

Anti-Money Laundering & Combating the Financing of Terrorism (AML-CFT) Policy

Background and Rationale

Money laundering and terrorism financing have been identified as a major threat to the international financial services community.

BLOM BANK France Group and its foreign branches and subsidiaries have thus implemented a fully comprehensive AML-CFT policy and have elaborated AML-CFT procedures and tasks in each site and every country in order to be compliant with the country's rules and regulations as well as with Head Office's complying rules.

BLOM BANK France is registered, authorized and based in France, by its organization and procedures the whole group complies with its obligations under the legislation currently in force in the fight against money laundering and against terrorism financing.

French and European legislations are of a primary importance to the Bank but also are the FATF, UN and OFAC provisions. The Bank has adopted the French and European legislation requirements as a statement of the minimum standards to be adopted by all overseas branches and subsidiaries.

Legal and Regulatory Framework

Mainly three sets of rules and principles apply to BLOM BANK France:

- The national framework which mainly relates to:
 - Decree of September, 2nd 2009 defining information elements related to the knowledge of the client and the business relationship for the purpose of assessing the risks of money laundering and terrorist financing;
 - Articles L.561-2 and following as well as R. 561-1 and following of the Code Monétaire et financier (CMF);
 - CRBF Regulation No. 2002-01 of 18 April 2002 (related to the checks);
 - Decree of November 3, 2014 relating to the internal control of companies in the banking sector, payment services and investment services subject to the supervision of the French Prudential Supervisory and Resolution Authority (ACPR).
- The European framework and its transpositions into French law, including:
 - The 4th European Directive on the prevention of the use of the Union's financial system for the purpose of money laundering and terrorist financing (2001/906/EC of 30 May 2001) which has been transposed by the ordinance of December, 1st 2016;
 - Regulation No. 2015/847 of May 20, 2015 on information accompanying transfers of funds;
 - The international framework guided by FATF / FATF recommendations

Policy purpose

In order to fight money laundering, combat terrorism finance, detect tax fraud and protect its reputation BLOM BANK France sets out an AML-CFT policy.

This policy includes stringent Know Your Customer (KYC) norms regarding customer acceptance, which covers customer identification and verification, customer risk assessment, transaction filtering, transaction monitoring, unusual or suspicious activity reporting, and the rejection or ending of business relationships.

AML-CFT also includes the necessary training and awareness of the staff to implement the above.

AML-CFT policy and KYC norms advocate a risk-based approach. This approach allows for the possibility to use different measures and controls in different situations and risks levels, depending on the customers or customers segments, their background, their business activities, their products and services needs, the sources and nature of funds or assets, and the geographies involved.

Policy scope

This policy applies to all the Bank's overseas entities. Where local legislation is more stringent, local requirements will apply in addition with this Policy. Meeting the requirements of this Policy is considered of paramount importance and takes precedence over other commercial aspects of managing our customer relationships.

Policy objectives

The objectives of this Policy are:

- To prevent use of the Bank's products and services for money laundering, terrorism financing or for tax fraud purposes;
- To prevent damage to the Bank's name and reputation by association with money launderers or terrorism financiers;
- To ensure that the Bank complies with anti-money laundering and counter financing of terrorism legislations/regulations wherever it does business.

Policy scales

The policy includes specific requirements with regard to amongst other things:

- The appointment of an AML-CFT Officer;
- The implementation of a structured organization for monitoring and reporting;
- Internal procedures regarding the collection and analysis of information for identification, verification and customer knowledge by applying KYC Norms;
- The classification of customer's accounts in terms of AML-CFT risk-based approach;
- Additional due diligence concerning high risk customers;
- Procedures concerning cash and checks controls;
- Reporting of suspicious transactions and freezing of assets;
- Regular internal and external audit of compliance with the AMLCFT procedures;
- Procedures for training of employees on AML-CFT requirements and procedures;
- Mandatory regulatory reporting for the regulator (s) and financial intelligence units.

Policy application

All the Bank's branches will implement policies and procedures to the standards required by the European and French legislation (or to any higher standard required by local legislation), which will:

- Identify and know their customers;
- Ensure that adequate records are kept and preserved;
- Provide training for relevant employees to enable them to understand and fulfil their obligations under the French legislation, or any other local requirements;
- Ensure that suspicious transactions are recognized and adequately reported to the AML-CFT Officer who will determine whether a report is to be made to the authorities;
- Provide the AML-CFT Officer with all reasonable access to the information that may be of assistance to him in carrying his duties;
- Ensure that all necessary controls and communications are in place and are operating effectively to prevent money laundering.

Each and every individual in the Bank is responsible for the enforcement and the respect of this Policy, especially when considering a customer for acceptance before entering into a relationship, and when handling each customer's business during the life of the relationship.

The day-to-day custodian of the Policy is the Anti-Money Laundering Head at the Head Office who also controls the amendments required to this Policy as a result.

No changes to, or exceptions from, this Policy are allowed without the formal agreement of the AML-CFT Compliance Officer at the Head Office.

The Anti Money Laundering Compliance Officer at the Head Office is responsible for ensuring that each entity complies with this Policy.

Sanctions

Failure to comply with the AML- CFT obligations may be subject to criminal or disciplinary sanctions, namely:

- Money laundering, as defined by the Penal Code (art 324-1), is punishable with 5 years' imprisonment and a EUR 375 000 fine. The sanction is raised to 10 years imprisonment and a EUR 750 000 fine if the offense is committed by a professional (article 324-2 of the Penal Code). The sanctions are more severe if the targeted operations result from drug trafficking (art. 222-38 of the Penal Code).

- The financing of a terrorist enterprise by providing, gathering or managing funds, securities or any other asset or by advising such an enterprise (with the intention to perpetrate an attack using all or a part of these funds irrespective of the eventual occurrence of such an act according to the definition of the article 421-2-2 of the Penal Code) is punishable with 10 years' imprisonment and a EUR 225 000 fine.

- The non-compliance with an European assets-freezing sanction is punishable with five years' imprisonment and a fine of not less than the amount and not more than double the amount of the offense or attempted infringement (art. 459-1 bis of the Customs Code).

- A EUR 22 500 fine is prescribed for agents or executives of a financial institution providing the suspected of money laundering person or a third party with the existence or the content of the suspicious transaction declaration to TRACFTN or to the continuation of the declaration (art. L.574-1 of the CMF).

- The article L.561-36 of the CMF states that the ignorance by a financial institution of its anti-money laundering obligations is subject to disciplinary sanction by the competent authorities (ACPR in France)
- For all executives of under ACPR supervision financial institutions the fact to avoid answering (after a formal notice) to information request of the ACPR or to block the ACPR in the fulfilment of its control mission or to provide the ACPR with false pieces of information is punishable with one-year imprisonment and a EUR 15 000 fine (L573-1-1 of the CMF).

Monitoring of transactions

Procedures were put in place to monitor customers' transactions. The AML-CFT Department generates reports on a frequent basis to achieve this task.

Any transaction which does not fit within a customer's transaction profile should be reviewed by the AML-CFT Officer at the branch and the branch manager, to determine whether the circumstances give rise to any suspicion of money laundering.

Suspicious activity reporting

Any staff identifying an account, an activity or a transaction which he deems to be suspicious, must report that suspicion to the AML-CFT Officer and to the Branch Manager, through a written Suspicious Transaction Report (STR). The AML-CFT Officer will report the transaction to the Financial Intelligence Unit.

Maintaining and updating information

The information relating to customers (personal details, proof of beneficial ownership...) is kept during five years following the carrying-out of the transaction or the business relationship, as required by French Regulation.

Staff training

All employees having potential contact with customers or processing transactions on behalf of customers are required to undertake AML-CFT training on a frequency adapted to the needs of the latter (at least once a year).

Resources and materials are easily accessible and made available to all relevant staff.