

JSC CAUCASUS TRUST BANKERS (CTB)  
“Risk assessment and KYC policy and procedures in transactions, subject to monitoring”

**Preamble**

The aim of the following policy and procedures represents implementation of minimal measures and procedures for the purpose of facilitating the prevention of illicit income legalization and financing of terrorism in the activities carried out by JSC CAUCASUS TRUST BANKERS (CTB) , which enables it to impose illicit income legalization determination, evaluation, monitoring and with reasonable distribution of resources, ensure prevention of risks.

**Article 1. Terms definition**

The terms, used in the following text for the purposes of these policies and procedures, have the following meaning:

**Financial institution** - commercial bank, microfinance organization, non-banking depository institution, currency exchange point, person, who implements money transfer, securities register, securities broker;

**Risk assessment principle**- based on the implementation of the risk management process that involves the detection/recognition of existing risks, the development of their assessment process, the development of the strategy that ensures risks managing and risks reduction. According to this principle, financial institutions share their resources in accordance with priorities so that the appropriate resources are taken into consideration with appropriate risks.

**Competent international organizations** - Council of Europe, Financial Action Task Force (FATF), TRANSPARANCY INTERNATIONAL and other organizations recognized as such by International Community;

**"Remote service"** - to provide product/service through internet, telephony and other modern technologies that allows replacement of direct contact with the client.

**Escrow service** – service, when a trilateral (or multilateral) contract (bank and two or more parties) is introduced at the moment of opening an account. The bank account shall be monitored by the funds of the parties to the particular transaction. The bank shall issue cash on the relevant side after the liabilities between the parties will be performed or the bank will receive the relevant assignment on issuing cash.

**Payment Service Provider**– JSC CAUCASUS TRUST BANKERS (CTB);

## Article 2. Approach based on risks

1. JSC CAUCASUS TRUST BANKERS (CTB) uses the risk-based approach in terms of establishing a real mechanism for the prevention of illicit income legalization and financing terrorism.
2. In terms of risk-based approach, JSC CAUCASUS TRUST BANKERS (CTB) implements risk assessment, classification by categories and implementation of the proper control measures.
3. In the direction of JSC CAUCASUS TRUST BANKERS (CTB) 's risk-based adequate approach, it is continually updating the methods of illicit income legalization and terrorism financing.
4. The risk-based approach is implementing by the JSC CAUCASUS TRUST BANKERS (CTB) :
  - Effective management of risks and economic benefits;
  - Concentrating of key resources on the identified threats;
  - Flexibility on changing of risk and power of adaptability.
5. Due to the complexity of the risk-based approach, JSC CAUCASUS TRUST BANKERS (CTB) is responsible for:
  - Collecting information that will enable risk analysis;
  - Selection of qualified personnel capable of making adequate decisions.
6. JSC CAUCASUS TRUST BANKERS (CTB) also draws attention that the risk may be inherent or residual. Inherent risk is the risk, which will result in any product, service, client, etc. No control mechanism or risk reduction factor will be used, and the risk that remains after use of control mechanisms.
7. In order to minimize congenital risk, the JSC CAUCASUS TRUST BANKERS (CTB) uses adequate procedures, policies and other mechanisms of control, and focuses on residual focus of waste risk.
8. Proper management of illicit income legalization and risk financing by the JSC CAUCASUS TRUST BANKERS (CTB) includes information gathering for identification of risks, evaluation of identified risks (classification according to levels), their reduction/management and further monitoring.
9. The risk assessment by the JSC CAUCASUS TRUST BANKERS (CTB) is to find out whether the threats of illicit income legalization and terrorism financing in its ongoing activities are precisely defined by these threats, that require the level of control required for the reduction

and further monitoring of these risks. Therefore, JSC CAUCASUS TRUST BANKERS (CTB) should assess the risks associated with money laundering and terrorism financing and to implement this policy of their management.

10. The risk assessment by the JSC CAUCASUS TRUST BANKERS (CTB) is complex, but at the same time with the conformity of specific characteristics and volume. The products and services offered by it in a uniform category of clients, which are not diverse, risk assessment is a simple system that is sufficient for identification and prevention of risks. While in the services and offers of the products and services, it is controlled by a complex approach of risk management, which is necessary for the existence of a risk assessment and a subtle process of management.
11. It envisages identification and evaluation of its risks, including:
  - Business nature, frameworks, diversity and complexity;
  - Target market;
  - Number of clients that have already been identified for high risk;
  - Jurisdictions with which it can be involved in the case of its own clients (especially jurisdictions where corruption and/or organized crime levels are high and/or weak control mechanisms for illicit income and terrorism funding);
  - Distribution channels, especially such kinds, when analyzing the client's activities, based on the third parties, also, uses various remote technologies;
  - Instructions of internal audit and supervisor;
  - Volume and quantity of transactions, taking account of its activities and risk profile.
12. While carrying out the risks identification and management policies, JSC CAUCASUS TRUST BANKERS (CTB) also provides information obtained from the relevant internal and external sources, reports of competent international organizations, typological surveys, and, at the same time, ensuring the periodic renewal of this policy, taking into consideration the changes and new threats.

### **Article 3. Management and personnel**

1. Effectiveness of illicit income legalization and terrorism is highly dependent on management, which should clearly understand the importance of the issue and to develop a capable internal control system for the purpose of assessing, evaluating and monitoring existing risks. Management, in this regard, at least provides:

- To create a conformity culture and to make a message for this purpose that JSC CAUCASUS TRUST BANKERS (CTB) will not be a participant of business relations, related to the risks of illicit income legalization and terrorism financing;
  - To analyze the implementation of an adequate internal control system and its efficiency in JSC CAUCASUS TRUST BANKERS (CTB) , as well as equipping the structural unit with the appropriate resources responsible for monitoring;
  - To create an information system for regular and objective information regularly, which should ensure that it is aware of the risks to which may be disadvantaged;
  - Determine other necessary measures to minimize risks of illicit income legalization and terrorism financing;
2. In identifying the risks of illicit income legalization and terrorism financing, JSC CAUCASUS TRUST BANKERS (CTB) provides adequate teaching programs for employees, ensuring that all the employees participate within their competence to be engaged in the process of facilitating the detection of facts illegal legalization and terrorism.
3. Use of the risk-based approach allows JSC CAUCASUS TRUST BANKERS (CTB) to decide the basic issues, methods and intensity of the staff training program, but the training should be at least as follows:
- Highly relevant quality in terms of effective analysis of risks of illicit income legalization and terrorism financing;
  - Obligatory nature for all the relevant employees;
  - It should be admitted to the direction of JSC CAUCASUS TRUST BANKERS (CTB) employees' activities to ensure that they are equipped with a clear perception of the risks that may arise during the work process;
  - Regular and effective provision for personnel to know the legalization of illicit income legalization and terrorism financing, international standards, current policies/procedures, as well as threats to the emergence of new risks and their management and/or minimization;
  - Effectiveness, which means that employers have the opportunity to ensure the risk of illicit income legalization with respect to clients, operations and/or products; etc.

#### Article 4. Risk assessment criteria

1. JSC CAUCASUS TRUST BANKERS (CTB) uses a different, risk-based approach to evaluate a particular client and classifying them in different risk categories. This, in turn, allows to use proportionate measures and resources to manage and monitor risks of illicit income legalization and terrorism financing.
2. Risk assessment is based on three main criteria:
  - a) geographical risk;
  - b) the risk of product/service and their delivery;
  - c) risk of client

##### **a) Geographical risk**

1. The geographical risk includes the geographical origin of the client (legal or/and real address) and or the country/region with high risk, with whom the client is connected with business interests and/or other important links (beneficiary owners, founders and/or major business partners are registered in such a country/region and etc.).
2. The country is considered as carrying a high risk if:
  - Such recognition is based on the applicable legislation of Georgia;
  - Sanctions, embargo and/or other measures are imposed by the country of the relevant international organizations (including the UN Security Council) and/or developed countries;
  - There is no appropriate legislative base in the country to facilitate the elimination of illicit income legalization and terrorism financing and this fact is recognized by relevant international organizations;
  - The level of corruption and/or organized crime in the country is high and this fact is recognized by relevant international organizations.

##### **b) The risk of product/service and their delivery**

1. When assessing the risks of JSC CAUCASUS TRUST BANKERS (CTB) 's product/service and their means of delivery, they have to be evaluated individually by considering the client's personality and the nature of business relationship with him. Measuring by JSC CAUCASUS TRUST BANKERS (CTB) the risk assessment product/service and their delivery means the following factors:

- Product/service is rated as a high risk (for example: international transfers, international transactions, when the financial institution plays a mediator role, using a private bank service, cashing on financial instruments and etc.);
- Delivering product/service remotely (internet banking and other technologies that make it difficult to identify the parties involved in the operation);
- Provide product/service through the mediator (agent).

2. JSC CAUCASUS TRUST BANKERS (CTB) specializes at high-quality products/services and their methods of their delivery, such as:

- Cash-related transactions (currency-buying and sale of cash, cash in bank accounts);
- Operations carried out by remote measures (internet banking, fast payment terminals and etc.);
- Cash withdrawals issued by another commercial bank;
- Ensure transfers and transfers made in the form of fast money transfers;
- Deposits, securities, precious metals/stones, secured with securities and secured loans;
- International bank guarantees and letters of credit;
- Operations carried out on nominal accounts;
- "Escrow" service;
- Preliminary payment cards (whose owner is not identified);
- Bank savings safes;
- Investment banking services (when bank clients offer property management) and others.

3. JSC CAUCASUS TRUST BANKERS (CTB) provides that any client where the client has a remote access or supply the product through a mediator/agent (moreover, if it is not subject to the control of the illicit income legalization) increases the risk of the product. Therefore, it should assess the risk of each product taking into account the supply channels and mediators.

4. JSC CAUCASUS TRUST BANKERS (CTB) carefully assesses the risk of each new product/service and their delivery channels and analyzes how this can be used to finance illicit income legalization and terrorism. Determining the inherent risk can be used, as well as the information available on it, as well as the typological surveys of international organizations.

### **c) Client's risk**

1. The risk of the client is to include the types of activities of real and legal persons (as well as non-organizational entities without the status of a legal entity), peculiarities of the operations and conduct of the operations, and other signs that may cause them to be classified as high-quality. With such category of clients, it uses maximum of caution and uses more advanced monitoring measures. In this category, JSC CAUCASUS TRUST BANKERS (CTB) includes:

- Politically active persons;
- Clients about financial institutions are known to suspect in the case of illicit income legalization/terrorism financing;
- Clients about which the state authorities of different countries have a warning / warning about their involvement in illegal activities;
- Client, whose organizational and ownership structure is difficult;
- Professional service providers;
- Lotteries and other profitable games, including online casinos and gamblers, bookmakers and others;
- Clients whose business is related to precious metals/stones and their products, antiques and art specimens;
- Real estate agencies, real estate brokers (brokers);
- Customer, carrying weapons and ammunition, military equipment and transport (parts) manufacture and/or trade;
- Nuclear reactor materials manufacturer / trader companies;
- Client, who performs trade with chemicals and/or production;
- Activities, involving a large amount of cash intensive movement;
- Organizations, whose activities are not oriented on receiving profit;
- Sport clubs;
- Client, who represent an investment fund/company;
- Development, holding, Asset manager, credit companies;
- Client, which is registered by TRASTANTGENT;
- Companies that use foreign currency buy-sell electronic platforms;
- Organizations, whose main activity is to issue a loan (including online credit issuers), other than financial institutions;
- Client, that deals with segregated, suspicious and unusual transactions;
- Client (legal entity), whose beneficial owner is politically active person;
- Client, whose financial resources are found to be complicated and/or suspicious;
- Client, that has not been revised for a year or more since the date of opening of the account, and after the expiration of this period, bank operations are carried out with large amounts of money;
- A client who leads his business relationships in unusual circumstances, namely particularly, in large geographical distance between the financial institution and the client;
- Client requests for unusually high levels of confidentiality protection;
- Client, carrying out frequent and unsubstantiated transfers of its accounts in various financial institutions;

- Customer transactions are not consistent with the activities stated by him, the nature (amount) of its financial transactions suddenly changes (and sharply) and / or is irrelevant to its normal activities;
- Client, that systematically and deliberately carries out the transactions below the limit and in a short period of time;
- There is no business/economic connection between the parties, that implement transaction and the content of the transaction is indistinct;
- A client, that avoids or submits standard information;
- Clients whose transactions and cash transactions are significantly different from financial transactions of clients with similar activity;
- Other circumstances that suspect the risk of the client (eg. identification documents, reputation or past activity and etc.).

2. During determining the risk of the client, the JSC CAUCASUS TRUST BANKERS (CTB) has to consider the type of the client (the beneficiary owner), his location (place of registration), area of activity and geographical area, character and intensity of business relations, the product/service or the type and volume of the transaction (operation).

3. The current list is not exhaustive and it is authorized to define the types and products of the risk-taking activities independently, taking into account various factors. In addition, the client classification by JSC CAUCASUS TRUST BANKERS (CTB) is carried out by 3 levels (low, medium, high) and systematization of the information, which is carried out to facilitate adequate monitoring of the accuracy and implementation of customer classification.

3. JSC CAUCASUS TRUST BANKERS (CTB) considers that classification is a dynamic process according to the risk, which means that it may be changed in some circumstances.

4. JSC CAUCASUS TRUST BANKERS (CTB) determines customer risk review, and accordingly, periodicity of updating of information about them (which is in a high-risk client's cases should not exceed 1 year), and sets the risk of revision and updating of the information indicators (for example, transaction frequency and volume, conclusions on periodic comparison/analyzes of customer turnover and operations performed by identical activities, characteristic or behavior of the client, the beneficial owner of those changes, the identity of the counterparty and/or the customer's business profile change, the client and the business relationship between the duration and other JSC CAUCASUS TRUST BANKERS (CTB) and other).

5. An important measure to ensure that the risks are correctly defined and/or the need for their change is a constant monitoring of client transactions to determine whether the nature of these transactions corresponds to the knowledge existing in JSC CAUCASUS TRUST BANKERS (CTB) about the purpose and intent of the client, business relationship, and the origin of the financial measures.

6. JSC CAUCASUS TRUST BANKERS (CTB) also determines the amount and intensity of the monitoring, taking into consideration its organizational risks and individual risk profiles. The adequacy



of the monitoring system and the factors on which the monitoring level is determined will be reviewed regularly to ensure their continuous compliance with the following risk management policy.

### **Article 5. Use of risk-based approach**

1. In the distribution of own resources against legalization of illicit income and financing terrorism, JSC CAUCASUS TRUST BANKERS (CTB) implements evaluation of risks assess proportionally and to avoid possible risks tries the following:

- to provide identification (standard/enhanced/simplified) of the client risk level (including identification of beneficiary owners) adequately and timely and the procedures for verification of information obtained as a result of identification;
  - With certain periodicity, as well as additional risk factors are identified, checks and revises methodology for risk identification.
  - Finds risk proportional information on customer's activities and operations of client's business, ownership form, transactional volume, and their destination analysis, determines the risk of the client and analyzes the customer's performance in case of high risk;
  - JSC CAUCASUS TRUST BANKERS (CTB) efficiency according to the identification and elimination of illicit income risk depends largely on its informing and qualification of employees. All employees should be aware of the legal and regulatory environment, including the basics of legislation against the legalization of illicit income, in which it has its activities. For this purpose, it provides for the adequate training of appropriate staffing programs, taking into consideration the principle that all employees participate within their competence in the process of promoting the facts of illicit income legalization and terrorism financing.
  - Using a risk-based approach allows JSC CAUCASUS TRUST BANKERS (CTB) to decide the basic issues of the program, methods and intensity of staff training program. As a result of the implementation of this program, employees of JSC CAUCASUS TRUST BANKERS (CTB) should be able to identify the risks of illicit income legalization with the client, its operations/business or product.
2. JSC CAUCASUS TRUST BANKERS (CTB) is particularly cautious while opening accounts for non-resident legal entities and providing services for them, if such takes a place. JSC CAUCASUS TRUST BANKERS (CTB) should perfectly implement checking of the non-resident legal entity's registration documents on reliable sources (for example, other members of the service (both past and current) financial institutions or non-resident person in the administrative bodies of the relevant information gamotkho the documents submitted by the customer have to be apostilled or legalized requested copies and other). It should also

- determine, why a business entrepreneur fulfils his activity in the jurisdiction, where is not registered, is this the reason for covering of the origin of funds?
3. When applying the risk-based approach, it is important to note that the transactions can be classified as minimal risk, which can be classified as minimal risk operations while using a risk-based approach to the purpose of eliminating terrorism financing. In addition, it is important to note that unlike the legalization of illicit income, sources of financing terrorism could be legal, operations can be made open and seemingly impressed by the conventional transaction which makes them more difficult to detect. Therefore, the most important and basic element of the risk-based approach to legalize illicit income as well as the risk of suppression of terrorism is the constant monitoring of client transactions and the implementation of policy principles "know your client".
  4. Measure taken by the JSC CAUCASUS TRUST BANKERS (CTB) in the risk of legalization of illicit income and the risk of financing terrorism should be assessed as a risk proportionate and may include one or more of the following:
    - a) refusal to open an account for the client;
    - b) account cancellation;
    - c) delaying the operation before receiving additional information;
    - d) refuse to perform the operation;
    - e) to provide information about the client and its operations to the Financial monitoring service of Georgia.

#### **Article 6. "Know your client" policy**

1. "Know Your Client" Policy is one of the most important mechanisms in the fight against illegal legalization and terrorism financing. The goal of the policy "Know Your Client" is to obtain maximal information about clients and their activities, which will ensure correct assessment of the client's risk.
2. "Know Your Client" policy is an effective way to fight against illicit income legalization. The protection of KYC procedures is directly proportionate to the safety of JSC CAUCASUS TRUST BANKERS (CTB). The absence of KYC standards or the inadequacy poses a reputation and legal risk that could lead to serious losses for JSC CAUCASUS TRUST BANKERS (CTB), including material nature (eg. cutting links in bank accounts, seizure of assets and etc.).
3. Depending on the nature of the financial activity, it is important for the acquisition and maintenance of partner banks, lenders and the market in general, therefore the risk of reputation is a serious threat to the successful financial function of the financial institution. The

reputation risk should be defined as negative feedback on the activities of JSC CAUCASUS TRUST BANKERS (CTB) , which leads to loss of trust in JSC CAUCASUS TRUST BANKERS (CTB) . Financial institutions/ JSC CAUCASUS TRUST BANKERS (CTB) are particularly sensitive to reputational risk as they can easily become victims of illicit activities produced by unscrupulous clients.

4. Due to non-compulsory KYC standards, JSC CAUCASUS TRUST BANKERS (CTB) can also be faced with a risk that is related to the trial against him. This may result in the disruption of the agreements concluded by him, imposing any other liability set forth on the basis of the cash fines or applicable legislation for the partner bank. For the purpose of suppressing the events that are responsible for the abovementioned risk factors, it is very important for JSC CAUCASUS TRUST BANKERS (CTB) to develop KYC policy and to control new and existing customers. It is especially important to ensure that all the relevant employees participate (in their competence) in the process of promoting the facts of illicit income legalization and terrorism financing.

#### **5. The main elements of JSC CAUCASUS TRUST BANKERS (CTB) “KNOW YOUR CLIENT” policy**

For realization “KNOW YOUR CLIENT” policy is necessary:

1. Formulation of client acceptance policy;
2. Implementation of the client identification procedure;
3. Daily monitoring of accounts and operations;

5.1. Client acceptance policy is one of the most important elements of KYC policy. It requires the formation of a differentiated approach from the staff of the JSC CAUCASUS TRUST BANKERS (CTB) to the clients, on the basis of determining the probability of creating a threat to them. In order to ensure this, the appropriate employees of the JSC CAUCASUS TRUST BANKERS (CTB) should be more prominent in the process of customer service. Decisions on establishing business relations with persons considered to be high-risky should be accepted in agreed way with the management.

#### ***5.2. During implementation of the policy by client:***

- a) Before establishing business relations with the person, the corresponding employee of JSC CAUCASUS TRUST BANKERS (CTB) is obliged to obtain the fullest information in the case of a physical person (resident/non-resident) in case of his/her job, occupied position, and all types of organizational-legal entities (resident/non-resident) information, disclosure of owners
- b) During establishing business relations with the client, employees of the JSC CAUCASUS TRUST BANKERS (CTB) are also obliged to identify whether the person in

business relations with JSC CAUCASUS TRUST BANKERS (CTB) and its beneficiary owner is a category of politically active persons. In such a case, they should be provided with additional measures envisaged by the JSC CAUCASUS TRUST BANKERS (CTB) in the monitoring procedure and continuous monitoring of business relations.

c) Analyzing the above information allows to classify clients according to different categories of risk. In the event that the type and activity of the client and/or the operations have to be carried out by the client and not to the highest level of risk, a simplified procedure for identification may be implemented.

### ***5.3. Identification of client means:***

a) Determining relevant data about the person willing to establish business relations with JSC CAUCASUS TRUST BANKERS (CTB). This is one of the main directions of internal control by JSC CAUCASUS TRUST BANKERS (CTB) in order to prevent illicit income legalization, in particular, it is obligatory for all beneficiary owners, as well as the operation (transaction) of all persons (clients), business representative and trustee related to business relations Third party The benefit of this person's identification, identification data and documents electronically, systemizing, storage and analysis, also, if the operation (transaction) is fulfilled in identification of this person in favor of the third person, documenting and electronicization of identification data, systematization, storage and analysis. Implementation of this procedure gives you the opportunity to make a presentation on the client and decide whether it is appropriate to establish a financial/intermediary relationship with the appropriate category of person.

b) The identification process is used at the moment of communicating between JSC CAUCASUS TRUST BANKERS (CTB) and client. The corresponding employee should not establish business relations until the new client's identity is not satisfactorily examined. If a potential client refuses to grant the requested information (documents) on the basis of a legitimate basis by the corresponding employee of JSC CAUCASUS TRUST BANKERS (CTB), he/she is obliged to refuse the client for any banking/financial service in its favor. Furthermore, if the requested additional information not to be prompted during a promising time, the business relationship with the client should be terminated.

c) The implementation of the identification process is not a single act and it should be systematic. The relevant employee must review the existing recordings (documents) at least once every 6 months and update the existing documentation in case of amendments to ensure that the identification data and documents of the client are updated. It is best to carry out some of the operations carried out by the relevant person (client). It should also review the risk category assigned to the client systematically and modify it in case of necessity, in accordance with the existing standards/monitors instructions.

d) In case of business relationship with the customer, the corresponding employee of JSC CAUCASUS TRUST BANKERS (CTB) finds that the information about the client is

insufficient, he should take measures to ensure timely obtaining of the necessary information.

e) It is important that the JSC CAUCASUS TRUST BANKERS (CTB) appropriate employee is guided by the principle of customer equity in the process of identification procedure, which implies that the identification requirement must be fulfilled in relation to all the clients, without his/her relation to his/her social, material status, senior official or relative relation with ordinary employee or due to other sign.

f) The corresponding employee should not allow the identification procedure to shorten the new client to a non-resident person and can not attend the interview. Moreover, JSC CAUCASUS TRUST BANKERS (CTB) should be particularly focused on the case of such category of clients.

**5.4. Continuous monitoring of customer loan accounts and their banking operations (transactions)**, represents an integral part of effective KYC policy. Only Mose can reduce the risk and reveal suspicious transactions if it systematically controls their client accounts and their banking operations.

5.4.1. Below are represented the general criteria of the existence of which the relevant employee may indicate to the client's insecurity and/or suspicious bank account (transaction). Specifically, the corresponding employee of JSC CAUCASUS TRUST BANKERS (CTB) should take appropriate precautions and security measures, when:

- The client is aware of the dissatisfaction with the information that is required for his/her perfect identification;
- The information presented by the client is insufficient, incorrect or unlikely;
- Documentation to provide transaction is fraudulent or have inherently defective deficiencies in legal terms;
- Client expresses wish to terminate banking operation after he is informed, that according to the general rule established for the removal of money laundering, he e is required to submit identification identification data (information);
- The current turnover on the account does not correspond to the customer's normal business activity;
- The implementation of operations related to money transfers from the client is unexpectedly risky, although such operations were not regular;
- The banking transaction (operation) performed by the client does not have reasonable economic contents;

- The banking operation is carried out with a large amount of money which can not be determined by the source of origin;
  - Transfer of funds is non-cooperative (non-cooperative) or in the noticeable and/or suspicious zone or from such zone;
  - Anyone who is not a cooperative (non-cooperative) or registered person in the noticeable and/or suspicious zone shall be granted a loan or receipt or any other transaction (operation);
  - There is a reasonable assumption that the amount of transaction is partially implemented to ensure that the banking operation is not subject to monitoring
6. To ensure stable and safe work of JSC CAUCASUS TRUST BANKERS (CTB) and use of money laundering or terrorism financing mechanisms, JSC CAUCASUS TRUST BANKERS (CTB) guarantees fulfilment of "know your client" policy, in accordance with the current rules of policy that comply with its activities and volumes.
7. JSC CAUCASUS TRUST BANKERS (CTB) pays special attention to the purpose and nature of the client's activity, which at least includes:
- To obtain information on the purpose and nature of the client's activities through the information presented by the client itself (the financial institution should determine the character of the customer's activity, the type of expected transaction, the opening of the account and/or the reasons for the establishment of business relations, etc.); and
  - To verify the information provided by the client.

### **Article 7. Mechanisms of internal control**

1. The risk identification process for the effectiveness of the risk-based approach is the part of internal control of the JSC CAUCASUS TRUST BANKERS (CTB) .
  2. Management of JSC CAUCASUS TRUST BANKERS (CTB) is responsible for the implementation of effective internal control mechanisms that provide customer transactions monitoring, identifying suspicious and unusual transactions and relevant reporting.
- 3. The volume and nature of internal controls depend on:**
- Complexity, volume and nature of the activities of JSC CAUCASUS TRUST BANKERS (CTB) ;
  - Risks related to the sphere of activity of JSC CAUCASUS TRUST BANKERS (CTB) ;
  - JSC CAUCASUS TRUST BANKERS (CTB) clients;
  - Offered products and services and their delivery channels;

- MESO's method of establishing communication with its clients (eg direct contact with customer, remote service, contact through mediator/agent);
- At the risk of financial transactions performed by JSC CAUCASUS TRUST BANKERS (CTB) .

**4. Internal control mechanisms in JSC CAUCASUS TRUST BANKERS (CTB) will provide the following:**

- Identification of clients and their beneficiary owners;
- Identification and evaluation of risks for clients, products / services;
- Identification of unusual and suspicious transactions;
- Special procedures for high-risk client relationships;
- Permanent monitoring of customer transactions;
- Relevant supervisory measures for those employees involved in monitoring customer transactions and making reports;
- Monitoring risks, protection against anti-money laundering policies, procedures, rules, as well as keeping data on customer identification and reporting to competent authorities;
- Risk-profile current monitoring of client and renewal if necessary;
- Employee qualification improvement

***Article 8. Final terms***

1. The present policy becomes effective from the date of approval by Director and shall be valid until its full termination.
2. Changes and additions to the policy shall be provided by the Director.