



**CUSTOMER DUE DILIGENCE (CDD) & ANTI-
MONEY LAUNDERING (AML) / COMBATING
FINANCING OF TERRORISM (CFT)/ COUNTERING
PROLIFERATION FINANCING (CPF) POLICY -
PAKISTAN**

2021

VERSION 5.0

"The Policy document is for internal use of staff of MCB Bank Limited and should be accorded the same level of secrecy as is done for other internal policies of the Bank. Copies of this document should not be shared prior to the approval of the competent authority."

DOCUMENT CONTROL SHEET

Title of the Policy	Customer Due Diligence & Anti-Money Laundering / Combating Financing of Terrorism/ Countering Proliferation Financing (CDD & AML/CFT/CPF) Policy
Associated Key Risk	Money Laundering, Financing of Terrorism, Proliferation Financing, Regulatory, Legal, Financial and Reputational Risk
Policy Owner	Compliance and Controls Group (CCG)
Review Frequency	Annually
First Approval Date	2009
Last Approval Date	February – 2020
Current Review Date	February – 2021
Next Review Date	February – 2022
Previous Version	4.0
Current Version	5.0
Reviewed By	<ul style="list-style-type: none"> • Legal Affairs Group • Risk Management Group • Operations Group • Audit and Risk Assets Review Group • Oversight and Monitoring Group • Human Resource Management Group
Concurred by	President
Recommended By	Compliance Review and Monitoring Committee (CR&MC)
Approved By	Board of Directors
Distribution	All branches and offices in Pakistan, overseas branches and subsidiaries

Table of Contents

1. PURPOSE.....	1
2. SCOPE	4
3. OBJECTIVES	4
4. ELEMENTS OF CUSTOMER DUE DILIGENCE	5
4.1 CUSTOMER IDENTIFICATION	5
4.2 CUSTOMER VERIFICATION.....	6
4.3 CUSTOMER ACCEPTANCE	6
4.3.1 ENHANCED DUE DILIGENCE	8
4.3.2 CDD FOR WALK-IN-CUSTOMERS:.....	9
4.3.3 CDD FOR ASSET SIDE/ TRADE FINANCE CUSTOMERS	9
4.3.4 CUSTOMERS FROM HIGH RISK JURISDICTIONS	9
4.4 TARGETED FINANCIAL SANCTIONS (TFS) MANAGEMENT	9
4.5 ACCOUNTS AND TRANSACTIONS MONITORING	10
4.6 WIRE TRANSFER.....	11
4.7 RISK MANAGEMENT	11
4.8 REVIEW OF PRODUCTS AND SERVICES INCLUDING NEW TECHNOLOGIES ..	12
4.9 INTERNAL RISK ASSESMENT	12
5 RECORD KEEPING.....	13
6 CORRESPONDENT BANKING & MONEY SERVICE BUSINESSES [MSBs]	13
7 TRADE BASED MONEY LAUNDERING.....	14
8 E-COMMERCE	14
9 FOREIGN BRANCHES AND SUBSIDIARIES.....	15
10 EMPLOYEE DUE DILIGENCE.....	15
11 VENDORS, OUTSOURCING AND SERVICE PROVIDER’S DUE DILIGENCE	15
12 TRAININGS & CAPACITY BUILDING.....	15
13 COMPLIANCE REVIEW.....	16
14 CDD & AML/CFT PROCEDURAL HANDBOOK.....	16
15 POLICY REVIEW PERIOD	16
GLOSSARY	17

1. PURPOSE

Formulation and revision of this policy is in line with requirements of Anti Money Laundering (AML) Act 2010 (as updated from time to time), Anti-Terrorism Act (ATA) 1997 and applicable SBP Anti Money Laundering (AML) / Combating Financing of Terrorism (CFT)/ Countering Proliferation Financing (CPF) Regulations & Guidelines on Risk based approach amended from time to time, United Nations Security Council (Freezing & Seizure) Order, 2019 , United Nations (Security Council) Act, 1948 (UNSC Act), Ministry of Foreign Affairs (MOFA) Guidelines on the Implementation of UNSC Resolutions concerning Targeted Financial Sanctions, Travel Ban, and Arms Embargo (UNSC 1267), Ministry of Foreign Affairs (MOFA) Guidelines on the Implementation of UNSC Resolutions concerning Targeted Financial Sanctions on Proliferation Financing (UNSC 2231 & 1718), National Counter Terrorism Authority (NACTA) Guidelines on Actions to be taken by Competent Authorities for Implementation of United Nation Security Council Resolution No. 1373, Counter Measures for High Risk Jurisdictions Rules, 2020 and recommendations of National Risk Assessment (NRA) conducted by Government of Pakistan (GoP) from time to time along with international best practices to prevent the possible use of MCB Bank as a conduit for Money Laundering or Terrorist Financing activities.

Amid increasing focus of banks and regulatory bodies on curbing Money Laundering (ML) / Financing of Terrorism (TF) and Proliferation Financing (PF) activities, banks are required to have comprehensive AML/CFT/CPF policy entailing guidelines on bank's ML/TF/PF risk management approach, to identify, assess, manage and mitigate these risks on an ongoing basis. Banks are required to manage these risks throughout the life cycle of its customers related to channels / products / jurisdictions / services / transnational activities and relationships starting from onboarding of new business relationships till closure as well as for all walk in or occasional customers.

In addition to the above, the international AML / CFT standards such as Financial Action Task Force (FATF), Basel Committee on Banking Supervision (BCBS) Guidelines on Customer Due Diligence, and United Nations (UN) resolutions concerning sanctions are to be followed to prevent the possible use of the Bank as a conduit for money laundering, terrorist financing and proliferation financing activities.

To further strengthen the regulatory framework for curbing Money Laundering, Terrorist Financing and Proliferation Financing, State Bank of Pakistan (SBP) has issued AML/CFT/CPF Regulations for SBP REs vide BPRD Circular No. 05 of 2020 dated September 30, 2020 covering the following aspects;

Regulation	Areas Covered
Regulation -1 Risk Based Approach to AML/CFT	Internal Risk Assessment Report [IRAR] of the bank to identify, assess and understand ML/TF/PF & Transnational risks at entity level for customers, products, services, delivery channels, technologies and their different categories of employees etc.

Regulation	Areas Covered
Regulation -2 Customer Due Diligence	CDD measures for Identifying, Verifying and onboarding new customers and maintaining relationship with existing customers.
Regulation -3 Reliance on 3 rd Party Financial Institutions For CDD Measures	Responsibility for CDD measures to remain with the bank despite reliance on 3 rd party financial institutions as allowed by the regulator.
Regulation -4 Targeted Financial Sanctions Under UNSC ACT, 1948	Bank to undertake TFS obligations with regard to Designated Persons / Proscribed Persons; entities owned / controlled directly or indirectly by it and individuals / entities acting on its behalf or its direction.
Regulation -5 Politically Exposed Persons [PEPs]	Bank to implement appropriate internal policies, procedures and controls to determine if a customer or beneficial owner is a PEP or a closed associate or a family member of a PEP both prior to establishing a business relationship or conducting a transaction throughout the course of business relationship. This stipulates certain EDD measures to establish, continue business relations and executing financial transactions in PEP accounts.
Regulation -6 NGO/NPO/Charity/Trust Accounts	The bank to ensure EDD measures as specified in the regulation while establishing relationship / execution of financial transactions with NGOs/NPOs, Charities & Trusts
Regulation -7 Reporting of Transactions [STRs /CTRs]	The bank to file STR & CTR with FMU as required under Section 7 of the AML Act 2010 (amended from time to time).
Regulation -8 Record keeping	The bank to ensure compliance of the instructions as given in AML/CFT & CPF regulations.
Regulation -9 Correspondent Banking	The bank to ensure EDD measures as outlined in the prevailing SBP AML/CFT & CPF regulations before entering/continuing Correspondent Banking relationships with other banks / FIs.

Regulation	Areas Covered
Regulation -10 Money Value Transfer Service [MVTs] / Exchange Companies	The bank to ensure compliance of regulatory guidelines as envisaged in said regulation.
Regulation -11 Wire Transfers / Funds Transfers	The bank to discharge its responsibilities being an Ordering institution or a Beneficiary Institution or an Intermediary Institution, as applicable, in terms of SBP guidelines
Regulation -12 New Technologies	The bank to identify and assess ML/TF & PF risks before acquiring, adopting or developing of new products, technologies, services and business practices etc.
Regulation -13 Internal Controls	The bank's Internal Risk Assessment Report [IRAR] to recommend measures to BoD through time-bound Action plan to ensure adequate introduction and implementation of AML/CFT & CPF controls and preventive measures to mitigate potential ML/TF/PF risks posed to it. Furthermore relevant guidelines relating to Compliance Function, Audit, Foreign Branches & Subsidiaries, Employee Due Diligence and Training Programs to be adhered.
Regulation -14 Counter Measures For High Risk Jurisdictions	The bank to comply with the obligations imposed in the Counter Measures for High Risk Jurisdictions Rules, 2020.
Regulation -15 Regulation Supervision &	The bank to ensure screening of all its sponsor shareholders/ beneficial owners, directors, president and key executives [all persons subject to FPT] to verify that no person is linked to any criminal activity(s) or affiliated with any terrorist organization.

In addition to the AML/CFT/CPF regulations, SBP has also issued "Framework for Managing Risk for Trade Based Money laundering and Terrorist Financing" *vide FE circular no. 04 of 2019 dated October 14th, 2019*, "Branchless Banking Regulations for FIs" *vide BPRD circular no. 10 of 2019 dated December 30th, 2019* and "Framework for Remote/ Digital Onboarding of Non Resident Pakistani (NRPs)" *issued vide BPRD letter No. BPRD/AML-01/2020-9124 dated August 13th, 2020*.

The above stated Regulations/framework/guidelines should be emphasized in bank's procedural manuals for meticulous compliance as the bank maintains zero tolerance for regulatory non-compliance.

2. SCOPE

This policy applies to each and every business segment and all employees of MCB Bank Limited – Pakistan to effectively mitigate the risks of ML / TF/ PF. As Bank is prone to the risk of being misused by criminal elements for their ulterior motives, this policy will be a guiding document for employees to address the risks stemming from customers or transactions in an effective way using risk based approach.

MCB Bank's management will continuously refine its Customer Due Diligence processes using the risk based approach, through implementation of system based Risk Rating environment for Customer Risk Profiling. Standard Operating Procedures (SOPs) along with various guidance documents and systems are provided to the branches / field offices from time to time to ensure effective execution of the process to identify & mitigate ML / TF / PF risks.

Considering the huge size of undocumented sector in the economy, execution of due diligence process is complex and time consuming. However, for compliance of regulatory requirements and to contain the customer related risks, bank's management, in addition to strict compliance of related regulations, will make best efforts to conduct proper due diligence of every existing and prospective customer.

Moreover, the bank's management will handle TF as separate risk and will regularly conduct TF risk assessment to identify threats posed by Terrorism Financing and to gauge efficacy of the controls to mitigate the inherent risk in such activities in line with the Pakistan National Risk Assessment on ML/TF –2019 (NRA) update. Accordingly existing controls shall be regularly evaluated in the light of prevailing and emerging risks and additional appropriate actions/controls to identify, assess and mitigate the risks; will be implemented.

Given the prevailing ML/TF/PF risk in Trade and Transnational transactions, international and local regulatory bodies have increased focus on management of Trade Based Money Laundering (TBML) risks and multiple regulations are coming into effect. SBP has also issued regulatory Framework for Managing Risks of TBML and TF, which entails comprehensive guidelines for banks to be implemented to manage these risks. Bank's management will implement these guidelines through comprehensive SOPs & technology based solutions.

Policy Breaches:

Breach of this policy by any employee may be treated as a disciplinary issue subject to disciplinary action as per bank's HR policy / procedures.

3. OBJECTIVES

- To prevent criminal elements from using the bank for money laundering activities from any of its branch or channel.
- To safeguard the bank from being used as a conduit in Terrorism and Proliferation financing.
- Ensuring that only bona fide and legitimate customers are accepted.

- Verifying the identity of customers using reliable and independent sources.
- Ensuring that proscribed individuals or entities and their affiliates or associates are not having any banking relationship or being provided any service from the bank.
- Ongoing Monitoring of customer accounts and transactions to prevent or / and detect potential ML/ TBML / TF/PF activities.
- Implementing Customer Due Diligence process using risk based approach.
- To ensure implementation of Targeted Financial Sanctions (TFS) related to Terrorism & Proliferation financing (TF & PF).
- Managing reputational, operational, legal and concentration risks etc.
- To put in place appropriate controls for prevention, detection and reporting of suspicious activities in accordance with applicable laws/regulations/laid down procedures.
- To comply with the applicable laws, regulatory requirements and guidelines etc.

4. ELEMENTS OF CUSTOMER DUE DILIGENCE

4.1 CUSTOMER IDENTIFICATION

MCB Bank will serve only the genuine person(s) and all out efforts would be made by the management to determine true identity of its customers. Minimum set of documents and information shall be obtained from various types of customer(s), at the time of opening account, as prescribed in updated Anti-Money Laundering Combating the Financing of Terrorism & Countering Proliferation Financing (AML/CFT/CPF) Regulations for SBP REs.

Customer relationship is only established on the strength of valid CNIC / SNIC / Passport / NICOP / SNICOP/ POC / ARC / POR /Form B / Juvenile Card number or where the customer is not a natural person, the registration/ incorporation number, business registration number or special resolution/authority, in case of government accounts/autonomous entities(as applicable).

For **non-face-to-face** customers, Bank's management shall put in place suitable operational procedures to mitigate the risk(s) attached with non-face-to-face prospective customer(s) and establish identity of the client.

The bank can rely on third party financial institutions for CDD measures, however the same shall be done by putting in place a comprehensive procedural document duly approved by the President. It may also be noted that as per the regulations, the ultimate responsibility for CDD measures shall remain with the bank relying on the third party financial institutions.

4.2 CUSTOMER VERIFICATION

Management of MCB Bank shall identify the beneficial ownership of accounts/ transactions by taking all reasonable measures. Identity (ies) of the customer and beneficial owner will be verified using reliable independent sources including biometric verification. Verification of the identity of the customers and beneficial owners shall be completed before business relations are established.

Extra care is essential where the customer is acting on behalf of another person, and reasonable steps must be taken to obtain sufficient identification data to verify the identity of that other person as well. For customers that are legal entity or for legal arrangements, branches shall take reasonable measures to identify and verify the beneficial owners by:

- (i) Identifying the natural person(s) who has ultimate effective control of a customer (as defined under relevant laws) on a legal person; and
- (ii) To the extent that there is doubt under (i) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means; and
- (iii) Where no natural person is identified under (i) or (ii) above, the identity of the relevant natural person who holds the position of senior managing official.

Identity documents, wherever required as per updated AML/CFT/CPF Regulations, shall be verified by utilizing on-line facility of bio metric verification and / or NADRA VERISYS. Verification of the identity of the customers and beneficial owners shall be completed before business relationship is established or a transaction is processed.

Further, wherever required, bank shall use mitigation measures in digital channels against identity theft such as live picture or video, electronic/ digital signature, two-factor authentication through email and registered mobile number, and biometric verification of customers.

4.3 CUSTOMER ACCEPTANCE

Customer will only be accepted once above given formalities have been completed in letter and spirit. Following accounts shall not be opened/maintained by MCB Bank where;

- i. Identity, beneficial ownership, or information on purpose and intended nature of business relationship is not clear.
- ii. Name of the individual customer/organization (including such individuals who are authorized to operate account(s) and the members of governing body/directors/trustees of an entity) appears in the Proscribed/Sanctioned / Specially Designated Nationals (SDNs) entities lists.
- iii. Proscribed/Designated entities and persons or those who are known to be associated with such entities and persons, whether under the proscribed name or with a different name.
- iv. Customers or transactions from sanctioned/ designated countries including Israel

- v. Anonymous / fictitious / Benami or numbered accounts.
- vi. Banks those are not able to satisfactorily complete required CDD measures.
- vii. Financial Institutions or corporations that do not have a physical presence in any country i.e. Shell Banks/ Corporations.
- viii. Government accounts opened in the name of Government Officials
- ix. Government accounts mentioned in Federal Government's Treasury Single Account (TSA) list without Finance Division's NOC.
- x. Customer where the Bank is unable to satisfactorily complete required CDD measures.
- xi. Customers / account holders who transact / deal in Virtual currencies / Bitcoins
- xii. Illegal Money Value Transfer System (MVTs) including unauthorized/ unlicensed money changers/ prize bond dealers
- xiii. Any other activity forbidden by the law e.g. gambling, human smuggling etc.

Customers involving additional scrutiny & Approvals

In additions to the above specified prohibitions, certain other types of customers pose higher level of ML/TF/PF risks. All such customers would require enhanced scrutiny/ analysis from AML/ CFT/ CPF perspective throughout their span of operations i.e. from onboarding till closure of account. Enhanced Due Diligence (EDD) measures as specified in the updated AML/CFT/CPF Regulations must be applied on such account types including approval of the senior management as prescribed in SBP's prevailing AML/CFT/CPF Regulations. This enhanced scrutiny/ analysis is to ensure that account behavior in these categories commensurate with the bank's knowledge of the account profile. Any deviation observed must be treated as per the prevailing regulations including filing STR and termination of the business relationship. Examples of such High Risk customer types are as follows. However, bank's management may add on to this list by considering the criticality of ML/TF/PF risks associated with other types.

- NGOs/INGOs/NPOs/Charities/Trust/Club/societies/Madrassah/ associations
- Political Exposed Persons (PEPs)
- Money Service Businesses including Exchange Companies
- Relationship Management Accounts (RMAs)
- Precious metals dealers (gold, silver, platinum, palladium & etc.)
- Embassies, consulates and diplomats missions
- Real Estate Dealers
- Nationalist Groups
- Customers from High Risk Countries
- Arms and ammunition dealers
- Correspondent Banking Relationship (approval level as defined in Section 6 of this Policy)

- Accounts wherein the funds were sourced under Tax Amnesty schemes of Government of Pakistan

Similarly, bank's management shall identify High Risk transactions wherein EDD measures will be applied as required under the updated AML/CFT/CPF Regulations from time to time.

Further, bank's management will ensure compliance with minimum standards prescribed by SBP from time to time with regard to data privacy & protection of customer's information.

4.3.1 ENHANCED DUE DILIGENCE

Customers that pose higher ML/ TF/ PF risks are subject to enhanced scrutiny, or EDD. This enhanced level of scrutiny provides bank with a more comprehensive level of understanding of the risks associated with the customer profiles.

Bank may apply EDD measures which could include but not be limited to one or more of the following measures:

- Obtaining additional information on the customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of customer and beneficial ownership.
- Obtaining additional information on the intended nature of the business relationship/ transactions.
- Obtaining information on the source of funds or source of wealth of the customer.
- Obtaining additional information on the reasons for intended or performed transactions and purpose of transaction.
- Taking reasonable measures to establish the source of funds and wealth involved in the transaction or business relationship to be satisfied that they do not constitute the proceeds from/ for crime.
- Obtaining the approval of senior management to commence or continue the business relationship or execute the high-risk financial transaction by the bank.
- Where applicable, conducting enhanced monitoring of the business relationship by reviewing its nature and frequency of controls applied and selecting patterns of transactions that need further examination.
- Where available, requiring the first payment to be deposited through an account in the customer's name with a bank subject to similar CDD standards.

EDD requirements may vary with the type of customer, products, channels, transnational activities and geography; therefore, bank is encouraged to take additional/ appropriate measures.

4.3.2 CDD FOR WALK-IN-CUSTOMERS:

Walk-in-customers shall only be entertained, once due diligence measures for transactions relating to such customers as prescribed by the applicable SBP's AML/CFT/CPF Regulations/guidelines along with international best practices have been complied with.

For walk-in-customers / occasional customers, to establish and validate the true identity of the person(s) executing the transactions either for self or if the person is acting on behalf of some other person(s), complete originator information must be obtained and identities must be invariably verified as directed under the regulations; using reliable, independent source of information, i.e. biometric verification or NADRA Verisys in line with SBP's Frequently Asked Questions (FAQs) on use of Biometric Technology.

Further, name clearance should also be obtained against sanctioned lists through E-Name Checker Module / Sanction Screening for walk in customer executing the transaction to ensure that the person is not a proscribed person/entity.

4.3.3 CDD FOR ASSET SIDE/ TRADE FINANCE CUSTOMERS

Bank's management shall also undertake CDD measures of asset side/trade finance customers and ensure monitoring of such customers with regard to ML/FT/PF risk.

4.3.4 CUSTOMERS FROM HIGH RISK JURISDICTIONS

Bank's management shall also apply Enhanced Due Diligence (EDD) including Senior Management's (as defined by the regulator) approval, proportionate to the risks to business relationships and transactions with individuals and entities including Financial Institutions from high risk foreign jurisdictions in compliance of latest AML/CFT/CPF Regulations for SBP REs and Counter Measures for High Risk Jurisdictions Rules, 2020 issued by Ministry of Finance, vide SRO 951(I)/2020 dated October 01, 2020. High risk countries will be identified on the basis of communication by the National Executive Committee (NEC) through Financial Monitoring Unit (FMU), GoP.

4.4 TARGETED FINANCIAL SANCTIONS (TFS) MANAGEMENT

In order to comply with the Targeted Financial Sanctions regime, the bank's management will devise effective system and controls to safeguard the bank from being exploited by the terrorists for TF/PF. In this regard, all relationships (customers & their beneficial owners, directors, members, trustees and authorized signatories, non-customers i.e. walk in customers, bank's owners/sponsors shareholders, directors, employees (permanent, contractual and outsourced) and third party service providers/vendors) will be screened against the prescribed sanctioned lists; both local and international on real time basis before establishment of the relationship.

Accordingly, no customer/walk-in customer shall be facilitated in case if a person/entity is identified as proscribed/designated or is affiliated with Proscribed Person (PP)/

Designated Person (DP). Management shall ensure reporting of such cases to the FMU on immediate basis. Further, any sponsor shareholders/ beneficial owners, directors, presidents and key executives (all persons subject to FPT) etc. shall become disqualified if they are DP/ PP or associated directly or indirectly with any DP/ PP.

Management shall also ensure that all relationships are screened against sanctioned lists on periodic basis as per the frequency specified in bank's CDD & AML/CFT Procedural Handbook.

4.5 ACCOUNTS AND TRANSACTIONS MONITORING

Business Groups shall update Expected monthly credit turnover limits in the system and/ or revise CDD profile of customer(s) as per guidelines for ongoing review as required under applicable SBP's AML/CFT/CPF Regulations/guidelines along with international best practices, while, the basis of revision shall be documented and customers may be consulted, if necessary.

Such limits will be maintained to make sure that all transactions are consistent with the Bank's knowledge of the customer, its business and risk profile and are conducted in accordance with the SBP AML/CFT/CPF regulations for SBP REs, instructions of Financial Monitoring Unit (FMU) and other applicable local /international bodies.

Business groups must ensure that complete originator information along with unique transaction identifier is available with every domestic and cross border transfer.

SWIFT MESSAGES will be screened through name filtering solution to prevent utilization of MCB Bank's channel by individuals / organizations in Proscribed/Sanctioned lists.

Financial transactions should be monitored through automated Transaction Monitoring System (TMS) based on predefined scenarios and thresholds.

MCB Bank's management shall pay special attention to every complex, unusually large and out-of-pattern transaction(s), which have no apparent economic or visible lawful purpose. If MCB Bank suspects or has reasonable grounds to suspect that the funds are the proceeds of criminal activities or have potential to be used for terrorist activities, it shall report its suspicion to Financial Monitoring Unit (FMU) through Anti Money Laundering Department (AML), CCG.

In case of suspicion, management shall raise Suspicious Transaction Report in line with the requirement highlighted under AML Act 2010, AML / CFT / CPF regulations and Guidelines of the Financial Monitoring Unit (FMU). Accordingly management should devise procedures to meet these requirements. .

For customers / clients whose accounts are dormant, branches shall not allow debit entries in such accounts (except those allowed under AML/CFT/CPF Regulations) until formal request (through postal address or email address or registered mobile number or landline number) for activation of dormant account by customers is not received. They should retain the NADRA Verisys for record keeping requirements (digitally or hard copy). Further, bank shall ensure that accounts without valid Identity Document are treated as per the relevant regulations.

The employees of MCB Bank are strictly prohibited to disclose the fact to the customer that a Suspicious Transaction Report (STR) / Currency Transaction Report (CTR) or related information has been reported to FMU or any other Law Enforcement Agency (LEA).

Currency Transactions (i.e. CTR) exceeding the prescribed limits as defined In AML Act 2010 and its subsequent amendments from time to time will be reported to FMU through CCG.

In order to adopt additional measures to further strengthen the CDD regime, CDD/EDD Assessment of Top 100 depositors of each branch will be conducted as required by the regulator. The branches shall conduct assessment of such accounts regarding compliance of the CDD/EDD requirements and identify deficiencies and make necessary efforts to regularize the deficiencies identified during the assessment process.

4.6 WIRE TRANSFER

MCB bank may act as Ordering Institution, Beneficiary Institution or Intermediary Institution while processing wire transfers/fund transfers. However, Business/ concerned Group shall ensure that all requirements as described in SBP's AML/CFT/CPF regulations along with international best practices are complied.

4.7 RISK MANAGEMENT

All relationships shall be categorized with respect to their risk levels i.e. High, Medium and Low based on the risk profiling of customer through e-KYC/CDD application and as guided in SBP's AML/CFT/CPF Regulations/guidelines and international best practices for making effective decision whether to perform Simplified Due Diligence (SDD), Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD) both at the time of establishing and ongoing monitoring of business relationship.

MCB Bank has implemented the system based KYC/CDD and Risk Profiling of Customer, through implementation of e-KYC/CDD Application. This application assists the branches for effective and efficient KYC/CDD management in order to mitigate risk related to Money Laundering/Financing of Terrorism and Proliferation Financing. It also supports in resolution of Financial Crimes & Compliance Management (FCCM) Alerts at CCG end & satisfy regulatory requirements.

The approval for establishing and continuing business relationship with high risk customers as given in section 4.3 above will be obtained from Senior Management (as defined by the regulator) after performing EDD.

Further Personal accounts will not be allowed to be used for charity purposes/collection of donations. Moreover these accounts shall not be used unless otherwise directed under SBP's AML/CFT/CPF Regulations.

Customer KYC / CDD profile will be reviewed and/or updated on the basis of below mentioned predefined frequency, in accordance with the risk profile of the customer

High Risk	<i>At least Once in a Year or on need basis*</i>
Medium Risk	<i>At Least Once in 2 Years or on need basis*</i>
Low Risk	<i>At least Once in 3 Years or on need basis*</i>

*In case of any material change in the relationship or deviation from customer profile, CDD will be conducted and customer profile will be updated immediately without lapse of above defined period.

CCG will counter-examine the relationships to ensure that due diligence procedures are adhered to in letter and spirit by the concerned staff in business segments.

While formulating procedures and controls, MCB Bank’s management shall take into consideration Money Laundering and Financing of Terrorism threats that may arise from the use of new or developing technologies, especially those having features of anonymity or inconsistency with the spirit of CDD/EDD measures.

4.8 REVIEW OF PRODUCTS AND SERVICES INCLUDING NEW TECHNOLOGIES

Bank’s management shall identify, assess and manage the ML/FT/PF risks that may arise in relation to expansion of operations in different jurisdictions, the development of new products, services, business practices including delivery mechanism and the use of new or developing technologies for both new and existing products especially those that have vulnerability with regard to ML/ TF/ PF risks specially identity theft, anonymity and cyber-crimes.

4.9 INTERNAL RISK ASSESMENT

Bank’s management shall ensure an entity level Internal Risk Assessment Report (IRAR) on annual basis, as required under Regulation-1 of SBP’s AML/CFT/CPF Regulations issued vide BPRD Circular no. 05 of 2020 dated 30 September, 2020. IRAR shall cover ML/ TF/ PF risks including Transnational TF risks and other emerging risks. IRAR shall also identify, assess and understand ML/TF/PF risks for customers, products, services, delivery channels, geographies, technologies & different categories of employees.

It should be ensured that IRAR should be dynamically updated subject to any change of circumstances, relevant new threat or after any updation in the NRA exercise conducted by the government. IRAR shall be presented to the BoD for approval. The said document shall also include the recommendations for improvement along with time bound action plan for mitigation of any emergent ML/TF/PF risks highlighted therein.



Bank's policy for application of SDD, CDD and EDD will be based on the levels of ML/ TF/ PF risks identified as low, medium, or high in IRAR. Further, bank's policies/ controls/ procedures/ preventive measures shall be developed/ updated/ implemented proportionate to level of ML/ TF/ PF risks as evaluated in IRAR.

5 RECORD KEEPING

The records of identification documents, account opening forms, KYC forms, verification documents (information obtained digitally or in hard form) and other relevant documents along with records of account files and business correspondence, shall be maintained for a minimum period of ten years after the business relationship is ended.

MCB Bank's management shall maintain all necessary records of transactions, both domestic and international, including the results of any analysis undertaken (e.g. inquiries to establish the background and purpose of complex, unusual large transactions) and shall also keep and maintain all record related to STRs and CTRs filed by it for a minimum period of ten years from completion of the transaction.

However, records relating to customers, accounts or transactions will be retained for longer period, which involve litigation or is required by court or other competent authority until otherwise instructed by the relevant body. Furthermore, all signature cards and documents indicating signing authorities, and other documents relating to the account/deposit or instrument surrendered to SBP / any other competent law enforcing agency (duly authorized by law/court), shall be kept in the bank's record till such time that SBP / competent law enforcing agency (duly authorized by law/court) informs in writing that same need no longer to be preserved.

6 CORRESPONDENT BANKING & MONEY SERVICE BUSINESSES [MSBs]

The Bank's management will establish correspondent banking relationships with only those foreign banks/regulated MSBs that have adequate and effective AML / CFT systems and policies in line with the AML / CFT / CPF Regulations for SBP RE's relating to the country in which that bank/MSB operates. Moreover, the Bank shall ensure EDD measures when establishing or continuing correspondent / MSB relationship with banks/ financial institutions/MSBs located in high risk countries as mentioned in the Counter Measures for High Risk Jurisdictions Rules, 2020 (as updated from time to time).

The bank shall maintain preventive measures consistent with FATF and Basel Committee on Banking Supervision (BCBS) Guidelines, *Wolfsberg's principles for correspondent banking*, applicable laws and regulations to effectively manage all high risk correspondent banking relationships involving the execution of 3rd party payments [e.g. nested/downstream and payable-through account services]. Further the reviews of the correspondents and MSBs accounts are to be carried out as per risk based approach as defined in CDD and AML/CFT handbook. Before establishing new correspondent banking relationship, approval from Group Head, TRY&FX, Group Head RMG, Group Head LAG and Chief Compliance Officer shall be required. Financial Institutions Division (FID) of MCB Bank Limited, Head Office shall conduct a proper due diligence of relevant bank/FI/MSB as per CDD and AML/CFT procedural handbook. Ongoing Due Diligence of

respondent/correspondent banks and Money Service Businesses (MSBs) will be conducted using risk-based approach following the *guidelines given in below table*.

High Risk	<i>At least Once in a Year or earlier if any happening / event/situation so demands*</i>
Medium Risk	<i>At Least Once in 2 Years or earlier if any happening / event/situation so demands *</i>
Low Risk	<i>At least Once in 3 Years or earlier if any happening / event/situation so demands *</i>

*In case of any material change in the relationship or deviation from customer profile, CDD will be conducted and customer profile will be updated immediately without lapse of above defined period. *Material change in relationship in the context of correspondent banking would mean that the conduct of the account is not commensurate with the stated profile of the correspondent or respondent bank and can also be triggered owing to some geo-political situation under sanctions regime.*

Bank shall not enter into or continue correspondent banking relations with a shell bank and shall take appropriate measures when establishing correspondent banking relations, to satisfy themselves that their respondent banks do not permit their accounts to be used with/by shell banks.

7 TRADE BASED MONEY LAUNDERING

The Bank should take adequate due diligence measures and transaction monitoring of the clients to counter money laundering and terrorist financing through trade transactions in line with the regulations and regulatory “Framework for Managing Risks of Trade Based Money Laundering and Terrorist Financing” issued by SBP vide FE Circular no. 04 of 2019 dated October 14, 2019 (any amendment made therein from time to time).

8 E-COMMERCE

The Bank shall ensure to take adequate measures to safe guard bank’s channels from abuse by the criminal groups using e-Commerce businesses to send/receive payments for illicit transactions pertaining to ML/TF/PF activities. In this regard, regulatory instructions on Business-to-Consumer (B2C) E-Commerce Exports communicated vide FE Circular No. 07 of 2020 dated December 02, 2020 (any amendment made therein from time to time) must be adhered with.

9 FOREIGN BRANCHES AND SUBSIDIARIES

Bank's management shall pay particular attention to their branches and subsidiaries located in countries, which do not or insufficiently comply with FATF Recommendations (as determined by FATF or identified by SBP) and ensure that their AML/ CFT/ CPF policy is observed by branches and subsidiaries in those countries.

10 EMPLOYEE DUE DILIGENCE

In line with SBP's AML/CFT & CPF regulations, MCB Bank's management must develop adequate screening procedures to ensure high standards while hiring employees whether contractual or permanent or hired through outsourcing. These procedures must include controls to prevent criminals or their associates from being employed by the bank.

In this respect, bank's management shall ensure that:

- All employees are screened against lists of designated and proscribed individuals, on an ongoing basis, and maintain proper record of screening. Accordingly, employees shall become disqualified if they are designated/ proscribed or associated directly or indirectly with DPs/ PPs.
- No employee is or has been convicted/ involved in any fraud/ forgery, financial crime etc.
- No employee is or has been associated with any illegal activity concerning banking business, foreign exchange business, financial dealing and other business or employment.
- Bank will comply with SBP's Fitness and Proprietary Test (F&PT) Criterion required for sponsor shareholders & board approval and senior management appointment.

11 VENDORS, OUTSOURCING AND SERVICE PROVIDER'S DUE DILIGENCE

Bank's management should ensure that regulatory guidelines as specified in SBP's "Framework for Risk Management in Outsourcing Arrangements by Financial Institutions" issued vide BPRD circular no. 06 of 2019 dated December 17, 2019 (any amendment made therein from time to time); related to Due Diligence of its vendors and outsourced service providers are implemented.

12 TRAININGS & CAPACITY BUILDING

Suitable Employee Training Program will be put in place by bank's management on an annual basis to enhance staff capability, to effectively implement the regulatory requirements, bank's own policy & procedural requirements relevant to AML/CFT including alerts analysis, and possible reporting of Suspicious transactions as well as to understand new developments in ML/TF/PF techniques, methods, and trends.

Further, as required in AML/CFT/CPF Regulations, bank's management will chalk out and implement suitable Annual Training Program, which may be developed after Formal Training Need Assessment in area of AML/ CFT/ CPF annually. Bank's management shall ensure that the Annual Training Program adequately covers training sessions for Sponsor Shareholders, BoD, Senior Management, Line Management, and Field Staff. Special emphasis shall be given for officials directly/ indirectly responsible for ensuring Governance/ Oversight/ Supervision/ Monitoring of risk mitigation of ML/ TF/ PF risk and ensuring AML/ CFT/ CPF preventive measures as per the AML Act 2010 (any amendment made therein from time to time) and latest Regulations including on TFS for TF & PF and STR/ CTR as per their required need and relevance of job.

Furthermore, bank's management, wherever required, will continue assessment of Bank's employee's knowledge via CKAS test also covering AML / CFT/ CPF and TFS areas and its key regulatory requirements in each alternate year.

13 COMPLIANCE REVIEW

CCG shall perform the periodic review of branches and non-branch entities through Compliance Assurance and Internal Controls Department (CA & ICD) to check their level of compliance with the provisions in the CDD & AML/CFT/CPF policy and procedures according to their scope/framework.

14 CDD & AML/CFT PROCEDURAL HANDBOOK

All procedures required for implementation of the guidelines related to CDD and AML/CFT & CPF shall be documented in the form of CDD and AML/CFT Procedural Handbook. This document shall be prepared by AMLD-CCG and shall carry the recommendations of all stakeholders i.e. RBG, OPG, RMG & LAG subject to final review by Chief Compliance Officer. The approving authority for aforesaid document shall be President. Furthermore it shall be reviewed at least on an annual basis and / or earlier on need basis.

The bank shall ensure keeping this document up to date for maintaining effectiveness of its AML/CFT/CPF controls [preventive measures] including implementation of TFS related to TF & PF and reporting of STRs / CTRs.

15 POLICY REVIEW PERIOD

The CDD & AML / CFT/ CPF policy will be reviewed on as and when required basis but not later than one year.

GLOSSARY

AML/CFT/ CPF	Anti-Money Laundering/ Combating the Financing of Terrorism/ Countering Proliferation Financing
AMLDD	Anti-Money Laundering Department
ARC	Aliens Registration Card
B2C	Business-to-Consumer
BCBS	Basel Committee for Banking Supervision
BoD	Board of Directors
BPRD	Banking Policy and Regulations Department
CCG	Compliance and Controls Group
CCO	Chief Compliance Officer
CDD	Customer Due Diligence
CNIC	Computerized National Identity Card
CKAS	Compliance Knowledge Assessment System
CRMC	Compliance Review and Monitoring Committee
CTR	Currency Transaction Report
DP	Designated Person
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FCCM	Financial Crime & Compliance Management
FID	Financial Institutions Division
FMU	Financial Monitoring Unit
(F&PT)	Fitness and Proprietary Test
GoP	Government of Pakistan
HRMG	Human Resource Management Group
IRAR	Internal Risk Assessment Report
KYC	Know Your Customer
LAG	Legal Affairs Group
MOFA	Ministry of Foreign Affairs
MSB	Money Service Business
NACTA	National Counter Terrorism Authority
NADRA	National Database & Registration Authority
NEC	National Executive Committee
NICOP	National Identity Card For Overseas Pakistanis
NRA	National Risk Assessment
NRP	Non Resident Pakistanis
OFAC	Office of Foreign Assets Control
OPG	Operations Group
POR	Proof of Registration (For Afghan Nationals)
PEP	Politically Exposed Person
POC	Pakistan Origin Card
PP	Proscribed Person
RBA	Risk Based Approach
REs	Regulated Entities

RBG	Retail Banking Group
RMG	Risk Management Group
SBP	State Bank of Pakistan
SDD	Simplified Due Diligence
SNIC	Smart National Identity Card
SNICOP	Smart National Identity Card for Overseas Pakistanis
SNIC	Smart National Identity Card
SRO	Statutory Regulatory Orders
STR	Suspicious Transaction Report
TBML	Trade Based Money Laundering
TFS	Targeted Financial Sanctions
TSA	Treasury Single Account
UNSCR	United Nations Security Council Resolutions