

MAJOR ENHANCEMENTS IN AML/CTF COMPLIANCE  
AND OTHER RELEVANT DEVELOPMENTS

# DNB banka AS



DNB

# MAJOR ENHANCEMENTS IN AML/CTF COMPLIANCE AND OTHER RELEVANT DEVELOPMENTS



## PROFILE OF THE BANK

### **Brief description of the bank**

AS DNB banka (the Bank) offers financial transactions, deposits, credit facilities, asset management and leasing to private individuals and small, medium and large companies.

### **Credit rating**

The Bank itself does not have a credit rating. Long-term rating of DNB ASA is A+ (Standard & Poor's).

### **Main orientations of the Bank's operations (business lines)**

Financial services to private individuals and legal entities.

### **Turnover (% of total turnover) with the companies classified as shell- companies**

Less than 1% of the total turnover.

### **Structure and profile of shareholders**

100% of the shares owned by DNB Bank ASA – an universal bank, the largest financial institution of Norway.

**RESHAPING OF THE BUSINESS MODEL  
IF AML/CTF COMPLIANCE DETERMINED  
(noteworthy, visible and impactful)**

**Dependence on the transaction (payment) business  
and changes thereof**

The steps taken by the Bank to ensure AML/CTF compliance standards, have not affected the payment business.

Year	2015	2016	2017 1H
The Bank's revenue from payments	100%	105%	54%

**Business lines diversification / business lines, which  
the Bank plans to develop within the revised business  
model**

No diversification of business lines; the Bank does not plan to change the business model; there may be decisions regarding the changes at Luminor Bank that will be created as a result of the merger of Nordea Bank AB branches and DNB Group banks in Latvia, Lithuania and Estonia.

**Decrease in turnover (changes) in transactions with  
shell companies**

Year	2015	2016	2017 1H
Turnover of 'shell' companies as % of the total turnover	0.33%	0.40%	0.42%

**Forecasts, calculations, which attest the Bank's  
chosen business model's sustainability in the next  
3 years if the turnover decreases significantly, for  
example, refusing services to shell companies**

Termination of services to "shell" companies will not affect sustainability of the business model chosen by the Bank, as their share in the total turnover is negligible.

**CORPORATE GOVERNANCE**

**Development of new policies and procedures**

The most important is the Bank's AML/CTF Strategy 2017.

Process of improving the procedures according to the respective internal regulation stipulating that the process owners are responsible for regular review of organisational documents, amending and improving the documents in line with changes in the Bank's operations and relevant external factors; the policies, procedures and regulations shall be reviewed/amended at least yearly.

### **Financial sanctions (UN, EU, national) compliance policy**

Adherence to the sanctions regime in accordance to the Bank's AML/CTF Risk Management Strategy.

### **OFAC adherence policy**

Adherence to the sanctions regime in accordance to the Bank's AML/CTF Risk Management Strategy.

### **Strengthened management and/or supervisory function**

Since 2016, number of the employees in AML/CTF area (compliance, sanctions monitoring) is increased. The managers in AML/CTF area are certified and are members of international AML/CTF associations/organisations (ACAMS).

Structure of non-financial risk reporting has been improved in order to provide the management with more comprehensive and full view on developments in the Bank's risk profile.

### **Designated Sanctions officer (function)**

The sanctions compliance specialists function is within the Compliance function (so-called "2nd line of defence").

## **INTERNAL CONTROLS**

### **Structural changes**

No material changes to organisation of the internal control system.

### **Changes in KYC/CDD/EDD/PEP/Financial Sanctions monitoring**

Client due diligence/enhanced due diligence processes changed in accordance with external regulations (in particular, the FCMC Regulations No. 234). Update of KYC information of the entire customer base during 2016 and 2017.

### **Changes in on-boarding policies and procedures, including, on-boarding via agents**

Automated algorithm for determining the client risk level has been implemented. The Bank does not use services of 3rd parties for new client on-boarding processes.

## **TRAINING OF THE STAFF**

### **Training course carried out in the field of AML/CTF in 2016 and 1st half of 2017**

Baltijas Datoru Akadēmija, Compliance Baltic, ACAMS, AML/CTF training courses at the Banking Association, Compliance Baltic e-training courses, DNB Group KNOW:RISK e-training course.

### **Internal / external training**

All employees of the Bank undergo internal / external AML/CTF trainings relevant to their responsibilities (employees of internal control units and the employees conducting the client monitoring – advanced trainings; employees in client service units – relevant to their responsibilities; employees of all other units – at the basic level).

### **Employee testing and certification results**

All employees having mandatory tests subsequent to AML/CTF trainings, have passed the tests.

### **INDEPENDENT TESTING**

#### **Internal audit function ability to carry on independent testing in the field of AML/CTF**

Fully independent function.

#### **External audits, outcomes**

In 2016, the FCMC conducted an off-site horizontal audit of the internal governance framework. No material shortcomings discovered. Certain required changes to the Bank's processes and procedures implemented.

### **AUTOMATED SYSTEMS AND TOOLS**

#### **Concise description of IT systems, changes (upgrades) in 2016 - H1 2017**

Automated client AML/CTF scoring system (CARS) implemented.

#### **Core banking system: name / supplier**

Platon (Osiris) / DNB Banka

#### **AML/CTF monitoring system: name / supplier**

- Compliance Link / Accuity
- Platon (Osiris) / DNB Banka
- IT solutions for client transaction monitoring and control solutions, developed in-house at DNB Banka.

#### **Sanctions screening system: name / supplier / online 24/7 or T+1/2/3**

Compliance Link / Accuity / On-line 24/7

#### **Other IT solutions, databasis**

GRAFS – module for graphic visualisation of client transactions; developed in-house at DNB Banka.

### **Closed gaps, improved effectiveness, particularly in management of international financial sanctions**

Implementation of the newest version of the sanctions monitoring system in progress.

### **DE-RISKING OF CUSTOMERS AND BUSINESS LINES**

#### **Business lines exited**

None

#### **De-risked customers**

<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017 1H</b>
Number of high-risk customers	0.6%	1.1%	0.9%

#### **Shift in customer base by jurisdiction**

<b>Jurisdiction / Year</b>	<b>2015</b>	<b>2016</b>	<b>2017 1H</b>
Residents of Latvia	96.95%	96.93%	96.86%
Residents of EU (except Latvia)	0.75%	0.68%	0.65%
Non-EU residents	2.29%	2.39%	2.49%

### **Changes in number of PEP customers**

<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017 1H</b>
Number of PEPs	0.0004%	0.4%	0.5%

#### **Target markets**

Latvia

#### **Tendencies in the structuring of customer assets**

No visible trends in structuring of client assets observed.