

# Anti-Money Laundering and Anti-Terrorism Financing Policy



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## **1 COMBATING MONEY LAUNDERING AND THE FINANCING OF TERRORISM**

Financial crime is a serious societal problem and a threat to both individuals and society. Banking and finance make an important contribution to preventing money laundering and the financing of terrorism.

One of Sparebanken Sør's overarching goals is to combat financial crime and to facilitate healthy economic development. The Bank has zero tolerance for all forms of financial crime, and wishes to help establish healthy business practices based on fair competition and legal activities.

Sparebanken Sør's efforts to combat financial crime are founded on applicable laws and regulations, including anti-money laundering legislation.

The Bank has a comprehensive framework of governing documents, policies and guidelines to ensure that the Bank complies with legal requirements to prevent financial crime, such as money laundering and the financing of terrorism.

Together with the rest of the finance sector, Sparebanken Sør fulfils an important social mandate and deploys significant resources to prevent criminals from using the Bank's services and products for illegal activities.

To help reduce financial crime, Sparebanken Sør implements robust control and customer due diligence measures, and good internal management and control functions.

The Bank attaches extremely high importance to anti-money work and countering the financing of terrorism, and has established a dedicated team, which in addition to performing specific roles such as transaction monitoring, customer verification and preparation of procedures and risk assessments, also acts as a support function for the Bank's other employees.

All the Bank's employees must be familiar with the Bank's procedures for work to combat money laundering and the financing of terrorism (AML work). It is important to ensure that the risk of money laundering and financing of terrorism is assessed in all decisions, both in daily contact with customers and in the development of new strategies, products and systems.

## **2 ORGANISATION OF ANTI-MONEY LAUNDERING WORK**

### **2.1 Shared areas of responsibility**

All the Bank's employees must help maintain high standards and levels of vigilance with regard to combating money laundering and the financing of terrorism. The Bank aims to establish a culture that prioritises the Bank's social responsibility in a way that ensures that everyone understands their role in this work. All divisional directors have executive responsibility for following up governing documents and procedures. All managers and employees are responsible for reporting non-conformances with guidelines and procedures.

### **2.2 Board of Directors**

The Board of Directors has overarching responsibility for ensuring that Sparebanken Sør establishes appropriate and effective processes for AML work in accordance with laws and regulations. This is achieved through overarching governing documents and internal control guidelines, and by reviewing risk assessments and ongoing reporting from the AML Compliance Officer, Compliance and Internal Control.

### **2.3 Risk Committee**

The Board has established a Risk Committee as a subcommittee of the Board whose mandate is to help ensure that the Group's risk and capital management activities support the Group's strategic development

and goal achievement. The Risk Committee assesses proposed procedures and guidelines before they are presented to the Board, including the Bank's AML guidelines and procedures.

## 2.4 CEO

The CEO and other members of Group management are responsible for monitoring AML work. The CEO ensures that sufficient resources and working capacity are made available to enable the Bank to comply with applicable legal requirements. The CEO also appoints a person to have special responsibility for AML work, the Anti-Money Laundering (AML) Compliance Officer.

## 2.5 Anti-Money Laundering Compliance Officer

The Legal Director has ultimate responsibility for work to prevent money laundering, the financing of terrorism, corruption, fraud and other financial crime. The AML Compliance Officer is responsible for further developing and embedding the Bank's frameworks and processes for work to combat money laundering and the financing of terrorism, including strategies, business-specific risk assessments, guidelines, organisation, processes, methods, models and systems. The AML Compliance Officer supports and advises the Board of Directors and CEO on work to combat money laundering and the financing of terrorism.

The AML Compliance Officer further ensures that the Bank's AML work is conducted, followed up and documented in accordance with laws, regulations and internal guidelines and procedures.

## 2.6 Operational Anti-Money Laundering Compliance Officer

The Head of the Anti-Money Laundering Department is the Bank's Operational Anti-Money Laundering (AML) Compliance Officer.

The Operational AML Compliance Officer works exclusively within anti-money laundering. Their responsibilities include annually reviewing business-specific risk assessments, ensuring implementation of transaction monitoring, conducting investigations in cases of suspected money laundering or financing of terrorism, reporting suspicious cases to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim), implementing controls and further developing transaction monitoring and risk scoring of the customer portfolio. The Officer is also responsible for information activities and training the Bank's employees assigned to this role.

## 2.7 Managers

Managers at all levels of the organisation must continually ensure that all employees have good knowledge of relevant guidelines and procedures for the Bank's AML work. They must also contribute to the implementation of overarching risk assessments. Local managers are responsible for ensuring that employees have the expertise and capacity required to be able to manage this work in an effective and appropriate manner.

## 2.8 Employees

All employees are responsible for ensuring that they are familiar with relevant guidelines and procedures relating to money laundering and the financing of terrorism. All employees are personally responsible for helping ensure that Sparebanken Sør complies with applicable laws, regulations and procedures. Non-compliances must be reported via line managers, the Operational Anti-Money Laundering Compliance Officer or the incident database. All employees are responsible for their own knowledge and undertake to take further training if necessary. This must be agreed with the line manager.

## 2.9 First, second and third lines of defence

The first line of defence consists of the Bank's operational functions (business areas and Group support functions). The first line has direct contact with the customers, where the main principle is "know your customer". If transactions or circumstances arise whose background we cannot explain, we have a duty to investigate. We have a duty to report anything suspicious to Økokrim.

Compliance forms the Bank's second line of defence, and is an independent control function that controls, monitors and follows up the Group's operational functions, including in relation to anti-money laundering.

Internal Audit represents the Bank's third line of defence and conducts independent controls and assessments in relation to AML work. This is a monitoring function that is independent of the rest of administration. Internal Audit conducts risk assessments, investigations and controls to assess whether internal control systems and management processes are satisfactory, and to ensure that the portfolio and reporting systems function as intended. Internal Audit must have full access to all relevant information.

## 3 RISK ASSESSMENT AND DUE DILIGENCE

The Anti-Money Laundering Act and regulations provide clear instructions on how the scope of customer controls, risk scoring of customers, customer due diligence, training, procedures and frameworks should be directly linked to the Bank's own business-specific risk assessments.

Risk assessment must as a minimum be linked to customer type, product, transaction, geography and distribution channels. Risk assessments of money laundering and the financing of terrorism must be made before new products and services are offered and before new technology is rolled out. The risk assessment must be revised at least once a year and presented, together with risk-reducing measures, to the Bank's Board of Directors.

## 4 REPORTING

The Bank reports each quarter to Group management, the Risk Committee and the Board of Directors. This is intended to ensure ongoing and timely reporting of the number of high-risk customers, number of suspicious transactions, number of ST reports, changes in risk levels and work on risk-reducing measures.