



FirstRand

FINANCIAL CRIME POLICY STATEMENT

July 2023

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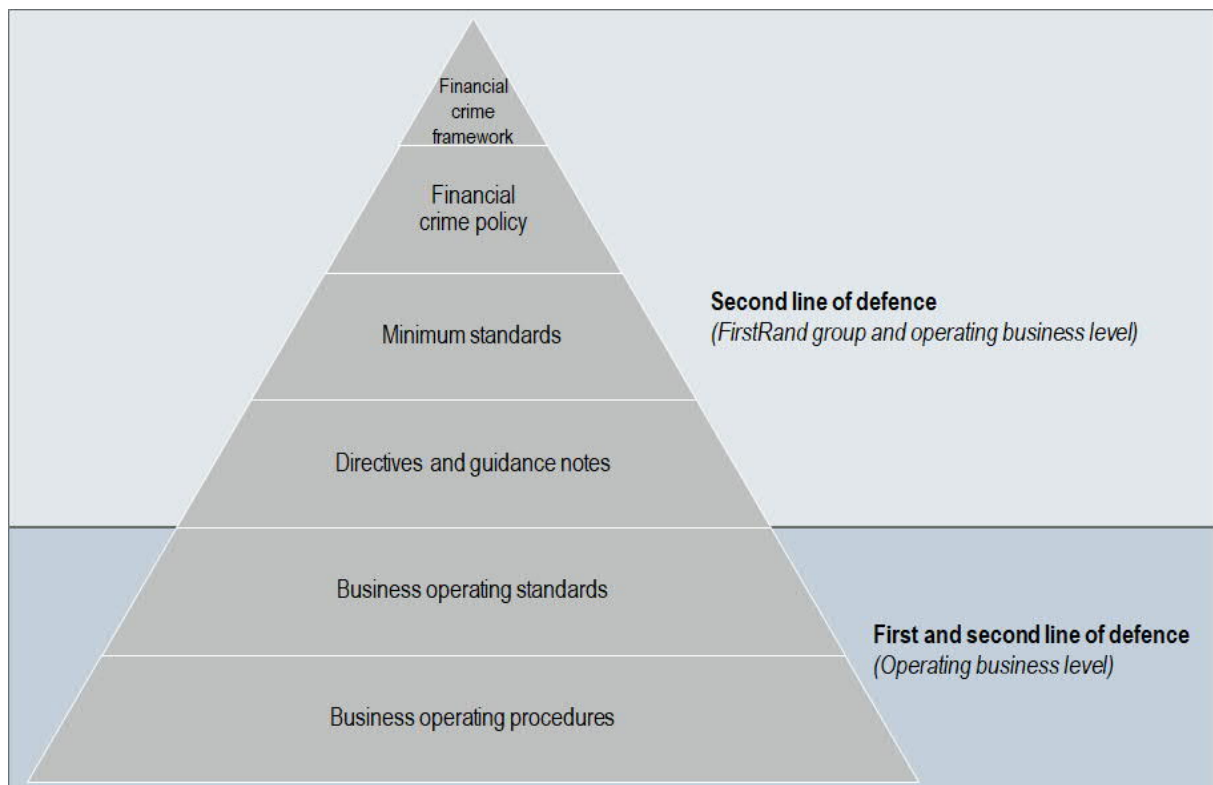
**INTRODUCTION**

FirstRand Limited (FirstRand or the group) is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the UK. These businesses offer a broad range of transactional, lending, investment and insurance products and services. As a large financial services business, FirstRand recognises that financial crime is a significant risk that must be appropriately managed.

**PURPOSE**

The purpose of the FirstRand financial crime policy statement is to provide an overview of the various group policy documents relating to financial crime risk management and compliance, as well as the most important policy positions that the group has adopted in this regard.

FirstRand’s financial crime framework, depicted below, sets out the policies, minimum standards and procedures that enable and support the effective management of financial crime risk – specifically risks relating to money laundering, terrorism financing, weapons proliferation financing and international sanctions circumvention.



The suite of documents under the financial crime framework ensure compliance with the various financial crime-related regulatory obligations of the group, and also incorporate the latest international developments in financial crime risk management compliance – specifically the Financial Action Task Force (FATF) recommendations and the application of a risk-based approach to financial crime risk management.

## FINANCIAL CRIME RISK GOVERNANCE

The following governance requirements apply to the approval and review of the financial crime policies and standards:

- The financial crime framework and financial crime policy – the foundation of the group’s financial crime risk management and compliance programme – are both reviewed and approved annually by the FirstRand compliance risk committee, a subcommittee of the FirstRand risk, capital management and compliance committee (a board subcommittee).
- The supporting minimum standards are prepared and approved at the second line of defence and are enforceable at a group level. In certain instances, the second line of defence may also issue directives and guidance notes as part of its financial crime compliance function.
- At an operating business level (first line of defence), various operating standards, procedures and rules are issued by the individual operating businesses, which are aligned with the group policies, standard and directives.

The applicable policy documents are discussed in more detail below.

## SCOPE

The policy applies to all FirstRand entities, irrespective of jurisdiction.

## FIRSTRAND’S APPROACH TO FINANCIAL CRIME

The principles and requirements underpinning the FirstRand financial crime programme, per the various policy documents and standards, are summarised in the following table.

Document	Summary
<p><b>Financial crime framework</b></p>	<ul style="list-style-type: none"> <li>• The financial crime framework sets out the roles, responsibilities and governance structures relating to the combatting and prevention of financial crime and terrorist financing. The key principles contained in the financial crime framework, the financial crime policy and the various supporting FirstRand minimum standards specifically focus on what must be implemented, while the practical details around how this should be implemented is set out in the various business operating standards and procedures.</li> <li>• The framework defines the FirstRand financial crime risk appetite statement, which is provided below.</li> </ul> <p><i>FirstRand seeks to prevent its platforms from being abused for the purposes of financial crime and seeks to achieve full compliance with the letter and purpose of applicable financial crime legislation and related predicate offences legislation and regulation. The group seeks to manage the compliance risk resulting from potential or actual instances of non-compliance with financial crime legislation, related predicate offences and manage regulatory supervisory expectations. FirstRand:</i></p> <ul style="list-style-type: none"> <li>• <i>will not allow its platforms to be abused for ML/TF/PF and corruption purposes (RMCP omnibus);</i></li> <li>• <i>seeks to ensure that there is no material harm to group’s reputation/franchise, impacting revenues, client attraction and retention, or franchise value emanating from non-compliance with financial crime or related predicate offence legislation; and</i></li> <li>• <i>seeks to ensure that there are no material fines for any material AML failings.</i></li> </ul> <p><i>It is accepted that there may be instances of unintended failures which result in non-compliance. Remedial action will be taken on a prioritised risk basis to address those instances which fall outside the defined tolerances as approved by appropriate governance structures of the group.</i></p> <p><i>The target outcome, supporting statements and respective reporting thresholds will be used to inform remediation and prioritisation efforts to bring the risk profile back within appetite in adherence with the overall appetite statement.</i></p>

Document	Summary
<p><b>Financial crime policy</b></p>	<p>The financial crime policy identifies and sets out the core principles on which the minimum standards and business operating standards and procedures relating to financial crime risk management and compliance must be developed and applied throughout the group. These include:</p> <ul style="list-style-type: none"> <li>• application of a risk-based approach</li> <li>• the higher of home or host principle;</li> <li>• customer due diligence;</li> <li>• screening of clients and payments;</li> <li>• monitoring of clients, client activities and transactions (surveillance);</li> <li>• recordkeeping and document retention;</li> <li>• the termination of business relationships;</li> <li>• prohibited business relationships; and</li> <li>• training and awareness.</li> </ul>
<p><b>Risk-based approach minimum standard</b></p>	<ul style="list-style-type: none"> <li>• FirstRand has adopted a risk-based approach (RBA) to the management of financial crime risks. This standard provides the minimum requirements for the application of such an approach – to ensure that it is applied holistically and consistently throughout the group.</li> <li>• Ongoing risk assessment is required at both a business and client relationship level, and must include the relevant risk variables, as identified by <i>inter alia</i> the FATF and domestic regulators.</li> <li>• The RBA standard also recognises certain instances where clients should be treated as automatically high risk. These include: <ul style="list-style-type: none"> <li>– foreign politically-exposed persons (PEPs);</li> <li>– state-owned entities;</li> <li>– persons identified as “persons of interest” through internal governance structures;</li> <li>– money service businesses, virtual currency providers and exchanges;</li> <li>– high commissions and embassies of high-risk jurisdictions;</li> <li>– foreign charities and foreign trusts;</li> <li>– arms dealers;</li> <li>– correspondent banking (<i>vostro</i> accounts);</li> <li>– second-hand gold and scrap metal dealers;</li> <li>– trade, dealing in or breeding endangered or protected species; and</li> <li>– third-party payment providers.</li> </ul> </li> </ul>

Document	Summary
<p><b>Client due diligence standard</b></p>	<p>The client due diligence standard sets out the minimum requirements for conducting a client due diligence. When read together with the client risk assessment provisions of the RBA minimum standard, FirstRand must at a minimum:</p> <ul style="list-style-type: none"> <li>• establish and verify the identity of all prospective clients prior to establishing a business relationship or concluding a single transaction, in accordance with a risk-based approach;</li> <li>• determine the nature and purpose of the business relationship as well as the client’s source of funds;</li> <li>• not enter into a business relationship or single transaction with anonymous or fictitious clients, or clients whose due diligence cannot be completed;</li> <li>• establish the ownership and control structure, as well as beneficial owner of any “entity” client, and take reasonable steps to verify the identity of the beneficial owner(s) identified;</li> <li>• perform ongoing due diligence of clients; and</li> <li>• ensure adequate recordkeeping of client and transactional records.</li> </ul> <p>The standard also makes provision for enhanced due diligence for high-risk clients.</p>
<p><b>Politically exposed persons standard</b></p>	<ul style="list-style-type: none"> <li>• The politically exposed persons standard sets out the minimum requirements relating to the identification, risk-rating and due diligence to be conducted on domestic and foreign PEPs, as well as the maintenance of PEP relationships and other risk controls and measures relevant in this regard.</li> <li>• Enhanced due diligence must be performed for all high-risk PEP relationships, which includes enhanced ongoing monitoring and an annual review of the PEP relationships, subject to senior management signoff.</li> </ul>
<p><b>Sanctions standard</b></p>	<ul style="list-style-type: none"> <li>• The group complies with <i>inter alia</i> economic and trade sanctions issued by the United Nations; the European Union; or the governmental institutions and agencies of the United States of America, including without limitation, the Office of Foreign Assets Control of the United States Department of Treasury (OFAC) or the governmental institutions and agencies of the United Kingdom, including, without limitation, and Her Majesty’s Treasury (HMT), or the governmental institutions and agencies of the Republic of South Africa, France and Germany.</li> <li>• The sanctions standard sets the minimum requirements relating to adherence to these sanctions obligations, including through the screening of clients and payments; the positive confirmation of potential matches against entries on the FirstRand-approved sanctions lists; escalation of potentially sanctions-impacted payments or sanctions-impacted entity ownership structures for enhanced due diligence (and sanctions sign-off where this is possible); and other risk controls and measures relevant in this regard.</li> <li>• These controls ensure that neither FirstRand, nor any of its subsidiaries, any joint venture with which it is engaged, any director or officer or any employee, agent or affiliate is, to the best of its knowledge, a sanctioned party, engages directly or indirectly with a sanctioned party, or engages in transactions that evade or violate or intend to evade or violate any sanctions.</li> </ul>

Document	Summary
<b>Correspondent banking standard</b>	<ul style="list-style-type: none"> <li>• The correspondent banking standard is in place to ensure FirstRand can maintain, from a financial crime risk and compliance perspective, legitimate and sustainable correspondent banking relationships in both incoming and outgoing correspondent banking activities.</li> <li>• The standard deals in detail with the minimum requirement and extensive due diligence necessary for the establishment of correspondent banking relationships, including service-level agreements (SLA) requirements, specific money laundering and terror financing controls and senior management approval. It also stipulates what the group’s attendant ongoing controls (such as monitoring and periodic reviews of each correspondent banking relationship).</li> </ul>
<b>Cross-border and domestic payment message standard</b>	<p>The cross-border and domestic payment message standard regulates the content of domestic and cross-border payment messages in order to ensure that the data contained in these messages is sufficient to enable effective financial crime and sanctions risk mitigation and to meet the requirements of FATF 16, as well as its supporting domestic regulations.</p>
<b>Regulatory monitoring and reporting standard</b>	<p>This standard serves to enable the group’s constituent components to identify and report instances that would fall within the relevant reporting obligations in accordance with the applicable domestic legislation operable in the various jurisdictions where it operates to the relevant in-country financial intelligence units or similarly mandated authorities. As a global best practice rule, the group is required to conduct ongoing due diligence on the business relationships it maintains and scrutiny of transactions undertaken throughout the course of those relationships to ensure that the transactions being conducted are consistent with the group’s knowledge of the clients, their business and risk profile, including, where necessary, the source of funds.</p>
<b>Exemption standard</b>	<p>This document sets out the requirements pertaining to the higher of home or host jurisdiction requirements, the applications for waivers in respect of the FirstRand financial crime risk management program, as well as the reporting and remediation of breaches, including the application for risk-based decisions (inability to comply) in respect of the financial crime risk management program; the tracking and management thereof, and the level of governance and communication appropriate to these actions.</p>
<b>Termination of business relationship standard</b>	<ul style="list-style-type: none"> <li>• The termination of business relationship standard provides the minimum requirements applicable when terminating business relationships to manage the reputational, legal and compliance risks faced, whilst ensuring that the interests of clients are not justifiably or unreasonably infringed upon.</li> <li>• The standard includes principles relating to termination of business relationships, consequences of termination and exit procedure requirements, amongst others.</li> </ul>

## ENGAGEMENT AND FEEDBACK

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