - those discovered before establishing business relations;
 - those conducting one-time transactions without opening a bank account.

5. Making decision on business relations with politically exposed persons of foreign states

- 5.1. Structural divisions of the Bank shall fill out an Information sheet (Schedule 1) according to the schedule to these methodical instructions about customers related to politically exposed persons of foreign states, and submit to ISM.
- 5.2. Should employees of ISM have additional records relating to politically exposed persons of foreign states (or their family members and relatives), they shall record them on the Information Sheet and submit, for issuing a reference (refuse to establishing business relations; not to refuse to establishing business relations; continue business relations; cease business relations), to the Bank's Compliance officer and director of the Risk Management Department.
- 5.3. The Bank's compliance officer and director of the Risk Management Department shall record their joint opinion and, in order to receive instructions (agree or not), submit the Information sheet to the deputy Chairman of the Board supervising the sphere of struggle action against

legalisation of monetary funds or other property received by criminal way and financing terror at the Bank.

- 5.4. The Information sheet shall be returned to ISM. Its original shall be kept in files and a copy returned to structural divisions to be governed by in their works.

6. Monitoring of transactions carried out by politically exposed persons of foreign states

- 6.1. Upon establishing business relations with a politically exposed person of a foreign state, structural divisions should carry out enhanced continuous monitoring of these relations. Enhanced continuous monitoring shall include monitoring of transactions carried out by a customer - politically exposed person of foreign states and assessment of whether or not such transactions conforms to the client's profile, as well as regular renewal of information related to the customer.
- 6.2. Criteria (indicators) of suspicion defined on transactions carried out by politically exposed persons of foreign states are as follows:
- Customer's profile, previous activities, or carrying out activities not conforming to the profile of customers represented in the same group;
 - Carrying out transactions exceeding the fixed amount (limit);
 - The amount deposited into the account not being proportionate to the incomes of a politically exposed person or his family members;
 - Receipt of funds from an anonymous account (in this case the Bank shall require identification information or refuse to accept remittance);
 - Transfer of funds to offshore countries;
 - Transfer of funds from personal accounts to corporate accounts, carrying out transfers to or from accounts of third persons or mediators.
- 6.3. Updated information about politically exposed persons of foreign states shall be submitted by structural divisions in accordance with Article 5 hereof at least once a year.

7. Questionnaires for politically exposed persons of foreign states

- 7.1. Structural divisions shall require that all non-resident customers, as well as founders-non-resident legal entities fill out a form (Schedule 2 and 3) designed for politically exposed persons of foreign states.
- 7.2. Following steps shall be taken while filling out the questionnaire:
- A customer shall fill out the questionnaire and sign it to certify truthfulness of the information he submitted.

- A customer should either inform that he is the only beneficiary owner, or provide a list of beneficiary owners.
 - The questionnaire should be signed in the presence of an employee of the structural division and certified by his signature (with the exception of a questionnaire for legal entities). In this case, an employee of that structural division shall play a role of the witness certifying that the said questionnaire was filled out and signed by a person who had signed the contract.
- 7.3. Conditions have been shown in respect of application of relevant sanctions for inaccuracy or incompleteness of information on the questionnaire. Provision of incorrect or false information while filling out the questionnaire by a person either deliberately or as a result of carelessness shall not be excluded. From this standpoint, actually these conditions warn a customer about consequences in case he provided incorrect or false information. The original copy of the signed questionnaire shall be kept at the Bank's structural division in accordance with rules of maintaining original bank documents.

8. Final provisions

- 8.1. Heads of relevant structural divisions and their authorized employees shall be directly responsible for proper execution of the requirements of these methodical instructions.
- 8.2. Order of archiving of documents collected while executing the requirements if these Rules shall be regulated by "the Instructions on Archiving Works in the bank system of the Azerbaijan Republic"

Information sheet for a politically exposed person of a foreign state

Description of a structural division _____

Customer's name _____

Position held (or previously held) _____

Name and position of a relative-politically exposed person _____

Information about the customer _____

A customer or beneficiary related to a politically exposed person of a foreign state (tick the relevant one):

- ☐ discovered after establishing business relations;
- ☐ discovered before establishing business relations;
- ☐ carried out one-time transaction without opening an account.

Head of the structural division _____

Signature Full name Date

Compliance officer
of structural division _____

Signature Full name

Additional information of the internal supervision and monitoring department related to a politically exposed person of a foreign state (to be filled out, if there is any) _____

Joint proposal by the Compliance officer and Director of the Risk Management Department: _____

Compliance officer _____

Signature Full name

Director of the Risk Management Department _____

Signature Full name

Conclusion of the Deputy Chairman of the Board of Directors _____

Signature _____ Date _____

QUESTIONNAIRE
of a politically exposed person of a foreign country

Account № (if any) _____

Law of the Republic of Azerbaijan “On struggle against legalisation of monetary funds or other property by criminal way and financing terror” requires application of additional identification measures along with identification and verification measures provided for in this Law in relation to transactions with monetary funds and other properties of politically exposed persons of foreign states.

Following persons have been related to politically exposed persons of foreign states by Article 1.0.4 of the Law of the Republic of Azerbaijan “On struggle against legalisation of monetary funds or other property by criminal way and financing terror”:

1. persons that are holding or had previously held significant position in any foreign state – heads of state or government, influential politicians, judges of higher instance courts, high ranking military servants, leading officials of state-run companies, officials of political parties;
2. family members or relatives of persons that are holding or had held a significant position in any foreign state.

Note: relatives include grandfathers, grandmothers, parents, adopted children, own and step brothers and sister, spouses, children and grandchildren.

In case of providing, deliberately or as a result of carelessness, wrong or false information while filling out the questionnaire, the Bank may unconditionally terminate the business relations with such customer.

INSTRUCTION:

FILL OUT ONLY ONE SECTION: «A» or «B»

Section A:

I personally acknowledge that I’m not a politically exposed person of a foreign state under the abovementioned notion.

Full name _____

Citizenship: _____

Signature: _____

Date: _____

Section B:
of a foreign state

I personally acknowledge that I am a politically exposed person under the abovementioned notion.

Full name _____

Citizenship: _____

Signature: _____

Date: _____

Position held (previously held): _____

Phone number: _____

Description of the structural division _____

Operator of the structural division: _____

Signature	Full name	Date
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QUESTIONNAIRE
of a politically exposed person of a foreign country

Description of a legal entity _____

Law of the Republic of Azerbaijan “On the Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism” requires application of additional identification measures along with identification and verification measures provided for in this Law in relation to transactions with monetary funds and other properties of politically exposed persons of foreign states.

Following persons have been related to politically exposed persons of foreign states by Article 1.0.4 of 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”:

1. persons that are holding or had previously held significant position in any foreign state – heads of state or government, influential politicians, judges of higher instance courts, high ranking military servants, leading officials of state-run companies, officials of political parties;
2. family members or relatives of persons that are holding or had held a significant position in any foreign state.

Note: relatives include grandfathers, grandmothers, parents, adopted children, own and step brothers and sister, spouses, children and grandchildren.

In case of providing, deliberately or as a result of carelessness, wrong or false information while filling out the questionnaire, the Bank may unconditionally terminate the business relations with such customer.

N	Full name	Citizenship	Share owned	Position held (previously held) in case of being a politically exposed person of a foreign state
1				
2				
3				
4				
5				

Position of the head of a legal entity: _____

Signature

Full name

Date