

## **MOBILE FINANCIAL SERVICES**

### **POLICY ON ANTI-MONEY LAUNDERING (AML), COUNTERING TERROR FINANCING (CTF) AND KNOW YOUR CUSTOMER (KYC) PROCESSES AT MILLICOM INTERNATIONAL CELLULAR, S.A.**

#### **1. Introduction**

Millicom International Cellular, S.A. (“MIC”) offers Mobile Financial Services (“MFS”) in a number of jurisdictions in Latin America and Africa, and recognizes that multi-national corporations, such as MIC, have a role to play in preventing criminals and terrorists from abusing its business systems and processes to further their unlawful activities. The company supports the efforts of international crime and terror fighting agencies, including the Financial Action Task Force (FATF)<sup>1</sup>, and national authorities in introducing minimum standards designed to limit the access of illegal elements into the financial system. At the same time, MIC, and its MFS operating subsidiaries and affiliates around the world, are committed to following both the spirit and the letter of the law. It is the stated intention of MIC to adhere to the principles included in the FATF Recommendations, as well as, the FATF Guidance on Anti-Money Laundering and Terrorism Financing Measures and Financial Inclusion.

The convergence of financial services and mobile technology makes acknowledging our commitment to fight illegal activities even more important given the potential for extensive MFS product penetration at the base of the economic pyramid where formal financial services are not so readily available and transactions are done in cash. MFS allows for the traceability of economic activity.

In support of this commitment, the company is hereby establishing, and will enforce on an on-going basis, policies, procedures and standards to contain the threats of money laundering and terror financing in every jurisdiction in which the MFS business operates.

In establishing this Policy on Anti-Money Laundering (AML), Counter Terrorism Financing (CTF) and Know Your Customer (KYC) Processes for the MFS Business (“the AML Policy”)<sup>2</sup>, the company is setting up a ‘Group Policy’ that applies to all jurisdictions where the MFS business is provided. Where a local operation is unable to comply with this Group Policy, a dispensation in writing must be granted according to the provisions herein (see section 10 below).

#### **2. Scope of the Policy**

This AML Policy applies to the MFS business, and its related employees, clients, agents, products and services within MIC and covers:

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<sup>1</sup> FATF is the international AML standard setting entity. FATF does not issue regulations. Rather, it issues principles, guidance and other commentary that local regulators participating in FATF incorporate into their local legal framework;

<sup>2</sup> For ease of reference we have used the expression AML (Anti-Money Laundering) to cover the entire AML and CTF (Counter-Terrorism Financing) spectrum of responsibilities.

- Global Anti-Money Laundering Officer (GAMLO) and personnel dealing with MFS
- AML Training and awareness requirements
- KYC Standards
- Minimum due diligence standards for client identification
- Minimum due diligence standards for agent appointment
- Monitoring and Investigations
- The identification and reporting of suspicious transactions
- Dispensations from Group Policy
- Record keeping obligations

This document shall be read in conjunction with all other pertinent Millicom policies.

### **3. Who is covered by this Policy?**

This policy applies to all MFS products, services and personnel regardless of jurisdiction where MIC operates directly or through affiliates, unless a written dispensation has been formally granted. Accordingly, all MFS personnel are subject to the AML Policy.

All covered personnel shall acknowledge receipt of this AML Policy and certify on an annual basis that they have read and understood its content and will abide by its provisions (see Annex A for the relevant certification form).

### **4. Ownership of this Policy**

This AML Policy is owned by the Head of MFS. She/he has full accountability for the entire set of AML risks. The Global Anti-Money Laundering Officer (“GAMLO”) is the owner of this AML Policy document. She/he is responsible for the update and amendment of the policy. Changes to this AML Policy require written approval of the GAMLO showing version number and effective date of the implementation, and must be approved in line with the MIC governance and approval process.

### **5. Definitions**

The following definitions are used frequently throughout this policy document and must be fully understood:

- 5.1. AML Committee – is the management group responsible for the overall business advice to the GAMLO. The composition of the AML Committee shall be determined by the MIC Risk Committee<sup>3</sup> from time to time.
- 5.2. Global Anti-Money Laundering Officer (GAMLO) – is the MFS employee tasked by the MIC Risk Committee with the administration of the AML Program and its related components, including this

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<sup>3</sup> Risk Committee is a loosely used term for the body governing the MIC global policy process

AML Policy. This employee, in consultation the AML Committee, has final authority regarding AML standards, AML Policy recommendations, and enforcement, subject to Risk Committee and Board of Directors ultimate oversight authority.

- 5.3. Local Anti-Money Laundering Officer (LAMLO) – is the local MFS employee tasked by the corporate governance body of the local entity with the administration of the AML Program and its related components, including this AML Policy.
- 5.4. MFS personnel – is any individual providing MFS services in any capacity.
- 5.5. Know-Your-Customer (KYC) – is the set of controls and standards surrounding the identification of customers and the parameterization of their expected MFS transaction activity.
- 5.6. Know-Your-Agent (KYA) - is the set of controls and standards surrounding the identification of agents and the parameterization of their expected MFS transaction activity.
- 5.7. Money Laundering – is defined as the attempt to conceal or disguise the nature, location, source, ownership or control of illegally obtained money.
- 5.8. Money laundering offence – is any attempt to facilitate the disguising of the proceeds of an unlawful activity as legitimate funds through its placement, layering and/or retrieval from the financial system by failing to report such an occurrence, ‘tipping off’ the relevant customer/agent, or failing to exercise proper care with respect to AML obligations.
- 5.9. Smurfing – the practice of breaking up an amount of money into smaller amounts in an attempt to disguise the movement of the funds through the financial system.
- 5.10. Suspicion – a belief, with or without firm evidence, that a person is engaging in money laundering or terror financing activity.
- 5.11. Suspicious behavior – is behavior that is apparently out of the ordinary for that particular person, type of transactions, group of transactions; or behavior that attracts a second glance.
- 5.12. Terror Financing – is the movement of funds through the financial system with the intention of funding terrorists or terrorist acts.
- 5.13. Terror financing offence – is any facilitation or attempt to finance any terrorist or terrorist activity or failure to report such an occurrence, ‘tipping off’ the relevant customer/agent, or failing to exercise proper care with respect to AML obligations.
- 5.14. Threshold – a specified amount of money dictated by the regulator, or defined internally where regulation does not exist, whereby the presentation or movement of such an amount automatically requires a report be filed with a regulatory authority.
- 5.15. Tipping-off – an act or omission criminalized by many regulators whereby a terror financier or money launderer is able to ascertain that their activity is under suspicion and subsequently avoid further investigation.

## **6. Global Anti-Money Laundering Officer (“GAMLO”)**

- 6.1. At the group level, the GAMLO is the MFS employee tasked by the Risk Committee of MIC with the administration of the AML Program for the MFS Business and its related components, including this AML Policy.
- 6.2. At MIC local operations, the LAMLO is the employee designated by the local corporate governance body and tasked with the administration and enforcement of the AML policy locally.
- 6.3. The GAMLO shall be a person of good moral character and spotless professional reputation and shall be a person knowledgeable in financial services compliance matters, with an emphasis on AML issues.

- 6.4. The GAMLO reports to the General Counsel and the CFO of MFS (as a matrix management reporting line only).
- 6.5. Every new product or service to be offered by MFS requires written sign-off by the LAMLO prior to launch and the decision communicated to the GAMLO.
- 6.6. The GAMLO shall be the Chairman of the AML Committee and shall be assisted in the performance of his/her responsibilities by the LAMLOs and other MFS personnel assigned to each operating entity.

## **7. AML Training and Awareness Requirements**

- 7.1. All MFS personnel shall receive specific training on AML issues and this AML Policy within six months of incorporation to MFS, and thereafter as determined by the GAMLO, no less than once a year, according to a schedule of training to be prepared and approved by the AML Committee.
- 7.2. Training to personnel must include:
  - 7.2.1. Definition of key terms
  - 7.2.2. Know-Your-Customer/Agents requirements adopted locally
  - 7.2.3. Practical examples of Money Laundering or Terror Financing activities that the personnel may encounter
  - 7.2.4. The AML regulatory and statutory requirements applicable in the particular jurisdiction
  - 7.2.5. To whom to report suspicions Money Laundering or Terror Financing activities, and ask questions regarding the AML Policy
  - 7.2.6. Disciplinary actions for non-compliance
- 7.3. Training to agents must include:
  - 7.3.1. AML standards adopted by MFS in the particular jurisdiction
  - 7.3.2. Know-Your-Customer/Agents standards required to subscribe to the MFS services
  - 7.3.3. The AML regulatory and statutory requirements applicable in the particular jurisdiction
  - 7.3.4. To whom to report suspicions Money Laundering or Terror Financing activities, and ask questions regarding the AML Policy
  - 7.3.5. Disciplinary actions for non-compliance (which shall include up to and including termination of the agency arrangements and referral to government authorities)
- 7.4. Awareness campaigns to MFS subscribers
  - 7.4.1. MFS shall generally develop subscribers' awareness campaigns regarding AML issues, identification requirements and related obligations to which MFS is subject in the local jurisdictions with the goal of highlighting our corporate commitment to follow the law and assist in the fight by regulatory authorities to deter money laundering and terrorism financing.
- 7.5. Record of training
  - 7.5.1. Training records include training decks, delegate lists and test marks. They are to be kept for a period of five years from the date of the training in hard or electronic copy in a secure environment. A sample of all language versions of the same training deck shall be kept.

## **8. KYC Standards**

- 8.1. Minimum Standards for Client Identification

- 8.1.1. All users of the MFS products and services, clients/subscribers, agents, and all MFS personnel are required to present documentation of their identity. For every local operation, the respective LAMLO will determine what documents are acceptable under local regulation:
  - 8.1.1.1. A valid national identity card or any other document (as determined and accepted by the local laws and regulations)
  - 8.1.1.2. A valid passport
  - 8.1.1.3. A valid driver's license
  - 8.1.1.4. Additionally, the following information shall be captured as part of the client registration process, in the pertinent KYC form:
    - 8.1.1.5. Date of birth
    - 8.1.1.6. Occupation
    - 8.1.1.7. Full Address
    - 8.1.1.8. Contact details including the mobile number associated with the MFS services being used shall be recorded
- 8.1.2. Record of verification of client's identity
  - 8.1.2.1. Records of client identification verification and related KYC information shall be captured by the agent providing the initial interaction. For self-registered subscribers, the LAMLO shall determine the way in which records are to be captured. The information is to be kept for the duration of the relationship and thereafter for a period of five years (or longer if required by law). The data may be stored in hard and/or electronic copy in a secured environment. To the extent the information collected herein is not immediately available to the local MFS corporate office, records shall be transmitted by the agent to the MFS corporate office within a reasonable period of time, as determined by the LAMLO, or according to the time frame agreed in the contract.
- 8.2. Minimum Standards for Agent Appointment
  - 8.2.1. MFS provides products and services to its customer base through the network of appointed agents. These agents are independent third parties engaged on a contractual basis. As such, MFS must verify that these agents are reputable and are not providing the platform to facilitate money laundering or terror financing. Accordingly, the following AML minimum standards must be met before a new agent is allowed to operate in the system:
    - 8.2.1.1. The identity of every party (individual or company) that makeup a controlling interest of the agent shall be documented as described in section 8.1 above;
    - 8.2.1.2. At least one reference shall be provided and verified, as determined by the LAMLO based on local customs;
    - 8.2.1.3. Clearance of watch list control of all parties involved must be obtained as described in section 8.3.1. below;
    - 8.2.1.4. AML Training, as described in section 7.3 above must be provided prior to activation.
    - 8.2.1.5. Nature of business and source of funds
    - 8.2.1.6. Business registration documentation
- 8.3. Checking names against watch lists
  - 8.3.1. As an integral part of the AML standards adopted by MFS, all clients, agents, MFS personnel and contractors/business partners are required to have their identities screened against the watch lists enumerated below at the onset of the relationship and thereafter upon an update to the particular watch list. Positive matches must be reported to law enforcement pursuant to applicable legal requirements.

- 8.3.2. The following lists are the minimum which must be screened against
  - 8.3.2.1. Her Majesty's Treasury List
  - 8.3.2.2. The EU List
  - 8.3.2.3. The Office of Foreign Assets Control of the US Treasury Department
  - 8.3.2.4. The UN Security Council List
- 8.3.3. The Human Resources Department shall be responsible for regularly checking the identities of MIC employees against the lists, and performing all additional due diligence and background checks on potential employees. The GAMLO and/or LAMLO shall be responsible for verification that the tests are timely completed and that there are no positive matches.

## **9. Monitoring and Investigations**

- 9.1. The Identification and Reporting of Suspicious Transactions
  - 9.1.1. MFS, under the guidance of the GAMLO and with the assistance of the LAMLOs, shall provide for the monitoring of customers, agents, transactions and products on an on-going basis to identify any potential suspicious transactions and ascertain the likelihood of money laundering and/or terror financing activities taking place through Millicom platforms.
  - 9.1.2. The GAMLO shall report to senior management on a quarterly basis a summary of the testing conducted and the results obtained with a view to communicate the level of risk encountered in the operation.
- 9.2. The GAMLO shall review the set up and modification of the business rules established to generate monitoring alerts by the LAMLOs. LAMLOs, in consultation with the GAMLO, shall be responsible for the investigation of the alerts produced and the case management associated with them. Under no circumstances shall MFS personnel, or designated agents, tip off subjects of investigations.
- 9.3. When circumstances so dictate, the GAMLO shall engage the assistance of other internal functions, as appropriate (e.g. Legal, Finance, Security, Factory, Revenue Assurance) to conduct investigations, and shall work in partnership to reach a conclusion which will be presented to the AML Committee for final determination, ensuring that Data Privacy and confidentiality are upheld.
- 9.4. All preliminary findings, conclusions and recommendations of monitoring and investigations, including whether regulatory reporting is required or advisable shall be communicated by the LAMLOs to the GAMLO as soon as possible.
- 9.5. When deemed appropriate as stated above, the LAMLO will proceed to submit the required regulatory reports established by local rule, e.g., currency transaction reports or suspicious transaction reports.
- 9.6. Threshold reporting is to be carried out in accordance with local regulatory requirements.

## **10. Dispensation from Group Policy**

- 10.1. As described in the Introduction to the policy above, deviations from the standards outlined in this document, whether pursuant local regulation or business practice, require a Dispensation that follows the procedure in Annex B hereof.

10.2. The LAMLO in every jurisdiction where MFS is offered shall document in writing how this AML Policy is to be implemented locally. Where local regulations set standards lower than this policy, this global AML Policy shall apply and must be so stated in the local records.

#### **11. Record Keeping Obligations**

11.1. All records to be created or retained, as called for by this AML Policy or the specific country regulatory requirements and including those pertaining to the reporting and investigation of suspicious activity, shall be kept in hard or electronic copy in a secure environment. The respective LAMLO shall determine the individual items of information to be stored and the mechanisms for their storage and retrieval following Millicom set standards or requirements of the local laws.

11.2. Unless otherwise established by regulation, the record retention period established by this AML Policy shall be five (5) years. If regulation requires a longer retention period, the regulatory period shall take precedence.

11.3. The record retention process must ensure that all records are available, in a timely manner, upon request from regulatory authorities, internal audit and control functions and external auditors. This process must be clearly stated in the local standards.

**Annex A**

**AML Policy Certification Form**

I, [insert name of employee], an employee assigned to the MFS business in [insert country of country], hereby certify that as of the date hereof, I have received a copy of the AML Policy, Version # [insert version of the current policy], effective [insert effective date of current policy]. Further, I have read said AML Policy and have had an opportunity to ask related questions to my LAMLO.

Accordingly, I certify that I have understood my personal responsibilities and obligations regarding the policy and abide to comply with it.

I understand that failure to comply with the AML Policy is subject to disciplinary action, up to and including potential termination of employment for cause.

Signature: \_\_\_\_\_

Date of Certification: \_\_\_\_\_



## **Annex B**

### **AML Policy Dispensation Process**

The following process shall be followed in determining whether a dispensation from the AML Policy (“a Dispensation”) is justified and necessary:

1. The LAMLO seeking the Dispensation shall submit a written request to the local operation General Manager (GM), with copy to the GAMLO, detailing the circumstances giving rise to the request and why she/he believes a Dispensation should be granted;
2. The GM will decide whether enough information is available to make an informed decision. If negative, the matter will be referred back to the requesting party for completion;
3. The GAMLO shall have an opportunity to provide an opinion regarding the request and the sufficiency of information provided;
4. The GM shall approve or deny the request for Dispensation;
5. The GAMLO shall countersign the decision of the GM.
6. A record will be made of all decisions, communicated to all affected parties, and retained in accordance with this policy;
7. All Dispensation decisions will be subject to an annual review and confirmation. There is no guarantee that a previously approved dispensation will be automatically re-approved.