

Policy on measures to combat money laundering and terrorist financing

SpareBank 1 SMN Group

Applies to	SpareBank 1 SMN Group (from here on termed ‘SMN Group’)
Basis in law	Anti-Money Laundering Act, Section 8
Responsible for compliance	Group CEO and managing directors of all entities in the SMN Group with a reporting obligation under the Anti-Money Laundering Act
Responsible for updating/revision	Anti-money laundering officer at SpareBank 1 SMN
Published	07.05.2020 (version 1.0)
2021	17.06.2021 (version 1.2)
Most recent	21.06.2022 (version 1.3) – change to chapter 7

1. Background

SpareBank 1 SMN is subject to a reporting obligation under the provisions of the Anti-Money Laundering Act, and is also required, as the parent company of a financial services group with subsidiaries that are subject to a reporting obligation, to operate an overarching anti-money laundering policy at group level to ensure consistent management of identified risks and fulfilment of obligations under the Anti-Money Laundering Act and the Anti-Money Laundering Regulations across the SMN Group.

2. Scope

This policy is overarching and applies to SpareBank 1 SMN and its subsidiaries in the SMN Group that are obliged entities under the Anti-Money Laundering Act. In addition to complying with this policy, obliged entities are each required to draw up enterprise-specific policies, procedures, controls and training programmes to prevent and detect money laundering and terrorist financing.

3. Purpose

The SMN Group’s anti-money laundering regime is designed to prevent and detect instances of money laundering and terrorist financing. Obligated entities in the SMN Group are required under the Anti-Money Laundering Act to implement measures both to prevent and to detect their use, or attempted use, for money laundering or terrorist financing purposes. The measures taken shall contribute to obliged entities’ compliance with the requirements of law and regulations in force at any and all times. Information sharing procedures shall facilitate effective sharing of information between obliged entities in the SMN Group in accordance with section 31, subsection (2), of the Anti-Money Laundering Act with a view to reducing

the risk of entities in the SMN Group being misused for money laundering or terrorist financing purposes.

4. Regulatory requirements

The regulatory requirements are described inter alia in:

- Act on Measures to Combat Money Laundering and Terrorist Financing (Anti-Money Laundering Act), Act of 1 June 2018 No. 23
- Regulations on Measures to Combat Money Laundering and Terrorist Financing (Anti-Money Laundering Regulations), Regulations of 14 September 2018 No. 1324
- International sources on which Norwegian legislation is based

5. Principles

Overarching principles for obliged entities in the SMN Group are set out below.

5.1 Risk assessment

The SMN Group's anti-money laundering and anti-terrorist financing regime employs a risk-based approach. The measures taken are accordingly tailored to the risk of money laundering and terrorist financing that is identified at the respective obliged entities. In order to identify where risk is greatest, a risk assessment is performed on annual basis, and at any point where events arise requiring a change(s) to be made in each of the obliged entities. Customer due diligence measures shall focus on areas considered to pose the greatest risk of money laundering and terrorist financing.

The risk assessment shall be in writing and shall at minimum include:

- Method for risk assessment
- Description of the identified risk of money laundering and/or terrorist financing
- Description of measures taken to mitigate the identified risk of money laundering and/or terrorist financing
- Description of how the risk mitigation measures are operationalised in the entity

5.2 Procedures and guidelines

Obliged entities in the SMN Group are required to maintain updated procedures for the prevention and detection of money laundering and terrorist financing. Procedures must describe measures that mitigate any risk of money laundering and terrorist financing that is identified in the risk assessment. Procedures and guidelines shall be updated as and when required by changes in the risk assessment. An annual risk assessment is imperative.

5.3 Customer due diligence

5.3.1 Customer due diligence in the SMN Group

Obliged entities in the SMN Group are required to implement customer due diligence measures and to monitor their customers on an ongoing basis in accordance with the anti-money laundering legislation in force at any and all times. The customer due diligence measures and ongoing monitoring shall be risk based, and shall be implemented on a standard, enhanced (in the event of high risk) or simplified (in the event of low risk) manner

with a basis in the risk assessment carried out on an annual basis¹. The due diligence process shall be described in the internal control plan, and completed due diligence assessments shall be duly documented. The due diligence plan and the result of completed due diligence assessments shall be confirmed by the manager concerned. The due diligence plan and results shall moreover receive comment in the manager's confirmation.

5.3.2 Customer due diligence performed by others on behalf of entities in SpareBank 1 SMN

Obligated entities in the SMN Group are permitted to rely on customer due diligence measures performed by other obligated entities; see the Anti-Money Laundering Act, section 22.

Obligated entities in the SMN Group are permitted to outsource functions under the Anti-Money Laundering Act, section 23.

A prerequisite in both cases is that an agreement between the parties is entered into in writing.

Where any agreement under sections 22 or 23 of the Anti-Money Laundering Act is entered into, the anti-money laundering officer of the entity shall be consulted before the agreement is formalised, and the business line (Personal Banking / Corporate Banking) shall register the agreement in a suitable manner to ensure the existence of an overview of established agreements. An appropriate due diligence process shall be established to monitor the implementation of customer due diligence measures and to ensure that customer due diligence measures performed by a third party are in conformance with the Anti-Money Laundering Act and agreed procedures. The due diligence assessment of the agreement shall be described in the internal control plan, and completed due diligence assessments shall be duly documented. The due diligence plan and the result of a completed due diligence shall be followed up and confirmed by the manager concerned. The plan and results shall moreover receive comment in the manager's confirmation.

5.3.3 Customer due diligence performed by an entity in the SMN Group on behalf of other parties

Obligated entities in the SMN Group are permitted to perform customer due diligence for other obligated entities; see section 22 of the Anti-Money Laundering Act.

Obligated entities in the SMN Group are permitted to enter into outsourcing agreements with other obligated entities where entities in the SMN Group take on functions under the Anti-Money Laundering Act for other obligated entities.

In the case of an agreement under section 22 or 23 of the Anti-Money Laundering Act where an entity in the SMN Group takes on functions for other parties, the anti-money laundering officer of the entity shall be consulted before the agreement is formalised and the agreement shall be registered in a suitable manner to ensure the existence of an overview of established agreements. Moreover, the due diligence assessment of the agreement shall be described in the internal control plan, and completed due diligences shall be duly documented. The due diligence plan and the results shall receive comment in the manager's confirmation.

5.4 Training

¹ See chapter 5.1.

Obligated entities in the SMN Group are required to provide annual training to all employees and officers to acquaint them with the obligations incumbent on the business in its effort to combat money laundering and terrorist financing. The training should to the greatest possible degree be tailored to the individual employee/officer.

New employees and employees in particularly relevant positions shall receive special training in combating money laundering and terrorist financing. The training shall be ed to the employee's work assignments.

5.5 Investigation and reporting

Obligated entities in the SMN Group shall themselves carry out random due diligence checks of their compliance with the anti-money laundering rules. The random checks shall be described in the internal control plan, and checks shall be duly documented.

If an obliged entity suspects money laundering or other criminal offence, the circumstance shall be investigated more closely. If the investigation fails to refute the suspicion, the obliged entity shall ensure that the matter is reported to Økokrim².

5.6 Exchange of information in the SMN Group

Where an obliged entity has sent notification of suspicion of money laundering and/or terrorist financing to Økokrim, the obliged entity shall, notwithstanding the confidentiality obligation, provide other obliged entities in the SMN Group with information in that connection to the extent they are permitted to do so under the legislation. This shall be done by delivering such information to the centralised function for information sharing in the SMN Group. The centralised function for information sharing shall ensure that the information is forwarded to the other obliged entities in the SMN Group by duly prescribed means. The group function, and the accompanying information-sharing obligation, applies with respect to obliged entities listed in the Anti-Money Laundering Act section 4, subsection (1)(a), (b), (c), (e), (g), (h) to (k), (n) and (o)³

Each and every obliged entity that receives information as mentioned above shall check whether the subject of the reported suspicion is also a customer of the obliged entity's own company. Any hits noted shall be reported to the centralised function for information sharing, and the obliged entity shall where appropriate initiate enhanced customer due diligence.

5.7 Basis for processing personal data

Customer due diligence measures and other processing of personal data as described in this document that are necessary in order to meet the requirements of the Anti-Money Laundering Act are lawful under the General Data Protection Regulation Article 6, first subparagraph, point (c), cf. the Anti-Money Laundering Act, chapter 6.

Obligated entities in the SMN Group shall register and store information and documents retrieved and prepared in connection with the implementation of customer due diligence measures, further investigations and reporting in principle for five years after termination of the customer relationship or execution of the transaction concerned. Obligated entities shall also

² National Authority for Investigation and Prosecution of Economic and Environmental Crime

³ i.e. SpareBank 1 SMN, SpareBank 1 Markets, SpareBank 1 Finans Midt-Norge. EiendomsMegler 1 Midt-Norge and SpareBank 1 Regnskapshuset do not fall under the said provision as per September 2020.

maintain satisfactory storage systems and procedures that comply with requirements as to erasure.

6. Organisation, roles and responsibilities

6.1 Board of directors

The board of directors of SpareBank 1 SMN shall see to the establishment of clear and appropriate governance and control arrangements for the overall activities of the SMN Group, and shall ensure that the requirements as to the organisation of the Group and the establishment of satisfactory governance and control systems² are complied with. This includes overseeing the work to combat money laundering and terrorist financing at consolidated level.

Each obliged entity in the SMN Group has an independent responsibility for compliance with the anti-money laundering rules at the entity concerned.

The board of directors of each obliged entity in the SMN Group shall ensure that its business is properly organised, which includes ensuring compliance with the requirements as to the organisation of the entity and establishment of satisfactory governance and control systems². This includes overseeing the work done to combat money laundering and terrorist financing in the respective obliged entities. Ultimate responsibility for this work shall rest with the management, and the managing director of each subsidiary shall designate a person with special responsibility for monitoring the work done by that entity. The board of directors of each obliged entity in the SMN Group shall approve the entity's risk assessment and the entity's policy/overarching guidelines for measures to combat money laundering and terrorist financing.

6.2 Administrative level – line management

6.2.1 Group CEO SpareBank 1 SMN

SpareBank 1 SMN's CEO has the overarching responsibility for compliance with the body of anti-money laundering rules at SpareBank 1 SMN. The CEO shall ensure that SpareBank 1 SMN has the resources needed to comply with the applicable rules, and shall prioritise resources towards those areas where the risk of money laundering and terrorist financing is greatest.

SpareBank 1 SMN's CEO is the highest administrative manager in the SMN Group, and shall in his dialogue with managing directors mentioned under 6.2.2 demand compliance with the Anti-Money Laundering Act.

The CEO is responsible for seeing to it that SpareBank 1 SMN's line managers ensure that rules are drawn up in each business line with a view to securing compliance with the Anti-Money Laundering Act.

6.2.2 Managing director of obliged entities in the SMN Group

The managing director of each of the obliged entities has the overarching responsibility for compliance with the anti-money laundering legislation at the individual entity. The managing director shall ensure that the obliged entity has the resources needed to be able to comply with

applicable rules, and shall prioritise resources towards those areas where the risk of money laundering and terrorist financing is greatest.

The managing director is responsible for ensuring that the entity's line managers see to the preparation of procedures within each business line that ensure compliance with the Anti-Money Laundering Act.

6.2.3 Line managers with responsibilities under the Anti-Money Laundering Act

For line managers in obliged entities in the SMN Group, responsibility for compliance with the anti-money laundering legislation shall – where such responsibility is either assigned or is a direct consequence of the content of the position – be set out in job descriptions and procedures.

6.4 Anti-money laundering officer

6.4.1 Anti-money laundering officer – Group

The anti-money laundering officer in the parent bank is the group's anti-money laundering officer, and has a special responsibility for verifying that each entity in the group has established an overview of the entity's money laundering and terrorist financing risks along with central steering documents for its area. Follow-up is assured through contact with each entity's anti-money laundering officer.

The group anti-money laundering officer is responsible for ensuring that anti-money laundering officers at obliged entities have familiarised themselves with chapter 6.4.2.

The group anti-money laundering officer has a particular responsibility for ensuring that knowledge of and information about anti-money laundering and terrorist financing is exchanged with a view to developing knowledge, systems and training across the entities.

The group anti-money laundering officer reports quarterly, or as and when required, to the parent bank's board of directors. The group anti-money laundering officer reports to SMN's group CEO as and when required.

The group anti-money laundering officer has responsibility for the centralised information-sharing function.

The SpareBank 1 Group's anti-money laundering officer is the anti-money laundering officer for SpareBank 1 SMN, with the responsibilities described under chapter 6.4.2.

6.4.2 Anti-money laundering officer – obliged entities in the Group

The anti-money laundering officer at each obliged entity in the SMN Group has a particular responsibility for ensuring that the entity has an overview of money laundering and terrorist financing risks facing the business, inter alia through his or her contribution to the performance of the entity's annual risk assessments.

The anti-money laundering officer also has a particular responsibility for verifying that procedures are implemented and complied with at the entity at an overarching level, including when following up on the respective business lines. The anti-money laundering officer shall in addition provide support and advice on combating and money laundering and terrorist financing.

The anti-money laundering officer shall oversee that an adequate risk assessment of the customers is in place, and that endeavours are made to identify relevant indications of suspicious circumstances. In addition the anti-money laundering officer has a special responsibility for forwarding information about suspicious circumstances to Økokrim. Moreover, the anti-money laundering officer has a specific responsibility for ensuring that employees of the entity receive the necessary training.

The anti-money laundering officer can delegate tasks within his or her area of responsibility, and may deploy operational anti-money laundering officers across business areas or entities provided this is appropriate and/or warranted in regulatory terms.

The anti-money laundering officer reports yearly to the board of directors of the obliged entity, quarterly or as and when required. The anti-money laundering officer shall also report to the centralised function for information sharing in accordance with chapter 5.7.

6.4.3 Centralised function for information sharing

The anti-money laundering team at the parent bank is the group's centralised function for information sharing.

The centralised function for information sharing at SMN shall facilitate effective information sharing between obliged entities in the SMN Group with a view to managing the group's risk of money laundering and terrorist financing. To this end it shall have access to all information retrieved or prepared under the Anti-Money Laundering Act with associated regulations as described above in chapter 5.7. The centralised function shall report quarterly to the management and the board of directors of SMN.

The requirement as to a centralised function for information sharing in a group of companies applies only to obliged entities as listed in the Anti-Money Laundering Act section 5, subsection (1)(a), (b), (c), (e), (g), (h) to (k), (n) and (o).

7. Reporting

The status of the anti-money laundering and anti-terrorist financing effort at group level shall be reported quarterly to the board of directors of SMN. Moreover, the boards of directors of the obliged entities in the SMN Group shall be kept informed of the work done to combat money laundering and terrorist financing at the individual entity at intervals set by the respective boards of directors.

The group anti-money laundering officer reports quarterly to the board of directors of the parent bank or as and when required, and to the parent bank's CEO as and when required.

8. Revision

The CEO of SpareBank 1 SMN in the person of the Anti-Money Laundering Officer is responsible for preparing and maintaining this policy.

The board of directors of SMN shall revise and approve the policy at minimum on an annual basis.

Revision history:

Version	Date	Comment	Adopted by
1.0	7.5.20	Presented first time	BoD of SMN
1.1	20.10.2020	Update new anti-money laundering officer	Admin
1.2	17.06.2021	Update without material changes	BoD of SMN
1.3	21.06.2022	Minor change to chapter 6.4.1	BoD of SMN

Abbreviations:

Terms	Description
SMN	SpareBank 1 SMN (parent company)
SMN Group	SpareBank 1 SMN Group (parent plus subsidiaries)