Anti-Fraud Policy

1. CONTEXT AND SCOPE

1.1 What is fraud?

Fraud is a criminal offence. It has no place in society in general nor in the financial sector in particular. Fraud can be defined as every act to knowingly deceive someone through either the misappropriation of assets (financial assets, goods, company data, ...) or bypassing legal requirements, regulations or policies of the company that lead to damage for the victim and/or profit for the fraud.

Fraud can lead to severe financial losses, lawsuits and reputation damage. It also has the potential to have a cost for our customers and for society. Belfius therefore sets-up policies, processes, monitoring and training tools to limit the risk of fraud and to protect the interest of Belfius, those of its employees, customers and other stakeholders.

1.2 Scope

The anti-fraud risk management (risk identification, measurement, reporting, mitigation and control) covers all Belfius entities and its implementation is adapted to the specific business & support lines objectives, needs and focus.

2. OUR COMMITMENTS

In line with the overall commitment to deliver value-adding products and services, and as stated in the qualitative elements (statements) of the Belfius Risk Appetite Framework, (1) a zero tolerance policy is applicable for all forms of fraud and (2) Belfius takes an extremely severe policy line to meet its anti-fraud objectives while respecting practical limitations in capacities.

All Belfius employees are expected to respect the fraud risk policies, guidelines and procedures applicable within their particular area of work.

In case of internal frauds, Belfius applies a severe sanctions policy line enforced in coordination by Internal Audit and Human Resources and/or the decisional corporate bodies of the Belfius entities (whenever involved/concerned). Belfius will take and facilitate all possible measures, including administrative, civil or criminal proceedings regarding fraudulent activities.

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3. RISK MANAGEMENT FRAMEWORK

3.1 Three Lines of Defense model

The roles and responsibilities with regards to the handling of fraud attempts have been fixed according to the 3 Lines of Defense model:

- as 1st LoD, business & support lines and the network of risk correspondents together with the decentralized expert units;
- as 2nd LoD, Risk NFR team with the Anti-Fraud Officer as expert and Compliance;
  Taking into account their specific roles and responsibilities, Investigations (part of the Internal Audit department) and AML (part of the Compliance department) give depth and further outcome to potential events detected as such mainly by the business & support lines and the network of risk correspondents or by the decentralized expert units;
- as 3rd LoD, Internal Audit.

This implies in a concrete manner that business & support lines are the first risk managers and that the CRO/Risk NFR-team with the Anti-Fraud Officer as expert has a clear 2nd LoD role.

The Chief Risk Officer (CRO) is in general, as for all risks, responsible for the sound risk management.

3.2 Activity chain

Transactions, processes, activities, products and services are not full fraud-proof and susceptible to fraud attempts. Belfius is thus permanently managing and handling fraud risks by avoiding weaknesses in its systems/procedures and by tracking and removing vulnerabilities in order to protect the interests of Belfius and those of its employees, customers, suppliers and other stakeholders.

For well defined domains such as a.o. payments, financial markets and insurance claims, Belfius operates with decentralised expert units, appointed and authorised to monitor, investigate and manage the fraud risks in a timely, effective, confidential and professional manner. Experts have tailor-made detection tools with well defined fraud detection rules and they focus on a.o. invoice and document fraud, CEO fraud, hacking, boiler room, emo fraud, shoulder surfing, skimming, phishing, claims fraud and scamming. The detection tools produce “red flags” in case of fraud suspicions.

3.3 Reporting and monitoring

Fraud incidents are registered as events in the loss database, via the network of risk correspondents in all divisions and entities, to assess and analyse how fraud prevention and detection processes can be improved.

There is an obligatory action plan to be set up by the business & support lines for events with a net financial impact (threshold fixed in the Incident Registration Guideline) for adjustment of business processes and prevention of repeating offences and losses and to be used for information awareness and training purposes. Belfius has an accelerated registration of important and major fraud events with immediate escalation to the senior management level.

A yearly fraud report is written in close collaboration between the 3 LoD and consolidated by the Anti-Fraud Officer and the Risk NFR-team, providing senior management with relevant information to be able to review and assess the evolution of fraud risk.

The fraud report is presented/discussed at all levels of the risk governance structure.

4. RISK GOVERNANCE-STRUCTURE

The fraud risk management has a two-way top-down and bottom-up approach in a clear governance structure defined in 4 levels:

- (1) at the level of the Board of Directors (Risk Committee and Audit Committee),
- (2) at the level of the Management Board (Non-Financial Risk Committee, Risk Policy Committee and EMRIC),
- (3) at the level of the senior management (direct reports in the Anti-Fraud Steering Committee and the Information Security Steering),
- (4) and at the level of the 1st LoD (management decision making an decision taking bodies and the Anti-Fraud Expert Panel).

This structure assures a swift and overall communication between all management levels.

The Anti-Fraud Steering Committee, acting as a sub-committee of the Non-Financial Risks Committee, is defining and monitoring the fraud risk management on strategic and tactical level. It is the platform to reflect on and organize a dialogue between the internal control functions and the stakeholders mainly operating in the decentralized expert units (handling specific types of fraud).

The Anti-Fraud Officer, acting in its 2nd LoD challenger role, is key to steer and coordinate, harmonize, monitor, challenge and consolidate the knowledge of the decentralized expert units.

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Belfius Bank NV, Karel Rogierplein 11, 1210 Brussel - IBAN BE23 0529 0064 6991 -
BIC GKCCBEBB - RPR Brussel BTW BE 0403.201.185 - FSMA nr. 19649 A