



COMPLIANCE REPORT

WOVEN INTO THE DEMANDS ASSOCIATED WITH A FULLY FUNCTIONAL COMMERCIAL BANK ARE THE INCREASED PRESSURES RELATING TO REGULATORY CONFORMITY.

An enhanced and full bouquet of financial products draws the need for amplified regulatory applicability, intensified evaluations, greater analysis and escalated levels of monitoring. Attracting greater risk, it also requires stepped-up screening, testing and reviewing processes.

We are pleased to report that in reaching our 25th anniversary in business, no stone has been left unturned in terms of maintaining our commitment to compliance with legislation and best practice.

In 2014, the bank was in a position to proudly celebrate its quarter century milestone in the certain knowledge that we have executed our business affairs with the utmost integrity and with the necessary adherence to the principles of corporate governance which underpin the organisation.

This status was achieved as a direct consequence of our unwavering policy of zero tolerance for non-compliance - a policy which we have not only cascaded through our network of branches and corporate offices, but which has become the very foundation upon which the bank is based.

The 'Al Baraka way' has quickly become synonymous with continuously doing the right thing.

Our compliance with all relevant legislation forms the centre-piece of this ideology and we regularly and repeatedly continue the task of entrenching this thinking and belief into the very fabric of the bank through staff awareness sessions - specific and general - together with monthly Anti-Money Laundering (AML) Awareness and Update sessions. It is comforting to note management's positive application of our zero tolerance policy, whilst simultaneously balancing mitigating shortcomings and implementing proactive actions to address identified areas of concern.

During the year under review, the compliance division worked closely with key divisions within the bank in order to give effect to added efficiencies, aligning itself with the goals of the organisation and ensuring compliance requirements were filtered through to all the business affairs of the bank. This linkage with the divisions culminated in the achievement of key goals and in the near-achievement of a number of others. It also gave rise to formal project committees being convened in order to promote regulatory requirements across the company.

One such project involved the Foreign Account Tax Compliance Act (FATCA) Committee, which has overseen the conclusion of a FATCA policy, procedure, manual and system changes/enhancements, as well as instituting extensive training programmes, which were rolled-out in a timely manner, thus ensuring compliance with FATCA.

The bank's commitment to identifying and reporting unusual and suspicious transactions and countering terrorist financing is ineradicable and the automation of our Sanctions Screening System, through the incorporation of a new system, is a clear indication of our stance. The directive to staff and clients alike regarding anti-money laundering has been made very clear.

In spite of the burdensome nature of compliance facing clients, we are confident that our strict adherence to relevant legislation, policies and procedures has endowed the bank with an enviable track-record of integrity, professionalism and the wherewithal to act

decisively with regard to any negative activity.

Our uncompromising attitude in this regard lends justification to our claim of being an ethical bank, not only from the perspective of offering sound, Shariah-compliant banking products, but also in terms of advancing the compliance aspects as they relate to legislative requirements, with particular emphasis on anti-money laundering and counter-terrorist financing in all of our undertakings.

This is further intensified by our zero tolerance policy, which ensures that any deviance from the norm is immediately and proactively dealt with through remedial actions.

The compliance division also works in unison with other governance structures, such as secretariat, risk and internal audit, so as to ensure the observance of the very highest levels of corporate governance by the bank. One such partnership, with risk and internal audit, included the formulation of a bank-wide combined assurance model, in line with the requirements of King III.

Reflecting our resolute commitment to the need for compliance, the division serves on a range of strategic forums and committees while providing guidance to the board and our management team, in terms of regulatory matters. We enjoy representation on management's executive committee, the board, audit committee, risk committee, several project committees and the procedure review committee, as well as a number of ad hoc committees formulated for specific purposes.

The compliance division is also the interface between various regulatory bodies and the bank as and when required and, accordingly, maintains strong, sustainable relationships with key industry role-players.

In addition to finalising a 'regulatory universe' for the bank, the compliance division has also worked strenuously in an effort to unpack various new legislative components affecting the bank. This included, inter-alia, various amendments to existing legislation and regulations, as well as new requirements imposed by Al Baraka Banking Group on its subsidiaries, of which our South African unit is one. In particular, we worked to implement AML legislation, guidance notes and Financial Action Task Force (FATF) recommendations. We look forward to the anticipated new AML legislation, scheduled for 2015, which will require close attention and discussion.

We have enjoyed vigorous interaction with the Banking Association of South Africa, through which the bank had representation in 41 meetings and forums, actively utilising said representation to make recommendations and provide feedback in terms of various issues which formed part of the relevant agendas.

As the bank has imprinted its 25-year footprint on South African society, so too have our compliance and risk management activities entrenched an indelible mark on the bank. The commitment to upholding our zero tolerance standpoint remains steadfast and is continuously driven from the highest levels of management, ensuring the absence of any distortion to the message.

The thread of corporate governance binds the organisation together; while compliance tautens the weaves to resilient righteousness.