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# Summary of the Anti-Money Laundering Policy

Modena, 14 July 2015 – summary version

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## 1 Summary of main topics covered

The document covers the main areas on which the anti-money laundering and counter-terrorism legislation is based, i.e.:

- customer due diligence;
- the obligation to record transactions and maintain the Centralised Computer Archive;
- active cooperation required from the Group's banks and companies through the reporting of suspect transactions;
- personnel training obligations;
- prohibitions and limitations regarding the use of cash and bearer securities.

With specific regard to countering the financing of terrorism, the fulfilments in relation to the freezing of funds and related reporting obligations are reported.

## 2 Objective of the document

The Group Policy for mitigating the risk of non-compliance with anti-money laundering and counter-terrorism legislation (hereinafter "Policy") lays down the guidelines related to the conduct, organisation, procedures and internal controls that the Group adopts to ensure full compliance with primary and secondary legislation, in order to react effectively against the involvement, even unintentional, of the Banks and Companies belonging to the BPER banking Group in money laundering and terrorism financing.

## 3 Regulatory framework of reference

Money laundering and the financing of terrorism are criminal acts that, also by reason of their transnational nature, are a serious threat to the real economy and may lead to destabilising effects, especially for the banking and financial system.

Given that the development of the financial markets, technological and financial innovations and globalisation have broadened the scope of action of individuals that intend to carry out money laundering and terrorism financing activities, the general aim of the relevant provisions is to protect the integrity and stability of the banking and financial system and, indirectly, of the country's entire economic system.

In order to achieve the aforementioned objectives, a significant process for the international harmonisation of prevention measures has become necessary, with a view to avoiding that in an increasingly open and competitive market, individuals that handle funds of illegal origin may take advantage of the gaps in the protection networks set up by the various countries.

With regard to this topic, a key action to raise awareness and to define standards is carried out by FATF (Financial Action Task Force), established by the G7 summit in 1989 and composed of representatives of the most important financial markets. FATF released a set of rules acknowledged at international level (the 40 Recommendations<sup>1</sup>), containing a coherent set of measures for preventing and countering money laundering

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<sup>1</sup>With respect to money-laundering prevention and countering, FATF released the 40 Recommendations in 1990, updated them in 1996,

and the financing of terrorism. The aim of the rules is to steer States in adopting appropriate measures for the prevention and countering of money laundering and the financing of terrorism targeted, among other things, at international cooperation.

In the Community context, recent EU Directive 2015/849 repealed and replaced Directive 2005/60/EC (so-called Third Directive<sup>2</sup>), thus transposing the 40 recommendations made by FATF and further strengthening, therefore, the regulatory framework set up to counter money laundering and the financing of terrorism. Pending the transposition of the new Directive in the Italian legal system, the legislation of reference is represented by Italian Legislative Decrees no. 109 of 22 June 2007 and no. 231 of 21 November 2007 issued following the Third Directive.

Italian Legislative Decree no. 109 of 22 June 2007, contains measures to prevent and suppress the financing of terrorism and lays down the obligation to report any suspect transactions of such criminal activity to the competent Authority.

Italian Legislative Decree no. 231 of 21 November 2007 reorganises all existing legislation on the prevention of the use of the financial system for the purpose of money laundering and the financing of terrorism, and is based on a system of obligations, inspired by the following fundamental principles:

- 1) customer due diligence in respect of customers with which relations are established or transactions are executed;
- 2) recording of relations and transactions and storing of related supporting documents;
- 3) reporting of suspect transactions.

To further strengthen the current legislative framework, on 10 March 2011 Banca d'Italia issued a "Measure containing implementing provisions concerning organisation, procedures and internal controls to prevent the use of intermediaries and other subjects carrying out financial activities for the purpose of money laundering and the financing of terrorism, pursuant to art. 7, paragraph 2, of Italian Legislative Decree no. 231 of 21 November 2007". This measure, in addition to reiterating the obligation to conform operations in full to Italian Legislative Decree 231/07, also points out the need for the intermediary to set up a suitable organisational and internal control structure, as well as adequate capital resources to face the possibility of being a vehicle for money-laundering activities.

Furthermore, on 3 April 2013, Banca d'Italia issued two Measures containing implementing provisions on, respectively, the maintenance of the Centralised Computer Archive and customer due diligence, both of which became effective on 1 January 2014.

Compliance with Italian Legislative Decree 231/07 and the adoption of appropriate choices concerning organisation, procedures and internal controls pursuant to the aforementioned Measure are an essential necessity, since they aim to prevent the possibility that the intermediary be involved in money laundering/terrorism financing offences carried out by third parties, taking also into account the risk of aiding or abetting by internal staff.

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in 2003 – and, subsequently, supplemented them with nine "Special Recommendations" in 2004 – and in 2012. FATF has drawn up guidelines aimed at assisting Member States in implementing the Resolutions adopted by the United Nations to combat the financial flows supporting the development of the proliferation of weapons of mass destruction.

<sup>2</sup> This Directive repeals and replaces the former two directives on this topic (no. 91/308/EEC and no. 2001/97/EC).

## 4 Behavioural guidelines for the BPER Group

### 4.1 Customer due diligence obligations

Within this area, the main behaviour carried out by the Group, as laid down by existing anti-money laundering legislation, refers to the following aspects:

- setting up due diligence on its own customers pursuant to articles 15 et sequitur of Italian Legislative Decree 231/07 (which entails, inter alia, the identification of any beneficial owners):
  - when an ongoing relationship is established;
  - when occasional transactions are executed, upon customers' instructions, which involve the transmission or movement of means of payment above or equal to the threshold set by legislation<sup>3</sup>, regardless of whether they are executed in a single transaction or in several transactions which appear to be linked in order to carry out a fractioned transaction;
  - when there is a suspicion of money laundering or terrorism financing, regardless of any applicable derogation, exemption or threshold;
  - when there are doubts as to the truthfulness or adequacy of the information previously acquired for the purpose of identifying a customer;
- verifying the actual existence of the power of representation, when the customer is a company or body, as well as acquiring the necessary information to identify and verify the identity of the representatives with signature powers;
- adopting enhanced customer due diligence measures if there is high risk of money laundering or terrorism financing in order to exclude, already when first establishing contact with the customer, any potential involvement in illegal activities;
- requesting authorisation, in compliance with, respectively, art. 28, paragraph 4, letter c) and paragraph 5, letter b) of Italian Legislative Decree 231/07, before:
  - opening correspondence accounts with correspondent bodies of "non equivalent" Non-EU States;
  - setting up ongoing relationships with so-called "politically exposed persons"<sup>4</sup>;
- adopting simplified customer due diligence measures should the customer belong to one of the reasons for exemption under art. 25 of Italian Legislative Decree 231/07 (by way of example: Banks, Stock Brokerage Companies, Asset Management Companies, Public Administration Offices);
- assessing the customer's risk profile and conducting constant monitoring during the ongoing relationship with the customer in order to make sure that the transactions carried out are compatible with the knowledge acquired by the party concerned, with its business and with its risk profile, bearing in mind also the origin of the funds and keeping the documents, data and information held updated;
- refraining from establishing ongoing relationships or executing transactions or terminating already existing ongoing relationships, if it is not possible to comply with customer due diligence obligations, considering also the opportunity to submit a report to the FIU;
- refraining from executing transactions suspected of money laundering or terrorism financing. If it is impossible to refrain from executing such transactions, because the law requires to accept the deed or in the event that the transaction by its nature cannot be postponed, or if to decline might hinder investigation, the suspect transaction must nonetheless be reported.

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<sup>3</sup> Given the variability over time, the term "threshold set by legislation" is used in this Policy. On the date of entry into force of this Policy, the threshold is equal to EUR 15,000, as provided for by Italian Legislative Decree 231/07.

<sup>4</sup> This definition, mentioned several times in the document, is also extended to so-called politically exposed persons residing in Italy by virtue of the Measure of Banca d'Italia of 3 April 2013 concerning customer due diligence.

## 4.2 Obligation to record transactions and to maintain the Centralised Computer Archive

The main behaviour carried out by the Group, pursuant to the provisions of current anti-money laundering legislation for the area in question, is reported below:

- recording the opening, variation and closing of ongoing relationships and transactions above or equal to the amount set by legislation<sup>5</sup>, regardless of whether they are executed in a single transaction or in several transactions which appear to be linked in order to carry out a fractioned transaction;
- setting up the Centralised Computer Archive (C.C.A.) for reporting obligations in order to ensure clarity, completeness and prompt consultation of the information, its preservation according to consistent criteria, the maintenance of historical information regarding the events in their time sequence, and the possibility to infer integrated evidence and carry out searches on the basis of several simultaneous parameters<sup>6</sup>;
- preserving, for a period of ten years from the end of the ongoing relationship, a copy of the documents required for the purpose of customer due diligence and verification of the beneficial owner<sup>7</sup>;
- preserving, for a period of ten years from execution of the transaction or from termination of the ongoing relationship, the evidence and records consisting of the original documents or copies admissible in court proceedings<sup>8</sup>.

## 4.3 Obligation to report suspect transactions

The main behaviour provided for by existing anti-money laundering legislation and carried out by the Group, for the area in question, is reported below:

- reporting a suspect transaction when there is knowledge, suspicion or reasonable grounds to suspect that attempted money laundering or financing of terrorism are being carried out or have been carried out;
- ensuring maximum confidentiality on the identity of the employees who report the suspect transaction; in this regard, the interested party or third parties must not be informed that a suspect transaction has been reported or is underway or that an inquiry regarding money laundering or the financing of terrorism may be carried out;
- archiving and keeping the documentation regarding the data and information collected during the investigation phase, and guaranteeing access to such archive to internal and external entities authorised to perform inspection tasks, for a period of no less than 10 years; promptly informing the body charged with strategic duties and the control body about the main problems that have emerged with regard to the procedures for identifying and reporting suspect transactions.

## 4.4 Limits on the use of cash and bearer securities

The main behaviour provided for by existing anti-money laundering legislation for the area in question and carried out by the Group is reported below:

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<sup>5</sup> On the date of entry into force of this *Policy* this amount is EUR 15,000 (Italian Legislative Decree 231/07)

<sup>6</sup> Where local law does not require the obligation to keep a C.C.A., the Companies nonetheless adopt systems for the purpose of recording and preserving information about accounting transactions and relations, in order to ensure their traceability (cf. paragraph

<sup>7</sup> With regard to the Group's foreign companies, reference may be made to any other different period of time provided for by local legislation.

<sup>8</sup> With regard to the Group's foreign companies, reference may be made to any other different period of time provided for by local legislation.

- complying with the prohibition to transfer cash or bearer bankbooks or bearer securities in Euro or foreign currency<sup>9</sup>, carried out for any reason whatsoever between different persons, when the overall value being transferred exceeds or is equal to the threshold set by legislation<sup>10</sup>;
- indicating the name or company name of the beneficial owner and affixing the non-transferability clause on the bank cheques issued for amounts above or equal to the threshold set by legislation;
- collecting cheques issued to the order of the drawer only if endorsed to the bank;
- indicating the name or the company name of the beneficiary and affixing the non-transferability clause to banker's orders. In the event of banker's orders below the threshold set by legislation, the non-transferability clause may be omitted upon written request by the customer and payment of the stamp duty prescribed by law;
- maintaining the balance of bearer savings books under the aforementioned threshold;
- implementing, in the event of transfer of bearer bankbooks, the notification by the transferor of the transferee's identification data, the acceptance of the latter and the date of transfer<sup>11</sup>;
- complying with the prohibition to open in whatever form anonymous accounts or savings books or in fictitious names;
- informing the Ministry of Economy and Finance, within thirty days, of any infringement of the above provisions of which knowledge has been gained<sup>12</sup>.

#### 4.5 Personnel training obligations

In compliance with the requirements of relevant legislation, the Parent Company sets out below the main behaviour required by current anti-money laundering legislation for the area in question:

- delivery of training courses differentiated by role and function, addressed to all employees and collaborators, so that they may receive appropriate knowledge of relevant legislation and related responsibilities, and they will be able to use the instruments and procedures adopted for the correct application of the provisions of law;
- continuous updating of educational material in correspondence with legislative and regulatory developments.

#### 4.6 Obligations with regard to the freezing of funds and economic resources (Counter-terrorism)

The Group sets out the main behaviour required by current anti-money laundering legislation for the area in question:

- ensuring that financial services are not provided to individuals and legal persons included in the list of persons that commit, attempt to commit, take part or facilitate the execution of acts of terrorism;
- ruling out altogether the possibility of placing, either directly or indirectly, funds or economic resources at the disposal of persons subject to fund-freezing measures or of allocating them for their

<sup>9</sup> The transfer is prohibited even when carried out with payments below the threshold which appear to be artificially fractioned. However, the transfer may be carried out through banks, electronic money institutions and payment institutions (when providing payment services other than those under art. 1, paragraph 1, lett. b), number 6), of Italian Legislative Decree No. 11 of 27 January 2010) and Poste Italiane S.P.A.

<sup>10</sup> Given the variability, over time, of the thresholds regarding the use of cash, of bearer securities and of the balance of savings books, the term "threshold set by legislation" is used in this Policy. On the date of entry into force of the *Policy* the threshold is EUR 1,000 (this threshold was introduced by Italian Law Decree no. 201 of 6 December 2011, converted with amendments by Italian Law no. 214 of 22 December 2011).

<sup>11</sup> The communication must be received within 30 days from the transfer.

<sup>12</sup> In the event of infringements regarding cheques, banker's orders, bearer passbooks or similar securities, notification must be made both by the Bank accepting them for their deposit and by the Bank performing their extinction, unless there is the certainty that this has already been performed by the other obligor.



benefit, thus preventing the person, group or entity from obtaining funds, assets or services;

- refraining from taking part, knowingly and intentionally, in activities the object or effect of which is, directly or indirectly, to circumvent the fund-freezing measures;
- preventing the frozen funds from being the subject of any transfer, disposition or use. In any case, freezing is without prejudice to the effects of any seizure or confiscation measures adopted within the scope of criminal or administrative proceedings;
- providing notification to the Financial Intelligence Unit and to the Special Currency Police Unit of the Guardia di Finanza (Italian tax police) of any freezing measures taken in compliance with the provisions of national legislation<sup>13</sup>.

#### **4.7 Protection measures for distribution networks and mediators**

The Parent Company sets out below the main behaviour required by current anti-money laundering legislation for the area in question, providing that the following be complied with specifically in the contract:

- for financial agents and other parties connected to BPER Group companies by contractual obligations aimed at external offers of products and services, rules of conduct aimed at complying with relevant legislation and, therefore, at countering money laundering and the financing of terrorism;
- for BPER Group companies, the procedures for interrupting all relations with financial agents and other parties connected to BPER Group companies by contractual obligations for the external offer of products, should they have committed money-laundering/counter-terrorism breaches;
- for external collaborators, the periodical participation in appropriate training and refreshment courses, failing which the contract is terminated.

#### **4.8 Money Transfer protection measures**

The Parent Company sets out below the main behaviour required by current anti-money laundering legislation for the area in question and, especially, the obligation to refrain from carrying out:

- transactions presenting anomalies;
- transactions involving subjects appearing on Black Lists;
- transactions that do not comply with the provisions regarding limitations on the use of cash.

#### **4.9 Protection measures concerning business with trust companies not registered in the special section of the “single register” pursuant to art. 106 of the Consolidated Banking Act<sup>14</sup>**

The Parent Company draws attention below to the main behaviour that must be kept in order to comply with current anti-money laundering legislation in the area at issue:

- identifying and verifying the identity of the trustee and of the beneficiary owner;
- refraining from completing the requested transactions when it is not possible to acquire and verify the information regarding the beneficial owner's identity;
- not envisaging the possibility to execute transactions carried out and concluded autonomously by the

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<sup>13</sup> Italian Legislative Decree no. 109 of 22 June 2007.

<sup>14</sup> The trust companies for which registration in the “single register” is required pursuant to art. 106 of the Consolidated Banking Act are those set out under art. 199, paragraph 2, of Italian Legislative Decree. no. 58 of 24 February 1998 (as amended by Italian Legislative Decree no. 141/2010) and included among the subjects under art. 11 of Italian Legislative Decree 237/07 for which the simplified customer due diligence regime is envisaged in accordance with art. 25 of the same Decree.

trustee without explicit instructions by the trust company;

- assessing any reports of suspect transactions taking into account the consistency of the operations implemented in relation to the economic and financial profile of the trustee/beneficial owner;
- adopting the measures in relation to the obligations concerning the verification and identification of the trustee/beneficial owner even if the trustee holds shares of the customer's share capital.

## **5 Roles and Responsibilities**

### **5.1 Parent Company**

#### **5.1.1 Board of Directors**

The Board of Directors, as a corporate body entrusted with strategic supervision:

- defines and periodically reviews the strategic guidelines and risk management policies relating to money laundering and terrorism financing for Banca Popolare dell'Emilia Romagna and for the Group; in compliance with the risk-based approach, these policies must be appropriate to the level and type of risks to which the company's business is actually exposed;
- assesses the adequacy of the overall management of the risk of non-compliance with anti-money laundering and counter-terrorism legislation implemented by the Group;
- approves the "Group Policy for mitigating the risk of non-compliance with anti-money laundering and counter-terrorism legislation" and any subsequent amendments to it and verifies its implementation;
- ensures, on an ongoing basis, that the responsibilities and tasks regarding anti-money laundering and the countering of terrorism financing are allocated in the Group in a clear and appropriate manner, while making sure that the operating and control functions are distinct and that such functions are provided with qualitatively and quantitatively appropriate resources;
- makes sure that a complete and prompt system of information flows to the corporate bodies is in place, ensuring, in any case, protection of the confidentiality of the parties that have taken part in reporting a suspect transaction;
- outlines an organic and coordinated internal control system at Group level, which is able to promptly detect and manage the risk of money laundering and ensures its efficiency over time;
- examines the reports on the activities performed and the controls carried out by the Group Anti-money Laundering Function, ensuring that adequate corrective measures are defined for the shortcomings and anomalies found.

The Board of Directors:

- appoints and revokes the Company Representative;
- appoints and revokes the Group Representative;
- establishes the Company Anti-Money Laundering Function and the Group Anti-Money Laundering Function and appoints and revokes its Managers.

#### **5.1.2 Board of Statutory Auditors**

The Board of Statutory Auditors, subject to the powers and further responsibilities recognised by legislation and by the Articles of Association, independently assesses the level of efficiency and adequacy of the

Internal Control System set up to monitor the risk of non-compliance with anti-money laundering legislation.

In this area, the Board of Statutory Auditors:

- evaluates, with particular attention, the appropriateness of the existing procedures for customer due diligence, the recording and preservation of information and the reporting of suspect transactions;
- requests a detailed analysis of the reasons for the shortcomings, anomalies and irregularities found and promotes the adoption of appropriate corrective measures.

The Board of Statutory Auditors is consulted on decisions concerning the appointment of the anti-money laundering function manager and on the definition of the overall system for managing and controlling the risk of money laundering and the financing of terrorism<sup>15</sup>.

Regarding relationships with the Supervisory Authorities, according to the provisions of art. 52 (paragraphs 1 and 2 lett. a) of Italian Legislative Decree 231 of 2007, the Board of Statutory Auditors must immediately inform the above Authorities of any fact or act it has knowledge of that may represent a breach of the implementing provisions of said decree. Furthermore, pursuant to art. 52, paragraph 2, lett. d), the Board of Statutory Auditors, within thirty days, must inform the relevant Supervisory Authorities of any infringement of the provisions set out under art. 36 which it has knowledge of. In the cases mentioned, the information may be provided together with other corporate bodies or functions.

### **5.1.3 Control and Risk Committee**

The Parent Company's Control and Risk Committee supports the Parent Company's Board of Directors in defining the guidelines of the internal control system to prevent the risk of money laundering and in evaluating its adequacy and compliance.

### **5.1.4 Risk Committee**

The Committee has specific competences with regard to the periodical analysis and assessment of individual and Group capital adequacy. It provides assistance and has consulting and proposal duties with regard to:

- risk management policies;
- assessment of the Group's overall risk profile;
- assessment of capital adequacy at Group level (ICAAP).

### **5.1.5 Supervisory Body pursuant to Italian Legislative Decree 231/2001**

The Supervisory Body, to the extent pertaining to this *Policy*, carries out the following tasks to ensure the efficiency and functioning of the Organisation and Management Model:

- defines the Model in advance and makes sure, within its own group company, that the risks of committing the offences of money laundering and financing of terrorism are identified, mapped and monitored;
- checks any changes made to the mapping of the above risks;
- within the identified risk areas and sensitive processes, monitors on an ongoing basis the appropriateness and observance of the procedures adopted for preventing and suppressing illegal conduct in respect of the matter under consideration;
- ensures that suitable procedures are defined to monitor new types of activities qualified as "sensitive" and, should the corporate business undergo significant changes owing to the risks

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<sup>15</sup> Measure of Banca d'Italia of 10 March 2011, Section III "Control Body".

mentioned, requests that the existing procedures be updated;

- in the event that one of the aforementioned offences is committed, it analyses its causes in order to identify the most suitable corrective actions;
- requests that prevention protocols be established or modified in the event of shortcomings, inappropriateness or changes to the internal organisation and/or company activities;
- checks the suitability and effectiveness of the organisational/management changes following the updating of the Organisation and Management Model;
- reports any breaches of the Model and the Code of Ethics to the competent Bodies. According to art. 52 of Italian Legislative Decree no. 231/2007, the Supervisory Body, like the Board of Statutory Auditors, must monitor compliance with the rules set out in the decree and carry out the reporting requirements, within the scope of its powers and competences. Reporting may be carried out together with other corporate bodies or functions.

The Supervisory Body may access all of the information of relevance for the purposes of fulfilling its tasks and must be informed by the parties required to comply with the Model about any events that could give rise to liability of the Bank pursuant to Italian Legislative Decree 231/01.

### **5.1.6 Managing Director**

The Managing Director provides for the implementation of the strategic guidelines and of the policies for managing the risk of non-compliance with legislation on anti-money laundering and on the countering of terrorism financing defined by the Parent Company's Board of Directors during planning of the Internal Control System at Group level.

In this regard, the Managing Director, on the basis of a proposal by the Group Anti-Money Laundering Function:

- provides for the organisational and procedural changes necessary to guarantee adequate protection of the offences of money laundering and the financing of terrorism;
- ensures that the operating procedures and information systems are appropriate in order to comply with anti-money laundering and counter-terrorism obligations;
- ensures that the responsibilities and tasks of the structures and corporate functions involved in the risk assumption and management processes are clearly assigned and that potential conflicts of interest are prevented, in order to avoid the unintentional involvement in money laundering and the financing of terrorism;
- implements the actions and procedures to guarantee the prompt fulfilment of the obligation to report to the Authorities laid down by legislation on money laundering and the financing of terrorism;
- on matters regarding the reporting of suspect transactions, defines a procedure able to ensure accurate reporting, consistent conduct and general application to the entire structure. The Managing Director also adopts measures aimed at guaranteeing strict confidentiality on the identity of the persons that have taken part in the reporting procedure as well as the instruments (including electronic instruments) used for detecting the anomalous transactions;
- establishes the information flows aimed at providing knowledge of the risk factors to all corporate structures involved and to all the bodies charged with control duties pursuant to art. 52 of Italian Legislative Decree 231/07, and also aimed at ensuring monitoring of the risk at issue, throughout the banking Group;
- approves the coaching and training programmes for employees and collaborators on the obligations arising from the guidelines on money laundering and financing of international terrorism;
- ensures that instruments are adopted suitable for allowing ongoing monitoring of the activities carried out by employees in order to detect any anomalies arising in the conduct, information flows with contact persons and the company's structures, and in the relationships with customers.

The Managing Director ensures that the policies and procedures are complied with by the Group and makes sure, in the event of breaches, that necessary remedies are implemented, while providing adequate

information to the Board of Directors and the Board of Statutory Auditors.

### 5.1.7 General Director

Due to a higher money-laundering risk in fulfilling the obligations under art. 28 of Italian Legislative Decree 231/2007, the General Director or the person entrusted by him:

- for the Parent Company, assesses and authorises:
  - the opening of correspondence accounts with correspondent bodies of “non equivalent” Non-EU States;
  - the establishment of an ongoing relationship with so-called “politically exposed persons”;
- for the Group’s banking and non-banking companies:
  - receives information about the establishment of an ongoing relationship with so-called “politically exposed persons”;
  - authorises the opening of correspondence accounts with correspondent bodies of “non equivalent” Non-EU States.

### 5.1.8 Company Representative

The Board of Directors of Banca Popolare dell’Emilia Romagna establishes the role of Company Representative who is responsible for assessing any reporting of suspect transactions received by the Bank’s central and peripheral Organisational Units, and submits them, if deemed founded, to the Financial Intelligence Unit (hereinafter, also FIU), or archives them.

Appointment of the Company Representative is the exclusive competence of the Board of Directors, on the basis of a proposal by the Managing Director, and cannot be delegated. The appointment and revocation, if any, of the Company Representative are immediately notified to the Supervisory Authority.

The Company Representative makes sure that the procedures regarding the identification and reporting of suspect transactions are complied with in Banca Popolare dell’Emilia Romagna.

The Company Representative submits a report on the identification, in-depth examination and reporting of suspect transactions to FIU, at least once a year.

The Company Representative has free access, either directly or through organisational structures coordinated by him, to the information flows and both paper and electronic archives pertaining to the countering of money laundering and the financing of terrorism. The Company Representative plays a role of dialogue with the FIU and also provides prompt feedback to any requests for further detail submitted by the FIU.

### 5.1.9 Group Representative

The Board of Directors establishes the role of Group Representative in order to comply in a more effective manner with the task of guidance and control over the Group’s companies.

The Legal Representatives of the banking and non-banking companies based in Italy confer upon the Group Representative the delegation under art. 42, paragraph 4, of Italian Legislative Decree 231/07. In compliance with this delegation, the Group Representative receives, in a confidential and timely manner, the transactions to be assessed from the central and peripheral Organisational Units of the aforementioned companies. The transactions are either submitted to the FIU, if deemed founded, or archived. In order to ensure ongoing and timely reporting activities, the Legal Representatives of the above *legal entities* appoint a Deputy Representative who is responsible for reporting suspect transactions should the Group Representative be

absent or unavailable, as well as a further person who is requested to intervene in the event the latter is unavailable. The Managing Director of the Parent Company is solely responsible for identifying the above persons.

With specific reference to Group companies based abroad, the Group Representative (to whom the delegation under art. 42, paragraph 4, of Italian Legislative Decree no. 231/07 is not assigned) is the recipient, for in-depth examinations and assessments on a Group-wide basis, of information regarding the archived reporting and the transactions reported to the competent local Authority.

Appointment of the Group Representative is the exclusive competence of the Board of Directors, having heard the Board of Statutory Auditors, on the basis of a proposal by the Managing Director, and cannot be delegated. The appointment and revocation, if any, of the Group Representative are immediately notified to the Supervisory Authority.

The Group Representative makes sure that the procedures regarding the identification and reporting of suspect transactions are complied with by the Bank and Group companies.

The Group Representative submits a report on the identification, in-depth examination and reporting of suspect transactions on a Group-wide basis to the Parent Company's Corporate Bodies, at least once a year.

The Group Representative has free access, either directly or through the organisational structures coordinated by him, to the information flows and to the Group's paper and electronic databases pertaining to the countering of money laundering and the financing of terrorism.

For the purpose of examining in detail the transactions and anomalous relations at Group level, the Group Representative may make use of every structure of the Group's companies.

### **5.1.10 Group Anti-money Laundering Service**

In order to comply with the obligations to mitigate the risk of non-compliance with anti-money laundering legislation, the Board of Directors of Banca Popolare dell'Emilia Romagna has set up a Group Anti-money Laundering Service at the Parent Company's offices (hereinafter also "Anti-money Laundering Service") which is assigned the role of "Anti-money Laundering Function" for BPER and of "Group Anti-money Laundering Function" for BPER Group's banking and non-banking companies.

The Anti-money Laundering Service also performs a second level specialised control function relating to anti-money laundering and counter-terrorism<sup>16</sup> for the Parent Company and the Group's Banks and companies based in Italy and reports directly to the Managing Director.

### **5.1.11 Group Internal Audit Department**

The Internal Audit Function is based in the Parent Company for all of the Group's Banks and Companies with the exception of Cassa di Risparmio di Bra. Regarding foreign companies, the Internal Audit Function carries out steering and coordination tasks.

The Group Internal Audit Department, to which third level control is assigned, has the following responsibilities:

- for the Group:
  - assesses the adequacy and conformity of the structure of the Group Internal Control System, reporting any critical situations and providing proposals for strengthening the System;
  - identifies and suggests any proposals for remedial actions and possible improvements to the Group's risk management policies, to the measuring instruments and to the procedures,

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<sup>16</sup> Cf. Measure of Banca d'Italia of 10 March 2011 "containing implementing provisions concerning organisation, procedures and internal controls to prevent the use of intermediaries and other subjects carrying out financial activities for the purpose of money laundering and the financing of terrorism, pursuant to art. 7, paragraph 2, of Italian Legislative Decree no. 231 of 21 November 2007"

- reporting any critical situations and indicating proposals for strengthening the System;
- verifies the functioning of the anti-money laundering and counter-terrorism activities carried out by the Group Anti-money Laundering Service in its role as Group Anti-money Laundering Function and as structure supporting the Group Representative when examining in detail and assessing at Group level the reporting of suspect transactions carried out or archived on behalf of the Banks and Companies within the corporate scope, as well as the archived procedures and transactions reported by the Group's foreign companies to the local Authorities;
- for the Parent Company, the Banks and the "Companies within the corporate scope":
  - assesses the adequacy of the structure of the Internal Control System in the corporate processes relating to anti-money laundering and counter-terrorism;
  - verifies the functioning of the following activities that the Group Anti-money Laundering Service carries out for the Parent Company and the Banks and "Companies within the corporate scope":
    - support to the Company Representative in fulfilling the mandatory reporting of suspect transactions;
    - centralised controls on the Company's Branches and Main Offices;
    - support to the Company's Branches and Main Offices with regard to the obligations required by anti-money laundering legislation;
    - activities carried out under outsourcing contracts in favour of Group Companies;
  - performs the following audits laid down by Banca d'Italia Measure of 10 March 2011, through systematic controls, including inspections:
    - ongoing compliance with the due diligence obligation, both when establishing the relationship and while developing it over time;
    - actual acquisition and orderly preservation of the details and documents provided for by legislation;
    - alignment between the various sectoral accounting management procedures and the procedure for feeding and managing the Centralised Computer Archive, as well as correct functioning of the latter;
    - the actual degree of involvement of employees, collaborators and managers of the peripheral and central structures, in implementing the obligation of "active cooperation".

The activities, including both distance actions and inspections, are subject to planning so that all central and peripheral operating structures may be audited over a suitable period of time and so that more frequent initiatives are carried out on structures most exposed to the risks of money laundering and financing of terrorism.

The Group Internal Audit Department carries out follow-up activities in order to ensure that the remedial actions aimed at correcting any shortcomings and irregularities detected have been adopted and that they are suitable to avoid similar situations in the future; lastly, it provides detailed information to the corporate bodies about the activities carried out and the related outcomes, subject to compliance with the principle of confidentiality relating to the reporting of suspect transactions.

### **5.1.12 Group Organisation Department**

In compliance with the Group Guidelines of the Internal Control System, the Group Organisation Department:

- supports the Group Anti-money Laundering Service during definition of the processes, reports and tools in order to technically steer the Group Companies;
- coordinates the process for the production and management of both Company and Group

regulations relating to anti-money laundering, ensuring their coherence and completeness and the suitability of the authorisation level and disclosure to the Group structures;

- defines and disseminates the methodology for representing the processes in the Group and the roles involved and also monitors the development of the Group's process tree, ensuring consistency of content within the related repository for the entire Group in which money-laundering and terrorism financing risks, organisational controls and line-controls of the Group's Companies, including the Parent Company, are represented.

### **5.1.13 Organisational Unit Managers**

The Organisational Unit Managers, whose operations include exposure to the risk of non-compliance with anti-money laundering and counter-terrorism legislation, must – with the support of the Group Anti-money Laundering Service and the Group Organisation Department:

- adjust the operations and instruments to the external rules (of laws and regulations) and self-imposed rules relating to money laundering and the financing of terrorism;
- spread the “culture of compliance with anti-money laundering and counter-terrorism legislation” within each organisational unit, so that all employees, in fulfilling their obligations of “active cooperation”, recognise their responsibilities, with particular reference to the obligation to report any breaches;
- make sure that the actions identified for mitigating the risk of non-compliance with anti-money laundering and counter-terrorism legislation are actually implemented inside the organisational unit.

### **5.1.14 Employees**

All employees are responsible for managing and controlling the risk of non-compliance with anti-money laundering and counter-terrorism legislation, in accordance with the following main principles:

- complying with the law, regulations, guidelines and procedures, as well as with the self-imposed codes adopted or issued by the Group, to the extent applicable and falling within their competence;
- becoming suitably acquainted with the laws and regulations applicable to their activity, by consulting if necessary with their direct manager or with the competent functions, in compliance with the procedures defined by way of specific regulations.

## **5.2 Banking and non-banking companies based in Italy**

The Bper Group, with regard to BPER Group banking and non-banking companies, centralises the “Anti-money Laundering Function” and the “Anti-money Laundering Control” within the Parent Company.

The Group's banking and non-banking Companies based in Italy, in order to implement the organisational solution:

- assign the role of “Company Representative” to the Group Representative, the Group Anti-money Laundering Service Manager, (*pursuant* to art. 42, paragraph 4, of Italian Legislative Decree 231/07) for reporting suspect transactions to the FIU and confirm the appointment of the “Deputy Representative” and of his substitute in the persons identified by the Parent Company;
- appoint the General Director or the person entrusted by him, as person in the company in charge of authorising the establishment of an ongoing relationship with so-called “politically exposed persons”;



- outsource to the Parent Company the activities relating to the “Anti-money Laundering Function”<sup>17</sup> and identify a resource for the role of “Contact Person for the Group Anti-money Laundering Function” having appropriate expertise and experience in money laundering;
- outsource to the Parent Company the preliminary investigation activities for the reporting of suspect transactions as well as ongoing centralised monitoring.

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<sup>17</sup> Cf. Measure of Banca d'Italia of 10 March 2011 “containing implementing provisions concerning organisation, procedures and internal controls to prevent the use of intermediaries and other subjects carrying out financial activities for the purpose of money laundering and the financing of terrorism, pursuant to art. 7, paragraph 2, of Italian Legislative Decree no. 231 of 21 November 2007”.