

**Nykredit**



Policy for the prevention of  
money laundering, terrorist  
financing and breach of  
financial sanctions

November 2020



## CONTENTS

<b>1</b>	<b>INTRODUCTION</b> .....	2
<b>2</b>	<b>PREVENTION OF FINANCIAL CRIME</b> .....	2
<b>3</b>	<b>SCOPE AND TARGET GROUP</b> .....	3
<b>4</b>	<b>DEFINITIONS</b> .....	3
	<b>4.1 Regulatory requirements</b> .....	3
	<b>4.2 Money laundering</b> .....	3
	<b>4.3 Terrorist financing</b> .....	4
	<b>4.4 Financial sanctions</b> .....	4
<b>5</b>	<b>RISK-BASED APPROACH</b> .....	5
<b>6</b>	<b>RESPONSIBILITIES</b> .....	5
<b>7</b>	<b>RISK MANAGEMENT AND RISK APPETITE</b> .....	6
<b>8</b>	<b>DEROGATION, DEVIATION AND BREACH OF POLICY</b> .....	7
<b>9</b>	<b>RECORDING, STORAGE AND DISCLOSURE OF PERSONAL DATA</b> .....	8
<b>10</b>	<b>ASSISTANCE FROM THIRD PARTIES AND OUTSOURCING</b> .....	8
<b>11</b>	<b>APPROVAL AND AMENDMENT OF POLICY</b> .....	8

Approved by the Boards of Directors of

- Nykredit Realkredit A/S (d. 2020)
- Nykredit A/S (d. 2020)
- Nykredit Bank A/S (d. 2020)
- Totalkredit A/S (d. 2020)
- LR Realkredit A/S (d. 2020)
- Nykredit Leasing A/S (d. 2020)
- Nykredit Portefølje Administration A/S (d. 2020)

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## **1 INTRODUCTION**

Nykredit Realkredit A/S, Nykredit Bank A/S, Nykredit Leasing A/S, Nykredit Portefølje Administration A/S, Sparinvest S.A, LR Realkredit A/S and Totalkredit A/S ("Nykredit") have a regulatory obligation and a responsibility to their customers, business partners, staff, owners, investors and society for preventing the misuse of Nykredit for the laundering of funds deriving from criminal activity, terrorist financing or breach of financial sanctions (collectively "financial crime").

The purpose of this prevention of financial crime policy (the "Policy") is to ensure a strong framework for safeguarding Nykredit against misuse for financial crime purposes, thereby ensuring compliance with current legislation. Also, it is to ensure that Nykredit uses its resources in an effective and risk-based manner for the prevention of financial crime.

The Policy includes a set of Group-wide principles and approaches which, based on Nykredit's business model<sup>1</sup> and risk policy, aim at preventing the misuse of Nykredit for financial crime purposes, thereby reducing the risk that Nykredit becomes subject to sanctions or suffers a loss of reputation, or that Nykredit or Nykredit's customers suffer substantial financial losses as a result of non-compliance with the anti-money laundering rules applying to Nykredit.

## **2 PREVENTION OF FINANCIAL CRIME**

Nykredit is a financial services group operating mainly in the Danish market and conducting activities of mortgage lending, banking, securities trading, wealth and asset management, and leasing. The core customer segment is homeowners. However, besides the provision of mortgage lending and banking services to personal customers, including personal wealth clients, Nykredit's activities also include the provision of mortgage lending and banking services to business customers and institutional clients.

Prevention of financial crime is a key concern to Nykredit and is guided by the following principles:

- A clearly defined risk appetite
- Effective and transparent policies and business procedures
- A strong management, rendering visible and driving a Group-wide and positive approach to the prevention of financial crime
- Clearly defined responsibilities, roles and mandates as well as escalation paths
- A holistic and systematic approach to the identification, assessment and mitigation of risks
- Clear and documented operational processes in the form of guidelines, business procedures and process descriptions
- Adequate systems and controls supporting risk-mitigating activities within the defined risk appetite
- Ongoing and adequate follow-up and control in connection with assistance from third parties
- Sufficient qualified staff and adequate training programmes at all levels and in all lines of defence
- Active collaboration with relevant authorities.

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<sup>1</sup> See the business models for the Group companies.

### **3 SCOPE AND TARGET GROUP**

This Policy applies to all Nykredit's staff, including staff paid by the hour, temporary staff and consultants.

The Policy applies to all Nykredit's units and functions, including foreign representation offices, and all regulated legal entities of which Nykredit is the majority or sole owner but subject to any changes and adjustments that may be necessary to ensure compliance with relevant local legislation of foreign legal entities of which Nykredit is the majority or sole owner.<sup>23</sup>

Nykredit finds it imperative that all Nykredit's staff are familiar with the contents of this Policy and have sufficient knowledge of financial crime, and that all staff and affected entities comply with the Policy at all times.

### **4 DEFINITIONS**

Financial crime risks include laundering of funds deriving from criminal activity, terrorist financing and breach of financial sanctions as well as bribery and corruption. The list is not exhaustive.

#### **4.1 Regulatory requirements**

Nykredit must comply with the requirements of the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism (the "Danish AML Act"), the Danish Financial Business Act, the Danish Payments Act and the Danish Penal Code in force from time to time as well as the sanctions lists and any relevant legislation and regulation applicable in Nykredit's markets of operation.

#### **4.2 Money laundering**

The Danish AML Act defines money laundering as follows:

1. To unlawfully receive or obtain for oneself or others a share in proceeds of crime
2. To unlawfully conceal, store, transport, assist in the disposal of or otherwise subsequently serve to secure proceeds of crime, or
3. Attempts at or participation in such actions.

Under the Danish Penal Code, money laundering is defined as converting or transferring funds which are direct or indirect proceeds of crime for the purpose of concealing or disguising their illicit origin.

Characteristic of many types of money laundering transaction is their purpose of making the proceeds appear legitimate, and such transactions may typically be divided into three phases:

1. Placement: The illicit profits are placed, for example in the financial system.

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<sup>2</sup> Nykredit Mægler A/S, Nykredit Ejendomme A/S and Ejendomsselskabet Kalvebod A/S are not subject to this Policy.

<sup>3</sup> As part of the Nykredit Group, Sparinvest S.A. is subject to this policy. Sparinvest S.A. is subject to financial supervision in Luxembourg and will therefore lay down its own policy within the framework of this policy.

2. Layering: The illicit proceeds are disassociated from their source, for example through (financial) transactions.
3. Integration: The illicit proceeds are returned to the money launderer, for example in a form where they have been converted into funds or assets that appear legitimate.

### **4.3 Terrorist financing**

Terrorist financing means activities with the purpose of providing financial support to a person or an association committing or intending to commit acts of terrorism. The funds may have been obtained legally or illegally. This means that they may have been converted from white to black, that they are transferred from legal accounts into illegal storage or otherwise moved from a legal to an illegal environment.

The Danish Penal Code defines terrorist financing as a criminal offence committed by any person who:

1. Directly or indirectly provides financial support to
2. Directly or indirectly procures or collects means to, or
3. Directly or indirectly places money, other assets or financial or other similar means at the disposal of a person, a group or an association which commits or intends to commit certain acts as set out in the provisions of the Danish Penal Code.

The purpose is thus to contribute to the financing of terrorist activities by providing or arranging financial support etc to persons or groups involved in terrorist or terrorist-type acts.

Terrorist financing activities may be divided into four stages:

1. Procurement of funds through, for instance, wages, charitable collections or criminal activities
2. Storage of the funds
3. Transfer of the funds to recipients in Denmark or abroad
4. Specific use of the funds for terror-related activities.

### **4.4 Financial sanctions**

Sanctions are adopted by national governments or multinational bodies/organisations and may be of a diplomatic or financial nature (financial sanctions). Their purpose is to change a specific behaviour or policy, such as breach of international law or human rights, or a policy that fails to respect the rule of law or democratic principles.

Such sanctions may, like counter-terrorism sanctions, be imposed against other countries, non-governmental entities, specific industrial sectors, undertakings or individuals and groups.

Breach of sanctions is a criminal offence under the Danish Penal Code.

Nykredit screens against the following sanctions lists:

1. EU – The European Union Common Foreign and Security Policy's consolidated list of persons, groups and entities subject to EU financial sanctions
2. OFAC – The United States Department of Treasury Office of Foreign Assets Control "Specially Designated Nationals and Blocked Persons" (SDN) List
3. OFAC - The United States Department of Treasury Office of Foreign Assets Control "Sectoral Sanctions Identifications" (SSI) List
4. UN - United Nations Security Council Consolidated List

## **5 RISK-BASED APPROACH**

The risk of misuse of the Group or the relevant Group companies for financial crime purposes is subject to annual assessment.

The risk assessments identify and assess risk factors for the purpose of understanding, from a holistic perspective, where and to which extent Nykredit risks being misused for financial crime purposes.

The risk assessments are reviewed once a year or in connection with material changes in the risk environment.

The risk assessments are the cornerstone of Nykredit's financial crime measures, which are based on a holistic, risk-based approach. This approach implies that Nykredit uses evidence-based decision-making wherever possible and targets its risk-mitigating activities to the areas where the risk of being misused for financial crime purposes is greatest.

## **6 RESPONSIBILITIES**

As the supreme management body and a collective body, the Board of Directors has the overall responsibility for Nykredit's compliance with anti-money laundering rules.

The Board of Directors authorises the Executive Board to ensure that Nykredit has a robust and effective governance set-up and that financial crime risk is prevented, mitigated and managed in accordance with the limits and principles set out in this Policy.

The Group Executive Board and the Executive Boards of the relevant companies are thus responsible for implementing and operationalising this Policy and any guidelines prepared in pursuance hereof. The Group Executive Board may delegate its duties in this area.

For the purpose of ensuring uniform and stringent Group-wide implementation of the principles of this Policy, the Group Executive Board must make the required decisions in respect of Group-wide requirements resulting from this Policy and issue the necessary guidelines and must make sure that the required written documents are available in the form of guidelines, descriptions of duties, business procedures and process descriptions.

The Group Executive Board has appointed Tonny Thierry Andersen as the Group Managing Director in charge of implementing and ensuring management focus on measures to prevent financial crime throughout the Group. The Group Managing Director is also anti-money laundering compliance officer at the executive level in Nykredit Realkredit A/S.

The Executive Boards of the other Group companies have each appointed an anti-money laundering compliance officer at the executive level in charge of implementing and ensuring management focus on measures to prevent financial crime in their respective Group companies.

Nykredit has consolidated the Group-wide responsibility for preventing financial crime in the Banking Risk & AML unit (first line of defence). The Group Executive Board and the Executive Boards of the relevant Group companies have appointed the Head of the Banking Risk & AML unit (Frederik Reumert) as the Group's AML Responsible Officer. However, Sparinvest S.A. has

appointed a local member of its staff in Luxembourg as AML Responsible Officer of Sparinvest S.A., who will coordinate its activities with the Group's AML Responsible Officer.

This person is responsible for making decisions concerning the approval of policies, controls and business procedures, the establishment and continuation of business relationships with politically exposed persons, the establishment of cross-border correspondent relationships with institutions in non-EU countries with which the Union has not made an agreement in the financial area as well as the approval of the establishment and continuation of business relationships with undertakings domiciled in countries included on the EU Commission's list of high-risk third countries and business relationships with undertakings performing transactions that involve countries included on the EU Commission's list of high-risk third countries. The AML Responsible Officer may delegate his or her duties in this area.

Nykredit's Group Chief Compliance Officer and Head of Internal Audit are also Chief Compliance and Chief Audit Officers of the relevant Group companies with respect to anti-money laundering compliance.

Nykredit ensures an effective and adequate division of responsibilities through a robust governance set-up as well as transparent responsibilities, roles and mandates in all parts of Nykredit's three lines of defence model. Responsibilities, roles and mandates are defined and described in the Executive Board's guidelines and business procedures.

## **7 RISK MANAGEMENT AND RISK APPETITE**

Together with the Executive Board guidelines for risk appetite and customer acceptance<sup>4</sup>, this Policy sets out limits for the financial crime risk that Nykredit is willing to accept and defines which activities and customer relationships fall outside Nykredit's risk appetite.

Nykredit will use any necessary and proportional means to reduce risks relating to financial crime so as to ensure that the residual risk of being misused for financial crime purposes does not exceed Nykredit's risk appetite as defined in its operational risk policy. Examples of such means are mitigating measures, controls and adjustments of Nykredit's business model.

The risk of being misused for financial crime purposes is included in the definition of operational risk. In accordance with Nykredit's risk appetite in the area, operational risks, including financial crime risks, should be low relative to other types of risk.

Financial crime risks are assessed based on a number of risk factors relating to consequences and probability. Consequences include an assessment of several different dimensions such as compliance, regulatory sanctions, reputational damage, customer satisfaction and financial losses.

Nykredit will use any means necessary to limit, suspend or discontinue a business relationship if Nykredit suspects that the customer is misusing or will misuse Nykredit's products, services or supply channels for financial crime purposes, or if the customer will not cooperate with Nykredit to assure Nykredit that the customer could have no intention of misusing Nykredit's products, services or supply channels for financial crime purposes.

Nykredit will not establish or continue business relationships with customers where legislation or regulation prohibits Nykredit from entering into such business relationships or where such

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<sup>4</sup> Executive Board guidelines for risk appetite and customer acceptance for the prevention of financial crime - November 2020.

relationships fall outside Nykredit's risk appetite. This includes, but is not limited to, the following customer types:

1. Financial institutions which, without a separate agreement with Nykredit, use Nykredit's products, services or supply channels to serve their own customers
2. Customers that will not assist in meeting the requirements of statutory customer due diligence procedures or the requirements which Nykredit could reasonably impose as a consequence thereof
3. Undertakings located in a jurisdiction identified by the FATF as high-risk and non-cooperative
4. Undertakings or persons associated with current or previous activities that are inconsistent with Nykredit's core values or which could connect Nykredit to criminal activities or otherwise damage Nykredit's reputation
5. Foreign undertakings wishing to set up business in Denmark without good reason
6. Undertakings operating without a permission or licence where such permission or licence from a public authority is required.

Nykredit finds that the customer types below generally pose a higher inherent risk:

1. Danish and foreign politically exposed persons (PEP) and their relatives and close associates
2. Cross-border correspondent relationships with institutions in non-EU countries with which the Union has not made an agreement in the financial area
3. Business relationships with undertakings domiciled in countries included on the EU Commission's list of high-risk third countries and business relationships with undertakings performing transactions involving countries included on the EU Commission's list of high-risk third countries

Nykredit's risk appetite, customer acceptance and the management of the above-mentioned customer types are specified in the Executive Board guidelines for risk appetite and customer acceptance for the prevention of financial crime and the Executive Board guidelines for the prevention of financial crime.

Nykredit's financial crime risk appetite is also part of Nykredit's overall risk appetite as approved by the Board of Directors of Nykredit Realkredit A/S and described in the Nykredit Realkredit Group risk policy and the operational risk policy.

## **8 DEROGATION, DEVIATION AND BREACH OF POLICY**

In case that a business area wishes to deviate from this Policy due to exceptional events or circumstances, such deviation must be approved according to the procedure described in the Executive Board guidelines for the prevention of financial crime. The basis for such decision, the background and the reasons for deviation as well as the period of exemption must be documented.

A breach of the Policy may be caused by either one material event or one or more systematic events which may compromise, or have compromised, Nykredit in terms of compliance with legislation and/or other parts of the policy or may expose, or have exposed, Nykredit to material risks that have not been, and cannot be, prevented through existing measures.

The AML Responsible Officer must immediately be informed of any Policy breach, so that measures can be taken to address the specific event and prevent similar events from occurring.

## **9 RECORDING, STORAGE AND DISCLOSURE OF PERSONAL DATA**

Nykredit is under an obligation to collect information about its customers, for example to identify the customer. Further, Nykredit collects information under current anti-money laundering legislation about the purpose and intended nature of the customer relationship and may collect information about and documentation of the source of the customer's funds and any unusual transactions and patterns of transactions.

Nykredit may also collect information on customers from data providers and other public sources, including through Internet searches. This may for example be relevant to determine whether a customer is a politically exposed person.

Disclosure of customer relationship data is subject to the customer's consent unless Nykredit is entitled or obliged to disclose such data under current legislation.

Nykredit stores personal data in compliance with the legislation and regulation in force from time to time.

## **10 ASSISTANCE FROM THIRD PARTIES AND OUTSOURCING**

Nykredit may delegate the collection of certain customer due diligence data to a third party or contractually outsource tasks to be completed for the purpose of meeting regulatory requirements to a supplier or business partner. In such cases, Nykredit must ensure that the contract is in accordance with applicable outsourcing rules at any time and that the outsourcing arrangement on the whole complies with Nykredit's outsourcing policy.

Nykredit must further ensure that the third party meets the requirements for customer due diligence procedures, and that storage of data complies with the requirements of all legislation in force from time to time, and that the supplier has the required skills and resources to perform the task in a satisfactory manner and possesses the permissions required to perform the task.

The outsourced service is subject to ongoing control and management reporting thereon must be made at least once a year.

Nykredit's procedures and the process for third-party assistance are in compliance with the Executive Board guidelines for the prevention of financial crime.

Notwithstanding the above, Nykredit is still responsible for compliance with the regulatory requirements.

## **11 APPROVAL AND AMENDMENT OF POLICY**

This Policy is reviewed annually or in connection with events giving rise to material changes to the Policy. The revised Policy is submitted to the Board of Directors for approval.

The Policy is prepared on the basis of the annual risk assessments. The Policy review may be postponed subject to approval by the Board of Directors if the risk assessments have not been prepared by the time of the annual policy review.