



# Office of the Chief Compliance Officer

## Activity Report 2016



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# Foreword by the President



I am pleased to present the 2016 Activity Report of the Office of the Chief Compliance Officer (OCCO) which provides information on the Directorate's core activities, notably in the areas of Anti-Money Laundering/Combating the Financing of Terrorism (AML-CFT), integrity due diligence of EIB counterparties and operations, regulatory compliance and tax, ethics, codes of conduct and related policy and institutional matters.

OCCO was established as a Group function in 2005, following a request made by the EIB Board of Governors in the "Statement on Governance at the EIB" at its annual general meeting of 2004, and this is its 10<sup>th</sup> Activity Report.

EIB attaches high importance to its Compliance and Controls Framework; consequently, as part of EIB's adherence to Best Banking Practices and in line with similar developments in peer institutions and commercial banks, one of the priorities has been to strengthen the Compliance function.

Compliance is a key control function to ensure the integrity of EIB staff, management and activities. For almost ten years now the role of the EU-bank as part of the response of the EU to the crisis and challenges it faces has increased significantly. As a consequence - and in particular due to the central role the EIB plays in the Investment Plan for Europe -, the EIB is now subject to a higher scrutiny by its Audit Committee and Board of Directors, by the European Parliament, European Commission and the ECOFIN, as well as by other stakeholders, such as Rating Agencies and Civil Society.

In 2016, OCCO has achieved substantial progress on the implementation of the revised AML-CFT processes at the Bank, including the revised AML-CFT Framework and its implementing procedures and the creation of a Compliance Monitoring Division dedicated to on-going monitoring of AML-CFT compliance risks. The Bank's continued commitment to the highest standards of integrity also had a practical impact on its operations, with the number of OCCO involvements rising substantially in line with our lending, by 15% over the last year.

Last year, in line with the increased focus of the EIB's Board of Directors, EU Member States and European Commission on the prevention of any links of EIB operations to tax evasion and tax avoidance, OCCO was instrumental in enhancing EIB's policies and due diligence measures in this field.

The Council of Europe Development Bank (CEB) and the EIB Group Compliance function co-hosted the annual meeting of the Heads of Compliance and Integrity Functions of Multilateral Development Banks. This high-level event continued the 'tone' of debates on Compliance and Ethics set in the previous years with the successful Compliance Summit (2014) and Business Ethics and Compliance Conference at EIB (2015) organised by OCCO.

Establishing and strengthening the Compliance function may have a cost, but Compliance and ethical leadership pay in the long run. Consequently, I note with satisfaction the significant work carried out in 2016 and I encourage colleagues in OCCO to continue on this way.

Allow me to recall that Compliance is a shared responsibility of all EIB services, staff and members of the governing bodies. Effectiveness of Compliance depends not only on written policies and rules, and on a proper implementation and continuous monitoring but also, and probably foremost, on the "culture of the organisation".

**Werner Hoyer**

This 10<sup>th</sup> Activity Report of the Office of the Chief Compliance Officer (OCCO) provides information on the main developments in OCCO and its activities in the year 2016 (Reference Period) and also on priorities for 2017.

## 1 OCCO REMIT, STRUCTURE AND RESOURCES

### 1.1 REMIT

Pursuant to its Terms of Reference, *“the remit of the Group Chief Compliance Officer is to identify, assess, advise on, monitor and report on the compliance risk<sup>1</sup> of the EIB Group, that is, the risk of legal or regulatory sanctions, financial loss, or loss to reputation a member of the EIB Group may suffer as a result of its failure to comply with all applicable laws, regulations, staff codes of conduct and standards of good practice. He acts as first-line detector of potential incidents of non-observance or of breaches by the staff of the rules on ethics and integrity, monitors compliance therewith by the staff of the EIB Group and recommends the adoption of such protective or redressing measures as are appropriate.”*

Current activities within OCCO remit can be broadly grouped as follows:

- Compliance policies and institutional matters;
- Ethics and Codes of Conduct;
- Anti-money laundering/Combating the financing of terrorism (AML-CFT) and integrity due diligence of EIB counterparties and operations;
- On-going monitoring of compliance risks;
- Regulatory Compliance and Tax; and
- Clearance of procurement processes for the Bank’s own account.

### 1.2 STRUCTURE

OCCO was established in July 2005 as:

- an Autonomous Department under the responsibility of a Group Chief Compliance Officer (GCCO) assisted by a Deputy Chief Compliance Officer;
- an independent function: in accordance with the principles laid down by the Basel Committee<sup>2</sup> and pursuant to the “Statement on Governance at the EIB”<sup>3</sup>, *“the Group Chief Compliance Officer is independent of other EIB Group services and reports directly to the President of the Bank under the functional authority of a Vice-President”*; and
- a Group function, in accordance with the Integrity Policy and Compliance Charter. Compliance risk is managed at the EIB Group level<sup>4</sup> by the GCCO, who coordinates:
  - the Office of the Chief Compliance Officer (OCCO), in charge of European Investment Bank Compliance, and
  - EIF Compliance in charge of European Investment Fund Compliance.

In line with President Hoyer’s focus on strengthening the Compliance function in the last years, the OCCO structure and organisation went through major changes including its upgrading from Autonomous Department to Directorate, appointment of a new Director General as Group Chief

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<sup>1</sup>See definition of compliance risk in Basel Committee on Banking Supervision “Compliance and the compliance function in banks” 2005.

<sup>2</sup> Basel Committee Corporate governance principles for banks (2015)

<sup>3</sup>The Office of the Chief Compliance Officer (OCCO) was established as a Group function in 2005 following a request made by the EIB Board of Governors at its annual general meeting of 2004 (“Statement on Governance at the EIB”).

<sup>4</sup> See Compliance section on the EIB web-site <http://www.eib.org/about/compliance/index.htm>

Compliance Officer, Mr G. Hütz, former Deputy Director General of the Legal Directorate, and progressive increase of staff.

OCCO is currently comprised of the following organisational units:

- i) Compliance Corporate Division (OCCO-CORP), dedicated to drafting, consultation, review/update and advice on all policy and institutional matters:
  - within OCCO traditional remit (AML-CFT Framework, Market Abuse Guidelines, Ethics and Codes of Conduct; Awareness-raising, Training on Compliance);
  - any other “horizontal” institutional and compliance issues from time to time assigned to OCCO by the Management Committee and/or handled at inter-directorate level in cooperation with Directorates concerned, e.g. policy provisions to be inserted in the Bank’s financing contracts, institutional conflicts of interest, Corporate Responsibility and various initiatives including advice on Market Abuse Guidelines and AML-CFT policy issues, participation to various inter-services working groups such as Reputational Risk, Contracts, Market Abuse, Data Governance.
- ii) Compliance Operations Division (OCCO-OPS), dedicated to:
  - integrity due diligence of OPS and FI new operations and counterparties at pre-approval stage, OCCO opinions submitted in Board documents;
  - review of requests for derogations to the policy provisions of the Master Finance Contract for direct lending operations within the EU, and transposition into clauses of OCCO recommendations approved by the Board;
  - leading the working group aimed at creation of the EIB Group Compliance Sanctions Programme;
  - managing the in house created risk scoring tool to provide firm basis for scoring of Compliance risk in OCCO opinions;
  - managing external consultancy firms within the Framework Agreement.
- iii) Compliance Monitoring Division (OCCO-MON), dedicated to on-going monitoring of AML-CFT compliance risks in OCCO remit. The AML-CFT compliance monitoring activities involve:
  - Due diligence checks at post-approval stage with a risk-based approach (ML/FT/Integrity alerts from the services);
  - Automated screening against sanction lists, expanded to PEPs and adverse media in December 2016, and management of the alerts;
  - Regular/periodic or sample checks review of operations and/or Relevant Counterparties;
  - OCCO consultation on sanction-related issues from SWIFT screening by FI; and
  - OCCO clearance for specific transactions.
- iv) Procurement Compliance team, ensuring, in close cooperation with the relevant services, the bank-wide compliance with the procurement framework.
- v) Regulatory Compliance and Tax function, addressing the role of the Compliance function in relation to applicable laws and regulations<sup>5</sup>. Regulatory Compliance and Tax is aimed at ensuring that EIB services are informed about latest developments in Compliance regulatory space to enable applying this information in a timely fashion. A dedicated section on OCCO intranet has been launched for regulatory reference material, ‘regulatory watch’ newsletters and alerts. In relation to tax, the function assesses the compliance risk in the context of opinions on operations and expanded tax due diligence, and addresses policy questions regarding NCJ Policy and regulatory developments, specifically on tax or Compliance.
- vi) Data Protection Office, established in line with Regulation (EC) 45/2001, requiring each Community Institution and body to appoint at least one person as Data Protection Officer (DPO) to ensure the application of the principles of data protection. In 2015, the Data Protection function was integrated in OCCO. The Data Protection Officer, holding an independent function, reports administratively to the GCCO.

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<sup>5</sup> The reference is made to the following Basel Committee on Banking Supervision (BCBS) and European Banking Authority (EBA) documents:

- BCBS 2005, Compliance and the compliance function in banks, <http://www.bis.org/publ/bcbs113.pdf>  
- EBA 2011, Guidelines on internal governance (GL44) <https://www.eba.europa.eu/regulation-and-policy/internal-governance/guidelines-on-internal-governance>  
- EBA 2016, Guidelines on internal governance (revised) , EBA-CP-2016-16  
<https://www.eba.europa.eu/regulation-and-policy/internal-governance/guidelines-on-internal-governance-revised->



OCCO organisational units are coordinated by a Director, also Deputy Chief Compliance Officer<sup>6</sup>, under the lead and strategic guidance of the Group Chief Compliance Officer.

## 1.3 RESOURCES

### *Staffing of Compliance function*

Since the new GCCO was appointed in Q4 2012, the Management Committee approved a substantial number of new positions for Compliance, specifically to address the rising number of operations and evolving post-approval Compliance monitoring activities in line with the revised AML-CFT Framework. OCCO has retained a good mix of external and internal candidates, with Compliance, Legal, Audit, operational and regulatory backgrounds.

In a number of cases, OCCO engaged specialised external consultants to perform Compliance investigations complementing its findings in complex operations or for particularly sensitive integrity or transparency concerns. The scope of the Framework Agreement has been enlarged in order to cover also complex policy and institutional matters given the increasing range of policy issues to be covered.

### *IT and other resources*

IT resources used for OCCO daily activities (OCCO checks and monitoring of regulatory developments) include 'open source' and publicly available information<sup>7</sup> with the support of a compliance-dedicated database, on-line alerts, newsletters and other publications, periodicals for the main legal and regulatory developments. A Group-wide project for selection and implementation of an enhanced compliance screening tool has been launched in 2016.

### *Compliance Liaison Officers*

In an effort to further enhance the Compliance culture within the Bank and more specifically to facilitate interaction with the Directorates directly concerned with compliance related processes, OCCO proposed to establish in each relevant Directorate a 'Compliance Liaison Officer'. The approval of the Market Abuse Guidelines by the Management Committee in February 2016 constituted a major step forward in establishing a network of the Compliance Liaison Officers across the Bank.

## 2 POLICY AND INSTITUTIONAL MATTERS

### 2.1 AML-CFT

Since approval of the EIB Group AML-CFT Framework by the Management Committee in July 2014, the services joined efforts in developing the revised AML-CFT processes, workflows and IT upgrades, to ensure implementation of the AML-CFT Framework.

The [4th AML Directive](#) was published on 05.06.2015 for implementation by Member States within two years from publication. A revised [EIB Group AML-CFT Framework](#), aligned with the Directive requirements, has been approved by the Management Committee in October 2016 and published on the EIB website. The [EIB Group AML-CFT Framework](#) applies to both EIB and EIF. An AML-CFT Steering Committee has been set up to coordinate the actions of the services in the context of implementation of the revised AML-CFT Framework.

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<sup>6</sup> Respective competences remained substantially unvaried since OCCO creation, with the GCCO in charge of the "overall responsibility and supervision; strategic guidance and leadership; internal and external representation of the compliance function" and the Deputy GCCO responsible for tasks such as daily staff management, together with replacement of the GCCO in case of absence and specialist advisory tasks (queries from SG and Personnel; codes of conduct; compliance with EU laws, rules and regulations and with EIB policies) plus other administrative tasks (budget, staffing coordination).

<sup>7</sup> E.g. the web, data published by national authorities and corporations, IFIs and other multilateral development banks, press articles from reliable and reputable sources, NGO reports etc.

## 2.2 FOLLOW-UP OF NCJ POLICY-RELATED DEVELOPMENTS AND 'TAX NOTES'

During the reference period, there was high attention of EIB Governing Bodies to tax issues due to recent media coverage of tax-related scandals (such as so-called 'Panama Papers'), the regulatory developments at international and EU level, as well as discussions with the EC on EIB role on tax, notably the impact from certain operations perceived to be linked to 'tax havens', aggressive tax planning and/or harmful tax practices. In the context of the above, the EIB has updated and published on its website<sup>8</sup> the EIB Group [Statement](#) on tax, money laundering and terrorist financing. The [Statement](#) outlines the EIB Group position on the fight against tax fraud and tax evasion and reiterates the Group's strong support and commitment regarding the on-going measures and initiatives at EU level in the area of tax good governance.

EIB tax work is mainly embraced by OCCO, getting input from EIF Compliance, with preparation of relevant updates and decision notes in order to address recent tax developments and to elaborate on the relevant proposals in the EIB Group context. The revision of the EIB Group Policy framework, including among others, the enhancement of the current EIB [NCJ policy](#) and EIF [OFC policy](#) to become an EIB Group Policy, will take place in a phased approach in 2017, in close alignment with the EU Council decisions.

In February 2017, the Group Chief Compliance Officer was invited to give a presentation to the European Parliament (DEVE Committee) on the EIB approach on tax.

## 2.3 AWARENESS-RAISING INITIATIVES

Several awareness-raising initiatives were started or further developed by OCCO in 2016 upon the GCCO guidance:

- Regular presentations were held for the new members of the Board of Directors and Audit Committee. The presentations covered the OCCO remit, its policies, latest and anticipated developments;
- OCCO provided ad hoc presentations, such as a general presentation on Compliance to the Investment Committee of the [European Fund for Strategic Investments](#);
- Other specific presentations have been delivered to the Management Committee, the Board of Directors and Audit Committee, e.g. on the ML-FT Risk Scoring Tool, developed by OCCO, and in meetings with the European Commission and the Board's Working Group on Taxation;
- The OCCO regulatory newsletters/alerts raise awareness and keep the Bank's services updated on OCCO's insight into regulatory matters;
- In 2016, a number of information alerts/updates were published on the Intranet News Centre to raise awareness on core Compliance policies and procedures in the areas of AML-CFT, Market Abuse, Ethics and Code of Conduct;
- Participation in the EIB dialogue with civil society and with non-financial rating agencies;
- Upgrade of the [Compliance internet page](#) on EIB's website promoting the Compliance role as integral to the Bank's ethical, professional and business approach;
- Creation of a new [Tax Good Governance](#) section on EIB's website;
- Revision of OCCO intranet site with the aim to provide a user-friendly tool by adding clarity and simplicity to the navigation structure.

## 2.4 APER'OCCO

In 2016, OCCO launched so called Aper'OCCO events reaching out, in particular, to client facing services as the first line of defence. The President participated in the opening of the first Aper'OCCO session in January 2016.

The topics discussed implied the roles and responsibilities of the client facing services and the Compliance function in the EIB project cycle, the main components of the revised [EIB Group AML-CFT Framework](#), and also Ethics, the Code of Conduct and professional duties of staff.

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<sup>8</sup> <http://www.eib.org/about/compliance/tax-good-governance/index.htm>

## 2.5 TRAINING

OCCO maintains an up-to-date mandatory AML-CFT focused E-learning course consisting of several modules and including case studies, exercises and practical examples.

The main objectives of the AML-CFT training are to:

- Inform about the AML-CFT risks;
- Provide legal principles and best banking practices in terms of AML-CFT requirements;
- Help to identify operations or transactions which could be suspicious ('red flags') in relation to money laundering or terrorist financing and to instruct on how to proceed in such cases;
- Provide an overview on AML-CFT trends, including risk-based approach;
- Inform about the relevance of the Compliance function and the consequences of non-compliance;
- Inform about Procurement Compliance;
- Inform about the EIB requirements to follow in the context of the fight against money laundering and terrorism financing.

In addition to the main course on AML-CFT E-learning, OCCO works on the development of refresher AML-CFT courses. In addition to AML-CFT training, OCCO holds induction presentations of the role, responsibilities and structure of the EIB Compliance function for all new EIB recruits and organizes or participates to ad-hoc awareness sessions on specific compliance topics.

## 2.6 REPRESENTATION AND COOPERATION WITH INTERNATIONAL ORGANISATIONS AND OTHER IFIS

Systematic consultation and cooperation with other IFIs (EBRD, ADB, CEB, NIB, IFC, IADB) and national development agencies (AFD, KfW) is an essential part of OCCO activity and is ongoing on several compliance areas (such as NCJ, Tax, FATF, Ethics, Regulatory Compliance).

In March 2016, the OCCO attended the MDB meeting in Paris co-hosted by EIB (see also *MDB Private Sector Integrity meeting* section of this note). Furthermore, EIB's representation in international standard-setting (Lead) Organisations continues to be ensured by the participation in the FATF<sup>9</sup> Plenary meetings together with the European Commission and in the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes as an official observer.

## 2.7 OCCO INITIATIVES

### 2.7.1 MDB Private Sector Integrity meeting

The Council of Europe Development Bank (CEB) and the European Investment Bank (EIB) co-hosted the annual meeting of the Heads of Compliance and Integrity Functions of Multilateral Development Banks (MDB) at the CEB headquarters in Paris in March 2016.

Representatives from 14 MDBs in Europe, the Americas, the Caribbean, Asia and Africa discussed recent developments in the field, including:

- Integrity due diligence in the private sector and non-sovereign guaranteed operations;
- The international tax agenda and implications for operations; and
- Best practices for ensuring consistent treatment of integrity issues across MDBs.

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<sup>9</sup> FATF is an inter-governmental body established in 1989 whose objectives are to set standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering, financing of terrorism and related threats to the integrity of the international financial markets. FATF has issued its 2012 Recommendations, recognized as the international standard, and evaluates its member states and other countries against this standard. FATF has currently 37 Members, amongst which the US, Canada, China, Russia, Brazil, India, 15 EU Member States and the European Commission. Amongst the organisations that have formal observer status are inter alia World Bank, EBRD, African Development Bank, Asian Development Bank, ECB, IMF, Basel Committee on Banking Supervision, Europol and United Nations.



### 2.7.2 Market Abuse Conference

In March 2016, OCCO hosted the Conference “*Market Abuse: EU Framework and the Newly Established EIB Guidelines*” at the EIB. The objective of the conference was to provide a concise view of the current EU requirements and to present the newly approved EIB Group Market Abuse Guidelines.

The keynote speaker was Mr Konstantinos Botopoulos, keeping in past prominent functions in the European Securities and Markets Authority (ESMA), as the Chairman of the ESMA Market Integrity Standing Committee, member of the Management Board and of the Board of Supervisors.

The presentation given by Mr Botopoulos on the current European Market Abuse framework was followed by a presentation of the EIB Group Market Abuse Guidelines and a Q & A session.



### 2.7.3 International Taxation and AML-CFT event

Combating tax crimes, tax avoidance, Money Laundering and Terrorist Financing is currently high on political agendas. Efforts are ongoing at national, European and international levels to curtail these illegal and harmful practices. Recent terrorist attacks and tax scandals such as so called ‘Panama Papers’ gave new momentum to the regulatory initiatives.

Against this backdrop, in June 2016, OCCO organised an event on International Taxation and AML-CFT with participation of world-renowned experts<sup>10</sup>. The following points were on the agenda:

- Tax Transparency and BEPS: changing regulatory environments;
- IFIs’ role in promoting tax good governance;
- Balance between ethical and legal risks;
- Global challenges to tax compliance – trends and outlook;

<sup>10</sup> Prof. Jeffrey Owens, Director, Global Tax Policy Center, WU Vienna University of Economics and Business and former OECD Tax Policy Director; and Rick McDonnell, Co-Director, Tax and Good Governance, Institute for Austrian and International Tax Law, WU Vienna University of Economics and Business and former FATF Executive Secretary.



- Recent developments at FATF level;
- Link between AML-CFT and tax;
- ‘Panama Papers’.

The speakers shared their views on the ongoing regulatory developments in the fields of International Taxation and AML-CFT and their impact on the EIB Group policies.

### 3 ETHICS - EIB CODES OF CONDUCT

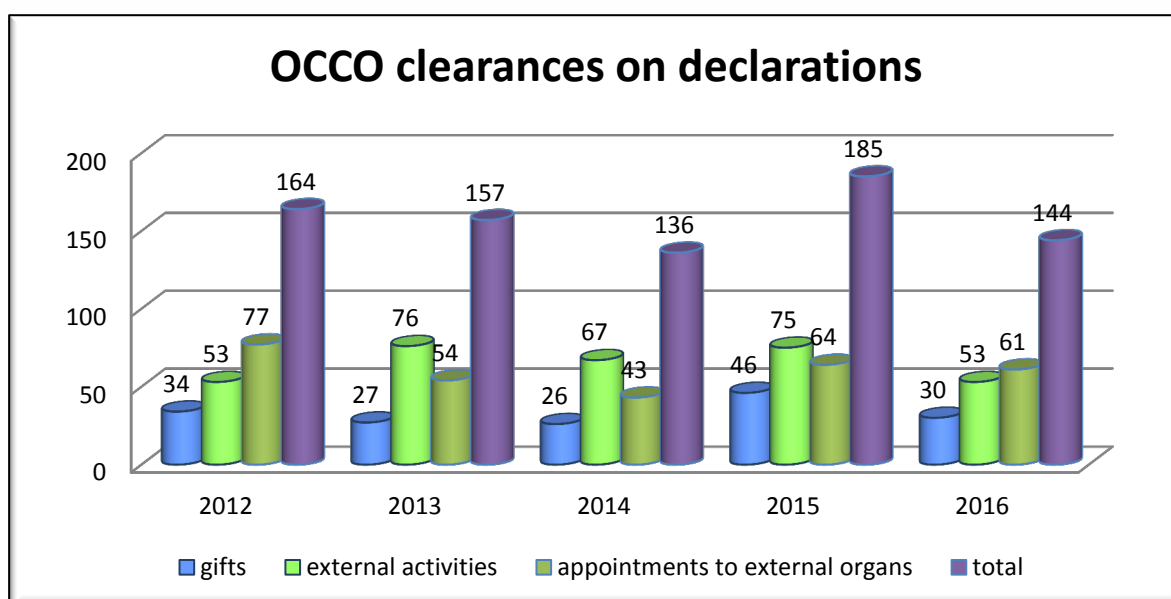
#### 3.1 OCCO CLEARANCES

OCCO’s remit includes the responsibility to administer the EIB Staff [Code of Conduct](#) (CoC) and handle connected compliance issues, where Compliance “acts as a first line detector of potential incidents of non-observance or breaches by the staff of the rules on ethics and integrity, monitors compliance therewith by the staff of the EIB Group and recommends the adoption of such protective or redressing measures as are appropriate.”

During 2016, OCCO issued:

- 30 clearances for declarations of gifts;
- 53 clearances for external activities applications; and
- 61 clearances for appointments to external organs.

OCCO’s preliminary assessment and informal advice was also sought by staff and members of the Management Committee in connection with conflicts of interest, private investments, gifts and external activities prior to the transmission of formal declarations. A comprehensive review of the [Code of Conduct](#), [Whistleblowing Policy](#), effective and swift handling of CoC breaches and a change programme for Compliance culture are considered as one of the priorities for 2017.



#### 3.2 ETHICS AND COMPLIANCE COMMITTEE

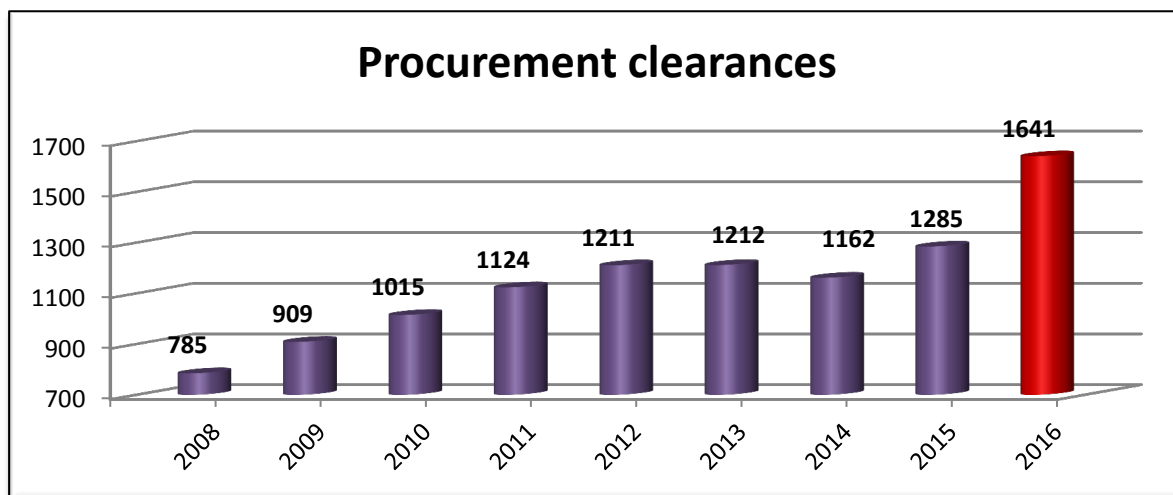
The GCCO plays an important role in the Ethics and Compliance Committee (ECC), receiving communication of all the documents provided to the ECC, participating in the ECC meetings, without the right to vote, and has the power to request a decision of the ECC. Furthermore, the GCCO provides opinions at the request of the Chairman of the ECC or upon his own initiative. OCCO participated in the revision of the Operating Rules of the Ethics and Compliance Committee adopted in January 2016.

## 4 PROCUREMENT PROCESS

### 4.1 PROCUREMENT CLEARANCES

The role of OCCO-Procurement is based on the [EIB's Corporate Procurement Guide](#) (the Guide), which sets out the procedures to be followed by the EIB when procuring services, supplies and works for its own account. The Guide transposes the [Directive 2014/24/EU](#) on public procurement into the EIB rule framework. Procurement clearances for all services, supplies and works needed by the Bank for its own account are issued by OCCO, applying the rules set out in the Guide.

The volume of OCCO-Procurement clearances increased progressively over the last years, with a sharp increase in 2016 (passing from 1285 clearances in 2015 to 1641 in 2016 - i.e. 28% growth over the reference period).



## 5 DATA PROTECTION

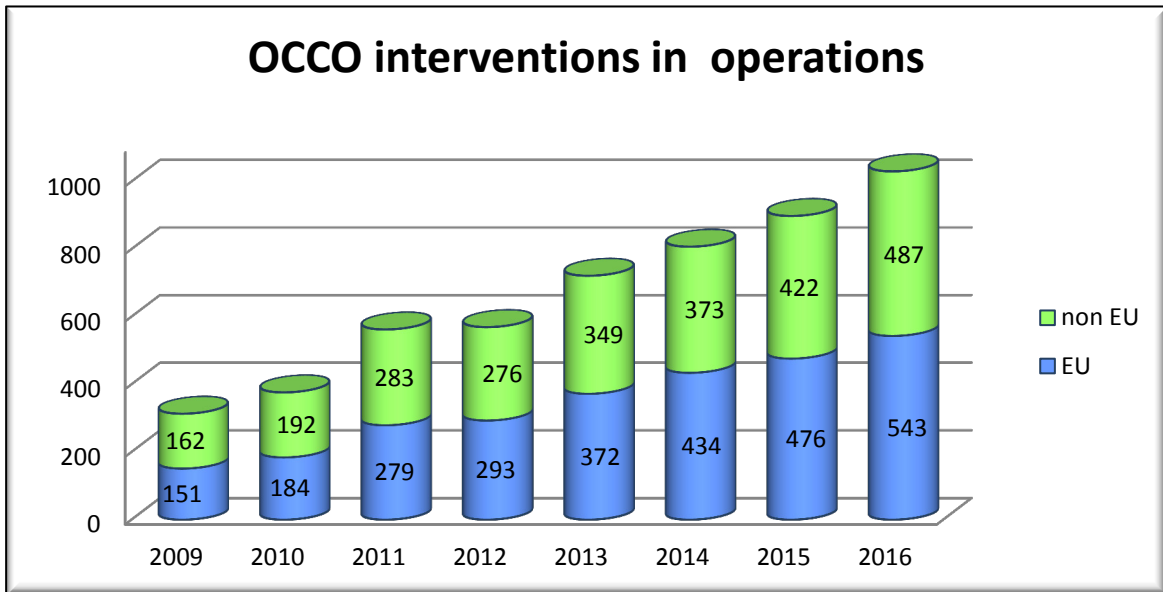
The Data Protection Office is an important function established in line with the [Regulation \(EC\) 45/2001](#), requiring each Community Institution and body to appoint at least one person as Data Protection Officer (DPO) to ensure the application of the principles of data protection. In 2015, the Data Protection function was integrated in OCCO.

The DPO task is to advise staff and management, to ensure compliance with data protection rules, to keep a Register of internal existing personal data processing operations and to respond to requests from the European Data Protection Supervisor.

A new Regulation for EU Institutions including EIB is under preparation which foresees more stringent rules and may include the possibility for the EDPS to impose fines for breaches of rules.

## 6 AML-CFT INTEGRITY DUE DILIGENCE

2016 confirmed the trend of increasing consultation of OCCO by the Operational, Legal and TMR Directorates in connection with AML-CFT matters, including but not limited to opinions, comments and finance contracts.

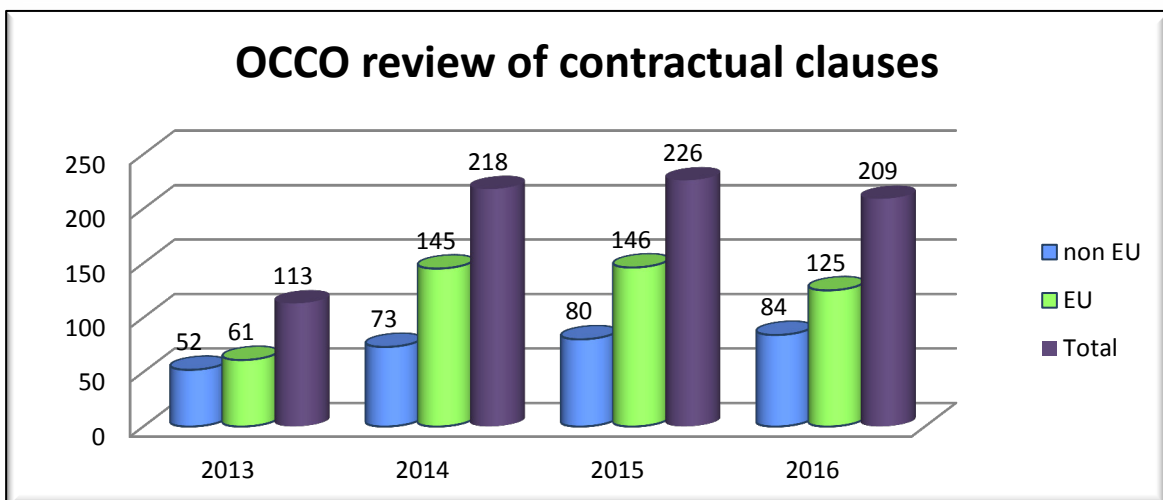


For the first time, the number of OCCO interventions in operations exceeded the level of 1000, showing a 15% increase over the last year (1030 cases in 2016 as compared to 898 in 2015).

EIB governing bodies' attention and support to OCCO opinions receive full attention of the Management Committee and Board of Directors.

It should be recalled that OCCO has no veto power regarding the operations, but its findings on compliance risks allow the governing bodies to take an informed decision. Following OCCO feedback on compliance issues, during 2016 14 transaction parties were not taken forward by OPS (and therefore not presented to the Management Committee for approval) or were not approved by the Management Committee. In addition 2 transactions have been postponed to 2017. It is important to highlight, however, that this does not imply that the operation is abandoned. In most cases the project can be continued until a proposal for a sounder structure of the operation is found e.g. with different financial intermediaries or new co-investors in existing funds. It has to be noted that the number of not approved counterparties is decreasing which is to be seen in the context of a growing compliance culture within the Bank, enabling operational staff to assess issues at a preliminary stage.

The involvement of OCCO in review of contractual clauses almost doubled in 2014, remained stable in 2015, and slightly decreased during the reference period. OCCO actively cooperates with the services to ensure a considerate application of the policy provisions.



## **6.1 RISK SCORING TOOL**

The ML-FT Risk Scoring Tool has been developed by OCCO with the aim to:

- Reinforce compliance with BBPs by formalizing the risk-based approach to AML-CFT and related integrity aspects of the EIB counterparties and operations;
- Facilitate a consistent and holistic approach to EIB lending operations for which an OCCO opinion is required, by providing a semi-automated process for the ML-FT risk rating of operations and counterparties in OCCO opinions.

After successful testing in February-March 2016, the ML-FT Risk Scoring Tool has been integrated in the daily OCCO workflows and procedures. A second phase is foreseen in 2017 to integrate the ML-FT Risk Scoring Tool in the EIB existing information systems.

## **6.2 DEVELOPMENTS IN INTERNATIONAL SANCTIONS; EIB GROUP SANCTIONS POLICY**

Restrictive measures or sanctions are an essential EU foreign policy tool that it uses to pursue objectives in accordance with the principles of the Common Foreign and Security Policy. Article 215 of the Treaty on the Functioning of the European Union provides a legal basis for the interruption or reduction, in part or completely, of the Union's economic and financial relations with one or more third countries, where such restrictive measures are necessary to achieve the objectives of the Common Foreign and Security Policy.

OCCO provides continuous support and advice to the Bank's services in relation to sanctions imposed by national and international agencies. In 2016, OCCO has engaged with the services in setting up the framework for a structured approach of the EIB Group to sanctions. A working group has been established under the lead of OCCO, with support from the Bank's services and EIF Compliance and Legal services to deliver the EIB Group Sanctions Compliance Policy in 2017.

## **7 MONITORING OF COMPLIANCE RISKS IN AML-CFT AREA**

The AML-CFT area is in focus of ongoing monitoring of compliance risks by OCCO. The monitoring is implemented on a risk-sensitive basis to detect possible Money Laundering, Financing of Terrorism or related integrity risks arising throughout the life of the business relationships.

The AML-CFT ongoing monitoring tasks include (i) due diligence checks at post-approval stage with a risk-based approach (ML/FT/Integrity alerts from the services); (ii) Automated screening against sanction lists, expanded to Politically Exposed Persons and adverse media in December 2016, and management of the alerts; (iii) Regular/periodic or sample checks review of operations and/or counterparties; (iv) OCCO consultation on sanction-related issues from SWIFT screening; and (v) OCCO clearance for specific transactions. Risk-based monitoring reviews have been started on a sample of high risk operations.

The transparency of the beneficial ownership remains a key requirement in the fight against illegal activities such as corruption and tax fraud, hence particular attention is paid to beneficial ownership identification. It is recalled that the identification of the beneficial ownership is a fundamental requirement of the Bank's due diligence process.

## **8 COMPLIANCE AND CONTROL FRAMEWORK**

### **8.1 OCCO INTERNAL CONTROL FRAMEWORK**

At the end of 2016, OCCO performed an annual update of the Internal Control Framework covering the Compliance Directorate activities. The exercise implied a comprehensive review of OCCO processes and controls.



## **8.2 PARTICIPATION IN COMPLIANCE AND CONTROLS COMMITTEE**

The Compliance and Controls Committee (CCC) has been created in 2015 in the context of reinforcement of the Compliance and Controls framework. The Committee is chaired by the Vice-President in charge of the control functions and is composed of the Group Chief Compliance Officer, the Inspector General and the Financial Controller as permanent members, and the Heads of Internal Audit and Risk Management as observers.

The Committee has the purpose of providing a visible platform to monitor the Bank's compliance and control risks and to make recommendations for improvements, including alignment of the Compliance and Controls framework across the EIB Group and oversight and coordination of the Best Banking Practices self-assessment exercises across the Bank.

## **8.3 REGULATORY COMPLIANCE AND BEST BANKING PRACTICES**

OCCO takes an active role in the ongoing BBP project aimed at clarifying the scope and substance of Best Banking Practices applicable to the EIB, and to codify the EIB approach to BBPs. In the context of the ongoing discussion on roles and responsibilities of various teams, OCCO has referred to the relevant Basel Committee principles and European Banking Authority (EBA) Guidelines and the incorporation of these rules into the EIB BBP framework.

The OCCO Terms of Reference and the [Integrity Policy and Compliance Charter](#) of EIB are modelled against these rules.







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