

Approved by the Supervisory Board of "International
Bank of Azerbaijan" Open Joint Stock Company :
Protocol № 3; Decision № 8;
Date: 18 May 2011

Policy of "International Bank of Azerbaijan" Open Joint Stock
**Company with regard to actions against legalization of criminally obtained
funds and other property and financing of terrorism**

1. General provisions

- 1.1. The present Policy has been elaborated on the basis of Law of the Republic of Azerbaijan "On banks" and Law of the Republic of Azerbaijan "On the prevention of the legalization of criminally obtained funds and other property and financing of terrorism", Methodological Guidance of the Central Bank of the Republic of Azerbaijan "On the prevention of legalization of criminally obtained funds and other property through the banks", normative legal documents of the Financial Monitoring Service under the Central Bank of the Republic of Azerbaijan (hereinafter referred to as – Financial Monitoring Service) as well as recommendations of FATF – Financial Action Task Force, Principles of Basel Committee on Banking Supervision and Wolfsberg Principles widely used in bank practice.
- 1.2. The present Policy shall define principles, objectives and main directions of actions against legalization of criminally obtained funds and other property and financing of terrorism of "International Bank of Azerbaijan" Open Joint Stock Company (hereinafter referred to as – the Bank).
- 1.3. Principles and regulations of the present Policy as well as norms of existing legislation of the Republic of Azerbaijan shall be a basis for elaboration of normative documents with a view to regulate internal supervision systems and mutual collaboration procedures of Head Office and structural units of the Bank with regard to actions against legalization of criminally obtained funds and other property and financing of terrorism.
- 1.4. Complex measures taken within the framework of the present Policy has been provided in the Regulations of the Bank "On internal supervision system with regard to actions

against legalization of criminally obtained funds and other property and financing of terrorism”.

- 1.5. Application of the provisions of the present Policy shall be obligatory in the course of fulfilment of the duties by employees directly working with clients and participating in establishment of communications with them.

2. Concepts used

“International Bank of Azerbaijan” Open Joint Stock Company – “Head office and structural units of “International Bank of Azerbaijan” Open Joint Stock Company .

Internal supervision with regard to actions against legalization of criminally obtained funds and other property and financing of terrorism – complex internal supervision measures of the Bank provided in the legislation and aimed at revealing of operations to be monitored and operations which may be related to legalization of criminally obtained funds and other property and financing of terrorism.

Client – natural or legal person constantly or casually using any services of the Bank in the course of implementation of operations with regard to monetary funds or other property.

Operations with monetary funds and other property – operations aimed at acquisition, execution, change or termination of civil rights related to monetary funds and/or other property.

Responsible person – employee of the Bank appointed by the chairman of the Board of Directors from the level of leadership of the Bank as well as leadership of structural units and responsible for supervision over implementation of internal regulations and procedures with regard to actions against legalization of criminally obtained funds and other property and financing of terrorism, implementation of exchange of information with Financial Monitoring Service as well as for elaboration and submission of relevant reports related to operations to be monitored.

Structural unit – unit carrying out execution of operation with clients or establishment of relations with them.

Programme – complex measures (internal regulations and procedures, responsible person, arrangement of training, internal audit etc.) aimed at prevention of use of the Bank and its facilities, as a tool, in legalization of criminally obtained funds and other property and financing of terrorism.

Financial Monitoring Service – state body carrying out relevant powers in the field of prevention of legalization of criminally obtained funds and other property and financing of terrorism.

AML/CFT – actions against legalization of criminally obtained funds and other property and financing of terrorism.

Other concepts explanation of which is not provided in the present document shall have the meaning of those provided in normative legal documents of Financial Monitoring Service.

3. Principles, objectives and main directions of the Policy of the Bank in implementation of internal supervision with a view of actions against legalization of criminally obtained funds and other property and financing of terrorism

3.1. Principles of the Policy:

3.1.1. Compliance with the requirements of the legislation of the Republic of Azerbaijan in the field of actions against legalization of criminally obtained funds and other property and financing of terrorism.

3.1.2. Thorough analysis of activities of potential clients, registration, examination of documents they submit, collection of additional documents for minimization of involvement of the Bank in suspicious financial operation scheme conducted by single clients. According to “Know the client” principle, it shall :

- be based on legal and bona fide implementation of commercial activity;
- increase vigilance of employees of the Bank against any suspicious operations, particularly operations of client whose activity is inconsistent with the activity of the Bank;
- aim at duly revealing of suspicious operations of the client;

3.1.3. Rejection to establish relations in the following cases:

- with potential clients suspected in financing of terrorism, transnational organized crime, as well as support of armed separatism, extremism and mercenary, participation in illicit trafficking in drugs and psychotropic substances;
- with financial and credit institutions failing to take full scale measures in the field of AML/CFT;

- if there is information about clients and banks without physical presence in the territory of registration;
- with clients failing to submit required documents or submitting false documents (information);

3.1.4. suspension of operations conducted with participation of clients provided in Article 3.1.3;

3.1.5. Rejection to open anonymous account;

3.1.6. if there is substantial grounds to suspect the use of bank account for execution of operations related to legalization of criminally obtained funds and other property and financing of terrorism;

3.1.7. if internal supervision system of the Bank over actions against legalization of criminally obtained funds and other property and financing of terrorism is not sufficient for identification of clients and beneficiaries using correspondent account and implementation of internal supervision over operations as well as if establishment or business relations through correspondent account of the Bank opened or operations are conducted by means of shell-bank;

3.1.8. implementation of legal measures aimed at termination of contractual relations with clients suspected in participation in legalization of criminally obtained funds and other property and financing of terrorism;

3.1.9. Internal supervision activity of the Bank in the field of AML/CFT shall be arranged as follows:

- as a result of establishment of efficient system in the field of AML/CFT and operations that client conducting or is willing to conduct, employee of the Bank shall be appointed by the chairman of the Board of Directors of the Bank as a person responsible for supervision over implementation of internal regulations and procedures in the field of AML/CFT, implementation of exchange of information with Financial Monitoring Service as well as for elaboration and submission of relevant reports related to operations to be monitored with a view to prevent involvement of the Bank in legalization of criminally obtained funds and other property and financing of terrorism;
- Responsible person who is in charge of implementation of internal regulations and procedures in the field of AML/CFT by the Bank in its branches shall be appointed;

- Responsible person shall submit reports to the Board of Directors on the results of implementation of internal supervision programme of the Bank with a view to prevent legalization of criminally obtained funds and other property and financing of terrorism. Responsible person of the branch shall submit reports to the director of the branch and necessarily inform responsible person of the Bank about results of his/her activity;
- Internal supervision unit of the Bank shall periodically examine compliance with the legislation in the field of AML/CFT and assess conformity level of internal supervision activity in this field;
- The Board of Directors shall supervise over organization of the activity in the field of AML/CFT;

3.2. **Objective of the present Policy** is to prevent the use of the Bank as a tool for legalization of criminally obtained funds and other property and financing of terrorism.

3.3. Main directions of the activity of the Bank in the field of AML/CFT shall be composed of the following:

- implementation of ongoing and purposeful measures to prevent use of employees, products and services of the Bank as a tool in legalization of criminally obtained funds and other property and financing of terrorism;
- Participation of employees of the Bank in AML/CFT activity;
- Raising of professional qualification of employees in AML/CFT activity, arrangement of their training and examination of level of their knowledge;
- improvement of existing normative documents and elaboration of new ones;
- Permanent updating of Internal Supervision Regulations in the field of AML/CFT, application of new AML/CFT mechanisms in bank practice in accordance with amendments introduced to the legislation of the Republic of Azerbaijan and normative documents of the Central Bank and Financial Monitoring Service;
- Establishment of unified information resource which may be analyzed and supervised by structural units dealing with AML/CFT issues through the software applied in the Bank;

4. AML/CFT Programme of the Bank

Programme of the Bank in the field of AML/CFT shall be composed of the following elements:

- 4.1. Programme for organization of AML/CFT actions;
- 4.2. internal regulations for identification and verification of clients and beneficiaries;
- 4.3. criteria (indicators) for revealing of operations to be monitored;
- 4.4. regulations for revealing and prevention of suspicious operations and submission of relevant information to Financial Monitoring Service;
- 4.5. regulations for registration of information and provision of confidentiality;
- 4.6. procedures related to recruitment and examination of employees;
- 4.7. programme of AML/CFT training;
- 4.8. internal audit.

5. Liability for compliance to the present Policy

- 5.1. Liability for implementation of measures provided in the present Policy shall be entrusted with responsible person of the Bank carrying out supervision for implementation of those measures and other employees of the Bank implementing those measures;
- 5.2. Responsible person of the Bank shall bear personal liability for development of AML/CFT policy of the Bank.

6. Final provisions

- 6.1. The present Policy shall be approved by the Supervisory Board of the Bank.
- 6.2. All amendments and modifications to the present Policy shall be made on the basis of the decision of the Supervisory Board of the Bank.