

# **PREVENTION OF MONEY LAUNDERING AND FUNDING OF TERRORISM POLICY STATEMENT**

## **Introduction**

In response to the international community's growing concern about the problem of money laundering and funding of terrorism, countries around the world have introduced and/or strengthened already existing laws and regulations concerning this subject.

In Malta, the Prevention of Money Laundering Act, Chapter 373 of the Laws of Malta ("Act") has been in force since 1994. The Act is supplemented by the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 ("PMLFTR"/"Regulations").

Following Malta's EU accession on 1<sup>st</sup> May 2004, the Maltese legislation on anti-money laundering adopted the 2<sup>nd</sup> and 3<sup>rd</sup> EU AML Directives. Following the adoption of the latter Directive, combatting funding of terrorism became part and parcel of Malta's legislation. Though not a Financial Action Task Force (FATF) member, Malta's regulatory framework on anti-money laundering and funding of terrorism closely mirrors the FATF 40 Recommendations. Additionally, it also adheres to principles of international bodies such as those of the Basel Committee on Banking Supervision – Customer Due Diligence on Money Laundering, having been enshrined in the PMLFTR.

In October 2002, the Financial Intelligence Analysis Unit ("FIAU") was set up in Malta. The FIAU is a government agency reporting directly to the Maltese Parliament. It is responsible for the collection, collation, processing, analysis and dissemination of information with a view to combating money laundering and funding of terrorism. It acts as an intermediary between the credit and financial institutions and other financial and investment services operators bound by the Regulations and the police authorities. The FIAU is a member of the Egmont Group. In May 2011, the FIAU issued the Implementing Procedures. Their purpose is to assist subject persons in understanding and fulfilling their obligations under the PMLFTR, ensuring an effective implementation of the same.

Bank of Valletta p.l.c ("Bank"/"BOV") is licensed and regulated by the Malta Financial Services Authority ("MFSA") as a credit institution, under the Banking Act, 1994, Chapter 371 of the Laws of Malta, as an investment services provider under the Investment Services Act, 1994, Chapter 370 of the Laws of Malta and as a trustee under the Trusts and Trustees Act, 1989, Chapter 331 of the Laws of Malta. Due to these licenses, the Bank is considered to be an "obliged entity" or "subject person" under the Regulations and is therefore obliged to adhere to the provisions contained in the Act, the Regulations and the FIAU Implementing Procedures.

## **Objective of the Policy**

The Bank is fully committed to remaining constantly vigilant to the prevention of money laundering and combating funding of terrorism for the purpose of risk management (reputational risk, legal risk and regulatory risk) and serious crime

prevention (social duty) and it will not allow its systems to be abused in furtherance of these offences.

Bank of Valletta p.l.c. is dedicated to and actively participates in international undertakings and initiatives to prevent money laundering and the funding of terrorism. The Bank will, at all times, endeavour to ensure the protection of its staff and safeguard the organisation and its reputation against the threat of money laundering and/or funding of terrorism and other criminal activities.

## **Obligations**

Adherence to the Act, the Regulations and the Implementing Procedures is reflected in the Bank's Anti-Money Laundering and Funding of Terrorism Internal Procedures.

As a minimum the Bank:

- has appointed a Money Laundering Reporting Officer ("MLRO") and a Designated Employee, both vested with a significant degree of responsibility. The MLRO's role is to maintain controls and procedures aimed at deterring persons from using the products and services of the Bank for criminal means. He/she is also required to evaluate Unusual Transaction Reports and following an investigation, determine whether a Suspicious Transaction Report should be filed with the Regulatory law enforcement agency, namely the FIAU. The Designated Employee's role is to assist the MLRO in the fulfilment of his/her duties;
- takes reasonable steps to establish the identity of persons to whom it has chosen to provide a product or service;
- retains identification and transactional documentation as defined in the Bank's Internal Procedures and in accordance with the law;
- provides initial and ongoing training to ensure that all relevant staff are aware of their personal responsibilities and the prevention of money laundering and funding of terrorism procedures in respect of identifying and verifying customers, monitoring, record keeping, remaining vigilant at all times and reporting any unusual/suspicious transactions;
- ensures that this Policy is developed and maintained in line with evolving statutory and regulatory obligations and advice from enforcement agency/ies;

In line with above, BOV and its employees have taken a stand to comply with the following basic principles:

### **i) Verifying Customer Identity:**

BOV is required to identify a customer when entering into a business relationship, when carrying out regular transactions and when carrying out a transaction on an occasional basis. It establishes and verifies the identity of the ultimate beneficial owner/s and/or any other person who controls the customer or its assets or on whose behalf the transaction is carried out or the business relationship has been established.

### **ii) Establishment of Purpose of Business Relationship**

Information on the purpose and intended nature of the business relationship is required in order to be in a position to establish the business and risk profile of the applicant for business.

### **iii) Client Account Monitoring**

The Bank has implemented a permanent monitoring system of customers' accounts to detect unusual/suspicious transactions.

### **iv) Correspondent Banking Relationships**

The Bank also pays special attention to correspondent banking business relationships and adequate security measures have been implemented.

### **v) Risk Assessment**

The Bank has procedures in place on risk assessment and risk management that are adequate and appropriate to prevent the carrying out of operations that may be related to Money Laundering and/or Funding of Terrorism.

### **vi) Record Retention**

In line with the requirements of the law, the Bank retains records, including documentation and information, for use in an investigation into, or an analysis of, the possibility of Money Laundering and/or Funding of Terrorism.

### **vii) Sanctions**

The Bank has a system in place which detects whether an applicant for business is subject to any financial sanctions issued by the European Union and the UN Security Council in relation to persons known to be involved in terrorism. BOV aims to keep itself updated with all sanctions that might have an impact on business operations.

Bank of Valletta p.l.c. has in place a Customer Acceptance Policy setting out the parameters of its risk appetite, specifically listing the types of customers it restricts or prohibits from entering into a business relationship with the Bank. This list is not exhaustive and is also supplemented by an escalation process whereby business proposals which might not be in line with the Bank's risk appetite are discussed and approved at Senior Management level.

This Prevention of Money Laundering and Funding of Terrorism Policy Statement has been approved by the Compliance Committee, a Board appointed Committee and by the Bank's Board of Directors.

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