

Combating the legalization (laundering) of proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction

The Bank has approved a Policy on Combating the Legalization (Laundering) of Proceeds from Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction (hereinafter referred to as AML/CFT), which establishes general rules of internal control in order to implement the requirements of the Law of the Republic of Kazakhstan “On Anti-Money Laundering (laundering) of proceeds from crime and the financing of terrorism” and is aimed at minimizing the above risks.

The policy is subject to mandatory application and compliance by all structural divisions and its employees, officials of the Bank.

1. Organization of internal control for the purposes of AML/CFT/CFMD

Key Provisions on AML/CFT/CPF Compliance

The Bank’s internal control system for Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of the Proliferation of Weapons of Mass Destruction (AML/CFT/CPF) is based on a risk-based approach and the implementation of the three lines of defense in risk management, where:

1. The first line of defense is all Bank employees;
2. The second line of defense is the AML/CFT department, under the supervision of the designated AML/CFT/CPF compliance officer;
3. The third line of defense is the internal audit department, which assesses the quality and effectiveness of the internal AML/CFT system.

When establishing and maintaining the internal control system for AML/CFT/CPF, the Bank also relies on a client screening system to identify Politically Exposed Persons (PEPs), including those listed by the President of the Republic of Kazakhstan, their spouses and close relatives, and individuals associated with terrorist activities. The lists are compiled and maintained by the Factiva information and analytical service, and the update process is governed by the User Manual for Automatic Upload of PEP, Terrorist, and Sanctioned Organization Lists.

2. ML/TF Risk Management and Mitigation Measures

To manage ML/TF risks, the Bank has developed a risk management program that classifies risks as low, medium, or high.

Factors influencing ML/TF risk levels in establishing and maintaining business relationships include:

- Client risk;
- Country or geographic risk;
- Product or service-related risk, including the method of service delivery.

To manage and mitigate these risks, the Bank undertakes the following measures:

1. Proper identification of clients (and their representatives) and beneficial owners, including updating previously collected information if the Bank has reason to doubt its accuracy;
2. Collection of additional information on clients in accordance with the “Know Your Customer” (KYC) principle;
3. Transaction monitoring based on the client’s business activity, aimed at identifying reasonable grounds to suspect involvement in ML/TF/CPF-related activities.

The Bank regularly reviews its Internal AML/CFT/CPF Control Rules, including compliance monitoring procedures such as internal or external audits.

3. Enhanced Due Diligence for Certain Clients

The Bank does not open accounts for anonymous owners and does not establish business relationships with clients who fail to undergo proper due diligence as required by Article 5 of the AML/CFT Law.

When establishing correspondent relationships with foreign financial institutions, the Bank also requests information on shareholders, beneficial owners, senior management (including whether any politically exposed persons are among them).

4. Client Activity Monitoring

To comply with AML/CFT requirements on due diligence of clients (or their representatives) and beneficial owners, as well as the reporting of threshold and suspicious transactions to the authorized financial monitoring body, the Bank develops a program for monitoring and analyzing client transactions.

As part of this program, the Bank identifies the purpose and basis of all complex (large), unusual, suspicious transactions or transactions that match known money laundering, terrorist financing, and WMD proliferation typologies or schemes, and, when necessary, the source of funding.

Monitoring results are used for the annual assessment of the exposure of Bank products and services to ML/TF risks and for adjusting client risk levels.

5. Record Keeping of Client Documents and Information

The Bank retains all documents verifying client information as required by the AML/CFT Law, as well as identification records, for no less than five (5) years after the termination of the client relationship.