

## **KYC – CDD – EDD (Customer Identification) Policies of Bank Keshavarzi**

Customer identification plays a pivotal role in the risk management process. In other words, customer identification represents the initial stage of banking activity and constitutes one of the primary points of entry for banking risks. Insufficient accuracy in customer identification can expose the bank to the risks of financing illegal activities including money laundering, terrorism financing, legal and reputational risks.

### **Objectives**

The objectives of customer identification policy in Bank Keshavarzi are:

- Preventing criminals from accessing the banking network for the purposes of money laundering, terrorism financing and any other criminal activity.
- Knowing the nature of the customer's activity and ensuring the legitimacy of their resources before entering the banking network.
- Complying with laws and regulations to identify high-risk customers and suspicious transactions in order to send necessary reports to legal authorities.
- Managing and reducing the risk of money laundering and terrorism financing.

### **How Bank Keshavarzi works**

In line with the AML and CFT, as well as accurate complying with domestic laws, and regulations and international standards in the matter of customer identification, Bank Keshavarzi takes the following items into account:

- 1- Customer acceptance policy
- 2- Identifying customer identification information
- 3- Management of related risks
- 4- Continuous monitoring (especially high-risk customers)
- 5- Training
- 6- Customer records keeping

Regarding customer identification, in addition to implementing the systems, Bank keshavarzi has taken action as follows to compile instructions within the framework of the rules and regulations, and the details have been communicated to all of the branches.

### **1- Customer Acceptance Policy**

From the beginning of business relationship with the customer, Bank Keshavarzi implements customer identification procedures in accordance with the guidelines and rules and regulations. Moreover, documents and information registered about the customer are updated at different time periods that the customer visits. Before establishing any business interaction, appropriate identification procedures are performed and in cases where execution of these procedures are not possible, any business interaction is avoided. Providing services to the client means guarantee of a proper identification procedures for the client by the bank's employees, and the responsibility for any violation in this regard lies with the bank and the relevant employees; hence, in addition to periodic controls, anti-money laundering inspectors examine the process of controlling how customers are identified.

Bank Keshavarzi stops maintaining and continuing offer of services to anonymous clients or with an unknown or fake identity, as well as any anonymous or untraceable electronic financial transactions. The bank refuses to provide services to persons without legal identity or to persons whose unique identity IDs have been invalidated by the relevant authorities due to reasons such as death, etc... In cases where

they have doubts about the authenticity or accuracy of identification documents provided by the client (both real and legal), the identification officers must investigate other systems and databases or inquire from the relevant authorities. According to the law, they must take action to clarify the ambiguity and refrain from providing the service until the ambiguity is resolved. If in any of the stages of identification procedures (simple, normal and enhanced), it is determined that the client has started to provide information lacking in authenticity, Bank Keshavarzi will send a suspicious transaction report to IRIFIU in accordance with the regulations.

## **2- Identifying and Updating Customer Identification Information**

Customer identification means recognizing and confirming the customer's identity using independent, valid and reliable information sources, documents and data. Providing any kind of services depends on full identification of Iranian and foreign real and legal customers based on valid identity and residency documents and their compliance with independent and reliable sources.

In order to implement the identification process, the client's business interactions are classified based on the anti-money laundering and terrorist financing regulations and appropriate identification procedures in three levels: simple, normal and enhanced.

- A) Simple Identification: when the risk of business interactions is assessed as low. (Low Risk)
  - B) Standard Identification: when business interactions with the client are risky. (Moderate Risk)
  - C) Enhanced Identification: when the risk of business interactions with the client is assessed as high. (High Risk)
- At present, all customers are subjected to regular and enhanced identification in Bank Keshavarzi.
  - In non-attendance electronic services, substantial customer identification is used such as known knowledge features (password), possessive features (mobile phone) and inherence features (biometric features).

### **Standard identification (CDD)**

The intention of standard identification is to compare and take record of the information stated by the customer with the identification documents. The initial customer identification operation consists of three sections; all three are completed and signed by the opening bank officer at the time of opening the account, and subsequently approved by the assistant manager/manager of the unit. The identification form includes the following items:

- Registration of customer identification details;
- Customer ID documents Checklist;
- Checklist for matching customer identification documents;

In case of a representative or an agent, in addition to registering the profile of the agent or representative, the registration of the original person's information is also a part of the process.

### **In standard identification, the following actions are necessary:**

- 1- Identify only by using reliable and independent sources and obtaining the original and valid documents;
- 2- Identification ultimate beneficial owner based on reliable information and documents;
- 3- Recognition of the nature, purpose and level of client activity during business interaction;

- 4- Continuous identification and ensuring that the information obtained from the client is up-to-date in order to control the level of the client's activity;
- 5- Collecting and keeping the gathered information related to the risk assessment of business interactions;
- 6- Obtaining three categories of general information: identity, economic and beneficial owner during the standard identification of natural and legal persons (Iranian, foreign);
- 7- Creating a customer profile in order to gather all their identity, residence and functional information and update the profile in the least possible time;
- 8- Registering and keeping the records of the information obtained from the customer or their representative (if any) in the customer's profile;
- 9- The possibility to make changes in the customer's profile is only by senior managers and qualified employees.

### **Enhanced identification (EDD)**

In Bank Keshavarzi, the identification of the customer and the customer's customer is a continuous and targeted monitoring in such a way that the level of information obtained from the customer is determined, kept and updated according to the customer's risk profile. When providing services, officers, in addition to the initial identification of the customer, are also obliged to accurately identify the customer. This type of identification regarding real entity includes employment status, field of activity (including managers regarding legal entities), income, education, exact address of residence, work address and an estimate of the level of financial transactions of the customer, etc.; and for legal clients, including identifying board members, managers and shareholders (based on the announcement of the latest company changes and approved financial statements) and validating them (bounced check, non-current debt, etc.) and checking the list of suspected persons and the Black list, field of activity, address and the estimation of the level of financial transactions, etc.

### **Enhanced identification applies to the following:**

- 1- High-risk customers to get any kind of service; (Foreigners - wards - suspects and persons under surveillance and persons sanctioned by the United Nations)
- 2- For all customers, at the time of receiving services such as international transfers, guarantees, safe deposit boxes, large Rial/currency facilities and credits, etc., the exact identification process of customers is implemented by all branches.

### **(EDD) is necessary when providing the following services:**

- 1- providing services to high-risk natural and legal entities;
- 2- Providing services to people with political risk
- 3- unusual transactions that do not have a specific economic or legal purpose;
- 4- Providing service to the people under surveillance announced by the IRIFIU.
- 5- Upon international and foreign currency transfers.
  - In Bank Keshavarzi, third parties do not carry out the customer identification process.
  - During international transfers, the bank officer is obliged to check the name of the beneficiary, the importing goods, the applicant, the type of goods (in terms of the place of consumption and its non-duality), the persons related to the applicant, the persons related to the beneficiary, the Insurance company, inspection company, shipping company, correspondent banks, against sanction lists using the existing systems in order to take action and after necessary controls, take the final action related to transfers, bill of exchange, letters of credit or guarantees.

### **Bank Keshavarzi prohibits providing services to the following persons:**

- 1- Persons who refuse to provide information or documents required by the bank;
- 2- Uncertified Currency Exchanges;
- 3- Persons who do not have the right to open an account or are deprived of any right to bank services according to the ruling of the judicial authorities;
- 4- Persons without a unique ID;
- 5- Persons who are barred from transaction ( Black list)

### **Money Laundering Risk Management**

In Bank Keshavarzi, customer identification is based on a risk-based approach, in such a way that information is obtained on a wide level about high-risk customers and updated in a shorter period of time, and if it is not possible to assess the customer's risk, the service will be stopped. In this bank, the risk of business interaction is evaluated and classified before providing any service to the client, and according to the assessed risk, a decision is made regarding the way to provide the service. In this regard, the risk of the customer, region and service is considered as follows:

- **Customer risk:** including nationality, age, education level of the customer, financial status of the customer, job of the customer, including: type of job (government or private), political parties and affiliates, field of activity, customer's customer, location of activity, compatibility of the job with the level of the customer's activity
- **Regional risk:** the geographical location in which the business interaction takes place (based on the list announced by IRIFIU)
- **Service risk:** the amount of use of face-to-face services, the amount of use of non-face-to-face services, advocacy account, the amount of the initial deposit and the type of service provided to the customer.

### **Continuous Monitoring (Especially for High-risk Customers)**

- 1- In case of providing false information by the customer, it will be reported to IRIFIU.
- 2- If the customer's financial behavior changes and their behavior is inconsistent with the expected activity level, the customer will be invited and their situation will be checked.
- 3- The following obligations are collected from the customer at the time of providing banking services:
  - Not allowing other people to use the opened account or related services;
  - Compliance with anti-money laundering regulations and non-exploitation of received services for the purpose of money laundering and terrorism financing;
  - Notifying the bank of any changes in the status of the information provided as soon as possible with sufficient documentation.

It should be noted that in case of non-acceptance of the customer or neglect of their obligations, the service will be stopped.

In order to manage the risk of money laundering and to prevent the bank from being exposed to risks caused by non-compliance with internal and international laws and regulations governing the bank and imposing risks such as compliance, operational, legal and reputational risks, Bank Keshavarzi has

developed processes to review and implement laws and has identified customers. Various measures to manage the risk of money laundering during customer relations are as follows:

- 1- Identification of high-risk customers.
- 2- Comparing identification documents with inquiries from competent authorities using the customer evaluation system.
  - Inquiry from the civil registration organization of the country.
  - Inquiry from the Ministry of Economic Affairs and Finance.
  - Inquiry from Deeds and Properties Registration Organization of Iran.
  - Inquiry from the Islamic Republic Post Company.
  - Inquiry from Pejhwak system.
  - Inquiry from Central Bank of I.R.I. (checks, loans, Shaba code, blacklisted and suspected persons, etc.).
- 3- Review of cash deposits exceeding the threshold and sending reports (CTR).
- 4- International banking control and correspondent banking.
  - EDD of internal and external correspondent banks before establishing relationships.
  - Annual update of documents of foreign and domestic correspondent banks.
- 5- Carrying out necessary controls when providing foreign exchange services.
- 6- Performing the necessary controls when providing credit services.
- 7- Taking care of suspects and blacklists.
- 8- Conduct periodic in person and remote inspections to control the implementation of the rules.
- 9- Training of employees during employment and upon employment at two basic and professional levels.
- 10- Cooperation of the AML & CFT Div. of Bank Keshavarzi with the competent legal organizations of the country.
- 11- Providing service to the wards is subject to the regulations compliance with the anti-money laundering and terrorism financing regulations and the associated risks.

**Note 1- As you are informed:**

Minors: All persons who have not reached legal maturity (females 9 years of age and males 15 years of age).

Wards: are persons who are prohibited by law from taking possession of their property and financial rights, which include the following items.

- Individuals under 18 years of age: including minors and immature adults whose development has not been recognized by a competent court.
- Non-rashid and insane persons: including non-rashid persons over the age of 18 and insane persons whose unique identification ID has been suspended due to being under ward condition.

Legal representative: any person who is legally the guardian of a person who is pointed as ward by law.

Removal of ward status: Any of the following conditions causes removal of ward status.

- Passing the age of 18 years.
- Receiving and submitting a growth certificate from the court for matures under 18 years of age.
- Removal of the suspension of the unique identity number for non-Rashid persons over 18 years of age and wards.

- With regard to the duties stipulated in Note 1 of Articles 112, 67 and 70 of the Regulations for the Implementation of Article 14 of the Anti-Money Laundering Law approved number 98, it will be mandatory to comply with the circulars 47 and 59 of this General Department and 196 of the General Legal Department.
- 12- It is prohibited to provide any service to sanctioned persons.
- 13- It is prohibited to provide any service to foreign political persons.
- 14- All standards and regulations related to the effective identification of customers in all units of the bank must be followed.
- 15- Establishing any banking relationship or providing services to shell banks is prohibited.
- 16- Establishing a business relationship with high-risk customers, after calculating and evaluating the customer's risk, is subject to obtaining permission from the highest executive officer in charge in the bank.
- 17- It is prohibited to provide services to unauthorized producers and exchanges of institutional cryptocurrencies and similar ones.

### **Training**

The AML & CFT Dep. of Bank Keshavarzi has trained all employees in line with the implementation of laws and instructions issued by the competent authorities and also in order to reduce the risk of money laundering and terrorist financing. The anti-money laundering management of Bank Keshavarzi regarding the implementation of customer identification policies and procedures, issuing various circulars such as how to identify foreign customers, both political and special political, how to identify Iranian customers, how to provide services to all types of customers, how It has opened various types of accounts, how to identify valid identity documents, etc., and these circulars are periodically updated with domestic and international anti-money laundering laws and regulations.

### **Record keeping**

Considering the many changes and developments in the environment, particularly in the field of information technologies and the problems of keeping a large amount of physical documents and supply maintenance of a large amount of physical documents, preparing microfilm and new methods of keeping records and documents using modern technology, with an approach of preparation of digital images of paper documents with digital signature is on the work agenda of Bank Keshavarzi. The records related to the identification of the client, the real owner, the records of accounts, internal and external operations and transactions are kept based on the regulation of the duration and manner of keeping commercial papers, bank documents and books and its amendments.