

## **CHARTER OF COMPLIANCE DIVISION**

### **Purpose of this Charter**

The Compliance Division Charter sets out the fundamental principles of the compliance function in China Bank Savings, Inc. It formalizes the status of said function in the Bank by defining its standing, authority, responsibility and independence.

This Charter shall be communicated throughout the organization.

### **I. Mission of Compliance**

To work in partnership with the Bangko Sentral ng Pilipinas (BSP) and other regulatory bodies to set and maintain the highest standards of compliance at China Bank Savings, Inc.

It is hereby the declared policy of the Board of Directors of China Bank Savings, Inc. to be an upright corporate entity, obedient and observant of applicable laws, regulations, code of conduct and standards of good practice.

### **II. Responsibilities of the Board of Directors and Senior Management for Compliance**

The board of directors shall ensure that a compliance program is defined for the Bank and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

The board of directors shall ensure that Bank personnel and affiliated parties adhere to the pre-defined compliance standards of the Bank rests collectively with senior management, of which the CCO is the lead operating officer on compliance. Senior management, through the CCO, should periodically report to the board of directors or its designated committee matters that affect the design and implementation of the compliance program. Any changes, updates and amendments to the compliance program must be approved by the board of directors. However, any material breaches of the compliance program shall be reported to and promptly addressed by the CCO within the mechanisms defined by the compliance manual.

The Board of Directors through the Corporate Governance Committee (CGCom) exercises its oversight function on the compliance system of the bank. It includes the task of appointing the Chief Compliance Officer and approving the compliance program. It receives reports from the compliance office regarding significant issues impacting the bank or findings of violations of banking regulations or industry standards and the actions taken thereon. All related manuals and/or guidelines are reviewed and approved by the CGCom. In the same manner, any changes, updates and amendments to the compliance program must be approved by the Board of Directors.

### **III. Organization and Reporting Structure**

The Compliance Division is under the leadership of the Chief Compliance Officer who functionally reports to the Board of Directors through the Corporate Governance Committee and administratively to the President. The Bank's CCO shall also be regularly reporting to the Chief Compliance Officer of the parent bank.

The officers and staff performing compliance responsibilities should have the necessary qualifications, experience and professional and personal qualities to enable them to carry out their duties effectively.

### **IV. Independence and Authority**

The Compliance Division is an independent unit directly reporting to the Board of Directors (BOD) through the Corporate Governance Committee and under the administrative supervision of the Office of the President. The Group CCO shall exercise oversight function over the Bank's Compliance Office.

Compliance Division carries out its responsibilities on its own initiative in all units or departments where compliance risk exists and has sufficient resources to carry out its responsibilities effectively. The bank's Chief Compliance Officer or any responsible officer of the Compliance Division is free to report to senior management and the board or a committee of the board on any irregularities or breaches of laws, rules and standards which the officer may discover, without fear of retaliation or disfavor from management or other affected parties. The members of the Compliance Division shall have access to all operational areas as well as any records or files necessary to enable the members to carry out the duties and responsibilities.

### **V. Function and Scope of Work**

The function and scope of work of the Compliance Division is to develop, implement, oversee and coordinate the implementation of the compliance system/program, including identification, monitoring, controlling of compliance risk and mitigation of business risk.

The compliance function shall facilitate effective management of compliance risk by:

1. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
2. Apprising Bank's personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from Bank personnel;
3. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;

4. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
5. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
6. Monitoring and testing compliance by performing sufficient and representative compliance testing;
7. Maintaining a constructive working relationship with the Bangko Sentral and other regulators.

In addition to the principal function and scope of work, the following shall likewise be exercised by the Compliance Division, to wit:

- Conduct investigations of possible breaches of the compliance policy.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish its objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform compliance testing, as well as other specialized services from within and outside the organization.
- Constant and consistent communication with the Unit Compliance Coordinators (UCC).
- Promote a clear and open communication within the bank.
- Promote education of compliance matters to equip personnel with the knowledge of the regulations to help them in carrying out the tasks effectively.
- Monitor the effectiveness and efficiency of the compliance communication process.
- Coordinate efforts of the Bank to address regulatory findings/issues/discrepancies and instruct appropriate individuals and units to comply with regulatory requirements.
- Maintain records and files of all laws and regulations and communications with the regulatory agency to serve as a general database for compliance information.
- Reports to the President, Corporate Governance Committee and Board of Directors on the compliance program of the Bank and relevant matters.
- Ensure that the related Manuals for Compliance and Anti-Money Laundering are updated accordingly.
- Handle reporting of covered and suspicious transaction reports to the Anti-Money Laundering Council.
- Participate in all meetings of the Anti-Money Laundering Committee.
- Ensure effective implementation of the Money Laundering and Terrorist Prevention Program (MLPP)
- Review this charter annually and recommend any proposed changes to the Board of Directors.

The Compliance Function shall assist the Board of Directors and Senior Management in monitoring and ensuring that the Bank as a whole complies with applicable laws and regulations as well as with the Bank's Code of Corporate Governance. In addition, compliance function must be able to inform management of emerging compliance issues that may have significant impact on the operational and financial condition and affairs of the Bank.

#### **VIII. Relationship with other Functions/Departments**

Compliance Division works closely with Audit Division, Legal Services Division and Risk Management Division for a more effective performance of its duties. The review of transactions/activities performed by the internal audit function should test the controls in place within the bank to ensure compliance with applicable laws, rules and standards. Concerns regarding legal matters/issues should be consulted with the Legal Services Division. There exists an arrangement for cooperation between each unit/department and for exchange of relevant information for a more effective and efficient compliance system in the Bank.