

Annex 14

To Internal Control Rules of JSC "MTBank" in the area of Anti-Money Laundering, Counter-Terrorist Financing and Countering Financing of Proliferation of Weapons of Mass Destruction

JSC MTBANK POLICY IN THE AREA OF ANTI-MONEY LAUNDERING, COUNTER-TERRORIST FINANCING AND COUNTERING FINANCING OF PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

JSC "MTBank" (hereinafter referred to as the "Bank") applies the measures in the area of Anti-Money Laundering, Counter-Terrorist Financing and Countering Financing of Proliferation of Weapons of Mass Destruction (hereinafter referred to as the "AML/CFT") in accordance with the Law of the Republic of Belarus No. 165-Z "On Measures Aimed at Anti-Money Laundering, Counter-Terrorist Financing and Countering Financing of Proliferation of Weapons of Mass Destruction" dated 30.06.2014 (hereinafter referred to as the "Law") and the Internal Control Rules of JSC "MTBank" in the area of AML/CFT approved by the Management Board of the Bank.

The AML/CFT internal control system in the banking group and (or) the bank holding shall be organized taking into account the requirements of the Instruction on the requirements to internal control rules in the area of AML/CFT when performing banking operations, approved by the Resolution of the Management Board of the National Bank of the Republic of Belarus No. 818 of 24.12.2014, as well as in compliance with the norms set forth in the Strategy of JSC "MTBank" regarding the organization and implementation of internal control on a consolidated basis, the Regulations on Assessment of the Internal Control System in the area of AML/CFT of JSC "MTBank" and Group and/or Bank Holding Members, the parent organization of which is JSC "MTBank".

The Bank's AML/CFT internal control system is organized as part of the Bank's internal control and risk management system and ensures that the Bank is not intentionally or unwittingly involved in money laundering, financing of terrorism or financing of proliferation of weapons of mass destruction (hereinafter - ML/FT).

The Bank's AML/CFT internal control system is implemented in the following key areas:

- Identification and verification, in the cases provided for by the legislation of the Republic of Belarus (hereinafter referred to as the "legislation"), of all Bank customers conducting financial transactions, and monitoring of their activity in the course of service provision;
- Detection and documentation of financial transactions subject to special control, and transfer of respective information to the financial monitoring authority;
- Freezing of funds and/or blocking of financial transactions with respect to persons involved in terrorist activities in cases and in accordance with the procedure stipulated by the legislation and the Internal Control Rules;
- Storage of information and documents (copies thereof or images created by scanning or photographic images or video images) during the period established by the legislation, which is equal to at least 5 years;

The basic principle of AML/CFT internal control in the Bank is the participation of all employees of the Bank within the scope of their official duties in the process of identification of clients and their representatives, client questionnaires and identification of financial transactions subject to special control.

The Bank's AML/CFT internal control is conducted at all stages of financial transactions and is divided into the following types:

- Preliminary control is carried out by collecting and examining the required information and documents (copies or images thereof) and recording data in the customer questionnaire to have an overall view of the customer;
- Current control is carried out by monitoring of financial transactions conducted by a customer, taking into account the information available to the Bank after preliminary control, in order to detect financial transactions subject to special control;

- Follow-up control is carried out by analyzing customer's transactions conducted in the preceding period in order to detect suspicious financial transactions of long-term character and which are not determined at the stage of current control as transactions subject to special control.

For the purpose of complying with the "Know Your Customer" principle, the Bank shall carry out identification and verification of the Bank's customers, their representatives and beneficiary owners.

Customer identification data acquired from the respective questionnaires and/or in any other way not contradictory to the legislation, shall be recorded in the customer questionnaire electronic database.

The Bank manages money laundering risks based on a risk-based approach that allows it to apply AML/CFT measures comparable to the assessed ML/FT risk.

Assessment of the Bank's activities by ML/FT risk levels includes as follows:

- risk of the customer's transactions for ML/FT purposes (risk of working with the customer);
- risk of using banking services (products) or financial services by customers for ML/FT purposes (risk of a banking service (product));
- internal assessment of the Bank's ML/FT risks.

The Bank quarterly performs a comprehensive assessment of the state of AML/CFT internal control system of the Bank and members of the banking group and (or) the banking holding, the parent organization of which is JSC "MTBank".

The Bank systematically, but at least once every three years, carries out an internal assessment of ML/FT risks, which is linked to the risk assessments of the banking sector and the sector of non-credit financial institutions carried out by the National Bank of the Republic of Belarus. The assessment is carried out taking into account national and sectoral ML/TF risks, the scale and specifics of the Bank's activities. If required and at the decision of the responsible AML/CFT official of the Bank, the assessment of high-risk areas of banking activities, as well as the assessment of internal controls, can be carried out more often than once every three years.

The Bank organizes the internal assessment of risks on a consolidated basis for the members of a banking group and (or) a banking holding, the parent organization of which is JSC "MTBank".

In the process of ML/FT risk management, the Bank implements procedures to identify and assess risks, monitor and control risks, as well as takes measures to limit (reduce) a high level of risk.

The Bank assesses the risk of working with a customer both before establishing a business relationship with the latter and in the process of servicing him/her. In this case, special attention is paid to financial transactions carried out by customers, work with whom is classified as high risk.

For the purpose of detecting suspicious transactions, the Bank shall use special criteria for identifying such transactions. Information about suspicious financial transactions shall be submitted by the Bank to the financial monitoring authority.

In the course of implementing the set of AML/CFT measures, the Bank shall be guided by the following principles:

- The Bank shall take reasonable and available under current circumstances measures to identify foreign public officials, public officials of international organizations, persons occupying positions included in the list of government positions of the Republic of Belarus determined by the President of the Republic of Belarus, their family members and close associates among customers and their beneficial owners, and also identify entities beneficially owned by such persons. The Bank shall enter into (or extend) written agreements with foreign public officials or with entities beneficially owned by them only upon obtaining a written approval of the Bank's CEO or persons authorized by him/her;

- The Bank shall not open and keep bank accounts for anonymous holders (where a person seeking for a bank account fails to provide documents required for identification) as well as open and keep bank accounts for holders that use fictitious names (aliased names);

- The Bank shall not open bank accounts to individuals without the personal presence of the person opening the account or his/her representative, except for cases when a bank account is opened for the customer with whom a current (settlement) bank account agreement is concluded, and in other cases stipulated by the legislation;

- The Bank shall not enter into correspondent relationships with shell banks. The Bank shall take measures aimed at preventing the establishment of relationships with non-resident banks, if the Bank is aware of the fact that their accounts are used by shell banks;

- The Bank shall not establish contractual relations with customers whose authorized fund is divided into bearer shares, if the customer fails to provide information on beneficial owners at the stage of establishing contractual relations;

- The Bank shall not establish contractual relations with trusts and other organizations engaged in trust management of assets, as well as charitable foundations and other non-profit organizations engaged in such activities, if they fail to provide information on beneficial owners at the stage of establishing contractual relations.

- The Bank shall not inform the customers of AML/CFT measures taken by the Bank (unless otherwise stipulated by the Law).

The Bank's employees shall undergo AML/CFT training in the form of instructions (introductory, scheduled, special). The training is conducted at least once a year and includes the identification of participants of financial transactions, registration of suspicious financial transactions, typology for identifying suspicious financial transactions, changes in AML/CFT legislation, and other issues. The AML/CFT knowledge of the Bank's employees is checked at least once a year.

For the purpose of further improvement of the Bank's AML/CFT internal control system, the Bank's internal procedures shall be constantly reviewed and updated in accordance with the legislative requirements and the recommendations of international organizations.

In the calendar year of 2018, within the framework of its operations, the Bank took part in the national ML/FT risk assessment, having conducted an internal assessment of ML/FT risks.

As of the date of the latest assessment of the AML/CFT internal control system (01.08.2021), the share of the Bank's customers classified as high risk is less than 0.048%, and the ratio¹ (in percent) of the Bank's involvement in conducting of suspicious financial transactions by its customers does not exceed permissible values and is 0.761%.

The Interdepartmental Commission for the evaluation of Anti-Money Laundering/Financing of Terrorism risks has approved the final report on the national assessment of risks in the Republic of Belarus. A summary of this report was published on the official website of the National Bank of the Republic of Belarus and is available at <http://www.nbrb.by/legislation/documents/Itogi-nacionalnojo-ocenki-riskov-legalizacii-dohodov.pdf>. The summary features the following key insights:

- The following banking products were most frequently used in the schemes aimed at obtaining and laundering illegal income: bank transfers – all categories of predicate offences; money transfer systems and electronic money – crimes associated with drugs and human trafficking; bank payment cards – fraud and crimes associated with the use of information technology;

- Tax and/or money laundering offences were most frequently committed via limited liability companies, private unitary enterprises, and individual entrepreneurs. Following the adoption of the Decree of the President of the Republic of Belarus No. 14 “On Additional Measures to Prevent Illegal Minimization of Tax Amounts” dated 19 January 2016, the use of non-resident company details and settlement accounts has increased. The analysis showed that, as a rule, money laundering schemes (in accordance with the terminology used in the report on the national assessment of risks) use details of companies registered in the United Kingdom, with a settlement account opened at a Latvian bank;

- Taking into account the global trends, the number of offences associated with information technology is expected to increase. In view of this, the entities performing financial transactions should identify and assess ML/FT risks, which may emerge in connection with the development of new products and new business practices, including transfer mechanisms, and the use of new and developing technologies both for new and existing products (virtual currencies, electronic casinos, etc.);

- The following risks should be considered as potential risks of money laundering in the credit and financial sphere: use of money transfer systems for transferring funds without opening an account for the purpose of money laundering; theft of funds from bank payment cards; use of operations involving refund of payments for goods (works, services) to bank payment cards at sales outlets for the purpose of money laundering; receipt of cross-border money transfers as loans, including interest-free ones, and crediting of own funds for the purpose of receiving and/or laundering illegal income; performance of transactions with cash, including currency exchange transactions, in large amounts for the purpose of

¹ Ratio (%) = (amount of suspicious financial transactions performed by the Bank's customers) / (amount of debit turnovers on the accounts of the Bank's customers) *100%

money laundering; use of new banking products based on information technology for the purpose of money laundering; use of the bank correspondent account system to make transit payments for the purpose of money laundering; use of securities (bonds) to commit tax and corruption offences;

- The banks of the Republic of Belarus are characterized by a low degree of vulnerability to ML/FT;

- The risk of terrorist financing in the Republic of Belarus is assessed as low;

- The analysis of ML/FT risks in the Republic of Belarus shows that, on the whole, the entities performing financial transactions take all necessary AML/CFT measures; Internal Control Rules have been approved and are being complied with; risk management procedures have been established, suspicious financial operations are registered and reported to the financial monitoring body. This conclusion is confirmed by the results of AML/CFT control activities carried out by state authorities supervising the operations of entities performing financial transactions.

As a result of the national and internal assessment of ML/FT risks, the Bank has identified and implements measures aimed at limiting (reducing) ML/FT risks.

1. The following activities shall be carried out on a quarterly basis:

1.1. Updating the degree of customer risk;

1.2. Updating the list of banking services (products) classified as high-risk ones;

1.3. Carrying out a self-assessment of the Bank's involvement in the performance of suspicious transactions associated with ML/FT.

As part of a quarterly self-assessments carried out throughout 2019, the dynamics of each indicator has been analysed, the regularity of their values was established, as well as the possible limits of their deviations (risk appetite). Currently, the values of the risk appetite indicator is used in the operations for the purpose of managing ML/FT risks, which the Bank will accept in its customer relationships. If the deviation of the risk appetite indicator exceeds the established limits, the Bank analyzes the reasons for deviations and the need to apply AML/CFT internal control measures for the purpose of limiting (reducing) ML/FT risks at the Bank.

1.4. Analysis of dynamics of customer transactions involving:

1.4.1. Use of bank payment cards;

1.4.2. Receipt of cross-border money transfers as loans, including interest-free ones, and crediting of own funds;

1.4.3. Use of cash, including currency exchange transactions, in the amounts exceeding 1,000 basic values;

1.4.4. Use of new banking products based on information technology;

1.4.5. Use of correspondent accounts to make transit payments;

1.4.6. Use of securities (bonds).

As part of the measures aimed at limiting (reducing) ML/FT risks in accordance with Sub-Clause 1.4 of Clause 1, the quarterly analysis covers the dynamics of change in each type of transactions. If the deviation of this volume is significant, it is essential to analyse the reasons for such deviations, and the necessity to implement internal control measures in the sphere of AML/CFT for the purpose of limiting (reducing) ML/FT risks at the Bank.

2. The Bank takes measures to implement automation of online detection of suspicious transactions in accordance with the detection criteria and characteristics of suspicious transactions provided for in the Internal Control Rules with the aim of implementing extended internal control measures in the area of AML/CFT, including for the purpose of suspending and/or refusing to perform suspicious transactions.