KBC GROUP : ANTI MONEY LAUNDERING POLICY

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1. THE GROUP

KBC Group is an integrated bancassurance group, catering mainly for retail, SME and midcap customers. It concentrates on its home markets of Belgium and certain countries in Central and Eastern Europe. Elsewhere around the globe, the group has established a presence in selected countries and regions. KBC Group is regulated by both the “National Bank of Belgium” (NBB) and the “Financial Services and Markets Authority” (FSMA).

2. INTRODUCTION

In response to the international community’s growing concern with regard to money laundering and possible financing of terrorism, many countries worldwide are enacting or strengthening their laws and regulations regarding this subject. Money laundering in Belgium has been a punishable offence since 1990. In addition the Law on preventing use of the financial system for purposes of laundering money and terrorism financing of 11 January 1993, based on directives issued by European Parliament, specifies relevant legal requirements for the financial sector (i.e., credit institutions and a wide range of other financial institutions) to effectively prevent money laundering and the financing of terrorism.

As a regulating body, the NBB has issued a number of circulars outlining the obligations of financial institutions with regard to money laundering and the fight against terrorism financing and financing proliferation of weapons of mass destruction. These circulars encompass provisions applicable to financial groups.

3. OBJECTIVES

The purpose of this policy is to establish the general framework for the fight against money laundering and financing of terrorism (including the financing of proliferation of weapons of mass destruction) for the KBC Group.
KBC Group is committed to high standards of anti-money laundering / counter terrorism financing (AML/CTF) compliance and requires management and employees to adhere to these standards in preventing the use of its products and services for money laundering or terrorism financing purposes.

Therefore, credit and financial institutions being part of the KBC Group are expected to develop an AML-programme that is based on this Group policy and encompasses “Know Your Customer” and “Know Your Transactions”-rules considered by the Group as minimum standards together with procedures transposing into operational terms these minimum requirements and taking into account local regulatory requirements.

4. DEFINITIONS

Money laundering is :

- the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an activity to evade the legal consequences of that person’s action;
- the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property, knowing that such property is derived from criminal activity or from an act of participation in such an activity;
- the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such an activity;

- participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions mentioned in the foregoing points.

Terrorism financing is the provision or collection of funds, by any means, directly or indirectly, with the intention that they be used or in the knowledge that they are to be used, in full or in part, in order to carry out any terrorist act.

5. MINIMUM STANDARDS

Following standards are to be considered as minimum requirements for all credit and financial institutions of the Group and are elaborated in more detail in a Group wide KYC-rule and KYT-rule.

5.1. Know Your Customer (KYC)

5.1.1. Customer Identification and Verification

KBC Group has established standards regarding Know-Your-Customer. These standards require due diligence on each prospective customer before entering into a business relationship :

- via identification and verification of his identity and, as the case may be, his representatives and beneficial owners on the basis of documents, data or information obtained from a reliable and independent source compliant with the domestic and European anti-money laundering legislation and regulations;
- via obtaining information on the purpose and intended nature of the business relationship

KBC Group does not allow its entities to open anonymous accounts.

5.1.2. Customer Acceptance Policy

Objective risk criteria are identified to allow a risk-based classification of customers into different categories of risk (unacceptable–high-medium-low). The criteria taken into account for the evaluation and classification of our customers on a risk-sensitive basis are a.o. :

- the home country or country of residence or registration
- the professional activity
- the appearance on sanction lists

Specific measures are taken to ensure an enhanced due diligence with regard to :

- politically exposed persons (PEP)
- customers who are identified remotely
- cross-border correspondent banking relationships outside EEA or FATF countries.

KBC Group does not operate with shell banks.

5.1.3. Ongoing Customer Due Diligence

Periodic and risk-based reviews are carried out to ensure that customer-related documents, data or information are kept up-to-date.

5.2. Monitoring of Transactions (Know your Transactions (KYT))

Local Compliance ensures that ongoing transaction monitoring is conducted to detect transactions which are unusual or suspicious compared to the customer profile.
This transaction monitoring is conducted on two levels :

1) each business line (first line of control) monitors all its customers and their financial behaviour and applies an enhanced due diligence on those customers who are classified as high risk,

2) the first line of control is supplemented by a risk-based second line of control, including an increased monitoring of transactions of customers regarded as high risk.

A Group wide transaction monitoring founded on a risk based approach has been defined to be followed by all entities using the same transaction monitoring tool.

In a number of circumstances described in the Group wide KYC rule, measures need to be taken to block the accounts or to terminate the business relationship.

5.3. Record keeping

Records of data obtained for the purpose of identification must be kept for at least five years after the business relationship has ended.
Records of all transaction data must be kept for at least five years following the carrying-out of the transactions or the end of the business relationship.

6. ORGANISATION OF INTERNAL CONTROL

6.1. Suspicious Transactions Reporting (STR)

A Money Laundering Reporting Officer (MLRO) is appointed to ensure that unusual transactions detected are reported to the appropriate FIU. The reporting of suspicious transactions must comply with the laws and regulations of the respective local jurisdiction.

6.2. Procedures

All group entities have implemented AML/CTF rules, including minimum KYC standards, into operational procedures taking into account their type of activities, their volume and their size together with the local legal and regulatory requirements.

6.3. Training

All group entities develop a coherent training program, including follow-up trainings on a regular basis, in order to create and maintain a satisfying AML/CTF awareness. The content of this training program has to be worked out in accordance with the kind of business the trainees are working for and the kind of functions they hold.

6.4. Compliance Monitoring Programme

A number of controls by samples are performed in the AML/CTF-domain pursuant to a Compliance Monitoring Programme. Reviews and quality controls can be executed by the Group at its own initiative.

6.5. Reporting

AML/CTF issues and activity reports are submitted on a regular basis to the local Audit Committee and to Group Compliance who reports to the Group Risk and Compliance Committee (at the consolidated level). On a yearly basis local Executive Committees or equivalent assess the quality of coverage of the internal control in this respect.

6.6. Corporate Audit

Compliance with the policy, the minimum KYC standards and the procedures encompassing local rules as the case may be falls within the scope of Corporate Audit who verifies if they are correctly implemented and obeyed.

7. EXCHANGE OF INFORMATION

The prohibition not to disclose information transmitted to the FIU does not apply:

- between financial and credit institutions belonging to KBC Group being established in EEA or FATF member- countries;
- towards financial and credit institutions outside KBC Group as long as:
  - cases relate to the same customer and the same transaction,
  - these institutions are situated in EEA or FATF member-countries and
  - the info exchanged is exclusively used for the purpose of prevention of money laundering or terrorist financing.