

Anti-Money Laundering Policy for the Eurohypo Group

Definition

Money laundering comprises the involvement in any transaction aimed at concealing or hiding the criminal origins of money or other assets. In this context, criminal origins refers to any kind of criminal offence such as fraud, bribery, organised crime, terrorism and other criminal offences. As a rule, money laundering involves three stages:

Placement

Placing cash from illegitimate/criminal activities with financial institutions or other companies.

Layering

Carrying out a number of complex financial transactions to conceal the illegitimate origin of the assets. These transactions are aimed at covering up any traces, thereby making it more difficult to establish the illegitimate origin of the monies and producing the necessary degree of anonymity.

Integration

Re-introducing the laundered assets into the economy, so that they appear to be legitimate funds.

Financial institutions may be misused at each stage of the money laundering process.

Aims

In response to growing international concerns with regard to money laundering and possible financing of terrorist activity, many countries are tightening the relevant legislation and regulations. Money laundering in Germany has been a punishable offence since 1992. In addition, the Money Laundering Act (GwG), which came into force on 20 November 1993, specifies relevant legal requirements for financial institutions and other companies. Compliance with these obligations helps the criminal prosecution process, the identification of assets obtained by illegitimate means and helps to efficiently combat money laundering activities, the financing of terrorist activities and prevents assets obtained by illegitimate means from being funnelled into the legitimate financial cycle.

The aim of the present policy is to establish a general framework for combating money laundering, terrorism, white-collar crime and corruption.

Eurohypo is continually reviewing its anti-money laundering strategies and targets. As an international financial services provider, the Bank has an effective anti-money laundering programme.

The Eurohypo Group is subject to high standards in terms of anti-money laundering regulations and requires its managers and employees to comply with these standards in order to prevent Eurohypo and its products and services from being used for money laundering purposes.

Implementation

The Eurohypo Group has comprehensive working instructions which regulate both the general procedures for combating money laundering, terrorism and fraud as well as particular circumstances and issues in this regard. The Anti Money Laundering Guidelines form the centrepiece of these regulations and apply throughout the Group and are known to every employee. Anti money laundering measures are carried out centrally from Eurohypo's head office in Eschborn. There are reporting lines to all the international units as well as to subsidiaries to which money laundering is relevant.

As a further layer of security against suspicious customers, Eurohypo checks the names of potential customers against an online embargo list before entering into the customer relationship. This list is based on the US Treasury OFAC list and the names and organisations held on the EU consolidated list. Changes in the source lists are downloaded daily onto the embargo list.

The partner base of Eurohypo AG is also compared on an ongoing basis against the names on the embargo list. This is carried out automatically on a daily basis.

The bank's existing customer relationships are checked by the AML system, a rules-based system which was developed in house and contains both research and monitoring functions. The application runs in the main system at Eurohypo AG. The system uses a rules engine and scorecard to detect defined conspicuous features, the level and combination of which can be freely configured. The resultant suspicious cases are then processed manually using the system and investigated until comprehensive clarification is obtained.

The business operations of the Eurohypo Group are subject to regular money laundering risk audits and the results are incorporated in the configuration and further development of the AML system.

Adhering to the present policy is a prerequisite for ensuring that all units within the Eurohypo Group fully comply with the applicable anti-money laundering regulations, irrespective of their geographical location.

All units within the Eurohypo Group must undertake to comply with the minimum requirements specified in the anti-money laundering provisions of the German Money Laundering Act as well as the relevant notifications from the German Federal Financial Supervisory Authority (BaFin), which specify the main obligations for financial institutions under the German Money Laundering Act (Section 15 Money Laundering Act). Appendix 1 provides a summary of these minimum requirements.

Where the different jurisdictions prescribe more stringent anti-money laundering requirements in accordance with the applicable legislation, the local Eurohypo units must comply with

these more stringent requirements. If local applicable legislation contradicts the present policy, the Eurohypo Group unit concerned must consult the Group Money Laundering Officer so as to achieve a solution. BaFin must be notified in all cases where the extra-territorial application of individual provisions of the GwG are not permissible under local applicable legislation and a subsidiary or branch is being set up in the country. Non-compliance with this duty to notify BaFin may result in fines being issued by BaFin.

Each and every employee of the Eurohypo Group is responsible for complying with the Group's anti-money laundering programme. The programme is defined and managed by the Group Money Laundering Officer and comprises the anti-money laundering guidelines, the suspicious circumstances reporting and processing system and employee training.

Global scope of application

In accordance with Section 15 of the German Money Laundering Act, Eurohypo AG must ensure that the legal obligations specified therein are also fulfilled by its international branches and subsidiaries.

Appendix 1

Minimum requirements and obligations under the German Money Laundering Act

The following requirements and obligations are understood to be minimum requirements for the Eurohypo Group.

Client identification

- Prior to account opening
- Prior to accepting cash, securities or precious metals worth in excess of EUR 15,000.00
- In suspicious cases

Establishing the beneficial owner

- In all cases where identification is required, the beneficial owner (of the account/transaction) must also be established.
- When opening [escrow accounts or collective accounts](#), particular care should be taken in establishing who is the beneficial owner of the assets.

Records and filing

- All the details established in the identification process must be recorded. These records must be kept on file along with all documents relating to money laundering pursuant to the regulatory requirements of the German Money Laundering Act.
- The retention period is 6 years.

Reporting suspicious circumstances

- Suspicious circumstances must be reported in accordance with the locally applicable legal and regulatory requirements.

Internal security measures

- All Eurohypo units must confirm and document the trustworthiness of their employees. This applies to when they are first recruited and must subsequently be repeated at 2-year intervals.
The renewed confirmation may be provided in the form of a declaration by the employee's line manager, specifying that there is no cause to suspect unreliability in accordance with the German Money Laundering Act.

Training

- [Within the first three months of joining the Eurohypo Group, an initial anti money laundering training of employees has to be effected.](#)

All anti money laundering training must at least cover the following topics:

General legal requirements concerning

- the importance of anti money laundering requirements and the associated risks that may arise in the event of non-compliance with these requirements;
- requirements regarding appropriate identification systems;
- identifying suspicious transactions or client behaviour and
- money laundering methods and techniques.

All training – [which can be effected by a web-based course](#) - should have a practical focus, i.e. relate to the day-to-day business of participants. The link can be established by using case studies from the relevant business areas.

Participation in any training courses must be documented, indicating

- the content of the training event;
- the training schedule;
- the name of the participant and
- the date of the training event.