



FCMB Enterprise Risk Management

(Compliance Risk Management)

Anti-Money Laundering & Countering Financing of Terrorism, Proliferation & Financial Crime Policy



1. POLICY STATEMENT

First City Monument Bank Limited (FCMB) is committed to:

- i. The highest standards of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) policies and procedures, including financing of the proliferation of weapons of mass destruction, Anti-Bribery and Corruption, Anti-Fraud, Anti-Slavery and other punishable criminal acts and will ensure that it is not used as a conduit for money laundering or financing of other illicit businesses;
- ii. Implementing policies, procedures, guidelines and provisions of applicable laws, regulations, circulars and guidance notes emanating from the Government and relevant regulatory bodies towards ensuring compliance with all domestic and international laws and regulations on money laundering and countering terrorism financing, illegal wildlife trade and proliferation of weapon of mass destruction, in order to mitigate AML/CFT risks it is exposed to;
- iii. Full compliance with both the letter and the spirit of all regulatory requirements and high standard of market conduct;
- iv. Conducting all banking and investment business in accordance with all regulatory policies and guidelines governing its operating environment;
- v. Giving full cooperation to law enforcement authorities within the limits of the rules governing confidentiality;
- vi. Effective communication of these policies towards raising the level of staff awareness on AML/CFT issues;
- vii. Retention and preservation of records of customers' transactions for a minimum period of five years or as may be prescribed by various regulatory bodies;
- viii. Exiting relationships which pose heightened money laundering risks to the bank and reporting same to the relevant regulatory agencies.



Drawing significantly from recommendations of the *Basel Committee* on Banking Regulations and Supervisory Practices, the *Wolfsberg* Group principles, Financial Action Task Force (FATF) recommendations, provisions of the Money Laundering (Prohibition) Act, 2011 (as amended), Terrorism Prevention Act, 2011 (as amended), CBN AML/CFT Regulations, 2013 (As amended) and the CBN Anti-Money Laundering and Combating the Financing of Terrorism (Administrative Sanctions) Regulations, 2018, the Bank and its staff are committed to ensuring full compliance with the letter and the spirit of all applicable laws and regulations.

2. THE KEY ELEMENTS OF THE BANK'S AML/CFT POLICY:

The following are the key elements of the Bank's AML/CFT policy:

1. Establishment of a robust compliance framework.
2. Roles and responsibilities of the board
3. Money laundering, terrorism financing and financial crime prevention.
4. Customer due diligence (CDD).
5. Customer, product and branch risk assessment.
6. PEP identification and risk management.
7. Sanctions screening, transaction monitoring and suspicious transaction/activity reporting.
8. Compilation of reports and returns to regulatory authorities
9. Record keeping.
10. Bribery and corruption prevention.
11. Anti-slavery declaration.
12. Whistle blowing.
13. AML/CFT Training.
14. Correspondent Banking and SWIFT RMA (Relationship Management Application) risk management.
15. Independent audit/testing of the AML/CFT framework.
16. Foreign Account Tax Compliance Act (FATCA) compliance.
17. Review of the policy.

3. ESTABLISHMENT OF A ROBUST COMPLIANCE FRAMEWORK

The Bank has established a robust compliance framework in line with the regulatory requirements of the Central Bank of Nigeria (CBN) and international best practice that is driven by the Bank's Board of Directors and management.

The Bank has a Compliance Department which comprises compliance unit team leads and Zonal Compliance Coordinators who report directly to the Head of Compliance. The Head of Compliance has a direct reporting line to the Chief Compliance Officer, who in turn reports to the Executive Director, Risk and Compliance, who handles the compliance issues of the Bank at the Board level.

The Compliance Department of the Bank comprises the following:

- **The Regulatory Reporting and Quality Assurance Unit-** This unit is responsible amongst other things for all compliance related regulatory reporting such as currency transaction reporting, suspicious transaction/activity reporting, PEP monthly report etc.
- **The Regulatory Liaising and Business Advisory Unit-** This unit is responsible amongst other things for disseminating regulatory and statutory compliance requirements to staff, tracking compliance with regulatory and statutory requirements and ensuring requests from regulators, law enforcement agencies and correspondent banks are promptly attended to.
- **The Financial Crimes Surveillance Unit-** This unit is responsible amongst other things for sanctions screening and transaction monitoring.
- **Head Office Zonal Compliance Coordinators-** These officers are responsible amongst other things for coordinating the Zonal Compliance Officers at the branch cluster levels in their respective zones on compliance issues.

4. ROLES AND RESPONSIBILITIES OF THE BOARD

The roles and responsibilities of the Board of Directors with respect to AML/CFT Compliance Risk Management includes (but shall not be limited to):

- i. Assume overall accountability for Compliance performance;
- ii. Ensure that appropriate AML/CFT Compliance Risk Management framework is established and is in operation;



- iii. Approve the AML/CFT Compliance Risk Management program and policies;
- iv. Provide guidelines regarding the management of AML/CFT compliance risks;
- v. Appoint and designate an Executive Compliance Officer and Chief Compliance Officer (in line with CBN guidelines) to coordinate and monitor AML/CFT Compliance by the bank.

The AML/CFT responsibility of the Board is being supervised by the Board Risk and Compliance Committee.

5. MONEY LAUNDERING, TERRORISM FINANCING AND FINANCIAL CRIME PREVENTION

The Bank has established sound internal policies, controls and procedures for the prevention of money laundering, terrorism financing, financing of the proliferation of weapons of mass destruction, human trafficking, slavery, bribery, corruption, illegal wildlife trade as well as other financial crimes.

6. CUSTOMER DUE DILIGENCE (CDD)

The Customer Identification Program is intended to enable the bank form a reasonable belief that it knows the true identity of each customer.

As a rule, a business relationship with FCMB will not be established until the identity of a potential customer is satisfactorily established with all regulatory Know Your Customer (KYC) documents obtained and verified where applicable. Where a potential customer declines to provide onboarding KYC information, the relationship will not be established. Furthermore, if follow-up information is not forthcoming, any relationship already established will be terminated.

The Bank's account opening procedures which also specify the regulatory identification documents and information required from each customer type are contained in the bank's KYC policy.

The Bank at all times prohibits shell company and anonymous customer relationships. It also ensures that ultimate beneficial owners of corporate or other customers that are not retail are identified using the 5% and above shareholding threshold in line with regulation.

7. CUSTOMER, PRODUCT AND BRANCH RISK ASSESSMENT

FCMB adopts a risk-based approach that is commensurate with the specific risks of money laundering, terrorist financing and other financial crimes. Higher money laundering and financial crime risks demand stronger controls. However, all categories of risks, whether low, medium or high must be mitigated by the application of the required controls such as verification of customers'



identification, sanctions screening, transaction monitoring and the implementation of KYC policies amongst others.

In order to improve the monitoring and control process of our client base, **FCMB** shall categorize its customers by their perceived risk rating of High, Medium and Low risk, using its risk assessment matrix.

All products/services of the Bank shall also be risk rated using the Likelihood Impact Matrix/analysis. New products/services shall be risk rated and the risk level (factor) of each product identified. All products/services shall be assigned a risk level/rating of Low, Medium or High depending on the average risk score of the product. In addition, all branches shall be assigned a risk level or rating of Low, Medium or High depending on the average risk score of the Branch.

8. POLITICALLY EXPOSED PERSONS (PEP) RISK MANAGEMENT

“Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions in any country and people or entities associated with them. For example, **Heads of State or of government, State Governors, Local Government Chairmen, senior politicians, senior government officials, judicial or military officials, senior executives of state-owned corporations, important political party officials, members of royal families, family members or any close associates of PEPs, persons who are or have been entrusted with a prominent function by an international organization, including members of senior management, directors, deputy directors and members of the board or equivalent functions other than middle ranking or more junior individuals.**

What is the risk in doing business with PEP?

Accepting and managing funds from corrupt PEPs can severely damage the bank’s own reputation and can undermine public confidence in the ethical standards of the bank, since such cases usually receive extensive media attention and strong political reaction. Business relationships with family members or close associates of PEPs involve reputation risks similar to those with PEPs themselves and in view of this, the Bank will take reasonable steps to ascertain the source of wealth and the source of funds of PEPs at onboarding.

PEP Risk Minimization

Before an account is opened for a PEP, Senior Management approval must be obtained. For this purpose, Senior Management approval must be obtained from the line Executive or Regional Director and the Chief Compliance Officer. This will be done as part of the mandatory onboarding requirements as no PEP account would be opened without the approval in place.



The customer due diligence efforts do not end at the onboarding stage, as ongoing account monitoring is conducted. Activities on PEP accounts will be reviewed regularly for unusual or suspicious transaction for appropriate timely regulatory reporting. Monthly returns will be forwarded to the CBN and the Nigeria Financial Intelligence Unit (NFIU) on PEP transactions in line with regulation, as this will assist the regulators to monitoring the activities of PEPs.

9. SANCTIONS SCREENING, TRANSACTION MONITORING & SUSPICIOUS TRANSACTION/ACTIVITY REPORTING

The Bank conducts sanctions screening on all customers which entails adverse media reports at the onboarding stage, periodically and during off-cycle periods during the course of the account relationship. This is done via the LexisNexis Bridger tool and the lists used include the United Nations (UN), US OFAC, UK HMT, France lists, local regulatory list and other lists provided by LexisNexis. Cross border transactions are also screened before they are consummated with the originator, beneficiary and other connected details.

Transactions of customers are monitored for suspicious or unusual activities and suspicious transaction/activity reports are sent to the NFIU if this if necessary after the review of the flagged transaction and the customer's KYC documents.

Any Officer of the bank who suspects any transaction to be suspicious shall make an immediate report to the Chief Compliance Officer. The bank has introduced a portal through which such reports are made electronically.

10. COMPILATION OF REPORTS AND RETURNS TO REGULATORY AUTHORITIES

The bank shall ensure timely and accurate rendition of all AML/CFT returns as specified in the CBN AML/CFT Regulations, 2013, the Money Laundering (Prohibition) Act 2011, (as amended) the SEC Rules and Regulations as well as other relevant Regulations/Acts/Guidelines/Circulars that may be issued from time to time by various government agencies.

11. RECORD KEEPING

The Bank complies with the provisions of Section 7 of Money Laundering (Prohibition) Act, 2011 (as amended) and preserves customer's identification records for a period of at least five (5) years after the closure of an account or the severance of relationship with the customer. The Bank also



preserves the records and related information of a transaction carried out by a customer for a period of at least five (5) years after carrying out the transaction.

The bank shall maintain all necessary records of transactions, both domestic and international for at least five years after the consummation of the transaction or for such longer period as may be required by regulators or law enforcement agencies.

12. CORRESPONDENT BANKING AND SWIFT RELATIONSHIP MANAGEMENT APPLICATION (RMA) RISK MANAGEMENT

The bank shall ensure that Correspondent-banking relationships are carefully selected. The bank shall not establish correspondent relationships with unregulated and high-risk financial institutions and counter parties, including shell banks with no physical presence in any country or with correspondent banks that permit their accounts to be used by such financial institutions. SWIFT RMA exchange shall be done after a satisfactory due diligence has been conducted on the counterparty, directors, management, shareholders and ultimate beneficial owner.

Executive management approval is mandatory for all correspondent bank onboarding as well as pre and post onboarding due diligence. Compliance Department shall annually obtain the current list of the bank's executive management approved correspondent bank relationships, review their AML/CFT framework, conduct adverse media search and other due diligence searches on their Board members as well as management, document the report for regulatory examination and take other appropriate action on negative findings.

13. BRIBERY AND CORRUPTION PREVENTION

The Bank values its staff highly and has a human resources policy governing its contractual obligations with them as well as benefits they are entitled to.

Staff are not permitted to accept gifts from customer or suppliers except calendars, diaries, or festive presents of an acceptable nature (that is, where such gifts cannot be construed as bribery, gratification or influencing duty and having substantial commercial value greater than 50% of staff monthly gross pay).

The use of position/office and taking advantage of the institution to enrich oneself is prohibited. Offering of gratification to regulators as an inducement to waive the imposition of penalties arising from failure to comply with laws or regulations is also prohibited. Offering/acceptance of gratification to/from customers/potential customers/suppliers/vendors to do business is prohibited.

Bribery and corruption are also offences that attract well known consequences such as warning, suspension, termination or dismissal, depending on the gravity of the offence.

The Bank recognizes that bribery and corruption are criminal offences and any involvement in bribery and corruption reflects adversely on its image and reputation. It does not, and will not, either directly or through a third party, pay bribes or offer improper inducements to anyone for any purpose, nor does it or will, accept bribes or improper inducements.

14. ANTI-SLAVERY DECLARATION

The Bank adheres to the fundamental human rights enshrined in the Nigerian constitution and the United Nations (UN) Universal Declaration of Human Rights and does not as a policy permit slavery, encourage the use of employees as slaves or permit its services to be used for modern day slavery and human trafficking transaction settlements.

15. WHISTLE BLOWING

The Management of the bank has a duty to conduct the bank's affairs in a responsible and transparent manner and to consider legal and regulatory requirements under which the bank operates. The Board of the bank is also committed to the principle of sound corporate governance and behavior as contained in the CBN Code of Corporate Governance for banks in Nigeria. One of the several ways a breach of regulatory requirements and staff misconduct can be addressed is through a whistle blowing programme.

As such, the whistle-blowing policy and procedures of the bank are designed to encourage stakeholders to bring unethical conduct and illegal violations to the attention of designated internal and or external authority so that action can be taken to resolve the problem.

16. AML/CFT TRAINING

The Bank regularly trains its staff to identify unusual and suspicious activities /transactions and to take appropriate actions. It has in place an up-to-date AML/CFT employee training programme for new hires and regular refresher trainings for existing staff.

The AML/CFT training is mandatory for all staff, and it forms part of their appraisal.

17. INDEPENDENT TESTING OF THE AML FRAMEWORK OF THE BANK

The Bank's Internal Audit Department independently tests its AML framework annually for regulatory compliance and a report of their finding is presented to the Board of Directors of the Bank. The Internal Audit Department is responsible amongst other things for reviewing the bank's



processes and transactions in order to ensure that they comply with CBN, NFIU/EFCC requirements on Anti-Money Laundering and Countering the Financing of Terrorism.

18. FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) COMPLIANCE

The main objective of the Act is to counter offshore tax avoidance by United States of America (US) persons with money invested outside the US and ensuring that US persons with financial assets outside the US are paying the correct amount of US tax, e.g., US persons living outside the US, US persons hiding behind non-US companies, etc.

The Bank mitigates adverse FATCA compliance issues by ensuring all affected customers are appropriately designated and obtains their deemed compliant status or exemptions under FATCA intergovernmental agreements (IGAs) as applicable.

19. AML/CFT POLICY REVIEW

This policy will be reviewed annually and during off-cycle periods as required by regulation, statutory changes and international best practice.