

إدارة الإلتزام
Compliance Department

FCB
مصرف المزارع التجاري
Farmer's Commercial Bank



عضو صندوق ضمان الودائع المصرفية

الحائز على جائزة المسؤولية الاجتماعية من رئاسة الجمهورية والشبكة الإقليمية للمسؤولية المجتمعية بدولة قطر و الكويت

Farmer's Commercial Bank

Compliance Policy



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Introduction:

The Compliance with Standards and instructions is considered as one of the most important foundations and factors of the financial institutions success, as well as maintaining their reputation credibility besides the interests of the shareholders and depositors. It provides protection to them against systemic sanctions.

The Compliance is also a comprehensive and multifaceted responsibility which falls on all parties in the financial institution starting from the board of directors and senior management and ending with all employees, each according to powers and tasks assigned to it.

Compliance can be good and effective when the board of directors and the senior management are exemplary to be followed in the work management. Good compliance requires senior management to constantly assure the need that Bank must be prevailed by a culture based on high standards of trust, honesty and professional integrity, and take into account it is not limited to only the official of Compliance, as the responsibility lies on each individual bank employee, and that this responsibility be an integral part of the business and all of the bank's operational activities. This is because trust, honesty and integrity are the most important pillars upon which the bank builds its reputation with its customers.

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The Guidelines of the policy:

This policy aims to enhance and consolidate the concept of Compliance to the bank according to a framed approach that defines the path of the relationship between the judicial, regulatory and administrative authorities to implement the decisions and international requirements issued by institutions such as the Basel Committee and Financial Action Task Force (FATF) In order to avoid the risk of non-compliance and to establish a a system based on risk management and entrenchment of the principles sound management approach as well as strengthening the relationship with regulatory agencies as creating mechanisms and frameworks to ensure combating of crimes, particularly the crimes money laundering and preserve the values of good professional practices committed with all guidelines that frame the banking business in order to avoid international sanctions , and financial and administrative boycott, as well as the risks of reputation and operation through the values independent compliance function to monitor and identify and assess the risk of non-compliance and then provision of advice and consultancy.

Concept of compliance management function:

Compliance is a behavior based on adherence to a set of internal systems and controls or the external ones, which govern and regulate the activity.

Compliance is the responsibility of all individuals in the institution, starting from the top of the hierarchy (the board of directors and senior executive management) down to the junior employee / worker in the bank.

Compliance function is an independent one that determines, evaluates, provides advice, monitors and prepares reports on the risks of non-compliance of the Bank, relating to being subject to regulatory statutory or administrative penalties or financial losses, or leading to damage of the reputation of the bank due to its failure in compliance with the regulatory regulations and controls, or standards of good conduct and professional practice.

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The objectives of the bank management function and compliance officer:

1. Preventing compliance risks, particularly systemic risks, reputation risks, and financial and international sanctions risks.
2. Consolidating the relationship with the supervisory authorities.
3. Establishing principles for a peaceful management approach in banking institutions.
4. Finding the mechanisms and frameworks that guarantee the prevention of (anti-money laundering and terrorist financing) crimes.
5. Maintaining professional values and practices in the banking business.

Policy goals:

By policy compliance, we aim to protect the bank against the risks of violating the laws and regulatory controls in effect internally and externally, and thus it helps in managing and trapping the risks resulting from non-compliance with the internal and external regulations and laws directed by the bank, which can be defined as legal risks and reputational risks.

And in the framework of carrying out this role, compliance management studies, circulates and follows up the application of internal and external regulatory authorities instructions to ensure compliance with them through the following areas of work:

- Identify, evaluate and follow up on the risks involved in the activities of departments and branches in the bank, for all bank transactions within the bank.
- The periodic report of the senior management, the board of directors and the concerned supervisory authorities on the position of compliance of all activities

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and business units in the bank with the regulatory instructions, internal policies and external regulatory instructions.

- Periodic evaluation of the bank's adherence to internal policies, systems and work procedures to ensure that they are in line with the prevailing laws, rules and controls.
- Study new banking products and ensure that they comply with all regulatory authorities' instructions.
- Follow up on the bank's compliance to apply internal control rules with a number of guidelines for departments and branches.
- Follow up on the bank's compliance to apply the rules of governance with regard to:

1/ Requirements for disclosure and transparency

2/ Adherence to the labor code of ethics and codes of conduct.

Ensuring the implementation and follow-up of policy instructions and systems for action to combat money laundering and terrorist financing in the bank, in addition to abiding by the basic international instructions for combating money laundering issued by the Financial Action Task Force (FATF) and the Foreign Account Tax Compliance Act (FATCA) .

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Compliance principles, mechanisms and methods of application in the Bank:

A / The Basel Committee on Banking Supervision adopted and issued, in April 2005, a paper on compliance and compliance function in banks. The paper was designed in a form of basic principles of Compliance with systems, with a number of ten main principles:

- **The first principle:**

Discusses the responsibilities of the Board of Directors regarding compliance, by:

1. Adoption of the special compliance in banks in a form of an official document, which outlines permanent and effective tasks for managing and supervising its implementation.
2. Establishing a permanent and effective compliance department.
3. Periodic evaluation of the compliance program and its effectiveness.
4. Promoting the values of honesty and professional and ethical practice within the bank as well as ensuring that all bank employees are responsible for their actions and that there are penalties in the event that the compliance is not applied.
5. Identifying the main risks of non-compliance through the assistance of the bank's compliance department as well as setting plans to address them periodically.
6. Supporting compliance department with sufficient powers and responsibilities to follow up on compliance.
7. Responsibility for proper selection of the compliance officer and compliance employee as well as providing them with appropriate training.

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- **The second, third and fourth principles:**

Define the responsibilities of senior management:

1. It is responsible for the effective management of the risks of non-compliance with the regulations.
2. Cooperates with the Compliance Department in determines the compliance risks facing the bank, as well as submitting reports to the Board of Directors and clarifying the addressing of these risks, in addition to laying down plans to manage them.
3. Circulates compliance policy written and prepared by the Board of Directors to manage risk compliance and ensure that it is applied.
4. Ensures that the correct or partial appropriate measures are taken in the event of detection or violation of this policy.
5. Informs the board of directors of the applicable systems for risk management, and any failure to comply may result in regulatory or legal sanctions 'significant material losses, or a loss of reputation.
6. Provides the necessary resources to carry out the compliance function effectively.
7. Creates a climate of trust and harmony in the relationship between the compliance department and the rest of the other departments.
8. Good choice for compliance officers and providing them with training as well as providing the Central Bank of Sudan with the names of the compliance manager and employees, their qualifications, experiences and noticing them when any of them is changed.

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9. Not to dismiss or transfer the compliance manager until after notifying the Central Bank of Sudan and explaining the justifications.

• **The fifth Principle:**

Determines the independence of the compliance function in the bank.

- It has access to all information and employee records.

• **The Sixth Principle:**

Emphasizes the need of supporting compliance management with all that enables it to carry out its tasks.

- Supporting it with specialized qualifications and skills of compliance employees in the field of regulations, rules, standards, experiences, personal qualities and the necessary financial and technical resource.

• **The seventh principle:**

It defines the responsibilities and functions of the compliance department and its work program:

- Implementing the compliance policy and assisting senior management in managing compliance risks.
- Determining ways to measure compliance risks (such as performance indicators)
- Evaluating the adequacy of the bank's compliance procedures and instructions and following up on correcting deficiencies.
- Submitting periodic reports to the Board of Directors regarding compliance, assessing compliance risks, deficiencies and corrective actions.
- Coordination with regulatory authorities, standards makers and external experts

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• **The eighth Principle:**

Defines the relationship of compliance management with the internal audit department:

- The audit department should include the risks of non-compliance within its approved plan to assess the efficiency of compliance management effectiveness.
- Audit reports and the results reached shall be accessible to the Director of the Compliance to enable him/ her to adjust policies in a timely manner.

B/ Adherence to the professional code of ethics and code of conduct:

Standards of trust and integrity occupy the highest rank in the relationship between the bank and its customers. Trust and integrity are the most important pillars upon which the bank builds its reputation with its customers and the authorities it deals with. Also, the protection of this reputation in all the activities of the bank must be a feature that is embedded in the minds of the bank's managers and employees.

The code of conduct contains the standards of conduct that all bank employees must follow and observe in all transactions. These rules include the control over behavior in several aspects focusing on integrity and covering the main areas of risks and threats, including:

1. Dealing and facilitating the bank's business affairs honestly and faithfully as well as avoiding all that affects the bank's reputation inside and outside the business.
2. Devoting time and effort to do work and making sure not to waste the time of others.
3. Cooperating with colleagues to work in a manner that leads to the proper functioning of the bank.

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4. Loyalty to the bank is an attribute required by management and employees and everyone must always confirm loyalty and act for the sake of the bank's interest in all areas of work, including relationships with clients, government agencies, chiefs, and job colleagues, as well as informing senior management of any behavior it may reflect negatively on the bank.
5. The culture of the bank and awareness of employees towards compliance function as well as conceiving and behaving on the basis that all employees are partners in the responsibility of supporting the objectives of the bank with regard to administrative and financial control and Compliance with these goals.
6. Refraining from using any information that has been disclosed to the employee secretly - as a bank employee - for personal purposes or interest, as well as avoid disclosing confidential, technical, or administrative information of the bank to any unauthorized party.
7. Refraining from contributing - for or without charge - to any media activity, such as making statements or publishing articles except with the written permission of the authorized official in the bank.
8. Refraining from accepting gifts or benefits from external or internal parties that may affect the employee's decision or performance of his duties.
9. Not to offer under any circumstance or attempt to offer a bribe or any other temptation to a potential customer in order to promote the bank's products or services, or with the intent to influence his decision.
10. Not to accept a bribe or any inducement - whatever its type - to achieve any purpose, such as: awarding a contract, a purchase order to a vendor or a potential supplier, or giving him information. If the employee is offered a bribe

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or any other inducement of any kind, he must report about that immediately to his boss.

11. Not to exploit the occupational authority for personal gain.

12. Compliance to accuracy and fairness in the registration of all financial operations of the bank in accordance with the applicable accounting criteria, as well as protecting property of the bank in accordance with the policies and procedures set by the bank, and making sure that using of these assets is proper, and that the records and financial and operational reports are accurate and complete.

13. The employee must maintain work secrets and the information he accesses or reaches by virtue of his job, and that unpublished information must not be transmitted to any other party outside the bank, unless that is a part of the normal performance of job duties or is authorized to do so.

Success factors for compliance tasks:

- ✓ Ensuring the exploitation of compliance management, support and provide an appropriate work environment for it.
- ✓ Qualifying adequately the staff working in departments, in a manner that improve the reputation of the bank and avoids losses and sanctions towards ensuring the reliability of the reports.
- ✓ The degree of attention of the bank's leadership towards the efficiency of risk assessment.
- ✓ The extent of the employees' Compliance to the policies, procedures and mechanisms for reducing the applicable risks and their role in making them successful.

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- ✓ The extent of quality and accuracy of the information system and the amount of software used.
- ✓ The extent of effective follow-up mechanism and assessment of management Compliance activity as well as periodically reviewing it detect the shortcomings and addressing thereof.
- ✓ Quick response by the Board of Directors and executive management for the required addressing.
- ✓ Adopting evaluation, development, and follow up of compliance policy as well as reviewing it periodically.
- ✓ The importance of effective coordination and communication between the compliance function and the internal audit and risk management functions in order to avoid duplication of business performance

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Appendix:

***Compliance Values:**

Compliance must be prevailed by high professional values, trust, integrity, good reputation and sincerity at work.

• **General features of Compliance :**

1. The Compliance focuses on the laws, regulations, circulars , covenants and practices adopted by official, legal, regulatory and administrative authorities and avoids non-compliance in all of the bank's activities, including the risks of money laundering and terrorist financing.
2. Freedom of obtaining all necessary information to perform the function of Compliance and access to all documents
3. Provision of necessary protection for the compliance manager to perform his duties.
4. The relationship between the Compliance Manager and other departments must be clear, and the departments must provide him with all the periodic reports and circulars they issue.
5. There should be a working guide for compliance and a periodic update of this guide
6. The director of compliance must not occupy an executive function in the bank that contradicts his functions.

• **Administrative structure:**

1. The Compliance Department is established within the administrative structure of the bank, which is affiliated to the Board of Directors (except for administrative matters), headed by a Compliance manager, a deputy, and a number of employees according to the business need and the size of the bank.
2. The Compliance Manager is accountable to the Council for what is stated in his reports.

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• **Qualifications of the Compliance Manager:**

1. He must have a university degree or related professional certificate, and a certified compliance officer certificate is preferable.
2. He must have at least seven years of banking experience in the field of supervision , management, control and evaluation, and preparation and application of policies
3. Ability to train staff in the compliance field.
4. Full knowledge and keeping up with the money laundering mechanisms
5. Fluency in English and Arabic
6. He must have personal characteristics and attributes such as leadership, the exploitation of opinion, strength of personality and good dealing with others, giving advice, guidance and of moral Compliance and non-exploitation of the career for personal purposes.

• **Compliance Officer Duties:**

1. Making sure that the bank adheres to all laws, regulations and directives issued by the competent authorities at the bank's administration.
2. Identifying and evaluating risks associated with the bank's activities.
3. Reviewing the policies and procedures used to ensure their compliance with applicable laws, regulations and circulars.
4. Permanent evaluation of compliance with the policies and procedures taken by the Compliance Department
5. Coordination with the Legal Department regarding the review of contracts and models to ensure compliance with policies and regulations.
6. Making sure that new banking products comply with laws and confidential circulars
7. Cooperation with the Training Department
8. Maintaining confidentiality at work and not disclose any information.
9. Viewing the internal audit and external auditor reports as well as the audit of the Central Bank of Sudan and Sharia Supervisory Board and legal

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department and extend opinion thereon as well as examining complaints of clients and reports of irregularities

• **Anti-money laundering and terrorism financing:**

The department shall undertake to do the following:

1. Preparation and updating the Bank's internal policy with regard to money laundering and financing of terrorism, provided that this policy is derived from controls and instructions issued by the Central Bank and are consistent with the recommendations of the Financial Action Task Force (FATF) And the Middle East & North Africa Financial Action Task Force (MENAFATF).
2. Examination of unusual operations, which include the suspicion of of money laundering.
3. Notifying the Financial Information Unit of the suspected operations
4. Taking a decision on keeping operations that show lack of of suspicion thereon, provided that the decision includes the reasons for keeping.
5. Office and field supervision of all bank branches regarding compliance with the rules of money laundering and financing of terrorism.
6. Keeping records of all suspicious transactions , including those on which a decision was taken as well the plans and programs of employees training in the field of combating money laundering and the financing of terrorism.
7. Preparing the periodic report on combating money laundering and financing of terrorism.

The laws, regulations, and standards necessary for an efficient job Compliance :

1. Law of the Bank of Sudan in 2006 and the annexed amendments.

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2. Banking Regulation Act, 2004
3. Contract and regulations for the establishment of the bank, internal regulations and administrative circulars.
4. Companies Ordinance, 1925.
5. The Anti-Money Laundering and Financing of Terrorism Act, 2014.
6. Information and Credit Rating Agency Act.
7. The issued rulings to which the bank is a party.
8. Regulations and circulars issued by the Central Bank.
9. Standards Guidelines issued by the Islamic Financial Services Council.
10. Basel Committee principles and standards, issued.
11. Controls of Banks Structuring.



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