

SUMMARY OF POLICIES WITH REGARD TO THE PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM

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INTRODUCTION

BMCE BANK INTERNATIONAL, incorporated in 1994 as a Spanish bank and registered with the Bank of Spain under number 0219, is supervised with regard to the prevention of money laundering by the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC) attached to the Bank of Spain.

Spain is a member state of the European Union and as such has transposed to its legislation the EC Directives relative to the prevention of money laundering and the financing of terrorism. Spain is also a member of the Financial Action Task Force (FATF).

As European bank, BMCE BANK INTERNATIONAL is submitted to all European laws concerning the prevention of money laundering and financing of terrorism. Local regulation is also respected, mainly:

- Spanish Law 10/2010, of 28 April 2010, on the Prevention of Money Laundering and Terrorist Financing
- Royal Decree 304/2014 of 5 May

BMCE BANK INTERNATIONAL has designed and implemented a programme for the prevention of money laundering and the financing of terrorism based on policies and procedures which are mandatory for all the areas of our bank.

In this sense all guidelines and recommendations from FATF- GAFI, Egmon Group, SEPBLAC and Bank of Spain have been included.

1. GENERAL PRINCIPLES OF THE AML / TF POLICIES

As stated in our Manual for the Prevention of Money Laundering and Terrorism Financing and the Technical Procedures for development and implementation, the principles that govern our activity in the field:

1. **Risk approach**, through the preparation of reports that describe and evaluate the risk exposure of AML / TF in relation to our activity.
2. **Sensitization of senior management and the management body**, which knows the risks in the matter and ensures that appropriate measures are taken to mitigate those risks.

3. **Focus on the generalized prevention**, including not only the technical units of prevention, but also the own business network as the first line of defense.
4. **Feedback derived from the steady communication between the technical units and the business units**, related to the risks in which they may be involved and the measures necessary to mitigate them.
5. **Universality** that guarantees that the protocols are applied to all clients, operations and business scope without exception.
6. **Adaptation to the specific business** of our entity.
7. **Pillars of prevention**: determination of real ownership, knowledge of the origin of the funds and the consistency of the operation.
8. **Reinforced monitoring** of new customers, products or services.
9. **Practical document and quick method of implementation** of the current standards.
10. **External reviewers of the AML/TF** system effectiveness.
11. **Updates and review of registered procedures**.

2. **POLICY FOR THE ACCEPTANCE OF CUSTOMERS.**

In compliance with the due diligence regulations regarding customers, specific rules and procedures are in place to regulate the policy for the acceptance of commercial relationships. The policy for acceptance of customers is adapted to each type of customer according to the risk assignment.

For the purposes of control of the risk of ML/TF, the Bank will not accept the following categories of customers:

- ✓ Persons who are not duly identified or who refuse to supply information or the required documentation.
- ✓ Persons who have businesses of a nature that makes it impossible to verify the legitimacy of the activities or the origin of the funds.
- ✓ Persons included on black lists of the EU, OFAC, UN or any other organisation.

- ✓ Banks resident in countries or territories in which they do not have physical presence (“Shell Banks”).
- ✓ Persons of whom BMCE BANK INTERNATIONAL has suspicion or reliable evidence that are immersed in legal proceedings concerning money laundering or of whom BMCE´s, suspects or has evidence that are involved in criminal activities and own or have acquired assets derived from a criminal activity.
- ✓ Persons from whom BMCE BANK INTERNATIONAL has suspicions or irrefutable evidence that they participate in criminal activities, or own or acquire assets generated from a criminal activity.
- ✓ Casinos or other activities related with gambling, as well as physical persons or legal entities that pretend to undertake similar activities that require an official authorisation in order to operate, and do not hold it. Neither will be admitted the commercialization of lotteries or other gambling games.
- ✓ Clients related with the production or distribution of weapons or other elements of military character.
- ✓ Natural or legal persons whose object or activity is the real estate development, agency, commission or intermediation in the purchase and sale of real estate.
- ✓ Philatelic and numismatic investment.
- ✓ Persons under 18 years of age.
- ✓ Legal persons and other instruments registered in risky jurisdictions, their admission will be subject of an express authorization by senior management.
- ✓ Client with insufficient information or documentation.

In their admission, clients will be classified by the level of risk in 3 levels (high / medium / low), depending on the risk of AML / TF inherent in their legal form and activity. Thus, depending on the risk and in compliance with the due diligence rules, the necessary measures are established to monitor their activity and update their file and the commercial relationship. The measures of diligence will be adapted to every type of client based on the assignment of risk (simplified, normal or reinforced diligence). The documentation required for the account opening for natural and legal persons requires first, the understanding of their activity and the source of funds with the requirement to support all of it with the relevant documentation for each type of person. Secondly, the tax residence

must be disclosed and in the case of legal entities, the ultimate beneficiary owner too.

3. POLICY FOR IDENTIFICATION OF THE CUSTOMER.

Specific rules and procedures are in place to ensure the identification and knowledge of the customer.

It should be mentioned that the bank has specific procedures to identify politically exposed persons (PEPs) or their direct family members or close collaborators.

When there is a relationship with a PEP the following Enhanced Due Diligence is undertaken: Update of the data obtained during the customer acceptance process, increase of the periodicity of the document review process, obtaining of additional information about the client (real owner, purpose and nature of the business relationship, origin of the funds, patrimony of customer, purpose of the transaction), obtaining executive authorization to establish or maintain the business relationship or execute the operation, within others measures.

4. POLICY FOR IDENTIFICATION OF THE BENEFICIAL OWNER.

Pursuant to the Law 10/2010 of 28 April on the Prevention of Money Laundering and the Financing of Terrorism, BMCE BANK INTERNATIONAL has implemented a procedure for identification of the beneficial owner

The bank adopts the appropriate measures in order to verify their identity prior to the establishment of business relations or the execution of whatsoever transactions.

5. POLICY REGARDING KNOWLEDGE OF THE CUSTOMER.

Our bank has established rules, procedures and internal controls in order to obtain full knowledge of its customers, their activities and the purpose of their business relationship.

For business reasons and to prevent certain suspicious activity, the offices and commercial collaborators must have enough knowledge of the activity carried

out by the customer and whether this justifies the operations and financial flows that pass through BMCE BANK INTERNATIONAL.

This knowledge should be considered one of the necessary conditions for the commencement of commercial relationships with new customers, thus eliminating the possibilities for the opening of spontaneous accounts in the bank, without previous information being provided to the senior management of our bank.

Our policy for knowledge of the customers is a basic element of the risk management and control procedures of the bank. This is based on a risk focus and continuous monitoring, assisting us to manage more prudently. It is to be emphasised that automatic mechanisms are in place to detect the inclusion of persons on the black lists of the United Nations, the European Union¹ or the OFAC², both in the customer acceptance process and in daily operations.

As mentioned before, our AML Policy establishes several types of customers, which by their characteristics are not admissible. Once the client is admitted, the internal procedure includes the identification of risk factors and the methodology to categorize clients. According to the Bank risk-based approach, clients are classified as per the following risk levels and updating process frequency: High Risk (every 12 months); Medium Risk (every 18 months); Low Risk (every 24 months); New Clients (every 6 months since account opening)

The factors considered when undertaking the assesment of risk are: the profile of the customers and their activities, jurisdiction, countries or geographic áreas in which it undertakes business, products, services and activity profiles, distribution channels and business partners, complexity and volume of transactions, development of new products and new business practices, source of funds, shareholders, anual accounts, and share capital.

¹ Source: http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm

² Source: http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/fse_list.aspx

6. POLICY FOR ACCEPTANCE OF CORRESPONDENT BANKS.

Policies are in place for the acceptance of banks with which correspondence is established. These policies and processes cover from the compilation of information regarding the correspondent banks to the analysis based on the risk focus.

To carry out the study of the banks, the following documentation is established:

- Copy of last annual report;
- Copy of las audited accounts;
- Copy of activity license issued by the Central Bank of the country of registration;
- Copy of commercial registration form;
- Copy of its bylaws;
- List of its shareholders and real owners;
- List of the members of its Board of Directors and its Executive Committee, in addition to their CVs and Passports;
- Copy of their AML policy;
- BMCE BANK INTERNATIONAL ´s AML Questionnaire and the latest version of the Wolfsberg questionnaire filled and signed;
- Certification of the US Patriot Act and W8-BEN-E form; and,
- FATCA number.

The bank cannot establish or maintain correspondence relationships with shell banks or with banks that are known to allow the use of their accounts by shell banks (article 13 Law 10/2010).

Neither correspondence relationships may be established or maintained that, directly or via a sub-account, allow the execution of transactions by the customers of a represented bank (article 13 Ley 10/2010).

7. INTERNAL ORGANIZATION.

BMCE BANK INTERNATIONAL has an internal organization that allows to guarantee the homogeneous fulfillment of the normative policies regarding PBC / FT:

- **The Technical Unit of AML / TF (UTPBC)** is the specialized body in the matter and is dedicated to the analysis of information related to policies, procedures, clients, operations and relevant products and services for the prevention and mitigation of AML/ TF risk.

- **The Internal Control Body (OCI)**, as the representative body of the different business areas affected by the AML / TF regulations together with the Management of the Entity. It is responsible for making decisions regarding the directives in the matter, admission of clients, analysis of suspicious transactions, decision of communications to the SEPBLAC, collaboration with the SEPBLAC Commission, etc. In addition, is in charge of verifying the proper functioning and effectiveness of the measures and procedures.

- **The representative towards the SEPBLAC** is the person in charge of the communication and direct contact at technical level with the OCI and at institutional level with the SEPBLAC. It possess global access to all the information and files which is necessary for the monitoring and control of the matter.

- **The Senior Management of the Entity** for its part, responsible for the policies and measures implemented in the matter, which implies having full knowledge of the specific risks of the Entity, as well as training in the subject. In addition, the Board of Directors and the General Management will be the ones who approve, as established, the Policies and Procedures of AML / TF, the Risk Self-Assessment Report in what regards the ML / FT, the Annual Report, the Internal Verification Report or any other document or report that is thus determined.

8. TRAINING PLAN.

As established by current regulations on the prevention of money laundering the continuous and permanent training of the personnel in this matter constitutes one of the fundamental objectives of the Bank in order to apply adequate policies for the prevention of money laundering.

Therefore, Management, with the collaboration of the Internal Control Body (OCI), prepares and promotes annual training plans for its employees in order to communicate the new legal requirements that arise, to explain the internal procedures on this matter and to achieve adequate competence in order to detect transactions related with money laundering.

The training programmes will take into account international rules and local legislation against money laundering and the financing of terrorism, as well as the internal rules and procedures intended to fight money laundering and the financing of terrorism, including the ways for recognising and reporting suspicious activities.

The OCI must approve the training plan and may inform the employees of the regulatory modifications in this matter as well as all the new modalities, techniques or procedures detected that are susceptible of being used in the fight against money laundering.

9. INTERNAL AND EXTERNAL CONTROLS

The Entity has entrusted to **the Permanent Control Unit**, the monitoring of the most immediate processes and risks in the matter, this task is included in its planning and the recommendations, corrections or improvements that must be made are reported to the departments affected, the senior management and the OCI. Every six months, it presents a report to the OCI where these elements are included.

On the other hand, **the internal Audit** of the bank in its Audit Plan supervises and verifies the application of the guidelines on the established procedures, the operations and the procedures, concluding and issuing an opinion on its effectiveness and adjustment.

Every year, an **independent external expert** conducts an examination that assesses the adequacy of the policies, procedures and manuals regarding AML / TF, in accordance with the regulatory requirements established.

10. INTERNAL REPORTING OF SUSPICIOUS TRANSACTIONS

Following the internal rules and procedures for reporting, any employee who detects a transaction suspicious of money laundering must communicate it to the OCI, which will analyse the transaction urgently and determine its reporting to the SEPBLAC when it presents signs of suspicion.

11. REPORTING OF TRANSACTIONS TO THE AUTHORITIES

Pursuant to the reporting obligations of entities subject to anti-money laundering obligations vis-à-vis the SEPBLAC, the Money Laundering Prevention Unit will issue the communications to the SEPBLAC.

This obligatory and systematic reporting consists of sending to the Executive Service on a monthly basis the transactions that meet the criteria established in paragraphs a), b), c), d), e) and f) of article 27.1 of the Regulations of the Law 10/2010, approved by Royal Decree 304/2014.

Likewise, the Money Laundering Prevention Unit will develop and implement adequate controls in order to detect any transaction likely to be suspicious.

To generate such information, the Money Laundering Prevention Unit will use a system of defined alerts and filters, as well as a catalog or registry of types of transactions related with ML/TF, in order to detect any possible transaction with traces of or related to ML/TF.

BMCE BANK INTERNATIONAL systems have parameterized a series of alerts on transaction/customers that have been defined internally by the Compliance team. If it detects an operation/customer that leaves the normal pattern expected, the system notifies the Compliance department to review the transaction. The Compliance department receives also, suspicious cases reported by internal departments. When the Compliance department receives suspicious cases (from the system or from other departments) his mission consists in investigating in more detail these suspected cases of money laundering. While undergoing its investigation, the Compliance team might request additional information related to the transaction or case reported, to assist in the investigation. The case is then reported to the OCI for discussion with a report where the findings of the investigation are disclosed. The Head of Compliance presents the case to the OCI, which studies and discusses all the

facts. If a serious doubt persists and the case investigated is a potential attempt to launder funds, the case is immediately reported to SEPBLAC (Spanish regulator).

12. CONSERVATION AND FILING OF DOCUMENTS.

The period established for the conservation of documentation is ten years, complying with the provisions of the Law 10/2010.

The said documentation or information will be adequately filed to facilitate its location and guarantee its confidentiality.

The Bank makes back-up copies on a monthly basis, storing said copies in a location other than the address of the Bank.

13. PATRIOT ACT.

Pursuant to the requirements established by the United States Law "USA PATRIOT ACT"³, all banks that are domiciled outside the United States and which wish to establish or maintain relationships of international correspondence with a US bank or broker/dealer, are obliged to provide certain information regarding the nature of their business and the degree of supervision to which they are subject.

To comply with this requirement, BMCE BANK INTERNATIONAL has prepared a USA PATRIOT ACT Global Certificate, which may be used by any financial institutions that require it and which can be found on our web site in PDF format.

14. FATCA (Foreign Account Tax Compliance Act)

In accordance with the provisions of the FATCA (Foreign Account Tax Compliance Act), our organization has registered in the IRS (Internal Revenue Service) as a participating financial institution.

The GIIN [1] Global Intermediary Identification Number, given to our organization is *47CQP3.00010.ME.724*.

³ Certificate corresponding to the USA Patriot Act, pursuant to sections 313 and 319 of the Patriot Act (Public Law 107-56)