

# **Alfa Banking Group**

# **Anti-Money Laundering Policy**

Version 2.0.

Moscow, 2008

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## **General Provisions**

This Policy represents the basic standards of Anti-Money Laundering and Combating Terrorism Financing (hereinafter collectively referred to as AML) procedures within the Alfa Banking Group.

The Policy will become effective upon approval by the Executive Board of the Group.

All relevant employees must be thoroughly familiar with and make use of the material contained in this Policy.

Sufficient copies of this Policy will be distributed to all Group Companies so that it will be readily available to all relevant employees.

This Policy will be kept updated by the Group AML Center. When necessary, updated versions will be introduced and distributed to all Companies.

## Definitions

<i>Group</i>	Alfa Banking Group
<i>Company</i>	Group Member Company
<i>Group AML Center</i>	Compliance Department of ALFA-BANK, Russia
<i>Group AML Head</i>	Head of Compliance of ALFA-BANK, Russia
<i>Country AML Officer</i>	Designated person responsible for implementing AML policies and procedures within the Company

### *Money Laundering*

Money Laundering is any transaction or series of transactions undertaken to conceal or disguise the nature and source of funds that have been obtained from illegal activity. The main objective of the money launderer is to transform ‘dirty’ money into seemingly clean money or other assets in a way to leave as little trace as possible of the transformation. Examples of illegal activities that often involve money laundering are: drug trafficking; terrorism; smuggling; fraud; bribery; robbery; embezzlement; and illegal gambling. There are three recognized forms of the money laundering process:

- *Placement* – Physically depositing “cash” into banks and non-bank financial institutions such as currency exchanges; converting “cash” into other financial instruments such as by purchasing monetary instruments (travelers’ checks, payment orders); or using “cash” to purchase expensive items that can be resold. Launderers often seek to deposit cash into banks in less regulated countries and then transfer these funds to banks in regulated environments as “clean”. *Smurfing* - a form of Placement where the launderer makes many small cash deposits instead of a large one to evade local regulatory reporting requirements applicable to cash transactions.
- *Layering* – Separating the proceeds of criminal activity from their source through the use of layers of financial transactions (multiple transfers of funds among financial institutions, early surrender of an annuity without regard to penalties, cash collateralized loans, L/Cs with false invoices/bills of lading, etc.) to disguise the origin of the funds, disrupt any audit trail, and provide anonymity. Launderers want to move funds around, changing both the form of the funds and their location in order to make it harder for law enforcement authorities to identify “dirty” money.
- *Integration* – Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds.

### *Risk Based Approach*

Identification of the money laundering risks of customers and transactions allows us to determine and implement proportionate measures and

controls to mitigate these risks. The used risk criteria *inter alia* are the following:

- *Country risk*, in conjunction with other risk factors, provides useful information as to potential money laundering risks. Factors that may result in a determination that a country poses a higher risk include:

- countries subject to sanctions, embargoes or similar measures;
- countries identified by the Financial Action Task Force (“FATF”) as non-cooperative in the fight against money laundering or identified by credible sources as lacking appropriate money laundering laws and regulations;
- countries identified by credible sources as providing funding or support for terrorist activities;
- countries identified by credible sources as having significant levels of corruption, or non-transparent tax environment.

- *Customer risk* - there is no universal consensus as to which customers pose a higher risk, but the below listed characteristics of customers have been identified with potentially higher money laundering risks:

- armament manufactures,
- cash intensive business;
- unregulated charities and other unregulated “non profit” organizations;
- dealers in high value of precious goods;
- “Politically Exposed Persons” (frequently abbreviated as “PEPs”), referring to individuals holding or having held positions of public trust, such as government officials, senior executives of government corporations, politicians, important political party officials, etc., as well as their families and close associates;

- *Services risk*. Determining the money laundering risks of services should include a consideration of such factors as:

- services identified by regulators, governmental authorities or other credible sources as being potentially high risk for money laundering;
- services involving banknote and precious metals trading and delivery.

## **Goals and objectives**

The main purpose of the Policy is to establish the essential standards designed to prevent the Group from being used for money laundering and terrorism financing.

In any country/jurisdiction where the requirements of applicable anti-money laundering laws and regulations establish higher standards, Companies must meet those standards. In case if any applicable laws are in conflict with this policy, the relevant Company must consult with the Group AML Center to resolve the conflict.

Other objectives pursued by this Policy are as follows:

- Promote a “Know Your Customer” policy as a cornerstone principle for the Group business ethics and practices;
- Introduce a controlled environment where no business with a Customer is transacted until all essential information concerning the Customer has been obtained;
- Consolidate Companies’ AML efforts on the Group scale;
- Conduct self-assessments of compliance with AML policy and procedures.

Adherence to this policy is absolutely fundamental for ensuring that all Group Companies, regardless of geographic location, fully comply with applicable anti-money laundering legislation.

The Group is committed to examining its anti-money laundering strategies, goals and objectives on an ongoing basis and maintaining an effective AML Policy for the Group’s business.

## **Anti-Money Laundering Policy Statements**

The following standards and duties are considered to be minimum requirements for Alfa Banking Group Companies.

### **Customer Due Diligence and Know Your Customer**

- Prior to transact any type of business Company must determine and document the true identity of customers and obtain background information on customers as well as purpose and intended nature of the business;
- Company must obtain and document any additional customer information, commensurate with the assessment of the money laundering risk using Risk Based Approach;
- Company must establish whether the Customer is acting on behalf of another natural person or legal entity as trustee, nominee or professional intermediary. In such cases a necessary precondition for Customer acceptance is receipt of satisfactory evidence of the identity of any intermediaries and of the persons upon whose behalf they are acting, as well as the nature of the trust arrangements in place.

### **Additional Due Diligence measures for financial institutions**

- Company must undertake following additional due diligence measures while establishing and maintaining correspondent relationships:
  - Obtaining sufficient information about a respondent institution to avoid any relationships with “shell-banks”;
  - Determining from publicly available sources of information the reputation of a respondent institution, including whether it has been subject to a money laundering or terrorist financing investigation or other regulatory action;
  - Assessing the respondent institution’s anti-money laundering and terrorist financing controls on a periodic basis;

### **Monitoring and reporting of suspicious transactions/activity**

- All personnel must be diligent in monitoring for any unusual or suspicious transactions/activity basing on the relevant criteria applicable in the jurisdiction where the Company operates;
- The reporting of suspicious transactions/activity must comply with the laws/regulations of the respective jurisdiction;
- The Group AML Center must be informed about all suspicious transaction/activity on a monthly basis;

### **Record keeping**

- Records must be kept of all documents obtained for the purpose of identification and all transaction data as well as other information related to money laundering

matters in accordance with the applicable anti-money laundering laws/regulations;

- All records must be kept for at least 5 years;

### **Training**

- Training on anti-money laundering must be provided to those new employees who work directly with customers and to those employees who work in other areas that may be exposed to money laundering and terrorist financing threats;
- Follow-up trainings must take place not less than once a year

## Anti-Money Laundering Organization

To ensure that the key principles of the AML Policy are fully implemented Group Management has taken the following additional actions:

- Appointed Compliance department of ALFA-BANK, Russia as Group AML Center, responsible for creation, updating and supervising Group AML Policy;
- Designated Group AML Head as responsible for the realization of the Policy on Group scale;
- Appointed Country AML Officer for each geographic region in which Group operates.

### Group AML Organization Chart

