

A photograph of two business professionals, a woman in a white shirt and a man in a light blue shirt, sitting at a table and looking at documents. The woman is pointing at a document. The background is slightly blurred, showing office shelves.

Wtt 2018 Audit

Trust Offices Guidelines

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Introduction

A trust office is legally obliged to ensure that an independent and effective Audit Function (hereafter: 'AF') is conducted with regards to its duties and the compliance function¹.

These guidelines contain a description of the way in which a trust office should interpret this requirement. The guidelines deal with the (minimum) requirements set for the structure of the AF and for the performance of their tasks and responsibilities.

Furthermore, these guidelines address the AF assignment of the board of a trust office and the reports from the AF, based on which Holland Quaestor's Independent Assessment Committee can assess whether the requirements set out in these guidelines are being met.²

Target group

These guidelines are intended for members of Holland Quaestor and the 'Wtt auditors' (hereafter: 'auditors') who conduct the activities in the context of the AF for the members. These guidelines are also available to non-members.

Objectives

The objectives of these guidelines are:

1. To offer the members of Holland Quaestor a description of the structure and work method of the AF as referred to in Section 15 of the Trust Offices (Supervision) Act 2018 (*Wet toezicht trustkantoren*) (hereafter: 'Wtt 2018') and elaborated in the Trust Offices (Supervision) Decree 2018 (*Besluit toezicht trustkantoren 2018*) (hereafter: 'Btt 2018');
2. To promote a uniform, effective structure and work method for the AF;

¹ Section 15, subsection 2 Wtt 2018

² In accordance with the Holland Quaestor internal rules, the quality standards are understood to be:

- Meeting the financial statement filing requirement within 12 months after the end of the financial year.
- Holland Quaestor Guidelines (see overview below)
- Educational requirements
- Code of Conduct

Holland Quaestor Guidelines:

- Trust Offices (Supervision) Act (*Wet toezicht trustkantoren*) Audit:
- Client acceptance and CSR
- SIRA
- Transaction monitoring
- Compliance function
- Trust services demarcation guidelines
- Tax integrity

3. To provide tools to the board, more specifically the policymaker responsible for the interpretation of the AF within the meaning of section 19, subsection 4, Btt 2018, in the role of client, when formulating the assignment to the AF based on these guidelines;
4. To accommodate the review of the conformity of the members with the HQ quality standards with the AF.

AF Mission

The AF helps the organisation achieve its ambitions and protect its (integrity) values. The AF has an impact by holding up a mirror to the board from an independent position and challenging, encouraging and strengthening internal integrity risk management where needed.

The purpose of the AF is to provide the board with insight in controlling integrity risks within the organisation from an independent position. The AF assesses the structure, existence and effectiveness of the measures taken in the context of sound and ethical operational management (hereafter: 'IBB'), through audits and audit duties and by reporting to the board on this.

The AF checks, for instance, the compliance of the trust offices by or pursuant to the Wtt 2018, the Money Laundering and Terrorist Financing (Prevention) Act (*Wet ter voorkoming van witwassen en het financieren van terrorisme*), (hereafter: 'Wwft'), the rules established in the Sanctions Act 1977 (hereafter: 'SW') and the fulfilment of the compliance function. Additionally, the AF assesses compliance with the internal rules of the trust offices and – in the context of Holland Quaestor membership – with the HQ quality standards.

Principles

1. The duties of the AF meet the requirements established by or pursuant to the Wtt 2018;
2. The auditor carries out the duties independently of Holland Quaestor;
3. The auditor has their own responsibility for the technical interpretation of the duties;
4. The descriptions of the work method for the auditor included in these guidelines are normative for a trust office that is a member of Holland Quaestor.
5. The quality requirements that apply to the auditor as described in these guidelines, the minimum standards that are assessed (annexes A, B and C), the minimum provisions to be included in the assignment of the Wtt auditor (annex D) and the minimum requirements applicable to the reports of the Wtt audit (annex E) are binding.

1. Basic conditions

The structure of the AF must meet a number of basic conditions to be effectively implemented.

1.1. Independence

The AF forms the third line of the three lines of defence for a trust office and is considered to function independently and autonomously. To achieve this, at least to promote this, the function is organisationally unrelated to daily operational management and the auditors have no operational tasks or responsibilities. Neither is the AF combined with (the tasks of) the compliance function.

The aforementioned entails that the AF is not involved with the development, implementation and/or performance of policy and internal management measures. The auditor may present recommendations with regards to findings and observations arising from their duties. In this, care should be taken to ensure that the auditor is not put in a position whereby there is the risk of a conflict based on the responsibilities under the AF.

Finally, it is relevant in this regard that the auditor's remuneration is independent of the financial performances of the trust office and independent of the results of the AF activities.

Based on these principles, the auditors are deemed to be able to provide a critical and independent assessment of the policy and the structure of the operational management of the trust office that safeguards sound and ethical management of its operations (the effectivity of the integrity risk management measures by the trust office).

Outsourcing

By its nature, the AF is an internal function that, according to the legislator, shall preferably be outsourced to an external party – in contrast to the compliance function – to ensure that the organisation and compliance function are viewed with sufficient critical ability and some open-mindedness.³ Outsourcing is not mandatory; a trust office can also have the audit function conducted internally. With an internal interpretation of the AF, care must be taken with regards to the independence and the expertise to perform an integrity audit within the same organisation.

³ See explanation under 5 at Btt 2018 (page 17).

If the function is outsourced, the applicable statutory rules remain in full effect: the trust office itself is responsible for compliance with these rules.⁴ With outsourcing as well as conducting an internal AF, it is important that clear agreements are made concerning the interpretation of the AF so that it results in actual checks. Insufficient involvement of the AF is considered an ineffective AF and thereby a contravention of the law.

1.2. Positioning and mandate

The board is charged with managing the trust office and is responsible for compliance with all relevant law and regulations and for controlling the integrity risks connected to the activities, and to ensure that an audit function is independently performed with regards to their duties. The AF is responsible for internal checks within the corporate governance structure of a trust office.⁵

The AF should have sufficient authority, which entails that the importance of the function is generally accepted within the organisation and the AF staff concerned have adequate powers to effectively fulfil the function. Logically, the AF is positioned under the board in the organisation with a reporting line to the Supervisory Board or other internal supervisory body, if applicable.

The AF is deemed to function as a fully-fledged interlocutor for the board and as someone who identifies any shortcomings and/or points of attention with regards to the organisational structure, the structure and effectiveness of processes, procedures and policies and the compliance function.

In principle, the AF initiates the audit activities by submitting a proposal to that end to the board that is based on the AF's own (periodic) risk analysis (see hereafter § 2.2). The activities in the context of the AF are performed by the auditor at the request of, or at least commissioned by and in consultation with the board and/or any (internal) supervisory body.

The AF independently decides on the structure of the audit activities and is thereby free to formulate the questions, methods and information sources that will be used in the investigation (files, interviews, systems).

The auditor is independent, impartial and objective in their findings, conclusions and recommendations. Beyond the context of audits and reports, the AF can share solicited and unsolicited observations, without any formal requirements, to the board and the compliance function.

1.3. Resources

The board is deemed to ensure that sufficient (financial) resources are available to enable (allow) the AF to achieve the objectives. For this purpose, the AF should, in a timely manner, indicate the resources required to conduct the audit activities as planned and correctly. It is obvious that attention is paid to this subject during the annual plan as well as with the evaluation, particularly if the planning and realisation differ substantially.

⁴ Section 16 Wtt 2018

⁵ By its nature, the function regards an internal organisational function, irrespective whether this is outsourced to an external party.

1.4. Expertise and integrity

The Btt 2018 sets the requirement that the AF has the requisite expertise⁶, which means that the person fulfilling this function possesses the right education, expertise, experience and competencies. Furthermore, the board should judge the integrity of the auditor, considering the AF qualifies as an integrity-sensitive position.

The board of a trust office determines whether the auditor is suitable for the AF. This means they formulate conditions with regards to the integrity and the required expertise (level of education and experience) for the interpretation of the AF and establish these in writing, while considering the requirements in these guidelines. The board also establishes (periodically, at least annually) that the conditions have actually been met.

In any case, expertise includes good and current knowledge of and insight in:

- The relevant supervisory regulations (such as the Wtt 2018, Btt 2018, Wwft, SW and related publications by DNB (*De Nederlandsche Bank* – Dutch Central Bank) as well as the guidance, documentation and guidelines of Holland Quaestor);
- The developments concerning (inherent) risks with which the trust office could be confronted;
- The developments concerning integrity risks (including money laundering, financing terrorism, sanction evasion, corruption, conflict of interest, tax fraud and social impropriety);
- The requirements set out for the compliance function;
- The requirements set out for the AF.

Besides the above principles, it is important that the auditor has proven auditing skills and experience to effectively interpret the AF.

Holland Quaestor sets the following conditions for the auditor in order to safeguard the quality and independence of the judgement:

- Proven current knowledge of law and regulations relevant to the trust sector, based on followed as well as given (sector) training, courses and permanent education.
- Proven relevant work experience with regard to conducting operational audits.
- The auditor is registered in the Register RO (Register Operational auditor), Register RA (Register Accountant) or in the mandatory register of a comparable international title or they must be a fully-fledged member of the Institute of Internal Auditors (IIA). The auditor must meet the continuing professional education (CPE) requirements of the applicable register.

⁶ Section 18, subsection 2 Btt.

1.5. Powers and access to information and documentation

In order to perform the tasks independently and effectively, the AF should have the requisite powers and access to the required information.⁷

This means the auditor should have unlimited access to all business units, information and staff and board of the trust office, in as far as is required to conduct the AF. This includes unlimited access to team and technical meetings. The role of the AF is thereby aimed at observation and/or drawing attention to topics relevant to controlling integrity risks. In this capacity, the AF has no vote in decision-making.

The trust office also provides the auditor with relevant, solicited and unsolicited, information and documentation to conduct the AF. This also entails that the board informs the auditor (in a timely manner) about important developments, projects and reorganisations concerning governance and business activities and visits of/to supervisory bodies. Additionally, in this regard, the board is deemed to inform the auditor as soon as possible about incidents that have occurred and have been reported to the supervisors, mainly contraventions of policy, procedures, guidelines and law and regulations through which integrity risks are revealed.

If the AF is hindered in the performance of their tasks by a lack of access to the requisite information, the board should be informed of such.

⁷ Section 18, subsection 2 Btt.

2. Audit Programme

The audit programme regards the way in which the AF is interpreted, being all policies, processes, procedures and records concerning the structure and implementation of the AF. In principle, the audit programme consists of a multi-year plan with a description of the implementation frameworks of the AF and a broad outline of the interpretation. The audit programme is presented to the board for approval and is evaluated at least annually. The audit programme can be included in the procedure manual or drawn up as a separate document, whereby in the case of the latter a reference should be included in the procedure manual.

After which, there is a description of documentation that can be deemed part of the audit programme.

2.1. Audit Charter

The audit charter is drawn up by the AF in consultation with the board and is approved by the latter. The charter states the broad outlines of the purpose, status, powers, responsibilities and activities of the AF. This includes the way in which the basic conditions from chapter 1 are met. Furthermore, the coverage, tasks and scope of the duties are made explicit.

The charter is evaluated annually and adjusted to the applicable standards.

The (content of the) audit charter can be included in the procedure manual or drawn up as a separate document, whereby in the case of the latter a reference should be included in the procedure manual.

2.2. AF Risk Analysis

To promote the effectiveness and efficiency of the AF, a periodic (annual) risk analysis is performed and recorded from the perspective of the function. The intention is to align the annual audit plan (planning and duties) to the nature, scope, risks and complexity of the trust office's duties. The focus and intensity of the audit activities to be conducted are determined by the inventory of the integrity risks. All components of the ethical operational management do not need to be assessed each year, while some will demand more and/or in-depth attention. The analysis serves as the basic principle for the annual audit plan.

In the context of their risk analysis, the AF must, in principle, gain insight in:

- The systematic integrity risk analysis (SIRA), including the document establishing the risk appetite of the trust office;
- The DNB reports, including the ISI (institution-specific information) report;
- Correspondence with DNB;
- Legal procedures (on-going and concluded);
- Internal reports, accounts and notes (including reports from the compliance function), the work programme for the compliance function and prior audit reports);
- Policy documentation and/or action plans for implementing the Holland Quaestor guidelines;
- All other policy documents, including the procedure manual;
- The organisational structure/chart, including the division of tasks, powers and responsibilities, and reporting lines.

2.3. Annual Audit Plan

The AF conducts a check at least once a year.⁸ For this purpose, various forms are available: an annual complete audit or smaller audits of sub-processes spread over the year. The topics, frequency of the audits of these topics and the intensity of the audit of specific topics depend, in part, on the risk analysis, the operational management and the AF's own estimate of the risk.

The annual audit plan clarifies the standards on which the auditor bases their assessment and the duties that need to be performed to that end. The annual audit plan includes the form the audit will take (complete or sub-audits), the topics that will be assessed and the frequency with which this will occur (in the case of sub-audits). Where possible, specific points of attention related to the topics will be included in the assessment. The annual audit plan is clearly based on the AF's risk analysis.

The annual audit plan clarifies the duties that will be performed to arrive at a conclusion about the effectiveness of the IBB in the applicable year, the effectiveness of the compliance function and the effectiveness of the procedures and measures of the customer due diligence.

The annual audit plan contains a schedule for what will happen and when. Changes or deviations from the annual audit plan are deemed to be substantiated in the annual report and/or AF evaluation as well as being included in the AF risk analysis and the annual audit plan for the following audit cycle.

(Prior to the audit tasks) the annual audit plan is coordinated with the board of the trust office.

2.4. Conducting audits

The AF independently determines the structure of the audit activities and is thereby free to formulate the questions, methods and information sources that will be used in the investigation.

Chapter 3 that follows will address the implementation of audit activities.

2.5. Reports

The auditor reports their findings to the board and possibly to an internal supervisory body. This can occur through partial reports or a fixed periodic report, at least annually. The report is based on the implementation and results of the audit activities.

At least annually, a specific description of the findings and a conclusion/judgement are provided about the effectiveness of the organisational structure, about the procedures and controlling measures and about the compliance function, resulting in a general final judgement.

The report clarifies the duties that have been performed to arrive at a judgement about the effectiveness of the IBB in the applicable year, the effectiveness of the compliance function and the effectiveness of the procedures and measures of the customer due diligence. The report must meet the minimum requirements stated in annex E.

If any shortcomings are identified, the board provides a response in which they state the period in which the shortcoming shall be deemed to be resolved, as well as who will take care of and/or assume responsibility for the restoration activities. This response is added to the report.

[The auditor's task and the audit report are communicated to the Independent Review Committee appointed by Holland Quaestor.] – *provisional text with regard to the type of review.*

⁸ Section 18, subsection 1 Btt.

2.6. Follow up

If any shortcomings are identified or points of attention are given and they are inadequately addressed, this impacts the effectiveness of the AF and mainly the effectiveness of the structure of the IBB.

It is important that the organisation provides monitoring of the adequate and timely follow up with regard to the shortcomings identified by the AF and the points of attention given and for recording the activities undertaken in that regard.

The AF should assess the follow up provided by the organisation with regard to the shortcomings and report on it.

2.7. Evaluation

The AF's performance should also be assessed. For this purpose, the board will evaluate the independence and effectiveness of the AF and the auditor or auditors at least annually and record this in writing. This evaluation will also be discussed with the auditors. If there is reason to do so, the board will take measures to address the identified shortcomings and/or points of attention in the AF and/or auditor's performance.

2.8. Contract with outsourcing

When the interpretation of the AF is outsourced, agreements should be established in a contract between the trust office and the party being sub-contracted and which meets the minimum provisions in annex D. The agreements should also be in accordance with the audit programme and to ensure that the AF is actually conducted.

3. Scope of implementation

3.1. Introduction

As previously stated, the AF should conduct a control at least once per year⁹, be it by way of one annual complete audit or through audits of sub-processes spread over the year. The annual audit plan clarifies the duties that will be performed for the applicable year to arrive at a judgement about the effectiveness of the IBB, the effectiveness of the customer due diligence and the effectiveness of the compliance function.

The following paragraphs describe how the AF can arrive at this judgement.

3.2. The effectiveness of the IBB

The way in which a trust office structures the operational management depends on the nature, scope, integrity risks and complexity of the trust office's duties¹⁰. Irrespective of the structure of the operational management, the trust office must ensure sound and ethical operational management.¹¹ Independent of the nature and scope of the business activities, the internal and external standards of integrity should be incorporated in the business process. In addition, the standards from the HQ Quality Standards apply to members of Holland Quaestor.

During the assessment of the IBB, attention is given at least to the following topics:

Customer due diligence (CDD)

- Client acceptance procedure
- Client risk profile
- Client risk analysis
- On-going CDD procedure
- Periodic revision procedure

Transaction monitoring

- Transaction monitoring procedure
- Transaction profile
- Reports to the Financial Intelligence Unit-The Netherlands (FIU-NL)

Sanction regulations

- Identification procedure for business relations
- Procedure for screening business relations in EU and NL database listings
- Country sanctions identification procedure
- Check of applicability of country sanctions

Incidents

- Incident procedure
- Incident handling

⁹ Section 18, subsection 1 Btt.

¹⁰ Section 15, subsection 2 Btt 2018.

¹¹ Section 14 Wtt 2018.

SIRA

- Procedure for implementing SIRA
- SIRA structure and systematics
- Implementation of SIRA
- The effect of SIRA on operational management

Organisational structure

- Organisation of governance and structure
- Segregation of duties
- Reporting lines
- Outsourcing functions
- Segregation of assets

Organisational culture and behaviour

- Integrity risk awareness
- Internal Code of Conduct
- Corporate Social Responsibility policy

Organisational data

- Quality of the procedure manual
- Completeness and currentness of files under section 38 Wtt 2018
- Procedure for updating files under section 38 Wtt 2018

Staff

- Pre-employment screening
- Expertise
- Education

Annex A (Points of attention for reviewing the effectiveness of IBB) includes the topics that should be evaluated in the assessment of the effectiveness, whether or not risk based, on the basis of the requirements from the Wtt 2018, the Btt 2018, the Wwft and the SW. The list with points of attention is expressly considered to be non-exhaustive.

3.3. The effectiveness of customer due diligence

Besides the structure and existence thereof, the auditor also assesses the effectiveness of the policy, the procedures and measures concerning customer due diligence as established in the provision of services files, in particular. In this context, they check the extent to which the procedures and measures are actually applied and complied with in practice.

When assessing the effectiveness of the procedures and measures, they could opt for a risk-based approach, whereby not all topics are reviewed annually. A risk-based approach could result in a variation in the scope and depth of the audit duties per topic. The AF's vision of this is apparent from the AF risk analysis.

It is up to the auditor to coordinate with the board of the trust office to determine the topics and intensity per topic. This is substantiated in the annual audit plan.

The assessment of the effectiveness of the procedures and measures is *partly* conducted on the basis of the sub-observations or random samples of the provision of services files to be determined by the

auditor. In the audit report, the auditor clearly substantiates how they arrived at the selection of and number of client files. In any event, files will be reviewed from the high-, middle- and low-risk categories according to the classification in the ISI form of DNB.

Annex B (Points of attention for reviewing the effectiveness of customer due diligence) includes the topics that should be evaluated in the assessment of the effectiveness, whether or not risk based, on the basis of the requirements from the Wtt 2018, the Btt 2018, the Wwft and the SW. The list with points of attention is expressly considered to be non-exhaustive.

3.4. The effectiveness of the compliance function

The trust office should have an independent and effective compliance function. The auditor reviews whether the requirements as included in section 15 Wtt 2018 and section 17 Btt 2018 as well as the requirements set by Holland Quaestor¹² are being met.

When assessing the compliance function, the following topics are at least addressed:

- The position of the compliance function within the trust office;
- An adequate segregation of duties;
- The establishment of the tasks, duties and responsibilities in the procedure manual and compliance charter;
- Monitoring, as the main duty of the compliance function;
- The work programme / annual compliance plan and compliance function;
- The quantitative and qualitative interpretation of the compliance function;
- The reports by the compliance function to the board and, if applicable, the Supervisory Board.
- Registration with the DSI¹³.

Besides the above, the compliance function also has an active role in informing staff of both the external rules as well as the internal norms and values (code of conduct), procedures and measures. The compliance function can achieve that through active knowledge transfer in the form of internal training and by giving feedback to staff.

To establish the above, the AF takes note of at least the procedure manual, compliance charter, compliance programme, annual compliance plan and reports. The duties carried out by the AF should also demonstrate that the compliance function has functioned as it should. When assessing the effectiveness, these findings will be explicitly included.

Annex C (Points of attention for reviewing the effectiveness of the compliance function) includes the topics that should be evaluated in the assessment of the effectiveness, whether or not risk based, on the basis of the requirements from the Wtt 2018, the Btt 2018, the Wwft and the SW. The list with points of attention is expressly considered to be non-exhaustive.

¹² See HQ guidelines on Compliance Officer requirements from April 2017

¹³ Since January 1, 2020, Holland Quaestor members are obliged to have a certified compliance officer who is registered with the DSI.

Annexes

- A. Points of attention for reviewing the effectiveness of IBB
- B. Points of attention for reviewing the effectiveness of customer due diligence
- C. Points of attention for reviewing the effectiveness of the compliance function
- D. Minimum provisions to be included in the AF's assignment
- E. Minimum requirements for reports
- F. Independent Review Committee work method

ANNEX A

Points of attention for reviewing the effectiveness of IBB

Based on the requirements from the Wtt 2018 (hereafter: Wtt), the Btt 2018 (hereafter: Btt) the Wwft and the SW, the following includes the topics that should be included in the assessment of the effectiveness, whether or not risk based. The list with points of attention is expressly considered to be non-exhaustive.

Topic	Summary of the standards that should be reviewed	Regulations	Points of attention
Policymakers, structure and legal form	<p>Daily policy is determined by at least two natural persons who carry out their duties from the Netherlands and have been approved by DNB.</p> <p>The formal and actual control structure is transparent.</p> <p>The trust office's legal form is a PLC, PLLC or a European PLC.</p>	» Sections 11, 12 and 13 Wtt	<ul style="list-style-type: none"> • Number of board members. • Board members' place of employment. • DNB authorisation • Formal and actual control structure. • The trust office's legal form.
Reports to DNB may not be incorporated without the permission of DNB	<p>Prior to a nomination, changes must be reported to DNB concerning:</p> <ul style="list-style-type: none"> • The identity of the directors, commissioners and (co) policymakers. • The identity of the holders of a qualifying holding. • The formal and actual control structure. <p>These changes can only be implemented after receiving DNB approval.</p>	» Section 8 Wtt	<ul style="list-style-type: none"> • Assess whether the applicable nominations or changes have taken place with prior permission from DNB. <p>N.B. A review must also take place with a change of function.</p>
Reports to DNB concerning information provided to DNB with a permit application, which must occur in writing immediately after the fact	<p>Changes that must be reported to DNB in writing immediately after the fact, regard:</p> <ul style="list-style-type: none"> • The antecedents of directors, commissioners and (co) policymakers. • The antecedents of the holders of a qualifying holding. 	» Section 8 Wtt	<ul style="list-style-type: none"> • Inquire as to whether the applicable changes have taken place and been reported to DNB. • Inquire into the way in which any changes in antecedents are monitored. • Inquire into the way in which any changes to the formal and actual control structure (group structure) are monitored.

	<ul style="list-style-type: none"> • The name, address and registered office of the trust office and its branch offices. • The trust offices' formal and actual control structure or the operational management. 		
Record of the trust office's details	The trust office has a current file with regards to the internal organisation and it is available for DNB.	» Section 38 Wtt	<ul style="list-style-type: none"> • Check whether the file contains all data and documents listed in section 38 Wtt.
Compliance with Wwft or comparable in a branch office or a majority subsidiary	<p>A trust office with a branch office or a majority subsidiary in a state that is not a member state and where the statutory provisions for the prevention of money laundering and terrorist financing are less extensive than those by or pursuant to the regulations established in the Wwft, ensures that the branch office/majority subsidiary complies with the regulations set by or under the Wwft in so far as the law of the state concerned does not impede this.</p> <p>If the law of the state concerned impedes the application of the first section, the trust office informs DNB and takes measures to control the risk of money laundering and terrorist financing. If applicable, they consider that provided for under section 45, seventh subsection of the fourth anti-money laundering guideline.</p> <p>A trust office operating a branch office in another member state ensures that this branch office complies with the implementation of the applicable provision of the fourth anti-money laundering guideline.</p>	» Section 2 Wwft	<ul style="list-style-type: none"> • Establish whether the trust office has branch offices or majority subsidiaries and whether the trust office has ensured that these (can) comply with these comparable Wwft rules. • If it appears that a branch office or a majority subsidiary cannot comply with comparable Wwft rules, assess whether DNB has been made aware of the fact.

<p>The duty of care and responsibilities of the board concerning the management of the trust office (governance)</p>	<p>The board is responsible for daily management of the trust office. The board is responsible for:</p> <ul style="list-style-type: none"> • The trust office’s ethical operational management. • Compliance with relevant statutory provisions. • Ensuring that the organisation knows and complies with the trust office’s procedure manual. • A sound administration. 	<p>» Section 9 Btt</p>	<ul style="list-style-type: none"> • Division of tasks within the board. • The tone at the top meets the requisite duty of care.
<p>Segregation of duties</p>	<p>The trust office ensures for an adequate segregation of duties between executive and controlling tasks (segregation of duties).</p>	<p>» Section 14 Wtt » Section 19 Btt</p>	<ul style="list-style-type: none"> • The segregation of duties is extensively established in the procedure manual. • The segregation of duties ensures for complete independence of the compliance and audit functions and the duties in the first line. • A policymaker may not conduct an audit or compliance function. • A policymaker has executive responsibility for either the compliance or the audit function.
<p>Executive responsibility for the compliance and audit functions</p>	<p>The executive responsibility for the implementation of the compliance and audit functions is charged to two different policymakers.</p>	<p>» Section 19, subsection 4 Btt</p>	<ul style="list-style-type: none"> • Check whether this segregation of responsibilities is incorporated in the procedure manual and that it is actually complied with.
<p>Systematic integrity risk analysis (SIRA) and policy</p>	<p>A trust office ensures for a systematic analysis of integrity risks and for the periodic adjustment thereof.</p> <p>Based on the SIRA, the trust office develops policy, procedures and measures for controlling integrity risks and ensures that they are updated periodically.</p> <p>Trust office staff take note of the SIRA, the policy and the procedures and measures.</p> <p>The compliance function independently supervises the implementation of the policy, the procedures and measures.</p> <p>The trust office has procedures that ensure that identified shortcomings or deficiencies are reported to the compliance function.</p> <p>The trust office has procedures that</p>	<p>» Section 14 Wtt » Section 10 Btt</p>	<ul style="list-style-type: none"> • The SIRA is an analysis of the integrity risk on the level of operational management. • The SIRA handles various integrity risks, such as money laundering and terrorist financing, conflicts of interest, corruption, tax fraud and social impropriety. • Part of the SIRA is the vision of the trust office’s integrity, including the risk appetite of the trust office concerning the types of clients, structures, provision of services, countries involved and the admissibility of tax-driven structures, among other things. • The SIRA must be current and specific and must have

	ensure that identified shortcomings or deficiencies lead to appropriate adjustments.		<p>sufficient depth.</p> <ul style="list-style-type: none"> • The analysis results are translated in risk mitigation measures in the form of policy, procedures and measures that are elaborated in the procedure manual and any work instructions. • The staff are aware of the SIRA and the procedure manual. • The compliance function periodically monitors the effectiveness of the policy, procedures and measures. • Staff know how identified shortcomings or deficiencies can be reported to the compliance function. • Identified shortcomings or deficiencies reported to the compliance function are handled in a timely manner and lead, where necessary, to adjustments to policy, procedures and measures.
Procedure Manual	The trust office has an up-to-date procedure manual that provides procedures concerning compliance with the Wtt, the Btt, the Wwft and the SW. The procedure manual includes, at least, the procedures concerning the compliance function, the audit function, incidents, the segregation of duties and integrity-sensitive positions.	<ul style="list-style-type: none"> » Section 14 Wtt » Section 16 Btt 	<ul style="list-style-type: none"> • Check whether all relevant topics are included adequately and completely in the procedure manual, and whether the procedure manual has been clearly updated and approved by the board.
Risk Classification	A trust office has procedures and measures in place concerning the risk classifications with regard to clients, products or services.	<ul style="list-style-type: none"> » Section 14 Btt 	<ul style="list-style-type: none"> • The risk classification with regard to clients, products or services is included in the procedure manual and there is a clear link between the risk and the controls (revision/review frequency).
Sound and ethical operational management	<p>A trust office structures the operational management in such a way that it safeguards sound and ethical management of its operations. This is aligned to the nature, scope, integrity risks and complexity of the trust office's duties.</p> <p>The trust office has policy concerning controlling business processes and business risks.</p> <p>For this purpose, the trust office</p>	<ul style="list-style-type: none"> » Section 14 Wtt » Section 15 Btt 	<ul style="list-style-type: none"> • The division of tasks and powers must be clear on all levels and in all parts of the trust office, including the board of governors and, if applicable, the supervisory board. • The division of tasks must be established and communicated and in accordance with the reporting line. • Internal communication must be organised in such a way that all relevant information is made

	<p>has:</p> <ul style="list-style-type: none"> - A clear, balanced and adequate organisational structure and division of tasks, powers and responsibilities. - Adequately established rights and obligations. - Unambitious reporting line. - An adequate system for communication and information provision. 		<p>available to the right people and functions in a timely manner.</p>
<p>Policy and procedures concerning money laundering and terrorist financing prevention</p>	<p>For the purposes of money laundering and terrorist financing prevention, the trust office conducts customer due diligence and reports performed or intended unusual transactions in accordance with or under the rules established in chapters 2 and 3 Wwft. An institution pays particular attention to unusual transaction patterns and to transactions that inherently involve a higher risk of money laundering or financing of terrorism.</p> <p>An institution takes adequate measures to prevent the risks of money laundering and terrorist financing that could arise through the use of new technology in economic traffic.</p>	<p>» Section 2 Wwft</p>	<ul style="list-style-type: none"> • Establish that there are policies and procedures related to the Wwft, customer due diligence, transaction monitoring and reporting unusual transactions.
<p>Policy related to sound and ethical operational management</p>	<p>A trust office has an adequate policy that safeguards sound and ethical management of its operations.</p> <p>A trust office structures the operational management in such a way that it safeguards the ethical management of its operations.</p> <p>The policy regards measures concerning the prevention of:</p> <p>1°. Conflicts of interest.</p> <p>2°. Punishable offences or other contraventions of law by the trust office or its staff, which could damage the confidence in the trust office or in financial markets.</p> <p>3°. Relations with clients or third parties that could damage the confidence in the trust office or in financial markets.</p> <p>4°. Other acts by the trust office or</p>	<p>» Section 14 Wtt</p>	<ul style="list-style-type: none"> • There is clear policy that addresses conflicts of interest (see also below), the prevention of punishable facts, relations with clients and third parties. • The policy includes what the trust office understands under social propriety. • The policy addresses corporate social responsibility. • The policy addresses the tax integrity risks. • The policy addresses the risks as identified in the SIRA. • The policy addresses the requirements from the Wwft and SW. • The policy is further developed in procedures and measures. • Relevant publications from DNB and

	its staff that are incompatible with that which is generally accepted according to unwritten law to such an extent that confidence in the trust office or in the financial markets may be seriously damaged.		<p>HQ.</p> <ul style="list-style-type: none"> • DNB (concept) Good practices on tax integrity risks for trust offices, February 2019. • HQ Guidelines on the tax assessment framework. • HQ Guidelines on CSR policy and client acceptance 2017.
Preventing conflicts of interest	The trust office has policy, procedures and measures with regard to the prevention of conflicts of private interests of policymakers, directors of the trust office or the group to which the trust office belongs, the compliance function or audit function or other relevant staff or people working for the trust office.	» Section 11 Btt	<ul style="list-style-type: none"> • The policy must address how the trust office deals with personal, professional and financial interests in relation to dealing with clients and other relations, dealing with (confidential) information, entering into client relations, executing transactions in the private domain and fulfilling subsidiary activities.
Outsourcing	<p>A trust office can outsource its duties to a third party. A trust office always checks the identity of the third party.</p> <p>The compliance function cannot be outsourced.</p> <p>The trust office ensures that the third party complies with the requirements by or pursuant to the Wtt and the procedure manual.</p>	<p>» Section 16 Wtt</p> <p>» Section 20 Btt</p>	<ul style="list-style-type: none"> • Check whether the trust office checks the identity of the third party. • Check whether there is a written agreement. • Check whether the third party is aware of and complies with the procedure manual. • Check whether the trust office has the procedures, measures and expertise to be able to assess the implementation of the duties.
Asset Segregation	A trust office ensures for a complete (physical) separation between assets (monetary values) belonging to different clients or object companies. The trust office's own assets are not mixed with clients or object companies' assets.	» Section 19, subsection 2 Wtt	<ul style="list-style-type: none"> • Measures should, in any case, be aimed at a complete (physical) separation between the assets belonging to clients and object companies among themselves and those of the trust office. • Use of third-party accounts.
Compliance function and audit function	A trust office must have an independent and effective compliance function and audit function. The compliance function is aimed at monitoring the trust office's compliance with statutory regulations and the trust office's own internal rules.	» Section 15 Wtt	<ul style="list-style-type: none"> • For the points to be assessed in the compliance function, refer to the specific points of attention § 3.4.

Integrity-sensitive positions	Personnel in integrity-sensitive positions should be trustworthy. The trust office investigates the trustworthiness and, in that, it considers whether the trust office runs any integrity risks with personnel it intends to employ.	» Section 13 Btt	<ul style="list-style-type: none"> The principle is that all personnel have an integrity-sensitive position, unless provided otherwise in the procedure manual. Check whether the personnel file contains the requisite details and documents.
External personnel in integrity-sensitive positions	For external personnel who are appointed to an integrity-sensitive position – other than on the basis of an employment contract – the same safeguards should be considered as those for internal personnel.	» Section 13 Btt	<ul style="list-style-type: none"> Check whether the personnel file contains the requisite details and documents.
Ban on combining trust services and tax advice	A trust office may not provide services to a client that implements tax advice given to this client by the trust office or by the group to which the trust office belongs.	» Section 17 Wtt	<ul style="list-style-type: none"> The trust office has included this ban in its procedure manual.
Internal reports of Wwft contraventions	<ul style="list-style-type: none"> A trust office has adequate provisions in place that enable their staff or people in a comparable position to internally and anonymously report a contravention of the rules established in the Wwft through a specific, independent channel. <p>A trust office may not disadvantage a person working for the office and who in good faith and duly files a report on behalf of the institution to the Financial Intelligence Unit as referred to in section 16, first subsection, or who provides data or information to the Financial Intelligence Unit as referred to in section 17, first subsection, or internally within the institution of a contravention of that provided for in this law as referred to in section 20a.</p>	» Sections 20a, 20b, Wwft	<ul style="list-style-type: none"> Establish whether the trust office has such a procedure, e.g. through a whistle-blower procedure. Establish whether the procedure has been used and that the reporter has not been disadvantaged.
DNB reports	A trust office reports annually, or as often as required, the quantitative and qualitative data of the trust office, their provision of services or their clients.	» Section 18 Wtt » Sections 21 and 22 Btt	<ul style="list-style-type: none"> Establish whether the reports have been submitted to DNB on time.
Incidents	Incidents within the meaning of section 20 Wtt must be	» Section 20 Wtt, in conjunction	<ul style="list-style-type: none"> Inquire whether possible incidents have been identified and whether there has been a

	<p>immediately reported to DNB.</p> <p>These incidents must be recorded, with an indication of the measures to control the risks and prevent a reoccurrence.</p> <p>According to section 20, subsection 4 Wtt, an incident is a behaviour or an event which forms a serious risk to the ethical operational management of the trust office.</p> <p>A trust office can also designate other events as incidents.</p>	with section 9 Rtt	<p>substantiated consideration as to whether it concerns a noteworthy incident.</p> <ul style="list-style-type: none"> • Check whether incidents have been reported to DNB and whether this occurred adequately and immediately. • Check whether an incident register is present and whether (possible) incidents are established in the provision of services file. • Assess the measures taken, including those related to incidents that have not been reported to DNB.
Education	<p>The trust office ensures that all people performing duties for the trust office are aware of the provisions of the Wtt and the Btt, in as far as relevant to their tasks, and follow periodic training enabling them to implement the obligations correctly and fully under law and these regulations.</p> <p>A training programme is compiled and established annually.</p>	» Section 67 Wtt	<ul style="list-style-type: none"> • Inquire into how provisions are in place to enable the staff to have good and up-to-date knowledge, so that they can comply with the Wtt and related relevant regulations when performing their duties. • Register of CPE obligations within the organisation. • Check whether there is a training programme, how it is drawn up and how the completed training is registered, including the HQ CPE points.

ANNEX B

Points of attention for reviewing the effectiveness of customer due diligence

Besides the structure and existence thereof, the Wtt auditor also assesses the effectiveness of the policy, the procedures and measures as established in the procedure manual. In this context, they check the extent to which the procedures and measures are actually applied and complied with in practice.

When assessing the effectiveness of the procedures and measures, they could opt for a risk-based approach, whereby not all topics are reviewed annually. A risk-based approach could result in a variation in the scope and depth of the audit duties per topic.

It is up to the auditor to determine the topics and frequency per topic in consultation with the board of the trust office. The motivation for the frequency and intensity should be recorded in the audit plan.

When using a risk-based approach, and dependant on the duties of the second line, the audit function will at least consider:

- The nature, scope, positioning and complexity of (the provision of services by) the trust office;
- Developments in relevant laws and regulations;
- DNB publications, theme-based investigations and newsletters;
- The results of the systematic integrity risk analysis (SIRA); and
- The findings and conclusions from previous audits.

The assessment of the effectiveness of the procedures and measures is *partly* conducted on the basis of the sub-observations or random samples of the provision of services files to be determined by the auditor. The Wtt auditor clearly substantiates how they arrived at the selection of and number of client files. In any event, files will be reviewed from the high-, middle- and low-risk categories according to classification in the ISI form of DNB.

Based on the requirements from the Wtt 2018 (hereafter: Wtt), the Btt 2018 (hereafter: Btt) the Wwft and the SW, the following includes the topics that should be included in the assessment of the effectiveness, whether or not risk based. The list with points of attention is expressly considered to be non-exhaustive.

Topic	Summary of the standards that should be reviewed	References to regulations	Points of attention
Customer due diligence (CDD)	<p>A trust office should conduct customer due diligence when they enter a business relationship or provide a trust service, and with relevant indicators.</p> <p>If the client is taken over from another trust office, the trust office inquires about deficiencies in integrity risks.</p> <p>Before starting a business relationship, a trust office informs the client about the Wtt obligations and about the processing of personal data.</p>	<p>» Sections 22, 23, 68 Wtt</p>	<ul style="list-style-type: none"> • The ban on commencing the provision of services in section 23 Wtt is of vital importance. It stipulates that the provision of services may not commence before all stated data and documents are present in the file.
UBO identification and verification	<p>The trust office identifies, as far as possible with certainty, all Ultimate Beneficial Owners (UBOs) of the client and the object company. The trust office verifies the identity of the UBOs and verifies the nature and scope of the ultimate benefit of the UBOs and has information based on which it can establish the identity of the ultimate beneficial owner.</p> <p>If no UBO can be determined, the trust office designates a so-called pseudo-UBO and they verify this person's identity on that basis.</p>	<p>» Sections 24, 25, 37 Wtt » Section 3, Implementation Decree Wwft</p>	<ul style="list-style-type: none"> • The client file must indicate how the investigation into the UBO's identity occurred. • Investigate possible 'hidden' UBOs, which, for example, should be designated as a UBO based on actual control. • The date on which the identification of the UBO or UBOs took place must be verifiable and recorded in the file.
Intensive customer due diligence	<p>Customer due diligence must be aligned to the specific risks associated with a certain type of customer or UBO, provision of services and/or geographic factors.</p> <p>In any event, a trust office performs intensive customer due diligence if by its nature the client carries an increased risk or if the region where the client, the object company or the client or object company's UBO is resident is a region designated by the European Committee.</p>	<p>» Section 33 to 36 Wtt</p>	<ul style="list-style-type: none"> • The intensity of the customer due diligence must be aligned to the specific risks associated with the client, such as the identity of the UBO, the origins of the UBO's assets, the activities of the UBO, any PEP qualification, the structure, countries concerned, and the nature of the provision of services by the trust office.
PEP	<p>The trust office uses a risk-based policy to determine if a UBO is a PEP.</p> <p>A PEP is a politically prominent person, family or close associate of a politically prominent person, who due to their specific influence could form a risk through abuse of their position in relation to, for example,</p>	<p>» Section 33 Wtt » Section 34 Wtt » Section 2, Implementation Decree Wwft</p>	<ul style="list-style-type: none"> • In the case of a PEP, the trust office performs intensive customer due diligence. <p>DNB has formulated good practices with regard to high-risk countries/PEPs, among others:</p> <ul style="list-style-type: none"> • The trust office assesses the risk

	<p>corruption or money laundering.</p> <p>When entering into or continuing with a business relationship with a PEP, permission is required from a person who determines the daily policy at the trust office and the relation is continually subject to tight controls.</p>		<p>based on whether a UBO should be considered as a PEP, even after their political career.</p> <ul style="list-style-type: none"> • The trust office conducts a total scan of the PEP and their surroundings, including the PEP's total assets. • The list of PEPs is checked regularly.
<p>Provision of services to an object company</p>	<p>The investigation enables the trust office to establish (with as much certainty as possible) the elements included in section 27 Wtt with regards to the object company and the client.</p>	<p>» Section 27 Wtt</p>	<ul style="list-style-type: none"> • The most common trust service is that provided to object companies (board and/or domicile plus). • The most important elements from the customer due diligence regard the investigation into the origins of the assets of the object company and the UBO, the structure of the group to which the object company belongs, the objective for which the structure was established and the origins and destination of the (expected) resources.
			<ul style="list-style-type: none"> • Section 27 Wtt also applies to the additional trust service as stated in section 2 Btt (power of attorney).
<p>Conduit company</p>	<p>A conduit company is a company of the trust office that is used for the benefit of a client (of the trust office). The trust office conducts due diligence into the client and the conduit company.</p> <p>Additionally, the (expected) origins and destination of the resources that go through the conduit company are established.</p>	<p>» Section 28 Wtt</p>	<ul style="list-style-type: none"> • In so far as this trust service is not legally banned; The customer due diligence must be aligned to the increased risk related to this provision of services. The risks must be sufficiently limited through suitable measures, transaction monitoring in particular.
<p>Sale or acting as an intermediary in the sale of legal entities</p>	<p>When a trust office sells a legal entity or acts as an intermediary in the sale, it conducts due diligence into the client and the buyer and seller in so far as applicable.</p>	<p>» Section 29 Wtt</p>	<ul style="list-style-type: none"> • A relevant question is whether the trust office continues to provide services or not after the sale of the legal entity.
<p>Acting as trustee</p>	<p>If the trust office acts as trustee of a trust, they perform due diligence into the client and the trust.</p>	<p>» Section 30 Wtt</p>	<ul style="list-style-type: none"> • Relevant in this are the conditions that apply to changes to the various parties concerned (based on the trust deed).
<p>Trusts and other legal constructions</p>	<p>If a client acts as a trustee of a trust office, the customer due diligence also extends to the trust.</p> <p>If a client acts as a partner of a partnership, the customer due</p>	<p>» Sections 31, 32 Wtt</p>	<ul style="list-style-type: none"> • For trusts and other legal structures, as well as companies, specific conditions apply with regard to the customer due diligence.

	diligence also extends to the partnership.		
Acceptance memorandum	A trust office has an acceptance memorandum describing the results of the customer due diligence, the investigation into the related integrity risks and a description of the extent to which they are mitigated in relation to each other and in which the acceptance of the client is expressed.	» Section 26 Wtt	<ul style="list-style-type: none"> • Section 26 is a key section. • Assess whether the risk analysis has considered all relevant risks associated with the client such as country of origin, the sector in which the client is active, and the (expected) transactions (nature, scope, complexity, etc.). • Check whether the result of the analysis is realistic, whether the formulated risk mitigation measures are adequately tailored to the specific situation and whether it has acted accordingly in practice. Assess the involvement of the compliance function. • Check whether the work method used in practice and the procedure manual are consistent and in line with the SIRA.
Provision of services file (DVD)	<p>The provision of services file contains the written agreements between the trust office and the client and, if applicable, the object company, the acceptance memorandum, an overview of the trust services provided, the customer due diligence and the incidents.</p> <p>The DVD is kept up to date.</p> <p>The file has an accessible structure and is available to DNB.</p> <p>The file is retained for at least five years after termination of the provision of services. After which, it is immediately destroyed.</p>	» Sections 26, 37, 39, 40 Wtt	<ul style="list-style-type: none"> • Check whether the file is accessible and whether it contains all the requisite data and documents and that they are adequately up to date.

<p>Transaction monitoring</p>	<p>The trust office is obliged to monitor transactions. Without transaction monitoring, unusual transactions cannot be detected and reported to the Financial Intelligence Unit – The Netherlands (FIU-NL).</p> <p>A trust office investigates complex and unusually large transactions and any unusual transaction patterns that do not have a clear economic or lawful purpose.</p>	<p>» Sections 22, 23, 27, 28, 29, 30, 35 Wtt</p> <p>» Section 2a Wwft</p>	<ul style="list-style-type: none"> • Transaction monitoring is an important mitigation measure to control integrity risks. This measure must be assessed in the SIRA for the effectiveness of the control of the integrity risks. • The acceptance memorandum under section 26 Wtt is an important basis for transaction monitoring. • The structure and depth of the transaction monitoring must be aligned to the specific integrity risks established at the level of the client/object company. • Assess how transaction monitoring is structured and how it works in practice. A relevant question here is whether a transaction profile that is suitable to adequately monitor transactions is present.
			<p>Relevant publications:</p> <ul style="list-style-type: none"> • DNB Good practices on transaction monitoring at trust offices, March 2017 • The Q&As for the provision of services on DNB's website: https://www.toezicht.dnb.nl/en/nl/4/4/4/50-204404.jsp; • Feedback on theme-based investigations by DNB in the Trust Offices Newsletter; • DNB Guideline, Wwft and SW, April 2015. • HQ Guidelines on transaction monitoring, June 2017

<p>Duty to report unusual transactions</p>	<p>Pursuant to section 16 Wwft, a trust office has a duty to report any (intended) unusual transactions to the FIU-NL.</p> <p>Prior to submitting a report, the trust office must be registered with the FIU-NL.</p> <p>The trust office that has reported an unusual transaction has a duty of confidentiality.</p> <p>Documentation, including confirmation of receipts from the FIU, must be retained for at least five years.</p>	<p>» Sections 16, 23, 34 Wwft</p> <p>» Section 4 Implementation Decree Wwft with annex List of Indicators</p> <p>» Section 9 Rtt 2018</p>	<ul style="list-style-type: none"> • Check whether the procedure manual describes the cases for which a report must be submitted to the FIU-NL, which objective and subjective indicators apply and which red flags the trust office uses. • Check whether the procedure manual describes how the process that can lead to a report to the FIU is organised. • Inquire whether any reports have been made to the FIU-NL. • Inquire as to whether submitting a report was considered but did not take place in the end and check the substantiation of the decision. • Check whether a FIU report has also been assessed as an incident and is incorporated in the incident register.
<p>Sanctions Act - general</p>	<p>Sanction measures are political tools and can be issued by the United Nations, the European Union and the sovereign state of the Netherlands, among others. They are binding, non-military tools used as a response to contraventions of international law or human rights to effect change.</p> <p>Additionally, sanctions fulfil a role in combating terrorism. They are mainly aimed at individuals and non-state entities.</p> <p>The Regulations of the European Union and the Dutch government, can, in principle, be divided into two types of financial sanctions:</p> <ul style="list-style-type: none"> • An order to freeze assets. • A ban or restriction on providing financial services. 	<p>» Section 10b, subsection 1 SW</p> <p>» art. 2, 3, 4, 5 Regulation on supervision pursuant to the Sanctions Act</p>	<ul style="list-style-type: none"> • The performance of a sample test and test whether the sanction lists are up to date. • Assess whether it can be ascertained as to whether the business relations' activities include embargo goods. • Trust offices themselves are responsible for complying with the SW. This cannot be outsourced to other professional parties, such as banks that can attract clients and perform transactions. • In cases of an increased risk or where complex structures are facilitated, the trust office has provided the factual knowledge and compliance with the measures.

ANNEX C

Points of attention for reviewing the effectiveness of the compliance function

Based on the requirements from the Wtt 2018 (hereafter: Wtt), the Btt 2018 (hereafter: Btt) the Wwft and the SW, the following includes the topics that should be included in the assessment of the effectiveness, whether or not risk based. The list with points of attention is expressly considered to be non-exhaustive.

Topic	Summary of the standards that should be reviewed	References to regulations	Points of attention
Position of the compliance function in the organisation / segregation of functions	The trust office ensures for an adequate segregation of duties, which safeguards independent execution of the compliance function.	<ul style="list-style-type: none"> » Section 15, subsection 1 Wtt » Section 19, subsections 1 and 2 Btt 	<ul style="list-style-type: none"> • The compliance function is separate to the operational business units and activities that they control. • The procedure manual includes the procedures and measures to safeguard independence. • The compliance function has established a compliance charter, which has been approved by the board.
Establishment of the policy, procedures and measures in the procedure manual and compliance charter	A trust office ensures they have procedures concerning the fulfilment of the compliance function.	<ul style="list-style-type: none"> » Section 16, sub a under 1 Btt 	<ul style="list-style-type: none"> • The compliance function is described in the procedure manual and/or established in a separate compliance charter. • It is established so that it is aligned to the way in which the compliance function functions in practice.
Monitoring	The compliance function checks whether there are any risks of inadequate compliance with law. The compliance function analyses and assesses data in a permanent manner through a continual systematic analysis.	<ul style="list-style-type: none"> » Section 17, subsection 2 Btt 	<ul style="list-style-type: none"> • The compliance function monitors whether the trust office acts in line with law and its own standards. • The compliance function is actively involved in classifying clients in risk categories. • The compliance function has a role in the systematic

			<p>analysis of integrity risks.</p> <ul style="list-style-type: none"> The compliance function is involved in establishing the internal standards, procedures and measures derived from law and regulations.
Work programme	<p>The compliance function establishes an annual, risk-based work programme that includes the following points:</p> <ul style="list-style-type: none"> Monitoring the control of the integrity risks; Supervision of the compliance with the procedure manual; Advice on shortcomings; Advice on up-coming law and regulations; Assessment of the timeliness and effectiveness of the measures; Information provision within the trust office; Advice and periodic reports to the board. 	» Section 17, subsection 3 Btt	<ul style="list-style-type: none"> The compliance function has established a work programme / annual compliance plan aligned to the trust office's scope and risks.
Quantitative interpretation of the compliance function	<p>The compliance function has the requisite resources enabling them to perform their duties independently and effectively.</p> <p>The number of hours a compliance officer works every week is aligned to the number of clients the trust office has, the nature of its activities and the associated integrity risks.</p>	» Section 17, subsections 1, 4 and 5 Btt	<ul style="list-style-type: none"> The function is permanently filled. The trust office has substantiated and recorded the scope of the compliance function.
Qualitative interpretation of the compliance function	<p>The compliance function has the requisite authority, expertise and access to all necessary information to be able to carry out their duties independently and effectively.</p>	» Section 17, subsection 1 Btt	<ul style="list-style-type: none"> The importance of the function is generally acknowledged within the organisation and the staff have sufficient authority to effectively fulfil the function. The staff concerned have sufficient expertise to be able to assess the trust office's actions. The education and experience are relative to the risk profile of the trust office concerned.

			<ul style="list-style-type: none"> The compliance function has drawn up a training programme for their own development and demonstrates how they ensure that they are aware of law and regulations and that they recognise changes therein on time.
			<ul style="list-style-type: none"> Staff know how identified shortcomings or deficiencies can be reported to the compliance function. Identified shortcomings or deficiencies reported to the compliance function are handled in a timely manner and lead, where necessary, to adjustments to policy, procedures and measures.
Reports	The compliance function reports the findings to the board.	» Section 19, subsection 3 Btt	<ul style="list-style-type: none"> Reporting takes place independently and directly to the board. If a Supervisory Board is present, it must be guaranteed that the findings by the compliance function are also directly reported to this body, if necessary.

ANNEX D

MINIMUM PROVISIONS TO BE INCLUDED IN THE Wtt AUDITOR ASSIGNMENT

Context

Quality standard

Holland Quaestor (HQ) is the association of Dutch trust offices. The main objective of the association is improving the quality and professionalism of its members. The members support this objective, which also infers that they commit to the quality standards (see hereafter) aimed at the structure of sound and ethical operational management (IBB), among others. As part of the HQ quality standard, the members of HQ, just like any permit-holding trust office, must meet the applicable statutory requirements in the context of the IBB.

Wtt Audit Review Committee

The members of HQ attach importance to the commitment to meet the quality standards, and these are expressed in words and deeds. This entails that the members are expected to be accountable for the extent to which the quality standards are met. The Wtt auditor reviews this in the context of the Wtt audit. The HQ has set up an independent Wtt Audit Review Committee that is tasked with checking whether the auditor, the audit and the audit reports meet the HQ Wtt audit guidelines.

Assignment

This annex to the HQ Wtt audit guidelines includes, in any case, the provisions to be included in the Wtt auditor's assignment. Every member of HQ is free to add other provisions to this.

In accordance with Holland Quaestor's internal rules, the quality standards are understood to be:

- Meeting the financial statement filing requirement within 12 months after the end of the financial year.
- Holland Quaestor Guidelines (see overview below)
- Educational requirements
- Code of Conduct

Holland Quaestor Guidelines:

- Wtt audit
- Client acceptance and CSR
- SIRA
- Transaction monitoring
- Compliance function
- Trust services demarcation guidelines
- Tax integrity

Assignment

The AF's assignment is as follows:

- To ensure that the structure of the AF is in accordance with the statutory requirements and the assessment framework of DNB, the 'Wtt Audit' guidelines of Holland Quaestor (HQ)¹⁴ and in line with the standards from the international framework for the professional practice of internal auditors, the International Professional Practices Framework (IPPF)¹⁵ of the Institute of Internal Auditors (IIA) and the document 'Measuring the Effectiveness of the Internal Audit Function - Practical tools for internal auditors' by the IIA Nederland, dated July 2016.¹⁶
- To investigate the extent to which the organisation meets the requirements applicable to sound and ethical operational management pursuant to the Trust Offices (Supervision) Act 2018 (Wtt 2018), the Money Laundering and Terrorist Financing (Prevention) Act (Wwft) and the Sanctions Act 1977 (SW) and the regulations based on those acts.
- To investigate the extent to which the organisation meets the Holland Quaestor quality standards.
- To report periodically in accordance with annex E of the Wtt Audit Reporting with the Holland Quaestor Wtt Audit Guidelines about the way in which the AF is interpreted during the audit period, the way the investigations have been implemented and which findings and conclusions have been established as a result of the AF. To add the trust office's assignment to the Wtt auditor as an annex to the reports.
- To present the report about the audit to the Independent Wtt Audit Review Committee, including the response from the management of the trust office, the risk analysis drawn up by the audit function, the audit charter, the annual audit plan and the audit programme.
- On request, to be available to provide an individual explanation of the report to the Committee.

¹⁴ <https://hollandquaestor.nl/en/publications/>

¹⁵ <https://www.iaa.nl/quality/the-ippf?lang=en>

¹⁶ https://www.iaa.nl/SiteFiles/Publicaties/IIA_Bro%20A4%20Effectiviteitsmeting%20IAF%20NL%2002.pdf

ANNEX E

MINIMUM REQUIREMENTS FOR THE Wtt AUDIT REPORT

1. Introduction

This format includes the minimum requirements for the Wtt audit report. This format uses the Independent Wtt Audit Review Committee (hereafter: Committee) to check whether the reporting complies with the requirements in these guidelines.

2. Objective

To provide insight to the Committee in the audit assignment, the implementation of the audit, the findings and conclusions.

3. Scope

The current report covers the extent to which the organisation:

- Takes responsibility for the structure of the AF in accordance with the statutory requirements and the assessment framework of DNB, the 'Wtt Audit' guidelines of Holland Quaestor (HQ) of xxxx 2020 and in line with the standards from the international framework for the professional practice of internal auditors, the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA) and the document 'Measuring the Effectiveness of the Internal Audit Function - Practical tools for internal auditors' by the IIA Nederland, dated July 2016.
- Meets the requirements applicable to sound and ethical operational management pursuant to the Trust Offices (Supervision) Act 2018 (Wtt 2018), the Money Laundering and Terrorist Financing (Prevention) Act (Wwft) and the Sanctions Act 1977 (SW) and the regulations based on those acts.
- Meets the HQ quality standards. (See annex: 'The minimum provisions to be included in the assignment of the Wtt auditor')

Date:

Date:

Name:
Auditor:

Name:
Auditor:

Signed as seen, [initials]

Date:

Date:

Name:
Director:

Name:
Director:

4. Structure and implementation of the AF

3.5. Audit documentation in the audit period:

The following documentation is included in the structure and implementation of the AF:

	Date	Annex
The description of the audit function in the procedure manual		I.
Substantiation of the integrity and expertise of the auditors		II.
The Audit Charter		III.
The Audit Programme		IV.
Risk analysis drawn up by the audit function		V.
Annual Audit Plan		VI.
Evaluation		VII.
Contract if the audit function is (partly) outsourced		VIII.

3.6. Audit activities

In the context of the AF, the following activities/investigations have taken place¹⁷:

	Activity	Date
1.		
	Explanation	
2.		
	Explanation	
3.		
	Explanation	
4.		
	Explanation	

¹⁷ Example:

- Discussion of the annual audit plan
- Establishment of the updated Audit Charter
- Request for current information and documentation
- Investigation data & documentation
- Transaction monitoring investigation
- Discussion of progress

- 5.
Explanation
- 6.
Explanation
- 7.
Explanation
- 8.
Explanation
- 9.
Explanation
- 10.
Explanation

3.7. *Applicable standards*

The standards used in the context of investigations for assessing the various components of ethical operational management as based on a wide range of sources, such as a legal basis, organisational policy, guidance from a supervisory body, HQ guidelines and guidance, branch standards and such like.

The extent to which a certain standard is generally applicable and has a more or less strict interpretation depending on the grounds, the nature of the topic being investigated and the context in which this should apply. In many cases, there is room for interpretation concerning standardisation, definitions, policy and the implementation with regard to the obligations to be met. Per assessed part, a connection is sought with that which can be considered as generally accepted to any degree or to that determined by the organisation. The interpretations used cannot infer that there is a definite interpretation at all times and under all circumstances.

3.8. *Assessment framework for findings*

The result of the investigation is qualified per part based on the identified (possible) **shortcomings** and **points of attention**. Shortcomings regard an observation that an applicable standard has not been met. The severity of the shortcoming can vary and it depends on the nature and circumstances of the case. Points of attention are observations which, in the view of the auditor, need to be addressed by the board so that these cannot be worded as shortcomings or that they benefit the effectiveness of the corresponding control measure.

A review is carried out, per part, as to whether it meets the applicable standards provided, which results in one of the following judgements¹⁸:

GOOD	It can be determined to a reasonable degree that the structure, existence and effectiveness of the control measures are effective*
SATISFACTORY	It can be determined to a reasonable degree that although significant shortcomings have been identified, the structure, existence and effectiveness of the most important control measures are effective*
UNSATISFACTORY	The structure, existence and effectiveness of a number of the most important control measures are ineffective**
POOR	The structure, existence and/or effectiveness of the control measures as a whole are ineffective**
N/A	Not assessed

- * The residual risk does not exceed the management’s risk appetite.
- ** The residual risk exceeds the management’s risk appetite.

3.9. Urgency

Any findings and recommendations have been reported per part, with an indication of the urgency with which the organisation is deemed to address them. The following periods can be distinguished in this regard.

Urgency	Restoration period
Directly	< 1 month
Soon	< 6 months
In the short term	< 3 months
In due course	< 12 months

3.10. Conclusion

Based on all findings and judgements, there is a general conclusion as to whether the organisational structure meets the relevant standards resulting from the HQ Quality Standard, including law and regulations, to a **substantial degree** or an **insufficient degree**.

1.1. Management coordination and response

Prior to the definitive report, this report has been coordinated with the board of [initials], or it has been sent to [initials] for the purpose of adding any comments or observations. Furthermore, management has the option to add a response that will be added to the report as an annex, if this option is used.

¹⁸ Standard good practice of the Institute of Internal Auditors (IIA).

5. Schematic overview of the assessment of the investigated parts of IBB

To be assessed, per part, on structure, existence and effectiveness.

Per part a * indicates whether a Holland Quaestor guideline exists for that part.

	PART	Judgement Investigation	Shortcomings	Addressed	Final judgement
		colour code	Yes / No	Yes / No	colour code
1.	Customer due diligence*		Yes	Yes	
	Assessment of, at least: <ul style="list-style-type: none"> - Client acceptance procedure - Client risk profile - Client risk analysis - On-going CDD procedure - Periodic revision procedure 				
2.	Transaction monitoring*		Yes	Yes	
	Assessment of, at least: <ul style="list-style-type: none"> - Transaction monitoring procedure - Transaction profile 				
3.	Sanction regulations				
	Assessment of, at least: <ul style="list-style-type: none"> - Identification procedure for business relations 				

- Procedure for screening business relations in EU and NL database listings
- Country sanctions identification procedure
- Check of applicability of country sanctions

4. Incidents

Assessment of, at least:

- Incident procedure
- Incident handling
- Record of handled incidents

5. SIRA*

Assessment of, at least:

- Procedure for implementing SIRA
- SIRA structure and systematics
- Implementation of SIRA

6. Organisational structure

Assessment of, at least:

- Management structure
- Segregation of duties
- Reporting lines

7. Organisational culture and behaviour*

Assessment of, at least:

- Integrity risk awareness
- Internal Code of Conduct
- Corporate Social Responsibility policy

8. Compliance function*

Assessment of, at least:

- Compliance charter
- Compliance programme
- Annual compliance plan
- Compliance reports

9. Availability of organisational data

Assessment of, at least:

- Completeness and currentness of files under section 38 Wtt 2018
- Procedure for updating files under section 38 Wtt 2018

10. Staff

Assessment of, at least:

- Pre-employment screening
- Expertise
- Education

11. Tax integrity*

In accordance with Audit Programme evaluation



* Nota bene: This means that it can be established with a reasonable degree of certainty that, although (possible) shortcomings and/or points of attention have been identified, the structure, existence and effectiveness of the most important control measures will be judged as effective. This connects to the standard valuation system within the IIA, with which findings are weighted and the conclusion is that these findings have no, or at least a limited, material impact on the effectiveness of the assessed control measures and as such the residual risk does not exceed the risk appetite.

Annexes

- I. The description of the AF in the procedure manual
- II. Substantiation of the integrity and expertise of the auditors
- III. The Audit Charter
- IV. The Audit Programme
- V. The Audit Function Risk Analysis
- VI. Annual Audit Plan
- VII. Overview of documentation studied in the context of the audit
- VIII. AF Evaluation
- IX. Contract if the AF is (partly) outsourced
- X. Management response

ANNEX F

INDEPENDENT REVIEW COMMITTEE WORK METHOD

To follow. The interpretation depends on the discussion about the variations for the review in the GMM of 25 June 2020.