

Guidelines of Enhanced Due Diligence Measures for High Risks Clients or Financial Operations and Financial Services

1. The bank shall take enhanced due diligence measures and tighten the ongoing control when realizing a significant degree of risks of money laundering or terrorism financing considering that these procedures are deemed additional procedures taken in addition to the aforementioned due diligence measures applicable on all clients.
2. The bank shall set- up enhanced procedures on high risks categories and they are:
 - a) Non-resident clients: the non-resident clients' class included clients whether they are natural persons or legal persons that do not have a place of resident or permanent address in the Republic of Iraq and the following should be considered when carrying out the identification procedures on such clients and their legal status:
 - b) Know the purpose of the dealing
 - c) Know the validity of the residency in the Republic of Iraq at the start of the dealing
 - d) Obtain a copy of the ID document and the passport
 - e) Obtain the Memorandum of Association for legal person certified by the competent authorities in the home country or from the embassy of the country in the Republic of Iraq.
 - f) Obtain a copy of the work permit or the commercial record from the home country signed and sealed by the competent authority in that country and certified by the embassy of that country in the Republic of Iraq.
 - g) Persons exposed to risk by virtue of their position, the following should be fulfilled:
 - The bank shall, in addition to taking the previous due diligence measures in this instructions, set up an appropriate systems for risks management to determine whether the future client or the true beneficiary is a person exposed to risk by virtue of his position, such as obtaining information from the client or refer

to any information available to the public or to commercial electronic databases on persons exposed to risk by virtue of their position.

- Obtain the approval of the senior executive management when starting a work relation.
- Obtain the approval of the senior executive management on continuing the work relation if it found out that one of the current clients is a person exposed to risks by virtue of his position.
- Take reasonable measures to determine the source of wealth and funds of clients and true beneficial that have been identified as people at risk by virtue of their position. Central Bank of Iraq 2016 (37 of 52)
- The bank shall monitor the work relation with the person at risk by virtue of his position extensively and continuously
- The bank shall maintain all previous procedures and measures of the client at risk by virtue of his position in his own file.
- The periodic revision of the policies and procedures of the risks management of this class of clients, and take the necessary correction actions if required.
- The bank shall apply these provisions on persons at risk by virtue of their position and on their relatives to the third degree.
- Clients that belonged to countries do not apply the recommendations of the FATF properly.

h) The bank shall take the appropriate measures to make special care for operations with persons belonging to countries that do not apply the recommendations of FATF or do not apply them as required, including other legal persons and financial institutions, and take tough measures on them, and examples of such procedures are:

- Monitoring operations of these clients, in order to know the purpose of transactions, and notify anti-money laundering and terrorism financing office in the absence of a clear economic purpose or availability of any doubts about it.
- Limit the work relations or the financial transactions with the countries referred to or the persons that belong to or are present in such countries

i) The businesses that are not conducted face to face and the use of modern technologies.

- The bank shall set up policies, procedures and bylaws necessary to avoid the risks related to the bad exploitation of technological developments in the field of money laundering or terrorism financing and the work relations that are made through the electronic communication networks or by other means, such as the mail and transactions on the internet and computer services and banking transactions, ATM and other interface, and the use of automated teller machines via the phone, transfer instructions or applications via facsimile or similar means and making payments and receiving cash withdrawals as part of electronic transaction for one of the POS using prepaid cards or re-debit cards, stored value cards linked to a bank account, and examples of such policies and measure the verification of the documents provided, and requesting addition documents supplementary to the documents required on the indirect clients, and establish independent communications with the client, and reliance on third-party mediation and the requirement of the payment of the first installment through an account in customer's name with another bank subject to the same due diligence standards and other measures. Central Bank of Iraq 2016 (38 of 52)
- The bank shall have the a specific and effective due diligence measures applied to clients who are not dealing with them face to face, and set up the necessary measures to ensure that the client is the same person as well as that the address obtained is actually his address, and of these measures for example,

contact the client by telephone on the numbers obtained in advance from the client, such as mobile or employment or place of work numbers, as well as contact the employer or the person responsible for him at his workplace, after obtaining the client's approval, and access to detailed information on salary officially and other means available such as phone or electricity bills , etc., to verify customer's address.

- The bank that allows the completion of payment process through electronic network services shall ensure that monitoring these transactions are the same as followed in its other services and that he has a methodology based on risks to evaluate the risks of money laundering and terrorism financing resulting from such services.

j) Special banking services

- The bank the provides special banking services shall develop the appropriate policies and systems to determine and evaluate the risks resulting from the provision of these services, taken into account the nature of these services that include the following:
 - ❖ Determine the purpose of applying the special banking services including the size and type of services that will be provided to the client and the potential activity to the account of the client.
 - ❖ The development of the work relation between the bank and the client receiving the service.
- The special financial services are represented in the activities through which the bank provides personal services to major clients, and shall be usually performed through a central point (person) of contact between the client and the bank, and this person shall be responsible for the facilitation of client's usage of the special financial services and products provided by the bank, which include the following:
 - ❖ Dealings on the account of all kinds
 - ❖ Money transfer

- ❖ Assets management and the provision of investment services Central Bank of Iraq 2016 (39 of 52)
- ❖ (Lending) and that includes credit cards and personal loans.
- ❖ Opening of documentary credits and issuing letters of guarantee and obtaining bonds (documents), and retaining securities for the clients.
- ❖ Other various services for the clients, whether banking or financial or others.

k) Other cases

- Products related to fictitious names or numeric names or forged names or without a name.
- Banking relationship by correspondence (by mail): when requesting opening facilities against deposits or when renting safe deposit boxes.
- Correspondent payable accounts: when opening accounts by correspondence with the need to obtain a recommendation or certifying signatures from a well know bank.
- Power of attorney: when depositing cash amount or travelers checks by a person or persons that do not represent the owner of the account under a power of attorney or an authorization letter, banks shall ensure that the assignor and the assignee shall subject to the due diligence measures before entering or participating in any transaction that includes a power of attorney, and consider that the assignor and the assignee are their clients.
- Negotiable instruments to the bearer: the bank shall have adequate policies, procedures, regulations and controls for the due diligence measures of anti-money laundering and terrorism financing for the risks associated with the use of negotiable instruments to the bearer as applied in the bank, and before the banks enters or participates in a transaction that included the transfer of a negotiable instruments to the bearer to a registered form for the purpose of paying profits or

capital, the bank shall apply enhanced due diligence measures on the instrument bearer / or the true beneficiary and consider them its clients.