



Parsian Bank

# **Compliance Policy**

## **Introduction**

Parsian Bank is committed to conducting business lawfully, therefore according to its code of conduct and in order to achieve strategic goals has established compliance function for Identifying, assessing and managing compliance risks. This policy has been established to express Parsian Bank approach to compliance, compliance function and assignment of responsibilities.

### **1. Definitions**

Compliance: Ensuring the bank comply with applicable laws, regulations, standards, domestic and international banking directives, especially in case of facing of money laundering, terrorism financing, fraud and corruption.

Non-compliance: Violation of applicable laws, regulations, standards at different levels of business.

Compliance risk: The risk of legal and regulatory penalties, financial loss and reputational risk as a result of non-compliance with laws, regulations and standards. Consequences of violation of laws and regulations include:

- Penalties and legal fees
- Individual responsibility of board members and senior managers
- Loss of reputation, customers and business

Compliance function: An independent function that identifies, assesses, monitors and reports compliance risks and as well advises various departments. This function monitors compliance risk management.

Three-Lines of Defense: The three-line defense model provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties.

COSO: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The COSO Integrated Framework for Internal Control has five components which include: control environment, risk assessment, control activities, information and communication, monitoring activities. These elements include recommendations and guidelines that pursue internal control objectives.

“Compliance and the Compliance function in banks” document: Basel Committee on banking supervision published a document in 2005 and introduced principles for managing compliance risk in banks.

### **2. Objectives**

Provide requirements to recognize and meet domestic and international laws, regulations and standards which have been accepted by the Islamic Republic of Iran for conducting business based on honesty and integrity.

### **3. Responsibilities**

Parsian Bank, as an effective private bank accepts the following items as its main responsibilities:

Economic responsibility: Creating value added for stakeholders (shareholders, customers, employees and community)

Legal responsibility: Performing activities in accordance with both domestic and international laws, regulations and applicable standards.

Ethical responsibility: Obligation to conduct business honestly, fairly and with integrity.

Humanitarian responsibility: Respect citizenship rights, help to preserve the environment and natural resources and effort to improve social welfare.

#### 4. Scope

Compliance risk management is established in all levels and lines of business, subsidiaries, suppliers and stakeholders of Parsian bank. Therefore, the scope of compliance function is classified into four general areas:

	Staff	Customers	Organization	Services
Compliance Function	Ensuring that there is no conflict of interests such as receiving gifts, secondary employment, personal transactions and investments.	<ul style="list-style-type: none"> <li>- Anti-Money Laundering (AML)</li> <li>- Countering Financing Terrorism (CFT)</li> </ul>	Ensuring that there is no conflict of interest in the organization, such as related party transactions: transactions with persons linked through a particular relationship.	Informing customers of banking issues and products information.
	Ensuring that information is not used and shared for specified purposes	KYC includes PEP (Knowing clients including political persons)	Approving new products (including outsourcing)	Regulatory requirements for registration of business activities /product/ new or modified services
	Monitoring unemployment and pre-employment time	Screening sanction lists	Protecting information assets	Investigating Complaints

#### 5. Compliance culture

Compliance is an integral part of business activities and governing, supervisory department and all employees perform their duties in the framework of applicable standards and in compliance with them. Strong compliance culture reflects high levels of ethical standards in the bank, in which the board and the senior management are pioneers. Key principles of Parsian compliance culture are:

- Commitment to laws, regulations and standards governing bank business
- Respect for the role of supervisory bodies
- Transparency and Responsibility
- Ethics and honesty
- Risk tolerance within the approved thresholds by the board of directors

#### 6. Compliance risk management process

The compliance risk management process includes risk identification, risk assessment, risk response, risk reporting, training and awareness within the framework of the policies and code of conduct and all applicable rules and regulations (Compliance Handbook).



### 7. Three lines of defense model

Due to the organizational structure of the bank and segregation of duties to control and supervisory divisions, Parsian Bank uses three lines of defense model for implementing compliance policies. This model is the most common criteria for assigning control and risk management responsibilities to business units in an organization.



### 8. Training and awareness

We believe that all employees of the bank and subsidiaries are obliged to act in compliance with laws, regulations and standards, so we will apply different channels to train and inform all employees. In this regard, by clarifying all laws and regulations through the publication of

compliance handbook, we try to reduce the risks associated with the breach of regulations.

### **9. Tools**

Due to the wide range of activities of Parsian Bank, a variety of tools used to identify and manage the compliance risk:

- Customer internal ratings system
- Transactions monitoring and detecting suspicious activities
- Screening System for Sanction Lists and PEPs
- Laws, regulations and standards compliance system

### **10. Responsibilities**

Board of directors: The Board of directors has the ultimate responsibility for regulatory compliance and determination of appropriate compliance level in business activities.

CEO: The CEO is responsive to the Board and the relevant committee for Parsian's overall compliance management in accordance with this Policy and its supporting procedures.

Senior managers: Senior managers are responsive to the Board and regulatory bodies for proper and legitimate implementation of their duties.

Compliance and AML committee: Compliance and AML committee is delegated by the Board for supervising laws and regulations compliance and approving appropriate procedures and measurement methodologies. This committee is responsible for reporting breaches of laws and regulations to the Board and also supervising the activities of compliance department and AML department.

Head of compliance: Head of compliance should conduct an annual self-assessment to ensure the compliance management system is effective and objectives which are established in this policy and Parsian's strategic plan are achieved. Head of compliance should ensure that non-compliance issues are adequately investigated and all breaches are appropriately reported in a timely manner.

### **11. Reporting**

The head of compliance should provide all tools for reporting compliance risks based on the following:

- Providing monthly reports to the Anti-Money Laundering and Compliance Committee on breaches, violations, complaints and the risks of non-compliance with laws and regulations.
- Providing annually report to the Board through the compliance and AML Committee on necessary improvements to the Compliance Management System for being more consistent with the COSO “Internal Control” document and the Basel Committee document on “Compliance and Compliance function in banks”.

### **12. Regulatory Environment at Parsian Bank:**

Parsian Bank is obliged to comply with all laws, regulations and national and international standards accepted by the Islamic Republic of Iran at all levels of business. The following regulatory sources are parts of this environment:

1. The Constitution of Iran
2. Islamic Republic of Iran’s monetary and banking operations code
3. Islamic Republic of Iran’s code of banking without Usury

4. Islamic Republic of Iran's commercial code
5. Islamic Republic of Iran's labor code
6. Tax Law and rules of Iran
7. The decisions of the Council for Money and Credit and the Cabinet
8. Regulations and directives of the Central Bank of Iran
9. Accounting and Auditing Standards issued by the Audit Organization
10. The standards and guidelines of the global financial organizations to establish a single procedure in banking affairs, including the World Bank, the International Monetary Fund and the Basel Committee (to the extent required for banks or under the approval of the Central Bank of Iran)
11. Regulations of International Chamber of Commerce (ICC) (to the extent required for banks)
12. International Conventions
13. United Nations Security Council resolutions
14. International treaties
15. Laws and regulations of anti-money laundering
16. Laws and regulations of countering financing terrorism