

# Compliance & AML Statement

## Introduction

As the subsidiary of the world's largest Islamic Bank, Al Rajhi Bank Malaysia (ARBM) is committed to the highest ethical standards in conducting its business. Underpinning this commitment are our vision, mission and core values as below:

### Our Vision

- A trusted leader delivering innovative financial solutions to enhance quality of life everywhere.

### Our Mission

- To be most successful bank admired for its innovative service, people, technology and Shariah compliant products.

### Our Core Values

- Truth  
Our Shariah-compliant banking products and services are structured using fair and honest Islamic principles. The outcome is equal win-win partnerships and lasting banking relationships built on trust.
- Honour  
At Al Rajhi, we do not believe in playing lip service to our capabilities. Honour means staying true to our word. We take pride being a reliable banking partner that offers the highest standards of professionalism, efficiency and compliance.
- Respect  
Every customer is important, irrespective of race, social and religious backgrounds. No query is irrelevant, in respect to our products. Our strategy is to provide tailor-made products solutions and customer care that respects your financial needs.

These values guide ARBM ("the Bank") in how we conduct our business and provide direction on how to deliver superior customer service and long-term shareholder returns within the context of ethics, rules and regulations that we operate in.

## ARBM's Overarching Compliance Design

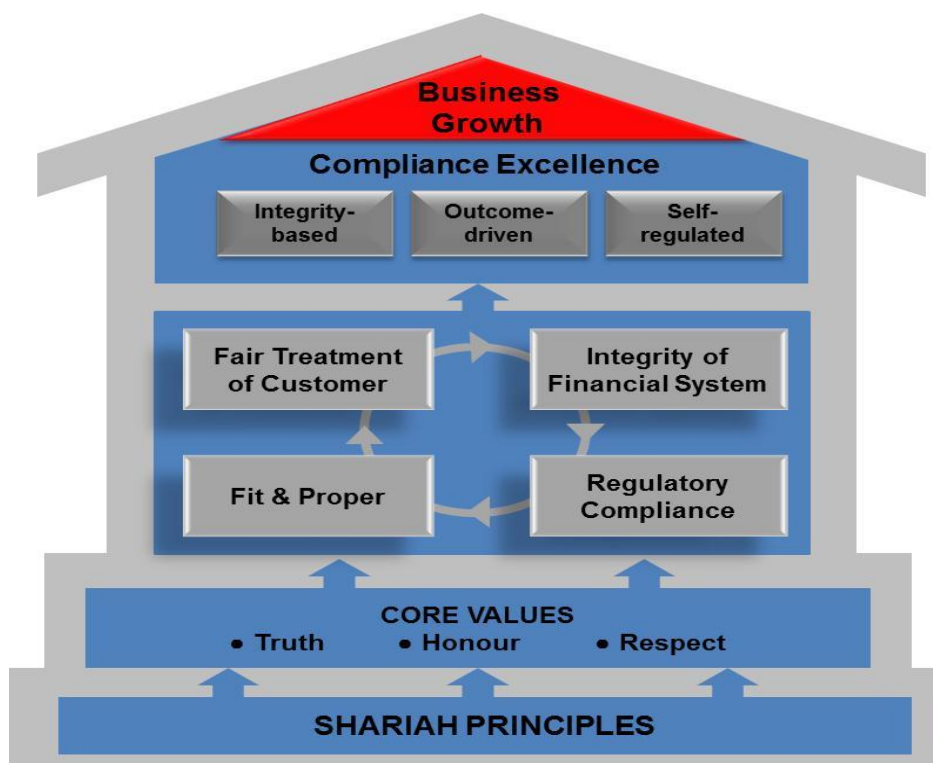


Figure 1: Compliance Design

# Compliance & AML Statement

---

As can be seen in Figure 1, the Shariah principles form the foundation on how the Bank operates in the financial services sector. The Shariah principles and our core values govern all our actions, how we treat our customers and stakeholders and how we add value to the society. These values shape our compliance design where compliance in the Bank involves more than merely adhering to regulatory requirements and accepted standards of compliance but also espouses **integrity** and personal ethics as a way of life.

As an Islamic Bank, trust forms the basis of all that we say and do. Trust is earned when customers and stakeholders are assured that the Bank treats them fairly and is transparent in all its dealings and discloses all necessary information for informed decision-making. Thus, there is no greater priority for the Bank than the ethical conduct of our people in ensuring that they are fit and proper and possess the necessary qualifications and professionalism in carrying out their duties.

The Bank also recognizes that it plays a critical role in protecting the integrity of the financial system to prevent the Bank from being used by criminals or unscrupulous individuals or entities to commit harm or losses to not only innocent customers, but also to the government, society and the world at large. In this regard, processes are emplaced to prevent the Bank's products, services or channels from being used for money-laundering and terrorist-financing activities as well as safe-guarding customers' personal information and banking data. Control measures are also emplaced to identify, assess, mitigate, monitor and report such risks. They include conducting due diligence on all staff, including the board of directors, customers, vendors and third parties before the Bank accepts and on-boards the relationship as well as ensuring all staff understand their obligations through effective training and awareness programmes.

The Bank acknowledges that building a culture of compliance excellence means that each and every individual staff and representative of the Bank is accountable for his own activities, including seeking to understand the compliance requirements within his job scope, **self-regulating** his activities to ensure compliance and maintaining ethical principles and behaviour. It is more concerned with results and effects and not so much on processes and inputs. In doing so, the focus becomes **outcome-driven**. The shift is from internal to external i.e. compliance is about being in line with the spirit and intended outcome for customers, potential customers and the society at large and not managing the business only to the letter or gaming the rules.

The Bank regularly reaffirms the rules and principles it lives by as it is cognizant that business and moral ethics are the result of deliberate and sustained efforts and this can only be achieved by continuously considering the consequences of our decisions and actions and striving for compliance excellence. Only through compliance excellence can we create a sustainable and secure banking future that brings about positive and lasting change; placing value on people as well as profit for business growth and long-term sustainability of the Bank.

## ARBM's Compliance Programme

Compliance at the Bank is a comprehensive and multifaceted programme and is part of the overall corporate governance and integrated risk management process of ARBM. It comprises the following areas:

- Compliance Programme
- AML Compliance Programme
- Anti-Bribery and Anti-Corruption Programme
- Due Diligence on Employees/Associated Parties
- Data Protection
- FATCA
- Common Reporting Standards (CRS)
- Working with Regulators
- Record-Keeping
- Non-Compliance Reporting
- Staff Awareness and Training

## Compliance & AML Statement

---

The Bank's Compliance Programme ensures that we comply with all applicable laws, rules and regulations mandated by the governments of Malaysia and the Kingdom of Saudi Arabia as well as other relevant international standards and/or recommendations.

In line with the best practices principles expounded in the *BIS Guidelines on Compliance and the Compliance Function in Banks* and *BNM's Policy on Compliance*, the Compliance Function of ARBM is an independent function. It is headed by the Chief Compliance Officer (CCO) who is responsible to implement the board-approved Compliance Programme, in an effective manner. The CCO has independent functional reporting to the Board Audit Committee and Chief Compliance Officer of Compliance Group in Head Office and administrative reporting to the CEO.

The Compliance Risk Management Framework and Policy provides the foundation with which the Compliance Programme is implemented. It details the structure, policies, roles and responsibilities and processes for compliance risk management across the Bank. Other policies/processes that are emplaced to support the Compliance Programme include the following:

- Corporate Governance processes
- Code of Conduct
- AML/CFT Policy
- Sanctions Policy
- Anti-Bribery and Anti-Corruption Policy
- Whistleblowing process
- Personal Data Protection Policy
- Information Security Policy
- Operational Risk Management Policy

The relevant policies are reviewed every two years, or as and when necessary, to ensure that they are updated to reflect the most current local laws and regulations as well as international best practices to be adopted by the Bank. Amendments to the policies are reviewed and endorsed by the Executive Risk Management Committee and Board Risk Management Committee prior to submission to the Board for the approval.

The Compliance Programme adopts *ISO 19600: Compliance Management System Guideline* to manage compliance risks. The process involves the identification of compliance obligations and thereafter assessment, mitigation, monitoring, reporting of the compliance risk.

The approach the Bank has taken to manage compliance risk is by adopting the *three lines of defence* concept i.e. in the first line of defence, the businesses own, manage and supervise their day-to-day compliance risks of their businesses while the second line of defence comprises the control functions i.e. Compliance, Risk and Legal providing oversight. Internal Audit provides independent assessment and assurance as the third line of defence. The bank adopts *risk-based approach* to manage its compliance risks across all businesses and functional areas to ensure that compliance activities are focussed on the key compliance risks that the Bank may face.

### ARBM's AML Compliance Programme

In our pursuit to constantly be a leading Islamic bank with strong Shariah principles, we subscribe to the objective of upholding the integrity of the Bank, the business community that we interact with and more importantly the financial system. The Bank pays serious attention to the welfare of all the key stakeholders. These principles are deeply rooted in our AML/CFT compliance programme. The leading areas covered in the programme can be segmented as depicted in Figure 2 below:

# Compliance & AML Statement

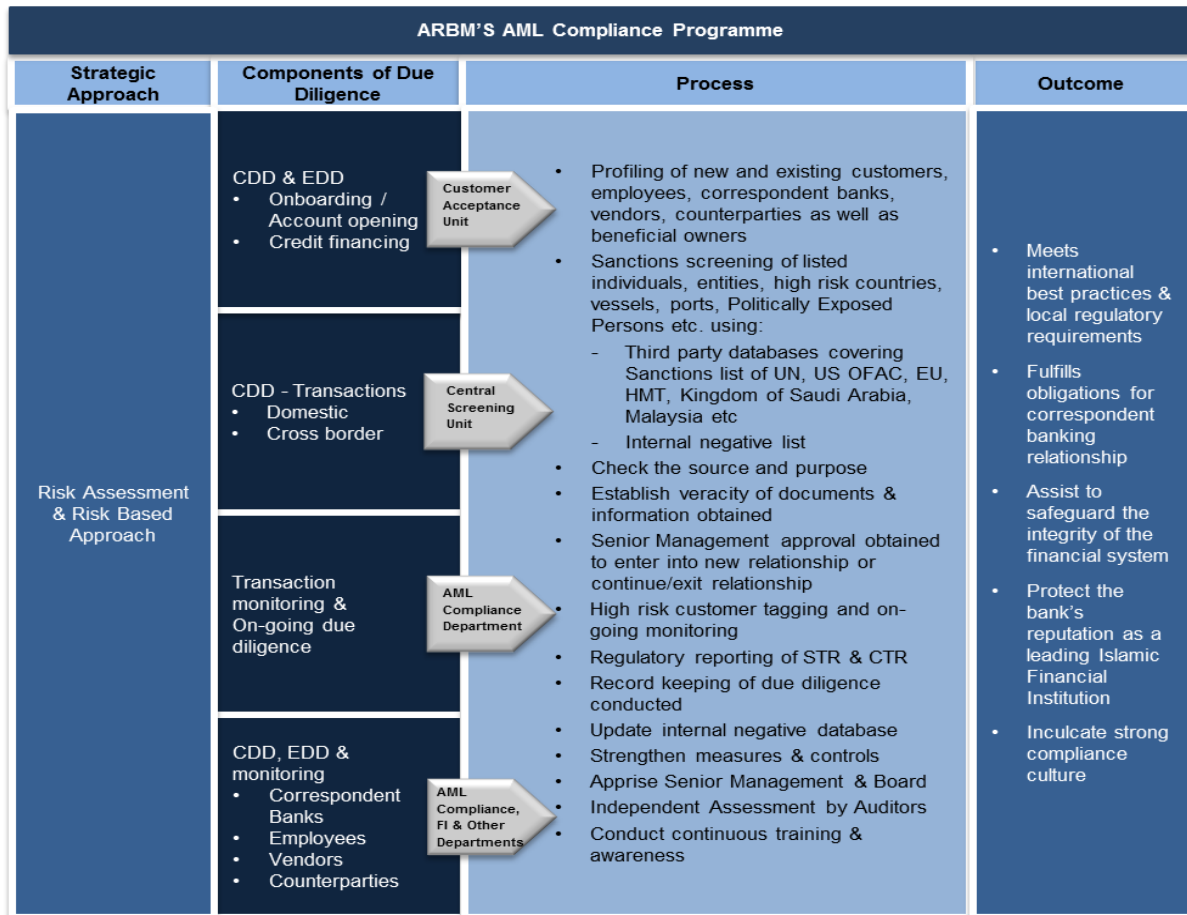


Figure 2: Architecture of AML/CFT Compliance

**Risk-based approach (RBA)** in Figure 2 and 3 is adopted by the Bank as a continuous process to determine the necessary actions that are required to be taken to deter and detect the use of its branches, products, services and delivery channels for money-laundering, terrorist-financing and other illegal purposes. RBA is conducted on a continuous basis taking into account evolving global and local, social, economic and political environment. Where possible, the bank uses IT automation for robust scrutiny.

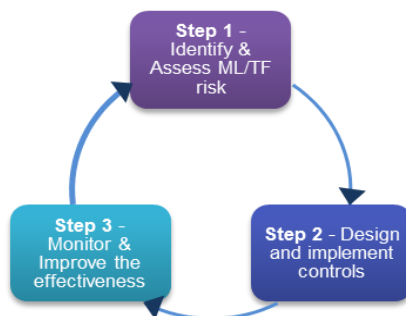


Figure 3: RBA - Three-Step Process

**Customer Acceptance Unit (CAU)** carries out due diligence on new and existing customers having accounts at the Bank for all financial services such as deposit accounts, credit facilities, remittances, foreign exchange transactions, safe deposit boxes, etc. The coverage extends to beneficial owners, authorized signers, holders of powers of attorney, directors, trustees and partners and persons conducting transactions. The bank does not entertain or deal with walk-in customers. All high risk customers and beneficial owners are subject to Enhanced Due Diligence (EDD). Thereafter, approval

## Compliance & AML Statement

must be obtained from Senior Management and where relevant, the Chief Compliance Officer (CCO) before establishing business relationship or continuing relationship for existing high-risk customers. The Bank does not deal with individuals/entities with anonymous, fictitious, false or incorrect names or deal with those in countries prohibited or have any business relations with shell banks or those under any other sanctions. In addition, the bank does not allow non-face-to-face banking relationships.

The CAU interfaces with the Business/Support Units to obtain a range of information from the customer and where applicable, verify the information independently through the use of reliable data providers or source documents as a mandatory part of the Customer Due Diligence (CDD)/Know Your Customer (KYC) process.

**Central Screening Unit (CSU)** looks at all customers' inward and outward cross-border payments regardless of amount. This function is fully supported by an automated system to detect transactions through real time screening. Payments will be released only after adequate review and authorization by CSU.

**AML Compliance Department** has a dedicated team that investigates anomalies in customers or their transactions triggered via the Transactions Monitoring System developed by third party vendor. For customers that are identified as suspicious, Suspicious Transactions Report (STR) is reported to the Financial Intelligence and Enforcement Department (FIED) in Central Bank of Malaysia. In addition, the team also reviews internally submitted STRs by branches or departments before submission to FIED. On an on-going basis, customer profiles are reviewed and updated periodically and the frequency of review is determined based on the customer's risk rating.

**Human Resource, Financial Institutions & Other Departments** works with AML Compliance Department in emplacing measures and processes to carry-out CDD & EDD on employees, correspondent banks, vendors and counter parties.

**The AML/CFT Policy** is approved by the Board of Directors (BOD) and clearly states the roles and responsibilities of everyone in the Bank. The key pillars contained in the policy are depicted in Figure 4 below:



Figure 4: Key Pillars of AML/CFT Policy

**Board & Senior Management Oversight** sets the tone from the top. The AML Compliance Department through periodical compliance reports updates the Senior Management, the Board of Directors (BOD) and related BOD committees on the latest AML/CFT requirements and the effectiveness of implementation at ARBM.

# Compliance & AML Statement

---

**Policy requirements and procedures** outlines the non-negotiable processes the Business/Support Units are required to comply with which include KYC Requirements such as CDD and EDD, Know Your Employees (KYE) and Know Your Vendor (KYV) and monitoring and reporting of STR on suspicious customers. Where relevant no relationship will be established or relationship will be exited. Records are kept for at least 10 years or any other extended duration as imposed by the regulators while documents initiated from or to the client are kept on a permanent basis.

**Management Information System (MIS)** initiatives are undertaken to ensure internal controls are strong and segregation of duties are emplaced. The Bank has invested heavily on integration and automation for screening and transaction monitoring to meet the Bank's aspiration to achieve compliance excellence.

**Independent assessment** by Internal Auditors is a regular and scheduled activity. They submit an annual report to the BOD through Board Audit Committee on the outcome of their assessment and thereafter submit the report that was tabled to the BOD to FIED.

**Training and awareness** is a core part of setting our compliance culture. Classroom and E-Learning platform are used to deliver the messages to all staff. All new recruits are given AML training during Induction Programme to ensure that they are aware of their AML responsibilities onset. In addition, annual AML trainings are conducted for all staff to reiterate on ML/TF newer trends and modus operandi and prompt them on the obligation of STR reporting. The preservation of confidentiality is also emphasized during these trainings.

## ARBM's Anti-Bribery and Anti-Corruption Programme

The Bank takes a zero tolerance approach to bribery and corruption and as such, prohibits bribery in any form, whether direct or indirect.

Our employees and third parties representing the Bank are prohibited from receiving, accepting, offering, paying or authorizing any bribe or any other form of corruption. They shall avoid any conduct that creates even the appearance of improper activity or conduct. Specific guidance on gift and business entertainment, charitable donation and sponsorship and procurement/sourcing is detailed in the Bank's Anti-Bribery and Anti-Corruption (ABC) Policy.

It is the responsibility of all concerned to promptly report anyone who is suspected to be, or is engaged in conduct that is prohibited by the ABC Policy directly to the Chief Compliance Officer or through our whistle-blowing channel.

## Due Diligence on Employees/Associated Parties

The Bank requires due diligence to be conducted for all existing and prospective employees, vendors or third parties that the Bank deals or intends to deal with. Business areas that are assessed as posing greater compliance risks for the Bank will be accorded greater or more granular scrutiny. Since the opportunity for irregular activity can occur anytime throughout the lifecycle of the employee, customer or associated party, on-going due diligence (ODD) is conducted and applied to all individuals, corporations including ultimate beneficial owners or the controlling parties.

### Know-Your-Employee (KYE)

The Bank implemented KYE processes to ensure that we deal with employees who are fit and proper as they play a role in safeguarding the integrity of the financial system in line with regulatory expectations.

### Know-Your-Vendors (KYV)

The Bank conducts KYV processes to ensure that vendors or third parties have the appropriate integrity and professionalism to represent the Bank in its activities. Due diligence is conducted on them on an annual basis and before relationships begins. To ensure outsourced vendors and associated parties uphold the standards of the Bank, clauses pertaining to good governance practices in particular compliance with all regulatory requirements and the Bank's internal policies are built into the service level agreements. Correspondent banking relationship can only be opened after requisite due diligence

## Compliance & AML Statement

---

have been conducted and the establishment of such relationships require the approval of the CEO and CCO.

### **New and/or Variation of Products and Services**

New and/or variation of products and services including delivery channels are evaluated for compliance and AML risks and must be signed off by the CCO before they can be introduced.

### **Data Protection**

The principles of data protection of fair use, notice and choice, disclosure, security, retention, data integrity and access are operationalized in the Bank's day-to-day procedures. All staff are aware that they are not allowed to disclose customer information to any third party(ies) without prior consent of the customer in accordance with the Bank's Personal Data Protection Policy, except to the law enforcement authorities as permitted by the relevant laws.

The Bank discloses how it collects and processes personal data in our website and provides avenues to customers to access their data for correction if so required. Customer's consent is obtained before the Bank disseminates any marketing information to customers and the Bank also has in place monitoring mechanisms to mitigate data loss and theft. The requirements to respect the privacy of customer's information is embedded in the Bank's Code of Conduct and this requirement is reiterated in various training programmes including Induction and AML training courses.

### **FATCA**

The Bank is committed to complying with the reporting requirements and timeline imposed by the US Treasury for reporting of FATCA.

The Bank has registered itself as a Registered Deemed Compliant Foreign Financial Institution (RDCFFI) and has communicated our Global Intermediary Identification Number (GIIN) to all correspondent banks. Initiatives are underway to ensure we collect and submit the necessary data for submission by the required timeline.

### **Common Reporting Standards (CRS)**

CRS is an initiative that involves governments obtaining information from their financial institutions and exchanging data automatically with other nations. As Malaysia has signed up to the OECD's CRS, the Bank is committed to comply with the requirements.

The Bank shall keep abreast with the new regulations and the reporting dates pertaining to CRS. The Bank is reviewing the Bank's on-boarding processes and shall invest in upgrades of systems and processes as necessary to meet the additional reporting requirements and responsibilities.

### **Working with Regulators**

The Bank cooperates fully with regulatory and law enforcement authorities or financial institutions in criminal investigations, prosecutions, and forfeiture actions in particular in relation to money laundering or other criminal activities.

The bank has procedures in place pertaining to responding to and initiating information sharing requests. These procedures ensure that requests for information from regulatory authorities or other financial institutions are addressed in a timely manner and in accordance with applicable laws, rules, and regulations.

# Compliance & AML Statement

---

## Record-keeping

Customer information records are properly documented and maintained centrally in the Bank. Control procedures are in place for the safe-keeping, archival and retrieval. The Bank has a retention policy for the maintenance and retention of specific records associated with customers' accounts. Where regulatory requirements between the home-host countries differ, ARBM adopts the stricter of the two.

## Non-compliance

The Bank recognizes that enforcement actions can be taken by regulators against any staff of the Bank including its directors, officers and employees for any non-compliance with any provision as stipulated in the relevant laws and guidelines. As such, the Bank views such non-compliance incidences seriously and will initiate disciplinary action against any staff for failing to comply with the regulatory requirements and the Bank's internal policies and procedures.

The Bank has an incident reporting process whereby any incidences of non-compliance are reported. All reported incidences are duly investigated and appropriate disciplinary actions are taken on any staff found to have breached laws, regulations and internal policies and procedures.

The Bank also has in place a whistle blowing process to enable employees to make disclosures about suspected or actual wrongdoings anonymously without fear of reprisal. All complaints will be investigated in accordance with the Bank's process and confidentiality shall be maintained at all times.

## Staff training and awareness

All employees receive training as appropriate for his/her job function, at the time of employment and on a regular basis. The training is designed to provide staff with a greater understanding of regulatory requirements, money laundering and terrorism financing and their role in its prevention (e.g. monitoring customer transactions). Apart from the above, emphasis is also given to personal conduct and responsible selling and financing to achieve fair outcomes for customers.

All new hires are required to sign the Personal Integrity Statement (PIS) which declares that he/she will conduct him/herself with the honesty and integrity and shall comply with all applicable laws, banking standards and that it is his/her duty to stay alert to the risk of fraud and money-laundering and to report actual or suspected incidences of fraud or irregularities immediately. They also have to undergo mandatory induction courses whereby key aspects of the PIS are explained and clarified.

It is also the responsibility of all Business/Functional Units to ensure their staff attend trainings as and when arranged or conducted by Human Resource Division. Trainings include face-to-face training at the Bank's training centre, e-learning, web-based trainings or via issuance of awareness bulletins.

## Fact Sheet

Below are the various fact sheets relating to ARBM.

- **Anti-Money Laundering Questionnaire** (beyond Wolfsberg standards)
- **Certification Regarding Correspondent Accounts for Foreign Banks** (of USA Patriot Act 2001)
- **Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting-Entities** (W-8BEN-E)

Sincerely,  
*for Al Rajhi Bank Malaysia*



**V. Maslamani**  
**Chief Compliance Officer**