



Global Standard on Fraud

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1 Introduction

Rabobank (or the Bank) is committed to managing fraud risk. In doing so, the Bank protects its integrity and reputation, and will make every possible effort to minimise fraud risk and criminal acts which can affect the Bank's customers, its employees and the Bank itself. When such matters arise, the Bank is also committed to addressing and resolving these issues.

For the purpose of this Global Standard on Fraud (hereafter: the Standard), both fraud and criminal acts are referred to as fraud.

This Standard is owned by Fraud & Corporate Security (hereafter: F&CS), Global Compliance Surveillance & Integrity Investigations (hereafter: GCS&II). This Standard stems from the Global Policy on Operational Risk.

1.1 Objectives

Building on the main objectives of the Global Policy on Operational Risk, the objectives of this Standard are to: 1) document the integrated approach to fraud risk management within the Bank; and 2) outline the controls in place that are designed to limit the risk of both internal and external fraud and misconduct. This means:

- Fraud risk is assessed across all departments and entities of the Bank;
- Identified fraud risks are mitigated by procedures or controls in order to protect the Bank and its customers;
- Procedures and controls which protect the Bank against fraud are periodically reviewed to monitor their effectiveness.

1.2 Scope

The scope which is set out in the Global Policy on Operational Risk is also applicable to this Standard. Namely, this Standard applies to all employees of Rabobank Group (including its subsidiaries and legal entities) and all employees of entities within Rabobank (i.e. Rabobank Group/Head Office, Divisions/Business units, Regions/Entities, Departments, Desks/Portfolios). The term "employees" includes full-time, part-time, contract, self-employed, agency and temporary workers.

Rabobank entity specific demands, including specific requirements of the jurisdiction, should be captured in procedures/processes/work instructions.

1.3 Key Definitions

Fraud

Fraud is defined as "*an act of deception intended for personal gain or to cause a loss to another party*".

Fraud can be internal, external or may involve collusion between internal and external parties. An act of collusion will be treated as internal fraud. Participation or collusion in fraudulent acts will render employees liable to disciplinary action up to and including dismissal.

External Fraud

External fraud involves fraud committed by third parties, including customers, where there is no internal involvement.

It is important to realise that neither internal nor external fraud need to have been successfully committed for an offence to have occurred. An attempt to defraud will also be considered an offence under the Standard.

Internal Fraud

Internal fraud is committed when one or more employees are involved.

Fraud Risk

The risk that fraud occurs. Fraud risk is one of the elements of operational risk. Fraud, external and internal, is one of the elements of the Basel event types level 1.

Criminal Act

A criminal act is an act committed by a person that violates a criminal law. For the purpose of this Standard, both fraud and criminal acts are referred to as fraud.

FEC Coordinators

The FEC Coordinator, FEC stands for Financial Economic Crime, is a function within the Dutch Local Banks. They are the point of contact for the FEC central organization and are also responsible for coordinating FEC related issues in their branch, including fraud.

Fraud Officer

The Fraud Officer is the single point of contact for fraud related issues in the local Rabobank Wholesale Rural & Retail (hereafter: WRR) offices.

Relevant Legislation

Legislation varies across the jurisdictions to which this Standard applies. Each Rabobank entity is required to assess local legislation and regulations to ensure compliance. Where there is any conflict between internal policies and external laws or regulations, the higher standard will prevail.

Misconduct

Any deliberate breach of Rabobank's rules and regulations such as the Code of Conduct, Banker's Oath (applicable to the Netherlands only) and other policies which are designed to ensure the proper integrity/conduct of Rabobank employees. The primary responsibility for dealing with the response to misconduct lies with the (local) Compliance Officer. If an operational investigation is required in an integrity/misconduct case, F&CS will coordinate the operational response.

2 Requirements of Fraud Risk Management

All business lines and products within the Bank are exposed to fraud risk. Therefore, in view of the potential size and impact of fraud risk, and the probability of fraud occurring, Rabobank endorses an integrated approach to managing fraud risk. This approach is built on three building blocks – Prevention, Detection and Response.

2.1 Fraud Prevention

All departments are required to identify and assess the types of fraud risk to which they are exposed on an ad hoc/regular basis. It should be done in accordance with the Risk and Control Activities (hereafter: RCA) cycle as described in the Global Policy on Operational Risk. By doing so, the Bank is preventing fraud by reducing the risk of fraud occurring. Essential elements in fraud prevention are fraud risk awareness and assessments of fraud risk.

2.1.1 Fraud Risk Awareness

Every employee has a responsibility to be aware and react to fraud risks.

Effective ownership and responsibility of fraud risk management is based on all employees having an appropriate level of fraud awareness. Two key components that drive fraud risk awareness are:

1. Management's understanding, support and promotion with relevant laws, regulations and Rabobank policies (tone at the top);
2. Provision of appropriate training for (all) Rabobank employees.

Tone at the Top

It is expected of management that they will achieve and maintain a familiarity with the specific bank regulations and policies relating to fraud risk management, and that they actively promote compliance and awareness amongst their staff.

Fraud Training

Relevant employees should receive adequate fraud training. This training should encompass and elaborate on fraud prevention, detection and response to (suspected) fraudulent activities. The FEC coordinator or Fraud Officer can liaise with F&CS to arrange the provision of face-to-face fraud training.

2.1.2 Fraud Risk Assessment

Fraud risk is one of the standard elements that will be included within the regular risk identification and assessment process of the RCA cycle. Specific fraud risks are part of the RCF theme Fraud. Also risks in other RCF themes can be labeled as fraud risk.

In addition to the regular risk assessments, 'deep dives' may be necessary to focus in on specific fraud risks.

In completing fraud risk assessments, team F&CS can support and advise on the impact of specific risks, and best practice for mitigating these fraud risks.

2.2 Fraud Detection

Rabobank deploys multiple solutions for the detection of potential fraud. There are regular or specific controls in place, and there is a confidential outlet for employees who wish to bring a possible instance of fraud to the attention of Rabobank.

2.2.1 Fraud Controls

There are two types of controls that can prevent or detect fraud instances. 1) Regular controls which are part of the common processes, such as Identity Access Management, Customer Due Diligence etc. and 2) specific controls that are designed to actively detect instances of fraud. For example, transaction monitoring. The RCF Theme List includes an overview of the possible controls that are relevant to fraud.

Monitoring and evaluating the effectiveness of these controls is part of the regular RCA cycle. Additionally, Compliance and other oversight functions, such as Operational Risk, may conduct ad-hoc reviews to challenge the controls in place.

2.2.2 Whistleblower Policy

Rabobank recognises that sometimes employees may have concerns about raising matters which may constitute fraud. For this reason, a ‘Rabobank Rules on the Internal Reporting of Malpractice’ (“Whistleblower Policy”) has been put in place. This provides a mechanism to enable employees to raise suspicions or concerns they may have in relation to fraud (including criminal acts), misconduct/integrity, financial malpractice, conflicts of interest and corruption. The policy contains a provision for anonymous reporting.

2.3 Fraud Response

2.3.1 Procedures

When a fraud incident has occurred or there is a suspicion of a potential fraud, Rabobank has procedures in place to take corrective action and remedy the harm caused by fraud including:

- Establishing clear descriptions¹ of roles and responsibilities in conducting fraud investigations;
- Maintaining a clear and consistent approach to disciplinary actions;
- Protocols for reporting instances of fraud to external bodies such as the Police and Regulatory Authorities (see paragraph 2.5.2);
- Considering the adequacy of procedures and controls which should have prevented an instance of fraud from occurring.

¹ See Global Standard on Operational Risk Incidents Management, Global Standard on Finding and Action Management, Aris ProceWeb (Dutch Local Banks), Fraud Response Procedure (WRR). Note that local data protection regulations must be adhered to.

2.3.2 Response to Misconduct

Suspicions, or actual acts of misconduct should be reported immediately to the (local) Compliance Officer. Compliance are responsible for coordinating misconduct/integrity related matters. In situations where a misconduct/integrity case requires investigation, F&CS will coordinate the operational response.

2.4 Fraud Coordination

It is mandatory for all Local Banks in the Netherlands, all WRR offices outside the Netherlands and subsidiaries to appoint at least one person to coordinate fraud issues and to liaise directly with F&CS. Within the Dutch Local Banks, these persons are called FEC Coordinators. Outside the Netherlands they are called Fraud Officers.

For Rabobank Head Office in the Netherlands, F&CS will function as coordinator of fraud related issues.

Paragraph 3.2 describes the responsibilities of a FEC Coordinator or Fraud Officer in more detail.

2.5 Fraud Reporting

2.5.1 Report to FEC Coordinator or Fraud Officer

All employees are required to report suspicions of fraud to the FEC Coordinator or Fraud Officer. The initial report can be made to the line manager if the employee chooses to do so. An employee can also raise a anonymously via the reporting procedure (under the Whistleblower Policy) if he or she so wishes.

Prior to formally reporting an incident, an employee can discuss the matter with the FEC Coordinator or Fraud Officer on an informal basis if they so wish.

2.5.2 Escalation Process

The FEC Coordinator or Fraud Officer is responsible for escalating all fraud incidents to F&CS, taking into account any local data protection restrictions. The criteria for escalation are:

1. All incidents of internal fraud must be escalated immediately to F&CS and the Compliance Officer;
2. All incidents of misconduct must be escalated immediately to the Compliance Officer (see paragraph 2.3.2);
3. All incidents of external fraud must be escalated immediately to F&CS and the Compliance Officer when they meet one of the following criteria:
 - significant financial damage;
 - two or more customers are victims of the incident;
 - serious reputational damage.

All other incidents should be reported via the regular processes².

² See Global Standard on Operational Risk Incidents Management, Global Standard on Finding and Action Management, Aris ProceWeb (Dutch Local Banks), Fraud Response Procedure (WRR). Note that local data protection regulations must be adhered to.

2.5.3 Report to External / Regulatory Authorities

All actual and attempted frauds which are committed in The Netherlands, against Rabobank, its clients or its employees will be reported to the relevant External/Regulatory Authorities (e.g. Police or Department of Justice). Deviation from this requirement is only allowed after approval from the Rabobank Integrity Assessment Committee³.

The minimum requirement for Rabobank entities outside The Netherlands is that in the event of a fraud against the Bank, consideration must be given to reporting to the relevant External/Regulatory Authorities. Each entity is therefore required to assess local legislation and regulations to ensure compliance. F&CS are available to provide guidance in this regard where required.

2.5.4 Criminal Justice Act 2011

The Criminal Justice Act 2011 (CJA 2011) introduced the requirement for mandatory reporting of certain suspected criminal offences. This applies to individuals as well as corporations.

Section 19 of the CJA 2011 makes it an offence for a person not to report to An Garda Síochána information which (s)he knows or believes might be of material assistance in the prevention of the commission of certain offences.

Where an employee has a suspicion or belief that an offence of fraud has been committed, internal reporting to the Fraud Officer will satisfy your requirement under the Act.

* A list of relevant offences is listed in the Act. The full text of the Criminal Justice Act 2011 can be accessed by clicking [here](#).

³ The Rabobank Integrity Assessment Committee is chaired by the Head of GCS&II. The members are representatives of Legal, Communications, Compliance, the Business (WRR & Local Banks), Human Resources and Financial Restructuring & Recovery.

3 Roles & Responsibilities

For the Standard, the following responsibilities are defined in accordance with the 3 Lines of Defence model which are elaborated on in the Global Policy on Operational Risk.

3.1 1st Line of Defence

In line with the Global Policy on Operational Risk, the first Line of Defence (hereafter: 1LoD) management of the specific product/business or department owns the fraud risk and is therefore responsible and accountable for establishing controls to mitigate these fraud risks. 1LoD management are also responsible for setting the tone at the top.

Specific to fraud risk, 1LoD management is responsible for:

- Ensuring that the Rabobank has a FEC Coordinator or Fraud Officer in place within the entity;
- The implementation of this Standard;
- Reporting all fraud instances to F&CS.

3.2 2nd Line of Defence

3.2.1 Regular Risk and Control Activities

F&CS is the center of expertise and operations within Rabobank Compliance that deals with all aspects of fraud risk management. F&CS offers support and advice to the business to assist them in mitigating fraud risk.

3.2.2 Fraud Investigations

F&CS holds the mandate from the Executive Board, and has the expertise in-house, to investigate (complex) cases relating to fraud, criminal acts⁴ and also integrity and compliance-based operational investigations (e.g. misconduct). These investigations are conducted in close cooperation with the other Compliance departments.

The Chief Compliance Officer has overall responsibility for all investigations conducted by F&CS. Furthermore, it is the responsibility of Compliance to involve F&CS when expertise or operational investigations are required (e.g. integrity investigations).

3.2.3 FEC Coordinator or Fraud Officer

In line with the tooling, requirements and focus set by F&CS, the FEC Coordinator or Fraud Officer has been delegated the responsibility for the overall coordination of the local entity's response to fraud risk.

Within each Rabobank entity, they are responsible for maintaining an integrated approach to the prevention and detection of fraud by promoting the awareness of fraud risk throughout the Bank, acting as an advisor to business units, providing analysis of fraud risk to management, dealing with incident reports relating to fraud and investigating fraud.

⁴ Includes attempts.

The FEC Coordinator or Fraud Officer is responsible for fraud risk management, which may comprise the following:

Prevention and Detection:

- Maintain regular contact with F&CS;
- Provision of fraud awareness training and workshops to employees;
- Provision of assistance in the assessment of department specific risks and the corresponding controls in place to mitigate those risks⁵;
- Highlighting risks and associated control gaps to senior management which arise from fraud related incidents and / or investigations, in order to pro-actively protect the Bank;
- Conducting industry networking by maintaining a network of contacts, both within the Rabobank Group, and externally across the financial services industry;
- Participating in Bank working groups and committees.

Response:

- Act as the central point to whom staff will report suspicions of fraud;
- Maintain a register / database of fraud incidents;
- Ensure that fraud incidents are reported and escalated to F&CS in line with the processes (see paragraph 2.5.1);
- Coordinate and carry out preliminary assessments and full investigations in relation to suspected cases of fraud and / or criminal behaviours with the support from other functions within the Bank where necessary;
- Report cases of fraud or criminal acts to the Regulatory Authorities, if applicable (see paragraph 2.5.2).

3.2.4 Involvement of Other Oversight Functions

Compliance, Human Resources, Operational Risk, Security and Legal are important stakeholders in managing fraud risk. In certain scenarios/matters, there can be multiple reporting requirements to Compliance, Operational Risk and F&CS.

3.3 3rd Line of Defence

The third Line of Defence constitutes of the internal audit department of Rabobank. Audit Rabobank provides independent assurance, advice and insights to the Executive Board, the Supervisory Board and other senior management of Rabobank Group on the quality and effectiveness of the Group's internal control, risk management and governance systems and processes, thereby helping the boards and management protect the organisation and its reputation.

The design and operating effectiveness of the objectives of this Global standard on Fraud will be subject to periodical review by Audit Rabobank.

⁵ These risks are owned by each department head and shall be reviewed on a continual basis.

4 Monitoring

The Global Standard on Fraud will be updated every two years and adherence to this Standard will be monitored by F&CS.