

Notes

to the authorisation application form
for trust offices

DeNederlandscheBank

EUROSYSTEEM

Notes

to the authorisation application form for trust offices

These notes describe what we want to see when considering your application. We have also attempted to clarify all the questions in the form as far as possible. In addition to providing you with these notes, we have listed all relevant sections of the law for your convenience. See the PDF document 'Relevant sections of the law for applications for authorisation as a trust office' on Open Book on Supervision, under 'Applying for authorisation'. Please also keep these at hand when completing the form and verify carefully whether you comply with all the legal requirements set. This will benefit the quality of your application.

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General information

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Institution

Please provide us with general information about your company. Please also submit all the required attachments, including a certified copy of the company's articles of association. Ensure that the objective described in the articles of association actually reflects the trust services that the company will provide. The description of the company's objective must therefore also reflect the services that the company will provide or already provides, as indicated by you later in this form. The description of the company's objective may not include activities that require a different authorisation, unless you already have authorisation to perform these activities. For example, trust offices are not permitted to conduct banking activities without having authorisation to do so. We will look at this when considering your application.

Contact person for the company

In addition to information about the company itself, please also include details of your contact person so we know who to contact about the application for authorisation. Ensure you provide us with a business email address that is specific to your company. For security reasons, we do not accept public domain addresses such as Hotmail, Gmail, Yahoo, etc. We wish to ensure that confidential information is at all times well protected.

External consultant

During the application process we recommend you engage the services of a consultant to assist you in the application process. Practice has shown that applications are often more complete and of a substantially higher quality if the applicant has sought advice, for example from a legal consultant who specialises in the Dutch Financial Supervision Act (Wet op het financieel toezicht – Wft). We can assess a complete and well-substantiated application more quickly and more thoroughly. If you do engage the services of an external consultant please also provide us with this consultant's details.

Other relevant persons in the company

Details of relevant persons in the company

Finally, please provide us with additional details. Under 'Details of relevant persons in the company' please provide us with the contact details of all persons who will occupy an integrity-sensitive position within the company.

In addition to members of the management or supervisory board, other positions may also influence ethical business operations. These are known as integrity-sensitive positions. It is important for us that we have a complete picture of all the individuals who will occupy an integrity-sensitive position in the company. Please therefore also provide the names of these persons and their contact details.

Integrity-sensitive positions include:

- Management board members
- Supervisory board members (if the company has a Supervisory Board)
- Management directly below policymakers and co-policymakers
- Compliance officer
- Auditor
- All other positions which have powers that entail a material risk to ethical business operations.

You must determine which positions in your company qualify as integrity-sensitive. This also applies to temporary staff.

Position of the company

As we need to know if your company intends to operate under a group authorisation, please indicate whether it will be part of a group of trust offices, and what its position in this group will be. Your company will either join an existing group of trust offices that are already subject to supervision, or will form a new group together with other trust offices.

Companies wishing to operate under a 'group authorisation' must all have their own authorisation, and each trust office must therefore submit an application for authorisation. If all the trust offices in the group submit their application together, then we will of course process these applications at the same time and in the most efficient way possible.

Lastly, please indicate which of the trust offices heads the group. One of the trust offices in the group will be designated as the head of the group, and this will be our contact point. This does not however mean that the head of the group is responsible for complying with the statutory requirements of the other trust offices or with the group as a whole. Each trust office retains its own responsibility for complying with statutory requirements.

When a trust office's authorisation is revoked, and that trust office belongs to a group of trust offices, this does not affect the authorisation of the other trust offices in the group. Each trust office in the group can have its authorisation revoked separately.

1 Business case

6 To assess the various parts of your application, it is important we have an accurate and complete picture of exactly what your company will do. Perhaps your company is already active and you plan to expand your activities to include providing trust services. This is also relevant information for us. In this section we therefore ask you to provide us with several details relating to your company's proposed activities.

1.1 Current activities

It is possible that your company is already active. If this is the case, we assume you have ensured you do not currently provide trust services that are subject to authorisation. If you indicate that your company is already active, please provide more information on your activities. If you consider that your company falls under the scope of the Exemption Regulation under the Wft (*Vrijstellingsregeling Wft*), please legally substantiate this.

If, after receiving your application for authorisation, we find that your company already provides trust services that are subject to authorisation, we will take this into consideration when assessing your application. We may ultimately reject your application as a result. The same applies if we find that your company conducts other activities without authorisation that are subject to authorisation based on other supervision legislation.

Exemption Regulation under the Wft

Certain categories of trust offices may be exempt from the authorisation requirement. These include trust offices that provide services to object companies that are investment funds, or for example lawyers and people that collect debts in a professional capacity or on a commercial basis. The various categories are described in the Exemption Regulation under the Wft (Dutch only) <http://wetten.overheid.nl/BWBR0016638/2015-02-01>.

Professional and commercial basis

A company is subject to authorisation if it provides trust services on a professional or commercial basis. A company or person does not qualify as a trust office if they provide or offer trust services on a one-off or very occasional basis. Authorisation is required if you actively offer trust services, through for example advertising. An indication that you offer these services on a commercial or professional basis is the fact that you offer them to various customers.

1.2 Proposed service provision following authorisation

To assess your application it is important we know which trust services you will provide. Please therefore state which trust services you will provide.

Service 1: Acting as director of a legal entity or partner in a partnership

It is common for the ultimate beneficial owner of an international structure to enlist the services of a trust office to manage or help manage its object company established in the Netherlands. Your company provides this service if it for example acts as the manager of an object company.

Service 2: Providing an address or postal address to an object company in conjunction with providing additional services such as keeping accounting records, providing tax advice or preparing tax returns ('domicile plus');

Providing an address or postal address to a legal entity or partnership qualifies as a trust service ('domicile plus') if your trust office also offers 'additional services' such as keeping accounts or providing tax advice. When no additional services are provided, or if these only comprise 'reception services' such as connecting calls and forwarding unopened postal documents - then this service qualifies as 'domicile only'. This is not a trust service.

Service 3: Selling, or intermediating in the sale of legal entities;

Intermediating is understood to mean that your trust office acts as an intermediary in concluding one or more contracts between the principal and third parties. This involves more than just bringing the parties into contact with each other; the intermediary conducts activities to connect supply and demand. A single referral will not therefore in principle count as intermediation.

Service 4: acting as a trustee

The fourth service is acting as a trustee. Under a trust deed, a trust officer may act as a manager (trustee) of, for example, a block of shares.

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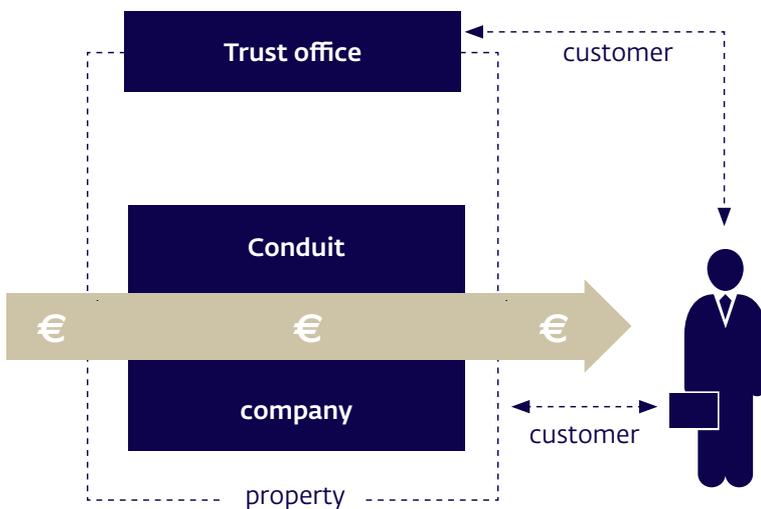
Service 5: providing a conduit company

A conduit company (also referred to as an in-house corporation) is a legal entity which is owned by, or forms part of, the same group as the trust office, and which is used by the trust office on behalf of one or more customers. Conduit companies are used for the following purposes:

- Interceding between the owner of intellectual property rights and the final user of those rights (e.g. image rights, royalties and licences)
- Consultancy services
- Trade
- Provision of loans

Non-trust services

If you plan to carry out other activities that do not qualify as trust services, please describe them. We have explained the options presented in the form below.

Conduit company

Domicile only

If you provide an address or postal address to a legal entity or partnership, this qualifies as a trust service if you also offer 'additional services'. These services can include keeping accounts or providing tax advice. This is also known as 'domicile plus'. If you do not provide additional services, or if this only concerns reception services (such as connecting calls and forwarding unopened postal documents), then this does not qualify as a trust service. This is also referred to 'domicile only'.

Acting as depository of an alternative investment fund (AIFMD)

A trust office may in certain cases act as depository of an alternative investment fund (AIF).¹ This is not a trust service. The function of the depository is to hold the assets of the AIF, and to provide support and supervisory functions. The Alternative Investment Fund Managers Directive² establishes which parties can act as the depository of an alternative investment fund, and what conditions these parties must fulfil. Although the Directive does not specifically mention this, trust offices may in exceptional cases act on behalf of alternative investment funds that do not invest in financial instruments but in 'other assets' (real estate for example). We cannot determine whether you are permitted to act as a depository. We therefore refer you to the AFM.

Acquiring and selling single-shareholder private limited investment portfolio management companies

A trust office can be involved, or may even be the purchaser or seller in the purchase or sale of (foreign) single-shareholder private limited investment portfolio management companies. These are companies which have often discontinued their activities but hold assets primarily comprising investments. These companies are subject to a claim from the tax authorities, which due to the sale of the shares is no longer valid, or substantially reduced.

1.3 From which country will the company be providing its services?

Please inform us how your company will operate in the Netherlands. Do you have an office or head office in the Netherlands, or does the application relate to a Dutch branch of a trust office established in another country? Or are you based in another country and do you intend to provide trust services to the Netherlands? These various forms are permitted provided you have our authorisation.

¹ See also <http://www.toezicht.dnb.nl/en/2/51-201982.jsp>

² The Alternative Investment Fund Managers Directive (AIFM) is a European directive with harmonised rules for managers of alternative investment funds.

1.4 Strategy and vision of the company.

If you are granted authorisation, you will become a new player on the trust office market. It is important that you have carefully considered what you can bring to this market as a new trust office. Where do you see opportunities? What is your approach? What is your target group? How will you achieve growth? Please therefore inform us of strategy and your vision. We expect your strategy and vision to contain the following elements:

- SWOT analysis
- Type and number of object companies/customers to which you will provide services
- Regions
- Products
- Feeders
- Growth ambitions for the years ahead

SWOT analysis

Please provide us with a SWOT analysis, which identifies your company's strengths, weaknesses and opportunities and threats. This analysis is normally presented in the form of a matrix to provide a clear overview of the potential success of the services you intend to provide. S = Strengths, W = Weaknesses, O = Opportunities, T = Threats. Based on a SWOT analysis you can set an objective and then determine a strategy to achieve that objective.

Type and number of object companies/customers to which you will provide services

Please indicate here the number of object companies and/or customers to which you plan to provide services, as well as an estimate of this number for the coming year. Please also indicate the activity of the object companies to which you will provide services: state for example, whether they are directly related to real estate, or are operational in trade, production and/or consultancy services.

Regions

Please state which countries you will offer your services to. In this respect, consider the object companies' country of origin, Ultimate Beneficial Owners (UBOs), Politically Exposed Persons (PEPs), and an object company's participating interests and foreign branches.

Feeders

Feeders are foreign third parties such as trust offices, law firms and tax consultants, which introduce customers or object companies to a trust office. To gain an insight into the origin of your potential customers, please state whether you plan to make use of feeders. If that is the case, please state any relevant background information, such as the company name, type of feeder, and its potential role in your company's provision of services to introduced customers. An example in this case is a tax consultant which introduces you to a customer, and which also provides this customer with tax advice.

Growth ambitions for the years ahead

To gain an insight into your company's growth ambitions, please provide us with a three-year forecast for the provision of services, the relationship between the trust services and non-trust services, the number of estimated customers and/or object companies, sales of trust services and the growth of your organisation. It is important you describe how your organisation will grow in line with the expected growth in services.

2 Transparent governance structure

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2.1 Governance

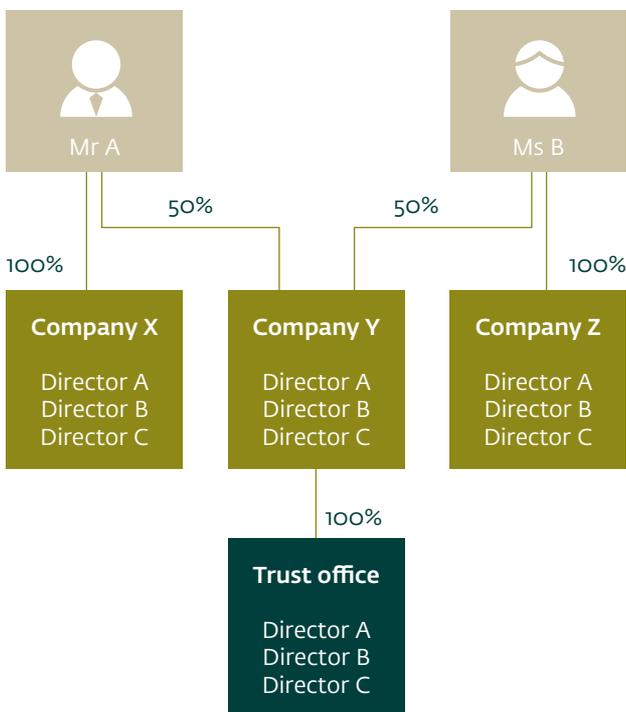
If your company is part of a group, then your company's policy may be wholly or partly decided by its directors of other legal entities or partnerships within the group. A group is understood to be an economic unit in which legal entities, partnerships and natural persons are organisationally associated. The presence of central management also indicates an economic unit.

To ensure we can effectively supervise your trust office, it is important we know who can influence your company's operational management and who has a financial interest in your company. If the company belongs to a group which does not have a clear governance structure and as a result this obstructs our supervision, we may decide not to grant authorisation.

Please outline your company's governance by providing us with an overview of the legal structure (overview of UBOs, parent companies, any subsidiary and sibling companies), to which the trust office belongs (structural overview). This structural overview must provide a clear indication of the actual situation. It must present the names of those who have a qualifying holding in the enterprise or institution, as well as the size of any such qualifying holding; Owners of a qualifying holding are natural persons and/or legal entities that have a direct or indirect shareholding interest or control in the company of 10% or more. The overview must also indicate the UBO. Lastly, please ensure this structural overview indicates who are the executive directors of all the legal entities or partnerships within the group. Please provide notes to this structural overview, in which you substantiate why the persons named in the overview have or do not have effective control over the company. This is relevant in order to determine who qualifies as a policymaker or co-policymaker, and who must therefore be screened.

Please refer to the structural overview below as an example:

Structural overview



2.2 Formal and actual governance structure

Please indicate and substantiate that the formal governance structure is the same as the actual governance structure. Your company must have a transparent governance structure.

This is a statutory provision to prevent the organisational structure within which the governance structure operates from deviating sharply from the legal structure in which the activities are embedded. If this is the case, it could obstruct our supervision of the trust offices operating in the governance structure. It is therefore possible that an organisational structure would make it difficult for us to identify the trust office's risk exposure, or assess whether the operational management is ethical.

2.3 Internal organisation

In addition to knowing about the group in which your company operates, we would also like to know how your company is organised internally. Please therefore provide us with an up-to-date organisation chart of your company which in any case indicates the following elements:

- Members of the management board
- Members of the supervisory board (if present)
- Organisation of risk management functions, management (business), compliance function and audit function and any related departments
- Explicitly designated integrity-sensitive functions
- Explicitly designated outsourced functions
- Names of the people who will occupy the various positions

Please refer to the organisation chart below as an example:

Organisation chart



- Integrity-sensitive position
- Outsourced

3 Policymakers and co-policymakers

Policymakers and co-policymakers are people who have an influence on your company's policy. This subject is further explained under 'Governance'. In this section we ask several questions about the policymakers and co-policymakers in your company.

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3.1 Integrity and suitability of policymakers and co-policymakers

Suitability

Every individual director, management board member, supervisory board member (if applicable) and other person who determines or co-determines the trust office's policy must be screened for suitability. When assessing suitability, we determine whether a candidate displays the relevant and appropriate knowledge, skills and professional behaviour to perform the job. We do this based on their education, work experience and competences. [The Policy Rule on Suitability 2012](#) defines which aspects we will consider in our assessment. For trust offices these are:

- Management skills
- Managerial skills in hierarchical relationships; and
- General and specific professional knowledge.

Integrity

Every individual director, management board member, supervisory board member (if applicable), holder of a qualifying holding and other person who determines or co-determines the trust office's policy must be screened for integrity, in addition to suitability. Only board members and policymakers who were screened for integrity before and received a positive assessment do not have to be screened again. However, please complete the notification form if there are any changes in facts or circumstances relevant to the integrity of screened individuals.

We will verify whether the integrity of a candidate is beyond doubt by concentrating on the intentions, actions and antecedents of the managing or supervisory board member or co-policymaker that might get in the way of carrying out their duties. Our main focus is on antecedents. In principle, an integrity screening is a one-off procedure. Our decision will stand unless facts or circumstances arise that provide reasonable grounds for reconsidering a previous integrity screening.

Based on the information you submit, we establish whether the candidate has the appropriate knowledge and experience, and complies with the profile and functioning of the collective (management board or supervisory board as a whole). We also conduct our own investigations, consulting various public and non-public sources:

- The Tax and Customs Administration
- The Fiscal Intelligence and Investigation Service (FIOD)
- The Public Prosecutor's Office
- The Chamber of Commerce
- Graydon (a private company providing business information)

In addition, we may source information from (foreign) financial supervisory authorities and criminal law authorities, and referees. It is not standard practice to request information from referees. You are however advised to inform referees in advance that we may contact them.

If a clear picture emerges from this preliminary assessment, we may make a positive decision without initiating an interview. In we are unable to obtain a clear picture, we will invite the candidate for an assessment interview. We may also invite candidates for an interview because of the nature of the position, the person or any other special circumstances.

You should notify us of the proposed appointment using the prospective appointment notification form and (if applicable) the integrity screening form. Make sure you enclose all the required forms and annexes.

3.2 Do the board members already provide trust services?

We would like to know if prospective board members are already active in an executive capacity and potentially already provide trust services. This includes acting as a director for partnerships or natural persons and on the instructions of persons or companies outside the trust office's own group. If this activity is carried out on a commercial or professional basis, then these individuals already carry out trust services that are subject to authorisation. This is also the case if the trust services are actively offered (such as for example through advertising. An indication that you offer these services on a commercial or professional basis is the fact that you offer them to various customers (not in the group).

Please also (legally) substantiate whether this is the case, in addition to providing us with the other information requested in the form. If after receiving your application for authorisation we find, whether or not based on your information, that one or more of the prospective board members already provides trust services that are subject to authorisation, we will take this into account when assessing your application. We may ultimately reject your application as a result.

3.3 How did cooperation between the board members emerge?

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To gain a clearer picture of the reason for your application for authorisation, please provide a brief explanation of how cooperation between the board members was formed. For example, you may have decided to apply for authorisation after previously working together at a trust office.

4 Ethical operational management

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4.1 Procedures Manual

Your trust office must have a procedures manual. Its purpose is to ensure that all trust office staff, including the board members, have an insight into the trust office's processes and guidelines. In addition to providing an insight into the various processes and the division of roles and responsibilities within the organisation, the procedures manual also ensures the organisation follows a uniform method. The manual also provides us with the necessary insight for assessing the application for authorisation, and subsequently for our supervision.

The procedures and measures concerning relevant areas and how the trust office follows them include for example:

- Separation between executive and monitoring tasks (segregation of functions)
- Procedures for compliance with the provisions of the Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financiering van terrorisme – Wwft) and the Sanctions Act 1977 (Sanctiewet 1977).
- Procedures relating to the compliance and audit function
- Recording of duties, responsibilities and powers of the board members and staff
- Notification of deficiencies or shortcomings
- Procedures relating to the treatment and requirements of persons in integrity-sensitive positions
- Procedures relating to the treatment of incidents
- An up-to-date organisation chart

You can also include procedures and measures which you have prepared in other areas.

4.2 Day-to-day management

Your trust office is responsible for ethical operational management. That means you must identify the risks that your trust office faces in providing trust services. This for example includes the risk that your trust office (whether or not this as through management of an object company) is unknowingly used for activities that damage its reputation. This has also repercussions for the reputation of the financial sector as a whole. This may for example involve money laundering, terrorist financing, insider trading or fraud. As a director it is essential that you are responsible for your trust office taking measures to mitigate such risks. It is therefore not sufficient to rely on the usual limitation of contractual liability to a customer, the object company or third parties. Integrity risks are separate from civil-law liability. You should establish specific and clear standards for your customers, ensuring ethical operational management in accepting these customers and providing them with ongoing service.

Please describe how you, in an executive capacity, have ensured that your trust office conducts its activities on the basis of ethical operational management.

4.3 Ethical conduct

In the previous section we provided an explanation of your responsibility as director of a trust office. In this section please provide a short description of the measures you have taken to promote awareness and ensure enforcement of ethical conduct within your company.

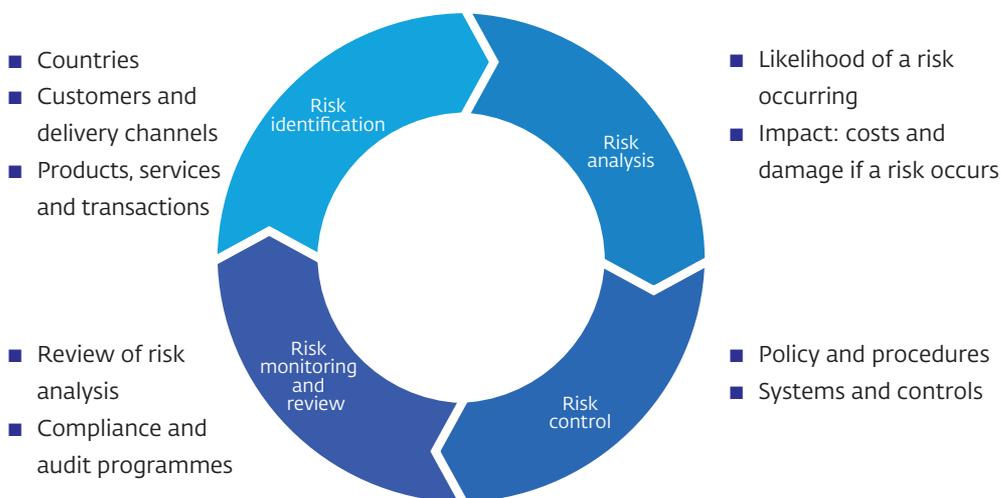
4.4 Systematic integrity risk analysis (SIRA)

To safeguard ethical operational management it is essential that you are fully aware of the integrity risks associated with your trust office's operational management. You can identify these risks with a systematic integrity risk analysis (SIRA) and then take appropriate mitigating measures. It is important that the measures relate to the specific risks that apply to your trust office.

The various integrity risks inherent to the nature of your activities, which involve providing services to often complex, internationally-connected structures include:

- Money laundering
- Terrorist financing
- Sanctions regulation evasion
- Corruption (bribery)
- Conflicts of interests
- Fraud within or outside the organisation
- Evasion or avoidance of tax regulations
- Market manipulation
- Cybercrime
- Socially unacceptable behaviour

The results of the SIRA must be demonstrable in all areas of your organisation, and must also be reflected in the risk analyses at customer level. Be aware that although they are related, the SIRA and the customer-level risk analyses are different types of risk analysis.



As a director you are responsible for carrying out the risk analysis. You should ensure that all relevant staff in your trust office, including those with a supervisory function, are involved in the preparation of the SIRA. All members of staff must read and understand the SIRA.

Please submit the SIRA as a separate document. When preparing the SIRA you can make use of our good practices for this 'Integrity risk analysis – More where necessary, less where possible', which is available on our website: <http://www.toezicht.dnb.nl/en/2/50-234066.jsp>

4.5 Integrity policy (compliance with the Act on the Supervision of Trust Offices, the Anti-Money Laundering and Anti-Terrorist Financing Act and the Sanctions Act)

The analysis forms the basis for the trust office's integrity policy and the ensuing internal procedures, processes and arrangements. The better the measures are aligned to the specific inherent risks, the better these risks can be mitigated.

Please submit your integrity policy as a separate document, and provide substantiation that the integrity policy is actually based on the SIRA.

4.6 Securing of funds

As a trust office you are required to keep a good administration and ensure there is full (physical) segregation between the various customers and/or object companies. Furthermore, the own funds of your trust office may not be commingled with the own funds of customers and/or object companies.

Please provide us with a brief substantiation to demonstrate that you have taken sufficient measures to safeguard asset segregation

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4.7 Compliance function

Your company must have an independent and effective compliance function. This ensures compliance with the internal agreements and procedures relating to ethical operational management, as laid down in the Supervision of Trust Offices Act (*Wet toezicht trustkantoren – Wtt*) and the 2014 Regulation on ethical operational management relating to the Act on the Supervision of Trust Offices (*Regeling integere bedrijfsvoering – Rib Wtt*). The compliance function checks that the day-to-day operations of your trust office observe internal procedures, actions and agreements, as well as comply with statutory regulations.

The compliance function is the second line of defence in the three lines of defence for trust offices. The first line of defence is the staff members responsible for providing the services on a day-to-day basis and for maintaining effective internal controls. This includes, for example, the procedures for establishing a customer's or potential customer's identity. The second line of defence is the compliance function. This monitoring part of the organisation is independent of the operational units of the trust office and the internal audit unit.

The size and positioning of the compliance function strongly depends on the nature, size, risks and complexity of your trust office's activities. In some cases the function may be fulfilled by a single officer, in others a separate department is required. Under certain conditions, your trust office may also outsource this function to a third party. However, even if you do outsource the compliance function, your trust office will remain responsible for the adequate operation of the compliance function. Outsourcing requires clear agreements about the organisation of the compliance function in order to guarantee its effective performance. If a trust office engages the services of an external compliance officer on paper but rarely or never meets with the compliance officer in practice, this will raise doubts about the effectiveness of the compliance function, and we will ask you to provide us with further substantiation.

As a management board member, you must be able to fully rely on the control functions. To do this, the control functions may not be involved in carrying out the activities they themselves are supposed to monitor. In view of your executive role, you are subject to an even stricter rule: as you have ultimate responsibility, you may not perform a compliance function at the trust office. If your trust office outsources the compliance function to a third party, that same third party is not permitted to perform the audit function for your trust office. Please be advised that this applies equally to natural persons and to legal persons with the same ultimate (effective) owner. A third party that performs the trust office's compliance function may therefore never fulfil the audit function at the same organisation at the same time, not even if these activities are carried out by different members of staff.

As a guarantee for the compliance function and the audit function we expect you, in your executive capacity, to take adequate measures and properly document them in order to ensure there is no question of a conflict of interests or the semblance of a conflict.

In order to properly assess the set-up of the compliance function, please provide us with a compliance charter, procedures manual and/or another policy document which include descriptions of the following elements:

- Purpose and scope of the compliance function within the organisation
- The role of the compliance function within the three lines of defence model
- Procedures about the independence and the effectiveness of the compliance function. This should show why the compliance function was set up in a particular way
- Meeting the reporting obligation. Indicate the nature, recipient and frequency of the reports
- The duties, responsibilities and powers of the compliance function and the trust office's management board. The purpose of this is to safeguard the independence and the effectiveness of the compliance function.
- Other possible safeguards for the independence and the effectiveness of the compliance function.
- The identity of the natural persons who perform the compliance function
- The forecast intensity and frequency of the compliance function, with substantiation
- Recording fit and proper requirements of the compliance officer (level of education and experience)

4.8 Audit function

Your trust office must ensure the organisation's structure is regularly reviewed, and that your trust office's processes, procedures and measures are effective. These activities are part of the audit function. The person who performs the audit function is completely separate from the day-to-day business operations, which means it is in a position to critically and independently assess the trust office's effectiveness.

The audit function is your trust office's third line of defence. The person responsible for carrying out the audit function is tasked with periodical assessment of the effectiveness of the trust office's organisational structure and of the procedures and measures in place, as well as the compliance function.

The audit function has three main responsibilities:

- Assessment of the effectiveness of the trust office's organisational structure
- Assessment of the effectiveness of your trust office's operational procedures and measures;
- Assessment of the effectiveness of the compliance function

The compliance function's set-up strongly depends on the nature, size, risks and complexity of your trust office's activities. In some cases the function may be fulfilled by a single officer, in others a separate department is required. Under certain conditions, the function may also be outsourced to a third party. In this case too, the statutory regulations continue to apply; the trust office remains responsible for compliance with these regulations. Outsourcing requires clear agreements about the organisation of the audit function to guarantee it is adequately performed.

As already stated for the compliance function, it is important that the audit function is able to carry out its activities independently and freely. For this reason, the audit function must be separate from both the operational business units and control activities, and from the compliance function. To do this, the control functions may not be involved in carrying out the activities that they themselves are supposed to monitor. As an executive, you bear ultimate responsibility and you may not therefore perform an audit function within your trust office.

In order to properly assess the set-up of the audit function, please provide us with an audit charter, procedures manual and/or another policy document which include descriptions of the following elements:

- Purpose and scope of the audit function within the organisation
- The role of the audit function within the 'three lines of defence model'
- Procedures about the independence and the effectiveness of the audit function This should show why the audit function was set up in a particular way
- How you meet the reporting obligation, including indicating the nature, recipient and frequency of the reports
- The duties, responsibilities and powers of the audit function and the trust office's board. The purpose of this is to safeguard the independence and the effectiveness of the audit function.
- Other possible safeguards for the independence and the effectiveness of the audit function.
- The identity of the natural persons who perform the audit function
- The forecast intensity and frequency of the audit function, including the substantiation for this
- Recording suitability and integrity requirements of the auditors (level of education and experience)

4.9 Integrity-sensitive positions

Given the integrity risks faced by your trust office, it is important that you assess the integrity of your staff in integrity-sensitive positions with due care and ensure you safeguard this on an ongoing basis. Please provide us with a description of the your trust office's policy regarding the ongoing assessment of staff members in integrity-sensitive positions. In this description, please also substantiate that this policy leads to adequate management of staff members' integrity and is supported by appropriate measures. Please also describe the procedure and frequency for assessing staff in integrity-sensitive positions. The description must also include how you consider any integrity risks your trust office faces when taking on prospective staff members. Finally, it is important that you describe which objective and known criteria you apply to classify a position as one that does not entail a material risk to the trust office's ethical operational management

4.10 Incidents

Your trust office must have incident procedures in place. In the requested policy document, please indicate what constitutes an incident and what the associated procedures and measures are. An example of an incident is a case in which a customer is suspected of involvement in money laundering or bribery. The procedures must at least describe how these incidents are dealt with, but also the statutory recording of these incidents. The procedures must establish what type of incidents have to be reported to us. The procedures must describe how incidents are dealt with.

In the requested policy document, please describe the procedures and the measures that are place to ensure that there is adequate management of incidents.

4.11 Customer due diligence

As a trust office you must have policy and procedures in place with respect to customer due diligence (CDD). In order to properly perform your 'gatekeeper' function, you must ensure you perform a thorough CDD. This is to ensure that you are able to continuously monitor your customers, and their transactions. You must after all know who your customers are and what activities they undertake, as that is the only way you can promptly detect unusual transactions. If your trust office provides services to an object company, then in addition to a CDD, your company must also carry out a due diligence of the object company. Please be advised that if your trust office performs services that do not qualify as trust services, it may be subject to the provisions of the Wwft.

What does the CDD entail? The CDD allows you to identify customers, verify their identity and identify the customer's ultimate beneficial owner. This also means you can identify the ownership and control structure of the group to which the customer belongs and the source of the financing used in relation to business relations or transactions. The CDD also allows you to determine the purpose and intended use of the business relation. In the CDD you also assess whether the customer acts on its own behalf or on behalf of a third party, and whether this person is the authorised representative. You also assess on a regular basis whether the customer's activities still match the risk profile drawn up when the provision of services started. When entering into a relationship with a customer, you must ensure you have first obtained sufficient information to be able to accept the customer on the right grounds.

Your trust office is required to screen every party with which it enters into a business relationship, if this business relationship leads to the provision of trust services (CDD). You must also perform this screening if the envisaged trust services are not directly provided to the party with which the business relationship is established. This means you must also screen feeders or intermediaries.

4.12 customer acceptance files

Your trust office must have a customer acceptance file for each:

- Object company
- Customer
- Sale and intermediation in the sale of a legal entity
- Trust for which the trust office acts as trustee

The customer acceptance file contains at least the information as laid down in the Rib Wtt 2014, see <http://wetten.overheid.nl/BWBR0035369/2015-01-01> (Dutch only). This information includes the identity of the UBO, the source of an object company's assets, the relevant parts and the objective of the structure, selling of legal entities, employing a corporation belonging to the same group as the trust office on behalf of a customer.

4.13 Monitoring and reporting of unusual transactions

As a trust office you are expected to safeguard ethical operational management. This includes monitoring transactions. A transaction is, in brief, a specific action that your customer or object company carries out. It can for example relate to customers' and object companies' incoming and outgoing cash flows. Your trust office is required to assess whether your customers' or object companies' transactions are related to criminal or corrupt activities, or whether the transactions pose a risk for your trust office's sound and ethical management. Through the adequate application of transaction monitoring, you can recognise unusual transactions at an early stage and investigate them further if appropriate. This means integrity risks can be better managed. The ultimate objective of transaction monitoring is therefore detecting unusual transactions. To ensure optimal detection of unusual transactions, it is important you pay special attention to unusual transaction patterns and to the transactions that typically carry an increased risk of money laundering or terrorist financing.

You are required to report unusual transactions to the Financial Intelligence Unit Netherlands (FIU-Netherlands). Please be advised that deliberate failure to comply with this notification requirement constitutes an economic offence.

Please provide a description of your trust office's policy with respect to transaction monitoring and the reporting of unusual transactions, and substantiate how this policy ensures ethical operational management. When preparing this description, please ensure you take into account the information on this subject presented in this section.

Please also refer to the guidance document on this subject we published on our website, entitled 'DNB Guidance on the Anti-Money Laundering and Anti-Terrorist Financing Act and Sanctions: Preventing abuse of the financial system for money laundering or terrorist financing and managing integrity risks'. <http://www.toezicht.dnb.nl/en/4/6/51-204770.jsp>

Please also refer to our publication on transaction monitoring good practices for trust offices (Dutch only) <http://www.toezicht.dnb.nl/binaries/50-235823.pdf>

4.14 Sanctions Act 1977

As a trust office you are required to comply with sanctions laws and regulations. Your trust office must have an administrative organisation in place with internal control measures to ensure compliance. Specifically, this means that you are required to take measures to check whether any of your trust office's customers are included on one or several sanctions lists. These include EU decisions and regulations, decrees from the Minister of Foreign Affairs based on the Regulation on sanctions for the suppression of terrorism (Sanctieregeling terrorisme 2007-II) – also known as the 'Dutch list' – and UN Security Council resolutions.

Financial sanctions include the order to freeze financial assets of designated individuals and organisations. There is also a prohibition on providing assets to persons or organisations on a sanctions list. Finally, there is also a prohibition or restriction on providing financial services to certain persons or organisations.

If you establish that a customer appears on one or more sanctions lists, you must inform us of this immediately. You must carry out this check - you cannot take a risk-based approach to meeting this requirement. For procedures whereby names are checked against sanctions regulations (e.g. manually or electronically) and the frequency with which this happens, you may however take a risk-based approach. You must therefore ensure that your risk analysis (see section on SIRA) also explicitly focuses on the required frequency of periodic checks on the sanctions lists.

Please provide a short description of your trust office's policy with respect to compliance with sanctions laws and regulations. In this description you must also substantiate how this policy contributes to your trust office's ethical operational management.

4.15 Training Act on the Supervision of Trust Offices, Anti-Money Laundering and Anti-Terrorist Financing Act and Sanctions Act

All your trust office's staff must have sufficient training in relevant legislation and regulations, and this level of knowledge must be maintained. This is required to ensure effective implementation of the requirements that a trust office must meet under the relevant legislation and regulations. Your staff's level of education and experience must be appropriate to the functions they hold, the nature of the services they provide and your customers' background.

DeNederlandscheBank

EUROSYSTEEM

De Nederlandsche Bank N.V.

PO Box 98, 1000 AB Amsterdam, the Netherlands

+31 (0)20 524 91 11

[dnb.nl](https://www.dnb.nl)