



## MKB BANK ZRT

# AML AND ANTI TERRORIST FINANCING POLICY

While money laundering often takes the form of hiding illegally obtained income by using the legitimate services of financial institutions, terrorist financing often takes place by using income originating from legal business activities.

### **INTERNAL POLICY**

According to the Hungarian legislation, both money laundering and terrorist financing are crimes. MKB Bank Zrt has internal procedures, binding for each employee, in order to prevent such crimes. The internal regulations of the Bank fully comply with the FATF 40+9 recommendation, the Directive of the European Parliament and of the Commission 2015/849 and the Regulation of the European Council 2015/847.

The purpose of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing (AML Act) is to prevent the laundering of criminal proceeds through the financial systems, capital markets and other transactions of key importance in terms of money laundering and to combat terrorist financing.

MKB Bank Zrt takes all reasonable efforts to prevent using the services offered by the Bank for money laundering or terrorist financing. MKB Bank Zrt has a Compliance organisation in which separate departments work on preventing money laundering and terrorist financing. Our Bank fully co-operates with the official agencies in the identification of all suspicious cases, with special regard to potential money laundering and terrorist financing.

The declarations required under the international regulations are available on the Bank's website.

## **CUSTOMER DUE DILIGENCE**

Customer due diligence is obligatory in cases specified in the applicable act, especially when a relationship is established with a customer, in the case of cash transactions of HUF 3.6 million or more or currency exchange involving HUF 300,000 or more, irrespective of the currencies used in the transaction. In order to comply with that requirement, our Bank requests its distinguished customers to present valid and authentic identification documents.

Pursuant to the Act, our Bank must identify its customers, representatives of the customers, the individuals having access to the account, persons act on behalf of customers as well as the beneficial owners.

MKB Bank Zrt must perform the customer due diligence measures, within the framework of which the Bank identifies the customer, checks personal identity, identifies the beneficial owner and verifies the identity of the beneficial owner. On the basis of the identification it records the details of the business relationship, the transaction order and also regularly monitors the relationship.

In order to fulfil its customer due diligence obligation, MKB Bank Zrt. registers the following details of the business relationship and transaction orders:

- business relationship: type, subject, duration
- transactions: subject and amount

In addition, MKB Bank Zrt may also record the conditions of execution (place, time, mode) if it is necessary to prevent money laundering and terrorist financing.

- **know your customer - the KYC principle**

In order to mitigate the risk of money laundering and terrorist financing, MKB Bank Zrt must be aware of the activities of its customers, the nature of business relationships, business partners, financial habits, the domestic business practice, the economic background of debits and credits in the account, the expected turnover (amount, currency), hence it maintains a regular and active relationship with its customers.

In the case of legal entities, pursuant to the service contract concluded with MKB Bank Zrt, the Bank must be fully aware of the ownership structure of the customer, including the beneficial owner private individuals, the decision makers and anybody else who may proceed in the name of the customer.

- **politically exposed person - PEP**

In line with the requirements of the AML Act, natural persons shall provide a written declaration on their PEP (politically exposed persons) status and the source of their funds. Apart from individuals performing important public functions, close relatives and individuals who have a close (business) relationship with PEPs are also considered as PEPs. Our Bank must verify the authenticity of the declarations with the help of the World Check database.

- **data change**

Our Bank must ensure that data and documents held connected to a customer and the business relationships are kept up-to-date. During the maintaining the relationship with a customer, the customer must inform MKB Bank Zrt within 5 working days of any change in their data recorded within the framework of customer due diligence or in their beneficial owner.

Pursuant to the provisions of Act LIII of 2017, if a Bank does not execute an order on an account for a period of two years, the account must be blocked until the Bank has checked and confirmed that the customer data are up-to-date based on a consultation with the customer.

## **RISK ASSESSMENT**

MKB Bank Zrt prepared its internal risk assessment in compliance with the provisions of Act LIII of 2017, taking into account the Hungarian and international economic environment and habits and the known risk factors. The Bank is also obliged to apply an adequate risk categorisation on the basis of the nature and volume of the business relationship or a transaction order or the customer profile, product, service or the applied channel. Our Bank must perform an enhanced or strengthened procedure in relation to occurring higher risk factors.

## **SUPERVISION, MEASURES**

Our Bank must report suspicious or unusual transactions to the competent authority operating as the financial intelligence unit responsible for combating money laundering and terrorist financing through the Compliance Directorate.

In line with the legal requirements, MKB Bank Zrt regularly monitors the business relationship, which includes the analysis of transactions during the maintaining of

business relationship in order to conclude whether or not the transactions are compliant with the information provided by the customer to the Bank. In line with the requirements of the law, the Bank uses an automated filtering system in relation to the transactions executed by the Bank. MKB Bank Zrt monitors the business relationship more intensively if it is required on the basis of a risk-based decision. That monitoring also includes the ad hoc transactions occurring during the existence of the business relationship.

In order to comply with Act LII of 2017 on the Implementation of Restrictive Measures Imposed by the European Union and the UN Security Council and to meet the expectations of the EU, UN and OFACE, each customer, transaction and SWIFT message is screened according to the applicable lists. Whenever the sanctions are refreshed, the screening must be run again on our existing customers. MKB Bank Zrt must also submit the respective reports.

## **INTERNAL CONTROL AND INFORMATION SYSTEM, TRAINING PROGRAMME**

The availability of control processes is crucial to ensure compliance with the law, as it provides effective support in meeting the law requirements, combating money laundering and terrorist financing and in performing all the tasks specified by law.

In order to achieve that objective, the Compliance Directorate of MKB Bank checks all operative transactions and processes, runs a control system, develops procedures, applies internal controls and checks transactions as well as supports the business units.

The Executive Directorate for Internal Audit of MKB Bank Zrt regularly checks compliance with the general requirements and specific procedures.

Each employee of the Bank must take part in the activities of MKB Bank Zrt aimed at preventing money laundering and terrorist financing. The employees must be able to identify business relationships and transaction orders as well as recognise potential signs of money laundering and terrorist financing in order to be able to proceed in each case whenever any data, fact or condition indicates money laundering or terrorist financing in compliance with the provisions of the law.

The Bank organises training for each new entrant as well as for employees who are away from work for a longer time (for at least one year), as well as organises regular annual refreshment training for the employees, arranges for adequate documentation of the training and for examinations testing the acquired knowledge.