

# **The Shanghai Commercial & Savings Bank, Ltd.**

## **Group-Level Anti-Money Laundering & Countering the Financing of Terrorism Policy**

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### **Article 1 Objective**

The Shanghai Commercial & Savings Bank, Ltd. (hereinafter referred to as the "Bank") Group-Level Anti-Money Laundering and Countering the Financing of Terrorism policy (hereinafter referred to as " Group-Level AML/CFT Policy") is adopted to provide management framework and guidelines for the practices of all the Bank's business units, including head office, local and foreign branches and subsidiaries as specified in Article 3, to comply with relevant laws and regulations in Anti-Money Laundering and Countering the Financing of Terrorism (hereinafter referred to as "AML/CFT"). The Group-Level AML/CFT Policy implementation and control measures should apply a risk-based approach and take into account the diversity of customer and industry characteristics, and shall be reviewed annually.

### **Article 2 Definition**

The crime of money laundering is committed by any person who<sup>1</sup> :

1. knowingly disguises or conceals the origin of the proceeds of specified unlawful activity, or transfers or converts the proceeds of specified unlawful activity to help others avoid criminal prosecution;
2. disguises or conceals the true nature, source, the movement, the location, the ownership, and the disposition or other rights of the proceeds of specified unlawful activity; or
3. accepts, obtains, possesses or uses the proceeds of specified unlawful activity committed by others.

Terrorist financing is the financing of terrorist acts, terrorists, and terrorist organizations.<sup>2</sup>

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<sup>1</sup> 2018.11.7 Article 2, 「 Money Laundering Control Act 」

<sup>2</sup> 2018.11.7 Article 1 「 Counter-Terrorism Financing Act 」

### **Article 3 The Scope of Application and Compliance Guideline**

The Group-Level AML/CFT Policy is applicable to the following subjects, and the compliance guidelines are as follows accordingly:

1. For head office and local branches: the implementation of AML/CFT measures shall comply with relevant domestic laws and regulations.
2. For foreign branches: the implementation of AML/CFT measures shall be the same as that of the head office on condition that local regulatory requirements are met. In the case that regulatory requirements of the jurisdictions of a branch are different from those of head office, the branch should comply with the stricter ones. If there are any doubts in determining whether regulatory requirements are stricter or less strict, the Bank should follow the determination of competent authorities where the Bank's head office is located. If a branch is not allowed to implement the measures of head office due to conflicting with foreign regulatory requirements, the Bank should apply appropriate additional measures to manage money laundering and terrorism financing (hereinafter referred to as "ML/TF") risks and inform Financial Supervisory Commission.<sup>3</sup>
3. For the financial institution subsidiaries which shall comply with the AML/CFT laws and regulations according to the laws and regulations of the jurisdictions where it is located (hereinafter referred to as "FIS"): the implementation of AML/CFT measures shall be the same as prescribed in the preceding paragraph<sup>4</sup>.
4. For the designated non-financial institution subsidiaries which shall comply with the AML/CFT laws and regulations according to the laws and regulations of the jurisdictions where it is located (hereinafter referred to as "DNFIS"): the DNFIS shall adopt the Group-Level AML/CFT Policy where applicable based on the scale of business and the requirements of the AML/CFT laws and regulations of the the jurisdictions where it is located.

### **Article 4 Internal control system for AML/CFT<sup>5</sup>**

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<sup>3</sup> 2021.12.14 Paragraph 5, Article 6 「Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission」

<sup>4</sup> 2018.11.09. Paragraph 5, Article 6 「Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission」

<sup>5</sup> 2019.04.23 Article 2 「Template of Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks」

The internal control system for AML/CFT shall include at least the follows:

1. Establishing relevant written policies and procedures for identifying, assessing and managing the risk of ML/TF.
2. Establishing AML/CFT programs based on the results of the risk assessment.
3. Establishing procedures for supervising the compliance of AML/CFT regulations and the implementation of AML/CFT programs.

#### **Article 5 Anti-Money Laundering and Countering Terrorism Financing program<sup>6</sup>**

The AML/CFT program shall include the following rules, procedures and controls, and shall be reviewed periodically:

1. Customer due diligence;
2. Watch list filtering on customers and related parties of a transaction;
3. Ongoing monitoring of accounts and transactions;
4. Correspondent banking business;
5. Record-keeping;
6. Filing currency transaction report (CTR) ;
7. Filing suspicious ML/TF transaction report (STR).
8. Appointment of a compliance officer at the management level in charge of AML/CFT compliance matters;
9. Procedures for screening and hiring employees;
10. An ongoing employee training program;
11. An independent audit function to test the effectiveness of AML/CFT system; and
12. Other matters required by AML/CFT related regulations.

#### **Article 6 Risk-based approach**

The Bank (including subjects specified in Article 3) shall, in accordance with relevant rules and regulations, apply a risk-based approach to establish policies and procedures for identifying, assessing and managing ML/TF risks. The risk assessment should consider all risk factors and at least cover the aspect of customers, geographic areas, products and services, transactions or delivery channels, etc. The results of risk assessment shall be used to help the Bank (including subjects specified in Article 3) develop prevention and mitigation measures that are commensurate with the ML/TF risks identified, determine the allocation

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<sup>6</sup> 2021.12.14. Paragraph 3, Article 6 「 Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission 」

of resources on AML/CFT, establish internal control system, and establish and implement policies, procedures and measures that are necessary in AML/CFT programs. °

The Bank's Group-level Risk Appetite is "Moderate". When the result of the group-level or the Bank's (including subjects specified in Article 3 respectively) enterprise-wide ML/TF risk assessment exceeds the Risk Appetite, the Bank shall establish appropriate Mitigation Measures.

The Bank should establish control measures according to the risks identified, including determining appropriate control measures according to a customer's level of risk. For a high-risk customer, the Bank should obtain the approval of senior management before establishing business relationship.

### **Article 7 AML/CFT culture**

The board of directors and senior management should understand the Bank's ML/TF risks and the operation of AML/CFT programs, and adopt measures to create a culture of AML/CFT compliance.

### **Article 7-1 Customer Acceptance Principles**

The Bank (including subjects specified in Article 3) is strictly prohibited from establishing new banking relationship with the following categories of customer:

1. Designated individuals or entities sanctioned by United Nations Security Council (UNSC) and relevant local authorities of the Bank (specified in Article 3);
2. Individuals or entities associated with terrorism activities;
3. Shell banks or a respondent bank which offers financial services to a shell bank;
4. A respondent bank which provides payable through account services to its customers;
5. Individuals or entities with fictitious names, anonymous accounts, numbered accounts or other means to conceal the identity;
6. Entities that have already issued bearer shares; and
7. Gambling business (including online gambling platforms, except for those approved by local regulatory authority).

The Bank (including subjects specified in Article 3) shall establish controlling measures when establishing banking relationship with Online lending platform, Money Service Business (MSB), Virtual Currency Business (including but not limited to Virtual Currency exchanges / transfer/ brokerage services providers/platforms, Virtual Currency wallet

providers, etc.) and Gambling business(which are approved by local regulatory authority).

#### **Article 8 Group-level information sharing, management and supervision**

Given the laws and regulations of the jurisdictions are met, the Bank's all foreign branches, FIS, and DNFIS (hereinafter referred to as "Reporting Units") shall share the following information, and shall pay attention to the safeguard of the information shared<sup>7</sup>:

1. Reporting Units shall report AML/CFT relevant information (including but not limited to suspicious ML/FT transactions, investigation results and improvements) to the Head Office of the Bank.
2. When it is necessary for the Bank's AML/CFT purpose, the Bank can require Reporting Units to provide customer, account and transaction information. This should include information and analysis of unusual transactions or activities. Similarly, Reporting Units should receive such information and analysis from these group-level functions when necessary for AML/CFT purposes.
3. Based on risk-based approach and internal management needs, the Bank can regulate other relevant information to be shared.

The Bank shall establish management regime for AML/CFT programs of all branches and subsidiaries, and supervise the implementation of such AML/CFT programs. For the Bank's foreign branches, the Bank would apply graded management in accordance with the risk-based approach<sup>8</sup>.

#### **Article 9 Approval levels**

The Group-Level AML/CFT Policy shall be approved by the board of directors of the Bank, and the same approval level should be applied to any amendment thereto.

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<sup>7</sup> 2021.12.14. Paragraph 4, Article 6 「Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission」; 2018.7.27 「Financial Holdings Anti-Money Laundering and Countering Terrorism Financing Information Sharing Practice」

<sup>8</sup> 2019.1.17 「Self-Regulatory Rule Governing Management Regime for Compliance, Anti-Money Laundering and Countering the Financing of Terrorist Foreign Branch( Subsidiary) for Domestic Member of the Bankers Association of the Republic of China」 Article 16