



Uninova Bank Anti- Money Laundering Principles for Private Banking

The Wolfsberg AML Principles:

Wolfsberg Anti-Money Laundering Principles for Private Banking (2012)

Preamble

The following Principles are understood to be appropriate for private banking relationships. Principles for other market segments may differ.

The Principles were initially formulated in 2000 (and revised in 2002) to take into account certain perceived risks associated with private banking. Such risks continue to warrant appropriate levels of attention, no less today than ten years ago. Regulators continue to expect strong anti-money laundering (“AML”) standards, robust controls, enhanced client due diligence and suitable AML policies and procedures. The Wolfsberg Group¹ takes this opportunity to provide a further revision of the Principles.

The objectives of suitable AML policies and procedures are to prevent the use of the bank’s worldwide operations for criminal purposes and to protect the firm’s reputation. Such policies and procedures are designed to mitigate the risk of money laundering and to cooperate with governments and their agencies in the detection of money laundering.

The bank will periodically assess the risk of its private banking business and the bank’s Senior/Executive Management will be made aware of these risks. It is the responsibility of Senior/Executive Management of the bank to approve written policies and procedures to address these risks, reflecting a risk based approach and to oversee the implementation of these policies, procedures and relevant controls. Such policies and procedures will adhere to these Principles and will be periodically updated in light of relevant developments.

1 Client Acceptance: General Principles

1.1 General

The bank will endeavour to accept only those clients whose source of wealth and funds can be reasonably established to be legitimate. The primary responsibility for this lies with the private banker who sponsors the client for acceptance. Mere fulfilment of internal review procedures does not relieve the private banker of this basic responsibility. Bank policy will specify what such responsibility and sponsorship entail.

1.2 Identification and Verification of Identity

1.2.1 Client Identity

The bank will establish the identity of its clients and beneficial owners prior to establishing business relationships with such persons. Identity is generally established by obtaining the name,

date of birth (in the case of individuals), address and such further information that may be required by the laws of the relevant jurisdictions.

1.2.2 Verification of Identity

The bank will take reasonable measures to verify identity when establishing a business relationship as noted below, subject to applicable local requirements.

- Natural persons: identity will be verified to the bank's satisfaction on the basis of official identity papers or other reliable, independent source documents, data, or information as may be appropriate under the circumstances.
- Corporations, partnerships, foundations: identity will be verified on the basis of documentary evidence of due organization and existence.
- Trusts: identity will be verified on the basis of appropriate evidence of formation and existence or similar documentation. The identity of the trustees will be established and verified.

Identification documents, if used for verification purposes, must be current at the time of opening and copies of such documents will be obtained.

1.2.3 Beneficial Owner

Beneficial ownership, for AML purposes, must be established for all accounts. Beneficial owners will ordinarily include the individuals (i) who generally have ultimate control through ownership or other means over the funds in the account and/or (ii) who are the ultimate source of funds for the account and whose source of wealth should be subject to due diligence. Mere signature authority does not necessarily constitute control for these purposes. The meaning of beneficial ownership for purposes of determining who should be subject to due diligence is dependent on the circumstances and due diligence must be done on all beneficial owners identified in applying the following principles:

- Natural persons: when the account is in the name of an individual, the private banker must establish whether the client is acting on his/her own behalf. If doubt exists, the bank will establish the capacity in which and on whose behalf the accountholder is acting.
- Legal entities: where the client is a private investment company, the private banker will understand the structure of the company sufficiently to determine the provider of funds, the beneficial owner(s) of the assets held by the company and those with the power to give direction to the directors of the company. This principle applies regardless of whether the share capital is in registered or bearer form.

Trusts: where the client is a trust, the private banker will understand the structure of the trust sufficiently to determine (i) the provider of funds (e.g. settlor), (ii) those who have control over the funds (e.g. trustees), (iii) any persons or entities who have the power to remove the trustees and (iv) the persons for whose benefit the trust is established.

- Partnerships: where the client is a partnership, the private banker will understand the structure of the partnership sufficiently to determine the provider of funds and the general partners.
- Foundations: where the client is a foundation, the private banker will understand the structure of the foundation sufficiently to determine the provider(s) of funds and how the foundation is managed.
- Unincorporated associations: the above principles apply to unincorporated associations.

In each of the above cases, the private banker will make a reasonable judgment as to the need for further due diligence.

Local law may characterise beneficial owners by reference to specific minimum levels of ownership.

The identity of each beneficial owner will be established and, as appropriate, verified unless the identity is previously verified in accordance with the beneficial owner's role as a client. Identity will be verified to the bank's satisfaction on the basis of official identity papers or other reliable, independent source documents, data, or information as may be appropriate under the circumstances. In the event verification is based on identity papers, copies of such identity papers should be obtained.

"Beneficial ownership," as that term may be used for other purposes, may have different meanings.

1.2.4 Intermediaries

The nature of the relationship of the bank with an intermediary depends on the type of intermediary involved:

Introducing Intermediary: an introducing intermediary introduces clients to the bank, whereupon the introducing intermediary's clients become clients of the bank. The bank will generally obtain the same type of information with respect to an introduced client that would otherwise be obtained by the bank, absent the involvement of an introducing intermediary. The bank's policies will address the circumstances in, and the extent to, which, the bank may rely on the introducing intermediary in obtaining this information.

Managing Intermediary: a managing intermediary acts as a professional asset manager for another person and either (i) is authorized to act in connection with an account that such person has with the bank (in which case the considerations noted above with respect to introducing intermediaries would apply); or (ii) is itself the accountholder with the bank, to be treated as the client of the bank.

The private banker will perform due diligence on the introducing or managing intermediary and establish, as appropriate, that the intermediary has relevant due diligence procedures for its clients, or a regulatory obligation to conduct such due diligence, that is satisfactory to the bank.

1.2.5 Powers of Attorney/Authorized Signers

The relationship between the holder of a power of attorney or another authorised signer, the accountholder and if different, the beneficial owner of the account, must be understood.

The identity of a holder of general powers over an account (such as the power to act as a signatory for the account) will be established and, as appropriate, verified.

1.2.6 Practices for Walk-In Clients and Electronic Banking Relationships

A bank will determine whether walk-in clients or relationships initiated through electronic channels require a higher degree of due diligence prior to account opening. The bank will specifically address measures to satisfactorily establish and verify the identity of non-face-to-face customers.

1.3 Due Diligence

In addition to the information contemplated in 1.2, it is essential to collect and record information covering the client profile categories outlined in Appendix I.

Applying a risk based approach, the bank will corroborate the information set forth in Appendix I on the basis of documentary evidence or reliable sources. Unless other measures reasonably suffice to conduct the due diligence on a client (e.g. favorable and reliable references), a client will be met prior to account opening, at which time, if identity is verified on the basis of official identity documents, such documents will be reviewed.

1.4 Numbered or Alternate Name Accounts

Numbered or alternate name accounts will only be accepted if the bank has established the identity of the client and the beneficial owner. These accounts must be open to a level of scrutiny by the bank's appropriate control layers equal to the level of scrutiny applicable to other client accounts. Wire transfers from these accounts must reflect the true name of the accountholder.

1.5 Concentration Accounts

The bank will not permit the use of its internal non-client accounts (sometimes referred to as “concentration” accounts) to prevent association of the identity of a client with the movement of funds on the client’s behalf, i.e., the bank will not permit the use of such internal accounts in a manner that would prevent the bank from appropriately monitoring the client’s account activity.

1.6 Oversight Responsibility

There will be a requirement that new clients, subject to a risk based approach, be approved by at least one person other than the private banker.

2 Client Acceptance: Situations requiring Additional Diligence / Attention; Prohibited Customers

2.1 Prohibited Customers

The bank will specify categories of customers that it will not accept or maintain.

2.2 General

In its internal policies, the bank must define categories of persons whose circumstances warrant enhanced due diligence. This will typically be the case where the circumstances are likely to pose a higher than average risk to a bank

2.3 Indicators

The circumstances of the following categories of persons are indicators for defining them as requiring Enhanced Due Diligence:

- Persons residing in and/or having funds sourced from countries identified by credible sources as having inadequate AML standards or representing high risk for crime and corruption.
- Persons engaged in types of economic or business activities or sectors known to be susceptible to money laundering.
- “Politically Exposed Persons,” frequently abbreviated as “PEPs,” referring to individuals holding or, as appropriate, having held, senior, prominent, or important public positions with substantial authority over policy, operations or the use or allocation of government-owned resources, such as senior government officials, senior executives of government corporations, senior politicians, important political party officials, etc., as well as their close family and close associates. PEPs from different jurisdictions may be subject to different levels of diligence. 3

Clients who are not deemed to warrant enhanced due diligence may be subjected to greater scrutiny as a result of (i) monitoring of their activities, (ii) external inquiries, (iii) derogatory

information (e.g. negative media reports) or (iv) other factors which may expose the bank to reputational risk.

2.4 Senior Management Approval

The bank's internal policies should indicate whether, for any one or more among these categories, Senior Management must approve entering into new relationships.

Relationships with Politically Exposed Persons may only be entered into with the approval of Senior Management.

2.5 Cash Handling

The bank's policies and procedures will address client cash transactions, including specifically the receipt and withdrawal of large amounts of cash.

3 Updating Client Files

The private banker is responsible for updating the client file on a defined basis and/or when there are major changes. The private banker's supervisor or an independent control person will review relevant portions of client files on a regular basis to ensure consistency and completeness. The frequency of the reviews depends on the size, complexity and risk posed by the relationship.

With respect to clients classified under any category of persons mentioned in 2, the bank's internal policies will indicate whether Senior Management must be involved in these reviews and what management information must be provided to management and/or other control layers. The policies and/or procedures should also address the frequency of these information flows.

Reviews of PEPs must require Senior Management's involvement.

4 Practices when identifying Unusual or Suspicious Activities

4.1 Definition of Unusual or Suspicious Activities

The bank will have a written policy on the identification of, and follow-up on, unusual or suspicious activities. This policy and/or related procedures will include a definition of what is considered to be suspicious or unusual and give examples thereof.

Unusual or suspicious activities may include:

- Account transactions or other activities which are not consistent with the due diligence file
- Cash transactions over a certain amount
- Pass-through / in-and-out-transactions.

4.2 Identification of Unusual or Suspicious Activities

Unusual or suspicious activities can be identified through:

- Monitoring of transactions
- Client contacts (meetings, discussions, in-country visits etc.)
- Third party information (e.g. newspapers, other media sources, internet)
- Private banker's internal knowledge of the client's environment (e.g. political situation in his/her country).

4.3 Follow-up on Unusual or Suspicious Activities

The private banker, management and/or the control function will carry out an analysis of the background of any unusual or suspicious activity. If there is no plausible explanation a decision involving the control function will be made to:

- continue the business relationship with increased monitoring
- cancel the business relationship
- report the business relationship to the Authorities.

The report to the Authorities is made by the control function and Senior Management may need to be notified (e.g. Senior Compliance Officer, CEO, Chief Auditor, General Counsel). As required by local laws and regulations, the assets may be blocked and transactions may be subject to approval by the control function.

5 Monitoring and Screening

5.1 Monitoring Program

The primary responsibility for reviewing account activities lies with the private banker. The private banker will be familiar with significant transactions and increased activity in the account and will be especially aware of unusual or suspicious activities (see 4.1). In addition, a sufficient monitoring programme must be in place. The bank will decide to what extent fulfilment of this responsibility will need to be supported through the use of automated systems or other means.

5.2 Ongoing Monitoring

With respect to clients classified under any category of persons mentioned in 2, the bank's internal policies will indicate how the account activities will be subject to monitoring.

5.3 Sanctions Screening

Neither the private banker, nor any other bank employee, will provide clients with any assistance with the knowledge that such assistance will be used to deceive Authorities, including Tax Authorities.

7 Control Responsibilities

The bank's policies and procedures will include standard controls to be undertaken by the various "control layers" (private banker, line management, independent operations unit, Compliance, Internal Audit). These controls will cover issues of frequency, degree of control, areas to be controlled, responsibilities and follow-up, compliance testing, etc.

An independent audit function (which may be internal to the bank) will test the programs contemplated by these controls.

8 Reporting

There will be regular management reporting established on money laundering issues (e.g. number of reports to authorities, monitoring tools, changes in applicable laws and regulations, the number and scope of training sessions provided to employees).

9 Education, Training and Information

The bank will establish a training program on the identification and prevention of money laundering for employees who have client contact and for Compliance personnel. Regular training (e.g. annually) will also include how to identify and follow-up on unusual or suspicious activities. In addition, employees will be informed about any major changes in AML laws and regulations.

All new employees will be provided with guidelines on the AML procedures.

10 Record Retention Requirements

The bank will establish record retention requirements for all AML related documents. The documents must be kept for a minimum of five years, or longer, as may be required by local law and regulation.

11 Exceptions and Deviations

The bank will establish an exception and deviation procedure that requires risk assessment and approval by an independent unit.

12 AML Organisation

The bank will establish an adequately staffed and independent department responsible for the prevention of money laundering (e.g. Compliance, independent control unit, Legal).

Appendix I

Due Diligence of New Clients and Principal Beneficial Owners

Using a risk-based approach, the bank must ensure that it collects and records a sufficient amount of pertinent information when establishing a business relationship and must update the client profile with additional information as the relationship develops. The information should enable an independent reviewer (whether internal or external to the bank) to understand the client and the relationship on the basis of the information recorded. In the event the client is not the beneficial owner, not all of the information contemplated by this Appendix will be obtained with respect to the client; however, in these circumstances, the relevant information will be obtained with respect to the beneficial owner(s).

Source of Wealth

In order to evaluate the source of a client's (or beneficial owner's) wealth, the bank should gather information relevant to the manner in which the wealth was obtained. For example, the information collected by the bank will differ depending on whether the wealth was acquired through ownership of a business, employment or professional practice, inheritance, investments or otherwise.

Net Worth

Source of Initial Funding of Account

The financial institution and jurisdiction from which the assets funding the account will be transmitted (e.g. a transfer from the client's account at another financial institution). This is distinct from an explanation of the source of wealth.

Account Information

- Purpose for Account
- Expected Account Size
- Expected Account Activity
- Occupation
- Nature of Client's (or Beneficial Owner's) Business
- Role/Relationship of Powers of Attorney or Authorized Third Parties
- Other Pertinent Information (e.g. Source of Referral)