



Regulations

Prevention of money laundering and the funding of terrorism

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1 Introduction

1.1 Purpose

These Regulations govern the principles, the roles and the responsibilities concerning the prevention of money laundering (specifying that these also include the cases of self-money-laundering envisaged in article 648-ter.1 of the Italian Criminal Code) and the prevention of the funding of terrorism.

1.2 Scope of application and procedures for adoption

These Regulations apply:

- to the financial intermediaries belonging to the Banking Group with registered offices in Italy (subject to the anti-money laundering provisions set forth in Italian Legislative Decree 231/07);
- to the other parties that conduct financial activities belonging to the Group with registered offices in Italy (subject to the anti-money laundering provisions set forth in Italian Legislative Decree 231/07);

Furthermore, even though not subject to the anti-money laundering provisions set forth in Italian Legislative Decree 231/07, also in order to encourage the application of the measures envisaged in Italian Legislative Decree 109/07 concerning the prevention of the funding of terrorism, these Regulations apply:

- to all the other Group Companies with registered offices in Italy, limited to the principles of Full Knowledge¹ of their respective Counterparties²;
- to the Banks and Branches belonging to the Banking Group that are located abroad, in compliance and accordance with the current local regulations in force, to strengthen organisational controls concerning the prevention of money laundering and the funding of terrorism by:
 - adequately coordinating the controls concerning the prevention of money laundering and the funding of terrorism set in place internally with the Parent Company's Anti-Money Laundering function;

¹ Full Knowledge: entails verifying the identity and the profile of the *Counterparty* and of any *Beneficial Owner* and acquiring information on the purpose and nature of the *Business relationship*.

² Counterparty: natural and legal persons that enter into a Business relationship (other than contractual relationships whose durations are included in the exercise of institutional activities of financial intermediaries and other parties conducting financial activities) with the Banks and the Companies of the Group (even if they are not the direct addressees of the obligations set forth in the provisions for the Prevention of money laundering and the funding of terrorism) which - in order to protect the Group's integrity and stability - apply the Full Knowledge of Counterparties procedures.

- periodic reporting to the head of Anti-Money Laundering of the Group on aspects, data and information agreed with such party.

These Regulations have been approved by the Parent Company's Board of Directors.

These Group Regulations and any subsequent amendments, following the approval of the Parent Company, are adopted by the competent Administrative Bodies of the Subsidiary Companies, which, within their scope, resolve on the adoption of these Regulations and guarantee that any internal Regulations are consistent with those of the Group.

The individual Subsidiary Companies, on the basis of their specific operating characteristics, may request the Parent Company for prior authorisation to adopt any adaptations with respect to the version adopted by the Parent Company.

2 General Principles

The sector regulations seek to ensure the efficiency of the markets, the promotion of competition, fair conduct, the honourability of company representatives, the transparency of ownership structures and relations with Customer³ and the effectiveness of the organisational structure and internal controls, contributing to preventing the use of financial mechanisms for Money Laundering Transactions⁴ and for the Funding of Terrorism⁵.

³ Customer: the party that enters into ongoing Relationships or carries out Transactions with financial intermediaries or other parties conducting financial activities or with other recipients of the obligations set forth in the provisions for the Prevention of money laundering and the Funding of terrorism, or the party to which the above provide a professional service following the granting of an assignment, generally identified also using other terms, such as users, investors, policyholders, contracting parties, purchasers, borrowers, etc.

⁴ Money laundering: the following actions, if intentionally committed, constitute money laundering:

- converting or transferring assets, carried out in the knowledge that they originate from criminal activity or participation in such activity, for the purpose of concealing or disguising the unlawful origin of such assets or assisting anyone involved in this activity in avoiding the legal consequences of their actions;
- concealing or disguising the true nature, origin, location, use, movement or ownership of the assets or the rights thereto, carried out in the knowledge that those assets originate from criminal activity or participation in such activity;
- purchasing, holding or using assets in the knowledge that, at the time of their receipt, those assets originate from criminal activity or participation in such activity;
- participating in one of the acts pursuant to the previous points, association for the purpose of committing such acts, the attempt to perpetrate such act, assisting, instigating or advising someone to commit the act or facilitating its execution.

Money Laundering is considered such even if the activities that generated the assets to be laundered are carried out in the territory of another EU Member State or a third country.

⁵ Funding of Terrorism: any activity, using any means, for the purpose of collecting, funding, brokering, storing, holding in custody or disbursing funds or economic resources, realised in any manner, which are to be fully or partly used for the purpose of committing one or more crimes of terrorism or, in any event, for the purpose of favouring the commission of one or more crimes of terrorism envisaged by the Italian Criminal Code, irrespective of whether the funds or the economic resources are actually used in committing said crimes.

Legislative provisions require that intermediaries have clearly identified and adequately specialised resources, procedures and organisational functions. More specifically, these provisions require:

- the accountability of employees and external collaborators;
- the clear definition, at the various levels, of roles, duties and responsibilities, as well as the setup of procedures that guarantee compliance with the obligations of Customer Due Diligence⁶ and the reporting of Suspicious Transactions⁷ and, in addition, the storage of documentation and evidence of the Ongoing Relationships⁸ and Transactions⁹;
- the establishment of a specific function assigned to oversee the commitment to the prevention and management of the risks in question;
- architecture of control functions with coordinated components, also through suitable information flows, and, at the same time, consistent with the setup of the structure, the complexity, the company size, type of services and products offered and the extent of risk that can be associated with the characteristics of its Customers;
- control activity that aims to ensure that staff and collaborators comply with internal procedures and all regulatory obligations, with specific regard to “active cooperation” and the continuous analysis of customers’ operations.

The complexity and danger of the phenomenon that the Group intends to handle responsibly, dedicating specific attention to its prevention and combat, in the knowledge that the pursuit of profitability and efficiency must be joined with the continuous and effective oversight of the integrity of corporate structures.

In this area, the Parent Company makes the utmost effort so that the operational organisation and control system is capable of safeguarding the Group Companies from commingling and conduct of tolerance of types of unlawful actions that could damage its reputation and harm its stability.

⁶ Due Diligence: entails identifying and verifying the identity of the *Customer*, of any executor or Beneficial owner, acquiring information on the purpose and the nature of the ongoing Relationship and of the occasional Transaction and continuously checking the ongoing relationship.

⁷ Suspicious Transaction: a transaction which, from objective aspects (deducted from the characteristics, amount, nature of the transaction) or from subjective aspects (deducted from the knowledge of circumstances, based on the functions exercised, also taking account of the economic capacity and the business conducted by the party the transaction refers to), based on the information available to the reporting parties, acquired as part of the activities carried out, leads the same to retain that the amounts used may be of unlawful origin or directed towards the funding of terrorism.

⁸ Ongoing Relationship: a relationship whose duration is included in the exercise of institutional activities of financial intermediaries and other parties conducting financial activities which give rise to multiple Transactions of deposit, withdrawal or transfer of Payment instruments and is not terminated after a single Transaction.

⁹ Transaction: the transmission or movement of Payment instruments.

For these reasons, Banco BPM and Group Companies adopt organisational rules, rules of conduct and monitoring and control systems to guarantee compliance with regulations in force by Corporate Bodies, corporate control functions, employees and external staff of the Group.

3 Roles and Responsibilities

With regard to the organisational model adopted by the Banco BPM Group, in accordance with that envisaged by the provisions of the same, in order to mitigate the risk of money laundering, the involvement of the Corporate Bodies of the various companies and their fulfilment of their obligations is a top priority.

The Banco BPM Group adopts an organisation model that involves:

- the Board of Directors of the Parent Company;
- the Chief Executive Officer;
- the Board of Statutory Auditors of the Parent Company;
- the Corporate Bodies:
 - of the financial intermediaries and other parties that conduct financial activities belonging to the Banking Group with registered offices in Italy;
 - Group companies other than financial intermediaries and other parties that conduct financial activities with registered offices in Italy;
 - of the Group Companies located in third countries;
- the Supervisory Body pursuant to Italian Legislative Decree 231/01 or, if not established, the Body with the control function, which carries out the functions thereof;
- the head of Anti-Money Laundering of the Group;
- the Anti-Money Laundering function;
- the Company Contacts at the banks and the other financial intermediaries or at the other parties conducting financial activities of the Group, which have outsourced the Anti-Money Laundering function;
- the manager in charge of assessing and transmitting reports of suspicious transactions (also: the Delegate);
- the internal Audit function;
- the services that provide support to customer and counterparty relations, and direct operational support.

With regard to managing the risk of money laundering and funding of terrorism, in order to pursue the full and sound implementation of the Group model, the services of the Parent Company and of the Group Companies that fall within the scope of application of these Regulations must:

- adopt the principles, rules, roles and assign responsibilities as envisaged by the Regulations;
- if addressees of regulations concerning the prevention of money laundering and the funding of terrorism set forth in Italian Legislative Decree 231/07, coordinate with the Anti-Money Laundering function of the Parent Company for all relevant activities. If not subject to the above regulations, to manage the risks in question when conducting their business activities, they may request the collaboration of the Anti-Money Laundering function of the Parent Company;
- in the event that they directly implement measures for the prevention of money laundering and the funding of terrorism through their own structures, operate under the coordination and control of the Anti-Money Laundering function of the Parent Company and in compliance with functional responsibilities as defined in the Regulations.

3.1 Self-regulation concerning the prevention of money laundering and the funding of terrorism

Regulation for the prevention of money laundering and the funding of terrorism apply to “financial intermediaries” and “other parties conducting financial activities”, to “professionals”, “auditors” and the “other parties” identified by Italian Legislative Decree 231/07.

In order to effectively manage risk, the Parent Company and the other Group Companies set in place adequate organisational controls, formulated in correspondence with the specific nature of the activity in question.

In order to prevent the use of its components by third parties, the Group adopts a “global approach” to the risk of money laundering and funding terrorism, setting out its own governance regarding the Full Knowledge of the Counterparties with which it interacts, in order to ensure that, in case the parties are not completely identified, the relationship is not entered into or must be terminated, also as regards its own components and its own activities that are not expressly subject to the provisions of Italian Legislative Decree 231/07.

Therefore:

- Group companies other than financial intermediaries and other parties that conduct financial activities with registered offices in Italy;
- financial intermediaries and other parties that conduct financial activities belonging to the Group, with registered offices in Italy, also with regard to business relationships or instrumental transactions for institutional activity¹⁰ (for example: relations with third parties for the acquisition of goods/services or the granting of professional assignments);

¹⁰ Institutional activities for which the addressees of regulations concerning ANTI-MONEY LAUNDERING and the prevention of the FUNDING OF TERRORISM have obtained enrolment in Registers or authorisation to carry out the activities from Public Authorities.

- in order to protect the Group's integrity and stability, the Banks and Branches belonging to the Banking Group that are located abroad, in compliance and accordance with the current local regulations in force, conduct an analysis of the counterparties with which it intends to do business, ranking the same based on money laundering risk, self-money laundering¹¹ or funding terrorism.

If the party with whom a Business relationship¹² is intended to be established is not already recorded at a Bank or financial intermediary and/or other party conducting financial activities in the Group¹³ and, as such, has not already been the subject of Due Diligence, Group Companies (as identified above) shall conduct the Full Knowledge procedures of the Counterparty, using parameters of varied levels and scope - according to criteria of proportionality - defined (on the Company's proposal) and communicated by the Head of Anti-Money Laundering of the Group.

The criteria of proportionality are applied using the following methods:

- "Identification", which entails verifying the identity of the Counterparty based on the documents, data or information obtained from a reliable, independent source;
- "Enhanced" Full Knowledge or "ordinary" Full Knowledge, which entails adopting measures featuring various levels of depth, scope and frequency. Additional information may be acquired with respect to the identification data ordinarily required (for example, data regarding family/cohabitants/companies/parties in business with the counterparty); additional information may be acquired on the executor and Beneficial owner¹⁴; for occasional transactions, information may be acquired on the nature or scope of the same, etc.

This, without prejudice to situations where the presence of any irregular elements of conduct or characteristics of the business relationship or transaction (independently assessed) give rise to suspicions, resulting in the adoption of stricter procedures than those defined for Full Knowledge, up to refraining from or terminating the business relationship.

When there is a suspicion of the counterparty or reasonable reasons to suspect that operations of receipt of stolen goods, use of money, goods or benefits of unlawful origin, self-money laundering or funding terrorism are under way or have been carried out or attempted, the Company shall promptly inform the head of Anti-Money Laundering of the Group, adopting the necessary precautions to ensure the confidentiality of the identity of the persons submitting the reports. Reports shall be made without delay as soon as the Company becomes aware of the suspicions.

¹¹ Self-money laundering: the crime (art. 648-ter-1 of the Italian Criminal Code), introduced by art. 3 of Italian Law no. 186 of 15 December 2014. Art. 648-ter.1 sanctions those who, after committing the predicate offence, replaces, transfers or hides the proceeds of the offence (money, goods or other benefits) to invest them or input them into economic, financial, business or speculative activities.

¹² Business relationship: the establishment of a legal tie between a Group Company and a third party (Counterparty).

¹³ Or the Company is unable to verify the recording of data or Due Diligence conducted by the Bank or a financial intermediary and/or other party conducting financial activities of the GROUP.

¹⁴ Beneficial Owner: the natural person on whose behalf a transaction or an activity is performed, or, in the case of a legal entity, the person or the natural persons who ultimately own or control said entity, or who are the beneficiaries of the same.

3.2 Parent Company

In implementation of the Bank of Italy Provision of 10 March 2011¹⁵ and in order to provide a single set of guidelines and rules to govern the company, as part of its duties of management, coordination and control, with regard to the prevention of money laundering and the funding of terrorism:

- the Board of Directors (except when envisaged by the “Supervisory Provisions for Banks” regarding the Internal Control System):
 - identifies and periodically re-examines the strategic approaches and governance policies for the risks concerning the prevention of money laundering and the funding of terrorism; in line with the risk-based approach, these policies must be adjusted to the size and type of risks that the Group’s activities are actually exposed to;
 - ensures, on an ongoing basis, that the roles and responsibilities regarding the prevention of money laundering and the funding of terrorism are defined and allocated clearly and appropriately, guaranteeing that the operational and control functions are separate and that said functions are equipped with adequate resources in terms of quality and quantity;
 - ensures that an adequate, complete and timely system of information flows to and within the Corporate Bodies is set up, guaranteeing the protection of the confidentiality of the parties that have participated in the procedures of reporting suspicious transactions;
 - structures an organic, coordinated system of internal controls, which ensures the prompt detection and management of money laundering and terrorism funding risk and ensures its effectiveness over time;
 - examines, at least annually, the reports on the activities carried out by the head of Anti-Money Laundering of the Group and the controls carried out by the competent functions;
 - ensures that the shortcomings and irregularities detected as a result of the various levels of controls are promptly reported to said body;
- the Chief Executive Officer, with the exception of managerial duties that are exclusively handled by the Board of Directors:
 - oversees the creation of and updates internal procedures and the responsibilities of the corporate functions in order to avoid the unwitting involvement in episodes of money laundering and the funding of terrorism;
 - when setting up operational procedures, takes account of the indications and guidelines issued by the Competent Authorities and the various International Organisations as well as of the changes in the regulatory framework;

¹⁵ Provision containing the implementation measures regarding organisation, procedures and internal controls to prevent the use of intermediaries and of other parties that provide financial services for the purpose of money laundering and funding terrorism, pursuant to art. 7, paragraph 2 of Italian Legislative Decree no. 231 of 21 November 2007.

- guarantees that the operational procedures and IT systems ensure the correct identification of the customers' personal data, acquisition and constant updating of all the information used to examine the customers' economic-financial profile and identify the economic reasons for the ongoing relationships entered into and transactions carried out;
- sets up the procedures for fulfilling the obligations of storing documents and recording information in the Single Computerised Database;
- defines, as regards the reporting of suspicious transactions, a procedure that provides certainty in terms of references, standardisation of conduct and generalised application to the entire structure. The body adopts measures to ensure the utmost confidentiality concerning the identity of persons who have participated in the procedures of reporting suspicious transactions as well as instruments, including computerised instruments, to detect irregular transactions;
- sets up initiatives and procedures to ensure the prompt fulfilment of the obligation to communicate to the Authorities set out in the regulations on the prevention of money laundering and funding terrorism;
- defines information flows to ensure the awareness of risk factors by all corporate structures involved and the bodies assigned to carry out control functions;
- approves the instruction and training plans for employees and collaborators on the obligations deriving from the regulations on the prevention of money laundering and the funding of terrorism; such training shall be ongoing and systematic and take account of any changes in the regulations and the procedures set up by the Parent Company;
- adopts instruments that ensure the constant verification of activities carried out by employees and collaborators in order to detect any irregularities arising, specifically, in conduct, in the quality of communications addressed to the Contact persons and corporate structures as well as in the relationships of such employees or collaborators with customers;
- ensures, for operations conducted via telephone or electronic channels, that specific IT procedures are adopted to comply with regulations concerning the prevention of money laundering and the funding of terrorism, with specific regard to the automatic identification of irregular transactions;
- in implementation of the Provision of the Bank of Italy of 10 March 2011 and with the exception of that envisaged, on each occasion, by the Supervisory Provisions for Banks" regarding Internal Control Systems, the Board of Statutory Auditors of the Parent Company oversees the compliance with regulations and the completeness, functionality and adequacy of controls for the prevention of money laundering and the funding of terrorism. In exercising its powers, the Board of Statutory Auditors makes use of the internal structures to carry out the necessary checks and verifications and uses information flows from other Corporate Bodies, from the head of Anti-Money Laundering of the Group and, where set up, from other internal control functions.

In this regard, it:

- assesses the suitability of existing procedures for customer Due Diligence, recording and storing information and reporting suspicious transactions;
- urges in-depth investigation of the reasons for shortcomings, anomalies and irregularities detected and promotes the adoption of suitable corrective measures;
- provides an opinion on decisions concerning the appointment of the head of Anti-Money Laundering of the Group and the definition of the elements in the overall architecture for the management and control system of the risk of money laundering and the funding of terrorism in the Group.

The Board of Statutory Auditors shall promptly inform the Supervisory Authorities of all facts or actions that it becomes aware of that may constitute a breach of the implementing provisions of said decree. Furthermore, it shall notify the Supervisory Authorities of the sector, within 30 days, of infringements of the provisions of art. 36 that it becomes aware of.

3.3 Companies belonging to the Group

The Corporate Bodies of Group Companies are aware of the choices made by the Parent Company and are responsible, each according to their competences, for implementing in their specific companies the strategies and policies pursued concerning controls, favouring their integration as part of Group controls.

The foreign Companies belonging to the Group directly implement measures to prevent money laundering and the funding of terrorism, through their own autonomous structures and in compliance with the law of the respective countries in which they are located, coordinating with the Anti-Money Laundering function of the Parent Company, and define suitable information flows in agreement with Anti-Money Laundering function of the Parent Company.

3.4 Specific controls to be adopted with regard to the distribution network

Where products are offered “door-to-door” through employees or agents operating in financial assets, financial advisors authorised to sell “door to door” or other parties connected with the Group Banks or Companies through contractual obligations (hereinafter only the distribution network), these parties must adopt all necessary precautions to ensure compliance with the provisions on preventing money laundering and the funding of terrorism.

Specifically, Group Banks or Companies, directly for their networks or through the third party company in the event of external networks:

- provide distribution network operators with the operational tools and procedures, including computerised ones, which assist them in performing each transaction and the related fulfilments for the purpose of preventing money laundering and the funding of terrorism;

- set up periodic training programmes for distribution network operators, so that they are adequately informed of the reference regulations and the connected responsibilities and are capable of informed use of the instruments and procedures that aid them in fulfilling the obligations;
- constantly monitor the compliance of the distribution network with the rules of conduct to prevent money laundering and the funding of terrorism, referred to in contractual documents, specifically verifying that the operators used transmit the data and information required by Italian Legislative Decree 231/07 - no later than the deadline of 30 days - for the purpose of recording the transaction in its Single Computerised Database;
- conduct periodic inspections at the operational sites of the distribution network operators.

In order to avoid redundancy and repetition of activities already performed, Group Banks or Companies may use the data and information already collected by the distribution network, checking the correctness of the fulfilment of the obligations of identifying customers and checking that the information flow is promptly transmitted for the purpose of recording in the Single Computerised Database.

If the Group Banks or Companies verify serious breaches or disloyalty by the distribution network in fulfilling their obligations for the prevention of money laundering and the funding of terrorism, they shall terminate all relationships with the same.

As part of any agreements entered into with brokers or independent collaborators, the Group Banks or Companies shall - in compliance with their mutual autonomy and professional independence - refer to the anti-money laundering and prevention of the funding of terrorism rules of conduct which such parties must follow in carrying out their activities; furthermore, such agreements must require these parties - also on pain of termination of the relationship - to periodically participate in suitable instruction and training initiatives.

3.5 Supervisory Body pursuant to Italian Legislative Decree 231/01

The Supervisory Body of the Parent Company and the Supervisory Bodies set forth in Italian Legislative Decree 231/01 (or the Bodies with control functions) oversee the functioning of and compliance with the Organisation, management and control model pursuant to Italian Legislative Decree 231/01.

Art. 25-octies of Italian Legislative Decree 231/01 establishes corporate liability also for administrative offences deriving from the crimes of money laundering, funding of terrorism or use of money, goods or benefits of unlawful origin, committed by parties in top positions or their subordinates in the interest or to the benefit of the company itself.

In order to decrease said risk, the Group Companies that are most exposed to the risk of committing the crimes set forth in Italian Legislative Decree 231/01, adopt organisational models able to prevent the commission of this type of offence.

The Supervisory Body, on a par with the Body with the control function, is bound to oversee compliance with the provisions contained in said decree and to promptly inform the Supervisory Authorities of all facts or actions that it becomes aware of that may constitute a breach of the implementing provisions of said decree. The reports may be carried out jointly with other corporate bodies or functions.

The Supervisory Body receives information flows from corporate functions and may access, without limitation, any relevant information for the purpose of carrying out its duties.

Although the Supervisory Bodies of Group Companies are considered equal, and without prejudice to their respective autonomies and responsibilities, the role of the Parent Company's Supervisory Body is to guide and coordinate activities addressed to the application of the Organisation, management and control model as regards Group Companies (which have established the same), to guarantee its correct and harmonious implementation.

3.6 Corporate functions

Group Companies adopt an organisational structure, operational procedures and information systems which - taking account of the nature, size and complexity of the activities carried out by the single members of the Group as well as the type and range of services provided - are capable of guaranteeing compliance with the rules of law and regulations concerning the prevention of money laundering and the funding of terrorism.

To this end, the extensive involvement of all corporate functions is envisaged. Specific attention is focused on the acquisition and storage of data and information, as well as the timely processing and availability thereof.

The roles and responsibilities of the Group and corporate functions involved in processes relating to the prevention of money laundering and the funding of terrorism of the Parent Company and of Group Companies are established in compliance with the law, applicable regulatory provisions, provisions of the Articles of Association and the principles set forth in the Regulations.

More specifically, the collaboration and support of the compliance, internal audit, legal, organisation, risk management, human resources and IT system functions is required.

The roles and responsibilities of said structures are defined in their respective organisational charts of the Companies concerned.

3.6.1 Head of Anti-Money Laundering of the Group

The head of Anti-Money Laundering of the Group:

- meets suitable requirements of professionalism;
- is appointed and revoked, based on proposal/opinion of the Internal Control and Risks Committee, by the Board of Directors, after consultation with the Board of Statutory Auditors;

- has no direct responsibility over operational areas subject to control, nor is hierarchically subordinate to the heads of those areas;
- directly reports to the Corporate Bodies. Specifically, has direct access to the Board of Directors and to the Body with control function and communicates with these bodies, on his/her own initiative or on request of the same, without restrictions or intermediation.

3.6.2 Anti-Money Laundering Function

The Anti-Money Laundering function of the Parent Company is the Corporate Control Function in charge of overseeing, for the Parent Company and the Group Companies that have outsourced the service, the processes of anti-money laundering and preventing the funding of terrorism in the Group.

In accordance with that envisaged in the supervisory provisions, the Anti-Money Laundering function is guaranteed the necessary independence. It possesses the resources and the expertise needed to perform the duties assigned to it and has access to the company and/or external data that is required to properly conduct its activities; there must be an adequate number of staff, with the appropriate technical and professional skills, and the same must participate in continuous training programmes. As regards economic resources provided to the Function, the same must be adequate and must enable the function to use external consultants.

Furthermore, the members of staff of the Anti-Money Laundering function are not involved in the activities that the structures of the same are required to control.

The remuneration criteria adopted for the head and the staff of the Anti-Money Laundering function comply with current legislation regarding pay policies and are consistent with the duties performed by the function.

The Anti-Money Laundering function of the Parent Company, which reports to the head of Anti-Money Laundering of the Group, are assigned responsibilities regarding:

- controls and compliance concerning the prevention of money laundering and the funding of terrorism, with the task of overseeing, for the Parent Company and the Group Companies that have outsourced the service, the regulatory areas regarding preventing the use of the financial system for the purpose of money laundering and funding terrorism;
- reporting suspicious transactions, with the task of managing, for the Parent Company and Group Companies that have outsourced the service, the centralised support function for assessing reports of suspicious transactions received from any organisational structure (centralised or peripheral) for the purpose of transmitting them, if necessary, pursuant to art. 41 of Italian Legislative Decree 231/07 and managing the activities relating to the communication of infringements pursuant to art. 51 of Italian Legislative Decree 231/07, handled by the Delegated party.

The responsibilities are carried out using a risk-based approach, verifying, both during the set up and operating phases, that the internal procedures are suitable to prevent the risk of money laundering and the funding of terrorism as well as the risk of incurring legal and administrative penalties, significant financial losses or damages to reputation as a result of

breaches of binding regulations (for example, laws, regulations etc.) or self-governance rules (for example, articles of association, codes of conduct, corporate governance codes etc.).

The controls and verifications are conducted to assess the exposure to the risk of money laundering and the funding of terrorism, the effectiveness of the controls and any corrective actions to be implemented.

3.6.3 Anti-Money Laundering function Company Contacts

Group Banks and the other Group Companies that assume risks considered significant for the Group as a whole, which have outsourced the Anti-Money Laundering function to the Parent Company, appoint specific Company Contacts, whose duties and responsibilities are illustrated in the regulations regarding the tasks, responsibilities, information flows and procedures for the coordination and collaboration of Control Bodies and functions within the Internal Control System.

Company Contacts may be selected from employees of the Anti-Money Laundering function at the Parent Company or from representatives or employees of the Bank or of Group Companies that have outsourced the Anti-Money Laundering function.

If the Company Contacts are selected from employees of the Anti-Money Laundering function of the Parent Company, in addition to maintaining the reporting lines to said Parent Company, the Company Contacts also directly report to the Body in charge of Strategic Supervision or the Body that manages the Group Companies that outsourced the function - limited to the responsibilities set out for the role of Contact Person.

3.6.4 Manager in charge of assessing and transmitting reports of suspicious transactions

Legal representatives of financial intermediaries and other parties that carry out financial activities of the Group may grant a Delegate the powers to assess and transmit reports of suspicious transactions.

In line with the anti-money laundering and funding terrorism risk oversight model adopted, the Parent Company:

- names the Compliance Manager of the Parent Company as the first Delegate responsible for assessing the reporting of suspicious transactions that are received from any organisational structure (central and peripheral) of Banco BPM. In the event of his/her absence or impediment, this first Delegate shall be substituted by other Delegates identified within the Anti-Money Laundering function of the Parent Company;
- proposes to the legal representatives of the other Group companies that have outsourced the Anti-Money Laundering function and that intend to appoint a Delegate, to assign the position of first Delegate to said Compliance Manager of the Parent Company (and to other Delegates identified as substitutes, in the event of his/her absence or impediment, within the Anti-Money Laundering function of the Parent Company).

Transactions to be assessed are transmitted to the Delegate on completion of a procedure with a limited number of levels; speed, confidentiality and ease of dialogue between the parties harbouring the suspicion and the Delegate is ensured. The latter acquires, either directly or through the structures identified on a case-by-case basis at the intermediaries or other parties that carry out financial activities of the Group, all useful information, including that contained in the Single Computerised Databases.

The Delegate has free access to information flows targeted to the Corporate Bodies and structures, for various reasons, involved in managing and combating money laundering and the funding of terrorism. The Delegate acts as liaison with the *Financial Intelligence Unit* (FIU) and promptly replies to any requests for further details deriving from said Unit.

Without prejudice to protecting the confidentiality of the identity of the first level party that made the report, the "Delegate" assigned to reporting suspicious transactions may make it possible for the names contained in the reports of suspicious transaction to be consulted - also using suitable IT databases - by the managers of the various operational structures of the Group, given the particular importance that such information may have when entering into new contractual relationships or assessing the transactions of existing customers and of counterparties.

Intermediaries or other parties carrying out financial activities of the Group that have not assigned a mandate, shall transmit a copy of the reports sent to the Financial Intelligence Unit, or archived to the Delegate, including the reason for such decision. This transmission must be carried out using methods that guarantee the utmost confidentiality regarding the identity of the first level manager that made the report. For the purpose of in-depth investigation of the irregular transactions and relationships within the entire Group, the Delegate may use each and every structure of the Subsidiaries, even those which have not granted the mandate.

3.6.5 Internal Audit function

With regard to Anti-money laundering and preventing the funding of terrorism, the internal audit function of the Parent Company and, to the extent of their responsibilities, those of the Group Banks and Companies, continuously verify the level of adequacy of the organisational structure and its compliance with the applicable regulations and monitors the operation of the entire internal control system.

Said functions also verify the following, through systematic controls, including inspections:

- ongoing compliance with the Due Diligence obligation, both when entering into a relationship and throughout its development over time;
- the actual acquisition and organised storage of the data and documents required by regulations;
- the correct operation of the Single Computerised Database;
- the actual degree of involvement of employees and collaborators as well as the managers of the central and peripheral structures in implementing the obligation of "active cooperation".

Inspections, whether remote or on-site, must be planned in order to ensure that the peripheral and central operational structures are subject to audits over a congruous period of time and that the measures are more frequent for structures that have greater exposure to the risk of money laundering and the funding of terrorism.

The internal audit function must also carry out follow-up checks in order to ensure that the corrective measures have been adopted for the shortcomings and irregularities detected and that they ensure that equivalent situations will be avoided in the future.

It must also periodically verify the alignment of the various sector management accounting procedures and those providing input to and managing the Single Computerised Database.

The internal audit function must also report to the Corporate Bodies comprehensive information on the activities it carried out and the outcome thereof, without prejudice to compliance with the principle of confidentiality concerning reports of suspicious transactions.

3.6.6 Services for customer and counterparty contact and operational support

All services for customer and counterparty contact and operational support represent the first level control as regards the risk of money laundering and the funding of terrorism.

Correctly conducting the customer Due Diligence / Full Knowledge procedure is, in reality, the cornerstone of prevention measures as regards the risk of money laundering and the funding of terrorism and must seek to identify and analyse, in advance, all information that may be relevant to determining a potential risk related to the performance of a transaction or the opening of an account/activating a relationship, which is being analysed.

The controls relating to above-illustrated activities are conducted in accordance with very specific and precise rules within company procedures.

Within the scope of their responsibility, the services for customer contact and operational support are tasked with:

- conducting Due Diligence / Full Knowledge activities when relations with customers are first established / relations with counterparties are activated or when occasional transactions are performed;
- maintaining an adequate level of monitoring of transactions, in order to promptly identify any potentially suspicious transaction.