

Disclosure of information on measure imposed on credit institution

Supervisory measure against UniCredit Banka Slovenija d.d. owing to breaches identified in the area of the prevention of money laundering and terrorist financing (hereinafter: AML/CFT)

Information on person responsible for breach	
Business name and registered office of legal person	UniCredit Banka Slovenija d.d, Šmartinska 140, 1000 Ljubljana, Slovenia, registration number 5446546000 (hereinafter: the bank)
Information on breach	
Description of circumstances and conduct entailing a breach of the Prevention of Money Laundering and Terrorist Financing Act (Official Gazette of the Republic of Slovenia, No. 68/16; hereinafter: the ZPPDFT-1)	<p>The Bank of Slovenia conducted an inspection of the bank's operations in the area of AML/CFT between 22 November and 21 December 2018, and between 14 and 18 January 2019. A comprehensive review of the bank's operations was conducted with the aim of determining whether the bank upholds the requirements under the ZPPDFT-1 in its operations.</p> <p>Breaches of the ZPPDFT-1 were identified in the inspection, for which reason the Bank of Slovenia issued the bank with an order on the rectification of breaches in accordance with the first paragraph of Article 151 of the ZPPDFT-1 in connection with the first paragraph of Article 249 of the ZBan-2; the bank lodged an objection to the order. The Bank of Slovenia consequently issued a decision on an objection, which partly amended the operational part of the order.</p>
Nature of identified breaches	Having regard for the penal provisions of the ZPPDFT-1, of the total of seven breaches identified, two were most serious in nature, three were serious in nature and one was minor in nature.
Operational part of order on rectification of breaches	
<p>1. On the basis of an inspection of UniCredit Banka Slovenija d.d., of Šmartinska 140, 1000 Ljubljana (hereinafter: the bank) conducted between 22 November 2018 and 18 January 2019, with regard to the prevention of money laundering and terrorist financing (hereinafter: AML/CFT), the Bank of Slovenia finds the bank to have breached the following provisions of the ZPPDFT-1:</p> <ul style="list-style-type: none">a) the first and second paragraphs of Article 79 of the ZPPDFT-1, by failing to put in place the requisite conditions for the implementation of the AML/CFT function, thereby weakening effective risk management in the aforementioned area,b) Articles 81 and 82 of the ZPPDFT-1 in connection with Article 3 of the Rulebook on the implementation of internal controls, the officer, the storage and protection of data, professional training and the administration of records at obliged entities (Official Gazette of the Republic of Slovenia, No. 54/17; hereinafter: the internal control rulebook), by failing to provide for the effective functioning of internal controls in the area of AML/CFT at the level of organisational units (first level). <p>To rectify the aforementioned breaches, the bank shall:</p> <ul style="list-style-type: none">a) put in place the requisite conditions for the establishment and development of a sound, reliable system to provide for effective risk management with regard to AML/CFT;	

- b) ensure the effective functioning of the system of internal controls with regard to AML/CFT, including an overhaul of bylaws governing the implementation of internal controls in the aforementioned area and their consistent application at all three levels, namely organisational units, the AML/CFT officer and the internal audit department; as part of the effective functioning of internal controls, the bank shall also provide for appropriate internal reporting on the implementation of internal controls, which will represent a basis for the adoption of the requisite measures.

The bank shall embark without delay on activities to rectify the breaches cited in point 1 of this order on the rectification of breaches (hereinafter: the order). The final deadline for the rectification of the breaches referred to in point 1.a) is 30 September 2019, while the bank shall rectify the breaches referred to in point 1.b) of the order by 30 November 2019. The bank shall also submit a written report to the Bank of Slovenia by the aforementioned deadlines on the measures taken to rectify the breaches, as set out by the first paragraph of Article 251 of the ZBan-2.

2. On the basis of the reviewed sample of clients, the Bank of Slovenia also finds the bank to have breached the following provisions of the ZPPDFT-1:

- a) the first paragraph of Article 16 in connection with point 4 of the first paragraph of Article 137 of the ZPPDFT-1, by failing to ensure the requisite quality of the data when obtaining the legally prescribed information on the purpose and intended nature of the business relationship in respect of four clients;
- b) the second paragraph of Article 14 in connection with the second paragraph of Article 59 of the ZPPDFT-1, by failing to conduct enhanced customer due diligence in respect of three clients that pose an increased risk of money laundering or terrorist financing;
- c) the first paragraph of Article 49 of the ZPPDFT-1, by failing, within the framework of the IT technical support used by the bank for monitoring transactions, to put in place the requisite criteria for the consistent and effective identification of whether executed transactions comply with the purpose and intended nature of the business relationship or whether they comply with the usual scope of the client's transactions (breach identified in respect of three clients), and by failing, within the framework of the ongoing monitoring of clients' business activities, to compare the updated information and documentation with the nature, purpose and scale of the (previous) transactions (breach identified in respect of two clients);
- d) the first paragraph of Article 50 of the ZPPDFT-1, by failing, in the case of complex and unusually large transactions or transactions that have an unusual composition, do not have a clear economically or legally justified purpose or do not comply with the client's usual transactions, to provide for the prompt treatment of flagged deviations from usual transactions, and thereby failing within the framework of in-depth analysis of flagged deviations in respect of two clients to sufficiently examine the background and purpose of the transactions and to sufficiently establish the source of funds;
- e) the first and sixth paragraphs of Article 69 of the ZPPDFT-1, by failing to provide for the consistent reporting of suspicious transactions to the Office for Money Laundering Prevention in respect of six clients.

To rectify the aforementioned breaches, the bank shall:

- a) ensure without delay that better-quality information on the purpose and intended nature of the business relationship is collected when new business relationships are being entered into, and

shall improve the quality of this information in respect of existing clients that pose an increased risk;

- b) provide for the consistent implementation of additional measures, irrespective of whether they are defined in the Rulebook on the implementation of measures for the detection and prevention of money laundering and terrorist financing (hereinafter: the AML/CFT rulebook) or in the guidelines of the UniCredit Group adopted by the bank;
- c) as part of its ongoing monitoring of the client's business activities, appropriately upgrade the criteria within the framework of IT technical support to ensure the consistent and effective identification of deviations from usual transactions; as part of the regular updating of the information and documentation collected about the client, it shall devote adequate attention to reviewing executed transactions for the purpose of establishing whether they deviate from the announced purpose and nature of the business relationship and the client's usual transactions;
- d) provide for prompt treatment of all flagged deviations from usual transactions, and shall conduct in-depth analysis of transactions, including the establishment of the source of funds, which *inter alia* includes the collection of relevant evidence, such as contracts and invoices; in so doing, alongside the mere formal collection of additional evidence and documentation, the bank shall ensure the requisite criticality in the assessment of the information and documentation collected;
- e) ensure that all flagged cases of suspicious transactions are reported to the Office without delay.

The bank shall embark without delay on activities to rectify the identified breaches cited in point 2 of this order, whereby the final deadline for the rectification of breaches is 30 November 2019. The bank shall also submit a written report to the Bank of Slovenia by the aforementioned deadline, describing the measures to rectify the breaches, in accordance with Article 251 of the ZBan-2.

- 3. In connection with the activities to rectify the breaches cited in points 1 and 2 of this order, the bank shall draft an action plan clearly defining the activities for the rectification of the breaches, and shall submit it to the Bank of Slovenia by 15 May 2019. Via its internal audit department the bank shall provide for adequate supervision of the implementation of activities set out in the action plan and shall report accordingly to the Bank of Slovenia on a quarterly basis. The bank shall submit the first quarterly report on the implementation of activities set out by the action plan by 30 June 2019, and shall submit the next report by 30 September 2019.
- 4. In connection with the activities to rectify the breaches cited in points 1 and 2 of this order, the bank shall designate the persons at the bank responsible for rectifying the identified breaches, and shall report their names to the Bank of Slovenia by 15 May 2019.
- 5. An objection to this order shall not stay its enforcement (third paragraph of Article 343 of the ZBan-2 in connection with first paragraph of Article 151 of the ZPPDFT-1).
- 6. The breaches identified in this order constitute misdemeanours pursuant to the penal provisions of the ZPPDFT-1, and the Bank of Slovenia will therefore initiate misdemeanours proceedings against the bank and the responsible persons.

7. In accordance with Article 161 of the ZPPDFT-1, in connection with the imposed supervisory measures the Bank of Slovenia shall publish the following information on its website after the imposed measure becomes final, and shall submit it to the competent European supervisory authorities:
- the business name and registered office of the legal person or the name of the natural person;
 - a description of the circumstances and conduct that constitute a breach of the aforementioned law or require the implementation of the ordered measure;
 - the nature of the identified breaches or the type of deficiencies for which the measure was ordered;
 - the operational part of the decision by which the proceedings are legally finalised;
 - details of any rectification of a breach or implementation of an ordered measure.

Information on any rectification of breach or implementation of ordered measure

The bank has eliminated the breaches within the set deadline. On 26 May 2020, the Bank of Slovenia issued a Decision stating that the breaches have been remedied.

Information as to whether judicial protection proceedings have been initiated against the decision in accordance with the ZBan-2

Judicial protection proceedings have not been initiated, and the decision is res judicata.