

## **Implementation Policy of Anti Money Laundering (AML) and Counter Financing of Terrorism (CFT) PT Bank Mandiri (Persero) Tbk.**

The implementation of Anti-Money Laundering and Counter Terrorism Financing programs (AML-CFT) is the obligation of all parties, especially for the Bank as Financial Service Providers (PJK). The current globalization era and the increasingly complex advancement of information technology, encouraged the Bank to be more comprehensive in mitigating risks used by perpetrators of Money Laundering Crimes (TPPU) and Terrorism Financing Crimes (TPPT), and Proliferation of Mass Destruction Weapons Financing (PPSPM). This shall be done because the mode carried out by the perpetrators are increasingly varied in utilizing the Bank as a means of TPPU, TTPT, and PPSPM. To that end, it required commitment from all parties in supporting the regime to eradicate Money Laundering, Terrorism Financing and Proliferation of Mass Destruction Weapons Financing.

The Money Laundering, Terrorism Financing Crimes, and Proliferation of Mass Destruction Weapons Financing are transnational crimes and they required extraordinary efforts in their handling. As such, an inter-governmental body, the Financial Action Task Force (FATF), aims to set the standards and promote effective implementation of regulations and operations, as well as legal action to combat TPPU, TPPT, and PPSPM or other threats impacting the integrity of the international financial system.

As a commitment to strengthen the AML and CFT in Indonesia referring to the international best practices and FATF recommendations, Indonesia currently is in the midst of processing the Mutual Evaluation Review (MER) assessment by FATF. The assessment is at the same time will determine the success of Indonesia to become FATF member. One of the review samples from the assessment is Banking sector, where Bank Mandiri is contributing as one of the banks participating in the assessment. As an effort to foster the success of Indonesia in MER assessment, Bank Mandiri has carried out a series of strengthening of effectiveness of its AML and CFT programs from the adequacy of procedures, system reliability, and human resources competencies.

Moreover, nation-wide Bank Mandiri also participates in the Financial Integrity Rating on Money Laundering & Terrorism Financing (ML/TF) assessment held by PPATK to assess the effectiveness of AML and CFT practices on the commitment between PPATK, Regulators, and Law Enforcement as well as Whistleblowers in implementing the measures of Anti-Money Laundering, Counter Terrorism Financing, and Proliferation of Mass Destruction Weapons Financing. This assessment is also as one parts of Indonesia's preparation in addressing MER FATF.

### **AML-CFT Program Implementation Policies & Procedures**

The Bank had already had policies and procedures for the implementation of AML and CTF programs in line with FATF Recommendations and OJK Regulation (POJK) No. 12/POJK.01/2017 as amended by POJK No. 23/POJK.01/2019 on implementation of AML and CTF Programs in the Financial Services Sector, which included :

1. Active supervision by the Board of Directors and Board of Commissioners;
2. Customer Due Diligence (CDD) and/or Enhanced Due Diligence (EDD) Procedures for Prospective Customers/Customers/ Beneficial Owner (BO)/Walk in Customer (WIC);
3. Fund Transfer Procedure;
4. Administration of Customer Documents and Transactions;
5. Customer Profile and Transaction Monitoring Procedure;



6. Implementation of AML and CTF Programs in Office and Subsidiary Networks in Financial Conglomerations;
7. Internal control
8. Procedure for Monitoring Customer Profiles and Transactions; and
9. Human resources and training.

### AML-CTF Organizational Structure

To improve the effectiveness of the implementation of AML and CTF programs in Bank Mandiri, active supervision of the Board of Directors and Board of Commissioners is necessary, so as to provide motivation to work units and employees in shaping the compliance culture throughout the Company's elements. The supervision also applied in the risk management of TPPU, TPPT, and PPSPM at the Network of Offices and Subsidiaries in the Financial Conglomerations.

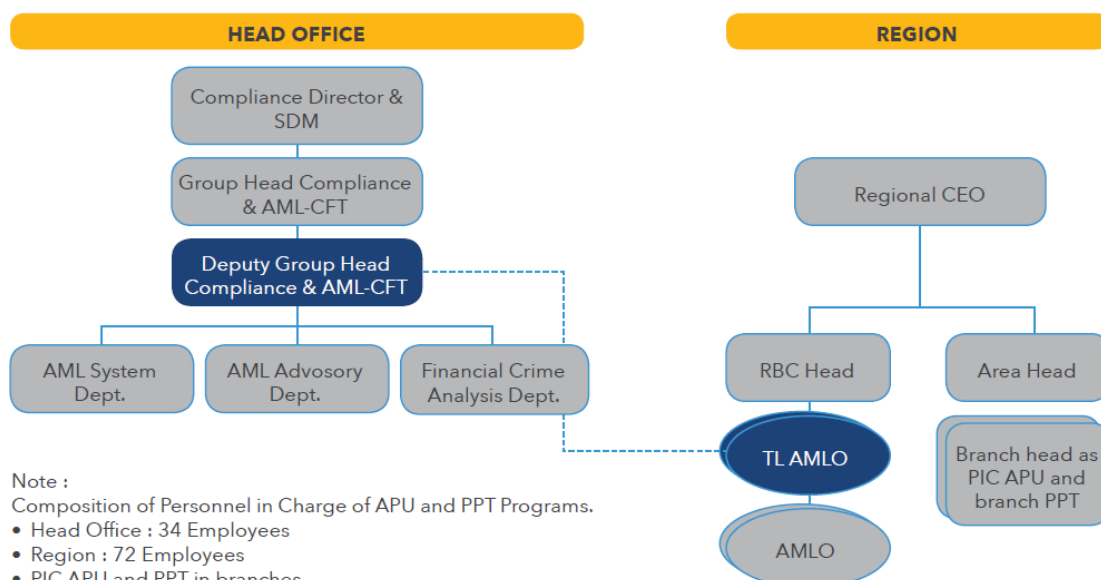
Bank Mandiri as the Main Entity had continuously supervised the implementation of AML and CTF programs to Subsidiaries, such as, a review of the adequacy of AML and CTF Programs Implementation Procedures, AML and CTF human resources and the reliability of information management systems.

In addition, Bank Mandiri also conveyed the methodology of risk level assessment of Bank's ML and TF to Subsidiaries that could be used as a reference in the preparation of risk level assessment of AML and CTF in each Subsidiary. This was expected to be more effectively and efficiently help Subsidiaries in determining resource allocation (such as: human resources, funding sources, information technology, and time), and risk-based internal control programs.

Supervision of the implementation of AML and CTF programs in the Financial Conglomerations, is under the coordination of the Special Unit (UKK) of AML and CTF, which is structurally under the Compliance Task Force (SKK) of the Head Office, which had direct responsibility to the Director who carried out the compliance function at Bank Mandiri.

The AML and CTF programs are also implemented by Anti Money Laundering Officer (AMLO) domiciled in Regional Office. AMLO plays a role to carry out the supervision function of the implementation of AML and CTF programs in branches conducted by the Branch Head as PIC of AML and CTF. In the implementation of its functions, AMLO assigned to control operational activities carried out by the Branch in accordance with the provisions of the implementation of AML and CTF programs.

The APU and PPT Organizational Structure is described as follows :



## AML-CFT Programs in 2021

Bank Mandiri's commitment in supporting the National AML and CTF regime had been outlined in the risk-based AML and CTF work programs, among others as follows:

1. Assessment of the Bank's TPPU and TPPT risks with risk-based approach (RBA) reviewed periodically;
2. Preparation and/or adjustment of internal provisions related to the implementation of AML and CTF programs following applicable regulations;
3. Implementation of On Desk Review & Monitoring to Work Units/ Business Units, Branches, and Overseas Units (KCLN) for the implementation of AML and CTF programs;
4. Implementation of Quality Picking Test of Suspicious Financial Transactions Indication Report of Branch Offices on desk basis;
5. Improvement of the quality and monitoring of the submission of Suspicious Financial Transaction Reports (LTKM), Cash Financial Transaction Reports (LTKT), Financial Transaction Reports of Fund Transfers From and To Abroad (LTKL), and Integrated Service User Information Systems (SIPESAT) following the provisions and not exceeding the Service Level Agreement (SLA) determined by the Regulator;
6. Improvement of systems and applications supporting the implementation of AML and CTF programs, among others :
  - a. Development of goAML internal application system that would be used for reporting obligations following PPATK goAML requirements.
  - b. Development of PEP PPATK data usage application.
  - c. Development of Know Your Customer (KYC) information system and automatic EDD implementation.
  - d. Screening of Prospective Customer during account opening through online channel based on DTTOT and PPSPM in realtime.
  - e. Development of Terrorism Financing Suspected Information System (SIPENDAR) application of PPATK.
  - f. Development of LTKM database such as Refinement of LTKM Monitoring Application (MONSTR).
7. Improvement of AMLO's competence in analyzing Suspicious Financial Transactions (TKM), as well as improvement of Team Leader (TL) AMLO capacity building through Attachment Training program;
8. Enhancement of competence and awareness of all employees of Bank Mandiri, specifically AML and CTF employees related to the implementation of AML and CTF programs, through certification, refreshment, socialization, and trainings;
9. Appointment as Subject Matter Expert (SME) related to AML and CTF programs application in Benchmarking with other companies in financial services sector;
10. Establish and foster cooperation as well as coordination with Regulator and Law Enforcement, specifically in fulfilling data requests and/or customer information;
11. Supervision of the implementation of AML and CTF programs in the Financial Conglomerations (Integrated) through :
  - a. Review of the provisions of AML and CTF programs of Subsidiaries and Overseas Units (KCLN).
  - b. Implementation of assessment and thematic on desk review of implementation of AML and CTF programs of Subsidiaries and Overseas Units.



- c. Implementation of working group discussion on the implementation of AML and CTF programs with Subsidiaries and Overseas Units.
  - d. Discussion Forum of the Board of Directors and the Board of the Commissioners on the implementation of Integrated AML and CTF.
  - e. Monitoring the implementation of AML and CTF of Subsidiaries and Overseas Units' regular reports on a quarterly basis.
12. Preparation of Mutual Evaluation Review (MER) program of Mandiri Group, among others :
- a. Preparation of MER Hand Book as guidance.
  - b. Mock up interview, internally with Subsidiaries, as well as with Regulator.
  - c. Assisting the Drafting and/or Updating of Risk Assessment (IRA-RBA) to Subsidiaries.
  - d. Participating in Webinars, Forum Group Discussions (FGD), trainings held by the Regulators and other agencies;
13. Actively taking the role in work programs or activities organized by regulators, among others:
- a. Research on Trade Based Money Laundering Risk organized by PPAK in association with Australian Transaction Reports and Analysis Centre (AUSTRAC), Australian Federal Police (AFP), Fintel Alliance, Australian Taxation Office, and United Nations Office on Drugs and Crime (UNODC);
  - b. Drafting of TPPU and TPPT National Risk Assessment (NRA) and Sectoral Risk Assessment (SRA);
  - c. Drafting of PPAK Regulation related to Changes of Information of Users that are Indicated to Act on Money Laundering Crime by Financial Services Provider organized by PPAK;
  - d. Financial Integrity Rating on Money Laundering and Terrorist Financing (FIR on ML/TF) year 2021 to the Bank Financial Services Provider;
  - e. Appointment as Respondent and sample of Indonesia's Financial Integrity (IFI) Solidification by the Presidential Staff Office (KSP) of RI, as well as assisting the work visit in the Regions;
  - f. Appointment as Tactical Hub – INTRACNET Team in the National Public Private Partnership (PPP) projects, which directly contributing in the drafting of Operational Alert of Fraud Crimes with a Business Email Compromise (BEC) mode and Drugs Crime; and
  - g. Subject Matter Expert (SME) in Benchmarking, webinars and Forum Group Discussion (FGD) held by OJK, PPAK, and other agencies.

### Challenges in Implementing AML and CTF Programs in 2022

Digital technology creates the conditions that enable in providing freedom of movement for the financial services users to carry out transactions through various facilities. Moreover, in this digital era the Bank is required to deploy digital acceleration to meet the customer's expectation of fast, efficient, and secure financial services, and are accessible anywhere. Such conditions required the banking to position digital transformation as a priority and one of the strategies to improve the bank's competitive advantages. On the other hand, following the banking business movement into digital business strategy, challenges are unavoidable in implementing effective AML and CTF programs.

The Bank needs to at least anticipate 2 (two) major challenges in implementing AML and CTF programs to be effective and efficient, namely reliability of supporting system for the implementation of AML and CTF programs, and HR competencies. The flexible and relevant system refinement and improvement including new technology adoption become a crucial issue to be implemented in line with the increasing digital financial transactions. Furthermore, comprehension, awareness, and skills of employees shall need to be enhanced, particularly in technology area and its



relevancies to the bank that may be used as a media for Money Laundering and Terrorist Financing. Moreover, the support from government institutions/agencies to assist in the effectiveness of customer introduction process in financial services sector holds a pivotal role in supporting comprehensive implementation of AML and CTF programs.

