

International investment bank

International Investment Bank Compliance Policy

2016

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1. GENERAL PROVISIONS

1.1. Scope of application

1.1.1 This document (hereinafter – the Policy) establishes standards, structure and basic requirements to compliance control function.

1.1.2. The Policy applies to all employees of the Bank and its subsidiaries.

1.1.3. The Policy is developed on the basis of the Policy [1].

1.1.4. Compliance department is an initiator of this Policy.

1.1.5. Compliance department is responsible for timely the Policy updating.

1.2. Terms and definitions

Below is a list of terms and definitions used in this Policy:

Term	Definition
Compliance	The observance of basic principles, policies, regulations and other internal regulatory instruments and decisions of the Bank's managing bodies (the Board, the Council) on issues related to standards and norms of professional business practice, managing conflicts of interest, anti-money laundering, and combating the financing of terrorism, corruption and fraudulent operations, as well as other established compliance rules
Compliance risk	The risk of sanctions, material financial loss, or loss of reputation, to which the IIB may be exposed as a result of its failure to comply with the established compliance rules.
Prohibited Practices	Corruption, Coercion, Collusion, Financing of terrorism, Fraud and Money laundering
Misconduct	Failure by a staff member to observe the rules of conduct and the standards of behavior prescribed by the IIB

1.3. Abbreviations

This Policy uses the following abbreviations:

Abbreviation	Meaning
Bank, IIB	International investment bank
CD	Compliance Department
ICD	Internal Control Department
RD	Risk Department
LD	Legal Department

1.4. The main directions of compliance:

1.4.1. Institutional compliance control. This includes compliance control of IIB activities relative to established rules for internal communication, procedures and decision-making processes.

1.4.2. Transactional compliance control. This includes compliance control over the transactions performed by IIB regarding the screening and assessment of compliance risks, such as those related to money laundering, terrorism financing, and identifying unreliable counterparties and the risks of fraud and corruption.

1.4.3. Compliance control over the rules of professional business conduct (code of conduct). It includes the identification, assessment and monitoring of compliance risks associated with doing business, and corporate ethics, for example, conflict of interest, using insider or confidential information, receiving and granting gifts.

2. STANDARDS, ORGANIZATION AND FUNCTIONS OF COMPLIANCE CONTROL

2.1. Compliance standards

2.1. Due to its international and legal status, IIB is not subject to any national legislation in any of its member countries. To reduce compliance risks IIB develops and adopts regulations to govern the activities of the Bank and its employees, based on established international practices and standards applied by international financial institutions.

2.1.2. The Bank adheres to the following basic principles of the compliance control organization:

2.1.3. Management of compliance risks is performed from top to bottom. The Board and the Chairman of the Board are responsible for the compliance control organization.

2.1.4. Compliance control is an integral part of the IIB corporate culture and operations. The identification, assessment and management of compliance risks make part of every activity.

2.1.5. Adherence to the principles of compliance control is the responsibility of every IIB employee. The Bank's employees perform their duties as part of the established requirements of internal regulations and in accordance with generally recognized codes of conduct and business ethics.

2.1.6. IIB considers compliance control to be one of the elements of the risk management system. If any function of compliance control is outsourced, the Compliance Department (CD) continues to be responsible for the performance of outsourced functions, and monitors the adequacy, efficiency and results of such outsourcing.

2.2. Compliance organization

2.2.1 The CD is responsible for developing and implementing compliance control, and coordinating the management of compliance risks.

2.2.2 The IIB Management Board monitors and evaluates the compliance control system.

2.2.3 The Chairman of the Board is the guarantor of the existence and effective functioning of the compliance control system within the IIB.

2.3. Compliance functions

2.3.1. The primary responsibility of the CD is to identify, assess, monitor and control IIB's compliance risks and professional business conduct in the course of its transactions.

2.3.2 The CD's core functions are:

2.3.2.1 Developing recommendations for top management regarding the existing rules, standards and practices used by other international financial institutions as part of the organization and implementation of compliance control;

2.3.2.2. Developing and maintaining the compliance risk reporting system and disclosing information to the Bank's management bodies regarding compliance risks in accordance with established procedures;

2.3.2.3. Organizing compliance control training for the staff;

2.3.2.4. Presenting conclusions and recommendations for top management regarding the mitigation or elimination of identified compliance risks;

2.3.2.5. Preparing recommendations and comments on developed and existing policies, regulations, rules and procedures, and monitoring the observance thereof to mitigate compliance risks;

2.3.2.6. Developing requirements and recommendations for stipulating standards of professional business conduct;

2.3.2.7. Developing and implementing activities to counter Prohibited practices;

2.3.2.8. Developing and implementing activities to monitor the use of insider and confidential information;

2.3.2.9. Developing and implementing activities to identify, evaluate and control conflicts of interest;

2.3.2.10. Receiving complaints and reports regarding Prohibited practices, Misconduct especially about fraudulent and corrupt actions on the part of staff and third parties;

2.3.2.11. Investigating facts or suspicions regarding Prohibited practices and Misconduct;

2.3.2.12. Developing and implementing measures to detect, assess and control the ecological risks of IIB projects, and the Bank's own activities;

2.3.2.13. Reviewing the Bank's projects in order to detect breaches in performance and maintain compliance rules;

2.3.2.14. Monitoring the Bank's adherence to established compliance rules;

2.3.2.15. Interacting with IIB departments and coordinating work related to the management of compliance risks.

3. INTERACTION WITH DEPARTMENTS

3.1. Compliance independence

3.1.1. The CD is a standalone department that is independent from any other IIB departments. Independence is ensured by the following factors:

- The CD has the status of an independent department;
- The CD is headed by a Director who functionally and administratively reports to the Chairman of the Board;
- CD staff cannot hold posts concurrently in other IIB departments and subsidiaries;
- Within its jurisdiction, the CD has the right to request any information from the Bank's departments.

3.1.2. ICD oversees the CD's activities.

3.2. Reporting

3.2.1 The CD regularly reports to the Chairman of the Board of the IIB on the status of compliance control within the Bank and presents a work plan for the coming year. If necessary, the report and the plan are presented to the Board.

3.2.2. The CD shall inform the Chairman of the Board and IIB's Management Board regarding identified compliance risks, and violations of or non-compliance with IIB's internal regulations.

3.2.3. On an annual basis, the CD publishes a report regarding the Bank's efforts to counter Prohibited practices and Misconduct.

3.3. Access to information

3.3.1. IIB employees shall cooperate with the CD in providing the necessary information to implement compliance control.

3.3.2. The CD has the right of access to all information necessary to perform its duties.

3.3.3. The CD has the right to interview IIB employees to retrieve the information required to perform its duties. The CD has the right to attend meetings of the collective management and advisory bodies of IIB, and may interact with IIB department heads and external counterparties.

3.4. Interaction with departments

3.4.1. The CD interacts with the LD regarding legal issues.

3.4.2. The CD interacts with the RD regarding the monitoring of IIB transactional and reputational risks.

3.4.3. The CD interacts with the ICD on providing information about the identified

compliance risks and violations of compliance control requirements.

3.4.4. The CD interacts with other IIB departments on managing compliance risks and implementing compliance control mechanisms.

3.4.5. The procedures governing the CD's interaction with other departments are stipulated by the Bank's relevant internal regulations.

4. FINAL PROVISIONS

In case of amendments to the Bank's regulations or the Agreement Establishing the IIB and its Charter, this Procedure, along with amendments hereto, shall be applicable to the extent that does not contradict the newly approved regulations, the Agreement Establishing the IIB, or its Charter.

5. LIST OF REFERENCES

1. Policy for Anti-money Laundering, and Combating The Financing of Terrorism, Fraud and Corruption.

6. LIST OF THE BANK'S REGULATIONS SUPERSEDED BY THIS DOCUMENT

This document supersedes «Compliance policy of the International Investment Bank», approved by Order No. 72 dated 16/7/2013.