

# Risk appetite of Coop Pank AS in the field for the prevention of money laundering and terrorist financing and implementation of international sanctions

This is for the information of potential and existing clients and other third parties in respect of the risk appetite of Coop Pank AS (hereinafter separately the Bank) and Coop Liising and Coop Finants (hereinafter all jointly as the Group) in the area of prevention of money laundering and terrorist financing as well as international sanctions.

The obligation of banks to define their risk appetite in the area of money laundering and terrorist financing arises from the Money Laundering and Terrorist Financing Prevention Act. In essence, it means that banks are obliged to define the kind of clients they serve and the kind of clients they do not serve as well as the clients regarded by the banks as high-risk clients.

This is not the Group's risk appetite document, but an explanatory summary of this document.

## 1. General principles for establishment and management of client relationships

### Knowing our clients

The Group wants to do business with trustworthy clients who use the Group's products and services for lawful purposes and whose identity, beneficial owners and origin of assets can be identified and, if necessary, verified.

### Due diligence measures taken to get to know our clients

The risk-based approach is used upon the application of the measures required for getting to know our clients, incl. upon the application of enhanced due diligence measures: due diligence measures are applied to clients to the extent necessary for managing the risk arising from the client.

### Identification of clients

The Group ordinarily establishes client relationships in the branch network, from a distance in the form of field sales or by identifying persons directly via partners as well as by identifying persons electronically. In order to avoid taking excessive risks, the Group only uses electronic identification in respect of natural persons who are Estonian citizens or holders of long-term Estonian residence permits.

### Country risk related to clients

The Group establishes business relationships with residents as well as non-residents, incl. residents whose business operations take place outside Estonia and the European Economic Area.

### The following are regarded as non-residents:

- private persons whose permanent place of residence is not in Estonia or who have been issued with residence permits for less than a year;
- a company registered abroad or an Estonian company if it is controlled by a person who is not a resident of Estonia (i.e. the company is in the ownership of a non-resident beneficial owner/beneficial owners to the extent of more than 25% or the company is controlled by one or more non-residents in any other manner or if the majority of the company's management consists of non-residents).

A non-resident who wants to establish a business relationship must have a strong connection to Estonia.

### In the case of a legal entity, a strong connection to Estonia means:

In the case of a legal entity, a strong connection to Estonia means:

- the company's economic activities are connected to Estonia, e.g. its actual place of business or employees are in Estonia;
- important partners in Estonia (a significant share of the company's operations);
- it provides a service/product that is aimed at the Estonian market (e.g. an online store in Estonian);
- property in Estonia (the company's operations are related to property, e.g. property management or development);
- another significant and verifiable connection, which explains the need to have a bank account in Estonia (e.g. the company's management consists largely of Estonians).

If an Estonian citizen wants to organise business operations, which are not connected to Estonia, via a company established in Estonia, the person's citizenship and their use of an Estonian company for service is deemed adequate connection to Estonia.

### In the case of a private person, a strong connection to Estonia means:

- an effective employment contract or the employer's written confirmation of employment in Estonia/in an Estonian company. Checking confirmation of short-term employment on the politsei.ee website is also acceptable for verification of the connection required for opening an account;
- a school's certificate confirming that the person studies in Estonia;
- lease for rental of property located in Estonia;
- letter of recommendation from an Estonian authority;
- existing property in Estonia;
- another significant and verifiable connection, which explains the need to have a bank account in Estonia.

## 2. Prohibited activities, products and client relationships

2.1. The Group does not establish a business relationship and refuses to conclude occasional transactions with persons:

- in whose case it suspects that their activities are or may be illegal;
- in whose case the bank suspects that they are a front;
- who are anonymous or fictitious persons;
- who have committed an attack against the Group (e.g. a cyber attack, submission of false data or forged documents, loan or other fraud) or are engaged in activities that may damage the Group's reputation in any other manner;
- who have refused to submit to the Group the data and documents required for the application of due diligence measures or have done it inadequately or there are suspicions that the submitted documents may have been forged;
- the origin of whose assets is unclear;
- whose economic activities and/or activities in the account are not understandable to the Group company that serves the client;
- who are registered in a high-risk third country<sup>1</sup> or if the company is owned by a company registered in such a country or if a client who is a natural person is from there;
- whose capital consists of bearer shares or other bearer securities;
- who is a credit institution or financial institution or an institution that performs actions equivalent to those of credit institutions and financial institutions which have been established in a jurisdiction or country where it has no management or administration or physical location for purposeful business activities and which is not associated with the group of a single credit institution or financial institution (a shell bank) or that is a credit institution serving shell banks;
- whose area of activity is trading in cryptocurrencies (e.g. wallet service providers, cryptocurrency intermediaries). The prohibition does not extend to transactions between private persons and transactions where a private person invests in cryptocurrency, as well as to cases where a legal entity deals with cryptocurrency, but does not use the bank account for servicing its clients in the bank in connection therewith or for the intermediation of cryptocurrency;
- who has been identified as a participant in a money laundering scheme (Laundromat or suchlike);
- in the case of whom the Group suspects that it has no economic activities/the activities are ostensible;
- in the case of whom there are suspicions that the person wants to unlawfully evade tax or currency inspections.

2.2. The Group does not provide the following services to its clients:

- intermediation of payments to countries entered in the list of prohibited countries in the bank;
- provision of trust fund and company services, incl. the establishment of companies or provision of respective consultations;
- provision of consultation services in the area of accounting or taxation;
- transactions related to virtual currencies, i.e. cryptocurrencies (purchase, sale, intermediation or safekeeping of cryptocurrencies);
- cross-border cash or securities transport services;

<sup>1</sup> Regulated by law. These countries largely overlap with the list published here: <https://www.coopbank.ee/keelatud-valismaksed>

<sup>2</sup> List of countries: <https://www.emta.ee/et/ariklient/tulud-kulud-kaive-kasum/mitteresidendi-eesi-tulu-maksustamine/nimekiri-territooriumidest>.

- correspondent banking services to credit institutions.

### 3. Restrictions on provision of services/offers of goods

3.1. In general, the Group does not accept the following as clients or refuses to provide services or restricts the provision of services to the following clients:

- persons who are non-residents and have no strong connection to Estonia;
- persons who are non-residents and whose intended activities correspond to the characteristics of a so-called transit account (the money that is received will be quickly transferred on, the permanent account balance is small, actual economic activities cannot be identified);
- persons who have committed or in whose case there are suspicions, based on public information, that they have or a person related to them has committed a significant offence, incl. trading in drugs, trafficking in human beings, terrorism, financial and tax crimes, etc.;
- persons who have been associated with corruption;
- persons whose area of activity is weapons industry or trade (excl. if related to Estonia or NATO);
- who are registered in a low-tax country<sup>2</sup> or if the company is owned by a company registered in such a country or if a client who is a natural person is from there.

3.3. The Bank restricts the intermediation of payments to countries regarded as countries with a higher risk of terrorist financing or where, in the opinion of FATF, adequate AML measures have not been applied<sup>3</sup>.

<sup>3</sup> Restrictions related to payments: <https://www.coopbank.ee/keelatud-valismaksed>.