AML/CFT Policy & procedures

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Introduction

Money laundering and financing of terrorism are recognized as one of the most critical challenges in modern world. Considering its complicated nature, by approving this document, Karafarin Bank, as one of the first private Iranian banks, has put the execution of related laws and regulations, instructions of the Central Bank of the Islamic Republic of Iran (CBI) as well as international standards particularly FATF (Financial Action Task Force) standards and recommendations at the top of its agenda in order to prevent and combat this ominous phenomenon.

AML policies and procedures of Karafarin Bank outline the general objectives and present a framework for observance of laws, regulations and required standards in the field of Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).

Scope of applicability

The present document is prepared in order to cover the following laws, regulations and standards; all the branches, departments and persons related to Karafarin bank are bound to follow the policies and procedures stated herein:

1. Observance of AML law and its amendments which are ratified by the Iranian Majlis (parliament)
2. Observance of CFT law and its amendments which are ratified by the Iranian Majlis (parliament)
3. Observance of all the bylaws, instructions and circulars issued by the CBI and Supreme Anti-Money laundering Council of the Islamic Republic of Iran
4. Being assured that products and services of Karafarin Bank are not misused to legitimate and launder proceeds of criminal conduct
5. Implementation of FATF standards
6. Implementation of internationally accepted standards and recommendations such as Wolfsburg Group's

Customer Acceptance Policy

During customer onboarding, customer identification (KYC) process is fully performed by Karafarin Bank in accordance with current laws and international standards and by conducting risk assessment process. Customers' information is also updated at specific time intervals. If the customers happen to refrain from providing acceptable identity documents or provide false information, no services will be provided by Karafarin Bank and the incidence will be reported to the Islamic Republic of Iran Financial Intelligence Unit (IRIFIU).

Simplified Due Diligence (KYC) / Walk-in customers

Karafarin Bank prevents offering services prior to conducting customer identification. Therefore, identification procedures must be applied to all the customers. However, simplified due diligence will be carried out while providing simple services to walk-in customers.

Full identification (Customer Due Diligence – CDD)

In order to identify and verify the information about all its customers, following measures are taken by Karafarin Bank:

- Obtaining complete identity information, address, occupation, information on income of legal and natural customers and persons associated and related to them (attorneys, signatories, shareholders and beneficiaries). At this stage, original documents must be provided by the customers.
- Verification of the information obtained from the customer against available and reliable databases.
- Identification of beneficial owner and taking required measures for the verification of the identity of the beneficial owner in order to be assured of the full identification of him/her/it.
- Obtaining necessary information about the purpose of opening account and nature of the activity/career of the customers.
- Periodic updation of customers' information.

Enhanced Due Diligence (EDD)

While establishing business relations with customers and in order to conduct EDD, the following categories of customers are classified as high risk:

- PEPs,

- Non-profit organizations (charitable organizations)/NGOs,
- Non-bank financial institutions: money service providers, stock brokers, brokerage firms, exchange companies, precious stones, metals and jewelry brokers,
- Non-resident foreign nationals,
- Foreign financial institutions.

Meanwhile, in accordance with laws and regulations of customers' identification, Karafarin Bank refrain from providing services to the following persons:

- Unlicensed exchange companies,
- Iranian persons without national ID cards,
- Foreign persons without the foreign nationals identity code,
- Shell banks,
- Offshore banks,
- Persons who are banned from opening bank accounts by order of court(s) or other relevant authorities,
- Persons who refrain from providing required information or documents as well as persons who provide false information.

Establishment of Correspondent banking relations

Prior to establishing correspondent relations, Karafarin Bank conducts EDD and investigates the following points:

- Main activity and types of business activities of the bank,
- Geographic risk associated with the bank, overseas branches and persons relating to them,
- Products and services offered to the customers and correspondents by the bank,
- Structural, managerial, regulatory and supervisory status of the bank,
- Shareholding structure and management body in order to identify PEPs,
- PEPs due diligence mechanism and supervision of services to them,
- Method of supervising and monitoring of Suspicious transactions,
- Screening for the possible sanctions against the bank,
- Procedures of the bank for account opening and provision of services to the customers based on high-risk accounts (fictitious, proxy and joint accounts, non-face to face customers, etc.)
- Written AML/CFT policies and procedures of the bank.

Provision of services to Foreign Politically Exposed Persons (PEPs)

Karafarin bank is allowed to offer services to all the people within the laws and regulations issued by the Central Bank of Iran (CBI) unless there is a ban in this regard. Therefore, provision of basic services to Special Foreign Political Persons matching one of the following conditions/categories is forbidden:

- Individuals who are wanted by Interpol,
- Persons who are wanted for extradition,
- Persons who are subject to sanctions imposed by United Nations Security Council.

In addition, provision of services to the persons included in the lists of persons and groups connected to ISIS, Al-Qaeda, Taliban, Al-Ahrar and other terrorist groups is forbidden.

Ban on provision of services to the persons included in the sanctions lists

In Karafarin Bank, it is forbidden to provide financial/banking services to the persons included in the sanctions lists of the Security Council, other international organizations and resolutions of the United Nations. It should be noted that the mentioned lists are updated continuously by the relevant authorities.

Cash Transaction Report (CTR)

In accordance with the regulations of the CBI, the employees are committed to report to the AML Department the instances when a transaction greater than the fixed threshold is initiated. After the received reports are accumulated, the CTRs are forwarded to the Financial Intelligence Unit (FIU).

Suspicious Transaction Report (STR)

Based on the AML laws and regulations, Karafarin Bank monitors suspicious accounts and transactions and also the reports forwarded by the branches using the specialized AML/ CFT software. When the suspicious activities are confirmed to be money laundering, the STR is forwarded to the FIU by the AML Department.

Confidentiality of information

Monitoring and reporting the suspicious activities and transactions are considered confidential and legal actions will be taken against the parties involved in informing the customer of the mentioned matter. In addition, names and specifications of the suspected persons are considered confidential and are accessible to the relevant staff only. In case of misuse or disclosure of the referred information, measures will be taken against the violators based on law.

It should be noted that sending Suspicious Transaction Reports (STRs) is not indicative of accusation of the persons involved. In addition, sending STRs is not considered disclosure of personal data. Therefore, by the CFT/AML laws and regulations, the reporting person will be protected against the risks and threats that may arise.

Risk Assessment and Management

In compliance with the regulations issued by the CBI and recommendation 1 of FATF to combat money laundering and financing of terrorism, in order to mitigate CFT/AML risks, Karafarin Bank has put the following at the top of its agenda:

1. Monitoring of suspected persons based on the watch lists,
2. Monitoring of transactions conducted in the free zones, border and high-risk regions from money laundering perspective,
3. Monitoring of high value transactions,
4. Supervising the customers that are categorized as high-risk based on the activity level criterion set for the customers,
5. Monitoring of correspondent relations particularly with foreign banks considering the country risk, customer risk, product risk or risk of the requested services.

Records Retention procedures

Based on the internal regulations of Karafarin Bank, customers' identity documents are preserved permanently and transactions details are maintained in electronic form. In addition, the documents related to financial transactions will be maintained in accordance with the regulations of the CBI.

Approval of the AML/CFT policies and procedures

This document has been approved and signed by the Board of Directors of Karafarin Bank based on the minutes dated 20/03/2024.