

# Anti-Money Laundering Statement

## The Royal Bank of Scotland Group plc

### Introduction

The Royal Bank of Scotland Group plc is committed to participating in international efforts to counter money laundering and terrorism financing.

The Royal Bank of Scotland Group plc (RBSG) includes The Royal Bank of Scotland plc (RBS plc) and The Royal Bank of Scotland N.V. (RBS NV), any of their direct or indirect subsidiaries and/or any entities in which RBSG has a stake of more than 50% and/or management control. Please click [here](#) to view the legal structure for RBSG.

### Registered Address & Regulatory Authority

#### RBSG/RBS plc

RBSG and RBS plc have their headquarters in the United Kingdom (UK) and have their registered office at 36 St Andrew Square, Edinburgh, EH2 2YB. RBS plc is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. Please note that the UK does not issue a banking license; RBS plc's authorisation to operate as a bank is available to view on the FCA website, which can be found [here](#).

#### RBS NV

The RBS NV is headquartered at Gustav Mahlerlaan 350, 1082 PP Amsterdam, Netherlands and is regulated and supervised by De Nederlandsche Bank N.V. ('Dutch Central Bank'). Please [click](#) here for further information.

### FATF

Both the UK and the Netherlands are member countries of the Financial Action Task Force ('FATF'). Please click [here](#) to visit the FATF website for further information.

## RBSG Ownership Structure

Following placing and open offers in December 2008 and in April 2009, Her Majesty's Treasury (HMT) owned approximately 70.3% of the enlarged ordinary share capital of the company. In December 2009, the company issued a further £25.5 billion of new capital to HMT in the form of B shares. HMT sold 630 million of its holding of the company's ordinary shares in August 2015. In October 2015 HMT converted its entire holding of 51 billion B shares into 5.1 billion new ordinary shares of £1 each in the company.

The final dividend payment on the Dividend Access Share (DAS) owned by HMT of £1.2 billion was paid in March 2016, effecting the immediate retirement of the DAS which was redesignated as a single B share and subsequently cancelled.

At 31 December 2016, HMT's holding in the company's ordinary shares was 71.3%.

The UK government shareholding in RBSG is managed through UK Financial Investments (UKFI), a Companies Act Company (Company no: 6720891), with HMT as its sole shareholder. UKFI operates at arm's-length from the UK Government in order to manage the shareholding. Further details on UKFI can be found [here](#).

Please click [here](#) for further information on RBSG's ownership structure.

## RBSG's Services/Products

The following are some of the many products/services offered by RBSG (for further information, please visit [www.rbs.com](http://www.rbs.com)):

- Personal Banking
- Business Banking
- Commercial & Corporate Banking
- Private Banking
- Correspondent Banking
- Markets
- Trade Finance/Letters of Credit

## RBSG's Client Base

RBSG's client base is predominantly located in the UK and Republic of Ireland. The client base consists of personal customers and corporate customers. RBSG also maintains relationships with other financial institutions which are located worldwide. Where a client is deemed to be high-risk, enhanced processes are applied with respect to onboarding, review and transaction monitoring.

## Board of Directors

Please click on the links below for a full list of RBSG's Board members.

RBSG plc – please click [here](#).

RBS NV – please click [here](#).

## Anti-Money Laundering Programme

To facilitate compliance with anti-money laundering laws, RBSG, RBS plc and RBS NV have developed and implemented an Anti-Money Laundering (AML) programme consisting of policies, procedures, internal systems and controls. The AML programme is approved by the RBSG Board and senior management and utilises a risk based approach to the management of RBSG's money laundering risk. This programme is applicable to the head office, indirect or direct subsidiaries and branches and any entities in which RBSG has a stake of more than 50% and/or management control.

The AML programme includes, but is not limited to:

- The identification of potential AML risks relevant to RBSG's activities;
- Global and local AML policies and procedures to ensure compliance with AML laws and regulations;
- Customer identification and verification;
- The identification of beneficial owners;
- The identification and risk assessment of Politically Exposed Persons;
- Enhanced due diligence for high-risk clients;
- Internal procedures for monitoring and reporting suspicious activities;
- Relevant procedures for reporting suspicious activities to the designated and appropriate financial intelligence unit;
- Screening customers against relevant financial sanctions lists;
- The retention of relevant records in line with the RBSG's regulatory obligations in the jurisdictions in which it operates and in line with the RBSG's internal policy requirements;
- The provision of advice and management reports to senior management regarding regulations and compliance with these regulations;
- Regular staff training and awareness, as appropriate to the role, including training of senior management;
- The promotion of effective compliance through a range of independent assurance testing and audit activity to provide appropriate oversight and follow-up actions in the event of non-compliance;
- The management of regulatory inquiries and incidents;
- The appointment of global and local designated compliance personnel, responsible for coordinating day-to-day compliance.

Where RBS plc and RBS NV operate within a country or jurisdiction whose local regulations or laws impose higher standards for client acceptance and anti-money laundering than the

RBSG global anti-money laundering policy, the requirements and standards of the local regulations will be met.

Compliance with global and local AML policies and procedures is monitored across RBSG using a number of methods including audit and focused reviews by AML specialists. In addition, RBSG has a variety of automated systems and controls designed to monitor various elements of AML compliance, including payments, transactions and customer identification and due diligence.

## Internal Audit

RBSG has an internal audit function; this is an independent function that sits within the third line of defence and is responsible for providing assurance that the main business risks have been identified and that effective controls are in place to manage these risks.

## External Audit

Please click [here](#) to view details of RBSG's external auditor.

## Sanctions

The RBSG, RBS plc and RBS NV have procedures and policies designed to comply with the requirements of the EU, UK and US sanctions regimes globally. In addition, in all countries where RBS plc and RBS NV operate, local law and sanctions lists are also complied with.

RBSG takes a prohibitive stance towards transactions and relationships for persons located in countries subject to comprehensive sanctions or owned or controlled by persons in such countries. RBSG does not have any subsidiaries or branches in countries subject to comprehensive sanctions.

Any accounts identified as held by EU or UK designated persons are frozen in accordance with the applicable regulations. RBSG is not subject to ownership or control by persons subject to EU, UK and US sanctions nor are any subsidiaries or branches.

RBSG employs a sanctions screening programme featuring fuzzy logic capabilities to detect sanctions concerns with transactions and customer relationships.

## Transaction Monitoring

RBSG Transaction Monitoring strategy comprises manual controls, staff vigilance and extensive use of transaction monitoring systems designed to detect, disrupt and deter criminals using the bank to launder money or finance terrorism. Our transaction monitoring systems capability provides us with the ability to monitor hundreds of millions of transactions per month to identify potential risks through detection of unusual activity or

specific transactional behaviour linked to known typologies. The settings within these systems are subject to ongoing reviews to evaluate them against the risks they are designed to mitigate to ensure they remain targeted and effective, to take into account any internal and external developments, and to optimise them. Alerts detected by these systems are analysed within a reasonable period of time by teams of specialist investigations staff. The procedures for reporting suspicious transactions to the relevant authorities are in line with local legal requirements.

## Correspondent Banking

The AML policy describes the risks associated with correspondent banking relationships and provides a framework of core requirements and procedures. All correspondent banking relationships are subject to tailored enhanced customer due diligence and review. The RBSG, RBS plc and RBS NV apply S311 of the USA PATRIOT Act and do not maintain or open accounts with shell banks or have anonymous accounts. Furthermore, RBSG does not offer Payable-Through Accounts and prohibits its correspondent banking clients from offering such services through their business relationship with RBSG.

Click [here](#) to view a copy of RBSG's USA PATRIOT Act Certificate.

## Walk-In Customers

A walk-in customer is one who conducts a transaction with RBSG but does not maintain an account or a relationship with RBSG. Please note that RBSG offers the following services to non-account holders:

- **Currency Exchange** – non-account holders can purchase foreign currency from our branches. All branches are required to obtain identification and verification before facilitating the transaction.
- **Utility Bills** – non-account holders can pay their bills over the counter where utility companies are banked by RBSG.

## Wolfsberg Questionnaire

The Wolfsberg Questionnaire is designed to provide an overview of a financial institution's anti-money laundering policies and practices. Please click [here](#) to view RBSG's Wolfsberg Questionnaire.

## Laws and Regulations

The primary laws and regulations behind the UK's anti-money laundering/counter terrorist financing (CFT) regime are set out in (not exhaustive):

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

- The Proceeds of Crime Act 2002
- The Terrorism Act 2000 (modified by Counter-Terrorism Act 2008)
- SYSC FCA Handbook

## FATCA

The Foreign Account Tax Compliance Act (FATCA) is U.S. legislation. It requires financial institutions outside the U.S. to provide information to the U.S. tax authorities in relation to accounts held by U.S. nationals. RBSG has policies and procedures in place designed to seek to ensure FATCA compliance. The Global Intermediary Identification Number (GIIN) can be found [here](#).

## Regulatory actions against RBSG

Whilst RBSG has a comprehensive AML programme it recognises that on occasion it may not meet the high standards it expects and works with regulators to investigate and remedy any deficiencies. RBSG is committed to the fight against crime and regularly reviews and updates its AML Programme and procedures accordingly.

Listed below are the recent regulatory actions/ongoing enforcements against RBSG, in relation to AML/CFT/sanctions failings:

1. The Federal Reserve Bank of Boston issued a Cease and Desist Order on RBSG's USA branches on 27 July 2011. The Cease & Desist requires RBS to improve risk management, and compliance in RBS U.S. branches through an improvement in AML/sanctions controls and the addressing of identified Bank Secrecy Act and Office of Foreign Assets Control (OFAC) compliance issues. In advance of this Order being served, RBS reviewed, revised and reissued its AML policy on 2 June 2011.

As of year-end 2016 all remediation work has been completed and validated. The NY Fed is recommending to Washington DC that the C&D Consent Order be lifted. NWM US is hopeful that the C&D Consent Order will be lifted by the end of 2017.

2. The Department of the Treasury's Office of Foreign Assets Control (OFAC), the Board of Governors of the Federal Reserve System (the Federal Reserve) and the New York State Department of Financial Services (NYDFS) each concluded regulatory actions against Royal Bank of Scotland Group plc and RBS plc ("RBS") on 11 December 2013. RBS agreed to pay a total of US \$100 million in monetary sanctions: US\$50 million each to the Federal Reserve and NYDFS (with the OFAC settlement encompassing the US\$50 million payable to the Federal Reserve). As part of the settlements RBS entered into a Consent Order to Cease and Desist and agreed to take remedial action and to implement a robust sanctions compliance programme. The Consent Order to Cease and Desist remains in effect until terminated by the Federal Reserve.

Under the US Dollar Processing Order (as part of the OFAC compliance programme) RBS was required to appoint an independent consultant to conduct an annual review of OFAC compliance policies and procedures, their implementation and an appropriate

risk-focused sampling of US dollar payments. RBS appointed the independent consultant and their reports were submitted to the authorities on 14 June 2015. The independent consultant review examined a significant number of sanctions alerts and no reportable issues were identified.

Pursuant to the US Dollar Processing Order, the authorities requested a second annual review to be conducted by an independent consultant. The second review was conducted by the independent consultant and reports were submitted to the authorities on 30 September 2016. In line with the first review, and following examination of a significant number of sanctions alerts, the independent consultant did not identify any reportable issues. In addition, pursuant to requirements of the US Dollar Processing Order, RBS has provided the required written submissions, including quarterly updates, in a timely manner, and RBS continues to participate in a constructive dialogue with the authorities.

Responsibility for oversight transferred from the Federal Reserve Bank of Boston to the Federal Reserve Bank of New York on March 31, 2016. Pursuant to the US Dollar Processing Order, the authorities requested a third annual review to be conducted by an independent consultant. The third review will be conducted by an independent consultant during the second half of 2017 and the reports are due to be submitted to the authorities on 31 January 2018.

3. In October 2016 Ulster Bank Ireland (UBI) DAC reached a settlement with the Central Bank of Ireland (CBI) to pay a fine of €3.325M following a CBI investigation into UBI DAC breaches of the Criminal Justice (Money Laundering & Terrorist Financing) Act 2010. The breaches related to poor controls over AML/CFT outsourcing, failure to conduct money laundering/terrorist financing risk assessment, customer due diligence and guidance in relation to identification of suspicious activity.
4. In February 2017, the Swiss Financial Market Supervisory Authority (FINMA) announced that Coutts & Co Ltd, a member of RBSG incorporated in Switzerland, had breached money laundering regulations by failing to adequately conduct background checks on relationships and transactions associated with Malaysian sovereign wealth fund 1MDB. FINMA ordered Coutts & Co Ltd to disgorge profits of CHF 6.5 million.

Coutts & Co Ltd is also cooperating with investigations and enquiries from authorities in other jurisdictions in relation to 1MDB. In this context, in December 2016, the Monetary Authority of Singapore (MAS) imposed financial penalties on Coutts & Co Ltd amounting to SGD 2.4 million for breaches of AML requirements.

## Useful Information

- RBSG is publicly listed on the London Stock Exchange and its stock symbol is 'RBS'.

If you require further information in relation to RBSG, such as annual reports, our locations, products we offer, and our brands, please visit our website [www.rbs.com](http://www.rbs.com). Alternatively, please contact: Royal Bank of Scotland Group plc, 280 Bishopsgate, London, EC2M 4RB.