

# POLICY FOR THE HANDELSBANKEN GROUP ON MEASURES AGAINST FINANCIAL CRIME

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Information class: Open

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*The policy must be applied throughout the Handelsbanken Group, including to subsidiaries, where applicable, unless binding regulations outside Sweden, or relating to subsidiaries, make deviations necessary. Acceptance and backing for such deviations must be gained from the unit responsible at Group level.*

## 1. Introduction

This policy is based on applicable regulations concerning money laundering, terrorist financing, established international sanctions, including regulations on breaches of such sanctions, as well as regulations regarding obligations to combat fraud. Money laundering, terrorist financing, breaches of international sanctions, fraud, tax crimes and corruption are collectively referred to as financial crime.

The Handelsbanken Group's work to counter and combat financial crime is a fundamental principle for secure and sound banking operations.

The Handelsbanken Group must monitor and comply with decisions regarding international sanctions in accordance with decisions by the EU on international sanctions and the Swedish Act on Certain International Sanctions.

Deficiencies in the handling of these matters could lead to sanctions, financial losses, or reduced confidence in the Handelsbanken Group's business operations.

## 2. Work methods

The Handelsbanken Group must continuously monitor and analyse criminal behaviour and how our business operations are affected by this from a risk-based approach, and must promptly develop measures that mitigate identified risks. Procedures, controls and processes must be evaluated and adapted on an ongoing basis in order to best address identified risks.

At Handelsbanken, the branch is responsible for the customer relationship. The basic principle is that the customer belongs to the branch situated closest to the customer's domicile. The customer meeting is at the very heart of the Bank's business model, as is the desire to get to know our customers and their basic needs. The branch's geographical customer responsibility and strong local presence contribute to a good knowledge of our customers and the local environment, which in turn helps maintain the Bank's low risk tolerance.

The Handelsbanken Group must be particularly vigilant when considering those segments and business operations that have been identified as entailing a high risk in the general risk assessment, which must be updated regularly and whenever necessary, at a minimum frequency of once per year. For example, new or modified products and services may not be

offered until it has been established that there are risk mitigation measures in place to manage the risks identified in a manner that ensures compliance with the risk tolerance.

The Handelsbanken Group's measures to prevent financial crime vary depending on the requirements in applicable regulations that relate to the various categories covered by the concept of financial crime.

The Handelsbanken Group is to use reliable standards and methods to fight financial crime and prevent products, services and distribution channels from being used by customers or staff for the purpose of financial crime.

## ***2.1 Money laundering and terrorist financing***

The work to prevent money laundering and terrorist financing must take a risk-based approach whereby the measures are adapted to take into account the risk that the business operations may be used for money laundering or terrorist financing. A general risk assessment, which assesses the risk that Handelsbanken may be used for money laundering and terrorist financing, must be carried out by the Bank and each of its subsidiaries and branches that are subject to regulations relating to money laundering and terrorist financing. Thereafter, a Group-wide general risk assessment must be made illustrating the risk that the Handelsbanken Group could be used for money laundering and terrorist financing.

In the general risk assessment, relevant risk indicators, such as which products and services are provided, which customers and distribution channels exist, and which geographical risk factors are present, must be identified and analysed. Consideration must also be given to information revealed in Handelsbanken's reporting of suspected activities and transactions, and also to information about the modus operandi for money laundering and terrorist financing and other relevant information provided by authorities.

The scope of the general risk assessment will be determined by taking into account the size and nature of the business operations, and the risk of money laundering or terrorist financing that can be presumed to exist.

The Handelsbanken Group's approach is based on having a good knowledge of its customers, and an understanding of its customers' business operations, as well as the purpose and nature of the business relationship. Customer due diligence must be performed and maintained for as long as the customer relationship exists.

All Handelsbanken's customers must be categorised in terms of the risk that they might use the Handelsbanken Group for money laundering and terrorist financing. The scope of the measures taken to prevent such crime will depend on the customer's risk class and other circumstances. The risk class shall be determined based on risks identified in the general risk assessment and on Handelsbanken's knowledge of the customer.

Handelsbanken must continually monitor ongoing business relationships and assess individual transactions by checking that the activities and transactions being carried out are consistent with, among other things, Handelsbanken's knowledge of the customer, in order to

discover any activities that could be suspected of being related to money laundering or terrorist financing, or otherwise arouse suspicion.

If Handelsbanken has reasonable grounds for suspecting money laundering or terrorist financing, or that property otherwise derives from criminal activity, details concerning all of the circumstances that may be indicative of this must immediately be reported to the competent authority.

## **2.2 International sanctions**

The work to prevent the Handelsbanken Group from being an accessory to breaches of the regulations on financial sanctions is to be carried out through a risk-based approach, which begins by obtaining the information required to determine whether the customer or its operations is subject to sanctions, and through sanctions-specific screening of customers, and of transactions to and from other countries. Measures to prevent breaches of international sanctions must be based on the customer's assessed sanctions risk.

## **2.3 Fraud**

The work to prevent customers from being exposed to fraud must be carried out in accordance with the requirements of the Swedish Payment Services Act and other laws and regulations that oblige Handelsbanken to protect customers from fraud linked to products and services at Handelsbanken. This work must proceed from a risk-based approach, which commences with an analysis of the threats to and vulnerabilities of Handelsbanken's products and services. The work to prevent Handelsbanken from being exposed to fraud by external parties must be based on the same principle.

## **2.4 Internal procedures to counteract financial crime**

The work to prevent employees or other contractors from exposing customers or Handelsbanken to fraud, or to prevent employees and contractors from being accessories to customers' crimes in the areas of money laundering, terrorist financing, tax crimes and corruption, is to be carried out in the form of training activities, internal control measures, suitability assessments when hiring and at regular intervals during the employment, use of the four-eyes principle in important decision-making processes, and other appropriate measures. Handelsbanken must ensure that employees and other contractors are able to act as whistleblowers to report irregularities.

# **3. Organisation**

## **3.1 The Head of HO and specially appointed executive**

The Handelsbanken Group must have a *specially appointed executive* in accordance with applicable regulations concerning money laundering and terrorist financing for the parent company and – where this is considered necessary, or where there are relevant requirements in local legislation – also for subsidiaries. This specially appointed executive reports to the Chief Executive Officer, and can also appoint persons to assist him or her.

The *specially appointed executive* for the parent company is the Head of Handelsbanken Operations (HO). The specially appointed executive is tasked with ensuring and following up that the Handelsbanken Group works in accordance with external and internal rules and regulations concerning anti-money laundering and terrorist financing. This includes measures to prevent customers from using the Group for money laundering that relates to or derives from, for example, tax crimes, corruption, fraud or other relevant predicate offences.

The Head of HO is also responsible for ensuring and following up that the Handelsbanken Group works in accordance with external and internal rules and regulations concerning the observation of international sanctions.

In addition, the Head of HO is responsible for the Bank's work to tackle fraud, tax crimes and corruption.

### **3.2 Head of CQ and appointed officer for controlling and reporting obligations**

The Handelsbanken Group must have an *appointed officer for controlling and reporting obligations* in accordance with the applicable regulations to prevent money laundering and terrorist financing for the parent company and – where this is deemed necessary or required by local legislation – also for subsidiaries.

The appointed officer for controlling and reporting obligations for the parent company is the Head of Handelsbanken Compliance (CQ), or the person appointed by the Head of CQ. The Chief Executive Officer may decide that the responsibility shall also encompass subsidiaries.

The appointed officer for controlling and reporting obligations is tasked with monitoring and regularly verifying that the Handelsbanken Group fulfils its obligations in accordance with the regulations concerning anti-money laundering and terrorist financing. This includes developing the Group-wide internal rules specifying measures to be taken in the area and following up the implementation of these rules across the Group, providing advice and support and informing and training the relevant staff about the rules.

The Head of CQ is also responsible for the equivalent measures being taken as regards the Group's observation of international sanctions.

Country organisations must, where deemed necessary, appoint a person with specific responsibility for matters relating to measures designed to prevent financial crime and the observance of international sanctions within the operations, including responsibility for implementing the measures required to comply with external and internal rules and regulations within the area.

## **4. Risk tolerance**

The Handelsbanken Group has a low risk tolerance for the risk of the Bank being exploited in any form of financial crime.

The residual risk of money laundering and terrorist financing emerges as a result of the general risk assessment. In line with the low risk tolerance, the Group must aim to ensure

that all residual risks in the general risk assessment regarding money laundering and terrorist financing can be assessed, after risk mitigation measures, as low. For all residual risks that are not assessed as low, actions must be taken to reduce the risk level. A low residual risk is assessed as being within risk tolerance, a medium residual risk is assessed as constituting a risk of falling outside risk tolerance, and a high or very high residual risk is assessed as being outside risk tolerance.

The low risk tolerance implies, among other things, that the Handelsbanken Group must not participate in transactions if its employees do not understand the implications, or in transactions which could be suspected of being linked to criminal activities.

The Handelsbanken Group may also not hold anonymous accounts or issue anonymous passbooks.

Nor may the Handelsbanken Group initiate or engage in correspondence with shell banks, and must ensure that such links are not initiated or maintained with institutions that allow their accounts to be used by such banks.

The Chief Executive Officer is responsible for ensuring compliance with the risk tolerance set by the Central Board, and that guidelines on its application are established, including a stipulation that risks are to be classified, mitigated and escalated.

## **5. Reporting and information to public authorities, etc.**

In Sweden, including for Swedish subsidiaries that undertake licensed operations, the appointed officer for controlling and reporting obligations must ensure that information regarding suspected money laundering, terrorist financing or property that might otherwise be derived from criminal activity is submitted promptly to the police authority. As a specially appointed executive, the Head of HO has operational responsibility for reporting to public authorities, including decisions taken to freeze funds as a result of international sanctions.

Country organisations and subsidiaries outside Sweden must ensure that information regarding suspected money laundering and terrorist financing are submitted to a competent authority, and that decisions made on the freezing of funds as a result of international sanctions are submitted to a competent authority within the country. Reports of suspected cases of money laundering, terrorist financing or other financial crime to a competent authority that are deemed by the local manager to be of particular significance, must be reported to the Head of HO in their role as a specially appointed executive (in accordance with the applicable regulations on money laundering and terrorist financing), provided that this is permitted by the legislation and regulatory requirements of the country concerned.

Risk beyond the risk tolerance must be reported promptly, together with the operations' action plan, to the Chief Executive Officer. The risk must thereafter be reported to the Central Board's risk committee, together with the action plan.

The appointed officer for controlling and reporting obligations and the Head of CQ must submit a quarterly report to the Chief Executive Officer, the risk committee and the Central

Board addressing compliance as far as this relates to anti-money laundering and terrorist financing, as well as international sanctions.

In addition, the appointed officer for controlling and reporting obligations and the Head of CQ must ensure that the Chief Executive Officer, the risk committee and the Central Board are informed on other occasions when this is deemed appropriate.