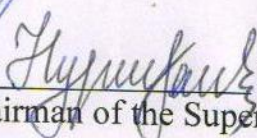




«Confirmed»

”Rabitabank” OJSC
Supervisory Board Meeting
Protocol 128, from 31.12.2004

 Zakir Nuriyev
Chairman of the Supervisory Board

«RABITABANK»
OPEN JOINT STOCK COMPANY



**Anti-money laundering Policy of Rabitabank Joint-Stock
Commercial Bank**

Baku, 2004

Anti-money laundering Policy of Rabitabank Joint-Stock Commercial Bank

1. General Clauses

This document, being an anti-money laundering policy of the Bank (hereafter will be called as Policy), is prepared based on Wolfsburg's anti-money laundering principles, "Civil Code" of Republic of Azerbaijan, "Law of Republic of Azerbaijan for Banks and Banking activities", internal procedures of Rabitabank Joint-stock Commercial Bank, and international practice.

All executive organs of the Bank should sharply struggle against any attempt of money-laundering operations, prevent the realization of unusual and doubtful operations, and treat this policy as a guide for their activities.

The Policy becomes a ruling guide only after Supervision Board confirms it, and only the body, which accepted it – i.e. Supervision Board, can make the amendments.

The Board of Directors of the Bank carries the responsibility for implementation of this Policy. The Board, along with other executive organs, must fulfil all the requirements and the activities coming out of the Policy.

2. The Essence of Dirty Money

- 2.1 **Dirty money** – considered to be illegally earned money or money gained from activities not considered by the law and its circulation.
- 2.2 By making transnational operations, criminal groups use banking sector and other financial institutions to insure the movement of dirty money, thus finance international crime, harming national and international economy and all the humanity.
- 2.3 In countries with transition economy, dirty money entering legal bank circulation, takes part in privatization processes and gives opportunity for criminal groups to hold economic instruments and national economy. Therefore all executive organs of the bank, especially employees directly working with customer service, without harming the quality of customer service must implement this policy.

3. Organizational system of the bank to fight against money laundering.

- 3.1 Anti-money laundering policy of the bank is determined by Supervision Board of the bank and when defining the policy, current legislation and international experience is taken as a base.
- 3.2 After the policy is defined, the Board of Directors implements the changes and makes appropriate amendments, arising from these rules, to the bank's internal procedures, work, IT, and job descriptions.
- 3.3 All employees doing operational job must get acquainted with the Policy and consequently with relative changes made in the internal bank procedures, work, IT and in job descriptions and they should have some trainings.

- 3.4 The realization process of this Policy is one of the priority functions of internal audit department's activities. At least once a year, this department reports to Supervision Board about the actions taken against money laundering and it does so together with proposals about the improvements in this area prepared together with Board of Directors.

4. Opening of Bank Accounts

- 4.1 In order to prevent money-laundering attempts, appeals to open new accounts must be treated carefully and at that moment all clauses of Azerbaijan National Bank instructions on "Opening Bank accounts", from November 03, 2004, must be taken as guidance.
- 4.2 In addition to documents mentioned in article 4.1, for a purpose of protection from operations characterized as unhealthy ones, as well as money-laundering attempts, and in case of opening accounts raising doubts, following additional documents are demanded and actions taken:
- a) When opening of accounts for private customer (current and deposit):**
- Opening of account only for the name of its owner when submitting the document proving his/her identity,
 - Getting additional information from client about characteristics of operations performed with account. Opening of account only after making sure that the operations correspond with current legislation and that they are not doubtful and unusual.
- b) When opening of accounts for private customer (businessman without legal person status)**
- Opening of account only for the name of its owner when submitting the document proving his/her identity,
 - Getting additional information from client about characteristics of operations performed with account, also receiving identity-document proving the registration at tax agency for the operations given in the information. Opening of account only after making sure that the operations correspond with current legislation and that they are not doubtful and unusual.
- c) Opening of accounts for corporate customers (resident as well as non-resident):**
- Making sure that owners-shareholders of legal person do not deal with money laundering and especially that the capital of legal person is not provided with heavy money from unknown source.
 - Require the charter of legal person and the original documents proving the government registration. The bank confronts all of notarially certified and submitted documents with their copies,
 - Making sure that people using this account have appropriate authority for that. Asking for the order of legal person's authorization to use account.

- Receive declaration paper certifying the legal person's registration at tax agency,

d) Opening of accounts for intermediaries and persons disposing of it.

- If an intermediary or any authorized person is entrusted with using the account, then customer service officer should be assured of all the related documents proving the authorization and their lawfulness.

- 4.3 According to internal procedures of the bank, customer service department realizes the opening of accounts and legal department of the bank checks the legality of documents.
- 4.4 Employees of customer service and legal department, along with checking originals of submitted documents or their copies approved by the notary within the rules allowed by the legislation, shall be ascertained that all given documents are valid as well.
- 4.5 Openings of client accounts in branches of the bank and control over unusual and doubtful operations done with those accounts are carried out by branch manager, legal department, and internal audit. In order to realize the control process flowing out of the policy on the opening of accounts, appropriate changes shall be done within the internal procedures of the bank and for ascertaining the legality of accounts they shall be sent to head office for examination by experts.
- 4.6 Customer accounts are numbered and coded depending on their nature. IT department in series gives customer account numbers. The same account number is forbidden to be given to several clients. All customer accounts are recorded in the general ledger of the bank.
- 4.7 Opening of anonymous accounts and having any operations with them are not allowed.**
- 4.8 Along with other clauses defining the rights and functions of parties indicated in the agreement between bank and customer, the following issues are also reflected:

Client's Responsibilities

- Conducting no operations with capital, funds and other resources that are from unknown sources,
- Informing the respective customer service officer about money transfers and cash receipts from persons not related to the account,
- Allowing the bank to monitor money operations on account with doubtful sources and giving explanations and clarifying the issue on the basis of the request of the bank on over those operations.

Responsibilities of the Bank

- Informing the customers with the anti-money laundering regulation policy of the bank and the main clauses of amendments and changes.
 - Viewing the requests of clients entering the bank about money transfers and cash receipts from unknown sources or persons not related to the customer,
 - Informing the customer about unusual, doubtful, and non-relevant operations on his/her account. Making first analysis together with a client and holding the right of demanding a reference from him/her,
 - Stopping unusual, non-relevant and doubtful operations only with a valid judgment of the Court.
- 4.9 The agreement concluded between the bank and the customer shall have clauses stipulating that the bank has the right to refuse to perform the operation with doubtful sources in case the customer refuses to clarify them to specialists of the bank.
- 4.10 Taking into consideration the fact from international practice of closing an account after money-laundering operations and opening new short-term accounts, employees of customer service and legal departments shall ascertain that closing of accounts are not done for covering up doubtful operations on those accounts.
- 4.11 In the following cases the bank can refuse to conclude a treaty with a customer on opening of the account:
- When the documents required to open respective account are not submitted;
 - When there is wrong or distorted information in submitted documents;
 - When the declaration or the certificate from government social insurance or tax agency to open an account states the name of another bank;
 - When the customer refuses to take responsibilities mentioned in article 4.7 of this document;
 - When there is a suspicion about the accuracy of information provided by customer on account opening reason, planned operations, and characteristics of the account and when there is proven information that the account is need to be opened as a means for money-laundering,
 - In other cases covered by legislations.

5. CUSTOMER OPERATIONS

- 5.1 During the anti-laundering operations the right of the customers granted to them by the active legislation of the Azerbaijani Republic should be protected and in the course of these operations the bank shall not demand documentation, which is unnecessary, or perform other actions, which may negatively reflect on the quality of customer service.
- 5.2 The bank workers shall work toward the legality and purity of sources of funds of their customers, by establishing this as a bank policy to avoid the utilization of the bank as the means of laundering money.
- 5.3 The bank shall ascertain who the beneficiary of every account is; the identity card of the beneficiary should be presented. According to this principle, the following should be ascertained:

- In physical persons: the bank customer service worker shall ascertain that the account operations are carried out by the account owner, or his appointed legal representative.
 - In juridical persons: the bank customer service worker shall ascertain the legality of the enterprise and the authority of the director or other workers of the enterprise to perform operations with the account.
 - Trust funds: the bank worker shall ascertain the sources of creation of the trust fund, the juridical power to perform such operations. In order to accomplish this he/she shall pay special attention to the orderliness of the documentation, and be sure in the legality of the operations.
 - Other enterprises: the principles for juridical persons apply.
- 5.4 The information about measures needed to avoid the money laundering should be included in the client database of the bank and constantly updated. The principles of information security in collecting, updating and using the data should be observed.
- 5.5 The criteria for collecting and systemizing client information.
- The reason and purpose for opening of the account
 - The characteristics of operations with the accounts
 - The sources of income and capital
 - The sources of funds – the short characteristic of sources of fund that have either already been credited or being transferred to client’s account.
 - Customer reputation
- 5.6 If the information collected about the client is not enough, the bank worker shall have a personal meeting with the client, conduct a personal conversation with the client about his/her personality, operations, sources of capital, to be ascertained about the legality of sources of funds brought into circulation.
- 5.7 The workers of the customer service department shall pay close attention to transfers from countries with high risk; ensure that the moneys are related to the beneficiary’s business activities and that the money are not being laundered. Should the workers of the customer service department possess the information from different sources of information that the funds transferred to the beneficiaries are of criminal, corrupt, bribery-related or other illegal nature, the legality of such of such operations will be investigated, and all necessary measures will be taken.
- 5.8 In operations with off-shore enterprises the bank worker, in strict accordance with Wolfsburg principles, shall minimize risks, and be aware about the type of operations, in case with juridical persons if the operation is appropriate to the client’s type of business.
- 5.9 The employees of the customer service department of the bank shall pay close attention and separately investigate doubtful operations of clients or beneficiaries with assumed high risk of money laundering.
- 5.10 Close attention and proper investigation shall be carried out in operations associated with high-ranking state officials and their relatives. The employees of the customer service department should ascertain that moneys in circulation of such persons are not being laundered.
- 5.11 The foreign exchange operations shall be closely attended to; each foreign exchange operations shall be performed according to the document justifying it. Meanwhile the regulations of the National Bank of Azerbaijani republic on the currency regime will be

observed, the limit on transfers between the accounts of two physical persons should be observed, and juridical persons should present a written contract and the customs' declaration confirming such transactions. Should the customer service employee have any doubt about the accuracy about the documents presented, he shall notify the Bank Supervision department of the National Bank about the matter.

6. The bank's internal anti- money laundering measures

- 6.1 The bank's employees should maintain and constantly update the banks' customer and beneficiary database. The supervisory organs of the bank – the banking supervision and the internal audit department should control the quality of such data.
- 6.2 Customer information should be updated by the customer service department and the by the supervisory organs.
- 6.3 The frequency of customer information review and update shall depend on the degree of risk associated with customer operations.
- 6.4 In case of uncommon and doubtful transactions on customer's accounts, the employee of the customer's service department shall officially notify the bank's supervisory authorities, the banking supervision and the internal audit department. The notice shall contain the following:
 - The transactions which do not correspond the customer's business activities
 - Uncommon sponsorships or transactions, which are not related to beneficiary's common business activities.
 - Utilization of the account as means of transit for transactions
- 6.5 The uncommon and doubtful operations are investigated by the supervisory authorities in the following ways:
 - By monitoring operations
 - By contacting the customer (meetings, conversations, business travels abroad etc.)
 - By analyzing the sources of information (internal sources, economic situation etc.)
- 6.6 The management of the bank and the supervision authorities shall investigate the progress of doubtful and uncommon activities. It is to identify whether the actions should applied to uncommon and doubtful activity.
 - If any doubtful transaction is performed on a customer's account, the high degree of supervision is applied, the relations with the client are continued or special regime is applied to a customer, in which the operations are monitored by the bank's supervisory authorities.
 - If the doubtful transactions have repeated more than thrice, and the customer refuses to disclose the information about the transaction, the relationships with the customer should be broken up.
 - If the doubtful operations, according to the knowledge of the bank, somehow indicate illegality or laundering of the moneys, the governmental organs should be notified.
- 6.7 The top management and the supervisory authorities of the bank do the notification of governmental organs. The stopping of the operations and freezing of the funds according to the information about the doubtfulness of the former is done by the active decree of the court.

- 6.8 The special monitoring of the uncommon and doubtful operations of the customers is performed by an employee of the customer service department under supervision of the internal audit department. The workers of the internal audit department obtain the information about the large transactions and uncommon and doubtful operations on the accounts of their customers(s) by utilizing the special automated systems.
- 6.9 The anti-money laundering supervision is conducted by all supervisory authorities of the bank (the customer service department, the bank supervision and internal audit departments).
- 6.10 In order to combat the money laundering process, all employees of the banks, especially the workers of the customer service department (front and back-office), including the employees of the supervision and internal audit department should attend the trainings in anti-money laundering at Azerbaijan Bank Trainings center, or like institutions not less than once per year.
- 6.11 The Law and Human Resources Departments of the bank should constantly inform and conduct interbank trainings for the personnel of the bank about the latest developments in the field of anti-money laundering policy, the new legislation and norms
- 6.12 All employees of the bank shall be made aware of the requirements of the anti-money laundering policy and written report of implementation of such policy will be demanded.
- 6.13 This policy, all anti-money laundering policy documents, the reports of such activity and measures undertaken shall be filed for a period of minimum of five years.
- 6.14 To accumulate the experience about the anti-money laundering legislation, the law department of the bank shall entrust the identification of uncommon and doubtful operations and corresponding countermeasures to the customer service department, the collection and updating of information about the doubtful account transactions to the customer service department, the collection of information about the clients business to the bank supervision department and the control of the activities of the two abovementioned department lies with the internal audit department.