



PUBLIC COMPANY JOINT-STOCK BANK «PIVDENNYI»

«APPROVED» by

Resolution of Supervisory Board of
PUBLIC COMPANY JOINT-STOCK
BANK «PIVDENNYI»

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**POLICY ON PREVENTION AND COUNTERACTION TO LEGALIZATION
(LAUNDERING) OF INCOME RECEIVED BY CRIMINAL METHODS, FINANCING OF
TERRORISM AND FINANCING OF SPREAD OF MASS DESTRUCTION WEAPONS OF
PUBLIC COMPANY JOINT-STOCK BANK «PIVDENNYI»**

Version 5

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I. GENERAL PROVISIONS

1.1. Policy on prevention and counteraction to legalization (laundering) of income received by criminal methods, financing of terrorism and financing of spread of mass destruction weapons of Public Company Joint-Stock Bank «PIVDENNYI» (hereinafter referred to as Policy) determines general principles of organization of internal bank system of CML/FT, system participants and their powers, organizational structure of the system of internal control on CML/FT issues and procedures of performing control at Public Joint-Stock Company Joint-Stock Bank «PIVDENNYI» (hereinafter referred to as Bank).

1.2. The Policy was developed according to:

- **Regulation on Financial Monitoring by Banks**, approved by Resolution of the NBU Board No. 65 dated May 19, 2020 (as amended);
- **Regulation on the Implementation of Special Economic and Other Restrictive Measures (Sanctions)**, approved by Resolution of the NBU Board No. 65 dated May 11, 2023;
- Recommendations of FATF, MBΦ, World Bank, Egmont Group, Wolfsberg Group, Basel Committee;
 - Compliance Risk Management Policy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY" (Internal Regulatory Document No. 87);
- Other legislative and regulatory acts of Ukraine, internal documents of Joint-Stock Bank «PIVDENNYI».

1.3. The Bank intends to comply with the best practices and standards in the sphere of prevention and counteraction to legalization (laundering) of income received by criminal methods, financing of terrorism and financing of spread of mass destruction weapons. While performing activity the Bank complies with requirements of effective laws of Ukraine, recommendations and explanations of National Bank of Ukraine, State Service of Financial Monitoring of Ukraine, Independent Associations of Banks of Ukraine as well as international standards determining «Know your client» principles, money laundering and counter-terrorism financing principles.

1.4. **Purpose of the Policy is:**

- description of requirements to creating effective internal bank system of prevention and counteraction to legalization of criminal income/terrorism financing;
- division of functions and responsibility among structural subdivisions of the Bank participating in the process of prevention and counteraction to legalization of criminal income/terrorism financing;
- ensuring independence of functions of prevention and counteraction to legalization of criminal income/terrorism financing;
- determination of list of criteria of persons (types of clients) servicing thereof being zero tolerance of legalization of criminal income/terrorism financing for the Bank.

1.5. **Basic tasks of the Policy are:**

- improvement of effectiveness of the system of prevention and counteraction to legalization of criminal income/terrorism financing;
- determination of basic stop factors while accepting clients for servicing and their further servicing at the Bank;

- providing employees of the Bank with general information about measures on prevention and counteraction to legalization of criminal income/terrorism financing;
- determining basic principles that every employee is to be guided by in the process of executing functional duties for the purpose of prevention and counteraction to legalization of criminal income/terrorism financing.

1.6. Requirements of this Policy are binding for all employees of the Bank. The Policy reflects intention of the Bank, employees thereof to building and functioning of highly effective internal bank system of prevention and counteraction to legalization of criminal income/terrorism financing, criminal income legalization/terrorism financing risks management system, reduction of compliance risk of financial monitoring and support on a proper level of business reputation of the Bank.

II. TERMS, DEFINITIONS AND ABBREVIATIONS

The following abbreviations and terms in the Policy are used in the following meanings:

ML/FT is legalization (laundering) of income received by criminal methods, financing of terrorism and/or financing of spread of mass destruction weapons;

PCV is proper client verification;

CML/FT is prevention and counteraction to legalization (laundering) of income received by criminal methods, financing of terrorism and financing of spread of mass destruction weapons;

AT (automation system of the Bank) is a complex integrated system of automation of financial monitoring processes which can consist of several separate systems or subsystems ensuring functioning of proper ML/FT risks management system of the Bank;

ICS is internal control system on CML/FT issues;

PEP (PEPs as plural) is an individual being a politically significant person, family member thereof or person related to politically significant person, or other person, ultimate beneficiary owner thereof being a politically significant person, family member thereof or person related to politically significant person;

Analysis of financial operations is a complex of risk oriented measures performed on a regular basis and established by internal documents on the issues of CML/FT performing thereof enabling to detect financial operations subject to financial monitoring;

Shell bank is a non-resident entity (bank, other financial institution, institution performing activity similar to activity of financial institutions) having no physical presence in the registration and licensing country and not being a part of regulated financial group subject to effective consolidated supervision.

Existence of physical presence is considered to be an actual placement and functioning of the stipulated non-resident entities in the country of management bodies. Existence in the country of only authorized representatives of the said entities or personnel not referring to management of such entities is not considered to be existence of physical presence;

Responsible Officer of the Bank is employee of the Bank responsible for performing financial monitoring at the Bank;

Compliance risk of financial monitoring is a risk of legal responsibility or risk of applying impact measures by National Bank of Ukraine, occurrence of financial loss and loss of goodwill which the Bank can suffer due to failure to ensure the proper level of compliance with all the requirements of laws of Ukraine, regulatory acts, rules, internal documents, behavioral rules which can be applied while execution of duties by the Bank of the subject of primary financial monitoring;

Countries performing armed aggression against Ukraine/support actions regarding armed aggression against Ukraine are countries the list thereof being approved by Responsible Officer of the Bank;

Risks management culture is compliance with determined principles, rules, norms directed to awareness of all employees of the Bank involved to the process of financial monitoring, regarding risks acceptance and risks management;

Zero tolerance is a maximally high risk which cannot be accepted by the subject of primary financial monitoring according to internal documents on the issues of financial monitoring;

List of persons is a list of persons including persons and/or organizations related to implementation of terroristic activity or persons that international sanctions were applied to, persons performing financial operations in the name or on behalf of persons included to List of persons and persons that are directly or indirectly (through other persons) owned or ultimate beneficiaries thereof being persons included to List of Persons;

Controlled entity is client of the Bank the ultimate beneficiary thereof being/owner of considerable participation thereof being sanctioned entity and to which “asset block was applied which is temporary deprivation of right to use and dispose of assets owned by individual or legal entity as well as assets regarding which such entity is able to directly or indirectly (through other individuals or legal entities) commit actions equal to performing disposal thereof” (hereinafter referred to as block of assets in new edition”), and/or regarding which such sanctioned entity is able to directly or indirectly (through other individuals or legal entities) commit actions equal content wise to performing right of disposing thereof;

Politically significant persons are individuals being national, foreign public figures and figures performing public functions in international organizations;

Acceptable level of risks of CML/FT is a risk being managed, controlled by the Bank, which cannot cause increase of legal risk and reputational risk as well as worsening of financial results of activity thereof or cause damage to creditors and clients thereof;

Risk appetite (tendency for risk) of the bank in the sphere of CML/FT is an amount of CML/FT risk determined ahead and in the limits of acceptable level of CML/FT risk regarding which the Bank made a decision about reasonability/necessity of maintaining it for the purpose of achieving strategic goals and executing business plan thereof;

Risks of criminal income laundering/terrorism financing (hereinafter referred to as FM) is an aggregate of risks of clients of the subject of primary financial monitoring and risk of using services thereof, according to nature of activity, for criminal income legalization/terrorism financing;

Risk oriented approach is determination (detection), assessment (reassessment) and understanding of risks of legalization (laundering) of income received by criminal methods, financing of terrorism and/or financing of spread of mass destruction weapons and taking respective measures regarding risks management by method and in scope ensuring minimization of such risks depending on level thereof;

Risks management are measures taken by subject of primary financial monitoring regarding creation and ensuring functioning of risks management system providing for but not limited to determination (detection), assessment/reassessment (measurement), monitoring, risks control for the purpose of reduction thereof;

Financial monitoring is an aggregate of measures taken by subjects of financial monitoring in the sphere of prevention and counteraction which includes execution of state financial monitoring and primary financial monitoring;

Financial operations subject to financial monitoring are liminal financial operations, suspicious financial operations/activity.

Other terms and notions used in the Policy are applied in meanings determined by Laws of Ukraine “About prevention and counteraction of legalization (laundering) of income received by criminal methods, financing of terrorism and financing of spread of mass destruction weapon”, “About banks and banking activity”, “About payment systems and money transfers in Ukraine”, “About financial services and state regulation of markets of financial services”, “About depositary system of Ukraine”, “About currency and currency operations”, Provision of NBU No.65 and other regulatory acts of NBU and SAA as well as IRD on the issues of CML/FT.

III. ORGANIZATION OF ICS

3.1. Effective prevention and counteraction to using services of the Bank for criminal income legalization/terrorism financing (**FM risk**) is based in direct participation of each employee of the Bank (in terms of competence of such employee) in this process and strict allocation of duties among subdivisions of the Bank applying the three protection lines pattern:

- first line: on the level of business subdivisions of the Bank and Bank’s activity support subdivisions;
- second line: on the level of Financial Monitoring Department Compliance Department;
- third defense line: on the level of Internal Audit Department.

3.2. Participants of internal bank’s CML/FT system are: Supervisory Board of the Bank, Management Board of the Bank, Committee on the Issues of Financial Monitoring of Management Board, Chairman of Management Board of the Bank, Responsible Officer of the Bank, Financial Monitoring Department, Compliance Department, Internal Audit Department, Depositary Activity Administration, Business Subdivisions and Support Subdivisions powers thereof determined in clauses below.

3.3. Supervisory Board of the Bank:

- determines and approves Policy regulating basic principles of proper building and functioning of internal bank system of prevention and counteraction to criminal income legalization and makes Management Board of the Bank and Responsible Officer aware of it;
- ensures existence in the Bank’s organizational structure of separate structural subdivision on prevention and counteraction to criminal income legalization/terrorism financing directly accountable to Responsible Officer of the Bank;
- ensures control over effectiveness of functioning of risks management system as well as maintaining proper functioning thereof;
- appoints the Responsible Officer of the Bank according to requirements of statutory documents of the Bank and according to procedure prescribed by law;
- ensures uninterrupted control over compliance of Responsible Officer with requirements established by legislative and regulatory acts of NBU with further provision of information to NBU regarding results of audit according to period and form of notification determined by them;
- considers conclusions and propositions of internal audit subdivision upon results of audits of compliance by the Bank of all requirements of laws in the sphere of prevention and counteraction to criminal income legalization/terrorism financing (including regarding sufficiency of measures taken by the Bank for ensuring functioning of proper risks management system on criminal income

legalization/terrorism financing) ensuring execution of further control over elimination of defects found;

- determines the risk appetite regarding acceptable level of risk in the sphere of counteraction to criminal income legalization/terrorism financing by the way of determining prohibitions for establishing/supporting business relations/executing financial operations considering (respectively) risks being of zero tolerance for the Bank;
- considers results of assessment of risk profile of the Bank, upon the results thereof approves a respective resolution and makes the Management Board and Responsible Officer aware of it for execution.

3.4. Management Board of the Bank:

- ensures implementation of basic principles of the Policy determined by Supervisory Board of the Bank;
- ensures awareness of all employees of the Bank of requirements of the Policy as well as informing the employees about consequences of incompliance (non-execution) of requirements of the Policy in terms of their duties and responsibility and/or of omission to act;
- ensures timely and efficient reaction to problems/issues related to prevention and counteraction to criminal income legalization/terrorism financing;
- ensures functioning on the regular basis of collective body (specially created separate committee) regarding consideration of problematic and urgent issues of functioning of internal bank CML/TF system, approves Provisions about Committee on the Issues of Financial Monitoring of Management Board, considers Committee Activity Report (according to determined filing periodicity) and makes resolution upon consideration results;
- ensures development and approves internal regulatory documents on the issues of prevention and counteraction to criminal income legalization/terrorism financing regulating functioning of internal bank CML/TF system, ML/TF risks management, execution of primary financial monitoring in the scope necessary for effective functioning thereof and for understanding by employees of the Bank of their duties and powers in the sphere of CML/FT, binding for the employees involved to the processes of financial monitoring;
- ensures open and perceptive attitude to processes of prevention and counteraction to criminal income legalization/terrorism financing;
- ensures providing Financial Monitoring Department with sufficient resources and powers necessary for effective execution of functions and duties thereof including ensuring functioning of proper internal bank CML/FT system;
- ensures acceptance by each employee of the Bank involved to processes of internal bank CML/FT system, of the duty to comply with internal regulation acts and regulatory documents of the Bank on the issues of prevention and counteraction to criminal income legalization/terrorism financing.

3.5. Committee on the Issues of Financial Monitoring of Management Board:

- perform consideration with periodicity prescribed by laws of Ukraine of the following problematic and urgent issues in the sphere of CML/TF:

- ✓ results of monitoring of business relations with clients which detected suspicious activity of clients, and propositions regarding taking necessary measures regarding such clients for the purpose of minimizing ML/FT risks;
 - ✓ issues related to propositions regarding refusal to continue business relations with clients (including in case of fixing zero tolerance risk to such client);
 - ✓ problematic issues arising while conducting PCV measures at the Bank;
 - ✓ amendments to laws of Ukraine on CML/TF issues and taking necessary measures by the Bank related to such amendments (among other things revision of internal documents of the Bank on CML/TF issues) fixing time limits for taking such measures;
 - ✓ results of assessment of new banking products/services and ML/TF risks inherent thereto;
 - ✓ problematic issues regarding conducting training measures for Bank's employees, agents (employees thereof if involved);
 - ✓ problematic issues related to establishment of business relations with PEPs and/or their servicing;
 - ✓ other issues concerning execution by the Bank of requirements of laws of Ukraine in the sphere of CML/TF subject to consideration;
- ensures management of compliance risks of financial monitoring, formation of risk oriented approach thereat making respecting resolutions upon results of considering issues being binding for execution by all employees of the Bank involved to the processes of financial monitoring;
- performs FM risk management in the Banking Group (according to tasks, resolutions of the Management Board), develops measures regarding efficient elimination of defects in functioning of FM risk management in the Group.

3.6. **Chairman of Management of the Board** ensures proper organization of compliance with requirements of laws of Ukraine in the sphere of prevention and counteraction to criminal income legalization/terrorism financing and proper organization of internal bank system of prevention and counteraction to criminal income legalization/terrorism financing which includes compliance measures regarding:

- ✓ ensuring appointment of Responsible Officer of the Bank according to requirements of laws of Ukraine in the sphere of prevention and counteraction to criminal income legalization/terrorism financing;
- ✓ creating and ensuring effective activity of the risks management system on prevention and counteraction to criminal income legalization/terrorism financing;
- ✓ controlling development, timely constant review and approval of internal documents of the Bank on the issues of financial monitoring according to the time limit prescribed by laws;
- ✓ ensuring execution of primary financial monitoring;
- ✓ ensuring execution of personnel training regarding meeting requirements of laws in the sphere of CML/FT;
- ✓ performing control over compliance with requirements of laws in the sphere of prevention of criminal income legalization/terrorism financing;
- ✓ performing review and constant use of updated list existing at the Bank of persons related to conducting terroristic activity (list of terrorists) or persons that international sanctions were applied to;

- ✓ ensuring functioning of effective and timely system of escalation of suspicions and problematic issues in the sphere of CML/FT, procedure of consideration thereof including regarding passing information/facts concerning cases of breach or possible breach of laws of Ukraine or internal procedures of the Bank in the sphere of CML/FT.

3.7. Responsible Officer of the Bank:

- ✓ ensures provision of information to specially authorized body about financial operations subject to financial monitoring;
- ✓ ensures provision of information to specially authorized body about discrepancies between data about ultimate beneficiary owners and the ownership structure contained in Unified State Register of Legal Entities, Individuals and Public Associations, and information data about ultimate beneficiary owners and the ownership structure received by the Bank as a subject of primary financial monitoring, in the result of performing proper verification of a client and concerning other information provision thereof to specially authorized body being prescribed by legislative and regulatory documents of NBU;
- ✓ organizes performance of audits of activity of any subdivision of the Bank and employees thereof regarding their execution of internal documents on the issues of financial monitoring;
- ✓ exercises the right of access to all the premises, documents, information, databases, telecommunication means, archives of the Bank;
- ✓ involves employees of the Bank to executing audits of primary financial monitoring and audits on such issues;
- ✓ organizes development, filing for approval, ensuring constant updating as well as control over execution of internal documents on the issues of financial monitoring;
- ✓ receives explanations on the issues of performing financial monitoring from employees of the Bank disregarding their positions taken;
- ✓ assists execution by authorized representatives of subjects of state financial monitoring executing functions of state regulation and supervision (NBU) over the Bank as a subject of primary financial monitoring, of audit of activity of the Bank regarding compliance with laws in the sphere of prevention and counteraction;
- ✓ makes resolutions about providing information on the issues of financial monitoring upon requests of the specially authorized body and respective law enforcement authorities;
- ✓ ensures provision of information to Chairman of Management Board according to periodicity prescribed by laws about detected financial operations and taken measures concerning execution of primary financial monitoring, development/review of internal documents on the issues of financial monitoring, training of personal for complying with requirements of laws of Ukraine in the sphere of prevention and counteraction to criminal income legalization/terrorism financing;
- ✓ issues internal orders on the issues of prevention and counteraction to criminal income legalization/terrorism financing binding for execution by all employees of the Bank;
- ✓ approves the List of risky countries (territories) of the Bank and ensures use thereof;
- ✓ reports to Supervisory Board of the Bank regarding results of assessment of risk profile of the Bank, problematic issues regarding creating proper organization of internal bank CML/FT system, execution of primary financial monitoring, ensuring of proper ML/FT

- risks management system, with periodicity determined by legislative and regulatory documents of NBU;
- ✓ executes other functions provided by laws of Ukraine and acts of internal regulation of the Bank.

3.8. Financial Monitoring Department:

- performs monitoring of compliance with basic principles of this Policy;
- develops, constantly reviews and implements internal regulatory documents on the issues of prevention and counteraction to criminal income legalization/terrorism financing regulating functioning of internal bank CML/FT system, ML/FT risks management, execution of primary financial monitoring, other acts of internal regulation /regulatory and guidance documents of the Bank on the issues of financial monitoring;
- ensures organization of work on performing analysis of financial operations of the Bank's clients (including without opening an account) and detecting financial operations having signs of financial monitoring (including performance of further control over financial operations) and entering information regarding such to register of financial operations within the period and according to procedure prescribed by acts of internal regulation/regulatory and guidance documents of the Bank on the issues of financial monitoring and effective laws of Ukraine on the issues of prevention and counteraction to criminal income legalization/terrorism financing, for further provision of information regarding such to specially authorized body;
- performs preparing of data for providing information to specially authorized body about liminal financial operations subject to financial monitoring as well as about suspicious financial operations/activity regarding which there is a suspicion or there are sufficient grounds to consider they are the result of criminal activity or related to terrorism/financing of mass destruction weapons and regarding other information provision thereof to specially authorized body being prescribed by legislative and regulatory documents of NBU;
- performs control over timeliness, completeness and accuracy of measures taken by employees of separated/independent structural subdivisions of the Bank regarding identification, verification and studying of clients, identification of persons acting on behalf of a client, determination of information regarding ultimate beneficiary owners (controllers) of clients, specification of information about clients, etc.;
- performs control over execution by employees of separated/independent structural subdivisions of the Bank of measures on risks management on criminal income legalization/terrorism financing;
- ensures organization of work and control over execution by employees of separated/independent structural subdivisions of the Bank of measures regarding clients that (ultimate beneficiary owners thereof) are politically significant figures, their family members and persons related to politically significant figures;
- ensures organization of work on preparation and provision of information on the issues of financial monitoring for providing responses to requests of authorized bodies (including law enforcement);
- ensures (in terms of powers assigned) preparing and sending requests to executive power authorities, law enforcement bodies, National Bank of Ukraine, other legal entities for the purpose of receiving explanations and methodological recommendations for executing duties of subject of primary financial monitoring assigned to the Bank and for minimizing risk of applying penalties to the Bank on the part of state regulator;

- ensures interaction and informational exchange with law enforcement authorities, specially authorized body, National Bank of Ukraine, other state authorities on the issues of financial monitoring;
- prepares and ensures presenting for consideration of Committee on the Issues of Financial Monitoring of Management Board of urgent and problematic issues regarding execution of financial monitoring;
- prepares and files statistical and other reports provision thereof being required under respective regulatory acts of NBU, considering norms regarding procedure of filling in thereof, periodicity of execution, time limits and ways of providing data (in the limits of powers assigned);
- consolidates, prepares and provides information upon requests of specially authorized body prescribed by laws including additional information which can relate to financing of terrorism/termination of financial operations/freeze of assets related to terrorism, information regarding tracking (monitoring) of financial operations of a client the operations thereof became an object of financial monitoring and other information;
- consolidates, prepares and files upon request of National Bank of Ukraine as a subject of state financial monitoring executing functions of state regulation and supervision over banking entities according to laws, information/documents necessary for checking compliance by the Bank with requirements of laws in the sphere of prevention and counteraction to criminal income legalization/terrorism financing, including facts of breaching requirements of laws in the mentioned sphere;
- takes measures regarding prevention of disclosure of information filed with specially authorized body and other information on the issues of financial monitoring;
- terminates execution (including expense financial operations) or ensures monitoring of financial operations of respective person in cases prescribed by effective laws of Ukraine;
- performs actions regarding refusal from establishing (supporting) business relations/executing financial operation, freeze of assets and termination of financial operation according to grounds and procedure prescribed by laws and internal documents of the Bank;
- organized and conducts training and practical work (including seminars, testing) for the purpose of training personnel of the Bank for implementing measures provided by effective laws of Ukraine and acts of internal regulation of the Bank on the issues of prevention and counteraction to criminal income legalization/terrorism financing;
- takes measures regarding managing risks of using services of the Bank for criminal income legalization/terrorism financing (FM risks);
- provides consultations to employees of the Bank on the issues of implementing measures provided by effective laws of Ukraine and acts of internal regulation of the Bank on the issues of financial monitoring;
- interacts in terms of competence with organizations of banking entities alliances (associations, unions, etc.) that the Bank acquired membership in, for the purpose of protecting interests of the Bank by the way of participating in professional work over projects of legislative acts on the issues of prevention and counteraction to criminal income legalization/terrorism financing and initiating amendments thereto;
- interacts (in terms of powers) with structural subdivisions of the Bank developing software programs and/or provide support while their further use, or, if required, directly with external software developers, regarding issues of improving effectiveness of operation of program units used

for work by the Department, according to requirements of effective laws of Ukraine by the way of official correspondence, issuing technical tasks, etc.;

- assists (in terms of powers assigned) in execution by authorized representatives of National Bank of Ukraine of audits of activities of the Bank regarding compliance with requirements of laws of Ukraine in the sphere of counteraction to criminal income legalization/terrorism financing;
- takes measures for prevention of involvement of employees of the Bank to criminal income legalization/terrorism financing;
- performs analysis and verification of documents/information grounding execution of currency operations in cases determined by effective laws of Ukraine and acts of internal regulation/regulatory and guidance documents of the Bank;
- consolidates, prepares and provides information upon requests of foreign correspondent banks in response regarding competence of the Department according to procedure prescribed by acts of internal regulation/regulatory and guidance documents of the Bank.

3.9. Compliance Department:

- performs subsequent control over the completeness, timeliness, and accuracy of the fulfillment by the AML/CFT unit and other Bank departments of their obligations in order to ensure the Bank's compliance with the functions of a primary financial monitoring entity (PFME);
- submits to the Chief Compliance Officer/Responsible Employee conclusions and proposals (recommendations) based on the results of the conducted subsequent control measures regarding the completeness, timeliness, and accuracy of the Bank departments' performance of functions/obligations within the internal AML/CFT system;
- provides heads of the Bank's departments with recommendations following the results of the subsequent control measures (in case of identified shortcomings in internal control procedures, violations of legislation, NBU regulations, or internal regulatory documents), and monitors their implementation.

3.10. Internal Audit Department:

- on the ground of risk oriented approach it organizes and conducts internal audits according to article 8 of Law about CML/FT of compliance by the Bank of all requirements of laws in the sphere of prevention and counteraction to criminal income legalization/terrorism financing (including regarding sufficiency of measures taken by the Bank for ensuring functioning of proper risks management system on criminal income legalization/terrorism financing);
- while executing internal audits it performs analysis of completeness and efficiency of automation system (AS) implemented at the Bank for execution by the Bank of duties of subject of primary financial monitoring established by laws;
- provides conclusions and propositions for consideration of the Supervisory Board of the Bank upon results of audit regarding compliance by the Bank with all the requirements of laws in the sphere of prevention and counteraction to criminal income legalization/terrorism financing;
- performs control over elimination of breaches found upon results of audit regarding compliance by the Bank with all the requirements of laws in the sphere of prevention and counteraction to criminal income legalization/terrorism financing.

3.11. Management of depositary activity:

- refers to first protection line;
- while implementing depositary activity/committing transactions regarding financial instruments it is to organize and ensure permanent control/monitoring over execution of depositary operations/operations with financial instruments on all the stages of execution thereof;
- performs control/monitoring over financial operations on stages of performing thereof as well as for certain period of time but not less than on a monthly basis;
- performs detection of indicators of suspiciousness of financial operations.

3.12. Business Subdivisions and Support Subdivisions:

- are subordinated to members of Management Board of the Bank, refer to first protection line;
- bear responsibility for compliance with all requirements of laws in the sphere of prevention and counteraction to legalization of criminal income/financing of terrorism while performing activity thereof;
- comply with Policy and other IRD on the issues of prevention and counteraction to legalization of criminal income/financing of terrorism regulating functioning of internal bank system of CML/FT;
- ensure detection of events of operative risk on the level of subdivision and informing by risk coordinators of operative risk about such events;
- inform about finding breach through registration of events of operative, compliance and ML/FT risks according to established procedures;
- carry out the development and implementation of measures to eliminate identified violations based on the recommendations of the second and third lines of defense units.

IV. ESTABLISHED PROHIBITIONS FOR CERTAIN TYPES OF ACTIVITY /SERVICING OF CERTAIN TYPES OF CLIENTS AT THE BANK

4.1. On the ground of ML/FT risks assessment inherent to activity of the Bank the following risk appetite of the Bank in the sphere of CML/FT regarding prohibitions/limitations for certain types of activity/servicing of certain types of clients.

4.2. The risks not acceptable by the Bank:

4.2.1. The Bank does not open and does not operate anonymous (numbered) accounts.

4.2.2. The Bank does not establish correspondent relations with shell banks as well as banks and other non-resident financial entities maintaining correspondent relations with shell banks as well as financial entities registered and/or licensed in countries referred to the list of countries not executing FATF recommendations.

4.2.3. The Bank does not establish/ does not maintain business relationship with shell companies.

4.2.4. The Bank (except for cases provided by resolutions of Security Council of UNO) does not establish business relations and does not implement expense financial operations, does not provide financial and other related services directly or indirectly to clients being:

- 1) persons and/or organizations included to list of persons;

2) persons and/or organizations acting on behalf of persons and/or organizations included to list of persons;

3) persons and/or organizations directly or indirectly owned by or ultimate beneficial owners thereof being persons and/or organizations included to list of persons.

This prohibition is also applied in case if the Bank is aware of the fact that contractor of financial operation or financial entity ensuring financing of the operation are persons stipulated in this clause.

4.2.5. The Bank does not establish business relations with persons/organizations included to the list of persons that Council of National Safety and Defense applied personal special economic and other restrictive measures (sanctions) to.

4.2.6. The Bank does not execute financial operations initiated/received by a person/organizations included to list of persons that Council of National Safety and Defense applied personal special and economic and other restrictive measures (sanctions) to, which under regulatory acts of National Bank of Ukraine provide for refusal from executing financial operation/prohibition for such financial operations and/or establishing business relations.

4.2.7. The Bank does not establish business relations with persons/organizations included to personal sanctions list of Foreign Assets Control Administration of Ministry of Finances of USA (OFAC SDN list) and/or EU sanction list, and/or with organizations their final beneficiary owners (beneficiaries) being persons included to the stipulated lists, if a share if UBO by the organization amounts to 50% (or more) or ownership of the organization in the amount of 50% (or more) in the aggregate belongs to sanctions persons of UBO with the share owned by each of them less than 50%, except persons sanctions thereof being deferred.

4.2.8. The Bank does not establish/maintain business/correspondent relations with persons stipulated in section 311 of Patriotic Act of USA or those having respective registration, place of residence or location in the country stipulated in section 311 of Patriotic Act of USA.

4.2.9. The Bank does not establish/maintain business relations with persons/organizations being residents of countries referred to the list of countries not complying with FATF recommendations.

4.2.10. The Bank does not establish/maintain business relations with persons/organizations being residents of countries located on the territories of active combat operations and does not perform financial operations upon initiative of /for the benefit of stipulated persons for the period of such combat operations.

4.2.11. The Bank does not establish/maintain business relations, does not perform financial operations if there are sufficient grounds that the client performs financial operations or transactions with funds and other property received in the result of committing a crime (by criminal methods) as well as performs actions directed to concealing or covering illegal origin of such funds or other property or owning them, rights for such funds or property, sources of their origin, location, transfer, change of their form (transformation) as well as acquiring, owning or use of funds or other property received in the result of committing a crime (by criminal methods).

4.2.12. The Bank does not establish/maintain business relations, does not execute financial operations in case if:

- execution of client identification and/or verification is impossible;
- determining data enabling to determine ultimate beneficiary owners is impossible;
- the Bank as a subject of primary financial monitoring has doubts regarding the fact that a person acts in own name;

- determination of zero tolerance risk to a client or failure to provide documents or data necessary for executing proper verification of a client documents or data;
- provision by client or representative thereof of unreliable information to the Bank or providing information for the purpose of misleading the Bank;
- finding that bank/other financial institution that correspondent relations are established with is a shell bank and/or it maintains correspondent relations with a shell bank;
- if execution of identification of a person in the name or in interests of which a financial operation is executed, and determination of ultimate beneficial owner or beneficiary thereof under financial operation is impossible.

4.2.13. In case of establishing practices including implementation of new banking products/services that ML/FT are inherent to and implementing thereof being able to bring to recognizing the risks management system at the Bank as ineffective and improper, it is possible to implement additional prohibitions/limitations considering procedure determined in clause 4.5. of the stipulated section.

4.2.14. The Bank shall not establish business relations with persons being residents of countries performing armed aggression against Ukraine/support actions regarding performing armed aggression against Ukraine as well as with clients acting on behalf of residents of the stipulated category of countries/clients controlled being managed by residents of the stipulated category of countries.

4.2.15. The Bank shall not service clients on financial operations on money transfer in operations with one of participants being resident of the country performing armed aggression against Ukraine/support actions regarding performing armed aggression against Ukraine and/or country of supply of goods/origin of goods being country of the stipulated category.

4.3. Risks which can be accepted by the Bank only after taking measures on such risks management (minimization thereof).

4.3.1. Establishing business relations and servicing clients, activity thereof being related to the following relations:

- insurance/financial companies/non-credit financial organizations;
- nuclear power;
- production, sale of radioactive and chemical substances;
- production, sale of weapon, defense industry;
- provision, organization, holding gambling games (casino, gambling halls, stakes, etc.

including online-platforms in the internet);

- sale and provision of services in virtual space (if there are signs of real activity);
- activity supposing receiving respective license under requirements of laws.

4.3.2. Establishing business relations and servicing clients referred to PEPs.

4.3.3. Establishing business relations and servicing clients being non-profitable organizations.

4.3.4. Establishing business relations and servicing clients being non-resident legal entities.

4.3.5. Establishing business relations and servicing clients being controlled by sanctioned entities complying with restrictions established by resolution of Committee on the issues of financial monitoring of the Management Board or Responsible Officer.

4.4. Risks that the Bank is ready to accept, other risks not determined in this section and are risks which are managed, controlled by the Bank cannot cause increase of legal risk or reputation risk as well as worsening of financial results of Bank's activity or harm creditors or clients thereof.

4.5. For the purpose of effective risks management and ensuring functioning of proper ML/FT risk management system, formation of risk oriented approach in limits of determined and effective risk

appetite of the Bank, Committee on the Issues of Financial Monitoring of Management Board and/or Responsible Officer can establish other prohibitions/restrictions that those stipulated in this section if there are ground for implementing thereof.

4.6. Upon results of assessing risk profile of the Bank the Responsible Officer is to control implementation/change of measures on minimizing risks so that:

- number of risk categories on the whole and on each type of risk establishing an extra-high level would not exceed 10% of the total number;
- no categories of risks establishing risks level lower than the lowest one, were present.

V. SYSTEM OF INTERNAL REGULATORY DOCUMENTS ON CML/FT

5.1. Responsible Officer and Financial Monitoring Department develops internal CML/FT documents of the Bank in scope necessary for effective functioning of internal bank CML/FT system and understanding by employees of the Bank of their duties and powers in the sphere of CML/FT.

5.2. Responsible Officer determines the list, content and structure of internal documents on the issues of CML/FT considering the following principles:

- ensuring of proper organization and functioning of effective internal bank CML/FT system, execution of primary financial monitoring, functioning of proper ML/FT risks management system;
- implementation of risk oriented approach while performing CML/FT procedures;
- execution by the Bank of all requirements provided by laws of Ukraine in the sphere of CML/FT;
- taking into account of all types and directions of activity of the Bank;
- implementation of CML/FT culture at the Bank and ensuring of direct participation of every employee (in terms of competence thereof) in the process of implementation of CML/FT procedures;
- strict allocation of duties and powers between council of the Bank, Chairman of Management Board of the Bank/Chief of branch of a foreign bank, Members of Management Board of the Bank, Responsible Officer of the Bank, other employees and structural subdivisions of the Bank for the purpose of not allowing breaches of laws of Ukraine in the sphere of CML/FT in operation of the Bank;
- existence of proper internal control (on different types of services/products, types of clients, level of clients risks, sum of financial operations) and determination of employees of the Bank making decisions on different stages of control according to their functional duties ensuring the following principle: higher position is bigger powers and responsibility”;
- establishment of detailed order of actions maximally understandable for employees of the Bank while their execution of CML/FT procedures;
- ensuring secrecy of financial monitoring and confidentiality of information about informational exchange with specially authorized body including the fact of passing data about financial operation of a client to specially authorized body;
- ensuring of confidentiality of information about internal documents of the Bank on the issues of CML/FT;
- ensuring of confidentiality of information about clients, their accounts and financial

operations as well as other data constituting a banking secret;

- prevention to involvement of employees of the Bank to ML/FT.

VI. DUTIES OF EMPLOYEES OF THE BANK

6.1. Employees of the Bank involved into processes of financial monitoring are to comply with requirements of effective laws on the issues of financial monitoring, execute internal regulatory documents on the issues of prevention and counteraction to criminal income legalization/terrorism financing regulating functioning of internal bank CML/FT system, orders of Responsible Officer, established prohibitions/restrictions regarding establishing/maintaining business relations/executing financial operations and other measures for effective prevention of using services of the Bank for the purpose of ML/FT, being properly aware on the stipulated issues and understanding of their responsibility for non-execution of duties and/or omission to act.

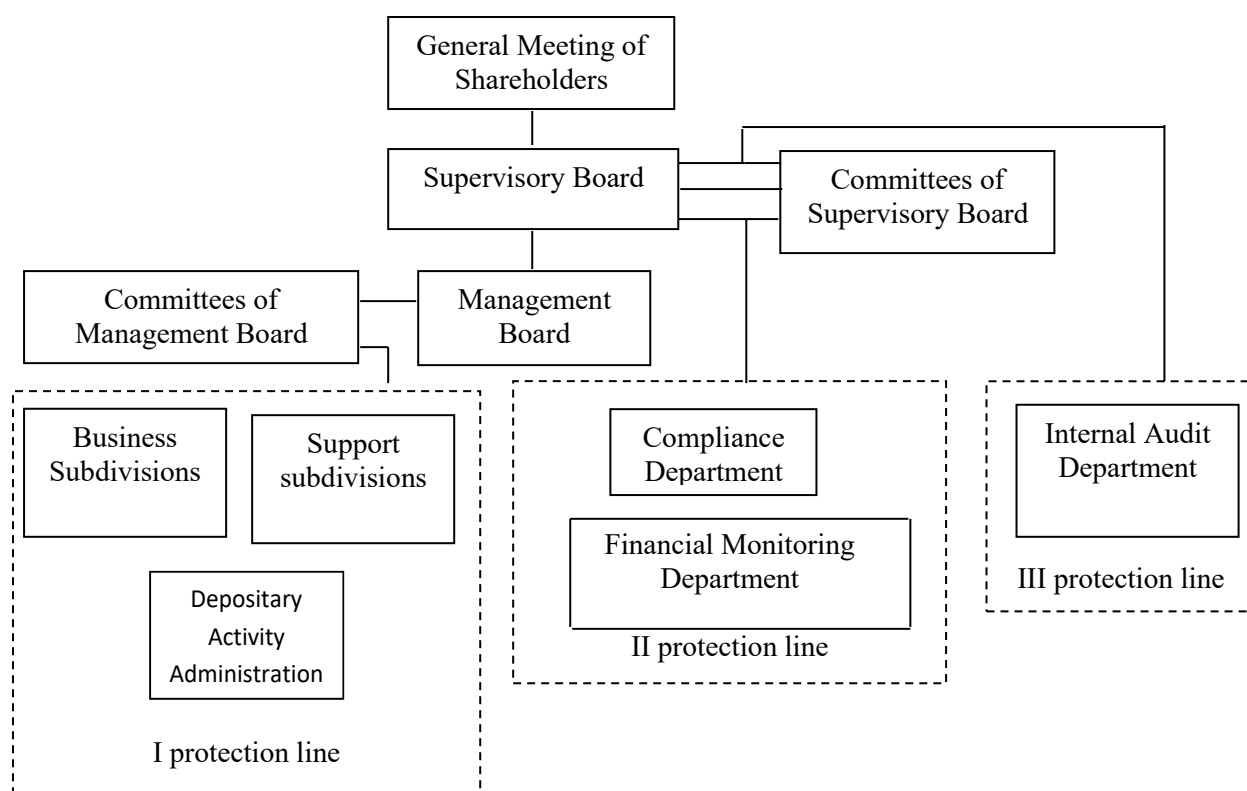
6.2. Employees of the Bank are prohibited to:

- provide consultations to clients, representatives of clients regarding executing financial operations nature or consequences thereof give grounds to consider that they can be related to avoidance of meeting requirements and restrictions provided by banking, currency laws, laws on the issues of financial monitoring;
- to fail to provide or to provide incomplete information/documents in response to the request of the Financial Monitoring Department and its structural units within the deadlines and scope specified in such request;
- to knowingly provide false information in response to the requests of the Financial Monitoring Department and its structural units;
- disclose in any form information which according to Law about prevention is to be provided to specially authorized body by a person that became aware of such information due to professional or official activity;
- disclose information contained in this Policy and other internal regulatory documents of the Bank on the issues of prevention and counteraction to criminal income legalization/terrorism financing, to any third parties except in cases when such disclosure is coordinated with Responsible Officer of the Bank;
- establish correspondent relations with foreign financial institutions without written consent of chief of the Bank;
- to establish or continue business relationships with domestic politically exposed persons (PEPs), their family members, and persons associated with such politically significant individuals; with foreign PEPs; and with individuals holding prominent public functions in international organizations, their family members, and persons associated with such politically significant individuals, or to conduct one-time financial transactions involving significant amounts for such individuals, depending on the client's assessed PEP risk level, namely:
 - without obtaining written permission from the Bank's Responsible Employee for clients whose PEP risk level is assessed as high;
 - without obtaining confirmation from the Head of the Regional Branch/Director/Deputy Director of the Financial Monitoring Department for clients whose PEP risk level is assessed as medium;
 - without obtaining confirmation from an authorized employee of the Regional Branch for clients whose PEP risk level is assessed as low.

VII. INTERNAL CONTROL OF CML/FT ISSUES

7.1. ISC on the issues of CML/FT (hereinafter referred to as ICS) is implemented at the Bank on each organizational level of the Bank and is a component of general bank internal control system

7.2. Organizational structure of ICS of the Bank:



7.3. ICS at the Bank is based on allocation of duties among subdivisions of the Bank applying three protection lines pattern:

1) *first protection line*: on the level of business subdivisions and subdivisions of support of activities of the Bank, Depository Activity Administration. Such subdivisions initiate, execute or reflect operations, take risks in the process of activity thereof and bear responsibility for current management of such risks, take control measures;

2) *second protection line*: at the level of the Financial Monitoring Department and the Compliance Department. The Financial Monitoring Department ensures that the Bank's management has confidence that the control and risk management measures related to AML/CFT, implemented by the first line of defense, have been properly developed and are functioning effectively. The Compliance Department conducts subsequent control measures and ensures that the Bank's management has confidence that the control and risk management measures related to AML/CFT, implemented by the Bank's structural units (excluding the internal audit unit), are functioning appropriately.;

3) *third protection line*: on the level Internal Audit Department performing independent assessment of effectiveness of activity of first and second protection lines and general assessment of ICS effectiveness.

7.4. Implementation of control procedures at the Bank are executed:

7.4.1. *organizationally* by the way of:

- 1) allocation in the limits of organizational structure of the Bank of powers, duties and responsibility regarding performing internal control between subdivisions, between chiefs and between employees of the Bank:
 - subordination, duties, rights and responsibility of employees are determined in position descriptions;
 - description of functions including controlling functions performed by subdivisions is provided in provisions about subdivisions and in other internal bank documents;
 - subordination, duties, rights and responsibility of chiefs of the Bank are determined in Articles of Association, position descriptions and in other internal bank documents.
- 2) implementation of necessary control procedures, restrictions ensuring effective functioning of ICS determined in internal bank documents;
- 3) establishment of control measures (audits) regarding compliance of activity of outsourcers to requirements established by the Bank;
- 4) execution of regular assessment of risks of the Bank and measures on control according to internal bank documents on the issues of risks management;
- 5) ensuring informational safety and organization of proper exchange of information according to internal bank documents;
- 6) execution of monitoring of ICS effectiveness including assessment of efficiency thereof by the way of holding audits by Internal Audit Department.

7.4.2. *methodologically* by the way of description of ICS in internal bank documents including periodicity and time limits of taking measures on control, by responsible persons that control was entrusted to;

3) *technologically* by the way of automation of procedures of control in informational systems of the Bank considering judgment of the Bank regarding economic reasonableness of automation of such procedures.

VIII. TRAINING STANDARDS ON CML/FT ISSUES

8.1. The Bank conducts training on CML/FT issues on the regular basis for employees participating in taking measures for the purpose of executing requirements of laws in the stipulated sphere and which were delegated respective rights and duties, ensuring further testing of the level of knowledge received by employees, and conducting repeated training for employees having receive unsatisfactory results upon testing results.

8.2. Training programs are to include conducting training not less than once a year for chiefs of the Bank, employees of internal audit subdivision for the purpose of understanding international standards on CML/FT and trends in CML/FT sphere.

8.3. Training materials are developed considering directions of activities of the Bank's subdivisions, specificity of position duties of employees, their powers and responsibility as well as level of knowledge and qualification necessary for such employees for the purpose of providing information as close as possible to practical use in work.

8.4. The Responsible Employee, as well as employees of the Financial Monitoring Department, Compliance Department, and Internal Audit Department, are obliged to continuously enhance their qualifications in order to maintain an appropriate level of knowledge and expertise in the field of AML/CFT.

IX. CONTROL AND RESPONSIBILITY

9.1. Responsibility for implementation and compliance with requirements and grounds determined by the Policy for the purpose of ensuring proper organization and functioning of internal bank CML/FT system, conducting of primary financial monitoring, functioning of proper ML/FT risks management system including considering the determined risks appetite of the Bank in the sphere of CML/FT are entrusted to all employees of the Bank involved into processes of financial monitoring in terms of functions determined by this Policy and other IRDs on AML/CFT matters.

9.2. Control over execution of this Policy is entrusted to Supervisory Board of the Bank, Management Board of the Bank, Responsible Officer of the Bank, the Financial Monitoring Department, the Compliance Department, and the Internal Audit Department within the scope of their defined authorities.

X. FINAL PROVISIONS

10.1. This Policy enters into force upon its approval by the decision of the Bank's Supervisory Board, unless another effective date is specified in the Supervisory Board's decision, and remains in effect until it is approved in a new version or until a respective decision on its cancellation is adopted by the Supervisory Board of the Bank.

10.2. Amendments to the Policy are made in case of changes in legislation or in other cases. Such amendments enter into force upon their approval by the decision of the Bank's Supervisory Board.

10.3. If requirements of laws of Ukraine are changed, the Policy shall be valid in the part not contradicting to new requirements till the moment when relevant amendments are made in this Policy.

10.4. Matters not regulated by this Policy shall be governed by the legislation of Ukraine, other internal regulatory documents of the Bank, individual decisions of the Bank's Supervisory Board, orders/instructions of the Chairman of the Management Board or other authorized persons, and official correspondence.

10.5. The Policy is binding for all managers and employees of the Bank.

10.6. Managers of the Bank are responsible for informing all the subordinated employees about this Policy and ensuring execution thereof.