Abstract from the decision No. 11/2018 of the in-person meeting of the Board of Directors of Damu Entrepreneurship Development Fund JSC dated October 24, 2018

The meeting of the Board of Directors was convened on the initiative of the Management Board of Damu Entrepreneurship Development Fund JSC in accordance with [Article 57](http://online.zakon.kz/Document/?doc_id=1039594#sub_id=570000) of the Law of the Republic of Kazakhstan "On Joint Stock Companies" dated May 13, 2003.

Address of the Executive Body (Management Board) of the Fund: 111 Gogol Street, Almaty, Republic of Kazakhstan.

**Agenda of the meeting:**

5. On approval of the Policy of Counteracting Money Laundering and Terrorist Financing of Damu Entrepreneurship Development Fund JSC

**Decision:**

On the fifth item of the agenda of the meeting.

The Policy of Counteracting Money Laundering and Terrorist Financing of Damu Entrepreneurship Development Fund JSC shall be approved in accordance with Annex No. 5 hereto.

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| **Executive secretary** | **D. Kabiyev** |

**"APPROVED"**

**by the decision of the Board of Directors of**

**Damu Entrepreneurship**

**Development Fund JSC**

**Annex No. 5**

**to the minutes of the meeting No. 11/2018 of**

**the Board of Directors of Damu Entrepreneurship**

**Development Fund dated October 24, 2018**

**Policy of Counteracting Money Laundering and Terrorist Financing of Damu Entrepreneurship Development Fund JSC**

Chapter 1. General Provisions

1. The Policy of Counteracting Money Laundering and Terrorist Financing of Damu Entrepreneurship Development Fund JSC (hereinafter respectively - the Policy, the Fund) defines the goals, objectives and foundations of the system of combating money laundering and terrorist financing in the Fund (hereinafter - CML/TF system).

2. The Policy is prepared in accordance with the requirements of [Law](http://online.zakon.kz/Document/?doc_id=30466908) of the Republic of Kazakhstan № 191-IV dated 28 August 2009 "On Counteracting Money Laundering and Terrorist Financing" (hereinafter referred to as the Law), international conventions and agreements ratified by the Republic of Kazakhstan, recommendations of FATF (Financial Action Task Force on Money Laundering) [International Standards](http://online.zakon.kz/Document/?doc_id=31255265) to Combat Money Laundering, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction (February, 2012), the Compliance Risk Management [Policy](http://online.zakon.kz/Document/?doc_id=36775740) and other internal documents of the Fund.

3. The Fund, not being a subject of financial monitoring in accordance with the requirements of the Law, voluntarily undertakes an obligation to organize an internal CML/TF system and actively participate in the implementation of state policy in the field of CML/TF.

4. General Concepts used in the Policy:

1) **counterparty (client)** - an individual or legal entity receiving the Fund's financial services by concluding a contract (agreement);

2) **suspicious money and (or) other property transaction (hereinafter - suspicious transaction)** - a counterparty transaction (including an attempted transaction, a transaction in progress, or an already completed transaction) in respect of which it is suspected that the money and/or other property used to carry out the transaction is the income of criminal activity, or the transaction itself is aimed at money laundering or financing of terrorism or other criminal activity;

3) **money and (or) other property transactions** - actions of individuals and legal entities with money and (or) other property regardless of the form and manner of their operation, aimed at the establishment, change or termination of civil rights and obligations related to them;

4) **beneficiary owner -** an individual who directly or indirectly owns more than twenty-five percent of shares in the registered capital or placed (excluding preferred and repurchased by the company) shares of the counterparty - a legal entity, as well as an individual who exercises control over the counterparty in any other way, or in whose interests the counterparty conducts money and (or) other property transactions;

5) **shell bank** - a non-resident bank which has no physical presence in the state (territory) in which it is registered as a bank and (or) received a license for banking operations, unless such bank is directly or indirectly owned by a bank holding company which is subject to consolidated supervision in the state (territory) of its registration;

6) **proceeds of crime** - money and (or) other property obtained through the criminal offense;

7) **money laundering** **-** the involvement in the legal turnover of money and (or) other criminally-obtained property by means of transactions in the form of conversion or transfer of property representing the proceeds of criminal offenses, or possession and use of such property, concealment or disguise of its true nature, source, location, method of disposition, movement, rights to property or its ownership, if it is known that such property has the proceeds of criminal offenses, as well as mediation in the legalization of money and (or) other criminally-obtained property;

8) **State policy against money laundering and terrorist financing** - legal, administrative and managerial measures aimed at reducing the risks of money laundering and terrorist financing, and other measures in accordance with the Law;

9) **terrorist financing -** provision or collection of money and (or) other property, the right to property or pecuniary benefits, as well as gifts, exchange, donations, charitable assistance, the provision of information and other services or the provision of financial services to an individual or a group of individuals or a legal entity, performed by an individual knowingly aware of the terrorist nature of their activities, or that the provided property, information, financial and other services will be used to conduct terrorist activities or to support a terrorist group, a terrorist organization, an illegal paramilitary group;

10) **authorized body** - the state body that exercises financial monitoring and takes other measures to counteract the money laundering and terrorist financing in accordance with the Law;

11) **physical presence** - a place of bank activities located at the registered address (except for the post office box address or e-mail address), where the bank management bodies and personnel operate, keep records and store documents related to banking activities, and conduct inspections of the authorized body that issued the non-resident bank a license for banking operations;

12) **business relationship** – relations with counterparties emerging in the course of the Fund's professional activities;

13) **risks of money laundering and terrorist financing** – risks of intentional or unintentional organization's involvement in money laundering and terrorist financing or other criminal activity;

14) **risk management of money laundering and terrorist financing** - a set of measures taken by the organization to identify, assess, monitor the risks of money laundering and terrorist financing (hereinafter - ML/TF), as well as their minimization (in relation to services, counterparties, as well as transactions performed by the counterparty);

15) **unusual transaction (deal)** - a transaction (deal) subject to mandatory scrutiny on the grounds specified in [paragraph 4 of Article 4](http://online.zakon.kz/Document/?doc_id=30466908#sub_id=40400) of the Law;

16) **SFM** - subjects of financial monitoring in accordance with [paragraph 1 of Article 3](http://online.zakon.kz/Document/?doc_id=30466908#sub_id=30000) of the Law.

Chapter 2. Goals and Objectives of the **CML/TF** System

5. The Fund's CML/TF system is intended to protect the Fund's business reputation and prevent its involvement in money laundering and terrorist financing.

6. The main tasks that contribute to the achievement of the goal:

1) compliance with applicable laws of the Republic of Kazakhstan, FATF recommendations and internal documents of the Fund in the field of CML/TF;

2) ensuring compliance with "Know Your Customer" principles and due diligence in establishing business relationships with counterparties;

3) monitoring and examining complex and unusual transactions of counterparties, which have characteristics and correspond to typologies, schemes and methods of money laundering and terrorist financing;

4) maintaining the effectiveness of the Fund's CML/TF internal control system at a level sufficient to manage the risk of money laundering and terrorist financing;

5) interaction with subjects of financial monitoring on CML/TF issues.

Chapter 3. CML/TF System Management

7. The Fund's CML/TF system includes:

1) internal control to counteract the money laundering and terrorist financing;

2) money laundering and terrorist financing risk management;

3) counterparties due diligence organization and implementation;

4) counterparties' activities monitoring;

5) the Fund's employees education and training in counteracting money laundering and terrorist financing;

6) other measures and programs that may be developed in accordance with the terms of this Policy.

8. The Fund shall take measures to organize internal control, in accordance with which the services provided by the Fund will not be used by others to commit or assist in the money laundering and terrorist financing.

9. Internal control for CML/TF purposes in the Fund shall be exercised by delineating the competencies, functions and powers of the authorized bodies, structural subdivisions, regional branches and employees of the Fund.

10. The Board of Directors shall approve the Policy of Counteracting Money Laundering and Terrorist Financing at Damu Entrepreneurship Development Fund Joint-Stock Company, all amendments and additions to the Policy, and shall review the report on the implementation of the Policy.

11. The Management Board of the Fund shall be in charge of:

- implementation of this Policy;

- approval of the Fund's internal documents and adoption of CML/TF measures;

- making decisions to establish/continue or terminate relations with the counterparty considering the ML/TF risks detected in relation to it;

- review of reports and approval of action plans for CML/TF issues.

12. The Fund Compliance Officer shall perform the following functions as the responsible employee for the implementation of the requirements of this Policy, which shall include, but not be limited to:

1) ensuring availability and relevance of the Policy and Rules for Counteracting Money Laundering and Terrorist Financing (hereinafter - the Rules) in Damu Entrepreneurship Development Fund JSC;

2) organizing work and coordinating activities of the Fund's structural subdivisions in implementing the counterparty due diligence and monitoring measures;

3) informing the Fund's authorized bodies on the effectiveness of the CML/TF system;

4) organizing the Fund's employees training in order to acquire knowledge and develop skills necessary for them to fulfill the requirements of this Policy;

5) conducting due diligence in relation to financial monitoring subjects and foreign financial organizations;

6) approving the Fund's transactions using foreign currencies in order to eliminate country and sanctions risks;

7) interaction with the SFM on CML/TF issues.

13. The responsible employee must have:

1) a higher education

2) at least two years of work experience in the CML/TF field;

3) аn impeccable business reputation.

14. The authority and responsibilities of the Fund's structural units involved in the CML/TF system are determined by the Rules and other internal documents of the Fund.

15. The Fund shall evaluate the degree of exposure of the Fund's services (programs) to ML/TF risks on an annual basis. The procedure for assessing the degree of exposure of the Fund's services (programs) to ML/TF risks shall be established by the Rules and shall be accompanied by a description of possible measures aimed at minimizing the detected risks.

Chapter 4. Counterparty due diligence (Know Your Customer procedures)

16. Counterparty and beneficial owner due diligence shall be performed by the Fund's structural subdivisions and regional branches prior to establishing a business relationship (transaction) with counterparties.

17. Counterparty and beneficial owner due diligence shall include the Fund's measures to collect, record and verify the accuracy of information about the counterparty (representative) and the beneficial owner, to establish the alleged purpose and nature of business relationships, as well as obtain other information provided for by the Fund's internal documents.

18. The minimum required information for counterparty and beneficial owner due diligence must include the full name or surname, registration data or identification number, registered address and location address (for individuals - citizenship).

19. Documents obtained during the implementation of counterparty due diligence shall be included in the client file, which shall be kept for the entire period of the business relationship with the counterparty and not less than five years from the date of its termination / liquidation.

20. The Fund may rely on due diligence measures taken by financial monitoring entities and foreign financial institutions with respect to its clients (their representatives) and beneficial owners.

21. If the counterparty is included in the List of organizations and individuals associated with the terrorist and extremist financing, compiled by the authorized body, the Fund together with the relevant SFM shall take measures to terminate the business relationship with it.

22. When establishing a business relationship with the subjects of financial monitoring, the Fund shall:

1) collect information on the reputation and nature of SFM activities, including the investigation and application of sanctions against it for violation of legislation on counteracting money laundering and terrorist financing;

2) receive information on internal control measures taken by the SFM in accordance with the legislation of the country of its registration on counteracting money laundering and terrorist financing, as well as assess the effectiveness of the internal control measures taken;

3) receive confirmation that the SFM is implementing due diligence with respect to its clients and can provide the necessary information at the request of the Fund;

4) receive confirmation that SFM does not establish or maintain relationships with shell banks.

23. It is strongly recommended by the Fund that all its counterparties, which are SFM, should introduce a procedure of refusal to consider projects of clients with participation of the Fund, which are assigned a high level of ML/TF risk in accordance with the internal control rules approved by the authorized body of SFM.

24. The Fund shall not establish business relationships with counterparties if they and their beneficial owners are registered in foreign countries:

1) included in the [list of states](https://kfm.gov.kz/ru/to-help-sps/a-list-of-states-%28territories%29-that-do-not-perfor) (territories) that do not or insufficiently comply with the recommendations of the Financial Action Task Force on Money Laundering (FATF), compiled by the authorized body for financial monitoring under the CML/TF [Law](http://online.zakon.kz/Document/?doc_id=30466908#sub_id=40400);

2) subject to international sanctions (embargoes) adopted by resolutions of the Security Council of the United Nations;

3) included in the list of offshore zones in accordance with the [Order](http://online.zakon.kz/Document/?doc_id=30587905#sub_id=1) No. 52 of Acting Minister of Finance of the Republic of Kazakhstan dated February 10, 2010 and [Resolution](http://online.zakon.kz/Document/?doc_id=30362414#sub_id=100) No. 145 of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations dated October 2, 2008 "On approval of the List of offshore zones for banking and insurance activities, activities of professional securities market participants and other licensed activities in the securities market, activities of accumulated pension funds and incorporated investment funds;

4) defined by the Fund as high ML/TF risk due to other factors (information on the corruption level, illicit drug production, trafficking and/or transit, information on support for international terrorism).

25. The Compliance Officer shall compile and regularly update a list of high-risk countries in order for the Fund to consider establishing business relationships and conducting transactions with counterparties from foreign countries.

Chapter 5. Counterparty transaction monitoring procedures for CML/TF purposes

26. The Fund shall examine the counterparties' operations at the stage of consideration of counterparties' applications for financial support and monitor their activities in order to identify suspicious transactions.

27. The Fund shall monitor the counterparty transactions in accordance with the [Indicators](http://online.zakon.kz/Document/?doc_id=31302783#sub_id=100) for Identifying Suspicious Transactions approved by the Resolution No. 1484 of the Government of the Republic of Kazakhstan dated November 23, 2012, as well as typologies, schemes and methods of money laundering and terrorist financing approved by the authorized body, as regards to the Fund' core activity, and specified by the Rules.

28. When revealing the unusual operation (transaction) of the counterparty, the Fund shall notify the relevant SFM in writing to take action in accordance with the SFM's Internal Control Rules.

29. The Fund may notify the authorized body on the violation by SFM of the requirements of the Law in cases where SFM fails to apply appropriate measures with respect to its clients who have carried out suspicious transactions identified by the Fund.

Chapter 6. Organization of CML/TF training for the Fund's employees

30. The Fund shall organize training programs in order to provide the Fund's employees with knowledge in the field of countering money laundering and terrorism financing, necessary for them to comply with the requirements of the Fund's internal documents.

31. Not later than the last month of the relevant year, the Board of the Fund shall approve the training plan for the Fund's employees for the coming year, specifying the topic, form and duration of training of the participating structural subdivisions, and the individual responsible for conducting training.

32. The CML/TF training and education plan shall include:

1) the study of the regulatory legal acts of the Republic of Kazakhstan in the field of CML/TF and international standards in the field of CML/TF;

2) the study of the Fund's internal CML/TF documents;

3) the study of typologies, schemes and methods of money laundering and terrorist financing, as well as indicators for identifying suspicious transactions.

Chapter 7. Final Provisions

33. The dependent (controlled) organizations, structural subdivisions and regional branches of the Fund must comply with the requirements of this Policy.

34. All issues not regulated by the Policy shall be resolved in accordance with the procedure established by the legislation of the Republic of Kazakhstan and/or the Fund's internal documents.

35. The Policy shall be enacted from the date of approval by the decision of the Fund's Board of Directors and shall remain in effect until cancelled in accordance with the procedure established by the Fund's internal documents.

36. All amendments and additions to the Policy shall be introduced by decision of the Fund's Board of Directors.