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

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Approved by	BOD

In the name of Allah, the Most Gracious, the Ever Merciful

This policy document has been prepared in accordance with Shariáh principles. The bank shall ensure full conformity of its operations with Shari'ah principles, Fatawa, instructions, and guidelines of the Shari'ah Board.

BOD is fully cognizant of Shari'ah rulings and its potential implications on the reputation and business of the bank. In case of any deviation of business activity under this policy, from the principles of Shari'ah & Guidelines of the Shari'ah Board, the latter shall prevail and the relevant clause / section of this policy document shall stand null and void.

INTRODUCTION

Formulation of this policy is in line with requirements of AML (Anti Money Laundering) Act 2010, Anti-Terrorism Act (ATA) 1997and 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, SBP Guidelines on Targeted Financial Sanctions (TFS) under UNSC Resolutions, Counter-measures for High Risk Jurisdictions Rules, 2020 and NACTA Guidelines on Actions to be taken by Competent Authorities for Implementation of United Nation Security Council Resolution No. 1373 along with international best practices, where Bank is required to adopt risk based approach to prevent the possible use of MCB Islamic Bank Ltd (MIB) as a conduit for money laundering or terrorist financing activities.

Amid increasing focus of banks and regulatory bodies on curbing ML (Money Laundering)/ TF (Financing of Terrorism) 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/ jurisdiction/ services and relationships, starting from onboarding of a new business relationship 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) recommendations, 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 or proliferation financing activities.

To further strengthen the regulatory framework to curb Money Laundering, Terrorist Financing and proliferation financing, SBP (State Bank of Pakistan) has issued AML/CFT/CPF regulations which is updated from time to time, covering the following aspects& compliance of these should be emphasized in banks policies accordingly;

Title of Regulation	Area Covered	Regulation Covers
Regulation -1	Risk Based Approach To AML/ CFT	Guidelines on Entity level Internal Risk Assessment Report (IRAR) covering ML/ TF/ PF risks including Transnational TF risks and other emerging risks.

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Regulation -2	Customer Due Diligence (CDD)	CDD/EDD Measures for Identifying, Verifying and Accepting new customers and maintaining relationship with existing customers including occasional customers.
Regulation -3	Reliance On Third Party Financial Institutions For CDD Measures	Guidelines regarding reliance on Third Party Financial Institutions For CDD Measures.
Regulation -4	Targeted Financial Sanctions Under UNSC Act, 1948 and ATA, 1997	Guidelines on TFS obligations under the UNSC Act and ATA
Regulation -5	Politically Exposed Persons (PEPs)	On PEPs and their close associates or family members
Regulation -6	NGO/ NPO/ Charity/ Trust Accounts	On establishing and maintaining relationships with NGO/ NPO/ Charity/ Trust
Regulation -7	Reporting of Transactions (STRs/ CTRs)	On reporting of STRs and CTRs
Regulation -8	Record Keeping	Maintenance & Retention of Customers and Transactions related records.
Regulation -9	Correspondent Banking	CDD measures for establishing and maintaining relationship with Correspondent and Respondent Banks/ Financial Institutions (FIs).

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Regulation -10	Money Value Transfer Service (MVTs) / Exchange Companies	On Money Value Transfer Service (MVTS) / Exchange Companies
Regulation -11	Wire Transfers/ Fund Transfers	Responsibilities of Ordering, Intermediary and Beneficiary Institutions (as applicable) involved in processing wire transfers/ fund transfers.
Regulation -12	New Technologies	Guidelines on review of Products and Services including new Technologies
Regulation -13	Internal Controls	Requirements relating to development of Controls, Policies, Procedures, Training and programs to ensure compliance with AML/ CFT/CPF Regulations.
Regulation -14	Counter Measures For High Risk Jurisdictions	On Counter Measures for High Risk Jurisdictions Rules, 2020.
Regulation -15	Regulation and Supervision	Guidelines on regulation and supervision

In addition to the AML/CFT/CPF regulations, SBP has also issued Framework for Managing Risk for Trade Based Money laundering and Terrorist Financing to strengthen trade related Anti Money Laundering/Combating Financing of Terrorism (AML/CFT) regime and restrict possible misuse of banking channel.

The above stated Regulations/framework are emphasized in Bank's procedural manuals for meticulous compliance as MIB maintains zero tolerance for regulatory noncompliance.

SCOPE

This policy applies to each and every business segment and concerned employees of MIB to effectively mitigate the risk of ML / FT/ 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.

MIB will continuously refine Customer Due Diligence processes using the risk based approach, through the implementation of system based Risk Rating Sheet(s)/Customer Risk Profiling. Standard Operating Procedures are formulated and technology based 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 attached to each customer for effective mitigation of ML/FT/PF risk.

Considering the huge size of undocumented sector in the economy, execution of due diligence process

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is complex and time consuming. However, for the compliance of regulatory requirements and to contain the customer related risks, MIB will make best efforts to conduct proper due diligence of every existing &prospective customer and occasional customer.

POLICY INCLUDE

1. To prevent criminal elements/ persons affiliated with any terrorist organizations from using MIB for money laundering activities from any of its branch or channel.
2. To safeguard MIB from being used as a conduit in Terrorism and Proliferation financing.
3. Ensuring that only bonafide and legitimate customers are accepted.
4. Verifying the identity of customers using reliable and independent sources.
5. Ensuring that proscribed/ designated individuals or entities and their affiliates or associates are not having any banking relationship or provided any service from MIB counters.
6. On-going Monitoring of customer accounts and transactions to prevent or detect potential ML/FT/PF/TBML activities.
7. Implementing Customer Due Diligence process using risk based approach.
8. To ensure implementation of Targeted Financial Sanctions (TFS) related to Terrorism & Proliferation financing (TF & PF).
9. Managing/ mitigating reputational, operational, legal and concentration risks etc.
10. To put in place appropriate controls for prevention, detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
11. To comply with the applicable laws, regulatory requirements and guidelines etc.

CUSTOMER IDENTIFICATION

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

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 autonomous entities (as applicable).

In case of an account/ relationship of an entity with abbreviated name or title, Business shall satisfy themselves that the subject name/ title is in accordance with the constituent documents of the entity. Account/ relationship shall not be allowed in abbreviated name in cases where entity has its complete non-abbreviated name in their constituent document.

For non-face-to-face customers, Business 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 below procedures for trade customers will be specifically covered in Risk Management of Trade Based Money Laundering (TBML) & Terrorist Financing (TF) SOPs of Centralized Trade Operations and other relevant procedural documents:

a) Screening procedure of customers for trade transactions.
b) Procedure for identification and monitoring of trade transactions with related party.

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c) Procedure for complete risk profiling of customers dealing in or intending to deal in trade.
d) Procedure for developing Authorized Dealer's own risk profile.
e) Procedure for verification of prices of underlying contracts related to import/export of goods/ services.
f) Procedure for handling descriptions, which are unclear, coded or worded in a language other than English.
g) Screening procedure of goods being traded as per relevant Trade Policy
h) Procedure for Identification of dual use of goods

Moreover, MIB shall not rely on third parties to perform any CDD measures.

CUSTOMER VERIFICATION

MIB 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 persons or for legal arrangements, branches are required to take reasonable measures to (i) understand the ownership and control structure of the customer (ii) determine and verify the natural persons who ultimately own or control the customer. This includes those persons who exercise ultimate effective control over a legal person or arrangement (iii) Where no natural person is identified, 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, are to be invariably verified by using reliable and independent data or sources of information as prescribed in AML/CFT/CPF Regulations including utilizing Biometric Verification or in special circumstances using NADRA Verisys (the special circumstances are defined in SBP Biometric FAQs and Circulars issued from time to time). Verification of the identity of the customers and beneficial owners shall be completed before business relationship is established or a transaction is processed.

The verification of the customer address is of utmost importance when conducting the due diligence. Letter of thanks in this case serves as an evidence of verifying the address and in issuing the cheque book to the customer.

CUSTOMER ACCEPTANCE

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

a) Identity, beneficial ownership, or information on purpose and intended nature of business relationship is not clear.
b) 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 etc.) appears in the Proscribed/Sanctioned/ Specially Designated Nationals (SDN) entities lists.
c) Proscribed/ designated entities and persons or to those who are known to be associated with such entities and persons, whether under the proscribed/ designated name or with a different name.
d) Anonymous / fictitious (Benami) or numbered accounts and shall not conduct transactions on fake identity documents.

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e) Payable through accounts (An account maintained at the correspondent bank by the respondent bank which is accessible directly by a third party to effect transactions on its own (respondent bank's) behalf).
f) The Bank is not able to satisfactorily complete required CDD measures.
g) Financial Institution that does not have a physical presence in any country i.e. Shell Banks.

CDD FOR WALK -IN-CUSTOMERS

Walk-in-customers shall only be entertained, once due diligence measures for transactions relating to such customers as prescribed in SBP AML/CFT/CPF Regulations 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 including biometric verification or NADRA Verisys in line with SBP's Frequently Asked Questions (FAQs) on use of Biometric Technology.

Further, name clearance should be obtained against sanctioned/ proscribed lists through Sanctions Screening System for walk in customer executing the transaction to ensure that the person is not a proscribed/ designated person/ entity.

CDD FOR ASSET SIDE/ TRADE FINANCE CUSTOMERS

MIB shall also undertake CDD measures of asset side/trade finance customers and ensure monitoring of such customers with regard to ML/TF/PF risk.

CUSTOMERS FROM HIGH RISK JURISDICTIONS IDENTIFIED BY FATF

In order to comply with the Counter Measures for High Risk Jurisdictions Rules, 2020, MIB shall also apply Enhance Due Diligence (EDD), proportionate to the risks to business relationships with individuals and entities including Financial Institutions from high risk foreign jurisdiction as specified by the FATF and identified as High Risk during the Bank's internal ML/TF risk assessment.

TARGETED FINANCIAL SANCTIONS (TFS) MANAGEMENT

In order to comply with Targeted Financial Sanctions regime, MIB will devise effective system and controls to safe guard the bank from being exploited by the terrorists for TF/ PF. In this regard, all the relationships (customer/ non-customer (walk-in/ occasional customers), BoD, owners, sponsor shareholders, third party service providers/ vendors, employees (permanent, contractual or hired through outsourcing) etc.) will be screened against prescribed sanctions list (both local and international) before establishment of the relationship or processing the transactions. Further, all the relationships will be screened against the sanctioned lists on periodic basis as well. If any relationship is found with existing or potential customer or occasional customer, Bank shall take the actions, as per AML/CFT/CPF Regulations.

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 the guidelines for on-going review in CDD &AML/CFT/CPF Procedural Handbook, 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

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knowledge of the customer, its business and risk profile and are conducted in accordance with the AML /CFT/CPF Regulations, instructions of Financial Monitoring Unit (FMU) and other applicable local /international bodies.

Business 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 as per defined procedures to prevent utilization of MIB's channel by individuals/ organizations listed in Proscribed/ Sanctioned entity's list.

All New to Bank clients/ relationships will be screened through an automated Sanctions Screening solution. Further, financial transactions will be monitored through AML solution / Automated Transaction Monitoring System (TMS) based on predefined rules and thresholds.

MIB 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 MIB 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 AML/ CFT Department, CCG.

In case of suspicion, business shall raise Suspicious Transaction Reports in line with the requirement highlighted under AML Act 2010, AML / CFT/CPF regulations, Guidelines of the Financial Monitoring Unit (FMU) and as per the procedure laid down in the CDD & AML / CFT/CPF procedural Handbook of the Bank.

Where Bank is unable to complete CDD requirements, it (a) shall not open the account, commence business relations or perform the transaction; or shall terminate the business relationship if any; and (b) shall promptly consider filing a Suspicious Transaction Report in relation to the customer.

Where the Bank forms a suspicion of money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the customer, the Bank shall not pursue the CDD process and shall file a STR.

For customers whose accounts are dormant or in-operative, Branches/ Business may allow credit entries without changing at their own, the dormancy status of such accounts. Debit transactions/ withdrawals shall not be allowed (except those allowed under AML/CFT/CPF Regulations) until the account is activated on the request of the account holder. Branches/ Business shall use the NADRA Verisys and a formal request (through postal address or email address or registered mobile number or landline number) for activation of dormant account by customers and fulfil all other formalities for activation of the account in line with the procedure as defined in MIB's Operations Manual and Business is satisfied with CDD of the customer. Branches/ Business teams shall retain all relevant documents and NADRA Verisys for record keeping requirements along with account opening documents.

The employees of MIB are strictly prohibited to disclose the fact to the customer or any other quarter 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), except if required by law.

Currency Transactions (i.e. CTR) of threshold limit and above (or equivalent in FCY), as prescribed by regulatory authority, 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.

WIRE TRANSFER(S)

The Bank may act as Ordering Institution, Beneficiary Institution or Intermediary Institution while processing wire transfers/fund transfers. However, Business/ concerned group shall ensure all requirements as described in SBP's AML/CFT/CPF Regulations along with international best practices are completed.

RISK MANAGEMENT

All relationships shall be categorized with respect to their risk levels i.e. High, Medium and Low, based on the quantified risk profiling of customer (through e-KYC System, and as guided in SBP's AML/CFT/CPF Regulations/Guidelines, international best practices and CDD & AML/CFT/CPF Procedural Handbook) 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 opening and ongoing monitoring of business relationship. SDD will be applied only for Asaan Account and Asaan remittance account.

MIB has implemented the system based KYC/CDD and Risk Profiling of Customer, through implementation of e-KYC 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 & satisfy regulatory requirements.

Bank shall not allow personal accounts to be used for business purposes except proprietorships, small businesses and professions where constituent documents are not available and Bank is satisfied with KYC profile of the account holder, purpose of relationship and expected turnover of the account keeping in view financial status & nature of business of that customer.

The approval for opening of PEP and Non-Governmental Organizations (NGOs)/ Not-for-Profit Organizations (NPOs) /Trust/Society/Madrassa/Club/ Association/ Foundation and Charities accounts will be obtained from Senior Management after performing EDD (Enhanced Due Diligence). The requirement of EDD and obtaining Senior Management approval will also be applied on the accounts of individuals associated with an NGO/NPO/Trust/Society/Club/Association/Madrassa/ Foundation/Charities (e.g. director, member of governing body, signatory, trustee, employee etc.).

The above mentioned accounts will be classified as High Risk, therefore, monitoring of these accounts will be performed at Branch level and through FCCM under stringent thresholds.

Personal accounts shall not be allowed to be used for charity purposes/collection of donations.

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

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

** 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.*

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All Branch Managers are primarily responsible for monitoring the activities in accounts, and for updating their knowledge of the customer. This is done by:

- Watching the customer's banking habits and patterns of transactions.
- Documenting events (e.g. change in product lines, expansion of business, change of address etc.) that are considered important for a sound knowledge of the customer and his activities.
- Possessing knowledge of the customer's circumstances and business to be in a position to confirm that transactions in customer's account are genuine.

While formulating procedures and controls, MIB shall take into consideration Money Laundering, Financing of Terrorism and Proliferation Financing 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.
Compliance & Internal Audit 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.

REVIEW OF PRODUCTS AND SERVICES INCLUDING NEW TECHNOLOGIES

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

THE BANK APPROACH TO SANCTIONS

MIB is committed to comply with relevant economic and trade sanctions imposed by international authorities (i.e. UN, EU, OFAC, BOE etc.) on specific countries. Failure to comply with relevant sanctions or to prevent or manage this risk would not only constitute a breach of legal and/or regulatory requirements, but would also represent a failure to abide by international standards and could carry significant reputational damage, legal and regulatory action and financial loss to the Bank.

RECORD KEEPING

The records of identification data obtained through CDD process including but not limited to copies of identification documents, account opening forms, KYC forms, verification documents and other 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.

MIB shall also maintain for a minimum period of ten years all necessary records of transactions for 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 the date of completion of transaction(s). The data relating to suspicious transactions and currency transactions reported by MIB to FMU will be retained for the period of at least ten years from the date of such reporting.

However, where transactions, customers or instruments are involved in litigation or where relevant records are required by a court of law or other competent authority, Bank shall retain such records until the litigation is resolved or until the court of law or competent authority indicates that the records no longer need to be retained.

Furthermore, all signature cards and documents indicating signing authorities, and other documents relating to the account/deposit or instrument surrendered to SBP / submitted to

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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.

CORRESPONDENT BANKING AND MONEY SERVICE BUSINESSES (MSBs)

MIB will establish correspondent banking relationships with only those foreign banks that have adequate and effective AML/CFT/CPF systems and policies in line with the AML/CFT/CPF regulations relating to the country in which bank operates. MIB will pay special attention and apply EDD when establishing or continuing correspondent relationship with banks/ financial institutions pertaining to high risk countries as mentioned in the Counter Measures for High Risk Jurisdictions Rules, 2020 and identified by FATF for inadequate and poor AML/CFT standards in the fight against money laundering and financing of terrorism. Wolfsburg's principles, an association of thirteen global banks that aims to develop financial services industry standards for KYC, AML and Counter Terrorist Financing, would also be followed.

Before establishing new correspondent banking relationship, approval from senior management shall be obtained and proper Due Diligence shall be conducted. Enhance Due Diligence/On-going Due Diligence of respondent/correspondent banks and MSBs will be conducted using risk-based approach following the guidelines given in the CDD & AML/CFT/CPF Procedural Handbook on the under noted frequency or upon occurrence of any event / happening / situation that demands due diligence to be conducted afresh.

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

**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.*

MIB 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 by shell banks and itself ensure that its platform is not used by any shell bank for execution of financial transaction or provision of financial services.

EMPLOYEE DUE DILIGENCE

In line with AML/CFT/CPF regulations, MIB will implement appropriate screening procedures to ensure high standards and integrity at the time of hiring all employees, whether contractual or permanent or hired through outsourcing. In this respect, the Bank shall inter alia invariably ensure that:

(a) 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.

(b) No employee is or has been convicted/ involved in any fraud/ forgery, financial crime etc.

(c) No employee is or has been associated with any illegal activity concerning banking business, foreign

exchange business, financial dealing and other business or employment.
(d) Bank shall comply with SBP's Fitness and Proprietary Test (F&PT) Criterion required for sponsor shareholders & board approval and senior management appointment.
(e) 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.
(f) Bank shall ensure that the person subject to FPT has been verified through NADRA and screened against the applicable sanctions list as per the applicable laws, rules and regulations.

VENDORS, OUTSOURCING AND SERVICE PROVIDER'S DUE DILIGENCE

MIB would 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 2017; related to Due Diligence of its vendors and outsourced service providers are implemented.

TRAINING

Suitable Annual Training Program for Employees will be put in place by Human Resource Management Group (HRMG) and by Corporate Affairs for Sponsor Shareholders and BoD, after Formal Training Need Assessment in area of AML/ CFT/ CPF annually to enhance staff capability, in order to effectively implement the regulatory requirements, and also MIB's own policy & procedural requirements relevant to AML/CFT/CPF. The Annual Training Program shall ensure 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 and AML/CFT/CPF Regulations including on TFS for TF & PF and STR/ CTR as per their required need and relevance of job.

Bank shall ensure that content of training and methodology used is updated with regard to emergent risks identified by Bank through IRAR, updates in National Risk Assessment (NRA) threats & vulnerabilities, update in international standards and best practices including by FATF/ FSRBs/ BIS in area of AML/ CFT/ CPF, regulatory/ supervisory updates, update in legal framework, issuance and sharing of guiding documents and analysis by government specially FMU, MOFA, NACTA in the areas of AML/ CFT/ CPF.
Training shall be imparted to improve knowledge, skills and analysis of Bank's officials in the area of AML/ CFT/ CPF especially with regard to Regtechs and Suptechs implemented by the Bank and MIS generated.

Training to employees directly/ indirectly responsible for AML/ CFT/ CPF shall enable them to understand new developments, money laundering and financing of terrorism techniques, methods and trends. The training content shall also include their responsibilities relating to AML/ CFT/ CPF especially requirements relating to TFS, CDD and analysis of abnormal/ out of pattern transactions and alerts generated thereof for possible reporting of suspicious transactions.

The Bank shall test the capability and knowledge of the relevant staff on periodic basis.

Bank will also arrange outreach and awareness covering ML/ TF/ PF risks and the AML/ CFT/ CPF obligations including TFS for TF & PF and STR/ CTR. The audience may be customers of Bank as well.

Further, HRMG with support of Compliance and Controls Group, wherever required, shall conduct assessment of their employee's knowledge via CKAS (Compliance Knowledge Assessment System) test towards AML / CFT/CPF/TFS area and its key regulatory requirements in each alternate year.

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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/Plan.

ML/TF/PF RISK ASSESSMENT AND REPORTINGS

In order to document the identified ML/ TF/ PF risks, Bank will periodically ensure an entity level Internal Risk Assessment Report (IRAR) in line with AML/CFT/CPF Regulations, in any case where circumstances change or related new threats emerge, to identify threats posed and to gauge efficacy of the controls to mitigate the inherent risk in such activities in line with threats and vulnerabilities identified in updated Pakistan National Risk Assessment (NRA) on ML/TF. Accordingly existing controls shall be regularly evaluated in the light of prevailing and emerging risks and additional appropriate actions/ controls to mitigate the risks will be implemented. Further, in case the NRA is updated at national level, Bank shall update the internal risk assessment document in light with the updated NRA.

IRAR will cover ML/ TF/ PF risks including Transnational TF risks and other emerging risks to and from Bank. IRAR shall identify, assess, and understand ML/ TF/ PF risks at entity level for customers, products, services, delivery channels, technologies, and their different categories of employees etc.
IRAR shall take into account results of National Risk Assessment (NRA) shared with banks, major international/ domestic financial crimes and terrorism incidents that have probability of posing ML/ TF/ PF risks to the Bank itself, to other SBP Regulated Entities and to the Pakistan's financial sector. Further, feedback from SBP, FMU, LEAs, and other related stakeholders will be taken into account while conducting Internal Risk Assessment.

MIS on ML/TF/PF risk posed to the Bank, controls evaluation and internal risk assessment report shall be submitted to Compliance Committee of Management for review and recommendation before submitting it to Board's RM&PRC sub-committee for approval.

Given the huge quantum of ML/TF 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 that entails comprehensive guidelines for banks to be implemented to manage these risks. MIB will implement these guidelines through comprehensive SOPs & technology based solutions.

CDD & AML/CFT/CPF PROCEDURAL HANDBOOK AND OTHER RELEVANT GUIDELINES AND PROCEDURES

Management will develop and implement detailed procedures in compliance with this policy.

POLICY REVIEW PERIOD

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

MCB ISLAMIC BANK LIMITED CORPORATE AFFAIRS

MCB ISLAMIC BANK LIMITED SHARI'AH BOARD

GLOSSARY

AML/CFT/CPF	Anti-Money Laundering /Combating the Financing of Terrorism/ Countering Proliferation Financing
ARC	Aliens Registration Card
ATA	The Anti-Terrorism Act, 1997
BIS	Bank of International Settlements
BoD	Board of Directors
CDD	Customer Due Diligence
CCG	Compliance and Controls Group
CCO	Chief Compliance Officer
CKAS	Compliance Knowledge Assessment System
CNIC	Computerized National Identity Card
CTR	Currency Transaction Report
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FCCM	Financial Crime & Compliance Management
FPT	Fit and Proper Test
FSRBs	FATF Style Regional Bodies
FMU	Financial Monitoring Unit
IRAR	Internal Risk Assessment Report
KYC	Know Your Customer
ML/TF/PF	Money Laundering/ Terrorism Financing / Proliferation Financing
MOFA	Ministry of Foreign Affairs
MSB	Money Service Business
NACTA	National Counter Terrorism Authority
NADRA	National Database & Registration Authority
NICOP	National Identity Card for Overseas Pakistanis
NGOs/NPOs	Non-government Organizations / Non-profit Organizations
OFAC	Office of Foreign Assets Control
PEP	Politically Exposed Person
POC	Pakistan Origin Card
POR	Proof of Registration (For Afghan Nationals)
RBA	Risk Based Approach
REGTECHS	Regulation Technology (Systems for Ensuring Compliance of Regulations i.e. Risk and Controls in area of AML/ CFT/ CPF)
RM&PRC	Risk Management & Portfolio Review Committee
SDD	Simplified Due Diligence

SNIC	Smart National Identity Card
SNICOP	Smart National Identity Card for Overseas Pakistanis
STR	Suspicious Transaction Report
SUPTECHS	Supervisory Technology (Systems for Ensuring Compliance of Supervisory Needs i.e. Risk and Controls in area of AML/ CFT/ CPF)
TFS	Targeted Financial Sanctions
UNSC	United Nations Security Council

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