

Based on the provisions of Article (35) section 3 of the Regulation of Insurance law No. 10 for the year 2005, and in accordance with the provisions of paragraph (second) of Article (26) of the AML&CFT Law No. (39) for the year 2015.

The CDD instructions for the year (2017) regarding the AML &CFT in the field of **Insurance Transactions** are issued as the following:

Article (1): for the purposes of this Law, the following expressions shall have the meaning indicated next to them:

First: Law: AML / CFT Law No. (39), for the year 2015.

Second: Office: AML / CFT Office

Third: Bureau: Insurance Bureau.

Fourth: The Company: Any company which is working in Iraq in the field of issuing life insurance and other types of insurance related to the investment as an insurer or broker of the insurance contract, including any branch of a company operating outside the Republic of Iraq or a branch of a foreign company in Iraq.

Fifth: **Reporting official:** the head of department mentioned in the article (14) of the AML&CFT law 39 of the year 2015, and this official will be appointed by the main administration for the purpose of reporting on suspicious transactions that may be involved in money laundering and financing the terrorism activities.

Sixth: Immediately: within hours without exceeding a one-working day.

Seventh: **The high- risks officials:** shall include any natural person, whether as customer or beneficial owner, who is or was entrusted with a prominent public function in the State of Iraq or in a foreign country, such as Head of States or of governments, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, and important political party officials; or entrusted with a prominent function by an international organization, such as directors, deputy directors and members of the board. The term also includes immediate family members and close associates. Close associates includes widely and publicly known close business colleagues or personal advisors or any persons who are in position to benefit significantly from close business associations with the high-level officials, and their relatives of the second degree.

Eighth: Legal Arrangement: The legal relationship, established between several parties under an agreement, will not create a legal personality.

Article 2: Obligations of the company in applying of the CDD instructions:

The Company shall apply due diligence procedures on costumer in the cases specified in Article (3) of these Instructions, and these procedures shall include the following issues:

a- Identifying the customer's identity as a natural person through obtaining the following information:

- Name in the identity document (in addition to any other known names if any).
- Permanent residence.
- Phone number.
- Gender (male / female)
- Fax number and email address (if any)
- Date and place of birth.
- Name of the organization\institution and address.
- Nationality.
- Nature of the activity.
- Names and addresses of persons authorized to deal with the account (if any).
- Names and addresses of legal representatives of persons with legal disability (such as minors).
- Identification number.
- The Purpose of dealing and the nature of business relationship.
- Signature.

The Company shall verify the above mentioned information through independent and reliable sources of information and shall include, at a minimum, the following documents:

- Identification card or travel document.

- A document or any other official paper proving the place of permanent residence mentioned by the customer in case that it is not included in the identity document or it was differently cited.
 - A document attesting the nature of the activity declared by the customer in case that it is not included in the identity document or it was differently cited.
- b. Identifying the customer's identity who are from legal entities, legal arrangements and non-profit organizations, through obtaining the following information:
- Name and legal entity form.
 - Nature of the activity.
 - Headquarter address of the activity.
 - Phones number.
 - Fax, e-mail and website (if any).
 - Capital (for legal persons).
 - Number and date of the record in the commercial registration office (for legal persons).
 - Tax number (for legal persons).
 - The document's number of the legal establishing or any other official identification number such as the tax number.
 - Number, date and the name of the registration authority in the records the competent administrative authority (for non-profit organizations).
 - Names and addresses of shareholders whose share in the capital of the company ...% and more (of legal persons).
 - Names and addresses of persons authorized to deal with the account.
 - Names and addresses of board members, or persons who are responsible for senior management (for legal persons).
 - Name of originator (for legal arrangements).
 - Names and addresses of guardians (for legal arrangements).
 - Beneficiaries' names or the beneficiary category (for legal arrangements).

- Purpose of establishment (for legal arrangements).
- Purpose of dealing and nature of business relationship.
- Signatures of authorized persons.

The Company shall verify the above mentioned information through independent and reliable sources of information and shall include, at a minimum, the following documents:

- Establishing documents of the legal person, legal arrangement or non-profit organization.
 - Tax clearance card (for Non-Profit Organizations).
 - Official registration documents issued by the competent authorities or other documents certified by the concerned authorities in the establishing country of the legal person.
 - The agreement of establishing the legal arrangement, document or any other official paper containing the powers governing the relationship between the parties of the legal arrangement.
 - A document stating the registration of the Non-Profit Organization in the competent administrative authority, as well as the approval for opening an account when required by the law.
- c. Identifying the beneficiary owner and take appropriate procedures to verify the identity of the natural person as mentioned above in item (a), taking into consideration when identifying and verifying the beneficiary owner for the legal person, shall include the following:
- 1- Natural persons own a controlling stake on the legal person (if any).
 - 2- Natural persons control a legal person or legal arrangement through any other means (if any), in case that a natural person does not have the ownership share referred in the article (1).
 - 3- The natural person who occupies the commissioned director position instead of a legal person, in case there are no identified persons to whom the provisions of items (1), and (2) apply.
- d. With respect to the beneficiary of the life insurance policies, soon he/she is being identified or named, the due diligence procedures should be taken as the following:

- The beneficiary shall be identified through taking his name whether he/she is a natural person, a legal person or a legal arrangement, but if the beneficiary is identified by specific characteristics, categories or in other ways, so that sufficient information shall be obtained through which the company will be able to identify the beneficiary identity when the compensation is due to be paid. Such data shall be collected and recorded in accordance with the record keeping requirements set forth in these Instructions.
- The identity of the beneficiary shall be verified at the time of payment of the compensation by obtaining the official identity documents mentioned in paragraph (a).
- The identity of the beneficiary of the life insurance policy is to be considered one of the factors in determining the need for the application of Enhanced Due Diligence procedures, thus, in case that the company considers that the beneficiary who is a legal person or legal arrangement represents a high risk, the Enhanced Due Diligence procedures must include reasonable measures for identifying and verifying the identity of the beneficiary owner from the beneficiary when payment of compensation is due.
- The company must take reasonable measures to determine whether the beneficiary and/or the beneficiary owner of the life insurance policy, where required, is a high-risk official, and these measures should be applied prior to the payment of compensation is due, and in case a high risk is identified, consequently, in addition to the normal due diligence procedures, the mentioned below measures should be conducted as follows:
 - Informing the senior management before the proceeds of the insurance policy is being paid, and
 - Applying the Enhanced Due Diligence on the business relationship in the case that the amount of the insurance policy is fully paid, and considering submitting a suspicious transaction report.
- e. Understanding the nature and purpose of the business relationship as well as the value of the insurance policy associated with it.

Article 3: The Company should conduct customer due diligence measures when a substantial change is made to the insurance policy.

Article 4: The Company may postpone the procedures of verifying the identity of the customer and the beneficiary owner until after the conclusion of the insurance contract, provided that the below mentioned issues must be considered:

First: it is necessary that shall not disrupt the normal practice of the businesses.

Second: the company should complete these procedures as soon as possible and in all cases it must do so before paying the compensation or prior to any practise conducted by the beneficiary for rights granted to him under the insurance contract.

Third: The Company shall take the necessary actions to avoid the risks of money laundering and terrorist financing operations during the postponement period, including the development of an appropriate internal policy for the number, type and amount of transactions that may be carried out prior to completion of these procedures.

Fourth: Due Diligence procedures may not be completed, if there is suspicion of money laundering or/and terrorism financing activities observed by the company, as the applying of these procedures may alert the client, provided that the suspicious transaction report should be immediately submitted to the office.

Article 5: The Company shall comply with the following:

First: Conducting continuous follow-up on the existing insurance relationship with the customer and checking the transactions carried out through this relationship, such as making changes to the insurance policy or exercising any of the rights mentioned in policy, in order to verify that they are consistent with the company's knowledge regarding the customer and the beneficiary owner, and the business nature and activities for each one of them, and evaluate their risks related to Money laundering and terrorist financing operations as a result of its relationship with that customer.

Second: Review their customer data periodically and update this data to all customers, especially high-risk customers or when they have doubts about the validity or appropriateness of the data obtained in advance

Third: Company must apply CDD and for customers with whom it has insurance relations prior enforcing these provisions on the basis of relative importance, risk and their association with money-laundering financing of terrorism.

Article (6)

First: The Company shall check the Identity papers and documents to identify the customer's identity and the nature of his activity, while keeping a copy thereof signed by the competent employee of the company or whoever is authorized by the company for this purpose, stating that it is a replica.

Second: In case of suspicion regarding the submitted documents, information, data, and personal identifications, for the purpose of applying CDD procedures, the company shall take appropriate measures to verify the validity of the documents and the identifications in all possible ways, including contacting the competent authorities.

Third: When implementing and verifying the identification procedures, the following shall be considered:

- a- In case of persons who are incapacitated or disqualified, documents relating to them and their legal representative shall be obtained in accordance with the provisions of clause (a) of this paragraph.
- b - In the case of dealing with the company on behalf of the customer, must be sure of the documents provided that are necessary to the authorize this person, and retain them or a certified copy in addition to the necessity of identifying the customer representative's activity and verifying his/ her identity, in accordance with the provisions of Article 2 - a).
- c- To view the original identification document and documents provided by the customer and take a copy of them and sign the copy by the competent employee to indicate that they are a replica.

Fourth: The procedures for identifying the beneficiary owner shall include the following:

- 1 - Taking appropriate measures to verify the beneficiary owner's identity such as viewing data or information obtained from official documents, identity papers and data that make the company convinced that it is aware of the identity of the beneficiary owner.
- 2- Requesting the customer to submit a written declaration specifying the identity of the beneficiary owner, in which the declaration shall contain at least the customer identification information.
- 3- Obtaining information about the provisions regulating the work of a legal person, including the structure of the ownership and the controlling Administration of the person.

Article 7:

The company must conduct money laundering and terrorism financing risk assessment. The risk assessment and any relevant information must be documented in writing and it should be updated and available to be reviewed by the Insurance Bureau upon request.

During money laundering and terrorism financing risk assessment the company shall take in consideration the prevailing risks which were identified by risk assessment on a national level and all other relevant risk factors including the following:

- A. Customer's risk.
 - B. The country or geographical region in which the customer operates or resides or represents the source or destination of a transaction.
 - C. The nature of products and services provided or means of providing products and services
- As well as additional factors concern business relations and transactions should be also considered, including:
- Purpose or nature of the transaction.
 - The size, nature and frequency of transactions performed by the customer.

The Company should carefully study risk assessment results, to determine the overall level of risk and appropriate procedures to reduce it. Based on the risk assessment, the Company classifies the risks of business relations into the following categories:

- Low risk.
- Normal risk for business relations where there is no low or high risk characteristics appear.
- High risks.

The Company applies enhanced due diligence procedures in high risk situations in each customer due diligence procedure on an ongoing basis, including requesting additional information, IDs or documents when necessary and increasing the degree and the nature of following-up process and continuous monitoring of transactions.

The Company shall identify and evaluate money laundering and terrorist financing risks that may arise from the development of a new product, service or new means of service delivery, and shall assess the risks of using modern or advanced technology for new or existing products or services. Risk is evaluated before launching or using the new product, service or providing means. The Company takes appropriate risk management and mitigation measures identified in this regard.

Article (8):

First: The Company shall take enhanced due diligence measures in respect of the following:

- a) Large insurance operations and insurance operations that do not have a clear economic or legal objective, and set the necessary procedures to determine the background of the circumstances surrounding these operations and their purposes, and retain the results thereof in their records.
- b) Insurance operations conducted with persons who are in countries or belong to countries that do not have adequate AML / CFT systems or if these countries do not apply or do not adequately implement international AML / CFT regulations, including FATF recommendations
- c) Any transaction which the Company sees that it is a high risk of money laundering and terrorism financing.
- d) Dealing with risks of people with high ranking positions.

Second: To apply the provisions of item (d) of this article, when the company deals with high risk people with high ranking positions, the company shall comply with the following:

- 1- Take reasonable measures to determine whether the customer or the beneficiary owner of the senior positions is "representative of the risks.
- 2- Establish risk management rules for high-ranking position with risks or beneficiaries belonging to this category. These rules should include identifying if the future customer is a representative of the risks
- 3- Obtain the approval of the senior management when establishing a relation with high ranking position people with risk and when discovering a beneficiary owner or beneficiaries of this category.
- 4- Take adequate measures to know the sources of the wealth of any customer or the beneficiary owner of high-risk officials.
- 5- Accurate and continuous follow-up with the financial institution on transactions of high ranking customers with risks.

Article 9: The Company may apply simplified due diligence procedures to business relations in cases where low risk is identified and risk management is effectively managed, and mitigate due diligence procedures in a way that commensurate with the size of those risks. In any way, In all cases, simplified due diligence may not be taken with respect to business relations when there is a suspicion of money laundering, financing of terrorism or predicate offenses.

Article 10: The company shall retain the various records, IDs and documents obtained by the business relationship with the customer in addition to the records of the various activities and transactions and the results of money laundering and terrorism financing risk assessment, as follows:

First: Retain records, documents, IDs and data related to the application of due diligence towards business relations, customers, beneficiaries and real beneficiaries of insurance documents, as well as copies of correspondence with them for a period of not less than five years from the date of termination of business relationship or dealing with the customer, whichever is longer.

Second: Transaction register that records all insurance documents which the company keeps, data and sufficient details for each individual transaction for a period of not less than five years from the date of termination of the business relationship or dealing with the customer, whichever is longer.

Third: Compensation register that records all the claims made by insured person, documents, IDs and other relevant documents that contain the date and value of each claim, the name and address of the insured person, document reference number and date of issuance, the amount submitted for the claim, any amendments thereto, the amount of the compensation and its payback. In case of refusal, the date and reasons must be stated for a period not less than five years from the date of termination of the business relationship or dealing with the customer, whichever is longer.

Fourth: The register of intermediaries, agents and their related documents shall include the name and address of the broker / agent and reference number and date of their records in the register (intermediaries / agents) in the body and the date of last renewal for a period is not less than five years from the date of termination of dealing with the broker of the agent.

Article 11:

The company shall prepare and implement policies, procedures and regulations for anti- money laundering / counter terrorism financing which shall be approved by the Board of Directors and they must be proportionate to the results of the risk assessment to enable effective management.

Article 12:

First: Entities that are under the provisions of these instructions must appoint a reporting officer and must provide the bureau and office with the name of the reporting officer and his / her deputy and as well as a copy of the procedures taken by these entities for the purpose of implementing the provisions of the law and these instructions, and it should take in account below- mentioned conditions for employing the reporting officer as follows:

- a- The high-functional level.
- b- The required experience and the efficiency

c- The appropriate educational qualifications.

d- Fully qualified, the good reputation and conduct

Second: Entities that are under the provisions of these instructions must appoint a reporting officer deputy when the reporting officer is absent and must have same characteristics of the reporting officer

Third: The Company must provide what is necessary for the reporting officer to execute his activities independently to be assured of confidentiality of information received by him/her and the procedures that he performs. The reporting officer and the employees who work with him must have access to all records, documents, IDs and Data required to execute examination work, and review the systems and procedures set by the company and the extent of commitment to apply them and suggest what is necessary to update or to increase the effectiveness of its application.

Article 13: Reporting procedures and confidentiality

First: The reporting officer shall comply with the provisions of the AML / CFT Law and the regulations, instructions and decisions issued thereunder and shall immediately inform the Office of any transaction or attempt to carry out a transaction suspected or reasonably suspected of being linked to money laundering or terrorist financing or predicate offense in accordance with the form approved by the Office, accompanied by all the data, documents and documents relating to those operations and the reasons on which they were based upon.

Second: it is prohibited for any person who access or know directly or indirectly according to his job to reveal any information or documents requested, submitted, reported or the company intends to report In accordance with the provisions of the law and the regulations and instructions issued thereunder Including these instructions, disclose such information in any form, except as necessary for the company and the staff to commit with these provisions.

Article 14:

Those who are subjected to the provisions of these regulations shall establish a continuous training program for all their employees, including members of the senior management in the field of AML / CFT, in addition to cultivate their employees on the concept, methods, trends and risks of money laundering and the financing of terrorism as following :

- a. The AML / CFT law and the regulations and instructions issued thereunder.

- b. internal by- law of the company and its procedures and policies to counter money laundering and terrorism financing
- c. - Guidelines to identify patterns of money laundering, terrorist financing, suspicion cases, complex and unusual operations or cases that do not appear to have an economic or legitimate commercial purpose.
- d. due diligence requirement and business relations monitoring and confidentiality of information

Article 15: The Company shall establish appropriate audit procedures to ensure compliance with high standards of integrity and efficiency when appointing its employees.

Article 16: These instructions shall be implemented from the date of their publication in the Official Gazette.

Head of Insurance Bureau