

**“APPROVED”**  
**by Supervisory board**  
**JSCMB “Ipoteka-bank”**  
**(meeting protocol #47 dd Nov 2, 2021)**

# **ANTI-FRAUD POLICY**

## **JSCMB “IPOTEKA-BANK”**

**Tashkent - 2021**

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### **DOCUMENT REVISION CHRONOLOGY**

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### **ACCESS CONTROL TO THE DOCUMENT**

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#	<b>Holder of the document (Position)</b>	<b>Format of the document</b>
1	Corporate consultant service	Original in PDF
2	Compliance control department	Original in Word
3	Employees of the Bank	Copy in PDF

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## 1 Abbreviations and definitions

#	Abbreviations	Definitions
1	<i>Bank</i>	Joint-stock commercial mortgage bank "Ipoteka-bank"
2	<i>IAD</i>	Internal audit department of JSCMB "Ipoteka-bank"
3	<i>CCD</i>	Compliance control department of JSCMB "Ipoteka-bank"
4	<i>official of the Bank</i>	officials of the Bank are members of SB, Management board of the Bank, chief accountant/ person replacing him, branch manager / person replacing him
5	<i>counterparty</i>	an individual or a legal entity with which the Bank has concluded or plans to conclude a cooperation agreement/contract for provision/receipt of services or sale/purchase of goods, as well as shareholders, investors, state regulatory bodies of the Republic of Uzbekistan
6	<i>fraud</i>	In accordance with the Criminal Code of the Republic of Uzbekistan, fraud is understood as the theft of someone else's property or the acquisition of the right to someone else's property by deceit or abuse of trust, causing damage, using one's official position, deliberate failure to fulfill contractual obligations
7	<i>Supervisory board / SB</i>	the Bank's management body performing general management of the Bank's activities in accordance with the Bank's Charter and the Regulation on Supervisory board of the Bank
8	<i>Management bodies of the Bank</i>	General meeting of shareholders, Supervisory board of the Bank, Management board of the Bank
9	<i>Policy</i>	Anti-fraud policy of JSCMB "Ipoteka-bank"
10	<i>Management board</i>	executive body of the Bank, whose activity is regulated by the Charter of the Bank, Regulation on Management board of the Bank and other internal regulatory documents of the Bank
11	<i>anti-fraud</i>	The activities of the Bank aimed at identifying, eliminating or preventing the causes that give rise to conditions or contribute to fraud, and preventing, suppressing and facilitating the imposing penalties for those responsible persons
12	<i>RU</i>	Republic of Uzbekistan
13	<i>employees of the Bank</i>	An individual who has entered into an employment contract with the Bank
14	<i>CBU</i>	Central bank of the Republic of Uzbekistan

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## 2 General provisions

- 2.1. This Anti-fraud Policy at JSCMB "Ipoteka-Bank" was developed in accordance with the current legislation of the Republic of Uzbekistan and internal regulatory documents of JSCMB "Ipoteka-Bank".
- 2.2. This Policy is the fundamental internal document of the Bank that regulates the basic principles, approaches and requirements for the organization of internal control in order to combat fraud in the Bank, determines the managerial and organizational framework for preventing and combating fraud, minimizing and/or eliminating the consequences of these criminal acts.
- 2.3. This Policy sets out the minimum requirements for the prevention, detection and fight against fraud.
- 2.4. The provisions of this Policy are mandatory for execution and observance by all employees of the Bank.
- 2.5. The Policy is a document for the internal use of the Bank.

## 3 Main regulatory documents

- 3.1. Criminal Code of the Republic of Uzbekistan;
- 3.2. Code of administrative responsibility of the Republic of Uzbekistan;
- 3.3. Law of the Republic of Uzbekistan "On combating corruption";
- 3.4. Decree of the President of the Republic of Uzbekistan #UP-5177 dated Jul 6, 2021 "On additional measures for the effective organization of anti-corruption activities";
- 3.5. Corporate governance Code, approved by the minutes of the meeting of the Commission for improving the efficiency of joint stock companies and improving the corporate governance system #9 dated Dec 31, 2015;
- 3.6. Whistleblowing Policy of JSCMB "Ipoteka-bank";
- 3.7. Anti-corruption Policy of JSCMB "Ipoteka-bank";
- 3.8. Policy for the prevention and elimination of conflicts of interest in JSCMB "Ipoteka-bank";
- 3.9. Policy on public procurement in JSCMB "Ipoteka-bank";
- 3.10. Code of business conduct and corporate ethics of JSCMB "Ipoteka-bank";
- 3.11. Regulation on Compliance control department of JSCMB "Ipoteka-bank";
- 3.12. Regulation on the procedure for effective interaction with coordinating authorities in the field of combating corruption in JSCMB "Ipoteka-bank".

## 4 Goals and objectives

- 4.1. The goal of this Policy is to develop and implement comprehensive and consistent measures to prevent and suppress fraudulent activities in the Bank.
- 4.2. The main objectives of the implementation of the Policy are:
  - 4.2.1 involvement of all employees of the Bank in the implementation of anti-fraud measures, the formation of an atmosphere in the team conducive to ethical business conduct and the creation of an intolerant attitude towards the manifestation of fraud;

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4.2.2 formation of the legal culture of the Bank's employees, ensuring the principles of honesty and transparency in the performance of job responsibilities by:

- (i) creating a unified understanding among the Bank's employees and counterparties about not accepting fraudulent actions in any form and manifestation;
- (ii) minimizing the risk of involvement of the Bank, its employees, regardless of their position, terms of work, status and other relationships with the Bank in fraudulent activities, elimination of factors leading to fraud;

4.2.3 prevention of fraudulent risks when interacting with counterparties, concluding agreements with counterparties by carrying out verification activities when concluding contractual relations aimed at reducing the possibility of external fraud.

## 5 Main principles of anti-fraud

5.1. Anti-fraud is carried out on the basis of the principles:

- 5.1.1 legality;
- 5.1.2 priority of protection of the rights and legitimate interests of the Bank and its counterparties;
- 5.1.3 restoration of violated rights and legitimate interests of the Bank and its counterparties;
- 5.1.4 ensuring personal security and encouraging employees of the Bank who assist in the fight against fraud;
- 5.1.5 comprehensive use of managerial, organizational, informational, socio-economic, legal, special and other measures to prevent possible fraud, timely detection of fraud, bringing to justice those who admitted and/or committed fraud, as well as eliminating the consequences of fraud.

## 6 Classification of fraudulent activities

6.1. In its activities, the Bank may encounter the following types of fraudulent activities, which can be conditionally divided into internal and external:

- 6.1.1 Internal fraud - deliberate actions/inactions of employees of the Bank in order to obtain unlawful or illegal benefits, by deception and breach of trust, including in the field of granting loans (borrowing), accepting deposits, in the field of activities related to securities, in the field of accounting, in the field of settlement and cash services, as well as in the procurement of goods and services for the Bank.
- 6.1.2 External fraud - actions by counterparties (legal entities/individuals) in relation to the Bank in order to obtain material benefits through deceit and breach of trust.

## 7 Types and methods of fraud

7.1. When implementing measures within the framework of the Policy, the Bank takes into account that fraud includes a fairly wide list of crimes aimed at obtaining benefits (usually financial) and is complex in nature, due to many risk-generating factors that are both within the framework of the Bank's activities, as well as beyond.

7.2. The risk generating factors of occurrence and the possibility of occurrence of fraud inherent in the business processes of the Bank include, but are not limited to the following types:

- 7.2.1 Pressure to commit abuse:

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- financial pressure;
- pressure through vices and addictions;
- Pressure related to the performance of official duties;
- other types of pressure from the outside.

7.2.2 Absence and/or inefficiency of internal controls in the processes of the Bank:

- absence or insufficiency of control measures to prevent/detect fraud;
- lack of transparency in decision-making or making decisions unilaterally;
- provision of distorted or insufficient information;
- lack of audits and/or inspections;
- impossibility or inability to assess the quality of work;
- lack of access to the necessary information.

7.3. Types of fraud:

7.3.1 Credit fraud;

7.3.2 Cash and settlement fraud;

7.3.3 Deposit fraud;

7.3.4 Fraud when receiving payments;

7.3.5 Fraud with the use of payment cards;

7.3.6 Insurance fraud;

7.3.7 Computer security fraud;

7.3.8 Telephone, mobile, Internet fraud for the purpose of theft and/or extortion of money;

7.3.9 Sale of "non-existent" goods/services through the use of electronic wallets.

7.4. Methods of fraud:

7.4.1 Lobbying and assistance in approving a transaction with a counterparty;

7.4.2 Provision of knowingly irrecoverable credit (loan);

7.4.3 Overestimation of the estimated value of collateral;

7.4.4 Misrepresentation of information about the financial condition of a counterparty or employee of the Bank;

7.4.5 Concealing negative information about a counterparty or an employee of the Bank;

7.4.6 Theft and/or unlawful use of personal data, such as password, login, bank account number, code word, CVV2 code on the bank card, etc.;

7.4.7 Other unlawful actions that are contrary to the interests of the Bank and/or violate the rights and legitimate interests of the Bank's counterparties, and are qualified as fraud, in accordance with the definition of fraud given in this Policy.

## 8 Fraud prevention

8.1. In order to prevent and timely detect fraud in the Bank:

8.1.1 Corporate governance, compliance control and risk management systems have been implemented;

8.1.2 The distribution of functions provides for collegial decision-making;

8.1.3 The processes of interaction with the Bank's counterparties are formalized, standardized, transparent and have control mechanisms to prevent fraud;

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- 8.1.4 All transactions of the Bank are duly and timely documented in the Bank's accounting records, and these records are reliably protected against the possibility of their destruction before the deadlines stipulated by the law;
- 8.1.5 Compliance with information security and protection of personal data of the Bank's counteragents is ensured;
- 8.1.6 Feedback mechanisms (special electronic mailbox, "hotline"), including the possibility of anonymous reporting, for employees and counterparties of the Bank to report their suspicions and facts of planned and/or implemented fraudulent actions of employees and/or counterparties of the Bank, are implemented;
- 8.1.7 On an ongoing basis, CCD timely considers complaint and information about cases and risks of prohibited operations in the Bank, including cases of fraud and corruption on the part of counterparties, employees of the Bank;
- 8.1.8 IAD investigates facts or suspicions of prohibited operations and abuses by the Bank's employees;
- 8.1.9 On an ongoing basis, CCD cooperates with authorized government authorities of RU on fraud cases;
- 8.1.10 The Bank has formalized the mechanism of interaction of the Head Office and branches of the Bank on matters related to policy with counterparties;
- 8.1.11 The Bank regularly reviews the internal controls based on the results of the analysis, evaluation of previously occurred facts of fraud, in order to prevent their possible recurrence and manifestation in new forms;
- 8.1.12 SB monitors the process of procurement of goods, works and services, as well as the purchases made in accordance with the procurement plan, goods, works and services for the relevant financial year;
- 8.1.13 SB monitors the results of fraud investigation, measures taken by the Management board to prevent similar fraudulent actions in the future, as well as bringing the responsible persons to justice and taking measures;
- 8.1.14 The Bank's employees are checked on a regular basis by a "mystery customer" to ensure that they are performing their duties properly;
- 8.1.15 The Bank ensures the availability of complete and timely information about its services and their costs on the Bank's Internet site;
- 8.1.16 Training of the Bank's employees on the implementation of the legislation of RU and internal regulatory documents of the Bank in terms of combating corruption and fraud, observing and protecting the rights of counterparties, employees of the Bank, improving the quality of professional training of specialists in the organization and direct counteraction to fraud is conducted on an ongoing basis;
- 8.1.17 The Bank maintains intolerance to fraud, inadmissibility of committing acts provided for by the criminal legislation of the Republic of Uzbekistan in the field of fraud;
- 8.1.18 Upon joining the Bank, each employee is obligatorily acquainted with the requirements of this Policy, Code of business conduct and corporate ethics, as well as job descriptions and other internal documents of the Bank, which must be followed in

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the performance of their job responsibilities, as well as the stipulated responsibility for non-performance and/or violation thereof.

8.2. In order to prevent and timely detect the facts of fraud in the Bank by the Bank's employees in the performance of their job responsibilities duties, they should:

8.2.1 avoid any actions that, in accordance with this Policy, may be regarded as actions leading to fraud;

8.2.2 report any facts and suspicions of fraudulent actions of the Bank's employees and/or counterparties to CCD and/or IAD;

8.2.3 execute with the requirements of this Policy, job descriptions and other internal regulatory documents of the Bank.

8.3. Within his/her competence, each employee of the Bank must understand:

8.3.1 requirements of risk-oriented approach in assessing the overall level of counterparty risk and counterparty identification;

8.3.2 in which activities of the Bank the main risks associated with fraud occur, which activities of the Bank are most vulnerable to such risks;

8.3.3 be aware of the responsibility for violation of the requirements of this Policy, job descriptions, failure to comply with the internal controls provided for in the Bank's internal policies and procedures.

8.4. Employee(s) of the Bank are notified of personal liability in cases where they knew, suspected or had reasonable grounds to suspect the involvement of employees and/or counterparties of the Bank in activities related to fraud, but:

8.4.1 approved(s), handled transactions/transactions with funds intended for such activity;

8.4.2 provided assistance or assisted in agreeing, processing, controlling, or use of such funds;

8.4.3 hindered in conducting an investigation of suspected or actual fraud;

8.4.4 failed to report suspicions and facts of planned and/or ongoing fraudulent activities of the Bank's employees and/or counterparties.

## **9 Cooperation in fraud risk management**

9.1. The Bank cooperates in fraud risk management with the authorized government authorities of the Republic of Uzbekistan and the Bank's counterparties for the following purposes:

9.1.1 ensuring prevention, detection, suppression and disclosure of fraud;

9.1.2 establishing the persons suspected (accused) of committing a fraud, their location, as well as the location of other persons involved in the said unlawful act;

9.1.3 identifying property obtained as a result of fraud or being a means of committing it;

9.1.4 exchange of information on the matters of the Policy;

9.1.5 coordination of activities to prevent and combat fraud координации деятельности по профилактике и борьбе с мошенничеством.

## **10 Liability for committing fraud**

10.1. For committing an unlawful act related to fraud, employees of the Bank, counterparties bear responsibility in accordance with the legislation of the Republic of Uzbekistan and internal documents of the Bank.

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10.2. In case of confirmation of the facts of fraud, within the framework of conducted internal inspection (investigation), as well as in case of concealment of information on committing fraudulent actions, one or more of the following measures will be immediately taken to the employees of the Bank who committed a violation:

10.1.1 disciplinary action: reprimand, warning, termination of the employment contract;

10.1.2 sending materials to law enforcement authorities in order to bring the perpetrators to criminal or other liability, stipulated by the legislation of the Republic of Uzbekistan.

10.3. In case of signs of external fraud, the actions of the Bank are regulated by internal documents of the Bank and the legislation of the Republic of Uzbekistan.

## **11 Final provisions**

10.1. The procedures and provisions not regulated by this Policy are implemented in accordance with legislative and normative acts of the Republic of Uzbekistan and internal documents of the Bank.

10.2. The Policy is approved by SB of the Bank upon recommendation of Audit Committee and is subject to revision as necessary, but at least once a year.

10.3. The responsibility for implementation and updating of this Policy is vested in Compliance control department of the Bank.