

The Coat of Weapons of Ukraine
The Board of the National Bank of Ukraine

24 March 2016

Kyiv city

Nr. 193

RESOLUTION

On approval of methodical recommendations of inspections of banks and their affiliates
and branches of foreign banks to assess the adequacy of measures taken on
identification, verification and monitoring of clients

According to Article 63 of the Law of Ukraine On Banks and Banking Activity, Article 14 of the Law of Ukraine On Prevention of Legalization (Laundering) of Funds obtained Illegally, Terrorist Financing and Financing Proliferation of Weapons of Mass Destruction, Articles 7,15 Law of Ukraine On the National bank of Ukraine and to improve the efficiency of the National Bank of Ukraine a supervision of compliance of banks, branches of foreign banks to the legislation of Ukraine regulating relations in the field of prevention of legalization (laundering) of funds obtained illegally, terrorist financing and the financing of proliferation of weapons of mass destruction, the National Bank of Ukraine resolves:

1. Approve the attached methodical recommendations for inspections of banks, their affiliates and branches of foreign banks to assess the assess the adequacy of measures taken on identification, verification and monitoring of clients.
2. Control over the implementation of this resolution shall be carried out by acting deputy Chairperson of the National Bank of Ukraine Rozhkov K.V.
3. The Resolution shall become effective on the day that follows the day of its signing.

Chairperson

[signed]

Valeria Gontareva

Round Seal: Department of Support of Activity of the National Bank of Ukraine *

Organization of Documentation of Management Information Office

Round Seal: Department of Support of Activity of the National Bank of Ukraine * Organization of
Documentation of Management Information Office

APPROVED

Resolution of the Board of
the National Bank of Ukraine
Nr. 193 of 24 March 2016

Methodical recommendations of inspections of banks and their affiliates and branches of foreign banks to assess the adequacy of measures taken on identification, verification and monitoring of clients

1. These Methodical recommendations were prepared to assist the employees of the structural division of the National Bank of Ukraine (henceforth known as the National Bank), to realize the functions of the National Bank regulation and supervision in the sphere of combating prevention of legalization (laundering) of funds obtained illegally, terrorist financing and the financing of proliferation of weapons of mass destruction

(henceforth known as the Department) inspections of banks, their affiliates and branches of foreign banks (henceforth known as the Bank) to assess the adequacy¹ of measures taken on identification, verification and monitoring of clients

2. Due to the risk of possible use of banking services for the purpose of money laundering it is important that banks have used reasonable measures for the purpose of identification, verification and monitoring of clients.

3. Failure to exercise proper bank identification, verification and monitoring of clients can lead to increased legal risk and reputation of the bank.

4. To reduce these risks the bank must ensure that internal documents define effective measures, including bank employees to implement authentication, verification of clients (representatives of clients) monitoring clients; risk management of money laundering/terrorist financing in order to reduce them to an acceptable level; prevention in the Bank's violations of laws regulating relations in the sphere of combating legalization (laundering) of funds obtained illegally, terrorist financing and the financing of proliferation of weapons of mass destruction

¹ Assessment of the adequacy of measures taken by the Bank to the risks associated with the provision of services by public figures are part of an overall evaluation of the Bank's compliance with the requirements of legislation regulating relations in the sphere of combating legalization (laundering) of funds obtained illegally, terrorist financing and the financing of proliferation of weapons of mass destruction, and sufficient measures to prevent the legalization (laundering) of funds obtained illegally, terrorist financing. Adequacy of measures are based on the professional judgment of persons checking the bank.

(henceforth known as the money laundering), including regulations of the National Bank (henceforth known as the the law on financial monitoring).

5. The rights and duties and responsibilities of the bank for the implementation of identification and verification, monitoring of clients, particularly in the Laws of Ukraine On Banks and Banking (henceforth known as the Law on banks), On the prevention of legalization (laundering) of funds obtained illegally, terrorist financing and the financing of proliferation of weapons of mass destruction (henceforth known as the Law on prevention), Regulations of the financial monitoring by banks, approved by the National bank of Ukraine of 26 June 2015 Nr. 417 (as amended) (henceforth known as Regulation Nr. 417), Instruction Nr. 492 of 12 November 2001 on the Order of Detection, Use and Closure of accounts in Local and Foreign Currencies approved by the National Bank of Ukraine.

6. These Methodical recommendations contains terms and notions used in accordance with their meaning provided in the Law on Banks, Law on Prevention, the Law of Ukraine On Prevention of Corruption, Regulation Nr. 417 and other legislation, including regulations of the National Bank.

7. The requirements for organization and conducting scheduled and unscheduled inspections of the bank on prevention and counteraction to legalization (laundering) of funds obtained illegally, terrorist financing and the financing of proliferation of weapons of mass destruction (henceforth known as the Verification) by the Regulations on the organization and conduct inspections on prevention legalization (laundering) of funds obtained illegally, terrorist financing and financing of proliferation of weapons of mass destruction approved by the Resolution of the Board of the National Bank of Ukraine Nr. 197 of 20 June 2011 (as amended by the Resolution of the National Bank of Ukraine Nr. 499 of 31 July 2015), registered by the Ministry of Justice of Ukraine as Nr. 852/19590 on 13 July 2011 (as amended) (henceforth known as the Regulation Nr. 197).

II. The Tasks of the Verification

2. The verification includes the following tasks:

1) analysis of conformity of procedures described in internal documents of the bank requirements defined by the legislation to implement the identification and verification of study:

clients/parties (representatives of clients) in the cases provided for in Article 64 of the Law on Banks;

clients/parties (representatives of clients) in the cases referred to in the third paragraph of Article 9 of the Law on prevention;

2) determine whether the bank's internal documents on financial monitoring and measures aimed at the implementation of identification, verification of clients (representatives of the clients) monitoring of clients, covering all activities of the bank in the process of servicing clients [particularly during payment, cash transactions, deposit operations, foreign currency exchange operations, operations with securities, lending transactions, etc.]. Particular attention should be drawn to the measures taken by the bank to conduct a monitoring of the client (including, if necessary extended verification) to determine their sufficiency as during setting up business (contractual) relationship of a single financial transaction for a considerable amount, and in the process of further client service;

3) determine whether employees and executives of the bank operating according to internal bank documents on financial monitoring and job descriptions;

4) determining the adequacy and completeness of actually taken by the bank measures identification, verification, in the cases provided for in Article 64 of the Law on banks and paragraph 3 of Article 9 of the Law of prevention and studying clients as required by the legislation on financial monitoring (including Title V of Regulation № 417);

5) evaluation of the volume and effectiveness of internal audit of the bank to check the bank's compliance with all requirements legislation on financial monitoring on identification, verification and studying clients (including the adequacy of the bank taken measures to control the risk of money laundering/financing of terrorism);

6) assessment of the adequacy of measures taken by the bank's risk management of money laundering/terrorist financing for the implementation of identification, verification and monitoring of clients;

7) advising the bank in case of deficiencies and/or in case of violations of legal requirements for the implementation of bank identification, verification of clients (representatives of clients) studying clients; making recommendations for changes to the internal documents of the bank for conducting financial monitoring in case of failure or non-compliance with the requirements laid down by the legislation on financial monitoring.

III. Internal Control Questionnaire

9. Based on the analysis of internal documents of the bank for financial monitoring and performance assessment of the risks of the bank for money laundering conducted by a division of the Department, which carries out off-site supervision and system analysis, according to the

methodology of risk assessment of bank branches of foreign banks for legalization (laundering) of proceeds from crime, terrorist financing and proliferation weapons of mass destruction and related public entities Approved by the Resolution Nr. 191 of 24 March 2016 of the National Bank of Ukraine (henceforth known as the Methods of assessing risk levels), other available information and taking into account the results of interviews with the responsible employee of the bank (if conducting), the inspection team completes a questionnaire of internal control that include answers to the following questions:

- 1) Is there a bank approved program for identification, verification and studying of the bank's clients as provided in paragraph 17 Regulation Nr. 417 (if so, specify/indicate other internal documents of the bank, which regulate the procedure of identification, verification of clients (representative of clients) study of clients bank)? Describe the procedure for approval of internal documents of the bank.
- 2) How often does bank make changes to the program identification, verification and studying of bank clients (if so, in the other above-mentioned internal documents of the bank)? Indicate the date when the new internal bank documents/amending them during the period to be audited. Set that measures taken by the Bank to updating the aforementioned internal documents of the bank, taking into account legal requirements and/or the emergence of bank activity events that may affect the risk of money laundering (in particular, changes in the law on financial monitoring and/or changes in the list of products/services provided by the bank and/or significant changes in duties bank employees, etc.).
- 3) Whether the bank uses software that allows detecting and suspending financial transactions carried out for or on behalf of a client of the bank, if the participant or beneficiary is a person included in the list of persons related to terrorist activity or for which international sanctions applied?
- 4) Does the bank establishes the level of risk of client with the following main components of risk: the type of client risk services, the client receives from the bank, and geographic risk, and whether overestimates the risk of the client on the results of bank risk monitoring client, including taking into account the exercise of risky financial transactions and their regularity, but at least once a year?
- 5) Whether the bank takes precautions by the bank's internal documents on financial monitoring to prevent, limit and/or reduce to an acceptable level of risk of money laundering/financing of terrorism?
- 6) Whether there are available case of bank declines to the clients as per Article 10 of the Law on prevention in servicing, in establishing (maintaining) business relationships (including

through the termination of business relationships) or conduct financial transactions conduct transfer for the period to be audited? If so, noted the number of failures that were in the bank for the period to be audited, in terms of reasons that caused of decline. Specify date of last decline. Did the bank give notification to Specially authorized authority (hereinafter - SAA) with information on appropriate under section 10 of the Law on prevention?

7) Does the internal documents of the bank for financial monitoring provide for the definition of domicile (residence registration) clients, particularly in the state, which does not apply, or apply insufficiently recommendations of the Financial Action Task Force on Money Laundering (FATF) and other international organizations operating in the field of prevention and counteraction to legalization (laundering) of funds obtained illegally and terrorist financing? If clients have the appropriate residence (residence registration), location in the State, the measures carried out for the purpose of safeguards, including for the purpose of Extended Validation data bank clients?

8) Does the bank specified in Article 64 of the Banking Act, section 9 of the Prevention entitled to request information relating to client identification (including the management of the client - legal entity, representative of the client), studying clients, detalization of client information, implementing extended validation of clients by governmental authorities, civil registrars, banks and other entities, and whether measures were taken by the bank to collect such information from other sources? Also it should be noted that banks sent an appeal to the government authorities, civil registrars, banks and other entities to provide information (official documents) necessary for assessing the suitability of client financial transaction content and financial position? If the bank sent the appropriate measures to public authorities, public registers, banks and other entities, it is necessary to show the list of requests indicating the name of the client bank against which sent the request, name of the body/institution which directed the inquiry, summary of responses received by bank and give the sending and receiving answers (instead of this information bank can provide registry requests to state agencies, state registrars and letter(s) of governmental authorities, public registrar with the information received in response to the request of the bank).

9) Does the bank access to a database of reference system of lost passports Ministry of Internal Affairs of Ukraine or other bases, by which can be carried out test force (true) submitted by the client/client documents (including passports clients/members of the bank's clients)? In the case of access to databases describe the procedure for proper verification.

10) Does the bank identification, verification of the client, including establishing data on individuals, that allows you to set the final beneficial owner (controller) of legal entities - clients

of the bank, representatives of client visits on behalf or on behalf of whom carried a financial transaction (on clients referred to in paragraph 58 of Title V of Regulation Nr. 417 - simplified identification) to/or during installation business (contractual) relationship for the financial transaction account opening contract?

11) Does the bank reveals the fact of belonging/independency of manager of client - legal entity (except for clients referred to in paragraph 58 of Title V of Regulation Nr. 417, and clients that transfer without opening an account in an amount equal to or exceeding 15 000 UAH, or the amount equivalent at the official exchange rate to foreign currencies and precious metals specified amount, including foreign currency, precious metals and other assets, terms of value but less than the amount specified in paragraph 1 of Article 15 of the Law on prevention) or person acting on behalf of the client, the final beneficial owner (controller) of legal entities - clients of the bank to a public person close to the person or persons related to the public?

12) Does the bank the contents of the client - legal entity, private business owner (for residents determined activity according to Activity Classifier), the social status of an individual client (employed / unemployed, retired, student, etc.)?

13) assesses the bank's reputation client (except for clients performing transfer without opening an account in an amount equal to or exceeding 15 000 UAH, or an amount equivalent to the official exchange rate of Hryvnia to foreign currencies and precious metals specified amount, including foreign currency, precious metals and other assets, the value of the units, but less than the amount specified in paragraph one of Article 15 of the prevention and clients referred to in paragraph 58 of Title V of Regulation Nr. 417)?

14) Do detects Bank fact of belonging/independency of client - individual, private business owner (except for clients performing transfer without opening an account in an amount equal to or exceeding 15 000 UAH, or an amount equivalent to the official rate of the Hryvnia to foreign currencies and precious metals specified amount, including foreign currency, precious metals and other assets, terms of value but less than the amount specified in paragraph one of Article 15 of the Law on prevention) or a person acting on its behalf, to public entities, close person or related to public figures?

15) Does identification, verification and studying of clients takes place who do not open current accounts in the bank, but signed with the bank contracts, including loans or guarantees, clients who use the bank as a securities trader, storage securities contracts the storage box or providing a property lease (lease) of individual bank safe guarded bank, etc.?

16) Are the measures regarding to identification, verification, extended validation of client (if necessary its implementation) are documented by bank, including the establishment of data,

including individuals who are the intended ultimate shareholders (controllers) and/or represent a client (persons who have the right to manage accounts and/or property)?

17) Does the bank complies with legal requirements (paragraph 1 of part 5 of Article 6 of the Law on prevention) during the opening correspondent accounts with nonresident banks and nonresident banks?

18) Whether performed by the bank requirement for formation resulting from identification (presumptive identification) client on the day of establishing business (contractual) relations, contracts, account opening, of a single financial transaction for a considerable amount of financial transactions without opening an account subject to financial monitoring of e-questionnaire? Are these forms contain all the information provided by legal requirements on financial monitoring (in particular, referred to in paragraph 70 of Title V of Regulation Nr. 417)?

19) Does the bank's internal documents on the implementation of financial monitoring, which show the evaluation of the financial condition of clients, describe the procedure for considering the distribution by type of client (eg, taking into account relevant ownership entity according to the laws of Ukraine to large, medium or small, maintenance of the type of income and expenses and its type of activity)? Does the procedure for evaluating the financial condition of the client, reflected in the Bank's internal documents on financial monitoring, to make qualitative evaluation of the financial condition of the client? Do bank employees make the assessment of the financial condition of clients in accordance with the procedure and subject indexes reflected in internal documents of the bank for conducting financial monitoring?

20) On the basis of the documents or information bank makes clarify assess the financial condition of clients? Does the bank adheres to clarify the terms of assessing the financial situation, the legislation of Ukraine (in particular, referred to in paragraph 65 of Title V of the Regulation Nr. 417)?

21) Does the Bank carry out comparative analysis of the information obtained during the analysis of financial transactions client information obtained during installation business (contractual) relationships (including in the process of clarification/additional specification information about identification and studying client), and with information received during service in the previous period (quarter, half-year) to reassessment of risk the client?

22) Does the bank take steps to clarify the bank client information and additional specification information in the cases provided for in paragraph 63 of Title V of Regulation Nr. 417 and internal documents of the bank for financial monitoring? Do the banks adhere to deadline to the conduct these activities provided the requirements of the legislation of Ukraine and internal documents of the bank?

23) Do documents for identification of clients, agents of clients, as well as those which the bank refused to conduct financial transactions, the study of the client clarify client information and all documents relating to business relations (financial transaction) from the client (including the results of any analysis of the events during the verification of the client or the client extended validation) are stored in case the client within the time limits specified by the legislation of Ukraine for financial monitoring? What is the period of storage of these documents provided by the bank?

24) Does the bank has identified and established procedure for obtaining information from the client to change the information provided to the Bank, including the ultimate beneficial owners (controllers), including by establishing appropriate duties in service contracts the bank?

IV. Verification Procedure

10. After completing the internal control questionnaire to analyze compliance procedures used by the bank for identification, verification and studying client requirements of the legislation and internal documents of the bank for financial monitoring, follow these steps:

1) analyze the information indicated in the questionnaire of internal control;

2) analyze the authorized bank the program identification, verification and study of clients, as well as other internal documents of the bank, regulating the identification, verification and study of clients, considering the list of services (products) offered by the bank, and assess them for compliance legislation on financial monitoring (including recent changes);

3) check the presence/absence of job descriptions of employees and managers of the bank's respective responsibilities for identification, verification and study of clients and responsible for the abuse/neglect in terms of financial monitoring and compliance check functions assigned to employees and executives of the bank in terms of financial monitoring of other duties provided job description and the requirements are reflected in the bank's internal documents on financial monitoring;

4) obtain such information and/or documents:

book of open/closed accounts;

balance sheet;

information (as a reference), containing a single sample of financial transactions with cash without opening an account for a significant amount spent for bank clients during the inspection;

information (as a reference) that includes sample financial operations of money transfer (including international) individual, private business owner, carried out without opening an

account in an amount equal to or exceeding 15 000 UAH, or an amount equivalent to the official exchange rate to foreign currencies and precious metals specified amount, including foreign currency, precious metals and other assets, but less than the amount specified in paragraph 1 of Article 15 of the Law on prevention;

information (as a reference) of the number of bank clients (by individuals/entities/private business owner/correspondent banks in terms of - residents/non-residents with an indication of the risk level of clients);

information (as a reference), including a list of clients who have established business relationships with new and existing information products, business practices or technologies without direct contact with the client/client representative (if any) for the review period;

information (as a reference), including a list of users with existing accounts during inspections in securities;

information (as a reference), including a list of persons authorized to act on behalf of or on behalf of clients, managers, end beneficial owners (controllers) clients - legal entities;

information (as a reference), including a list of clients, which established a business relationship, signed contracts, given the fact that the relevant certificate must contain only a list of bank clients who received loans, using banking safes and other bank products, which by their essence involves opening an account (if clients use stated in this service, but with an additional open bank accounts, information about that client is not included in the certificate);

Reports of Internal Audit for the review period;

reports provided by the compliance officer of the bank, manager during the inspection;

information and/or documents confirming the bank's quarterly analysis during the inspection;

other (at the discretion of the head/deputy head of the inspection team) information and/or documents necessary for the inspection;

5) take a selection of case of clients for certain criteria set out below (at the discretion of the head/deputy head of the inspection team, taking into account the indicators defined in Annex 1 to this Methodical recommendations) based on:

receiving and processing information and/or documents referred to in subparagraph 4 of paragraph 8 of methodological recommendations;

information provided by the division of the Department, which carries out off-site supervision and system analysis, including results of risk assessment for use of bank money laundering according to the methodology of assessment of risk levels;

filling the questionnaire results of internal control;

information on the results of previous inspections Bank / separate unit, measures taken by the bank for the preliminary audit.

For the purpose of sample cases bank clients inspection team should consider, inter alia, the following selection criteria:

criteria specified bank clients on a high level of risk;

implementation of client financial transactions that may be related to risk (including transactions with cash transfers to/from countries with high risk [namely a list of countries (territories) that do not fulfill or improperly fulfill the recommendations of international, intergovernmental organizations engaged in combating legalization (laundering) of proceeds from crime or terrorist financing, as defined in accordance with the procedure established by the Cabinet of Ministers of Ukraine, a list of countries (territories) that included by the government to the list of offshore zones, the list of countries that meet the criteria established in subparagraph 39.2.1.2 and subparagraph 39.2.1 of paragraph 39.2 of Article 39 of the Tax Code of Ukraine established by the Cabinet of Ministers of Ukraine Nr. 977-p of 16 February 2015, etc.] using technologies that provide financial transactions without direct contact with the client (in case of detection of establishing bank business relationships with clients using information products, business practices or technologies without direct contact with the client/client representative), etc.);

availability of accounts with substantial cash balances at the date as of which checks and/or a significant amount of credit turnovers. The sample is recommended to include clients (separately in terms of individuals, private business owner and legal entities) with a maximum cash balance on the date as of which checks and / or a maximum total amount of credit turnovers by all accounts one (1) year preceding the date as of which a check. Director/deputy head of the inspection team determines the number of clients in the sample selection, based on the total number of clients, products / services provided by the bank, other available information, etc;

important components of the business risk of the bank (client categories, geographical risk, sales channels), calculated division of the Department, which carries out off-site supervision and system analysis, including results of evaluation of the risks of the bank for money laundering according to the methodology of assessment of risk levels;

6) Analyze/check cases (including electronic form) of bank clients, which were included in the sample formed under point 5 of paragraph 8 of the guidelines, and:

determine whether sufficient measures for identification, verification and study client chooses appropriate bank at the time of account opening/establishing business relations/of a

single financial transaction with cash without opening an account for a significant amount, and during subsequent maintenance, and whether they requirements established by the legislation of Ukraine;

verify if the level of risk to clients according to internal documents of the Bank and requirements set by the legislation on financial monitoring as well as whether overestimated risk clients on the results of bank risk monitoring client, including taking into account the exercise of risky financial transactions subject to financial monitoring and their regularity, but at least once a year;

7) during the inspection entities Pay special attention to the measures taken by the bank to obtain data that allows you to set final beneficial owners (controllers). Also analyze the data on ownership structure that provided the bank's clients to identify all existing final beneficial owners (controllers) or confirm their absence (in particular, in order to determine their adequacy);

8) Analyze the documents and information for which the bank evaluates the financial condition, specification assess the financial condition of clients, in order to assess their adequacy;

9) Check the bank's compliance with deadlines for conducting specification of client information (including on their activities and financial condition), additional clarification in relation to the requirements defined by the legislation on financial monitoring and established internal documents of the bank (note the introduction of relevant data in profiles with the time frame specified by the legislation of Ukraine);

10) Check the bank's compliance with legal requirements (in particular, clause 1 of paragraph 5 of Article 6 of the Law on prevention) in respect of a foreign financial institution, which established correspondent relationships;

11) taking into account the information and/or documents and analysis/verification provided by subparagraphs 4 and 6 of paragraph 8 of the Methodical recommendation, obtain information on the movement of funds in the accounts of certain categories of clients (optional head/deputy head of the inspection team, taking into account performance defined in Annex 1 to this Methodical recommendations) and make an assessment of financial transactions conducted on these accounts (in particular, that the financial condition and nature of the client);

12) on the basis of information reception which is provided in subparagraph 11 of paragraph 8 of Methodical recommendations, analyze to identify the inspection team of financial transactions with unusual/suspicious character, which may indicate that the financial transaction or its participants, the activity of clients or source of assets may be related to legalization (laundering) of funds obtained illegally. If the inspection team at the discretion of the client transactions may be related to money laundering/terrorist financing and/or other illegal activities, check availability

in legal matters such clients bank documents relating to these financial transactions obtained from the Bank with a purpose of determination of their merits (including for compliance with specified content of the client and its financial condition);

13) in the case of financial transactions referred to in subparagraph 12 of paragraph 8 of the Methodical recommendations, make sure they were discovered by the bank in the process of analyzing financial transactions quarterly analysis and/or periodic inspections (if conducting). In order to determine whether carried out by the bank proper analysis of financial transactions aimed at detecting unusual and/or suspicious financial transactions that have elements of internal financial monitoring, and whether information about them was given to the SAA (particularly in terms defined by paragraph 90 of Title VI of Resolution Nr. 417), it is necessary to analyze reports of financial transactions that have been received by the compliance officer or employee of the bank authorized by the responsible officer of the bank (including by means of software, which is installed in the bank) and analyze the information displayed in the list of financial transactions, which is formed and maintained by the bank according to the requirements of Resolution № 417 (henceforth known as the register of financial transactions);

14) if the information to SAA has not been sent, obtain an explanation of the compliance officer of the bank and determine the adequacy of measures taken by the bank to analyze financial transactions, in particular, make reasoned opinion on the adequacy of actions taken by the responsible officer of the bank to identify and inform SAA on risky financial transactions;

15) Check your bank messages/letters to SAA of bank decline to service of installation (maintenance) business relationships, conduct financial transactions of transfer, as provided by Article 10 of the Law on prevention of (if any evidence of such declines);

16) In addition to actions specified in subparagraphs 6 - 15, paragraph 8 of Methodical recommendation, check whether the bank implemented measures specified in paragraphs 60, 62 Title V Resolution Nr. 417 and Article 15 of the Prevention concerning high-risk clients, including:

- whether existing clients in a legal case documents confirming the depth diligence;

- whether existing clients in a legal case documents confirming the timely implementation of clarifications/additional clarifying information;

- whether the bank takes other measures provided by the bank's internal documents on financial monitoring of high risk clients (particularly reflected in the program of identification, verification and study of bank clients and program management compliance risks);

- whether the bank conducts internal financial monitoring on clients who set high/unacceptably high risk.

To detect transactions subject to obligatory and internal financial monitoring of clients who set high/unacceptably high risk to compare information on the movement of funds in the accounts referred clients with the information reflected in the registry of financial transactions and/or certificate that can be provided by the bank at the request of the head/deputy head of the inspection team regarding registration and SAA to information on financial transactions subject to financial monitoring these clients;

17) on the basis of information obtained during the audit indicate if the measures taken by the bank for the purpose of identification, verification and study, and to analyze financial transactions of bank clients whose cases were included in the sample are sufficient to meet the requirements procedures in Ukraine. For this purpose, obtain technical data and parameters (qualitative or quantitative) used by the bank to conduct aforesaid action, including but not limited to storage of the client, forming questionnaires, analysis of financial operations (including the Instruction/other documents which reflect the description of software used by the bank to automate processes for financial monitoring and / or using full access to automated banking systems/automated systems that support financial monitoring, automation of banking system, information resources). Identify the bank's ability to timely and fully identify transactions that contain criteria set out in Article 15 and 16 of the Law on prevention;

18) analyze and evaluate compliance with the requirements set out by the legislation on financial monitoring (including the requirements set out in paragraph 26 of the Regulation Nr. 417) approved by the Bank's program in education and training bank employees (hereinafter - the training program). Get documents confirming the Bank's activities, as reflected in the training program and the requirements set by the legislation on the training of bank employees on financial monitoring (including documents confirming the passage of bank employees responsible for program implementation(s) of financial monitoring for the activities of the bank during the servicing of transactions with securities in the case of bank professional activities in the securities market, subject to the terms and in the manner determined by the National Commission on Securities and Stock Market);

19) analyze (if any) made to the financial monitoring of bank check isolated/structural units of the bank in respect of the implementation of identification, verification and study of clients. The results of this analysis provide assessment of the effectiveness of internal controls;

20) Get reports provided by the compliance officer to the head of the executive body of the bank/branch manager of a foreign bank or any other bank managers (if any), in particular with the requirements reflected only in internal documents of the bank for financial monitoring. In

analyzing the relevant reports, special attention should be given information about the client, the nature of financial transactions which may indicate that financial transactions or members, their activities or the source of the assets related to the legalization (laundering) of funds obtained illegally. The results of this analysis provide an assessment on the completeness and consistency of the report(s) as the requirements defined by the legislation on financial monitoring and the requirements reflected in internal documents of the bank (if any);

21) based on the analysis certificate provided by the bank for the result of the last inspection of the National Bank, as well as reports of the Internal Audit regarding the bank's compliance with all requirements legislation on financial monitoring (including the adequacy taken bank risk management measures of money laundering/financing terrorism), compiled by the review period, evaluate the measures taken or used by the bank to eliminate violations and provided recommendations for identification, verification and studying clients;

22) to determine the ability of the Internal Audit in the bank to ensure the implementation of effective checks on observance of the requirements of legislation on financial monitoring, particularly in terms of identification, verification and study of bank clients:

- obtain reports of Internal Audit findings and results of checks carried out in respect of identification, verification and study of clients over the period to be audited;

- consider the reports of the Internal Audit and note the conclusions and proposals discussed by the supervisory (supervisory) board of bank/branch manager of a foreign bank in terms of identification, verification and study of clients, as well as process control for elimination of violations (if any) this part (determine irregularities/deficiencies remedied by the bank at the time of the audit, and that still require improvement);

- determine the ability to identify and adequacy of the Internal Audit activity in checking bank's compliance with legal requirements on financial monitoring (including the adequacy of measures taken by the bank's risk management laundering of criminal proceeds/terrorism financing);

23) Determine whether external audit conducted checks on bank's identification, verification and study of clients. If so, get the latest external audit report, set the volume of checks, check with the findings of inspections, as reflected in the report, and analyze the measures taken or used by the Bank to eliminate violations/shortcomings (if any);

24) Perform automatic checking clients persons authorized to act on behalf of or on behalf of clients, managers, end beneficial owners (controllers) clients - legal entities to the list of national public figures used by the National Bank, other databases (if available). In case of coincidence, check whether the level of risk of client/clients was correctly determined, whether implemented

all the measures provided internal documents of the bank and the legal requirements of financial monitoring. Director/deputy head of the inspection team determines the number of clients for which it is necessary to examine (based on the numbers of matches and other available information);

25) Determine whether the copies/documents electronically on identification of clients (representatives of clients), and those which the bank refused to conduct financial transactions, study client specification client information and all documents/documents electronically relating to the business relationship (financial transaction) from the client (including the results of any analysis of the events during the verification of the client or the client extended validation) are stored as required by the legislation on financial monitoring and internal documents of the bank.

11. The adequacy of inspections conducted by banks measures to identify, study and subsequent maintenance of public figures, persons close to or related public entities, and analysis of financial transactions performed in accordance with the guidelines of their examinations of banks, their affiliates and branches of foreign banks to assess the adequacy of measures taken on the risks associated with public entities and legal requirements for financial monitoring.

V. Preparation of Test Results

12. After the tasks specified in Title IV of these Recommendations, follow these steps:

1) discuss the results and conclusions of the relevant inspection of the bank and prepare a certificate of inspection. If signs of risky activities on financial monitoring on identification, verification and study of clients, ask the bank to prove compliance officer (on the basis of documented justification) that the actions of the client or the bank no signs of execution risk activities;

2) the results of analysis of internal documents and measures taken by the bank for the purpose of identification, verification and study of clients, the inspection team should evaluate the effectiveness of the processes described in internal documents and adequacy of measures taken by the bank to reduce the risk of use of bank for money laundering in terms of identification, verification and study of clients;

3) on the basis of the audit inspection team prepares an opinion on the effectiveness/ineffectiveness of the construction and operation of interbank system to prevent money laundering in terms of implementation of the Bank sufficient measures for identification, verification and study of clients to ensure proper internal control risk management for authentication, verification and study clients. The audit determined the level of risk management

in the implementation of adequate measures for identification, verification and study of clients (in accordance with Annex 2 to these Methodological recommendations);

4) In case of evidence of default by the bank all the measures provided internal documents and legal requirements for financial monitoring, concerning disclosure of financial transactions subject to financial monitoring/identification, verification and study client prompts abuse (specifying the names of clients, details of financial operations, etc.) in the certificate verification. Help verification should provide a clear display:

violations in connection with the failure of the requirements legislation on financial monitoring;

recommends that banks should be taken to reduce the risks of banking services for money laundering;

5) initiate and provide the necessary documents/information to employees/departments of the National Bank to update the Risk Profile, supervisory strategy and working papers. This information/documents should facilitate future inspection and follow-up on the bank;

6) in the case of certain shortcomings in the construction and operation of interbank systems, provide recommendations to improve the efficiency of risk management. In case of violations of legal requirements on financial monitoring/implementation of bank risk activities that threaten the interests of depositors or other creditors of the bank, particularly in the event of failure of the Bank sufficient measures for identification, verification and study of clients to provide suggestions for further consideration on the application the bank adequate measures.

Director of Department of
Financial Monitoring

[signed]

I.V. Bereza

Annex 1

to Methodical recommendations of inspections of banks and their affiliates and branches of foreign banks to assess the adequacy of measures taken on identification, verification and monitoring of clients

Minimum volume of selection of information/data with a purpose of its verification to the conformity of requirements of legislation to financial monitoring with a consideration of subject of verification and level of risk of the bank

Subject	Periods/number	Level of Risk of the Bank			
		low	acceptable	average	high
Cyclic process	Annual	1	1	1	1
	Quarterly	1	2	3	4
	Monthly	2	4	6	8
	Weekly	5	8	11	14
	Daily	10	15	20	30
	Several times a day	20	30	40	50
Quantitative index	1-100	5	10	15	20
	101-1000	10	15	20	25
	1001-10000	15	20	25	35
	10001-100000	20	25	35	45
	100001-500000	25	35	45	60
	over 500001	35	45	60	75
Automated process	Any	1	1	1	1

Annex 2

to Methodical recommendations of inspections of banks and their affiliates and branches of foreign banks to assess the adequacy of measures taken on identification, verification and monitoring of clients

Level of management of risks of the bank in a part of taking sufficient measures for identification, verification and monitoring of clients

Level of risk management	Characteristics of level of risk management in a part of taking sufficient measures for identification, verification and monitoring of clients
Poor	The risk after reviewing the adequacy and/or effectiveness of control mechanisms to reduce the risk remains high and much higher than the acceptable level. A dangerous situation that requires immediate and effective remedial action to eliminate most serious risks that could threaten the integrity of the process. It may be necessary to discharge official bank of the position and/or the use of other measures
Satisfactory	The risk after reviewing the adequacy and/or effectiveness of control mechanisms to reduce the risk remains high and exceeds the acceptable level. The situation must be restored to an acceptable (adequate) level through the implementation of the recommended corrective actions. An application of enforcement measures is necessary
Acceptable	The risk after reviewing the adequacy and or effectiveness of control mechanisms to reduce risk is estimated at an average level and within an acceptable level. The situation is generally adequately controlled; comments reflect minor flaws that can be removed during the normal business activities. An application of enforcement measures is necessary
Sufficient	Good in all aspects: the right balance between risk and their coverage. Note highlight minor flaws or no comments. Required minor action or do not need any. It is possible enforcement of a written warning, a written claim letter to the bank or non-use of any response