



Mercantile Bank

Member of CGD Group

Anti-Money Laundering and Combating the Financing of Terrorism Disclosure Statement

Date reviewed: 17 October 2017

1. INSTITUTIONAL INFORMATION

Legal Name	Mercantile Bank Limited
Legal Form	Limited Liability Company
SWIFT BIC	LISAZAJJ
Head Office and Registered address	142 West Street, Sandown, 2196, Gauteng, RSA
Website Address	www.mercantile.co.za
Registration/License Number	1965/006706/06
Main Business	Mercantile Bank Limited (MBL) provides a wide range of international and local banking services to the business community with a segment focus on the Portuguese market. The bank's core focus is on Business Banking and Commercial Banking. It also has an Alliance Banking division which offers credit card, debit card and payment services to non-banks who seek to, or are already participating in the financial services industry. In addition the bank also has a treasury division which offers a full suite of vanilla foreign exchange products.
Banking licence issued by	South African Reserve Bank
Date last issued	27 February 2017
Banking licence number	00558
OWNERSHIP AND MANAGEMENT INFORMATION	
MBL publicly owned?	No
MBL listed on any Stock Exchange?	No
List of Shareholders with more than 10% of shares or voting rights:	
Name	Mercantile Bank Holdings Limited
% shareholding	100%
Address	142 West Street, Sandown, 2196, Gauteng, RSA
Tel	+27(0)11 302 0300
Website	www.mercantile.co.za
Shareholder of Mercantile Bank Holdings Limited	
Name	Caixa Geral de Depósitos SA
% shareholding	100%
Address	Av. João XXI 63, 1000-300 Lisbon, Portugal
Tel	+351 21 7953000
Fax	+351 21 7905050
Website	www.cgd@cgd.pt

List of Executive and Non Executive Directors of MBL	<p>Non-Executive – Acting Chairman Gideon Petrus de Kock</p> <p>Chief Executive Officer Karl Rainer Kumbier</p> <p>Deputy Chief Executive Officer Ricardo Simoes Calico</p> <p>Independent Non-Executive Directors Louis Hyne Aloysius Thebeetsile Ikalafeng Tapiwa Hudson Njikizana Daphne Ramaisela Motsepe</p> <p>https://www.mercantile.co.za/Stakeholder_Relations/pages/The-Board-of-Directors.aspx</p>
REGULATORY INFORMATION	
Name of Regulatory Authority:	South African Reserve Bank
Laws designed to prevent Money Laundering and Terrorist Financing to which MBL is subject to:	<ul style="list-style-type: none"> • Financial Intelligence Centre Act (FICA) • Prevention of Organised Crime Act (POCA) • Protection of Constitutional Democracy against Terrorist and Related Activities Act (POCDATARA)
Responsible Officer's information:	
Name Title Address Telephone Email address	Eddie Agrella Money Laundering Control Officer 142 West Street, Sandown, 2196 +27(0)11 302 0635 eagrella@mercantile.co.za

2. RELEVANT INTERNATIONAL AND NATIONAL FRAMEWORK

International Framework:

- 40 Recommendations of FAFT/GAFI (developed in 1990, revised in 1996, 2003, 2004 and 2012) – that provide a complete set of counter-measures against money laundering and terrorist financing covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation.
- The Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) – that has as its objectives to adopt and implement the 40 Recommendations of the FATF; to apply anti-money laundering measures to all serious crimes; to implement measures to combat the financing of terrorism; and to implement any other measures contained in multilateral agreements and initiatives to which they subscribe for the prevention and control of the laundering of the proceeds of all serious crimes and the financing of terrorist activities.
- The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. The well known Core Principles for Effective Banking Supervision has the following core principal:

Core Principle 29: Abuse of financial services

The supervisor determines that banks have adequate policies and processes, including strict customer due diligence (CDD) rules to promote high ethical and professional standards in the financial sector and prevent the bank from being used, intentionally or unintentionally, for criminal activities.

National Framework:

- Prevention of Organised Crime Act No. 121 of 1998 (POCA)
POCA criminalises certain activities that are linked to a pattern of racketeering and creates offences relating to activities of criminal gangs. It also **criminalises money laundering** in general and creates a number of serious offences in respect of the laundering of the proceeds of a pattern of racketeering activity.
- Financial Intelligence Centre Act No. 38 of 2001 (FICA)
The regulatory regime of FICA imposes 'Know Your Client', record-keeping and reporting obligations on accountable institutions. It also requires accountable institutions to adopt an AML/CFT program that reasonably identifies, mitigates and manages the risk of money laundering and terrorism financing according to the applicable legislation and to apply a risk based approach with regards to where it focuses its AML/CFT efforts.
- Protection of Constitutional Democracy against Terrorist and Related Activities Act No. 33 of 2004 (POCDATARA)
POCDATARA amended FICA and POCA to ensure that these laws support not only the combating of organised crime and money laundering, but also the combating of terrorism in general and the financing of terrorist activity in particular.
- Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (PreCCA)
PreCCA creates a number of offences relating to corrupt activities. PreCCA furthermore creates an offence of knowingly dealing in or handling property that forms a part of gratification involved in any corrupt activity. This offence overlaps with the general money laundering offences.

3. ANTI-MONEY LAUNDERING AND COMBATING OF TERRORIST FINANCING MEASURES AT MBL

MBL does not have any operations outside the borders of South Africa.

MBL has adopted internal policies, procedures and controls to ensure that it complies with AML/CFT obligations in terms of existing legislation and regulations. These policies, procedures and controls were approved by MBL's Board of Directors and are implemented in MBL's business centres, units and, where applicable, its subsidiaries.

MBL is in the process of implementing a Risk Management and Compliance Programme as envisaged in the amendments to local legislation which came into operation in October 2017. MBL expects to fully implement the programme in April 2019.

South Africa, as a member country of the ESAAMLG and the FATF, requires MBL and all its business units and centres adhere to and apply the following standards:

Customer Due Diligence/Know Your Customer: MBL has policies and procedures in place to comply with the obligation to identify and verify customers' particulars at the time of on-boarding and to maintain the correctness of those particulars.

Customer name and transaction screening: MBL filters its customer names against sanction and PEP lists daily in batch and performs transaction screening on both sender and receiver details in real time. The sanction lists include the consolidated lists maintained by the United Nations Security Council (UNSC), European Commission and the Office of Foreign Assets Control. Changes to these lists are received daily and full data records are received each month. True matches to the UNSC consolidated list requires the blocking of funds and filing a report with the local Financial Intelligence Unit. True matches on other sanction lists are dealt with on a case by case basis and transactions are either rejected, blocked, reported or relationships terminated.

Politically Exposed Persons (PEPs): MBL obtains senior management approval and performs enhanced due diligence and transaction screening on customers or beneficial owners who are PEPs.

Anonymous and numbered accounts: MBL does not provide customers with anonymous or numbered accounts.

Record Keeping: Records relating to customer identification and verification, transaction information, staff member details who onboard customers as well as records of reports submitted to the Financial Intelligence Centre (FIC) (South Africa's FIU - Financial Intelligence Unit) are kept to enable the reconstruction of transactions for a period of five (5) years after the execution of a transaction or after the termination of a relationship.

Monitoring of Suspicious Activities: Screening of customer's transactions is carried out by an IT solution through a risk-based approach and also by MBL employees.

Reporting of Suspicious Transactions: MBL is required to report any suspicious customer activities or transactions to the FIC. Internal policies and procedures are in place to ensure compliance with the applicable legislation and regulatory requirements.

Reporting of cash transactions above the threshold: MBL is required to report all cash transactions equal to or more than R25,000.00 (approx. €1,500.00) to the FIC.

Reports of electronic transfers of money to or from South Africa: Reporting of all cross border transactions to the FIC is in the process of being implemented by the FIC. MBL must ensure that all cross border wire transfers carry adequate sender and beneficiary information.

Employee Training Program: AML/CFT training is provided to all units. Staff members deployed in customer facing areas receive focused training and reminders on the detection and reporting process for suspicious or unusual activities.

Employee due diligence: MBL has processes that provide reasonable assurance of the identity, honesty and integrity of prospective and existing employees.

Independent audit and compliance review function: MBL's internal auditors and Compliance Unit conduct programs of audit and compliance tests of MBL policies and operational procedures including those applicable to AML/CFT. The audit and compliance programs are approved by the Board of Directors.

Correspondent Banks*: MBL follows a process that includes understanding the nature of the correspondent's business, the quality of its management, ownership and effective control, its AML policies, external oversight and prudential supervision including its AML/CFT regime. Additionally, ongoing due diligence of correspondent accounts is performed on a regular basis or when circumstances change. New correspondent banking relationships are approved by the Board of Directors.

Shell Banks: MBL does not conduct business with shell banks.

Payable-through accounts: MBL does not provide payable through accounts and has policies and procedures that prohibit the offering of this service.

Assessment of cross-border payments against watchlists and prescribed lists (TF and sanctions): MBL has an IT solution to filter all inward and outward payments against UNSC, EU and OFAC prescribed lists.

Sanctions Policy: MBL has a policy not to establish or maintain a business relationship, or process a transaction to or for the benefit of persons or entities listed on the UNSC (United Nations Security Council) consolidated sanction list.

4. WOLFSBERG AML QUESTIONNAIRE

MBL follows the principles contained in the Wolfsberg AML Questionnaire concerning AML/CFT.

The Wolfsberg AML Questionnaire for MBL is available on MBL's website at www.mercantile.co.za.

5. USA PATRIOT ACT CERTIFICATE

Under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act) Act 2001, MBL may be required from time to time to provide information regarding transactions involving the United States of America.

Please find 'USA Patriot Act Certificate' on MBL's website at www.mercantile.co.za.

* Correspondent banks for the purposes of this disclosure is defined to mean the provision of banking services by MBL (the "correspondent bank") to a foreign bank (the "respondent bank") i.e. Vostro account holders. It does not include the exchange of SWIFT Relationship Management Application keys (RMA).