

## Banking Business supplement form

This supplement form must be submitted by applicant firms applying to conduct one or more of the Regulated Activities of Accepting Deposits, Dealing in Investments as Principal (for the purpose of this form, such activities are referred to as “banking business”.) In addition to this form you are required to complete the *Application for a Licence to carry on Regulated Activities* form and any other forms as applicable for your intended activities in AIFC.

Do not leave any response-cells empty. If a question we ask does not pertain to your intended Regulated Activities respond to that effect in the cell. If it is more appropriate to answer certain questions in an attachment then indicate in the cell that that is the case. The use of acronyms is to be avoided. If you do need to use acronyms then they must be defined.

To assist you in completing this form we occasionally make reference to various Rules, sections, or chapters of the various modules which make up the AIFC Rules. However, these references are provided only as a guide and are not an exhaustive list of the Rules that may be applicable to your situation. It is your responsibility to research any Rules that might be pertinent to your application.

As a matter of good practice, and to avoid any confusion, words and terms that are defined in GLO should have their first letter in upper-case.

Ensure that that you are using the latest version of this application form. AFSA will only accept out-of-date forms if they are submitted within one month of the latest version available on our website.

You are advised to retain a copy of the form and all relevant attachments for the records.

## 1. Declaration by the applicant

1.1 I declare that, to the best of my knowledge and belief, having made due inquiry, the information given in this form, the supplements and documents attached, as well as any applicable supporting documents, is complete and correct. I understand that it may be a breach of Article 119(e) of the AIFC Framework Regulations to provide to the AFSA any information which is deceptive, misleading or dishonest.

1.2 I declare my understanding that the AFSA may request more detailed information (including but not limited to, personal educational, employment and financial information) should it be deemed necessary to adequately assess the fitness and propriety of the firm or any person connected to the firm. I consent to the AFSA contacting any previous employers, educational institutions, professional organisations or any other organisation, to verify any information contained in this form.

1.3 I confirm that I have the authority to make this application, to declare as specified above and sign this form for, or on behalf of, the applicant. I also confirm that I have authority to give the consent specified above.

1.4 I understand that any personal data provided to the AFSA will be used to discharge its regulatory functions under the AIFC Data Protection Regulations, and other relevant legislation and may be disclosed to third parties for those purposes.

1.5 I confirm that all documents submitted as part of this application, whether physical or electronic, become property of the AFSA.

1.6 After having made due enquiry and after review of the Rules, I declare that I am not aware of any impediment to the firm being able to comply with the applicable AIFC Banking Business Prudential Rules (AIFC BBR Rules) requirements for managing risks of all types and with respect to those obligations and the risks referenced.

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Signature of Director/Partner of the applicant<sup>1</sup>

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Date

Enter the name and position or title of the above signed Director/Partner of the applicant:

<sup>1</sup> Or the person who will be authorised by the entity once it has been incorporated or established.

## 2. Corporate strategy and business model for Banking Business

### Deposit Taking:

2.1 Does your firm intend to Accept Deposits?

2.2 If you will be Accepting Deposits, provide a description of the types of Clients (e.g. Professional, commercial, and/or interbank funding) and also the types of deposit accounts your firm plans to offer (e.g. corporate, savings, fixed term). If it is a mixture of these and other types, then also provide the distribution-mix in percentage terms.

2.3 If you will be Accepting Deposits, provide details of the policies and procedures concerning arrangements to hold cash and valuables, deal with money transfers, powers of attorney, and dormant accounts.

2.4 Provide details of what protections for depositors will be in place and include any relevant supporting documentation in relation to insolvency and recovery and resolution plans. For branch applications, provide confirmation that the insolvency regime in the home jurisdiction would rank AIFC depositors equally in the event of an insolvency.<sup>2</sup>

2.5 Describe the operational process of how deposits will be accepted and held, given the absence of access to the Kazakhstani clearing system. Additionally, describe any correspondent banking relationships you seek to maintain across relevant currencies.

2.6 Describe any current arrangements or plans relating to setting up of IBAN and SWIFT code.

### Providing Credit:

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<sup>2</sup> The applicant may be required to produce a legal opinion to satisfy this point.

2.7 Does your firm intend to provide credit?

2.8 Provide a description of the range of business anticipated. If your firm will be Providing Credit, on what terms and to whom?

2.9 Provide a description of the types of Clients.

2.10 Will your firm seek to issue credit cards and/or pre-paid cards to its clients? If so, what sort of credit facilities are envisaged? For example, secured/unsecured loans; overdrafts; letters of guarantees/letters of credit; project finance, etc.?

2.11 Will your firm seek to issue mortgages to its clients? If so what security and collateral arrangements do you intend to have in place?

2.12 Describe in detail what procedures will be put in place for dealing with letters of credit or letters of guarantee in relation to trade finance (if applicable).

**Customer Categorisation:**

2.13 What are your processes for customer categorisation? Copies of key documentation, such as terms of business, credit agreements (including credit cards), loan agreements, deposit agreements, etc., must be appended to the application.

**Information Technology/Systems:**

2.14 Describe the systems you will put in place to facilitate transmission, clearing, and payment arrangements.

**Providing or Arranging Custody:**

2.15 Describe what policies and procedures will be adopted to safeguard the firm's physical assets and those of its customers, if you are planning on Providing Custody or Arranging Custody of assets.

**Procedures:**

2.16 If your firm will act in or seek correspondent banking relationships, describe the process undertaken in determining your correspondent banking relationships.

2.17 Where correspondent banking relationships will exist, explain what measures have been taken to ensure the firm does not enter into such relationships with a Shell Bank, and what appropriate measures have been taken to ensure that it does not enter into, or continue a corresponding banking relationship with, a bank which is known to permit its accounts to be used by Shell Banks.<sup>3</sup>

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<sup>3</sup> Refer to AIFC AML Chapter 10 – Correspondent Banking

### 3. Risk Management

#### Credit Facilities:

- 3.1 Describe the process by which all loans and facilities will be identified, assessed, reviewed, approved, and reported before granting any Credit Facility. Provide a process map setting out the credit review and approval process.

- 3.2 What processes, policies, and reports are in place for ongoing monitoring and management of the Credit Risk and sector exposures in your loan and investment portfolios?

- 3.3 Describe how your firm's credit decisions will be made. If you have a credit policy attach a copy of your firm's credit-policy terms of reference<sup>4</sup>. Additionally, if your firm has a credit committee, explain its composition and provide its terms of reference.

- 3.4 Describe how management will identify, monitor, manage, and report Concentration Risk, large exposures, general exposures,<sup>5</sup> and country exposures within your portfolio of loans and Investments.<sup>6</sup>

#### Provisioning:

- 3.5 Describe the processes for identifying, reporting, and managing problem assets, as well as how you will evaluate the adequacy of provisions to cover impairment of assets. In this description, explain your processes for writing-off bad assets, including the processes for reporting to the relevant committee and the authority levels for write-offs.

- 3.6 How often will your provisioning policy be reviewed? What type of management reports will be employed and to whom will they be circulated? What is the decision-making process for ensuring the adequacy of specific provisions?

<sup>4</sup> Guidance on Credit Risk systems and controls and on the specific areas which the Credit Risk policy should cover are set out in AIFC BBR Rule 5.1 – Credit Risk Management – Systems and Controls.

<sup>5</sup> For example, if a large number of loans and Investments are concentrated on a particular industry sector.

<sup>6</sup> Refer to AIFC BBR Chapter 5, Part 2 - Concentration Risk and related matters.

**Liquidity and Funding:**

- 3.7 Describe the systems, controls, and management information systems you will have in place to measure, monitor, and report on Liquidity and Funding Risk. Provide a breakdown of committees and provide copies of the policies, terms of reference, and details of the membership composition for each. A copy of the firm’s liquidity, funding, treasury, and asset and liability committee policies and procedures must also be provided.

- 3.8 Demonstrate how your liquidity strategy seeks to identify, measure, monitor, and control Liquidity Risk and how it is managed and reported on a day-to-day basis.

- 3.9 Specifically, in relation to your proposed deposit base, state the expected maturity profile and how you intend to manage any apparent maturity mismatches between your credit portfolio and your funding requirements.

- 3.10 Demonstrate how your funding strategy seeks to identify, measure, monitor, and control funding and how it is managed on a day-to-day basis.

- 3.11 Provide a copy of your funding strategy and set out what, if any, contingency plans are in place to access further liquidity if needed.

**Interest Rates:**

- 3.12 Describe the procedures that enable you to accurately identify, measure, monitor, mitigate, and report interest-rate risk in the Non-Trading Book.

- 3.13 Provide a copy of your policy for managing Non-Trading Book interest-rate risks and describe the tools you use to manage it.

- 3.14 Describe the role of the asset and liability committee or other appropriate management committee in managing this interest-rate risk.

**Market Risk:**

- 3.15 Describe the procedures that enable you to accurately identify, measure, monitor, mitigate, and report the risks arising in the Trading Book.

**Operational Risk:**

- 3.16 Describe your policies and processes to manage and mitigate operational risk.

- 3.17 Describe your firm's risk-identification and monitoring tools. For example, any capital-charge calculation models that you use. Discuss also the policy for reporting to the Board and Senior Managers.

- 3.18 Explain how your reconciliation, operational, and accounting controls ensure the integrity of the general ledger in your financial accounting system at all times.

**Internal Risk Assessment Process and Internal Capital Adequacy Assessment Process:**

- 3.19 Chapter 11, "*Supervisory Review and Evaluation Process*", of AIFC BBR sets out the need for certain categories of Authorised Persons to carry out self-assessments of their risk and capital adequacy. For those Authorised Persons undertaking banking business this is to be undertaken at least annually through both an Internal Risk Assessment Process (IRAP) and an Internal Capital Adequacy Assessment Process (ICAAP). Where an Authorised Person is part of a Financial Group, these



requirements apply on a consolidated basis in relation to all the entities within the Financial Group.

Having reviewed and considered the obligations arising under AIFC BBR Rules, Chapter 10, describe how the framework which is currently, or will be put in place, satisfies these obligations. If you are already subject to similar requirements and wish to request a waiver, copies of the latest IRAP and ICAAP must be provided with your application.

## 4. Islamic Banking Business

- 4.1 With reference to your proposed Regulated Activities, confirm whether you will be undertaking the activities in accordance with Shari'a.

- 4.2 If you have answered "Yes", indicate below if you intend to conduct your Islamic Financial Business as an Islamic Financial Institution or through an Islamic Window.

### Profit Sharing Investment Accounts (PSIA):

- 4.3 Does your proposed Islamic Finance Business include the regulated activity of Managing PSiAs and, if so, will these be offered on a restricted or unrestricted basis.

### Other Islamic Finance Business

- 4.4 Describe below any other forms of Islamic Finance Business, as listed in Rule 1.12 – "*Definition of Islamic financial Contract*", of AIFC Islamic Finance Rules which you intend to undertake, including details of the proposed Islamic financial instruments and products you are planning to use.

- 4.5 Outline the procedures to be put in place to ensure compliance with the relevant requirements set out in AIFC Islamic Finance Rules arising in respect of Operating an Islamic Window or in operating as an Islamic Financial Institution.

- 4.6 If you are operating an Islamic Window, describe the operational and accounting procedures in place to ensure separation of activities.

**5. Documentation Checklist**

5.1 The documents must be attached with this application. Mark the appropriate response-cells with an “X” to confirm that these attachments form part of this submission:

<b>Applicable Section</b>	<b>General Documentation</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
2.1	Conduct of deposit taking business procedures and documentation:			
3.1	Process map setting out the credit review and approval process:			
3.3/4.3	Banking business – policies and procedures dealing with deposit taking; money transfers, power of attorney and dormant accounts; and letters of credit in relation to trade finance:			
3.2/3.7	Risk policies and procedures relevant to the proposed business:			
3.11	A copy of the funding strategy:			
3.19	A copy of the IRAP and ICAAP:			
	<b>Islamic Finance Documentation</b>			
4.2	Copy of Constitutional Document:			
4.2	Shari’a Supervisory Board Policy:			
4.4	Product Disclosure Documentation:			
4.5	Sharia Compliance Policies and Procedures manual:			