



UniCredit Bank

KYC/AML/CTF/International Sanctions Program

AML Compliance Unit/Legal&Compliance Department

KYC/AML/CTF/International Sanctions Program

Introduction

A major risk for banks is the reputational risk that may occur as a result of their involvement in money laundering activities or in financing of terrorist acts. The money laundering and the financing of terrorism represent major factors of contamination of the entire economy, through the deterioration of the image and integrity of credit and financial institutions. The use of the banking system for money laundering and terrorism financing purposes may cause loss of reputation in the market and may result in criminal, civil and administrative penalties for banks and their employees. In the new economic and political environment created after 11 September 2001, the long term success and stability of any financial institution depends on attracting and managing funds obtained only from legal sources.

In order to be able to protect itself against the major risks to which it is exposed, UniCredit Banking Group imposes that all Group's entities apply strategies and procedures that offer efficient means of protection against money laundering or the financing of terrorist acts.

UniCredit Bank S.A. (the "Bank") legitimate interest is to ensure the normal development of its banking operations, whereby its clients carry out only legitimate transactions and activities and, at the same time, to avoid the involvement of the Bank in operations of money laundering or financing of terrorist acts. These illegal activities could result in extremely serious damages for the Bank and for its employees and may have a negative effect on the credibility of the UniCredit Banking Group.

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The purpose of this Program is to:

- ensure and maintain the Bank's good reputation;
- prevent the risk of the Bank being used in illegal activities;
- ensure the adequate monitoring of the accounts held by the customers in order to detect transactions that are not in line with the customer transactional profile;
- promoting high ethical and professional standards.

Scope and Intended recipients of the Program

In order to ensure effective anti-money laundering program and compliance with the local laws, internal regulations and the UniCredit Banking Group's requirements, the Bank adopted know your customer and anti-money laundering procedures. The main coordinates of such procedures are:

- **A. Customer Due Diligence**
 - **B. Risk assessment**
 - **C. Transactions monitoring**
 - **D. Internal and External Reporting process. Reporting of suspicious transactions**
 - **E. Compliance assessment and testing**
 - **F. Staff Recruiting and Staff Training**
 - **G. Recording and Record keeping of Information**
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A. Know Your Customer Due Diligence

1. Customers acceptance and customers classification

The Bank will open accounts and will conduct business for any type of eligible clients, according to the Bank's in force strategy regarding the customers' acceptance.

The acceptance of a customer shall be made out only after proper due diligence carried out in accordance with the provisions of this Program and any other applicable Bank's regulations. ***The ultimate responsibility for knowing the customers always falls with the BANK.***

The Bank **shall not** open and **shall not** operate anonymous accounts or accounts for which the owner's or beneficiary's identity is not known and properly documented.

The Bank **shall not** enter into correspondent relationship with "*shell banks*" or with credit institutions which are known to allow "*shell banks*" to use their accounts. Any such relationship, if exists, shall be terminated.

The Bank's customers may be classified according to the following criteria:

a) legal status:

- individual customers;
- legal entities customers and entities without legal personality;

b) residence:

- resident customers;
 - non-resident customers.
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2. Customer Due Diligence Procedures

One of the key principles of the system for the prevention and detection of money laundering transactions is that all employees must have adequate knowledge of their customers from the beginning of the business relationship, or when occasional transactions are carried out (“Know Your Customer” or “KYC”).

The most recent regulatory changes have resulted in the move from a mere customer identification obligation – essentially consisting in obtaining information on the customer's identity – to a wider range of verification requirements, which extend to the continuous and constant assessment of the transactions conducted during the business relationship, according to the evolution of the customer's intended economic purpose.

Customer due diligence therefore consists of a series of measures, some concentrated at the beginning of the relationship and others to be applied continuously throughout the entire duration of the relationship.

Customer due diligence may be: standard, simplified or enhanced, applicable on a risk based approach and depending on the circumstances, as it will be further detailed in this Program. Thus, the Bank enforces standard, simplified or enhanced due diligence measures depending on the degree of risk associated to the client categories and/or the degree of risk of the offered products and services and of the transactions associated to those.

All the branches/agencies of the Bank, as well as any employee who may subsequently initiate or manage a business relation with a customer of the Bank, must make sure that they know their customers by enforcing rigorous due diligence procedures. The know your customer due diligence shall be performed for all types of operations and services.

This Program applies to all business relationships and customers irrespective whether a current account is opened in the name of the customer or not.

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B. Customers Risk Assessment

1. Risk Assessment Criteria

The Bank shall assign to each customer a risk level based on risk indicators which take into consideration:

- the legal status;
- the volume of transactions;
- the type of products and services requested including the volume of cash transactions;
- the type of customer's business and the activities carried out;
- the financial circumstances;
- the geographical area of residence or of the business conducted;
- the reputation of the origin country;
- the number and type of business relationships;
- the consistency of the explanations offered by the client and the threshold limits established.

The Bank shall assess all new products and services with regard to the associated risk related to money laundering and terrorism financing. Before launching any new products and services, the responsible product management staff shall perform the risk analysis from AML/AT perspective and shall request an opinion from the AML Compliance Unit with regard to the results of the risk analysis.

The risk profile shall be regularly updated.

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C. Continuous monitoring of the customers business relationship

The continuous monitoring of the business relationship shall be made through:

- the analysis of the customers transactions performed during the relationship in order to ensure that such transactions are in line with the information held about the customer, its risk profile, and the transactional profile including the source of funds as the case may be;
- the permanent update of the customer documents, data and information.

The Bank assures the monitoring of the activity of the clients by monitoring the transactions they carry out through *all the accounts*, regardless of the account type and the territorial units of the Bank where the accounts are open.

The Bank shall perform a periodical review of the information concerning the client and will carry out the permanent updating of the records collected at the beginning of the relation with the client.

D. Internal and External Reporting process. Reporting of suspicious transactions

All Bank's employees regardless of their positions shall be alert to and shall scrutinize all the transactions they initiate, process or are otherwise involved in, for detecting suspicious transactions for money laundering and/or terrorism financing.

E. Compliance Assessment and Testing

The control of compliance with the internal provisions is performed according to the internal control procedures and the internal audit activity.

Compliance with know your customers and anti-money laundering/anti-terrorism financing regulations are subject to the control and supervision of the competent authorities.

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F. Staff Recruiting and Staff Training

The Bank shall apply high standards regarding the staff recruitment, including with regard to their reputation and integrity and shall verify the information provided by the candidates.

The Bank organizes periodical training programs for the employees. The training program is addressed to the entire personnel of the Bank.

The Bank also conducts formal staff training programs, which are held periodically, at least annually, in order to ensure that staff is aware of its responsibilities and is kept updated with the developments in the field.

The training program has as purpose to develop the professional competencies of the Bank's employees, to prevent the use of the Bank for money laundering or other illegal activities and to maintain the Bank's activity in compliance with the legal requirements in force.

G. Recording and Recordkeeping of Information

The Bank shall maintain all documents and records regarding the client's activities and identity in an appropriate manner, so that the documents may be used as evidence.

The documents shall be maintained in accordance with the Bank's records retention and recordkeeping procedures and with the relevant legislation regulating the archiving of documents (the National Archives Law).

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Anti-Terrorism and International Sanctions

Terrorist financing and money laundering differ in that money laundering involves proceeds originating from illegal activities that are then re-entered into the legal circuit by means of laundering transactions or re-investment, whereas in terrorist financing the activities the financial resources derive from may be legal, but their subsequent use is illegal (money dirtying).

In much the same way as money laundering, the activities carried out by terrorist groups operating at international level require the use of considerable economic resources that are also transferred via banking and financial channels.

Certain international and domestic laws have imposed restrictions and prohibitions on conducting or promoting business with certain designated governments, companies, organizations and individuals. Over the last decade there has been a significant increase in the need to counter terrorist financing at international level. This has led to the adoption of a series of measures, both international (United Nations resolutions) and European (Community regulations implementing the resolutions) aimed at combating terrorism at the financial level.

At European level, the Community legislation, in recognition of the close link between the prevention of international terrorist financing and the prevention of the use of the financial system for the purpose of money laundering, has enacted:

- Directive 2005/60/EC, known as Third EU Directive on the countering of money laundering and terrorism financing;
- specific regulations aimed at countering and suppressing terrorist financing and the activities of countries that threaten international peace and security.

These measures have adopted a preventative approach, based on cooperation between banking and financial operators, modeled on the legislation for the prevention of the use of the financial system for the purpose of money laundering and terrorism financing.

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The Bank is required to apply the measures for the freezing of funds and economic resources in the circumstances provided for in the applicable regulatory provisions. The Bank as an entity operating within the European Union is required through the national legislation to apply the freezing measures to all the persons identified in the EU Regulations, whose provisions are immediately enforceable and do not require measures for their transposition into local laws by the national authorities.

The establishment of business relationships with or the carrying out of transactions on behalf of persons subject to freezing measures pursuant to the provisions of the Regulations **is prohibited**.

The control of the application of the International Sanctions referring to funds freezing shall be made by the National Bank of Romania (NBR) for the institutions under the NBR's supervision and by the National Office for Preventing and Combating Money Laundering. The control of the application of the International Sanctions by all other persons outside the NBR supervision as well as the control of the freezing of the economic resources shall be made by the Ministry of Finances through the National Agency for Fiscal Administration.