

Approved by Decision of Supervision Board
dated 13 October 2016 (Protocol No. 14A)



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**“Know your customer’ policy
in order to manage customer relations in field of fight against to legalization of
the money obtained by criminal way and financing of terrorism at “ZİRAAT
BANK AZERBAIJAN” OJSC
(new edition)**

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1. General principles

1.1 “Know your customer” policy (hereinafter as “Policy”) of “Ziraat Bank Azerbaijan” OJSC (hereinafter as “Bank”) regulates standard of business relations between customer and bank in order to manage customer relations in field of fight against to legalization of the money obtained by criminal way and financing of terrorism, including integral part of internal control system which established for activity against to legalization of the money obtained by criminal way and financing of terrorism. This policy has been drafted in accordance of Constitution of Azerbaijan Republic, Civil Code of Azerbaijan Republic, Criminal Code of Azerbaijan Republic, Law of Azerbaijan Republic on Banks, administrative and regulatory documents of Central Bank of Azerbaijan Republic, Wolfsberg principles, FATF recommendations, regulations of Basel Commission for Bank Control, Law of Azerbaijan Republic on fight against to legalization the money obtained by criminal way and financing of terrorism, Financial Monitoring Service of Control Chamber of Financial Markets and decisions made by Central Bank of Azerbaijan Republic and international agreements signed by Azerbaijan Republic as partner.

1.2 Application of this policy should execute jointly policy and rules of Bank on “Legalization of other property and money obtained by criminal way and financing of terrorism” which is the integral part of complex measures carried out by Bank against to legalization money by illegal ways and financing of terrorism.

1.3 Application of requirements of this policy is compulsory for employees of bank within execution of their duties.

1.4 Supervision for application of relevant policy is under the responsibility of Supervision Board and responsible persons. Drafting the regulations and procedures of bank for relevant policy was made by persons responsible on Financial Monitoring and submitted to Supervision Board.

2. Used definitions

The following definitions used in current policy:

Financial Monitoring Service of Financial Markets Supervision Chamber (MBNP) is the state agency carrying out relevant authorities in the field for prevention of legalization other properties or money obtained by criminal way and financing terrorism.

Central Bank of Azerbaijan Republic (AR CB) – state-owned Central Bank of Azerbaijan Republic which ensuring money policy and financial stability of Azerbaijan Republic.

Money obtained by criminal way or other property – any money, movable and immovable property, material and non-material property obtained directly or indirectly, legal documents approved property rights at the result of crime acts which has been identified Criminal Code of Azerbaijan Republic.

Terrorism – to harm public security, create panic among people and make a threat by bombing, fire, offense, assault and other such methods in order to keep the national and international decision maker bodies for realizing of certain aim.

AML/CFT – anti money laundering and combating the financing of terrorism.

Internal control system- complex internal control measures considering at 12th article of “Law of Azerbaijan Republic on combating the legalization of other property and money obtained by criminal way and financing of terrorism” for activity against to legalization of other property and money obtained by criminal way and financing of terrorism and such measures are carried out by legal participants of monitoring and other persons who participated at monitoring.

Risk assessment– determination and assessment processes of risks which have probability of occur and forecasted as encounter by bank or unknown risks.

Customer profile – complex information on identification, business activity, income, geographical location, education, social status, behavior of social subject.

Customer risk group – grouping of customer on the basis of information collected at customer profile related to customer transactions, risk criteria at above mentioned combating measures against to anti-money laundry and financing of terrorism.

Final Beneficiary – final benefit owner of economical activity.

Political activist – heads of state and government, influential politicians, members of government, judges of lower instance courts, high-ranking military officials, heads of state-owned institutions, influential persons of political parties, their family members and relatives are include to political activists of foreign countries.

Identification- complex measures carrying out for determine identification, legal capacity, powers of representation and business activity of customer.

Verification – complex measures carrying out in order to determine the authenticity of obtained identification data of customer by reliable sources.

Standard identification measures – identification measures applying in order to determine the personality of economic entity.

Additional identification measures – identification measures for economic entities included to high-risk customer group.

Simplified identification measures – consider obtaining less information on personality of customer and purpose and substance of business relations (e.g. information on address and residing of potential customer is not required) or more simple verification, as well as further verification of customer`s personality.

High-risk customer group – a person who registered at states and territories including to list of states where not corporate by Financial Monitoring Service of Financial Markets Supervision Chamber of Azerbaijan Republic, person who assumes political significance, person who offers for execution of operation that meet criteria mentioned at 6th and 7th paragraphs of this Methodological Management, a person who suspected of acting on behalf of its own name and acting on behalf of a third party, a person whose operations related to legalization of money obtained by illegal ways and other properties and financing of terrorism in any way.

Medium-risk customer group – legal persons who carries out its general operations in cash, a person who using bank services in amount exceed the limit set by financial monitoring agency through international money transfer systems, persons who carry out money transfers without opening bank account, a person who carries out transactions which total amount less than limit set by financial monitoring agency as a regular routine, lawyer, accountants, brokers, foreign correspondent banks acting on behalf of third person, persons carrying out bank transaction on the basis of power of attorney, bank`s customers during 1-24 months.

Low-risk customer group- banks, state and municipal bodies, persons who trusted in local and international market, other persons who not including high and medium risk customer groups.

Economical entity – legal and physical person.

Customer card – complex information collected under unique code in order to create customer`s profile.

Customer profile – data collection expressing demographic, geographical, financial status, social status, education level of legal and physical person.

Correspondent bank – cooperating bank

Risk-based approach – measures applied by monitoring entities in order to determine cases which suspended relation to legalization of money obtained by criminal way and other properties and financing of terrorism.

Other definitions which not disclosed in this document express the means in regulatory rules of Financial Monitoring Service.

3. Principles of policy

- To arrange business relations in the basis of requirements of international banking standards complying high professional and ethical rules between bank and customers;
- Risk assessment during business process of bank with customers and prevention of risks which may affected to activity of bank, particularly reputation, operational, legal and concentration risks;
- Prevention for using of bank as mediator in processes related to anti-money laundry and financing of terrorism and to ensure reliable, transparent and stable bank activity in accordance of requirements of legal law and international standards;

4. General elements of “Know your customer” Policy

- Admission process of customers
- Identification and verification process of customers;
- Continuous monitoring process of high-risk accounts;
- Risk management process;

4.1. Admission process of customers

Ziraat Bank Azerbaijan provides bank services to all kind of economic entities (physical, entrepreneur and legal persons). Corporative customer and corporative banking are preferred in bank activity, as a main priority.

Bank services to customers in accordance of normative acts of local law, regulator and international standards within establishment of business relations with customers and with such customers that business relations already existing.

Ziraat Bank Azerbaijan applies internal control system of bank on combating the legalization of money obtained by criminal way and financing of terrorism in accordance of requirements of local law and international standards.

As integral part of this system, Know Your Customer policy expresses customer adoption process of bank which consistent with the high professionalism and ethic rules. According to Know Your Customer policy, adoption process of bank customers are arranged as following:

- Bank provides various kind of bank services to all type of economic entities (physical, individual entrepreneur, legal persons).
- Bank should carry out identification process of customer at establishing business relations with customers in accordance of requirements of current policy and other interbank regulations.
- Identification of customers should executed on basis of relevant documents mentioned at this policy and normative acts of regulator.
- According to requirements of this policy, data collection should be implemented in order to form profile of each customer and risk assessment during establishment of business relations between bank and customer.
- Data collection should be executed on the basis of survey form as supplement of this policy and other intrabank documents within adoption process of each new customer.
- Depending on entity of customer, forms of Know Your Customer should be used, filled all information and approved by signature of customer then submitted to employee of bank.
- Documents and filled survey forms which submitted to bank by customer should be checked and signed by employees of bank.
- Data on customers collected by bank are applied to all type of economic entities..
- Electronic registration of documents and data submitted to bank by customer is included to banking program of bank.
- Bank should establish profile of customer on the basis of information submitted to bank by customer.

- Continuous monitoring of customer`s transactions should be carried out at the further stage upon establishment of customer profile, assessment of customer risk and establishment of business relations on the basis of data provided by customer.
- Bank should not open account for customer and bank transactions should be not carried out in the case of failure submission or incomplete submission of identification documents of customer during establishment of business relations.
- Bank should not open account for customer and bank transactions should be not carried out in the case of suspicion on relation of customer with anti-money laundry, execution of illegal operations and financing of terrorism.
- Political activist status of each non-resident physical person should be determined within admission process of customers.
- Political activist status of each new non-resident customer should be filled and signed by customer using survey form mentioned in this policy.
- If political activist status of customer is determined as appropriate by bank employee during initial admission process of customer, in such case establishment business relation and execution of bank operations should be carried out by permission of bank administration.
- “Customer card” is not opened for such customer which have the same identification data on the basis of two various identification document.
- Bank employee should not open bank account and carry out bank transactions for customer whose documents are determined as unsuitable due to research of bank.
- Along to execution of registration of customer data at banking system, paper registration format of all documents should be attached to customer`s file.
- During admission process of customer, Bank employee should be carried out identification and verification measures for risk groups mentioned in this policy.
- During admission process of customer the profile of each new customer should be established in accordance of the following information depending on type of economic entity.

4.1.1 Information required for risk assessment and establishment of customer profile:

- 1. Customer profile of physical person** – should be formed on the basis of registration of the following data- name, surname, patronymic, sex, date of birth, place of birth, citizenship, resident status, family status, registration/residing address, profession, activity field, work place, income source, amount of income, contact telephones, information of ID card (series No, FIN code, used/expiration date, issued body/state), political activist status and information of family relations, if necessary.
- 2. Customer profile of individual entrepreneur**– taking into consideration of customer profile of physical person, this profile should be formed on the basis of registration of the following data- TINP code, collection and registration of information on business activity of individual entrepreneur.
- 3. Customer profile of legal person** – should be formed on the basis of registration of the following data- full name, TINP, registration date, registered state, activity section, resident status, organizational-legal form, registration/residing address, contact telephones, founders of legal entity (**physical person founder**- name, surname, date of birth), (**legal person**- full name, TINP code or registered code), information of final beneficiary physical person (name, surname) information of persons authorized for execution of signature sample (name, surname, patronymic, sex, date of birth, citizenship, resident status, registration/residing address, profession, activity field, work place, income source, amount of income, contact telephones,

information of ID card (series No, FIN code, used/expiration date, issued body/state), political activist status and information of family relations, if necessary)

- Bank determines risk group of customer in accordance of criteria mentioned in this policy analyzing information submitted by customer.
- According to international standards bank determines three main risk groups of customers.
- **Risk groups of customers (high, medium and low risk customer groups)**
- Bank may amend to risk group in the case of detection of amendment on risk profile of customer due to revaluation of customer`s transaction or identification data through monitoring of customer`s transactions during execution of business relations with customers which bank account is available.
- Amendment of customer risk group is possible through other means which not mentioned in this policy and similar analyzes regulated by internal rules (e.g. considering suspicious criteria: lack of relation of transactions carried out on relevant account with activity of customer, execution of transactions on customer`s account by third persons).

4.1.2 Customer risk groups have been classified as following in accordance of Ziraat bank Azerbaijan customer profile.

High-risk customer group – non-residents, political activists, persons having suspicious reputation, persons with criminal pasts, charity organizations, funds, donor organizations, non-governmental organizations, religious organizations, non-profit organizations, casino-gambling, persons using technological means without direct connection, physical and legal persons including to sanction list, legal persons who registered at offshore zone, legal entities whose founders registered at offshore zone, citizens and residents of uncooperative states and legal persons registered at such states;

Medium-risk customer group – persons with high cash flow accounts, customers carried out transit transfers, persons carried out money transfers without opening account, foreign correspondent banks, persons carried out bank operations on the basis of power of attorney, banks customers during 1- 24 months.

Low risk customer group – local correspondent banks, state bodies, municipals, bank customers more than 24 months, state residents, other financial institutions (non-insurance, non-bank credit organizations), underage persons

4.2 Identification and verification process of customers

Ziraat Bank Azerbaijan determines the following interbank identification and verification processes during the opening bank account for new customers and execution of bank transaction of existing customers:

- Bank should be applied identification and (verification in accordance of risk grouping) process on the basis of requirements of internal rules and international standards during establishment of business relations with customers.
- Bank account should not be opened unless requiring identification documents from customers by bank.
- Execution of bank transaction on the basis of invalid ID card or false identification documents of customers is prohibited.
- Bank should account only and carry out bank transaction only on the basis of valid ID card and such identification documents are difficult to falsify.
- Bank should carry out establishment of business relations upon properly checking of identification/verification documents submitted by customer and ensure compliance of such documents.
- Documents considered for verification should not be used bank account opening process.

- Bank account should not be opened and executed other bank operation in accordance of such ID documents (registration documents in foreign state, driving license or other issued documents) submitted by customer.
- In the case of detection of registration failure of bank at jurisdiction without the physical presence , bank should not open account and execute bank transactions during identification process of correspondent banks.
- Bank should not open account and execute bank transaction in the case of any inconsistency among identification and verification documents submitted by customer.
- Information on customer is conducted through filling know your customer form for physical and legal persons which mentioned in this policy, self-assessment survey for correspondent banks, forms determined the political activist status. Filling of forms is applied to all economic entities.
- Forms should be filled by all persons who want to open an account at bank. Employees of bank which directly works with customers take responsibility in order to proper filling of survey forms.
- Identification and verification documents of customer should be kept at least 5 years upon closing of account.

Identification of customer:

Identification of physical persons – resident physical person: Identification Card of Azerbaijan Republic, **non-resident physical persons:** foreign passport, temporary residence card for foreigners issued by state migration service or permanent residence card, temporary residence card for persons without citizenship issued by state migration service or permanent residence card.

Identification of individual entrepreneurs – resident physical person: Identification Card of Azerbaijan Republic, **non-residence physical person:** foreign passport, temporary residence card of state migration service, permanent residence card of state migration service), Unique tax identification number (tax certificate)

Identification of legal persons – should be carried out copy of state registration document approved by notary and charter of legal person. Bank should require the power of attorney approved by notary from authorized representative and make measures in order to identification and verification of authorized representative and should determine legal address, organizational-legal form, name of founders, as well as legal status of legal entity in accordance of charter of legal entity and copy of state registration document approved by notary. .

Customers who have taken specific identification measures

Identification of beneficiaries – should be carried conducted on the basis of general identification data of customer (name, surname, patronymic, date of birth, citizenship), signature simple of customer, ID card

Identification of final Beneficiary – should be conducted on the basis of information of physical person(name, surname, patronymic, date of birth, citizenship), signature simple of customer, ID card

Identification of founders of legal entity – should be conducted on the basis of physical persons (name, surname, patronymic, date of birth), legal persons (full name, TINP)

Identification of persons whose operations executed by power of attorney– Identification documents, power of attorney issued to person by notary for execution of bank transactions.

Political activists – foreign passport and internal form of bank on declaration of political activist status should be filled during identification of new customers. Bank should be carried out additional identification measures for this customer group. Foreign political activist status of customer is evaluated by Dow Jones (Factiva) platform.

Correspondent banking – Relevant documents should be submitted by bank during opening of loro accounts of correspondent banks.

- Establishment documents of bank (article of association, extract from state registry, bank license)

- Documents allowed for identification of personality of authorized persons for signature sample (ID card of Azerbaijan Republic, foreign passport of non-resident, temporary residence card of state migration service, permanent residence card of state migration service), unique tax identification number (certificate)
- Assessment of combating measures of bank against anti-money laundry and financing of terrorism and internal control system, procedures and policies on PL/TMM in direction of learning experience and Know Your Customer should be required.
- Bank shall not establish correspondent contact with shell banks and not carry out transfer and other similar transactions of such banks.
- **Other financial institutions (legal entities acting with insurance, non-bank credit organizations, participant of leasing and securities market, organizers of lottery)**
- Establishment documents of financial institutions (article of association, extract from state registry, license)
- Documents allowed for identification of personality of authorized persons for signature sample (ID card of Azerbaijan Republic, foreign passport of non-resident, temporary residence card of state migration service, permanent residence card of state migration service), unique tax identification number (certificate)
- Assessment of combating measures of financial institutions and other organizations against to anti-money laundry and financing of terrorism, procedures and policies on PL/TMM in direction of learning experience and Know your customer should be required.

Pawnshops

- Establishment documents of legal entity (article of association, extract from state registry, license by authorized body on pawnshop activity issued)
- Documents allowed for identification of personality of authorized persons for signature sample (ID card of Azerbaijan Republic, foreign passport of non-resident, temporary residence card of state migration service, permanent residence card of state migration service), unique tax identification number (certificate)
- Assessment of combating measures of pawnshops against to anti-money laundry and financing of terrorism, procedures and policies on PL/TMM in direction of learning experience and Know your customer should be required.

Non-governmental organizations

- Establishment documents of non-governmental organizations (article of association, extract from state registry, license issued by authorized body on activity of non-governmental organizations)
- Documents allowed for identification of personality of authorized persons for signature sample (ID card of Azerbaijan Republic, foreign passport of non-resident, temporary residence card of state migration service, permanent residence card of state migration service), unique tax identification number (certificate)
- Financial statements of non-governmental organizations

Religious organizations

- Establishment documents of religious organization (article of association, extract from state registry, license issued by authorized body on activity of non-governmental organizations)

- Documents allowed for identification of personality of authorized persons for signature sample (ID card of Azerbaijan Republic, foreign passport of non-resident, temporary residence card of state migration service, permanent residence card of state migration service), unique tax identification number (certificate)
- Financial statements of religious organization

Non-profit organizations

- Establishment documents of non-profit organizations (article of association, extract from state registry, license issued by authorized body on activity of non-governmental organizations)
- Documents allowed for identification of personality of authorized persons for signature sample (ID card of Azerbaijan Republic, foreign passport of non-resident, temporary residence card of state migration service, permanent residence card of state migration service), unique tax identification number (certificate)
- Financial statements of non-profit organizations

Customers face-to-face

- Identification procedure with customers by electronic means
- Certification of submitted documents
- Providing independent contact with customers
- Requiring of additional documents

Trust legal entities

- Documents of trust legal person (article of association, extract from state register, license issued by authorized body on activity of non-governmental organizations)
- Documents allowed for identification of personality of authorized persons for signature sample (ID card of Azerbaijan Republic, foreign passport of non-resident, temporary residence card of state migration service, permanent residence card of state migration service), unique tax identification number (certificate)
- **At least annual financial statement should be submitted to bank.**

Notaries

- Identification card of physical person, should be executed on the basis of license issued by authorized body on notary activity.

Auditors

- Identification card of physical person, should be executed on the basis of license issued by authorized body on auditor activity.

Verification of customers:

Verification of physical person – documents on birth date of customer (driving license, foreign passport, birth certificate), bills on payment of utility fees for confirmation of residence, reference from residing authorities, marriage certificate

Verification of individual entrepreneur – verification of unique tax number issued by tax body is conducted by electronic portal of Ministry of Tax of Azerbaijan Republic.

Verification of legal person – checking tax number at electron portal of tax body, verification of address of registered legal person and data of representative by portal of tax body, other documents required by bank

Ziraat Bank Azerbaijan forms the process of verification and identification of customer, international standards of risk-based approach principles as follow.

Bank should carry out initial and further identification of customers by considering risk-based approach principles.

- Risk-based approach should be executed in accordance of risk group and risk profile of customer.
- If customer refuse execution of additional identification measures, bank should not open account and not executed bank accounts for customers.

Ziraat Bank Azerbaijan carries out the following minimum identification measures depending on risk category of customers.

For high-risk customer group - **additional identification measures**
For medium-risk customer group – **standard identification measures**
For low-risk customer group – **simplified identification measures**

4.3 Continuous monitoring of high-risk account and transactions

- Bank should carry out periodically monitoring with considering sensitivity of transactions for risk-group of customers upon establishment of business relations with customer.
- All bank transactions of high-risk group customers should be monitored more frequent intervals.
- If found intensity and high riskiness at transaction of low-risk category customer, in such case monitoring period of transactions should be changed properly.
- If identification documents of customers are considered as invalid, in such case execution of bank transactions should be suspended and new identification documents should be required from customer.
- Customer card which expressed information on customer is updated by including data of new identification card to banking system.
- If suspiciousness is found at customer`s transactions due to monitoring, in such case proper investigation should be executed and procedures should be executed in accordance of bank requirements on anti-money laundry and financing of terrorism.
- If customer includes the group of persons imposed sanction and its other suspicious criteria is approved during assessment of customer`s profile, in such case procedures should be executed by bank in accordance of requirements of anti-money laundry and financing of terrorism.
- If customer submits false documents within identification and verification process, in such case the procedures should be implemented by bank in accordance of requirements of anti-laundry and financing of terrorism.

Ziraat Bank Azerbaijan determines the following standards of monitoring process in accordance of risk-categories of customers:

- High-risk customer group – **periodic (daily)**
- Medium-risk customer group – **weekly**
- Low-risk customer group - **monthly**

4.4 Risk management

Application of Know Your Customer policy, risk assessment and control of Ziraat Bank Azerbaijan are organized as following.

- Bank determines responsibility division on effective application of Know Your Customer Policy.

- Control for proper application of Know Your Application policy by bank employees should be executed by responsible person assigned through PL/TMM.
- In order to effective application of Know Your Customer policy by personnel of bank, training plan should be drafted by responsible person assigned for PL/TMM.
- Instructing of bank personnel on Know Your Customer is conducted by responsible person of bank assigned through PL/TMM.
- Responsible person of Bank assigned for PL/TMM should informed personnel of bank related to modifications occur in law and international standards and amendments and modifications should be executed in this policy in accordance of changes.
- Assessment of effective application of PL/TMM and Know Your Customer policy is organized by internal audit section of bank.

5. Updating of identification data of customer

- 5.1 Continuous and periodic updating of customer information is executed by bank.
- 5.2 Bank carries out the control for updating of identification data of customer.
- 5.3 Relevant updating is implemented at customer card within renewal process of information.
- 5.4 In the case of any amendment at identification data of customer`s card the purpose of such amendment is mentioned at banking program.
- 5.5 Updating of identification data of customer is executed in accordance of risk group.
- 5.6 Upon execution of updating in customer`s data, copies of expired documents are kept in file of customer.

Ziraat Bank Azerbaijan determines updating of customer`s data as following.

High-risk customer group –	once time during 6-12 months
Medium-risk customer group –	once time during 12-24 months
Low-risk customer group –	once time during 24-36 months

6. Keeping of customer data

Periods related to security of documents on customer`s identification and arising from transactions of this policy are determined. Documents required on identification of customer is kept within 5 years since closing of customer`s account and ending legal relations with customer, documents related to transactions process of customer is kept during 5 years since ending of transaction process.

7. Responsibility for execution of this policy

Administration and employees of bank take responsibility for compliance requirements of this policy in accordance of Law of Azerbaijan Republic.

8. Final principles

Current policy comes into force from approved date and execution of amendments and additions to this policy includes to only authorities of Supervision Board of bank.