

PART V: GENERAL PROVISIONS

The General Provisions shall provide guidance to the Authorized Personnel of Compliance Division and/or branch/unit/subsidiary/affiliate in the administration, implementation, updating, dissemination, and ensuring compliance with relevant laws and regulations of this Money Laundering and Terrorist Financing Prevention Program (MTPP).

5.1 THE BOARD OF DIRECTORS (BOD) AND SENIOR MANAGEMENT

- a. It shall be the ultimate responsibility of the BOD to fully comply with the provisions of the AMLA including its Revised Implementing Rules and Regulations (RIRR)
- b. The BOD, thru its Corporate Governance Committee, shall be apprised as the need arises during meetings by the Bank Compliance Division (CD) on matters relating to Anti-Money Laundering (AML)

5.2 THE AML COMMITTEE (AMLCOM)

The AML Committee shall be a BOD-approved committee, duly constituted to assist in the implementation of the Bank's compliance with AMLA and all related external policies and guidelines.

It shall take the lead in carrying out the Bank's policies and procedures to ensure that the requirements of the law are fully complied with and the covered and suspicious transactions are accurately reported in a timely manner.

a. Membership

The AML Committee shall be composed of the following regular members:

1. Chief Compliance Officer (*Chairman*)
2. Head, Risk Management Division (*Vice Chairman*)
3. Head, Legal Services Division (*Member*)
4. Head, Centralized Operations Group (*Member*)
5. Head, Branch Service Operations Management Division (*Member*)

Except for the Chief Compliance Officer, the regular members may appoint in writing an alternate member who shall be attending the AML Committee meetings, with full power and authority to decide and/or vote on issues brought before the Committee.

In the event a regular member abstains in a case by reason of conflict of interest, the remaining regular members shall appoint an interim member to ensure the case at hand is expeditiously resolved in compliance with the AML laws and regulations. For purposes of this Charter, "conflict of interest" shall refer to a situation whereby a member is

involved in the case pending before the Committee which could possibly affect the decision of the said member.

b. Meeting

The AML Committee of the Bank shall meet and convene at least every month or as often as may be necessary. Other resource speakers such as Branch Officers and staff may be invited to the meeting, particularly when there are specific AML issues to be addressed.

In lieu of physical meetings, issues or items for confirmation or approval may be communicated through email using the Office365 email of the AML Committee Secretary or its duly appointed Assistant AML Committee Secretary and members of the Committee.

c. Quorum

Majority of the members present shall constitute a quorum.

d. Responsibilities of the Committee

The AML Committee shall be vested with the following responsibilities and authority:

1. Conduct or authorize an inquiry into any matter within the scope of its responsibilities.
2. Oversee the Bank's compliance strategy with respect to the AML Law by:
 - Recommending new policies and procedures to ensure sustained compliance by the bank to AML/CFT laws, regulations and implementing guidelines.
 - Ensuring that an adequate training program is provided to all officers and staff concerned.
3. Call any unit of the Bank for assistance in carrying out its duties and facilitate the continuing adoption of a risk-based approach to AML and terrorist financing, documenting its strategy as follows:
 - Risk Identification
 - Bank's system to assess the identified risk
 - Controls to mitigate risks are effectively implemented
 - Monitor adequate reporting system if in place
4. Upon the endorsement of and based on the RISA submitted by the branch/unit and facts presented by the AML Compliance Officer, the AML Committee shall review and confirm whether or not to file suspicious transaction report, as well as recommend other appropriate actions on the following:
 - I. Transactions of a client who is a subject of a negative news report by mainstream media, publication or outlet;

- II. Alert due to a possible match in any of the watchlist on sanctioned individuals or entities provided by the Philippine or foreign government or institutions (i.e. OFAC, UN, EU, HMT);
- III. Alert pertaining to cross-border inward or outward remittance transaction wherein the sending party is a non-banking institution, amounting to at least Php100,000,000.00 or its foreign currency equivalent;
- IV. Transaction, action or alert originally determined as not suspicious by the branch or business unit but is subsequently recommended as suspicious transaction by Compliance Division upon further review.

The decision on filing of STR shall be based on the majority vote of the members present constituting a quorum.

- 5. Recommend directives for the close monitoring and conduct of review/assessment of the business relationship of the customers/accounts subjected to enhanced due diligence regardless of the decision whether to file STR or not. The recommendation may include the issuance of a resolution on whether to retain as active customers, close the account or reject the business relationship, among others, as appropriately determined by the Committee.
- 6. Refer to appropriate unit(s) of the Bank the fact-finding or investigation of Bank employees for any violation of the Bank Code of Ethics other than AMLA Laws.
- 7. Address and resolve significant AML issues and concerns from operating and business units of the Bank.
- 8. Oversee and regularly monitor the status and action plans resolved in relation to AML Compliance.
- 9. Review, discuss and take appropriate action on any request from the BSP and/or AMLC, subject to existing laws and regulations.
- 10. Provide policy direction in the implementation of the AMLA and other applicable laws, rules and regulations.
- 11. Monitors compliance to AMLC reporting of covered and suspicious transactions.
- 12. Check adequacy of preparations made for the annual BSP Examination.

e. The AML Committee Secretary

The AML Compliance Department Head shall be the Secretary of the Committee and shall be responsible for the following:

- 1. Keeping of records and documents of the Committee;
- 2. Administration and documentation of all Committee activities and actions;

3. Communicating, coordinating, and/or liaising with other units or branches of the Bank, government and other regulatory agencies on the activities, directives, and resolutions of the Committee;
4. Preparation of the minutes of Committee meetings;
5. Preparation of presentation materials, reports or other documents for, or on occasion of, Board or management meetings;
6. Such other responsibilities as may be determined by the Committee necessary to achieve the objectives under this Charter; and
7. Appoint an AML Committee Assistant Secretary who will be responsible for assisting the AML Committee Secretary in performing the preceding functions. The assistant secretary shall be an officer within the AML Compliance Department with a rank of at least supervisor.

f. Reporting Line

The Committee through the Compliance Division shall submit report to the Corporate Governance Committee (CGCOM) every other month. The report should include CTR statistics, summary of STRs submitted to AMLC, new regulations relevant to AML, status of AML trainings for employees, status of deliverables under the BSP Report of Examination, and such other relevant matters.

Minutes of the meetings and any other resolutions/decisions made by the AML Committee shall be presented to the Corporate Governance Committee for notation and information during the regular Corporate Governance Committee meeting. Any directives from the Corporate Governance Committee shall likewise be presented and communicated to the AML Committee through the Compliance Division.

g. Voting Requirements

Decision on the disposition of an incident of money laundering concern shall require majority vote (50%+1) of ALL members of the Committee in the meeting called for that purpose. The voting process shall not take more than two (2) banking days from the date of endorsement of the AMLCOM Secretariat. The date of final decision of the Committee shall as well be based on the time of occurrence. Shall the body reach a final decision later than 3PM, the decision shall be taken as occurred the next working day.

For incidents requiring urgent disposition, voting for the decision may be done via Office365 Email, provided that physical or electronic copy of the report has been provided to the Members of the Committee prior to the voting. Results of the voting via Office365 Email shall be ratified by the quorum of the attending members of the Committee on the immediately succeeding meeting.

Members of the Committee who are directly or indirectly involved in the decision of a subject matter of money laundering concern, shall inhibit from voting on a decision affecting such.

In case majority vote cannot be established within the AML Committee, the case in point shall be elevated to the Corporate Governance Committee for final disposition.

h. Relationship with Other Units

The AML Committee is to coordinate its efforts with other units of the Bank in order to effectively carry out its mandate.

i. Amendments

Review of the AML Committee Charter shall be made continuously and amendments shall be proposed as and when necessary to ensure compliance with the requirements of AML laws and regulations.

5.3 THE COMPLIANCE DIVISION

Management and implementation of the Money Laundering and Terrorist Financing Prevention Program (MTPP) shall be the primary task of Compliance Division. To ensure its independence, it shall have a direct reporting line to the Board of Directors or a Board Level Committee on all matters related to AML/TF compliance and risk management. The Compliance Division shall be principally responsible for the following functions under this MTPP:

1. Ensure compliance by all responsible officers and employees with Anti-Money Laundering Laws, implementing rules and regulations, and the Bank's MTPP. It shall conduct periodic compliance testing which covers, among others, evaluation of existing processes, policies and procedures including monitoring of performance by staff and officers involved in Money Laundering or Terrorist Financing, reporting channels, effectiveness of AML Transaction Monitoring System, and record keeping through sample testing and review of audit or examination reports. The results shall be reported to the Anti-Money Laundering Committee, and to the Corporate Governance Committee or to the Board;
2. Ensure that infractions discovered by either by Internal Audit or by Special or Regular Examination of the BSP and other applicable regulator are immediately corrected;
3. Inform all responsible officers and employees of all resolutions, circulars and other issuances by the BSP and AMLC in relation to matters aimed at preventing Money Laundering or Terrorist Financing;
4. Alert Senior Management, the Board of Directors or Corporate Governance Committee, and AML Committee if it believes that the Bank is failing to appropriately address anti-money laundering and terrorist financing issues; and
5. Organize the timing and content of AML Training of officers and employees including regular refresher trainings in coordination with HRD CBS Academy.

5.4 THE CHIEF COMPLIANCE OFFICER (CCO)

- a. The Chief Compliance Officer (CCO) shall be primarily responsible for the management of the day-to-day operations of the Compliance Division. In the absence of an official designation, the CCO shall act as the de facto AML Compliance Officer who will be the lead implementer of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) and will serve as the primary liaison between the BSP and AMLC in matters relating to the Bank's AML/CFT compliance.
- b. It shall report to the BOD, through the BOD-designated Corporate Governance Committee and AML Committee, on matters related to AML, Terrorist Financing, compliance and risk management in order to ensure the independence of the office, such as:
 - a. STR submitted for the period
 - b. Results of its monitoring activities
 - c. Notices of Freeze Order (NFO), Inquiry Order and other related Orders issued by the Courts
 - d. Completeness of documents related to NFO and Inquiry Order
 - e. Status and update on AML ratings
 - f. AML-related news articles
 - g. CD investigation reports related to AML
 - h. Other AML-related issues
- c. Principal Functions
 1. Ensure compliance by all responsible officers and employees with the AMLA, as amended, the RIRR, applicable BSP regulations and its own MTPP.
 - a) It shall conduct periodic compliance checking.
 - b) It shall also report compliance findings to the BOD, Corporate Governance Committee and AML Committee.
 2. Ensure that infractions discovered either by internally-initiated audits or by special or regular examination conducted by the BSP, are immediately corrected;
 3. Inform all responsible officers and employees of all resolutions, circulars and other issuances by the BSP and the AMLC in relation to matters aimed at preventing money laundering and terrorist financing;
 4. Alert Senior Management, the BOD, Corporate Governance Committee and AML Committee if it believes that the Bank is failing to sensibly address anti-money laundering and terrorist financing issues; and
 5. Organize the timing and content of AML training of officers and employees including regular refresher trainings.

5.5 THE UNIT COMPLIANCE COORDINATORS (UCC)

The Branch Service Head for branches, and the designated/appointed officer for head office units, shall act as Unit Compliance Coordinators and shall perform the following functions:

1. Assist the Compliance Division in the implementation of the applicable provisions of this MTPP.
2. Serve as liaison between the Branch/Unit and Compliance Division on issues pertaining to AML/CFT compliance, AML Testing, regulatory examination or the implementation of the applicable provisions of this MTPP.
3. Review and assess the business unit's compliance to laws, regulations and the applicable provisions of this MTPP.
4. Ensure that policy memorandums issued by the Compliance Division pertaining to AML/CFT compliance are timely disseminated and discussed to the branch/unit.
5. Ensure that all personnel of the branch/unit have updated AML/CFT training as required in this MTPP.
6. Report all audit or testing findings to the Compliance Division relating to infractions of the applicable provisions of this MTPP or violations of the AML/CFT laws and regulations.
7. Develop relationship with Unit Compliance Coordinators of other business units and close coordination with Compliance Division.
8. Promote compliance guidelines, procedures, policies and practices that retain or enhance compliance with the applicable provisions of this MTPP.

5.6 DUE DILIGENCE RESPONSIBILITY

It is the responsibility of the Bank (its branches/business units), through its authorized personnel responsible of conducting due diligence and its approval, to know the customer. The due diligence process does not stop at account opening, but is a continuous process from the application of business relationship up to its ultimate termination. Thus, due diligence is the process embedded to CBS's on-boarding, on-going monitoring and updating policies and procedures, for the sole purpose of continuously knowing the clients, including their affairs that may affect our business relationship with them.

5.7 REVIEW AND UPDATING OF THE MTPP

This MTPP shall be reviewed / updated every two (2) years by the Compliance Division. The revised manual must incorporate changes in AML policies and procedures, latest trends in money laundering and terrorist financing typologies and latest pertinent BSP issuances. Any

revision or update in the MTPP shall likewise be approved by Corporate Governance Committee and the Board of Directors.

The Branch Operations Manual and other internal policies and procedures relevant and consistent to the provisions of this MTPP such as training, KYC, transaction monitoring, shall form part of this MTPP.

5.8 DISSEMINATION POLICIES AND PROCEDURES

AML Compliance Department will issue AML Bulletins or Advisories for immediate adoption into Bank's Policy and implementation of newly issued BSP Circulars, updates on Banking Laws, Rules and Regulation. The following issuances will also be used to issue clarification on the significant provisions of BSP Circulars, banking Laws, Rules and Regulations. These issuances shall be implemented on the dissemination of this MTPP or any portions or interpretations thereof.

5.8.1 Issuances from AML Compliance Department shall be categorized into the following:

- a. **AML Bulletin** – this will cover AML policy issuances and amendments, implementing guidelines or procedures of the policies, regulations or directives, and official interpretations/clarifications thereof. This may be communicated bank-wide or to specific applicable units of the Bank.
- b. **AML EyeWatch** – this will cover warning communications to restrain and caution branches and business units regarding individuals and entities subject of regulatory investigation and/or sanction.
- c. **AML Reminder** – this will cover reminders of any of the above, existing policies, an event, and existing regulation or law relevant to the AML subject.

5.8.2 Issuances of the AML Compliance Department shall be subject to the following lines of approval:

AML Issuances	AML Compliance Department Head	Chief Compliance Officer
AML Bulletin	Required	Not Required, except in Advisories specifically stated by the CCO
AML EyeWatch	Required	Not Required
AML Reminder	Required	Not Required

5.9 RISK MANAGEMENT

As part of sound risk management, China Bank Savings Inc. developed policies and practices to ensure that risk associated with money-laundering such as counterparty, reputational, operational, and compliance risks are identified, assessed, monitored, mitigated and

controlled, as well as to ensure effective implementation of the regulations, to the end that China Bank Savings, Inc. shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.

5.10 INTERNAL AUDIT

The internal audit function associated with money laundering and terrorist financing shall be conducted by qualified personnel who are independent of the office being audited. It must have the support of the Board of Directors and Senior Management and have direct reporting line to the Board or Audit Committee. The Internal Audit shall have the following functions under this Manual:

1. To conduct periodic and independent evaluation of the: (a) efficiency of the electronic monitoring and reporting system, (b) risk management, (c) degree of adherence to internal control mechanisms related to the customer identification process, e.g., determination of the existence of customers and completeness of the minimum information and/or documents establishing the true and full identity of, and the extent and standard of due diligence applied to, customers, (d) covered transaction and suspicious transaction reporting, (e) alerts dispositions (f) record keeping and retention, and (g) adequacy and effectiveness of other existing internal controls associated with money laundering and terrorist financing; and
2. To communicate on a timely manner, the results of the internal audit to the Board of Directors and the Compliance Division. The Compliance Division shall regularly submit reports to the Board to inform them of management's action to address deficiencies noted in the audit.

The AML Compliance Department shall also extend support to the internal audit in its audit of branches/business units' compliance with this MTPP and AML/CFT laws and regulations.

5.11 HUMAN RESOURCES DIVISION

1. The Human Resources Division shall institute adequate screening and recruitment procedures to ensure high standards when hiring employees;
2. It shall coordinate with the Compliance Division on the schedule of the training and ensure that all concerned officers and staff, including new employees are given appropriate training on money laundering and terrorist financing prevention;
3. It shall ensure that logistical support is provided to the AML training program of the Bank.

5.12 KNOW-YOUR-CUSTOMER (KYC) RESPONSIBILITY

It is the responsibility of the Bank (its covered person subsidiaries/ affiliate/ branch/ units), through its authorized personnel responsible of conducting due diligence and its approval, to know the customer. The KYC process does not stop at account opening, but is a continuous

process from the application of business relationship up to its ultimate termination. Thus, KYC is the process embedded to CBS's on-boarding, on-going monitoring and updating policies and procedures, for the sole purpose of continuously knowing the clients, including their affairs that may affect our business relationship with them.

5.13 KNOW-YOUR-EMPLOYEE (KYE) RESPONSIBILITY

Based on submitted documents and information, credit and court checking conducted by the Bank, conduct due diligence to ascertain if an employee-applicant qualifies based not only on his/her professional and career background but also has on passing the requirements under AMLA.

1. Family/Personal Background

Determine based on the Background Investigation report, if employee-applicant has family members/associates who are engaged in activities prone to ML/TF or other criminal acts. Check if candidate falls under the high-risk category as defined for customers, such as PEP or closely related to one.

2. Credit Background

Determine if employee-applicant has outstanding overdue loans with any bank or financial institution or past records show default in credit obligations.

3. Criminal Background

If with same name in NBI or court checking, require the candidate to secure court clearances.

4. Watchlist

Determine if employee-applicant is not in the watchlist of the BSP for Bank employees, nor is in the watchlist of the AMLC for M/L and T/F offenses and other reliable sources.

5.14 INTERPRETATION OF THE MTPP PROVISIONS

The Compliance Division shall have the sole authority to issue interpretations and specific implementing guidelines pertaining to the provisions of this MTPP.

The provision in this section does not include statement of facts/provisions/plain meaning of the provisions, which are provided in regular inquiries.

5.15 MTPP AS MINIMUM STANDARDS

The provisions of this MTPP shall serve as minimum standards in terms of compliance with the AML laws, rules and regulations. The existing operational manuals of applicable

units/departments/divisions shall be amended to comply with the minimum standards provided herein. However, no operational manual or any parts thereof shall be amended pursuant to this MTPP, if such operational manual or any parts thereof provides higher standards of compliance with AML/CFT laws, rules or regulations than the equivalent portions or provisions of the MTPP.

Such amendment to the operational manuals to comply with the minimum provisions of this MTPP may be in the form of providing reference to this MTPP if such provision is impractical to copy in the operational manuals.

5.16 REPEALING PROVISION

Any guidelines, policies, procedures and policies pertaining to money laundering and terrorist financing, including previously issued AML bulletins and compliance related communications, that is contrary to the foregoing provisions of this MTPP are deemed amended and repealed.