

LIMITED LIABILITY COMPANY  
MICROCREDIT DEPOSIT ORGANIZATION  
“PAYVAND GROUP”

RISK COMPLIANCE MANAGEMENT  
POLICY IN LLC MDO “PAYVAND  
GROUP”

Compiled by:

Compliance Service

Approved by:

Supervisory Board of LLC MDO  
“Payvand Group”

To use:

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## Terms and abbreviations

- *Compliance risk* - probability of losses due to non-compliance by the Organization and its employees with the requirements of the legislation of the Republic of Tajikistan, regulatory legal acts of the National Bank of Tajikistan, internal documents of Organization, regulating the procedure for provision of services and performance of operations by Organization in the financial market, as well as the legislation of foreign countries affecting Organization's activities;

- *Compliance events* - each case or group of events due to non-compliance by Organization and its employees with the requirements of the legislation of the Republic of Tajikistan, regulations of the National Bank of Tajikistan, internal documents of Organization, regulating the procedure for the provision of services and operations by Organization in the financial market, and legislation of foreign states, resulting in losses and additional costs in the course of Organization's activities, and has a negative impact on the quality of services, internal processes and reputation of Organization.

## Terms and abbreviations

- Compliance control - a set of organizational activities directed for internal monitoring, coordination and control of compliance by Organization and its employees with the requirements of the legislation of the Republic of Tajikistan, regulatory legal acts of the National Bank of Tajikistan, internal documents of Organization regulating the procedure of providing services to Organization and conducting operations in the financial market, as well as the legislation of foreign countries affecting the activities of Organization.

Realization of additional control for prevention violation of the legislation leading to the occurrence of compliance risk, elimination of consequences of the impact of compliance risk and reasons of its occurrence;

- **AML/CFT/PWMDFP** – Anti-money Laundering and Combating Terrorism Financing and Proliferation of Weapons of Mass Destruction Financing Prevention;

- **Organization** - LLC MDO “Payvand Group”.

## General provisions

The Compliance Risk Management Policy at LLC MDO “Payvand Group” provides the main requirements of Organization for the implementation of an internal control system in order to effectively manage compliance risk in order to comply with the requirements of the legislation of the Republic of Tajikistan, regulatory acts of the National Bank of Tajikistan, internal documents of Organization, regulating the procedure for the provision of services by Organization and operations in the financial market, as well as the legislation of foreign countries.

Policy - a set of internal documents, including policy and other internal acts, defines the necessary criteria, parameters, standards, procedure and mechanisms, and also ensures the effective operation of Organization and compliance of its activities with the strategy and the adoption of emerging risks.

The policy is developed to organize effective corporate governance and internal control and covers the following regulations:

- ensuring compliance of activities of the Organization and each of its employees with the requirements of the legislation of the Republic of Tajikistan, regulatory and legal acts of the National Bank of Tajikistan, internal documents of the Organization regulating the procedure for the provision of services by the Organization and conducting operations in the financial market, as well as the legislation of foreign countries influencing the activities of the Organization;

- consideration of policies as an integral part of the general corporate culture of the organization, which is based on the principles of decency, honesty and transparency;

- compliance by the Organization with international commercial standards, management of risk compliance and ethical standards;

- ensuring the implementation of procedures for effective risk compliance management with the view to reduce the risks of specific to Organization, increase the attractiveness of investments and advantage in competition.

In the course of its activities, the organization, along with the implementation of the requirements of the legislation of the Republic of Tajikistan, regulatory and legal acts of the National Bank of Tajikistan, is also guided by the requirements of foreign states and international organizations to promote the Anti-money Laundering and Combating Terrorism Financing and Proliferation of Weapons of Mass Destruction Financing Prevention.

Compliance with the Policy requirements by all management bodies, structural subdivisions, officials and employees of the Organization is mandatory.

### **Objectives**

- provision of the compliance risk management system corresponding to the current state of market, strategy, volume, level of complexity of the Company's operations;

- creation of conditions preventing the involvement of the Organization in the Anti-money Laundering and Combating Terrorism Financing and Proliferation of Weapons of Mass Destruction Financing Prevention;

- ensuring the impossibility of a conflict of interest, maintenance and preservation of reputation of the Organization;

- minimization of negative risks effects related to losses associated with non-compliance of the Organization and its employees with the requirements of the legislation of the Republic of Tajikistan, regulatory legal acts of the National Bank of Tajikistan, internal documents of the Organization regulating the procedure for the provision of services by the Organization and operations in the financial market, as well as legislation of foreign countries affecting the activities of the Organization;

- reducing the negative risks consequences related to the application of prohibitive actions in the form of suspension and revocation of the license for all or part of operations, application of penalties and restrictive measures by the National Bank of Tajikistan;

- conducting business in compliance with the business courtesy and standards of the Organization;

- organization and implementation of compliance culture in the Organization;

- ensuring the organization of a unified compliance risk management system in the Organization, as well as in the structural divisions of the Organization;

- assistance to the Company's management in effective management of compliance risk.

### **Policy challenges**

- development and improvement of processes, principles and uniform methods of risk compliance management aimed at risk compliance mitigation;
- reduction of losses/gains of negative consequences and provision of stable activities of the Organization;
- determination of acceptable risks compliance level in accordance with the strategy of the Organization;
- analysis and prevention of potential cases of non-compliance with the requirements of the legislation of the Republic of Tajikistan, regulatory legal acts of the National Bank of Tajikistan, internal documents of the Organization regulating the procedure for the provision of services by the Organization and operations in the financial market, as well as legislation of foreign countries that influence the activities of the Organization;
- ensuring effective financial and operational activities of the Organization, prevention and reduction of risk compliance within the Organization;
- ensuring compliance by structural units with the requirements of the legislation of the Republic of Tajikistan, regulatory legal acts of the National Bank of Tajikistan, internal documents of the Organization regulating the procedure for the provision of services by the Organization and conducting operations in the financial market, as well as the legislation of foreign states that influence the activities of the Organization, including management risks associated with AML/CFT/PWMDFP;
- organization of risk compliance classification with which the Organization may meet and provision of their identification, assessment and control.

### **Risk compliance management principles**

In the process of compliance risk management, the Organization should be guided by the following principles:

- responsibility of the Organization Management at the level of Supervisory Board, Director and responsible employees in the organization of compliance control;
- recognition of compliance control as one of the elements of risk management system;
- recognition of compliance control as an integral part of the corporate culture and activities of the Organization;

- identification and assessment of risk compliance in the course of business projects in the activities of the Organization;
- responsibility of each employee in compliance with the principles of compliance control;
- continuous compliance control (continuity);
- independence of compliance control;
- ensuring compliance with the principles of compliance with counterparties in the process of performing contractual relations with them;
- ensure identification and management of conflicts of interest by the Organization, including potential conflicts of interest;
- creation of appropriate conditions for employees and third parties for confidential notification of potential violations of compliance standards;
- ensuring business relations with clients by the Company's employees and observance of client's equality in the provision of services;
- desire of the employees of the Organization to be aware of the responsibility regarding compliance and its importance.

### **Procedure and methods of compliance risk management in the Organization**

The following compliance risk management procedure is carried out in the Organization:

- development of internal documents of the Organization (instructions, service orders) for employees regarding compliance risk management, including the risks of the AML/ CFT/PWMDFP, monitoring of compliance with the policy and procedure for compliance risk management by the Organization and employees;
- definition of priority in the need to control the identified risks;
- collection and maintenance of the event compliance database;
- analysis of complaints and statements of clients (oral and written) regarding the behavior of the Organization of its employees to determine the issues of compliance with the risk, taking measures to prevent and eliminate them;
- preparation and analysis of quantitative and qualitative indicators reflecting the level of compliance risk impact on the Organization.

## **Plan and responsibility of the Risk Compliance Service in implementation of compliance risk management tasks.**

The responsible structure for development and management of compliance risk, as well as coordination of the Organization's activities in compliance risk management is the Compliance Risk Service.

The Service's task is to identify, assess and control the compliance risk faced by the Organization, determine key performance indicators for compliance, and provide recommendations to the Organization's management in the form of reporting on potential opportunities and prevention of violations of the law.

The Service will periodically or in the event of a change in the activities, structure, strategy of the Organization consider compliance control of risk and related control.

## **Specifics of the risk compliance organization in the branches of the Organization.**

Structural subdivisions located outside the Organization's location shall exercise internal control over compliance risk management and AML/CFT/PWMDFP, taking into account the requirements of the current legislation of the Republic of Tajikistan, regulatory legal acts of the National Bank of Tajikistan, the above policy and other internal documents of the Organization regarding the organization of internal control.

The Company's structural subdivisions shall appoint a responsible person responsible for compliance risk management, as well as compliance with the requirements of AML/CFT/PWMDFP within their structure.

## **Distribution of power in policy implementation.**

Subjects of the compliance risk management system shall be:

- Governing Body – Supervisory Board
- Executive Body Director, Compliance Service - its head.
- all structural subdivisions, including heads and employees of structural subdivisions of the Organization.

Independent assessment of compliance risk management effectiveness - Internal Audit Department.

## **Distribution of power in Policy implementation.**

In order to implement this policy, the Management of the Organization (Director and Deputy Director) shall perform the following tasks:

- responsibility for ensuring compliance risk management of the Organization;
- control of risk compliance management;
- approval of compliance risk management policy;
- control over fulfillment of the requirements of this policy by the Director of the Organization;

The management of the Organization together with the Compliance Service identifies and assesses the problems of the occurrence of compliance risk and approves the action plan for their elimination. The action plan takes into account the existing shortcomings of compliance risk management and the requirements for revising policies and internal rules for effective compliance risk management.

## **Distribution of power in Policy implementation.**

In order to implement this policy, the management of the Organization performs the following tasks:

- responsibility for effective compliance risk management in the Organization;
- ensuring the risk compliance management policy and, if compliance with the risk is identified, developing corrective and disciplinary measures;
- responsibility for implementation of the compliance system in the Organization's business projects and informing employees about the importance of effective compliance system, materiality of participation in the system and compliance with its requirements;

For implementation of this policy, the structural subdivisions perform the following tasks:

- structural subdivisions of the Organization shall strictly comply with the requirements of the Policy, programs, policies, procedures and other internal documents of the Organization developed in accordance with the Policy;

- structural subdivisions are responsible for compliance with the requirements of the legislation of the Republic of Tajikistan, regulatory legal acts of the National Bank of Tajikistan, internal documents of the Organization regulating the procedure for the provision of services by the Organization and operations in the financial market, as well as the legislation of foreign countries influencing the activities of the Organization, including risk management related to the AML/CFT/PWMDFP;

- structural subdivisions of the organization shall draw up internal documents of the Organization (policies, rules, procedures, etc.) taking into account the compliance of the Organization's activities with the requirements of the legislation of the Republic of Tajikistan, regulatory and legal acts of the National Bank of Tajikistan, internal documents of the Organization regulating the procedure for the provision of services by the Organization and operations in the financial market, as well as the legislation of foreign countries affecting the Organization's activities, including risk management related to the AML/CFT/PWMDFP;

- internal documents of the Organization shall be revised simultaneously with changes in the legislation of the Republic of Tajikistan, regulations of the National Bank of Tajikistan, requirements of foreign countries.

### **Compliance reporting.**

With the view to manage compliance risk, structural units shall provide the Compliance Service with information on registered violations of legislation and regulations of the National Bank of Tajikistan. The Compliance Service develops an internal document that defines the forms, terms, and procedure for reporting by the Company's structural subdivisions.

To ensure the availability of information system management in the Organization, the Compliance Service develops internal document that defines forms, terms, and procedure for submission of compliance risk management reports to the Management of the Organization and the Supervisory Board.

## **Organization of internal and external relations in compliance risk management.**

For effective coordination of compliance risk management issues, the Compliance Risk Management Organization shall use following types of internal communications:

- **sh.compliance@payvand.tj** – compliance of the Organization's activities, business processes, certain operations (transactions) of the Organization or their part, as well as internal documents with the requirements of the legislation of the Republic of Tajikistan, regulatory and legal acts of the National Bank of Tajikistan and the requirements of the legislation of foreign countries regarding AML/CFT/PWMDFP.

- **info@payvand.tj** - on the issues of consideration of complaints and appeals of clients to the actions of the Organization or the behavior of its employees;

- provision of information on violation of legislation and internal regulations of the Organization by employees;

- **www.payvand.tj** – Official website of the Organization.

## **Interactions between the Organization and government bodies in the field of compliance.**

The interaction of the Organization and the Compliance Department with state bodies, the National Bank of Tajikistan and the Financial Monitoring Department at the National Bank of Tajikistan is carried out in accordance with the legislation of the Republic of Tajikistan.

## **Responsibility**

Employees of the Organization, including officials, shall be liable for non-compliance or improper implementation of this Policy in accordance with the legislation of the Republic of Tajikistan, employment contracts and internal regulations of the Organization.