



KOSOVO CREDIT GUARANTEE FUND ANTI-MONEY LAUNDERING POLICY

1. Purpose and scope

1. The KCGF's policy is to ensure the vital principles of trust, credibility and stability. Accordingly, the KCGF is determined to prohibit money laundering and/or any other activity that facilitates money laundering or terrorism financing. The KCGF is committed to fully adhere to applicable laws and regulations in preventing the use of its products and services for money laundering and criminal activities. At the same time, KCGF shall act in accordance with AML/CFT recommendations, principles and standards introduced by international institutions.

2. In accordance with the provisions of Law No. 03/L-196 On the Prevention of Money Laundering and Terrorist Financing (the AML/CFT Law), certain business entities are required to implement measures to reduce their risk of involvement in money laundering and the funding of terrorist activities, and to report suspicious financial transactions to the Financial Intelligence Unit.

3. The KCGF is not subject to the requirements of the AML/CFT Law. It is mainly a guarantor of qualifying loans by qualifying financial institutions to micro, small and medium enterprises. As such, KCGF does not directly provide financing and does not have "traditional" customers. At the same time, however, the Law on the Establishment of the Kosovo Credit Guarantee Fund (LKCGF) specifically prohibits KCGF from guaranteeing credits that may support illegal activities. It is therefore extremely important that KCGF does not take part, inadvertently or otherwise, in any situation that could involve money laundering or the financing of terrorism. The most effective way to ensure compliance with the law is to establish and apply clear guidelines to all areas of work undertaken by KCGF. All staff are therefore required to become familiar with this Policy and to comply with the requirements set out below.

4. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages:

- (a) Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is deposited into accounts at financial institutions or converted into monetary instruments.
- (b) At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin.
- (c) At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses.

5. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal either the origin of the funds or their intended use, which could be for criminal purposes. Legitimate sources of funds are a key difference between terrorist financiers and traditional criminal organizations. In addition to charitable donations, legitimate sources can include foreign government sponsors, business ownership and personal employment. Although the motivation differs between traditional money launderers and terrorist financiers, the actual methods used to fund terrorist operations can be the same as or similar to methods used by other criminals to launder funds. Funding for terrorist attacks does not always require large sums of money and the associated transactions may not be complex.

2. Responsibilities

1. The KCGF Board is ultimately responsible for the proper functioning of the KCGF. To this end, the Board approves all KCGF policies, including any policies aimed at the prevention of KCGF's involvement in money laundering, terrorist financing, or other illegal activities.

2. The KCGF Managing Director will designate an Anti-Money Laundering Program Compliance Person (AML Compliance Person) among existing staff of KCGF. The AML Compliance Person may be the head of the Compliance Function, a person within the Compliance Function, or another senior level KCGF official. The AML Compliance Person

will have full responsibility for executing the KCGF's AML program as approved by the KCGF Board. The AML Compliance Person must have a working knowledge of the AML/CFT Law and its implementing regulations and must be qualified by experience, knowledge and training, to carry out the prescribed functions.

3. The AML Compliance Person will be responsible for setting up a compliance program, in accordance with the AML/CFT policy approved by the Board, addressing risk-based due diligence practices, conducting training so that all KCGF employees shall be in compliance with applicable laws, regulations and international AML standards published so far, and defining those duties and rules governing the functionality of the program. The key elements of the program are described in Section 3 below.

4. The AML Compliance Person is authorized to demand and access all relevant information and documents from all departments within the KCGF, regarding its own area of duties, in order to make a decision at his discretion independently.

5. Management of the KCGF shall be responsible for ensuring effective implementation of all of its AML/CFT policies and procedures on a day-to-day basis.

3. Compliance Program/Risk Management

1. The KCGF AML/CFT compliance program referenced in Section 2 above shall contain consistent and effective measures to protect the KCGF against risk of involvement in money laundering, terrorist financing and other criminal activities, and to ensure that KCGF operations are carried out in compliance with the applicable laws and regulations as well as KCGF's internal policies and procedures. The compliance program shall include:

- (a) defining AML/CFT related risks and establishing the necessary monitoring and controlling measures to assess and reduce these risks;
- (b) overseeing communication and providing training for KCGF employees;
- (c) ensuring that KCGF keeps and maintains records;
- (d) cooperation with the FIU when appropriate;

2. In order for the KCGF's AML/CFT compliance program to be effective, the KCGF must be confident that registered financial institutions have conducted thorough customer due diligence to ensure that the true identity of their customer is verified; necessary and accurate information about the customer's business is obtained before entering into the business relationship; and that additional steps have been taken to ensure proper customer identification when doubts have arisen as to the veracity or adequacy of previously-obtained identification data, or where there is a suspicion that the customer may be involved in money laundering or terrorist financing. The measures referenced in subparagraph (a) of paragraph 1 above shall therefore include, at a minimum:

- (a) written confirmation from a responsible official of each such FI that the FI:
 - (i) to the best of its current knowledge, has not, within the previous ten years, provided material support or resources to any individual or entity that commits, attempts to commit, advocates, facilitates, or participates in money laundering or terrorist acts, or has committed, attempted to commit, facilitated, or participated in any such acts;
 - (ii) will not knowingly provide material support or resources to any such individual or entity;
 - (iii) has taken, and will take, all steps within its power to ensure that none of the loans it seeks to place under coverage of a KCGF guarantree will be made to any such individual or entity, taking into account all information about the prospective borrower of which it is aware and all public information that is reasonably available to it or of which it should be aware;
 - (iv) will promptly notify the KCGF if the FI discovers that any loan placed under a KCGF guarantee no longer fits the criteria of subpoint (iii).

3. KCGF will not register any financial institution, or guarantee any loan, that does not satisfy the above criteria.

4. Monitoring and Control

1. The purpose of monitoring and control is to protect the KCGF against risks and to monitor and control on a permanent basis whether the KCGF's operations are carried out in accordance with the applicable Laws and Regulations as well as KCGF's policies and procedures.

2. In the framework of monitoring and control activities, defects discovered as a result of controls carried out to assure compliance with obligations are reported to the relevant units for necessary measures to be taken, and the appropriate responses are taken. Activities falling within the scope of monitoring are executed under the direction of the responsible person for AML who may have access to the KCGF's other departments when necessary.

5. Interaction with KCGF Investment Policy

1. Before KCGF funds are invested with a financial institution, KCGF will make a diligent inquiry as to:

(a) whether the financial institution has in place a comprehensive and effective AML/CFT compliance program; and

(b) if the financial institution is located in a foreign country, whether that country has implemented an AML/CFT regime in line with international standards, including in particular the recommendations in the Financial Action Task Force (FATF), and whether it is a member of FATF.

2. KCGF will not invest any of its funds in any financial institution that does not meet the criteria of paragraph 1 of this section.

6. Record-Keeping and Retention

1. The KCGF shall retain all necessary records of transactions, also records relating to the guarantees, owner, or holder of power of attorney, account files and business correspondence for at least five years following the termination of the business relationship or the completion of the transaction (or longer if requested by CBK, FIU or any other competent authority in

specific cases). This requirement applies regardless of whether the business relationship is ongoing or has been terminated. The KCGF shall make available on request to the CBK, FIU, and other competent authority all records and available information.

2. Where the KCGF is aware that records relate to on-going investigations, such records should be retained until it is confirmed by the relevant law enforcement agency that the case has been closed.

7. Training

The KCGF shall provide all personnel with adequate and up to date training about AML/CFT. Trainings shall ensure compliance with the applicable laws and regulations and increase personnel's awareness on the risks imposed and their responsibility to protect the KCGF. The training activities related to the prevention of money laundering and financing of terrorism will be carried out in accordance with the size, business volume and the changing conditions of the KCGF. Training activities will be carried out under the supervision and coordination of the person designated to be responsible for AML compliance.

8. Implementation of this Policy

This Policy is in place to ensure the orderly running of KCGF and to set the internal rules of conduct and the professional standards required of KCGF employees and management. In any situation where there is a conflict between the Policy and the applicable law, the applicable law shall prevail.

9. Amendments

This Policy will be reviewed by the KCGF Board of Directors at least annually, and may be amended from time to time as the Board deems appropriate. in light of changing circumstances or to stay in accordance with the applicable laws.

10. Sanctions

Any breach of the relevant provisions of the applicable legislation of the Republic of Kosovo will result in sanctions in accordance to the provisions of the Law No. 03/L-

196 on the Prevention of Money Laundering and Terrorist Financing amended by Law No. 04/L-178 on Amending and Supplementing the Law No. 03/L-196 on the Prevention of Money Laundering and Prevention of Terrorist Financing.