

# COMPLIANCE CHARTER



GROUP

This Charter sets out the first fundamental principles of the compliance function in the DEXIA Group. Its principal aims are to formalise its objectives and its tasks as well as the organisation of that activity within the Group.

Referring to international *best practices*, it marks DEXIA's commitment to the application of the group integrity policy that relies in particular on a respect of legal and regulatory requirements, a field in which the compliance function plays a vital role.

This Charter defines the tasks of the compliance function more specifically. It recalls the importance of a compliance process and the role of the compliance function in the supervisory and management aid mechanisms of the DEXIA Group.

## 1 Definition of compliance

Compliance is an independent function that supervises and participates in placing internal procedures in conformity with regulations within the context of the integrity policy covering the following fields:

- professional ethics,
- corporate governance,
- prevention of insider trading,
- prevention of money laundering and fraud,
- staff members' personal transactions,
- transactions in financial instruments (market integrity, client information, etc),
- prevention of price manipulation,
- respect for the private affairs of members of staff and clients,
- the regime of incompatibility of mandates,
- fields possibly required by the respective Executive Boards or Boards of Directors, taking account of risks in various activities and entities.

## 2 Principal tasks of the compliance function

The compliance function assesses the conformity of codes of conduct, instructions, procedures and organisations in relation to the rules of integrity in banking and insurance activities. These rules are those which arise from the institution's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the banking and insurance sectors.

The compliance function makes proposals as regards the integrity policy to be followed by the institution and submits them for approval to the Executive Board.

It acts as an adviser to its management body on the measures to be taken within the context of integrity policy, and ensures the development of the entity's code of professional ethics.

The compliance function deals in particular with:

- 1) definition, in matters of compliance, of directives for members of staff from the level of requirement fixed by the Group, and for entities when the latter have additional requirements as a consequence of local constraints;
- 2) definition of effective procedures with a view to implementing the integrity policy of the Group and of its entities respecting the legislation and regulations in force, as well as implementation of appropriate internal control measures;
- 3) assessment of the pertinence of internal directives and procedures in matters of compliance as well as the proposal of adaptations should they be necessary;
- 4) permanent training and awareness of employees, including members of agency staff and agency representatives;
- 5) respect or fulfilment of various communication obligations vis-à-vis third parties such as market, supervisory and legal authorities, specialist bodies or departments (CTIF, TRACFIN...) etc.;
- 6) examination and monitoring for breaches of laws and regulations, and the internal code of ethics, such as conflicts of interest, own-account transactions by members of staff, acceptance and receipt of gifts, commissions, etc.;
- 7) advice, if such should be the case suspension or refusal, with regard to operational procedures such as the execution of a transaction or entry into a relationship with certain clients;
- 8) advice relating to compliance aspects on the launch of new products or services and on the penetration of new markets;
- 9) monitoring the respective national and international legislation and regulation, as well as their interpretation (for example discussion forums with supervisory bodies);
- 10) examination of internal and external documents pertinent as regards policy and operations (for example for fields relating to the compliance function: internal and external audit reports, minutes of the Executive Board, information and remarks from the supervisory authorities);

### **3 Organisation of the compliance function**

#### *3.1 The principles*

##### - The network

The compliance function is fulfilled by a network of compliance teams which carry out their tasks under the responsibility of the group compliance officer.

This network consists of:

- the group compliance department
- the compliance departments or divisions of the operational entities
- the compliance departments or divisions of their subsidiaries
- the compliance correspondents in the departments or divisions of the operational entities or their subsidiaries

##### - The status

Each compliance team is placed in the charge of a compliance officer.

Each compliance officer reports to the Chairman of the Executive Board or, in their absence, to a member of the Executive Board.

The compliance unit has a right of initiative in respect of all its tasks as defined in this Charter as well as by the respective Executive Boards and Boards of Directors, in accordance with this Charter.

The compliance unit has the competence to speak with all members of staff and to study any document, activity, file or piece of information from the entity concerned, including internal and external audits, and records of the Executive Board and the Board of Directors. This competence shall be exercised in the fields of activity defined by this Charter.

The compliance officer takes part in meetings of the Executive Board of the entity for which he is responsible for subjects concerning the field of compliance and is the recipient of minutes for subjects directly or indirectly relating to compliance.

Each compliance officer has direct access to the Chairman of the Board of Directors, to members of the Audit Committee and the Auditors of the entity for which he is responsible.

For subjects relating to compliance, he is the preferred representative as regards the supervisory authorities.

Observations and judgements made within the context of the compliance function are freely expressed. This is particularly the case when the compliance officer informs the competent authorities of money laundering.

The compliance function is a part of the system of internal control. It is independent of the audit function but comes within the field of investigation and control of the latter.

- The members of staff fulfilling the compliance function

The individual capacities, the integrity and the discretion of each member of staff in the compliance unit are essential to ensuring its good operation.

The skills, motivation and permanent training are also vital to the efficiency of the compliance unit. The skills of each member of staff are assessed by taking account of the complexity and increased technical nature of the activities.

### *3.2 Creation of a compliance function*

The function becomes permanent when the extent or nature of the activities of the entity so justify.

Branches of a certain size or where there are risk activities must organise their own compliance function in accordance with the principles set out in this Charter.

Banking or other subsidiaries as distinct legal entities are themselves responsible for their compliance function. From an operational point of view, compliance units report to the compliance unit of the parent entity.

The compliance department or division of the entity to which the subsidiary belongs systematically has a correspondent for the compliance function therein.

If, taking account of the size of the establishment and the risks run, it is not justified to have a full-time member of staff fulfilling the compliance function, a member of the Executive Board may fulfil that function himself, assisted if necessary by a member of staff.

For entities whose size justifies it, the compliance department, in departments/divisions whose size or risk justifies it, shall rely on compliance correspondents who are hierarchically attached to the head of the division concerned. Compliance correspondents shall functionally report to the compliance department of the entity to which they belong.

In order to avoid conflicts of interest, the persons in charge of the compliance function may not have any commercial functions.

### *3.3. The role of the group compliance function*

The group compliance department is responsible, in addition to its operational tasks for the holding company, for supervising the adequacy of the organisation of the compliance function implemented throughout the entire DEXIA Group, and the quality of its operation.

In liaison with the compliance departments or divisions of the entities, the group compliance department is responsible for:

- ◆ definition and application of a common methodology for the inventory and analysis of compliance risks;
- ◆ proposals regarding integrity policy to be submitted to the Executive Board;
- ◆ harmonisation of the compliance methods and tools used throughout the Group;
- ◆ optimum allocation of competences within the function;
- ◆ co-ordination and assessment of training programmes;
- ◆ circulation of necessary information within the function.

More specifically, the group compliance officer is informed of the recommendations of the inspection authorities with regard to compliance. He monitors the proper organisation of cooperation requests from the authorities, and of necessary improvement plans.

In order to carry out his co-ordination task, the group compliance officer meets the compliance officers of the operational entities a minimum 6 times a year. Similarly, the compliance units of the operational entities organise dialogue meetings attended by those in charge of the compliance function in the subsidiaries and branches of each entity, in order to optimise relations and communication throughout the network.

On the other hand, the group compliance department is organised so as to:

- ◆ monitor the principal regulatory evolutions concerning banking and insurance in the principal countries of establishment;
- ◆ monitor the work carried out by the operational entities;
- ◆ ensure the implementation of recommendations formulated in internal and external audit reports;
- ◆ ensure that the necessary recurrent and selected information is communicated to it in an adequate manner;
- ◆ advise and assist the compliance officers of operational entities in the exercise of their respective responsibilities.

Each compliance officer of an operational entity reports operationally to the group compliance officer. The approval of the latter is in particular required for the appointment and assessment of compliance officers, as well as for recruitment plans and in establishing the budgets of the compliance departments or divisions of operational entities.

For the compliance officer of an operational entity, the functional relationship includes the right to call on the group compliance officer when he is prevented from performing his duties.

The same principles apply for the compliance departments or divisions of subsidiaries in relation to the compliance officer of the operational entity to which they belong.

#### **4 Reporting and specialist committees**

The compliance officer regularly informs the Chairman of the Executive Board or the member of the Executive Board to whom he reports of the principal compliance risks observed, measures taken to improve control of those and the progress of work carried out within the context of the tasks of the function. At least twice a year, the compliance officer informs the Executive Board of the status of the compliance system.

He communicates this information to the compliance officer to whom he reports at meetings organised by the latter, and informs him of any major fact relating to compliance when he has knowledge of such.

Moreover, specialist committees may be created in some entities.

These committees are created in operational entities where their size or the risks so justify. The decision as to whether or not to create such a committee is to be taken by the management of the entity on the opinion of the local compliance officer, that of the parent entity and, if necessary, of the group compliance officer.

*- Committee for opening and monitoring accounts:*

The role of the committee is to analyse applications to open accounts or to monitor the accounts of clients presenting direct or indirect risks with regard to compliance and more particularly vis-à-vis the fight against money laundering.

#### **5 Information to the Board of Directors**

Within the context of their supervisory tasks, the respective Boards of Directors regularly check that the Group and its entities have a suitable and sufficiently well equipped compliance function. They are informed at least once a year of compliance activities.

The Audit Committee may also invite the compliance officer to report on the compliance system and compliance work.

## Glossary

The following meanings apply throughout this document:

**Internal audit:** the independent function, the object of which is to examine and assess, in a permanent manner, the general control of the risks inherent to the activities of the undertaking and the organisation, and the functioning of operational and support services, with a view to allowing improvement of their effectiveness and efficiency.

**Prudential supervision authority:** the authority responsible for ensuring that credit establishments and insurance or investment companies of the DEXIA group are managed in a sound and prudent way, and that they fulfil the legal and regulatory requirements associated with their status.

**Audit Committee:** the committee established at the Boards of Directors OF DEXIA SA. (it also has the title of the Audit Committee of the DEXIA Administration), of certain operational entities and subsidiaries of the DEXIA group.

**Executive Board:** the executive board established at the level of DEXIA SA and of every operational entity or subsidiary of the DEXIA group.

**Compliance officer:** the person in charge of the department or division responsible for compliance in each operational entity and in certain subsidiaries. This person has the title of group compliance officer (chief compliance officer) at DEXIA SA. Ideally, he reports to the chairman of the Executive Board of the entity for which he is responsible.

**Board of Directors:** the board of directors or supervisory board or any other form of social body of an entity of the DEXIA group.

**Corporate governance:** form of organisation of power and its control which gives the board of directors and informing shareholders a larger role.

**Compliance correspondent:** person responsible for a compliance function in a commercial, operational or support department or division of one of the operational entities or subsidiaries of the group.

**Compliance department or division:** the department or division responsible for compliance in each entity or subsidiary of the DEXIA group. This department has the title of group compliance department at DEXIA SA.

**Operational entities:** the operational companies of the DEXIA group. On 31 December 2001, the DEXIA group consisted of the following operational entities: DEXIA Banque Belgique, DEXIA BIL and DEXIA Crédit Local.

**Subsidiary:** subsidiary controlled by an operational entity.

**Auditor:** the company auditor or the statutory auditor of each entity of the DEXIA group, responsible for the certification of accounts.

**Internal control system:** all the systems put in place by the executive committee or the executive board, the management and the staff of each company (organisation, systems, procedures, first and second level controls, internal auditing etc.) to assess whether the company meets its legal and regulatory obligations, maintains its credit and the credit entrusted to it, functions in an efficient and secure manner and produces reliable financial and management information.