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## Framework for CEB's Compliance Policy

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### I) Purpose and missions

#### 1. Definition

The compliance function's mission is to ensure that the Bank conducts its activities in compliance with its own rules, current legislation, codes of conduct, good practices and standards in order to avoid any risk of irregularity in the functioning of the Institution, of its Organs or its Staff.

Its purpose is therefore to enable the CEB to limit its exposure to the legal, administrative or regulatory sanctions, material financial loss, or loss to reputation incurred in the event of non-compliance. This is of the greatest importance for a development bank, and particularly one with a social vocation placed "under the supreme authority of the Council of Europe".

#### 2. Priority objectives

Although the remit of the compliance function covers the activities of the Bank's Organs, of its Vice-Governors and its Staff, it is important not to lapse into a system of excessive regulation that would run the risk of jeopardizing the effectiveness and, consequently, the very justification for the compliance function. That is why the CCO should focus on:

- the fight against fraud and corruption, not only with regard to the projects financed by the CEB, but also to its purchases of goods, works and services;
- the fight against money-laundering and the financing of terrorism, paying particular attention to respecting the "know your customer" principle;
- the application of ethical rules of behaviour in accordance with CEB's principles of integrity and good governance;
- promoting CEB's strong commitment for a proper compliance culture in providing adequate awareness raising, training and communication.

#### 3. Missions

There are two sides of the implementation of these major missions, a "prevention and advice" side and a "control and investigation" side.

In the first case, the aim is to identify and limit the compliance risk. In the second, the objective is to check that the compliance rules are respected and to take action in the event of non-respect.

## **II) Independence, support from Management, and Compliance Committee**

The Chief Compliance Officer (CCO), a member of the CEB Staff, reports functionally and administratively directly to the Governor, the Executive Organ of the Bank. The compliance function operates independently from the Bank's operational and business activities.

Within the framework of his/her mission, the CCO will be guaranteed full autonomy in the execution of his/her functions. The position is established on an adequate hierarchical senior position level of the Bank's management hierarchy. To carry out his/her function, whether inside of the Bank or outside on behalf of CEB, the CCO has access to any documentation deemed necessary by him/her. The CCO shall have full and free access to all levels of Management, to the Organs and to the assigned External Auditors of the Bank.

Any breaches of compliance related standards and of applicable CEB operating policies, rules and regulations the CCO becomes aware of, will have to be analyzed on his/her own initiative without obstruction and fear of retaliation from management and other staff members. He/She can request the Internal Audit of the Bank to support compliance ad-hoc investigations.

Furthermore, a committee is established within the Governing Board (the Compliance Committee), with the mandate to address cases of alleged violations of the applicable codes of conduct involving the Governor, a member of the Bank's Collegial Organs including their Chairperson, or a member of the Auditing Board. This Committee is composed of the Chairperson, Vice-Chairperson and a third member, drawn by lots from the Governing Board, who will act in this capacity for a three year term. If the third member of the Committee ceases to be a member of the Governing Board, a new member shall be drawn by lots for a new three year term.

## **III) Investigation Role**

The compliance function will ensure that the compliance rules are effectively respected and will take action in the case of (presumed) non-respect. To this effect, the CCO will proceed along following guidelines:

In case of allegations of misconduct against a CEB Staff member, a Vice Governor or an External Service Provider, the CCO reports his preliminary assessment of the issue to the *Governor*, who will decide on further proceedings of the compliance investigation. This decision shall be duly motivated.

In case of allegations of misconduct against the *Governor*, a *member of the Collegial Organs*, including their *Chairperson*, or a *member of the Auditing Board*, the CCO will report the allegation to the *Compliance Committee*, who will conduct a preliminary assessment and decide on further proceedings of the compliance investigation, including the possible engagement of external expertise.

In case of allegations of misconduct against a *member of the Compliance Committee*, this member shall not take part in the Committee's proceedings.

The investigations undertaken within this framework must be thorough, rigorous and respectful of the parties concerned. They must also be objective, impartial and equitable.

Any information given concerning a case of presumed fraud or corruption - or pertaining to it in any other way - and the identity of the suspect shall be treated with the strictest confidentiality. The identity of the person who reports these facts shall remain confidential during the investigation.

CEB's Staff, the Vice-Governors and the Members of the Organs must in no case suffer any inequitable or discriminatory treatment as a result of any information communicated on the subject.

The conditions of reporting or repression must come within the respect of the above mentioned principles, appropriate information and the respective competencies of the CEB's Organs.

The handling of allegations of this type shall comprise two major steps:

1. the reception of accusations and examinations of their admissibility. At this stage, the examination concerns the credibility of the source, the evidence presented and the extent to which the Bank is concerned. According to the result of this examination, it shall then be decided whether a preliminary investigation is required;
2. the actual investigation itself.  
If this investigation concludes that fraud or corruption is likely to have occurred, i.e. the allegations are factually justified, the Institution undertakes to apply all measures appropriate to the case in question (e.g. administrative and disciplinary measures / early reimbursement or even cancellation of a loan / civil and/or judicial cases brought before the local courts).

Any disciplinary measure against a staff member on the basis of the conclusion of the above mentioned assessment shall naturally be taken in compliance with the provision contained in the Staff Regulations. Any decision relative to the lifting of immunity shall be taken in conformity with the provisions contained in the *“Third Protocol to the General Agreement on Privileges and immunities of the Council of Europe”*.

#### **IV) Activity Reporting**

The Compliance Office prepares yearly compliance activity report to the Governor. This report, exclusively outlining the compliance activities during the business year, is also to be presented to the organs of the Bank.

Auditable traces of compliance activities are to be documented and held available for the auditing bodies of the Bank.

#### **V) Control**

While the compliance function is to be seen as a second-level control function which ensures that policies and procedures with regard to risk-taking are enforced, the internal audit function serves as a third-level control assessing efficiency and effectiveness of the design and operation of internal controls.

The compliance function therefore comes within the scope of CEB's audit reviews of the *Internal Audit*, in particular in reference to the effectiveness of the compliance system, terms of the adequacy of means allocated, its independency, its objectives, its' contribution to the internal diffusion of a compliance culture and the accomplishment of other responsibilities assigned.

At the same time, both functions – compliance and internal audit – are required to maintain a close relationship in order to keep each other up-to-date on their respective activities.