

Internal Control Procedure for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Delma Exchange

Objective

1. This procedure is intended to establish internal rules and procedures to be followed by staff for anti-money laundering and combating the financing of terrorism (AML/CFT) control within the Delma Exchange. It is mandatory that every staff of Delma Exchange shall read the procedure carefully and take steps required in the procedure.

Risks of money-laundering and the financing of terrorism

2. Staff shall recognize the risk of being involved in money laundering as follows :
- compliance and legal risks, breach of legislation and regulations for AML/CFT may show a weak compliance control and may cause civil and criminal penalties against Delma Exchange as well as individual staff.
 - reputation risk; damage to the reputation of Delma Exchange, thus, triggering other risks including liquidity risks and solvency risks.
 - liquidity risk; in case compliance/legal risks and reputation risks are realized due to the involvement in money laundering, Delma Exchange may suffer from getting funding from markets by down-grading of credit rating and other ratings used in the marketplaces.
 - solvency risk; in the worst case, the solvency of Delma Exchange may be threatened.

AML Committee

3. The Anti-Money Laundering Committee of Delma Exchange is composed of the Manager, Dealer and Accountant.
4. The Committee is chaired by the Manager.
5. The Committee is responsible for coordinating Delma Exchange's policies for AML/CFT, overseeing the implementation of the policies and taking necessary actions to correct problems relating to AML/CFT.
6. The Committee is convened, in principle, every month. However, the Manager could convene the Committee anytime when deemed necessary.
7. The minutes of the Committee are made and reported to the managing partner (HNB).

Anti-Money Laundering Compliance Officer

8. AML Compliance Officer shall be the Manager of the branch. At the Head Office branch the AML Compliance officer shall be the Accountant. Reports of each branch should be forwarded to Manager of Head Office.

9. AML Compliance Officer will have access to all information within each branch.

Customer Due Diligence

10. Staff shall identify customer and verify his/her identity for the following occasions.

- Encashment of Foreign Currency notes for amounts above AED 40,000.
- Outward Remittances above AED 2,000.

11. Staff should obtain the following identification of customers;

- Name
- Address & phone number
- ID information (such as U.A.E. I.D. Card for U.A.E. Nationals, Labour Card for Non U.A.E. Nationals, U.A.E. Driving License, Valid Passport and Visa).
- It is necessary to check carefully the persons photograph appearing on ID
- For HAWALA brokers this certificate issued by the CB of UAE is a mandatory to transact.
- Sources of income/cash flows.

12. Staff should verify the customer's identification by using above mentioned documents. Staff shall make copies of the official document and keep with other relevant documents of the customers.

13. Encashment or Outward remittances transactions conducted properly, to be approved by an officer.

14. For the existing customers who have established relationships to be issued with a customer identification card where details of the customer is stored in the systems history.

Record Keeping

15. The records of transactions should be kept for 6 years.

Monitoring of accounts and transaction

16. Staff shall pay special attention to all complex and unusual large transactions, and all unusual patterns of transactions. Staff will be informed about examples of such unusual transactions by internal circulars.

17. Staff shall pay special attention to business relationships and transactions with customers from non-cooperative countries and territories (NCCT) designated by the FATF. Staff should regularly refer to the website of the FATF (<http://www.fatf-gafi.org>).

18. A Black List issued by Central Bank of U.A.E. will be in the system and periodical updates will be done by designated officer of the branch. The system will prevent transactions with Black Listed parties. However due to similarity in names shall obtain further information on the identity of the customer. Overriding the system could only be done by an officer.

Suspicious transaction reporting

19. If staff suspects that funds are the proceeds of a criminal activity, should report immediately to AML Compliance Officer at each branch. Staff shall not disclose the fact of such report to the customers.

20. The Delma Exchange will adopt and practice a policy to maintain strict confidentiality of suspicious Activity Reports submitted by members of staff and to protect them from any imminent danger or risk as a consequence of such reporting.

21. AML Compliance Officer should prepare a report to the Central Bank of U.A.E. in the format given by the Central Bank of U.A.E. immediately with a copy to be sent to AML Unit of HNB plc in Sri Lanka.

22. All the suspicious transaction reports to the Central Bank of U.A.E. should be signed off by the Manager – Head Office.

23. Copies of all reports sent to Central Bank of U.A.E. should be kept for 6 years.

24. If customer is confirmed to be identical to the designated terrorists / money launderers, the branch shall immediately request the Head Office and that no transaction for the customer is processed.

25. In case it is not certain as to whether the customer is identical to the designated terrorists / terrorist organizations and money launderers, the Branch should suspend transaction by the customer until further confirmation by competent authorities are obtained which will certify that the customer is not identical to the designated terrorists / money launderers.

Staff training on AML/CFT

26. The AML Committee provides training on the AML/CFT issues to all staff. The details of the training program will be developed by the AML Committee.

27. All the staff shall attend the training on the AML/CFT issues on regular basis. The frequency of training shall be determined by the AML Committee. (Minimum once a year)

28. Managers of branches shall ensure the full attendance by their staff to training on AML/CFT. Staff attendance shall be certified by the AML Committee.

Internal Auditing of AML/CFT control

29. AML/CFT control systems are subject to independent review by AML Committee with consultation of AML unit of HNB plc Sri Lanka. AML Committee shall review the effectiveness of the AML/CFT system across the Exchange.

Definitions

- The State - The United Arab Emirates.
- Central Bank - The Central bank of U.A.E.
- Money Laundering - Any act involving transfer, conversion or deposit of property, or concealment or disguise of the true nature of those property which were derived from any of the offences stated below.
- Narcotics & psychotropic substances.
 - Organized criminal activity & racketeering.
 - Human trafficking & migrant smuggling.
 - Counterfeiting currency & piracy of products.
 - Insider trading & market manipulation.
 - Sexual exploitation, including children.
 - Kidnapping, piracy & terrorism.
 - Offences committed in violation of environmental laws.
 - Illicit dealing in fire arms & ammunition.
 - Bribery, embezzlement, damage to public property.
 - Corruption, fraud, breach of trust & related offences.
 - Any other related offences referred to in international conventions to which the State is a party.

- Definition of Money Laundering - When a person intentionally commits or assist in commission of in respect of property derived from any of the above acts.
- The conversion, transfer or deposit of proceeds, with intend to conceal or disguise the illicit origin of such proceeds.
 - The concealment or disguise of the true nature, source, location, deposition, movement, rights with respect to, or ownership of proceeds.
 - The accusation, possession or use of such proceeds.

- Penalties - Without prejudice to administrative penalties stated in the law, financial, commercial and economic establishments operating in the state shall be criminally liable for the offence of money laundering if intentionally committed in their respective names or for their account.

Important **Staff should refrain from informing any person that his/her transactions are being scrutinized for possible involvement in suspicious operations, or that security authorities or other competent authorities are investigating possible involvement in suspicious operations.**

Staff should also refrain from false notification to the competent authority, in bad faith, of the commission of the money laundering offenses with intent to cause damage to another person.