



**BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO**

ANTI-MONEY LAUNDERING POLICY

**Management Policy to prevent the risk of money
laundering and the financing of terrorism adopted
pursuant to the Measure of the Bank of Italy of
10/03/2011**

Resolution of the Board of Directors of 29/08/2011

<i>Version</i>	<i>1.00</i>
<i>Update</i>	<i>Board Meeting of 29 August 2011</i>

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1. THE POLICY'S OBJECTIVE

This document, called the *Management policy to prevent the risk of money laundering and the financing of terrorism*, hereinafter more briefly *Anti-Money Laundering Policy*, approved by a resolution of the Board of Directors on 29/08/2011, after receiving the opinion of the Board of Statutory Auditors of the Banca di Credito Cooperativo di Cambiano, hereinafter more briefly the *Bank*, sets forth the strategic orientation and management policies for risks related to money laundering and the financing of terrorism.

The *Anti-Money Laundering Policy* has been approved by the Board of Directors in accordance with Chapter 1, Section I of the *Measure containing implementing provisions for the organization, procedures and internal controls aimed at preventing the use of intermediaries and other parties engaging in financial activity for money laundering and the financing of terrorism*, issued by the Bank of Italy on 10/03/2011 in accordance with Article 7(2) of Legislative Decree 231/07, hereinafter more briefly the *Measure*.

Money laundering and the financing of terrorism represent criminal activity that constitute a grave threat to the legal economy, destabilizing the banking and financial system. International harmonization of the regime on the prevention of risks connected to money laundering and the financing of terrorism aim at preserving the integrity and stability of the system, assigning a key role to intermediaries.

Mitigation of the risk of money laundering is also significant from the standpoint of prudential regulation, because it refers to the legal risk (among the operational risks of the first pillar) and reputational risk (the second pillar), which must be dealt with by the Bank through a suitable organizational structure and regulatory capital.

The action of preventing and combating money laundering is carried out by creating safeguards aimed at guaranteeing thorough knowledge of customers, the traceability of financial transactions, and the identification of suspicious transactions.

The Bank must adopt suitable measures to combat money laundering and find organizational solutions that are commensurate to the risk that can be inferred from a series of factors, among which the nature of the counterparty, the service requested, and the geographic area of reference. The risk factor must be considered in order to identify and report suspicious transactions, and, even more importantly, to apply differentiated measures to control customers (*risk-based approach*).

The anti-money laundering rules, the same as those on prudential supervision, allow intermediaries the possibility to adopt organizational safeguards commensurate to the level of assessed risk, provide for flexible management and allow margins of autonomy and discretion in the adoption of procedures, tools and controls.

The *Anti-Money Laundering Policy* outlines the system for the prevention of risks related to money laundering and terrorist financing adopted by the Bank considering its size, organizational characteristics, activity and the markets in which it operates.

The *Anti-Money Laundering Policy* summarizes the corporate decisions and orientation adopted by the Board of Directors for the structures, based on the concordant opinion of the Board of Statutory Auditors, in order to interpret more complex rules and apply the provisions of the anti-money laundering regime, which provides for margins of discretion and the implementation of measures based on risk assessment.

2. SYSTEM TO PREVENT THE RISK OF MONEY LAUNDERING

The *Anti-Money Laundering Policy* summarizes the strategic orientation and management policies for risks related to money laundering and terrorist financing, emphasizing the choices made autonomously by the Bank.

In general, in accordance with the Supervisory Instructions issued by the Bank of Italy, the Bank has created a system of internal controls, defined as «the overall rules, procedures and organizational structures aimed at ensuring compliance with corporate strategies and achievement of the following objectives:

- effectiveness and efficiency of corporate procedures
- protection of the value of assets and protection against losses
- reliability and integrity of accounting and management information
- compliance of transactions with laws, supervisory rules, as well as with internal policies, plans, regulations and procedures».

Reference is made to the following measures for a detailed description of the organizational solutions implemented and the structure used to prevent and combat money laundering:

- *Regulations for the Anti-Money Laundering Department*
 - *Regulations for reporting suspicious operations*
 - *Regulations on duties and compliance with anti-money laundering obligations: the Anti-Money Laundering Manual*
 - *Regulations on flows of information*
 - *Internal Control System*
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3. CUSTOMER DUE DILIGENCE

3.1 COMPLIANCE OBLIGATIONS

The law provides that customer due diligence must include the following activities:

- identifying customers and verifying their identity
- identifying the beneficial owner and verifying their identity
- obtaining information regarding the purpose and intended nature of a lasting business relationship
- conducting ongoing monitoring of the lasting business relationship.

The law provides that customer due diligence is required, in particular, in the following cases:

- whenever a lasting business relationship is established
- whenever carrying out occasional transactions for an amount equivalent to or in excess of € 15,000 Euro
- whenever there are doubts about the accuracy or adequacy of previously obtained customer identification data
- whenever there is any suspicion of money laundering or terrorist financing.

The Bank has made the choices set forth below with respect to customer due diligence, which is of central importance to the system on the prevention of the risk of money laundering.

Establishing a lasting business relationship

The Measure of the Bank of Italy no. 895 of 23/12/2009 indicates the business relationships that are considered to be lasting relationships, in particular in accordance with the concept set forth in Article 1(k) and in Article 3.

The Measure provides that for purposes of customer due diligence, the following documents must be presented when a lasting business relationship is established with an individual:

- valid id
- information regarding the economic activity performed
- tax code card or health card
- income tax return, only in the case of a request for a line of credit

It provides that for purposes of customer due diligence, the following documents must be presented when a lasting business relationship is established with a legal entity:

- articles of incorporation
- by-laws
- extract from the Chamber of Commerce Register or extract from the shareholders register
- any powers of attorney to manage the account
- if there are any official shareholders' agreements, minutes of shareholders' meetings or records in order to understand the corporate structure and the identity of the beneficial owner, only in the case of doubts regarding the beneficial owner
- financial statements, only in the case of a request for a line of credit

The Measure also provides that when a lasting business relationship is established, customer due diligence is conducted using a questionnaire signed by the individual customer or by legal representative of a company-legal entity.

Occasional transactions

Occasional transactions are transactions conducted by customers in cash (or without the use of an account) that involve the transmission or movement of means of payment of amounts equivalent to or in excess of 15,000 Euro, independently of whether they are carried out in a single operation or in

several operations that appear to be linked in order to carry out a split transaction; for such purpose split transactions are defined as transactions realized for an amount equivalent to or in excess of 5000 Euro.

For purposes of compliance with the obligation of customer due diligence, it has been decided as a corporate policy that customer due diligence is required for cash transactions involving amounts that are equivalent to or in excess of 2500 Euro.

Customer due diligence is conducted for occasional transactions by means of a questionnaire signed as indicated above.

Monitoring accounts

Constant monitoring over the course of lasting business relationships is done by analyzing the transactions that take place during such business relationship in such a way as to verify whether such transactions are compatible with the Bank's knowledge of the customer as well as the customer's activities and risk profile, with regard, if necessary, to the origin of the funds, and by keeping documents, data and client information updated.

Monitoring lasting business relationships consists of the following measures, aimed at clarifying an analysis of anomalous transactions or transactions that present a potential risk:

- the questionnaire obtained for lasting business relationships is updated according to the criteria established in the following paragraph *Updating customer due diligence*
- the operators who manage the customer relationship control the compatibility of transactions with the information acquired, controlling transactions that appear to be anomalous as described in the following paragraph *Anomalous transactions or transactions with potential risk*
- the Gianos diagnostic system reports anomalous transactions, which are analyzed by the branches and the Anti-Money Laundering Department
- the following controls are conducted, which are suitable for identifying transactions that are potentially incompatible with the client's profile:
 - daily and quarterly control of check-cashing – Audit Department
 - daily control of transactions carried out in cash in excess of 15,000 Euro– Audit Department
 - quarterly controls of checkbooks issued in the form of negotiable checks – Audit Department
 - quarterly controls of transactions carried out in cash withdrawn from bank passbooks and accounts – Branch Manager and Audit Department;
 - daily controls of credit/debit transactions for amounts in excess of 10,000 Euro – Director of the Branch
 - daily control of transactions for amounts in excess of € 500,000.

Initial compliance with customer due diligence obligations for lasting business relationships

For new accounts, the Bank's policy is that customer due diligence is carried out when the account is opened.

For accounts already opened at the time of entry into effect of Legislative Decree 231/07, the Bank's policy is that customer due diligence is carried out at the time of the first useful contact. The following are considered to be the first useful contact:

- the opening of a new account by the same party
- transactions involving securities (whether or not the Mifid is updated)
- renegotiation of the conditions of a lasting business relationship
- renewal of an identification document
- receipt or update of the MiFID questionnaire
- delivery of a payment instrument

- request for a line of credit.

In consideration of risk assessment, customer due diligence must be carried out in compliance with the following rules with respect to accounts that have already been opened:

- GIANOS score
- Number of accounts
- Overdraw accounts – amount of the bank overdraft

Updating customer due diligence for lasting business relationships

The Bank's policy is that the customer due diligence be repeated periodically, i.e. updated, in order to catch significant changes that might involve individual accounts and impact assessment of the risk of money laundering.

The following rules shall be applied for updating customer due diligence, which consider the risk profile assigned to the customer by the Gianos GPR software system:

- negligible risk, updated every 7 years
- low risk, updated every 5 years
- medium risk, updated every 3 years
- high risk, updated every year.

The Bank's policy also requires customer due diligence to be repeated, and the questionnaire to be updated, each time the Bank becomes aware of:

- modification of a company's shareholdings (shareholders, beneficial owner, or group to which the company belongs)
- modification of the legal form of trust companies
- modification of the corporate object and/or code of economic activity
- deterioration of the customer's risk level
- the repeated appearance of anomalies in Gianos, which are a symptom of operational or structural changes

Anomalous transactions or transactions with potential risk

The compatibility of the transactions carried out by customers with respect to the information acquired is assessed on a case by case basis, enhancing the control of transactions that appear to be anomalous by verifying the origin of the funds and/or their destination.

Customer due diligence is required when there is a suspicion of money laundering or terrorist financing and/or at the time of assessing whether the reporting process of a suspicious transaction should be initiated. In such case any customer due diligence already conducted must also be updated, unless this would be an indication, for the customer, of the incipient reporting. Further, customer due diligence is required when there are doubts as to the accuracy and adequacy of data obtained previously.

In the cases specified below, the Bank's policy is that the account/transaction must be monitored and a record must be kept, either in correspondence with the Audit Department or in the customer contact-business relationship form.

- For anomalous transactions reported by Gianos, the origin of the funds or their destination must be verified [when the transaction is anomalous with respect to the information obtained regarding the customer].
- For transactions that appear to be anomalous when compared to the known information regarding the customer, and/or which are characterized by indicators of anomalies and/or which correspond to models that are representative of anomalous behavior, the origin of the funds or their destination must be verified.

- For transactions involving cash deposits or withdrawals, the origin of the funds or their destination must be verified when the transaction is incongruous with respect to the information acquired regarding the customer.

In the above-listed cases, the operator must request all of the necessary and updated information from the customer so that the Bank can comply with its ongoing monitoring obligations. The Bank's policy, however, is that the customer must be required to provide documents justifying the transaction according to a risk-based approach in the most significant cases.

3.2 IDENTIFICATION OF THE BENEFICIAL OWNER

The Bank, as also explained in the “Anti-Money Laundering Operational Manual”, in the chapter on identification of the beneficial owner, refers to the provisions of Law 231/2007 and to Article 2 of the Technical Annex, specifying that the quantitative-formal criteria of 25% + 1 is priority for purposes of identifying the party who is the “beneficial owner”. Additionally, or as an alternative to the above, and always upon the declaration of the legal representative of the company/legal entity, reference is made to substantive criteria, as there can be a beneficial owner who does not satisfy the quantitative pre-requisite set forth above.

There are cases that are allowed when there is no beneficial owner (condominium, parish church, cooperative), as well as cases when there is more than one beneficial owner (for example, 3 shareholders with 33% holdings).

There is no need to identify the beneficial owner when the customer is subject to simplified customer due diligence.

Cases where there are discrepancies between what was declared by the customer with respect to the beneficial owner and what the Bank is instead aware of from other sources (company records searches, notarial acts etc.) must be examined very attentively; in such cases, the operator must contact the Head of the Anti-Money Laundering Department and evaluate whether a suspicious transaction should be reported, as well as whether the lasting business relationship should be continued.

3.3 SIMPLIFIED CUSTOMER DUE DILIGENCE

As a supplement to the regulatory provisions, the Bank has decided that simplified customer due diligence requires the performance of the following acts:

- the customer must be identified
- identity must be controlled and valid identification documentation must be acquired
- documents must be acquired and controlled that confirm any power of representation of the customer
- documents must be obtained that attest that the customer belongs to one of the categories to which simplified customer due diligence applies
- a lasting business relationship must be monitored.

The Bank deems that simplified customer due diligence relieves the Bank from the following obligations:

- identifying the beneficial owner
- obtaining the customer due diligence questionnaire
- acquiring information as to the nature of the business relationship.

In accordance with regulatory provisions, the Bank has determined that simplified customer due diligence applies to the following customers: Offices of the Public Administration (for example, schools of all grades and levels, municipal accounts, treasury accounts, Regions, Provinces, Municipalities, universities, companies and entities of the National Health Service), Public Professional Associations (Architects, Attorneys, Accountants, Notaries, etc.), Tax Collection Agencies, Banks, Insurance Companies that operate in the sector of life insurance, Stockbrokers, EU Credit or Financial Institutions subject to the Directive, Credit or Financial Institutions in a non-EU state having an

equivalent regime, a Company or other Body that is listed whose financial instruments are admitted to trading on a regulated market in accordance with Directive 2004/39/EC.

Simplified customer due diligence is also applied in cases of life insurance policies where the annual premium does not exceed 1,000 Euro, or the single premium does not exceed 2,500 Euro.

3.4 ENHANCED CUSTOMER DUE DILIGENCE

Regulations provide that enhanced due diligence is required with respect to customers:

- who pose an increased risk of money laundering
- when the customer is not physically present
- payable-through accounts with entities in non-EU states
- when the customer or beneficial owner is a person who is politically exposed, as defined by Law 231/2007.

Situations related to transactions with an increased risk

Reference is made to the paragraph *Anomalous transactions or transactions with potential risk*. The Bank has decided that enhanced customer due diligence must be carried out in the forms and manner set forth therein.

Customer who are not physically present

In general, the Bank does not open any lasting account without the physical presence of the customer.

Establishing lasting business relationships without carrying out customer due diligence in the customer's presence is therefore prohibited, except in the following cases:

- pooled loans made with customer due diligence of third parties
- remote operations pursuant to Article 29 et seq. of Legislative Decree 231/2007.

The Bank will not carry out any transaction without the customer's physical presence, except in the following cases:

- transactions carried out using 24-hour banking systems, ATMs or by correspondence
- transactions carried out using parties engaged in the transportation of valuables
- transactions carried out using of payment cards
- orders given using the Internet (trading on line, internet banking)

In all other cases the Bank's policy is that the party who carries out the transaction must be identified.

Payable-through accounts with entities in non-EU States

The Bank shall abstain for the time being from entering into lasting business relationships with payable-through accounts of entities in non-EU States.

Persons who are politically exposed

The Bank has implemented appropriate procedures to control and manage the establishment of business relationships with persons who are politically exposed, and reference is made to the *Regulations on duties and responsibilities for compliance with anti-money laundering obligations*. The control and subsequent monitoring is done using world check lists and authorization is granted by the General Director. The origin of the funds is always verified.

Entities with a complex corporate chain

In the case of an Italian company controlled by a parent company whose registered office is in a foreign country, the Bank will acquire specific documentation or customer due diligence from third parties, as long as it is a country included in the list of equivalent fiscal regimes; establishing business relationships with a company whose parent company has its registered office in a black list country is prohibited.

Enhanced customer due diligence consists of acquiring, depending on the case, customer due diligence relating to third parties or documentation that identifies the beneficial owner.

Trust companies

With respect to business relationships with trust companies, whenever they work on behalf of third parties enhanced customer due diligence requires that data be acquired relating to the beneficiary, if the beneficiary is not the beneficial owner.

3.5 APPROACH TOWARDS HIGH-RISK CUSTOMERS

The Bank has decided to adopt a particularly cautious approach towards customers whose characteristics induce it to believe that there is increased exposure to risks related to money laundering and the financing of terrorism by entering into a lasting business relationship with them or by carrying out the transactions that they have requested.

Unwanted Customers

Establishing lasting business relationships with parties who belong to one of the following categories, or accepting their request for transactions, is prohibited:

- persons who refuse to provide the information required to complete customer due diligence, whether referring to the establishment of a lasting business relationship or carrying out a *Transaction with potential risk*;
- persons who provide information regarding the beneficial owner that clearly conflicts with what appears from official sources (with the intent to give an outside image of the company that differs from its actual situation).

With respect to persons engaged in suspicious transactions that have been reported, with whom the Bank has already terminated its business relationship, appropriate steps will be taken so that, without disclosing the fact that the S.O.S. was sent, the possibility of entering into a new business relationship with them is precluded unless with the prior consent of Senior Management.

The Bank, within the scope of its operating autonomy, has decided that it will not establish lasting business relationships, or carry out occasional transactions with respect to operators who belong to the following categories, regardless of the form in which they have been constituted:

- buyers of used gold;
- video arcades and betting rooms;
- “money transfer” agencies.

Monitoring existing customers

The Bank has implemented procedures to monitor its existing customers. If persons with whom lasting business relationships have been established with the Bank appear on world check lists or are facing one of the situations set forth in the preceding paragraph, the Bank’s policy is to start carefully monitoring them in order to reduce the business relationship and, if possible, close their account.

Abstention

In accordance with outstanding law, the Bank cannot establish a lasting business relationship when it is unable to comply with its customer due diligence obligations.

Similarly, the Bank will terminate lasting business relationships and will abstain from carrying out a transaction requested by the customer if they do not provide the information required for customer due diligence.

The Bank will carry out the requested transaction when the above abstention is not possible, i.e. in the following cases:

- the transaction cannot be delayed due to its nature
- abstention could hinder investigations of which the Bank is aware.

Reporting must be made as soon as the Bank becomes aware of suspicious factors, and if possible prior to carrying out the transaction, without prejudice to all cases in which it is not possible to abstain from carrying out the transaction considering normal operations and the risk of violating the principle of confidentiality, thus alarming the customer.



4. REPORTING SUSPICIOUS TRANSACTIONS

The Bank has implemented organizational measures and procedures aimed at ensuring a homogeneous process to evaluate and report suspicious transactions. Reference is made to the *Regulations for reporting suspicious transactions*.

SOS Procedure

The Bank has made the following choices with respect to the procedure for evaluating and reporting a suspicious transaction:

- there are three assessment levels: the operator, the head of the branch, a Bank delegate
- the head of the branch cannot archive the report of a suspicious transaction
- the parties who are the object of the reporting of a suspicious transaction can also be identified to the branch's departments/network, as well as to the parties who are directly involved in the reporting process, without prejudice to protecting the confidentiality of the name of the party who sent the S.O.S. and the name of the person who commented on it
- business relationships with customers for whom a suspicious transaction has been reported will be gradually terminated.

Suspension

In accordance with law, the Financial Intelligence Unit (UIF) can suspend transactions for a maximum of 5 business days, as long as that does not negatively affect the course of investigations, when there is a suspicion of money laundering and the financing of terrorism.

The Bank can propose the suspension of the transaction for a brief period to the Financial Intelligence Unit before carrying it out, without alarming the customer and without running the risk of hindering any ongoing investigations of which it is aware, in the following cases:

- an assessed high risk of money laundering
- cash outflow transactions that risk obscuring the traceability of the funds.

5. SINGLE ELECTRONIC ARCHIVE (AUI)

The Bank has created a Single Electronic Archive in conformity with outstanding law.

The recording of information in the Single Electronic Archive is generated by automatic mechanisms of the electronic system.

To mitigate the risk of missing, late or incomplete recorded information, dedicated internal controls have been created:

- daily controls, by printing incomplete recorded information
- weekly controls by the Audit Department, by visualizing transactions for which it is necessary to complete data in order to record them
- daily printouts and control of transactions inserted manually (Audit Department).



6. INTERNAL CONTROLS

In order to achieve the objectives of the prevention and mitigation of risks related to money laundering and the financing of terrorism, the Bank has implemented the following measures:

- internal rules
- 1° level controls entrusted to the operational structures
- 2° level controls entrusted to the Anti-Money Laundering Department and the Audit Department, acting on its own behalf as well as on behalf of the Bank's bodies and other departments (on the basis of special service agreements)
- internal audits carried out by META
- spreading the control culture and sensitization with respect to the issue of money laundering
- training organized on various levels on behalf of the central structures and branches
- keeping contracts and forms updated
- maintaining and implementing internal tools (information system, diagnostics, etc.)