



## Audit per Regulations governing Sound Operational Practices under the Trust Offices (Supervision) Act

### Guidelines for Trust Offices

Version 21 November 2017

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Guidelines for Audit per  
Regulations governing  
Sound Operational  
Practices under the Trust  
Offices (Supervision) Act  
(also RIB/WTT)

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# Introduction

## General

This brochure describes the working method that can direct the performance of an audit at a trust office. This brochure also identifies the minimum requirements applicable in the context of the CTC Quality Label requirements to the audit function (outsourced or internal) and to the activities to be performed.

## Target group

This brochure is intended for the members of Holland Quaestor and auditors (internal or external) who perform work as RIB auditors (hereinafter: 'auditors') for the affiliated members.

## Objectives

The objectives of the brochure are:

1. to provide members of Holland Quaestor with a description of the expected working method and structure of the audit function referred to in the Regulations governing Sound Operational Practices under the Trust Offices (Supervision) Act 2014 (hereinafter referred to by its Dutch abbreviation 'the RIB/WTT 2014');
2. to promote a uniform working method and structure for the RIB audit function, in combination with the inspections that are carried out under the CTC Quality Label.
3. to provide a handhold to the board of the trust office in its role as commissioning party for formulating the assignment to the auditor on the basis of these guidelines.

## Underlying principles

1. the activities of the auditor must at all times meet the requirements established by law within the context of the Trust Offices (Supervision) Act;
2. the auditor must perform the activities independently from Holland Quaestor and from the inspectors appointed in connection with the CTC Quality Label.
3. the auditor personally decides on what the audit work specifically entails;
4. the client of the auditor is responsible for making the audit reports available to the inspectors regarding the CTC Quality Label, doing so after coordination with the auditor involved.
5. the description in this brochure of the working method of the auditor serves as a guide for trust offices that are members of Holland Quaestor.

## Framework

The audit function covers at least the following three tasks:

(source: [www.toezicht.dnb.nl/3/50-232019.jsp](http://www.toezicht.dnb.nl/3/50-232019.jsp))

- assessment of the effectiveness of the structure of the organisation;
- assessment of the effectiveness of the measures and procedures integrated in the business processes of the trust office;
- assessment of the effectiveness of the compliance function.

A precondition for the way the audit function is structured is that the person who carries it out can do so independently and without interference. The person who carries out the audit function may in no way be involved in the daily business activities, so that he/she can make a critical and independent judgement about the effectiveness of the trust office.

Trust offices may outsource this audit function to a third party. The RIB/WTT 2014 does not impose any specific requirements that the auditor must meet. However, the person who fulfils this function must possess the relevant educational background, knowledge, experience and competencies.

In January 2017, DNB published the 'DNB Assessment Framework for the Audit Function at Trust Offices Pursuant to the RIB WTT 2014'. In this document, DNB expresses its expectations with regard to the requirements of *independence and effectiveness* of the audit function stated in RIB WTT 2014, which have been incorporated into these guidelines.

# 1. General

## 1.1. Audit function



The audit function operates as the third of the *three lines of defence model* of trust offices, which a trust office must have structured and have in operation since 1 January 2015. The trust office will need to determine the mutual rights and obligations with respect to the audit function. These are to be set out in an outsourcing (or other) agreement and/or an audit charter.

Aside from the purpose and the independence of the function, the tasks and scope of the work are also to be explicitly identified.

## 1.2 Preparation



In preparation for the audit work, the audit function will acquaint itself with the activities of the trust office (including changes), special events and preconditions.

The audit function must have insight into the risk profile of the trust office. The systematic integrity risk analysis of business operations (SIRA) can also be used in support of this; The risk profile serves as the basis for the preparation of an audit plan and work programme.

## 1.3. Audit plan



The audit plan identifies the topics to be reviewed and the frequency with which this will take place. In this regard, the plan distinguishes between topics that are reviewed annually and those that are reviewed less frequently.

## 1.4 Reporting



The results of the audit work are reported in writing to the board of the trust office (and if applicable to the internal supervisory body). The report must clearly distinguish between findings, shortcomings and conclusions. In the case of the findings and shortcomings, recommendations must be made regarding necessary follow-up measures for the (further) improvement of the ethical business operations.

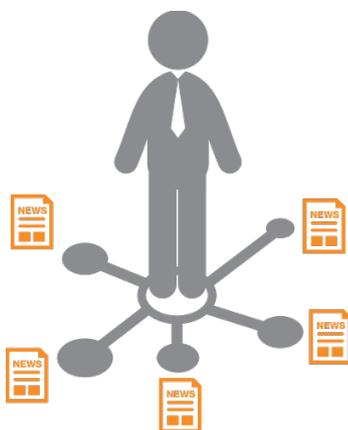
A substantiated risk indication must also be given for the findings and shortcomings, as well as a period within which they should be followed up on/remedied and an indication of who is responsible for doing so.

A conclusion must be presented in the report at least once a year regarding the effectiveness of the organisation structure, the effectiveness of the procedures and measures and the effectiveness of the compliance function.

*The following subjects are addressed in the chapters below:*

- Audit function (chapter 2);
- Preparation (chapter 3);
- Audit plan (chapter 4);
- Reporting (chapter 5).

## 2. Audit function



Under the RIB/WTT 2014, trust offices are required to have an audit function as of 1 January 2015.

The audit function covers at least the following three tasks:

(source: [www.toezicht.dnb.nl/3/50-232019.jsp](http://www.toezicht.dnb.nl/3/50-232019.jsp))

- assessment of the effectiveness of the structure of the organisation;
- assessment of the effectiveness of the measures and procedures that are integrated in the business processes of the trust office; and
- assessment of the effectiveness of the compliance function.

*Auditors who carry out the audit function must have proper and up-to-date knowledge. It is essential in this regard that the auditor has insight into:*

- the relevant regulation rules (the WTT, the RIB WTT 2014, the WWFT and the Sanctions Act 1977 and related guidance documentation);
- the developments in the area of inherent and other risks that a trust office may be confronted with;
- the developments in the area of integrity risks, including money laundering, financing of terrorism, corruption, conflicts of interest and tax fraud;
- the requirements applicable to the compliance function;
- the requirements applicable to the audit function.

Auditors must be aware of the latest developments in order to be able to perform their work well. The law does not identify specific requirements that would apply to the auditor, but clients must convince themselves that their auditor fulfils the requirements set out above. The knowledge, expertise, education and competencies of the auditor will play an important role in this.

The board of the trust office decides itself whether the auditor is suited for the audit function. Aside from the above criteria, it is important that the auditor clearly possesses the skills and experience needed to fulfil the audit function.

Other points for attention are:

- the audit function must be *independent* and not be involved in any way in the day-to-day business operations;
- an *audit charter* must be present. This includes the role, position, rights and obligations. Aside from the purpose and independence of the function, the tasks and scope of the work are also explicitly identified;
- the *procedures manual* must describe the work of the audit function;
- the *procedures manual* must identify the person who fulfils the audit function;
- prevention of *conflicts of interest* between audit and compliance functions;
- *outsourcing* of the audit function is permitted, provided that clear arrangements are made regarding the work to be done. When the function is outsourced, legal regulations continue to apply in full; the trust office is responsible for compliance with these regulations itself. In the case of outsourcing, it is important that clear arrangements are made regarding the scope of the audit function to ensure that inspections are in fact carried out. Insufficient involvement is interpreted as constituting a non-operating audit function and is thus a violation.

Holland Quaestor has set the following requirements for RIB auditors in order to safeguard the quality and independence of their opinion-forming:

- Demonstrable and up-to-date knowledge of laws and regulations relevant to the trust sector, as a result of following sectoral training/courses and permanent education.
- Demonstrable relevant experience of participating in the performance of operational audits.
- In addition, as of 1 January 2020 Holland Quaestor will require auditors to be a registered operational auditor (Register Operational Auditor or 'RO'), a chartered accountant (Registeraccountant or 'RA') or to have a similar international title which includes a duty of registration, or to be a member of the Institute of Internal Auditors.

## 3. Preparation



Before specific auditing work is started, the audit function must have insight into the activities and risk profile of the trust office. After all, the audit plan (planning and performance) must link up with the nature, scope, risks and complexity of the activities of the trust office.

To this end, the audit function must gain insight into at least:

- the Systematic Integrity Risk Analysis of business operations (SIRA);
- correspondence with DNB and the external accountant;
- any legal proceedings (current and finalised);
- results of CTC quality label site visit;
- internal reports, memoranda and minutes (including reports by the compliance function);
- institution-specific information (ISI) reports; and
- organisation chart, showing departments and functions.

In addition, the auditor conducts interviews with company officials, including board members and the compliance officer (whether internal or external) so as to get a good understanding of the way the organisation is structured, how the business processes work, and the way the compliance function operates.

# 4. Audit plan

## 4.1 Introduction

By law, a trust office must carry out or commission an RIB audit at least once a year. The audit function may carry out its tasks on a periodic basis. This may take one of two forms: an annual full audit, or smaller audits of subprocesses spread over the year.

The subjects, the frequency of the audit of these topics and the intensity of the audit of specific subjects depend, among other things, on the risk analysis/business operations and the auditor's own risk assessment. The SIRA shall play an important role in this respect.

The audit plan provides insight into the standards on the basis of which the auditor must carry out the audit, and the work to be performed to this end. The audit plan identifies in what form the audit is carried out (full scope or partial), what topics are reviewed and the frequency with which this is done (in the case of smaller or limited audits). Where possible, specific attention points are included so that they can be reviewed.

The audit plan is agreed with the board of the trust office prior to the audit work. The audit plan thus contains a clear planning of the auditing work and of the topics to be reviewed.

The audit plan makes clear what auditing work is carried out in order to be able to form an opinion for the year involved regarding:

- the effectiveness of the organisational structure;
- the effectiveness of the measures and procedures integrated in the business processes of the trust office;
- the effectiveness of the compliance function.

## 4.2 Effectiveness of the organisational structure

The way a trust office structures its organisation depends on the nature and scope of its business activities. Regardless of how the trust office structures the organisation, it must ensure sound operational practices. Independent of the nature and scope of the business activities, internal and external integrity standards must be integrated in the business process.

*For purposes of assessing the effectiveness of the organisational structure, attention must be paid to at least the following aspects:*

- the Systematic Integrity Risk Analysis of business operations (SIRA);
- the organisational structure and staff size (in FTEs) corresponds with the activities of the trust office and the number of clients or object companies served.
- the training and experience level of staff members corresponds with the functions carried out, the nature of the services and the background of the clients.
- the way in which the board of the trust office fulfils its obligation of care with regard to raising awareness, furtherance and maintenance of ethical conduct within the organisation;
- the trust office must have an up-to-date procedures manual that is updated at least every year, or as soon as is necessary as a result of changes to the relevant laws and regulations or developments in the organisation of the trust office;
- the procedures manual must contain the policy, the procedures and the control and other measures targeted at compliance with the WTT, the RIB WTT 2014, the WWFT and the Sanctions Act 1977; the procedures manual can also contain procedures and measures targeted at compliance with internal policy rules;
- the procedures and measures in the procedures manual must be in line with the control measures contained in the SIRA;
- in practice, the working method must be in line with the procedures and measures described in the procedures manual. On the grounds of the RIB WTT 2014, the trust office must comply with its own procedures manual, even if the procedures manual contains more and/or different procedures than those required on the grounds of the WTT.
- the procedures manual reflects a minimum segregation of duties (*three lines of defence*, including separation between service performance and internal controls, the compliance function and the audit function);
- the procedures manual has been visibly approved by the board of the trust office;
- the way in which the board of the trust office structures the required segregation of assets;
- the presence of an incident register, in which are recorded the relevant facts, the names of the persons involved and the measures taken in response to the incident;

- the presence of a register of client changes, in which are recorded the names of clients which have come from a different trust office and the names of clients with which the relationship has ended, providing detailed reasons for the move or end of relationship;
- a training programme for staff members or groups of staff members must be available.

### 4.3 Effectiveness of measures and procedures

In addition to the structure and existence of the policy, procedures and measures set down in the procedures manual, the auditor also assesses – in particular – how they operate. This also involves assessing the extent to which procedures and measures are actually applied and complied with in practice.

When reviewing the functioning of procedures and measures, a risk-based approach may be decided on, so that not all aspects are reviewed every year. A risk-based approach may also result in the scope and depth of the audit work differing per aspect.

It is up to the auditor to decide, in cooperation with the board of the trust office, the frequency per aspect. The motivation for the frequency and intensity must be covered in the audit plan. Trust offices must discuss these requirements with their auditors. The motivation for the frequency and intensity must be covered in the audit plan.

In the risk-audit approach, the audit function must, independently of the activities in the second line, consider the following as a minimum:

- the nature, scope, positioning and complexity of the trust office and its services;
- developments in relevant legislation;
- publications, theme studies and newsletters of DNB;
- the results of the Systematic Integrity Risk Analysis of business operations (SIRA); and
- the findings and conclusions of past audits.



The evaluation of the effectiveness of the procedures and measures must be performed partly on the basis of a partial observation or random sampling to be determined by the auditor. An RIB auditor should assess 20 files at a large trust office, 10 files at a medium-sized trust office and 5 files at a small office. The auditor must provide a clear substantiation of the way in which the selection was made in the audit report.

Based on the requirements in the WTT, the RIB WTT 2014, the WWFT and the Sanctions Act 1977, the subjects to be addressed in the review of operations must be evaluated in a risk-based manner.

For the sake of accessibility, references to regulations must only list the most relevant standard, as summarised in the second column. For example, no reference is made to article 10 WTT, because this forms the basis for the RIB WTT 2014. In the following chart, references to the RIB WTT 2014 are abbreviated to 'RIB'.

### 4.3.1. The organisation of the trust office

Topic	Summary of standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Duty of Care and responsibilities of the board regarding governance of the trust office</b>	<p>The daily management of the trust office lies with the board. The board is responsible for:</p> <ul style="list-style-type: none"> <li>• ethical business operations of the trust office;</li> <li>• compliance with relevant laws and regulations;</li> <li>• familiarity and compliance with the procedures manual of the trust office;</li> <li>• proper accounting records.</li> </ul>	» art. 2 RIB	<ul style="list-style-type: none"> <li>• Division of tasks within the board;</li> <li>• Expertise;</li> <li>• Specifics of exemplary function;</li> <li>• Ethical culture.</li> </ul>
<b>Duties of the board and management of integrity risks</b>	<p>The board takes measures to ensure awareness, furtherance and maintenance of ethical conduct within the organisation of the trust office.</p>	» art. 3 RIB	<ul style="list-style-type: none"> <li>• The procedures manual;</li> <li>• Activities geared towards raising awareness;</li> <li>• Consultative structures;</li> <li>• Direction on the basis of behaviour and culture;</li> <li>• Education plan;</li> <li>• Achieving HQ PE points.</li> </ul>
<b>Systematic Integrity Risk Analysis (SIRA)</b>	<p>A trust office analyses integrity risks in a systematic manner.</p> <p>Based on the SIRA, the trust office develops in greater detail measures and procedures for managing integrity risks.</p> <p>Employees of the trust office must take cognisance of the SIRA.</p>	» art. 4 RIB	<ul style="list-style-type: none"> <li>• The SIRA is an analysis of integrity risks at the level of the business operations;</li> <li>• Handles various integrity risks, such as money laundering, financing of terrorism, conflicts of interest, corruption and tax fraud;</li> <li>• The SIRA must be up-to-date and specific, and have sufficient depth;</li> <li>• The results of the analysis are translated into risk-mitigating measures in the form of policy and procedures which are developed in detail in the procedures manual;</li> </ul>

Topic	Summary of standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<p><i>Follow-up</i></p> <p><b>Systematic Integrity Risk Analysis (SIRA)</b></p>			<ul style="list-style-type: none"> <li>Part of the SIRA is the vision on integrity of the trust office, including the risk appetite of the trust office with regard to aspects such as types of client, structures, services, countries involved and the acceptability of tax-driven structures.</li> </ul> <p>Relevant publication of DNB: Brochure, "The Integrity Risk Analysis, More Where It Is Needed, Less Where It Is Possible", August 2015.</p>
<p><b>Separation of assets</b></p>	<p>A trust office ensures full separation (physical or otherwise) between assets (monetary instruments) that belong to different clients or object companies. The assets belonging to a trust office itself may also not be mixed with those of clients or object companies.</p>	<p>» art. 5 RIB</p>	<ul style="list-style-type: none"> <li>In any event, measures must ensure full separation between the assets of clients, object companies and those of the trust office;</li> <li>Use of escrow accounts.</li> </ul>
<p><b>Notifications to DNB which may not be implemented without the permission of DNB</b></p>	<p>Prior to appointment, the DNB must be notified of changes pertaining to:</p> <ul style="list-style-type: none"> <li>the identity of directors, supervisory directors, policymakers and co-policymakers;</li> <li>the identities of holders of a qualified holding;</li> <li>the formal and actual control structure.</li> </ul> <p>These changes may not be implemented until the approval of DNB has been received. Noncompliance constitutes a regulatory infringement.</p>	<p>» art. 5, paragraph 1 WTT</p>	<p>Prior permission is required because DNB needs to carry out checks on the people in question in terms of their reliability and suitability.</p> <p>Give notice as to whether the appointments in question have taken place.</p> <p>Check whether the appointments in question have taken place with the prior permission of DNB.</p> <p>Checks must also take place in the event of a change of position.</p>

Topic	Summary of standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<p><b>Notices to DNB with regard to information provided to DNB in the permit application which must take place in writing immediately after the fact.</b></p>	<p>Changes of which DNB has to be notified in writing immediately after the fact are:</p> <ul style="list-style-type: none"> <li>• the antecedents of directors, supervisory directors, policymakers and co-policymakers;</li> <li>• the antecedents of holders of a qualified holding;</li> <li>• the names, addresses and registered offices of the trust offices belonging to the group of ABC;</li> <li>• the intended business operations, including the procedures manual.</li> </ul>	<p>» art. 5, paragraph 2 WTT</p>	<p>Check whether the changes in question have taken place, and that DNB has been notified.</p> <p>Check how any change to the antecedents is monitored internally.</p>
<p><b>Procedures manual</b></p>	<p>The trust office must have an up-to-date procedures manual. The procedures manual must contain procedures that cover all relevant subjects that are identified in the WTT, the RIB WTT 2014, the WWFT and the Sanctions Act 1977 and on how it complies with these, including the regulations regarding the compliance function and audit function.</p>	<p>» art. 6 RIB</p>	<p>Check whether the procedures manual is updated regularly and approved by the board.</p>
<p><b>Segregation of duties</b></p>	<p>The trust office must ensure adequate segregation of duties between executive duties and controlling duties (segregation of duties). In any event, this means that segregation of duties must be in place between:</p> <ul style="list-style-type: none"> <li>• the execution of company activities and the execution of the compliance function with regard to these activities;</li> <li>• the execution of the compliance function and the execution of the audit function.</li> </ul>	<p>» art. 6 RIB » art. 7, paragraph 3 RIB</p>	<p>The segregation of duties is sufficiently set down in the procedures manual.</p> <p>A director may not perform an audit or compliance function with regard to the activities of another director if the latter performs the compliance function with regard to the activities of the former. In other words, directors may not review each other's work.</p>

Topic	Summary of standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Compliance function</b>	A trust office must ensure an independent and effective compliance function with regard to its activities. The compliance function focuses on checking compliance by the trust office with provisions laid down by law, and with the procedures manual.	» art. 7, paragraph 1 RIB	For the evaluation points of the compliance function, reference is made to section 4.4.
<b>Integrity-sensitive functions</b>	Employees who perform functions that are sensitive to integrity must be reliable. The trust office properly investigates this reliability and decides whether it runs any integrity risks with regard to employees to be hired.	» art. 8 RIB	The point of departure is that all members of staff have an integrity-sensitive function, unless stated otherwise in the procedures manual.  Check whether personnel file contains the required data and documents.
<b>Integrity-sensitive functions performed by external personnel</b>	As to external staff members who are appointed in functions that are sensitive to integrity – other than on the grounds of an employment contract – the same safeguards must be taken as for own personnel.	» art. 9 RIB	Check whether personnel file contains the required data and documents.
<b>Outsourcing of activities in an integrity-sensitive function</b>	A trust office can outsource work.  The trust office may outsource the execution of the compliance and/or audit functions, but not to the same party or a party which belongs to the same group of companies.  The trust office must ensure that the regulations for ethical business operations are complied with.	» art. 7, paragraph 6 RIB » art. 9, paragraph 4 RIB	If the trust office outsources activities to a third party, the agreements regarding these activities must be set down in writing.  The risks of outsourcing must be addressed in the SIRA.  The procedures manual must contain adequate procedures, measures, expertise and information to enable evaluation of the performance of the work contracted out.

Topic	Summary of standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Provision of information about members of staff</b>	If requested by another financial institution, the trust office must provide information regarding the reliability of former staff members.	» art. 10 RIB	Check whether such information requests have been submitted and whether they have been adequately answered.
<b>Incidents</b>	<p>Incidence as referred to in the RIB WTT 2014 must be notified to DNB.</p> <p>These incidents must be recorded, indicating the measures taken to manage risks and prevent repetition.</p>	<p>» art. 1, paragraph 1(f), RIB</p> <p>» art. 11 RIB</p> <p>» art. 24 RIB</p>	<p>According to the RIB, an incident is a behaviour or event which forms a serious danger to the sound operational practices of the trust office; such incidents must be notified to DNB.</p> <p>A trust office can also designate other events as incidents.</p> <p>Check whether incidents have been reported to DNB and whether this was done adequately.</p> <p>Check whether an incident register is present.</p> <p>Give attention to incidents and assess the measures taken, including those pertaining to incidents which were not reported to DNB.</p>

Topic	Summary of standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Trust office file (article 24 file)</b>	<p>The trust office must have an up-to-date file regarding its own organisation, and make this available to DNB.</p> <p>This dossier must contain a record of its registration with the Chamber of Commerce, a list of its policymakers and of the formal control structures with qualified members, a structural overview of the position of the trust office, the current procedures manual, a register of incidents and the adopted annual accounts for the past three years.</p>	» art. 24 RIB	Check whether the file contains all data and documents referred to in article 24 RIB, items a. through j.
<b>Training</b>	The trust office must ensure that all persons who perform work for the trust office are aware of the provisions of the WTT and the RIB WTT 2014, as far as this is relevant for the performance of their duties, and periodically attend courses which enable them to properly and fully perform the obligations under the act and these regulations.	» art. 26 RIB	<p>Check how it is ensured that the employees have access to good, up-to-date information, so that they can comply with the WTT and any related relevant regulations in the performance of their duties.</p> <p>Check whether there is an education plan, how this was set up and how the courses taken are registered, including HQ PE points.</p>

### 4.3.2 Services

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<p><b>Client screening</b></p>	<p>A trust office must screen potential clients. Among other things, the client screening makes it possible for the trust office to:</p> <ul style="list-style-type: none"> <li>• identify the client and the ultimate beneficial owner and to verify their identities;</li> <li>• establish the nature and intended purpose of the business relationship;</li> <li>• exercise continuous control over the business client and the transactions performed during the course of this relationship;</li> <li>• verify whether the client is acting on the client's behalf or on behalf of a third party.</li> </ul> <p>With regard to services provided to an object company, the sale of and mediation in the sale of legal entities, acting as a trustee and the conduit services are subject to additional regulations with regard to client screening.</p>	<ul style="list-style-type: none"> <li>» art. 12 RIB to art. 18 RIB,</li> <li>» art. 19 RIB to art. 22 RIB</li> <li>» art. 25 RIB</li> <li>» art. 11 WWFT</li> </ul>	<p>Client screening must have a layered structure. This means that additional regulations apply for client screening for the various types of trust services.</p> <p>Different regulations apply to partnerships, such as limited partnerships and trusts. In the case of higher risk, stricter client screening must be performed.</p> <p>The results of client screening must be recorded in the client file in a verifiable manner.</p> <p>Services may not commence until the regulations for client screening have been met.</p> <p>Relevant publications of DNB:</p> <ul style="list-style-type: none"> <li>• The Services Q&amp;As on the website of DNB: <a href="http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp">http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp</a>;</li> <li>• Feedback from theme studies by DNB in the Trust Offices Newsletter;</li> <li>• Guidance DNB Leidraad WWFT and SW April 2015.</li> </ul>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Identification and verification of the UBO</b>	<p>The trust office must know who the ultimate beneficial owner (UBO) of the object company is and must have information to determine who must be regarded as ultimate beneficial owner. The trust office also has information based on which the identity of the ultimate beneficial owner is determined.</p> <p>If there is no ultimate beneficial owner, then the trust office must have information to evidence this.</p>	<ul style="list-style-type: none"> <li>» art. 12 RIB</li> <li>» art. 13 RIB</li> </ul>	<p>The file must also show how the investigation into the identity of UBOs took place. Research into possible 'hidden UBOs' which must be deemed UBO on the grounds of actual control.</p> <p>The date on which verification of the identity of the UBOs took place must be recorded verifiably in the file.</p>
<b>Risk-based and stricter client screening</b>	<p>Client screening must be geared towards the specific risks associated with a certain type of client, UBO and/or the services provided.</p>	<ul style="list-style-type: none"> <li>» art. 13 RIB to art. 16 RIB</li> <li>» art. 23 RIB</li> </ul>	<p>The depth of the client screening must be geared towards the specific risks associated with the client, such as the identity of the UBO, the origin of the capital of the UBO, the activities of the UBO, the PEP qualification, if appropriate, the structure, countries involved, the nature of the services provided by the trust office.</p> <p>The simplified client screening referred to in the WWFT cannot be applied in the case of trust services.</p> <p>The policy on risk appetite is set down in the SIRA, which must be updated at least once per year.</p>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<p><b>Politically prominent persons</b></p>	<p>The trust office must apply a risk-based policy to determine whether an UBO is a PEP (Politically Exposed Person).</p> <p>A PEP is a politically prominent person or a relative or associate, who because of his/her specific influence may represent a risk of abuse of position, for example with regard to money laundering.</p>	<p>» art. 1 WTT » art. 14 RIB</p>	<p>In case of a PEP, the trust office must apply a stricter client screening process. DNB has formulated a good practices policy with regard to high-risk countries and PEPs, including:</p> <ul style="list-style-type: none"> <li>• the trust office decides, based on the level of risk, whether a UBO must be regarded as a PEP, even after the conclusion of his/her political career;</li> <li>• the trust office conducts a total scan of the PEP and his/her environment;</li> <li>• the PEP list is checked regularly.</li> </ul> <p>Relevant publications of DNB:</p> <ul style="list-style-type: none"> <li>• The Services Q&amp;As on the website of DNB: <a href="http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp">http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp</a>;</li> <li>• Information leaflet/Good practices Project UBOs from high-risk countries;</li> <li>• Guidance DNB Leidraad WWFT and SW April 2015.</li> </ul>
<p><b>Provision of services to an object company</b></p>	<p>In addition to the client screening referred to in article 13 RIB, in the case of the provision of services to an object company, the trust office must have knowledge of and access to data pertaining to the origin of the assets of the object company and the UBO, the relevant parts of the structure of the group to which the object company belongs, the purpose for which the structure was established, and of the origin and destination of the funds of the object company.</p>	<p>» art. 13 RIB » art. 19 RIB</p>	<p>The trust service most frequently provided is that to object companies (management and/or domicile-plus).</p> <p>Client screening for this trust service must comply with both the requirements of article 13 RIB and the additional requirements of article 19 RIB.</p> <p>This primarily involves researching the origin of the assets of the object company and the UBO, the structure of the group to which the object company belongs, the purpose for which the structure was established, and of the origin and destination of the (expected) funds.</p>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<p><i>Follow-up</i></p> <p><b>Provision of services to an object company</b></p>			<p>The prohibition on the commencement of the provision of services in article 19 paragraph 3 is of essential importance. This stipulates that the provision of services cannot start before all the data and documents referred to are present in the file.</p> <p>Relevant publications of DNB:</p> <ul style="list-style-type: none"> <li>• The Services Q&amp;As on the website of DNB: <a href="http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp">http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp</a>;</li> <li>• Feedback from theme studies by DNB in the Trust Offices Newsletter.</li> </ul>
<p><b>Selling and acting as broker in the sale of legal entities</b></p>	<p>When a trust office sells a legal entity or acts as broker for the sale, it must know the identity of the buyer and of any natural person who has a qualified holding (25% or more) in the buyer.</p> <p>If no natural person has such an interest, the trust office must then possess data showing this.</p> <p>In addition, in case of sale the origin of the capital must be established, as well as potential integrity risks associated with the sale. When the trust office acts as broker in a sale, it must establish, with regard to the seller and the counterparty of the client, the identity of the party as well as of the ultimate beneficial owner of that same party.</p>	<p>» art. 13 RIB » art. 20 RIB</p>	<p>Client screening in the case of the sale of legal entities, or the brokerage thereof, must comply with both the requirements of article 13 RIB and the additional requirements of article 20 RIB.</p> <p>A relevant question is whether the trust office continues to provide services after sale of the legal entity or not.</p>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Acting as trustee</b>	<p>If the trust office acts as trustee of a trust, then it must know the identity of the settlor, the origin of the assets, and the beneficial owner(s) of the trust.</p>	<ul style="list-style-type: none"> <li>» art. 13 RIB</li> <li>» art. 21 RIB</li> <li>» art. 12(c) RIB</li> </ul>	<p>Client screening in the case of acting as a trustee must comply both with the requirements of article 13 RIB and the additional requirements of article 21 RIB.</p> <p>The prohibition on the commencement of the provision of services in article 21 paragraph 4 is of essential importance. This stipulates that the provision of services cannot start before all the data and documents referred to there are present in the file.</p>
<b>Conduit companies</b>	<p>A conduit company is a company owned by the trust office which is used on behalf of a client (of the trust office). The trust office knows the identity of the client and the ultimate beneficial owner of the client and has recorded this in its records.</p> <p>A record must also be kept of the origin/expected origin and destination of the funds passing through the conduit company.</p>	<ul style="list-style-type: none"> <li>» art. 13 RIB</li> <li>» art. 22 RIB</li> </ul>	<p>Client screening in the case of the provision of conduit services must comply both with the requirements of article 13 RIB and the additional requirements of article 22 RIB.</p> <p>The client screening must be geared towards the increased risk associated with these services. The risks must be adequately limited by means of suitable measures, transaction monitoring in particular.</p>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Risk analysis of services at client level</b>	<p>The RIB/WTT requires trust offices to conduct a risk analysis for each client. The required risk analysis is an investigation into the purpose of the services and the integrity risks associated with the services, and must include the results of the client screening. Adequate risk mitigating measures must also be formulated.</p> <p>Everything must be recorded in the client file/client acceptance file.</p>	<p>» art. 23 RIB</p>	<p>Article 23 is a core article.</p> <p>Assess how the trust office fulfils this obligation in practice.</p> <p>Assess whether the risk analysis has taken into account all relevant risks associated with the client, such as country of origin, the sector in which the client is active, and the transactions to be expected (nature, size, complexity, etc.).</p> <p>Assess whether the result of the analysis is realistic, or whether the risk mitigating measures formulated are sufficiently geared towards the specific situation, and whether actions take place accordingly in practice.</p> <p>Assess the involvement of the compliance function.</p> <p>Are the working method and the procedures manual in line with one another, and are they both in line with the SIRA.</p> <p>Relevant publications of DNB:</p> <ul style="list-style-type: none"> <li>• The Services Q&amp;As on the website of DNB: <a href="http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp">http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp</a>;</li> <li>• Good Practice Transaction Monitoring Trust Offices, draft, October 2016;</li> <li>• Feedback from theme studies by DNB in the Trust Offices Newsletter.</li> </ul>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<b>Client acceptance file</b>	<p>The results of the client screening, including the substantiating data and documents and the risk analysis on the provision of services at client level must be recorded in the client acceptance file.</p> <p>The file must be structured accessibly and must be made available for DNB.</p> <p>The file must be stored for at least five years after the services have ended.</p>	<ul style="list-style-type: none"> <li>» art. 25 RIB</li> <li>» art. 16 RIB</li> <li>» art. 18 RIB</li> </ul>	<p>Check whether the file is accessible and contains the required data and documents.</p>
<b>Transaction monitoring</b>	<p>The trust offices required to monitor transactions. Without transaction monitoring, unusual transactions cannot be detected and reported to the Financial Intelligence Unit Netherlands (FIU-NL).</p>	<ul style="list-style-type: none"> <li>» art. 13 RIB</li> <li>» art. 19 RIB</li> <li>» art. 21 RIB</li> <li>» art. 22 RIB</li> </ul>	<p>Transaction monitoring is an important mitigating measure to manage integrity risks. This measure must be included in the SIRA for the management of integrity risks.</p> <p>An important basis for transaction monitoring is the risk analysis of services at client level of article 23 RIB.</p> <p>The structure and depth of the transaction monitoring must be geared to the specific integrity risks established at the level of the client/object company.</p> <p>Assess how the transaction monitoring is structured and how it works in practice. A relevant question in this respect is whether a transaction profile is present that is suitable for the adequate monitoring of transactions.</p>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<p><i>Follow-up</i></p> <p><b>Transaction monitoring</b></p>			<p>Relevant publications of DNB:</p> <ul style="list-style-type: none"> <li>• Good Practice Transaction Monitoring Trust Offices, draft, October 2016;</li> <li>• The Provision of Services Q&amp;As on the website of DNB: <a href="http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp">http://www.toezicht.dnb.nl/4/4/4/50-204404.jsp</a>;</li> <li>• Feedback from theme studies by DNB in the Trust Offices Newsletter;</li> <li>• Guidance DNB Leidraad WWFT and SW April 2015.</li> </ul>
<p><b>Mandatory reporting of unusual transactions</b></p>	<ul style="list-style-type: none"> <li>• Under Article 16 WWFT, a trust office is required to report unusual transactions, whether actual or intended, to the FIU-NL.</li> <li>• Before reports can be submitted, the trust office must be registered with the FIU NL. The reporting procedure is explained on the website of FIU-NL;</li> <li>• Articles 19 and 20 of the WWFT explicitly state that the notifications issued by the financial institution (read: the trust office) to the FIU may not be used to take the financial institution to court for involvement in money laundering or terrorist financing, and also that the institution involved is not liable for damage that third parties may suffer due to the report;</li> <li>• A trust office that has reported an unusual transaction is subject to an obligation of confidentiality. This ensues from article 23 WWFT;</li> <li>• Documentation must be stored at least five years.</li> </ul>	<ul style="list-style-type: none"> <li>» WWFT art. 12</li> <li>» WWFT articles 15 - 20</li> <li>» WWFT art. 22</li> <li>» WWFT art. 23</li> <li>» WWFT art. 34</li> <li>» WFT Implementation Decree art. 4</li> <li>» WFT Implementation Decree Appendix Indicators List</li> <li>» DNB guidance to Money Laundering and Terrorist Financing (Prevention) Act and Sanctions Act, April 2015</li> </ul>	<p>Check whether the procedures manual describes when an unusual transaction is deemed to have taken place.</p> <p>Check whether the procedures manual describes in which cases a report must be made to FIU-NL.</p> <p>Check whether the procedures manual describes how the process is structured that can lead to a report to the FIU.</p> <p>Check whether a report was made to the FIU-NL. Check whether consideration was given to making a report which did not ultimately take place.</p>

Topic	Summary of the standard to be reviewed	Reference to regulations <i>(as at 1 August 2015)</i>	Points for attention:
<p><b>Sanctions Act – general</b></p>	<p>Sanctions are political instruments of the foreign and security policies of the United Nations and the European Union. They are compulsory, non-military instruments that are applied in response to violations of international right or of human rights in order to realise a turnaround. In addition, sanctions play a role in the fight against terrorism. In such cases, they are aimed especially at individuals and non-government entities.</p> <p>The regulations of the European Union principally contain two types of financial sanctions:</p> <ul style="list-style-type: none"> <li>• an order to freeze assets;</li> <li>• a prohibition or limitation regarding the provision of financial services.</li> </ul>	<ul style="list-style-type: none"> <li>» Sanctions Act articles 1-4</li> <li>» Sanctions Act articles 6-8</li> <li>» Sanctions Act articles 10-10ba</li> <li>» Sanctions Act, art. 13</li> <li>» ArS 1977, art. 1</li> <li>» Rt to Sanctions Act articles 1-5</li> <li>» DNB guidance to Money Laundering and Terrorist Financing (Prevention) Act and Sanctions Act, April 2015</li> <li>» AFM guidance to WWFT and Sanctions Act, March 2015</li> </ul>	<p><b>Goods</b> Assessing whether sufficient consideration is given to determining whether the activities of clients involve goods that are subject to an embargo.</p> <p><b>Own responsibility</b> Trust offices are directly responsible for compliance with the Sanctions Act 1977. This responsibility cannot be delegated to other professional parties such as banks that introduce clients and perform transactions.</p> <p><b>Factual knowledge and compliance</b> Since the risks are high and complex structures are facilitated, it is important to raise the level of factual knowledge and compliance of measures.</p>

## 4.4. Effectiveness of the compliance function

The trust office must have a compliance function that is independent and effective.

The auditor must assess whether the function requirements set by Holland Quaestor and/or Stichting AQTO are being met. This compliance function has at least the following tasks:

- reviewing for compliance with relevant laws and regulations;
- advising staff members and the board of the trust office regarding compliance with legal obligations; and
- ensuring the validity and effectiveness of the internal rules and procedures, and the effectiveness of the procedures instituted and measures taken to remove/resolve flaws that are signaled.

The audit function annually reviews the structure and effectiveness of the compliance function. To be able to issue an opinion on the effectiveness of the compliance function, at least the following aspects are to be reviewed each year:

- *independence and lack of interference*: It is essential that the compliance function can carry out its monitoring and review activities independently and free from all pressure. For that reason the compliance function is separate from the operational business units and activities that it reviews;
- the compliance function of a trust office is *permanently* involved with the service provision. In case of outsourcing, it is important that clear arrangements are made regarding the scope of the audit function, to ensure that inspections are in fact carried out. A trust office which takes over the services of an external compliance officer on paper but in practice seldom if ever meets with the compliance officer, or which does not act upon its findings and recommendations, does not in fact have an effective compliance function and will thus quickly be in violation.
- The compliance function is described in the *procedures manual* and/or documented in a separate compliance charter, which links up with the way the compliance function operates in practice.
- the compliance function makes visible how it ensures that it is *both familiar with relevant laws and regulations* and keeps up with changes therein.
- the compliance function *monitors* whether the trust office acts in accordance with the law as well as its own standards. In this regard it is especially important that the compliance function has a sharp eye for integrity risks and for prevention of involvement in unethical acts by current and potential clients of the trust office, such as tax evasion and other forms of tax fraud, evasion of sanctions law, money laundering practices or terrorist financing.

- the compliance function is *actively involved* in the classification of clients in risk categories and in the review of the service provision to high-risk clients, including the monitoring of such clients and ensuring timely reporting of unusual transactions.
- the compliance function plays a role in the *systematic analysis of integrity risks* and is involved in the drafting of internal standards and of measures and procedures that emanate from laws and regulations and from the internal rules of the trust office, all directed at the control of integrity risks.
- the compliance function *reports* independently and directly to the board. If there is a Supervisory Board, then it must be ensured that the compliance function can, if necessary, also report its findings directly to this body.

Aside from the above, the compliance function has an active role in ensuring that staff members are familiar with external rules as well as internal standards, measures and procedures. The compliance function can usually do this through an active transfer of knowledge in the form of an internal training course and giving feedback to staff members.

To be able to establish the above, the audit function examines the contents of the procedures manual, compliance plans and reports. The reviews conducted by the audit function must likewise evidence that the compliance function has operated as intended. These findings are to be considered explicitly in the assessment of effectiveness.

## 5. Reporting



The audit function operates as the third line of the *three lines of defence model* of trust offices. The audit function is required to ensure that the trust office examines periodically whether the organisational structure, the processes, measures and procedures and the compliance function of the trust office are effective. The audit function is altogether separate from the daily business operations and can thus make critical and independent judgements about the effectiveness of the trust office. The results of the audit work are presented to the board of the trust office in a draft report. Any comments are reflected in a final report. The RIB audit report must contain management response, with a response from the board of the office to the findings and recommendations indicated.

It is important that clear distinctions are made in the report between:

- the *purpose* of the audit;
- the *system of standards* applied;
- the *work* conducted (main elements);
- the *findings*;
- the *conclusion* and recommendations;
- the *response by management*; and
- the *measures to be taken* by the management of the trust office, including the follow-up period.

The following must be indicated specifically:

- the assessment of client files which are selected on the basis of random sampling or a partial observation, in accordance with the requirements set out in section 4.3 of these guidelines;
- the substantiation of the random sampling or partial observation;
- the operation of the policy, the procedures and the measures described by the office in the procedures manual (AO/IB);
- if specific aspects are not audited on the basis of a risk estimate during a given year, this must be indicated.

Whenever shortcomings are noted, appropriate follow-up measures are identified by management of the trust office in an action plan, plus the period within which these measures must be implemented.

Once again it is emphasised that the responsibility for this lies with the board of the trust office. Any shortcomings are specifically addressed in the action plan, which also establishes a timeframe within which the follow-up measures must be implemented. Where necessary, the audit function can also make recommendations on how the activities can be optimised. Where appropriate, the audit function will review the timely implementation of follow-up measures.

The RIB audit report must contain an assessment of whether the points for improvement identified during the previous RIB audit have been followed up on within the agreed or indicated period.

Insofar as not already reflected in the audit report, the audit function will annually state its conclusion regarding:

- the effectiveness of the organisational structure;
- the effectiveness of the measures and procedures integrated in the business processes of the trust office;
- the effectiveness of the compliance function.

The audit covers the *design, implementation and functioning* of the three elements above. If the audit function has split its work into several partial audits so that no explicit opinion has been issued on the above elements, then the audit function must state at the end of the year (with reference to the various limited audits) whether the organisational structure, the measures and procedures, and the compliance function are effective.

*The reporting must ultimately lead to a single final conclusion regarding the effectiveness of all three subjects listed above.*

If relevant, the audit function must also indicate whether any shortcomings have meanwhile been followed up adequately.

In forming its conclusions (per element: organisational structure, measures and procedures, and compliance function), the audit function must apply a uniform system (as determined and discussed in advance). For this purpose, the following definitions may, for example, be applied:

