

INTERNAL CONTROL FRAMEWORK

INTERNAL CONTROL FRAMEWORK

The Bank has set up and is continually enhancing the internal governance system based on the three lines of defence principle.

- The first line is defence is the operational units that take or acquire risks, assume the responsibility for the management of those risks and continuously monitor compliance with the policies procedures and limits imposed on them.
- The second line of defence is the support functions, such as Finance and Accounting, but primarily the Compliance and Risk Control functions.
- The third line is the Internal Audit function.

These three lines of defence are complementary with each one assuming its control responsibilities independently of the others.

INTERNAL CONTROL FUNCTIONS

The Chief Risk Officer and the Chief Compliance Officer supervise the second line of defence of the Bank while the Chief Internal Auditor oversees the third line of defence.

In their capacity as Group Heads they also oversee, through functional reporting lines, the internal control functions in the subsidiaries.

They exercise their functions with independence, authority and objectivity and they have an independent reporting line to the Board.

All three report to the Board of Directors and its relevant specialised committees.

RISK CONTROL FUNCTION

The Risk Control Function is responsible for ensuring that all operational units anticipate, detect, measure, monitor and control and report properly on all risks to which the Bank is or could be exposed.

The Risk Control Function ensure that the Bank has a clear process for risk taking, including a risk appetite formally and precisely defined in all areas of activities, a rigorous decision making process, and quality and limits analysis.

COMPLIANCE FUNCTION

The Compliance Function covers multiple area including the fight against money laundering and terrorist financing, investment services, prevention of market abuse and personal transactions, fraud prevention, protection of interests and customer data and the prevention and management of conflicts of interest.

The Compliance Function advises and controls how these risks are translated into effective measures and controls appropriate to the risks.

INTERNAL AUDIT FUNCTION

The Internal Audit Function, performs an independent, objective and critical assessment of the first two lines and of the internal governance system as a whole.

The Internal Audit Function acts in accordance with the rules of the Institutes of Internal Auditors.

The scope of the work and how it is carried out is specified in a general three-year audit plan updated to reflect changes in business model and associated risks.