



## AML/CTF Policies

## Contents

Compliance with Anti-Money Laundering Act .....	3
A.Customer acceptance policy of Saman Bank .....	4
B.KYC Procedures .....	5
Basic services .....	5
Non-Basic Services.....	6
Due diligence.....	6
Enhanced Due Diligence .....	6
C.Establish Internal Controls.....	7
a. Ongoing monitoring of customer’s financial operations .....	7
b.Risk Management .....	7
c. Anti-bribery and corruption (ABC).....	8
Instances of Bribery .....	9
Manner to Handle Bribery Breaches .....	10
d.Risk-based Approaches .....	10
Due Diligence. ....	10
Enhanced Due Diligence .....	10
e. Supervision over inter-bank transfers regarding Establishment of RMA.....	11
Training of Personnel .....	12
Politically Exposed Persons (PEPs) Applying For Bank Services .....	13
Cooperation of Compliance & Anti-money laundering Management of Saman Bank with Iran Competent Legal Authorities .....	13

## Compliance with the Anti-Money Laundering Act

Pursuant to the Anti-Money Laundering Act No. 258/183497 dated February 13, 2008, which has been adopted by the IRI Consultative Assembly and the Anti-Money Laundering Executive By-law approved by the Cabinet, the IRI Central Bank has begun to require all the financial and credit institutions, as per its Letter No. 90/41478 dated May 16, 2011, to comply with the Act and the 13 instructions related to anti-money laundering activities issued by the Anti-Money Laundering High Council.

The 13 anti-money laundering instructions in the AMLHC notification include the following:

1. Instruction on Iranian nationals of credit institutions KYC in 37 Articles and 18 Notes.
2. Instruction on reporting cash remittances that exceed the fixed ceiling in 11 Articles and 2 Notes.
3. Instruction on the identification of suspicious transactions and suspicious transaction reports (STRs) in 15 Articles and 4 Notes.
4. Instruction on pertinent procedures for defining the current standings of customers of credit institutions in 10 Articles and 4 Notes.
5. Instruction on ensuring compliance with anti-money laundering regulations in the fields of e-payment and e-banking systems in 21 Articles and 3 Notes.
6. Instruction on the legal obligation to comply with anti-money laundering regulations in RMA and the identification of shell banks in 6 Articles and 4 Notes.
7. Instruction on monitoring the official Watch List in 8 Articles and 1 Note.
8. Instruction on the proper procedures for sending the documents of credit institutions' customers to their respective post addresses in 12 Articles and 6 Notes.
9. Instruction on the set of measures and arrangements for ensuring compliance with anti-money laundering regulations in overseas agencies of credit institutions in 44 Articles and 1 Note.
10. Instruction on the terms and procedures to be followed by banks in maintaining the negotiable instruments, documents, and books adopted on June 14, 2010 by the Money and Credit Council in 12 Articles and 11 Notes.
11. Instruction on the procedures to be followed for special diligence and monitoring of acts related to the provision of basic services to foreign political persons in credit institutions in 12 Articles and 6 Notes.
12. Instruction on KYC for foreign customers of credit institutions in 22 Articles and 14 Notes.
13. Instruction on the implementation of anti-money laundering practices in exchange offices

in 20 Articles and 11 Notes.

For such purposes, Saman Bank issued a notification to all its personnel pertaining to the aforementioned guidelines, through Directive No. 90-310-1354, dated May 31, 2011. Saman Bank also issued separate directives for each of the issues laid down by the IRI Central Bank. Apart from the issuance of the guidelines for their notification, all the bank personnel are required to pass the relevant training courses held by the Bank upon their recruitment and during their term of office. Such training covers familiarization with directives, laws and regulations, ways to counter money-laundering tricks, KYC, the security factors of identification documents (e.g., national ID cards, birth certificates, and Iranian and foreign passports, etc.), and handling methods of inquiry from competent authorities, such as the State Civil Status Registry, the Ministry of Economic Affairs and Finance, the State Organization for Registration of Deeds and Real Estates, the IRI Post Company, the PEJVAK Organization, and so on. Moreover, the required access to the software has been set for the purpose of verification.

By virtue of the letter of undertaking with the subject, “Compliance with Anti-Money Laundering Laws and Regulations” (No. 1129), all the personnel of Saman Bank are now fully committed to comply with the anti-money laundering regulations.

For the purpose of compliance with the applicable anti-money laundering regulations, Saman Bank has adopted transparent policies and procedures including the following:

- A. customer acceptance policy,
- B. KYC procedures, and
- C. establishment of internal controls, including
  - a. the ongoing monitoring of customers’ financial operations, and
  - b. Risk management and definition of customers’ financial standing.

## **A. Customer acceptance policy of Saman Bank**

Upon establishing a relationship with a customer, Saman Bank implements the KYC procedures in accordance with the instructions and directives set forth by the IRI Central Bank; it then updates such recorded documents and customer information at different time intervals upon the latter’s referral to the Bank. The personnel of Saman Bank are obliged to take such measures as those provided under Article 15 of the Executive By-law issued by the Cabinet on KYC for existing customers as well as perform the completion and update of their documents and information. Should the customer refuse to provide identification documents or provide false information, the branch personnel are entitled to refuse any services to the latter. Moreover, by virtue of Article 8 of the “Instruction on KYC for Iranian Customers of Credit Institutions”

approved by the AMLHC, those existing customers, whose particulars indicate inconsistency at the compliance stage, shall remedy thereto within three months.

Meanwhile, by virtue of Article 24 of the “Instruction on KYC for Iranian Customers of Credit Institutions” issued by the AMLHC, providing services to a customer shall be deemed the confirmation of KYC by the relevant staff, and the organization shall be held liable for any failure in this respect. Therefore, in case of any missing document in the customer’s file, the inspectors of the Anti-Money Laundering Management team will notify and require the customer to provide and complete such documents within three months. Failure to do so shall result in the customer’s accounts expiring and being blocked unless the latter completes his/her/its file by providing the missing documents.

## **B. KYC Procedures**

As per the “Instruction on KYC for Iranian Customers of Credit Institutions,” KYC refers to the verification and confirmation of the identity of a customer in using information sources, documents as well as independent, credible, and reliable data.

According to the instruction included in the AMLHC notification, bank services are divided into two main categories: “non-basic services” and “basic services.”

- **Basic Services:** These refer to such bank and credit services imposed by the regulations as prerequisites and necessary for the provision of other services by the bank. This is because provision to the customer has to refer frequently and repeatedly to the bank to receive such services frequently. Examples of non-basic services are listed as follows:
  - Opening different types of bank accounts,
  - Grant and leasing operations for facilities,
  - LC operations,
  - Issuance of all types of bank guarantees and endorsements,
  - Discounting negotiable effects, collecting or discounting negotiable and bank instruments (e.g., drafts, checks, and promissory notes) and their endorsement,
  - Leasing of safe deposit boxes, and
  - Issuance of all types of withdrawal and debit cards

- **Non-Basic Services:** These refer to the bank and credit services whose provision to the customer is not a prerequisite of and does not require the provision of other services. The provision of such services only requires the customer's due diligence by the branch to be performed in compliance with the provisions hereunder. The following are examples of non-basic services:
  - Money orders;
  - Any withdrawal or payment;
  - Purchase and sale of foreign currencies whether in cash, order, foreign currency traveler's check, and the like; and
  - Issuance of cashier's and certified checks and cashing checks.

The KYC procedure in Saman Bank is performed at two complementary levels: Due Diligence and Enhanced Due Diligence.

1. **Due Diligence:** This refers to the verification and recording of the particulars provided by the customer with the latter's identity documents. In case the representative or the attorney refers to the bank on behalf of a customer, the KYC shall apply not only to the attorney but also to the principal.
2. **Enhanced Due Diligence:** In order to provide basic services, the Bank's operators shall apply enhanced due diligence along with due diligence. Enhanced due diligence includes the knowledge of professional status, field of activity (applicable to directors for legal entities), income, education, exact residential and business addresses, and an evaluation of the customer's financial standing, etc.

The Bank's operators are held to apply due diligence upon the provision of non-basic services, whereas for basic services, enhanced due diligence shall be applied. Moreover, as per Article 11 of the "Instruction on KYC for Iranian Customers of Credit Institutions", Saman Bank may not provide any basic services to the following individuals:

- ⊗ Persons who abstain from providing the required information or documents,
- ⊗ Unauthorized exchange offices,
- ⊗ Persons prohibited by judicial authorities to open accounts,
- ⊗ Iranian nationals without the national code or number, and
- ⊗ Banned persons (included in the announced black list by the CBI).

## **C. Establishment of Internal Controls**

### **a. Ongoing Monitoring of Customer's Financial Operations**

One of the duties of Compliance and Anti-Money Laundering Management team of Saman Bank is the ongoing monitoring of suspicious relationships between existing accounts. For such purpose, the Compliance and Anti-Money Laundering Management team checks on such relationships on the basis of several sources, such as official reports sent by the branches, daily checking of the accounts, output of the anti-money laundering software, and so on. This monitoring activity is carried out on different types of accounts and customers, including newly opened accounts, and re-activated non-operating accounts, etc. In case a suspicious relationship is established, the Compliance and Anti-Money Laundering Management team will take such legal measures as required.

Different monitoring activities that lead to the identification of possible relationships between the customers and Saman Bank are as follows:

1. suspicious transaction report (STR),
2. inquiries sent by the Financial Intelligence Unit (FIU) as well as preparing and sending of responses thereto,
3. identification of the beneficial owner, and
4. Use of the AML software to identify suspicious transactions.

### **b. Risk Management**

For the purpose of implementing the laws and guidelines laid down by the Central Bank as well as to reduce the risk of money laundering and terrorism financing, Saman Bank has trained all its personnel in accordance with the aforementioned guidelines. Moreover, for the purpose of implementing the policies and KYC, the Compliance and Anti-Money Laundering Management team of Saman Bank has issued various instructions, including the following:

- Instruction on KYC for foreign customers [Instruction on Method of Taking Particular Precision and Supervision for foreign customer specially political and politically exposed persons (PEPs)]
- Instruction on KYC for Iranian customers
- Instruction on the procedures for the provision of services to all types of customers
- Instruction on the procedure for opening all types of accounts
- Instruction for the verification of valid identity documents

Such instructions are periodically updated in accordance with the rules and

regulations of the Central Bank and pertinent international standards. Operations for risk management, along with the relationship between the customers and Saman Bank, are as follows:

1. Monitoring of high risk customers
2. Verification of identity documents with inquiries from competent authorities
  - 2.1. Inquiry from the State Civil Status Registry
  - 2.2. Inquiry from the Ministry of Economic Affairs and Finance
  - 2.3. Inquiry from the State Organization for Registration of Deeds and Real Estates
  - 2.4. Inquiry from the IRI Post Company
  - 2.5. Inquiry from the PEJVAK on Foreign Persons
  - 2.6. Inquiry from the Central Bank (checks, loans, IBAN, black list, suspicious list, etc.)
3. Examination of cash remittances exceeding the fixed threshold<sup>1</sup> and CTR procedure
4. International banking and RMA controls
5. Controls on the issuance of foreign currency money orders and LC opening
6. Monitoring and control of suspicious persons (Watch list and Black list)
7. Periodical inspection of the implementation of regulations in branches
8. Training of personnel in two primary and supplementary levels
9. Cooperation of the Compliance and Anti-Money laundering Management team of Saman Bank with Iran's competent legal authorities

#### **c. Anti-Bribery and Corruption (ABC)**

Considering the importance of maintaining administrative health and its role in the establishment of trust, the creation of a competence-oriented system, and the proper clarification of rules and procedures, the Bank has taken certain measures to fight administrative corruption and its other forms (e.g., bribery). These measures include the following:

- \*Cultivation of an honest corporate culture, including granting acknowledgements and commendations to employees who refuse to accept bribes from customers;
- Preparation of a professional behavior charter;

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<sup>1</sup> For the time being, such ceiling is fixed to IRR. 150 million by the IRI Central Bank. In case of variation, all the credit institutions will be notified.

- Holding of annual conferences for branch managers, deputies, and senior managers;
- Publication of guidelines by the inspection manager to promote the administrative health of the financial institution;
- Delegation of two special inspectors;
- Increasing the clarity of organizational procedures; and
- Initiation of changes in the salary and fringe benefits as well as employees' service compensation portfolios.

Therefore, implementation of the instruction of “Prevention, Confrontation and Manner to Handle Bribery” shall be mandatory by all the bank employees.

### **Instances of Bribery**

In case the employees and executives of units, branches, and head offices receive cash, kind, or payment documents as well as provide consent in the collection and receipt of such, which is tantamount to receive bribery, their cases shall be referred to the Bank Breaches Commission with respect to the purpose of the bank employees disciplinary by-law. In accordance with the by-law, proper punishments shall be imposed when the following acts are verified:

1. Being bribed in any manner.
2. Receiving grants that are terribly cheaper than the market price or that appears normal but, in fact, are significantly lower than the real price.
3. Selling valuables that are considerably more expensive than the actual market price, directly or indirectly, to clients without observation of the relevant regulations.
4. Providing the basis for ransom, such as negotiating to attract consent or collecting and granting valuables or payment documents from the client.
5. Obtaining or accepting cash, kind, or payment documents or submission of valuables from the client directly or indirectly against act or omission or anything related to the executive units.
6. Obtaining any type of kinds usually deemed as bribery. Inter alia, any granting loans without observation of regulations or accepting obligations or responsibility that are committed illegally; granting bonus, discounts, and special advantages to render services to persons; and applying any type of consent or support beyond the scope of regulations that result in granting or discounting.

### Handling Cases of Bribery

The bank inspection management shall be responsible for handling cases of bribery subject to the instances of bribery listed above. Thereafter, in order to handle the relevant breach and apply the appropriate punishments mentioned in the bank employees' disciplinary by-law, the issue shall be addressed by the inspection management before the Bank Breaches Commission. Therefore, enforcing the decisions and approvals of the Bank Breaches Commission shall be made by the Bank's human resources management (HRM) office.

#### d. Risk-based Approaches

For the purpose of risk management, particularly against money laundering and operational, legal, and reputation risks, Saman Bank has set up different processes for verification and compliance with pertinent laws and the KYC. In accordance with the operational risk of the bank services, such measures are divided into two: Due Diligence and Enhanced Due Diligence.

- ✓ **Due Diligence** Such process includes three steps, all of which are filled in and signed by the bank operator at account opening and then submitted to the Compliance and Anti-Money Laundering Management team for approval.

The Due Diligence Forms include the following:

- Customer's particulars,
- Customer's identification documents checklist, and
- Customer's identification documents compliance checklist.

Experts of the Compliance and Anti-Money Laundering Management team shall verify such forms as submitted by the branches and, in case of any inconsistency or problem in the forms, notify the same to and require such branches to make appropriate actions to rectify the errors and/or inconsistencies.

- ✓ **Enhanced Due Diligence** As mentioned earlier, all the customers will be provided with bank services according to their categorization into the high-risk, medium-risk and low-risk categories. Enhanced Due Diligence shall be applied to high-risk customers at the provision of any service and to all the customers at the provision of basic services and international transfers. This specific process includes three steps. During the process, the relevant operator shall fill in the form "Enhanced Due Diligence" separately for each single application (e.g., foreign trade finance). By using the direct access provided, and in compliance with the relevant directive, the branch operator shall verify the names of both the beneficiary and the applicant, the nature of the goods (in terms of place of use and double-use), the applicant's

related-persons (e.g., PEP connections), the beneficiary's related-persons, as well as the correspondent banks with the sanction lists issued by international bodies, such as the EU, UN, and OFAC as well as the Black List and Watch List notified by Central Bank and the FIU. Upon the required completion and verification of the information provided, the head of the division providing the services applied for shall, at the control and evaluation step, control and approve the authenticity of the information stated in the forms.

During compliance, such forms as those approved at the branches shall be submitted to the Compliance and Anti-Money Laundering Management through the administrative automation system. Upon more accurate verifications and responses to inquiries for information from the other required authorities, the decision for approval or non-approval shall be notified to the form-submitting division and the Bank's International Management Department. Should the approval be received from the Compliance and Anti-Money Laundering Management team for final swift authorization, any bill of exchange or LG, shall be initiated.

**Note 1:** For the purpose of covering the related risks, the relevant lists are verified and updated with the EU, UN, and OFAC lists on a daily basis.

**Note 2:** All the activities of the customers categorized as high-risk are then controlled and monitored by using the AML software, and continuous supervision of their financial activities.

#### **e. Supervision over Inter-Bank Transfers Regarding the Establishment of RMA**

The Compliance and Anti-Money Laundering Management team of Saman Bank applies supervision processes for the provision and receipt of correspondent bank services. Given that there is no such thing as direct RMA with the beneficiary of cash transfer in correspondent banking, such issue requires special measures to be adopted in order to effectively authenticate the parties' identity particulars that, in turn, can help establish the nature, purpose, and intent of such transfers. For such purpose, enquiries may be made on earlier or subsequent transactions.

- ❖ The following information must be verified:
  - Information related to the financial status of the target bank, its ownership and management structure, correspondent banking, main fields of activity, registered address, purpose of account opening if requested, verification of the names of all the directors of the board in the OFAC, EU, and UN lists, to be set up in the form of a report for approval by the International Commission.

- RMA with the bank in question, which is subject to the approval of the International Commission.
- Such documents and information as required for account opening shall be completed to open the account upon authorization by the International Commission.
- Upon the opening of an account and in accordance with the data collected, the relevant banks are also divided into three categories: high-risk, medium-risk, low-risk banks. Such list shall be updated on a monthly basis.

**Note 1:** Prior to the establishment of RMA, the detailed anti-money laundering questionnaire shall be filled in by the applicant bank and submitted to the Compliance and Anti-Money Laundering Management team for a more in-depth examination.

**Note 2:** Foreign currency operators are required to perform KYC for all the shareholders of the correspondent bank prior to opening account therewith as well as ensure that none of the said persons is a political person.

**Note 3:** Saman Bank shall take due care when such countries and areas as specified by the AMLHC are parties to the transaction.

**Note 4:** In Saman Bank, establishing any RMA with shell banks is forbidden. In case of an RMA with a shell bank, such relation shall be stopped as soon as possible and the Central Bank notified thereof.

## **Training of Personnel**

For the purpose of implementing the laws and guidelines laid down by the Central Bank as well as to reduce the risk of money laundering and terrorism financing, Saman Bank has trained all its personnel with regards the guidelines set forth by the Central Bank. Upon their recruitment, all the personnel are required to attend the training courses to finalize their employment. Such trainings include familiarization with the directive; rules and regulations; anti-money laundering practices; KYC; security factors in the National ID card, ID card and Iranian and foreign passports; and other relevant inquiries. Moreover, the on-service training of the Bank's personnel is held as a complementary e-learning training by the experts of this department for each position.

Training programs are designed in such a manner as to provide the personnel with sufficient and reasonable knowledge of the importance of such information, and the procedures of implementing the policies and KYC. The said programs are held on an ongoing basis to ensure that the relevant personnel periodically receive the required trainings. Moreover, the said training records are integrated into the trained personnel's employment records.

## **Politically Exposed Persons (PEPs) Applying for Bank Services**

By virtue of the Guideline on “Method of Taking Particular Precision and Supervision While Providing Basic Services to Foreign Politically Exposed Persons by Financial Institutions” notified by the Central Bank, the provision of basic services, such as opening, blocking, and closing accounts (including interest-free savings and term-investment deposit accounts) to individuals considered as foreign politically exposed persons must be approved only with an official letter from the Protocol General Department of the Ministry of Foreign Affairs. Other specific guidelines are as follows:

- a.** Provision of all basic services to special foreign political persons is forbidden.
- b.** Provision of basic services to other foreign political persons is permitted, but the issue should be immediately reported to the Central Bank.
- c.** In the case of a foreign political person withdrawing his/her request to receive basic services, or in case in which the provision of the said services is ceased (e.g., blocking the account or settlement of facilities), the issue should also be immediately reported to the Central Bank.

Saman Bank’s employees are required to apply the full KYC procedure to foreign PEPs upon opening of interest-free saving and term-investment deposit accounts. Whenever the country of origin of a foreign PEP is among the countries in which organized crimes related to money laundering are common or when a foreign political person is a citizen of a high-risk country, the opening of a current account shall be subject to the prior authorization of the Central Bank. Foreign PEPs are categorized as high-risk customers, and their operations must be continuously monitored through the AML software.

## **Cooperation of Compliance and Anti-Money Laundering Management of Saman Bank with Iran’s Competent Legal Authorities**

Towards a more effective implementation of the rules and regulations, the Compliance and Anti-Money Laundering Management team of Saman Bank maintains continuous ongoing cooperation with various regulatory authorities and organizations, such as the Central Bank, the FIU, Economic Offences Police, Justice, Supreme Audit Court, Iran General Inspection Organization, and so on. The cooperation is established through the following initiatives:

- Periodical reporting of transactions exceeding the designated threshold,
- Periodical STR,
- Submission of official lists of information of customers receiving basic services,

- Replying to enquiries by the above authorities,
- Attending training meetings held by the relevant organizations,
- Reporting of annual performance to competent bodies, and
- Reporting of case performance whenever ordered by competent authorities.

In conclusion, with regards the adopted transparent policies as well as the procedures and announced directives, we hope that we have laid down significant measures and initiated actions to reduce the risk of money laundering and financing terrorism in the institution. Through these measures, we can clarify the financial relationships and improve relations between Saman Bank and its customers, shareholders, and brokers.

**Title and Name**

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