

OCCO

Office of the Chief
Compliance Officer
Activity Report 2017



European
Investment
Bank



The EU bank

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Foreword by the President



I am pleased to present the 2017 Activity Report of the Office of the Chief Compliance Officer (OCCO), which provides information on the Directorate's core activities, notably: Anti-Money Laundering/Combating the Financing of Terrorism (AML-CFT), integrity due diligence of EIB counterparties and operations, regulatory compliance and tax, ethics, codes of conduct and related policy and institutional matters. Through promoting high ethical standards and good governance, OCCO plays an essential role in upholding the EIB's values, both in EIB operations and internally in the Bank.

OCCO was established as a Group function in 2005, following a request made by the EIB Board of Governors in the "Statement on Governance at the EIB" at its annual general meeting of 2004. EIB attaches great importance to its Compliance and Controls Framework. Consequently, as part of EIB's adherence to Best Banking Practices and in line with similar developments in peer institutions and commercial banks, one of Bank's priorities is to promote an independent and strong Compliance function.

Compliance is a key control function to ensure the integrity of EIB staff, management and activities. The role of the EU-bank as part of the response of the EU to the external challenges it faces has increased significantly in recent years. As a consequence, the EIB is now subject to much greater scrutiny by its Audit Committee and Board of Directors, as well as the European Parliament, European Commission and ECOFIN in addition to other stakeholders, such as Rating Agencies and Civil Society. Compliance failures damage the reputation of an institution. Compliance is therefore of central importance for the EIB.

In 2017, OCCO made substantial progress on the implementation of the revised AML-CFT processes at the Bank, including the revised AML-CFT Framework and its implementing procedures. The Bank's continued commitment to the highest standards of integrity has also had a practical impact on its operations, with the number of operations with OCCO involvement rising by 26% over the last two years.

Last year, in line with the increased focus of the EIB's Board of Directors, EU Member States and European Commission on the prevention of links between EIB operations and tax evasion and harmful tax practices,

OCCO was instrumental in enhancing EIB's policies and due diligence measures in this field. This is an important contribution to Tax Good Governance, a high priority for the EU.

The EIB Group Compliance function hosted an international conference "Tax – Compliance – Ethics". This high-level event built on debates on Compliance and Ethics in the previous years. This included the successful Compliance Summit (2014) and Business Ethics and Compliance Conference (2015) organised by OCCO, and the annual meeting of the Heads of Compliance and Integrity Functions of Multilateral Development Banks (2016), co-hosted by the Council of Europe Development Bank (CEB), and the EIB Group Compliance function.

Compliance is a shared responsibility of all EIB services, staff and members of the governing bodies. Compliance effectiveness depends not only on written policies and rules, as well as proper implementation and continuous monitoring, but also - and probably foremost - on the "culture of the organisation". Going forward, formulating and supporting a strong Compliance culture will be promoted across the EIB Group.

Establishing and strengthening the Compliance function may come at a cost, but Compliance and ethical leadership pay-off in the long run. Consequently, I note with satisfaction the significant work carried out in 2017, and the progress made, and I encourage colleagues in OCCO to continue on this path.

Werner Hoyer

This Activity Report of the Office of the Chief Compliance Officer (OCCO) provides information on the main developments in OCCO and its activities in the year 2017.

1 OCCO REMIT, STRUCTURE AND RESOURCES

1.1 REMIT

Pursuant to its Terms of Reference, *“the remit of the Group Chief Compliance Officer is to identify, assess, advise on, monitor and report on the compliance risk¹ of the EIB Group, that is, the risk of legal or regulatory sanctions, financial loss, or loss to reputation a member of the EIB Group may suffer as a result of its failure to comply with all applicable laws, regulations, staff codes of conduct and standards of good practice.”*

Current activities within OCCO remit can be broadly grouped as follows:

- Compliance policies and institutional matters;
- Ethics and Codes of Conduct;
- Anti-Money Laundering/Combating the Financing of Terrorism (AML-CFT) and integrity due diligence of EIB counterparties and operations;
- On-going monitoring of ML-FT risks;
- Regulatory and Tax Compliance; and
- Clearance for the Bank’s Corporate and Technical Assistance procurement.

1.2 STRUCTURE

OCCO was established in July 2005 as:

- an Autonomous Department under the responsibility of a Group Chief Compliance Officer (GCCO) assisted by a Deputy Chief Compliance Officer;
- an independent function: in accordance with the principles laid down by the Basel Committee² and EBA³ and pursuant to the “Statement on Governance at the EIB”⁴, *“the Group Chief Compliance Officer is independent of other EIB Group services and reports directly to the President of the Bank under the functional authority of a Vice-President”*; and
- a Group function, in accordance with the Integrity Policy and Compliance Charter: Compliance risk is managed at the EIB Group level⁵ by the GCCO, who coordinates:
 - the Office of the Chief Compliance Officer (OCCO), in charge of European Investment Bank Compliance, and
 - EIF Compliance in charge of European Investment Fund Compliance.

In line with President Hoyer’s focus on strengthening the Compliance function in the last years, the OCCO structure and organisation went through major changes including its upgrading from Autonomous Department to Directorate, appointment of a new Director General as Group Chief Compliance Officer, Mr G. Hütz, former Deputy Director General of the Legal Directorate, and progressive increase of staff.

OCCO is currently comprised of the following organisational units:

- i) Compliance Corporate Division (OCCO-CORP), dedicated to consultation, review/update and advice on policy and institutional matters:
 - within OCCO traditional remit (AML-CFT Framework, Market Abuse Guidelines, Ethics and Codes of Conduct; awareness-raising, training on Compliance, specific policy provisions in the Master Finance Contract);

¹See definition of Compliance risk in Basel Committee on Banking Supervision “Compliance and the compliance function in banks” 2005.

² Basel Committee Corporate governance principles for banks (2015)

³ revised EBA Guidelines on internal governance (2017)

⁴The Office of the Chief Compliance Officer (OCCO) was established as a Group function in 2005 following a request made by the EIB Board of Governors at its annual general meeting of 2004 (“Statement on Governance at the EIB”).

⁵ See Compliance section on the EIB website

- other “horizontal” institutional and compliance issues from time to time assigned to OCCO by the Management Committee and/or handled at inter-directorate level in cooperation with Directorates concerned.
- ii) Compliance Operations Division (OCCO-OPS), dedicated to:
- integrity due diligence of new OPS and FI operations and counterparties at pre-approval stage, OCCO opinions submitted in Board documents;
 - assistance on transposition of OCCO recommendations into contractual documentation;
 - leading the Working group aimed at setting up the EIB Group Compliance Sanctions Programme;
 - managing external consultancy firms within the Framework Agreement.
- iii) Compliance Monitoring Division (OCCO-MON) activities focussed on the identification, assessment and management of ML-FT risks that derive from the EIB business relationships, including:
- due diligence checks at post-approval stage with a risk-based approach (ML-FT and integrity alerts from the services);
 - automated screening and management of the alerts;
 - managing the in house created risk scoring tool to provide firm basis for scoring of Compliance risk in OCCO opinions;
 - review of the Compliance risk rating and its insertion/update in the EIB systems;
 - risk-based transactions monitoring;
 - compliance testing of AML-CFT controls.
- iv) Tax Compliance Unit (OCCO-TAX), dedicated to provide tax-related support and expert advice to OCCO management and the Bank’s services throughout the lifecycle of EIB activities, including transactional support, policy/institutional requirements applicable to the Bank and establishing common standards in the area of tax good governance, with a view to facilitating the smooth and coherent handling of tax-related matters throughout the Bank’s activities.
- v) Regulatory Compliance team, addressing the role of the Compliance function in relation to applicable laws and regulations⁶. Regulatory Compliance is aimed at ensuring that EIB services are informed about latest developments in Compliance regulatory space to enable applying this information in a timely fashion.
- vi) Procurement Compliance team, ensuring, in close cooperation with the relevant services, the bank-wide compliance with the Corporate and Technical Assistance Procurement procedures and the applicable legal framework.
- vii) Data Protection Office, established in line with Regulation (EC) 45/2001, requiring each Community Institution and body to appoint at least one person as Data Protection Officer (DPO) to ensure the application of the principles of data protection. In 2015, the Data Protection function was integrated in OCCO. The DPO, holding an independent function, reports administratively to the GCCO. EIB appointed a new DPO as of 1st February 2017, who has extensive experience from previous data protection roles at EUROPOL and ECB.

OCCO organisational units are coordinated by a Director⁷, under the lead and strategic guidance of the Group Chief Compliance Officer.

1.3 RESOURCES

Staffing of Compliance function

Since the new GCCO was appointed in Q4 2012, the Management Committee approved a substantial number of new positions for Compliance, specifically to address the rising number of operations and evolving post-approval Compliance monitoring activities in line with the revised AML-CFT Framework.

⁶ Reference is made to the following Basel Committee on Banking Supervision (BCBS) and European Banking Authority (EBA) documents: Compliance and the compliance function in banks (BCBS, 2005) and revised EBA Guidelines on internal governance (2017)

⁷ Respective competences remained substantially unvaried since OCCO creation, with the GCCO in charge of the “overall responsibility and supervision; strategic guidance and leadership; internal and external representation of the compliance function” and the Director responsible for tasks such as daily staff management, together with replacement of the GCCO in case of absence and specialist advisory tasks (queries from SG and Personnel; codes of conduct; compliance with EU laws, rules and regulations and with EIB policies) plus other administrative tasks (budget, staffing coordination).

OCCO has retained a good mix of external and internal candidates, with compliance, legal, audit, tax, operational, procurement and regulatory backgrounds.

In a number of cases, OCCO engaged specialised external consultants to perform Compliance assessments complementing its findings in complex operations or for particularly sensitive integrity or transparency concerns.

IT and other resources

IT resources used for OCCO daily activities (such as OCCO due diligence checks, monitoring of regulatory developments, etc.) include 'open source' and publicly available information⁸ with the support of a compliance-dedicated database, on-line alerts, newsletters and other publications, periodicals for the main legal and regulatory developments.

A Group-wide project for selection and implementation of an enhanced compliance screening solution is managed by OCCO with participation of EIF Compliance and other EIB and EIF services.

Compliance Liaison Officers

In an effort to further enhance the Compliance culture within the Bank and more specifically to facilitate interaction with the Directorates directly concerned with compliance related processes, OCCO proposed to establish in each relevant Directorate a 'Compliance Liaison Officer' (CLO). The CLOs will re-inforce the three lines of defence principle, by ensuring that with the support of OCCO, the 1st line takes up the expected ownership for tasks and responsibilities.

The CLO network management strategy should bring consistency in the coverage of Compliance issues across the organisation through the introduction of an interactive network management. The CLOs will work closely with OCCO staff to ensure proper alignment with Compliance policies and practices. The CLO network combines all CLOs into one 'Compliance community', centrally coordinated by OCCO.

1.4 ALIGNMENT IN THE EIB GROUP CONTEXT

Further synergies are being developed in order to strengthen a consistent group approach on Compliance, in line with recommendations of the European Banking Authority⁹ and Basel Committee¹⁰.

In 2017, the respective Compliance teams have considerably strengthened their engagement on policies, processes and procedures. These continued interactions, encouraged by the Group Chief Compliance Officer and EIF senior management, contributed to fostering the Group Compliance culture. The revision of the previous Memorandum of Understanding to become a Framework of Cooperation (signed in March 2018) formed part of this Group alignment and formalised the intensified interactions and good cooperation.

2 POLICY AND INSTITUTIONAL MATTERS

2.1 REVISED EIB GROUP AML-CFT FRAMEWORK AND EIB AML-CFT PROCEDURE

During 2017, in the context of the review of the AML-CFT Framework and in coordination with the EIB Group services, OCCO proposed updates to the AML-CFT Framework in order to further align it with the 4th AML Directive requirements. The proposed modifications have been approved by the Management Committee in January 2018, followed by the publication of the updated AML-CFT Framework on the EIB website. The revised AML-CFT Framework applies to both EIB and EIF.

The transparency of the beneficial ownership remains a key requirement in the fight against money laundering and financing of terrorism, hence particular attention is paid to beneficial ownership identification as a fundamental requirement of the Customer Due Diligence process.

⁸ E.g. the web, data published by national authorities and corporations, IFIs and other multilateral development banks, press articles from reliable and reputable sources, NGO reports etc.

⁹ Revised EBA Guidelines on Internal Governance (EBA/GL/2017/11) Para 196.

¹⁰ BCBS 2015, Corporate governance principles for banks, Principle 5 Governance of group structures.

2.2 EIB GROUP SANCTIONS COMPLIANCE POLICY

OCCO provides continuous support and advice to the Bank's services in relation to sanctions imposed by national and international agencies.

OCCO has engaged with the services in setting up a framework for the structured approach of the EIB Group to sanctions. A formal Working Group with participation of the Bank and EIF services was set up to deliver the EIB Group Sanctions Compliance Policy.

The EIB Group Sanctions Compliance Policy has been approved by the EIB Board of Directors in December 2017 and by the EIF Board of Directors in March 2018.

2.3 FOLLOW-UP ON TAX AND NCJ POLICY-RELATED DEVELOPMENTS

In view of developments in the area of taxation (including the OECD Base Erosion and Profit Shifting project and the European Union Anti-Tax Avoidance Package), the EIB Group has taken additional measures to enhance its procedures and practices aimed at avoiding EIB Group operations being misused for tax crimes and tax avoidance.

OCCO has updated and published on the EIB website the EIB Group Statement¹¹ on tax, money laundering and terrorist financing. This Statement outlines the EIB Group position on the fight against tax fraud and tax evasion and reiterates the Group's strong support and commitment regarding the ongoing measures and initiatives at EU level in the area of tax good governance.

In February 2017, the Group Chief Compliance Officer was invited to give a presentation to the European Parliament (DEVE Committee) on the EIB approach on tax.

A high-level Conference on international taxation and IFI role, organised by OCCO, took place in October 2017.

The work in relation to the revision of the EIB Policy towards weakly regulated, non-transparent and uncooperative jurisdictions (NCJ Policy) is ongoing.

2.4 MARKET ABUSE GUIDELINES

The EIB Group Guidelines for the prevention of insider dealing and market manipulation (EIB Group Market Abuse Guidelines, MAG) contain the essential features of the new Market Abuse response and implement the regime (Market Abuse Regulation (EU) No 596/2014 and related Criminal Sanctions Directive 2014/57/EU). They establish the key principles to protect the Bank and its staff against Market Abuse and to preserve the smooth functioning of the financial markets.

The coordination of the implementation of the EIB Market Abuse framework is within the remit of the Compliance function and is performed in the context of the Working Group on Market Abuse led by OCCO.

2.5 REPUTATIONAL RISK

A Working Group on Reputational Risk chaired by OCCO continued its work throughout 2017. The Reputational Risk framework and responsibilities came to OCCO's attention in connection with the assessment of non-financial risks in the Risk Appetite Framework (RAF)¹².

2.6 REGULATORY COMPLIANCE AND BEST BANKING PRACTICES

OCCO takes an active role in the ongoing Best Banking Practice (BBP) project aimed at clarifying the scope and substance of Best Banking Practices applicable to the EIB, and to codify the EIB approach to BBPs. In the context of the ongoing discussion on roles and responsibilities of various teams, OCCO has referred to the Basel Committee principles and European Banking Authority (EBA) Guidelines and the current incorporation of these rules into the EIB BBP framework. The OCCO

¹¹ <http://www.eib.org/about/compliance/tax-good-governance/index.htm>

¹² Financial Stability Board (FSB), 2013 publication indicated that in order to be effective, RAF "should also address more difficult to quantify risks such as reputation and conduct risks as well as money laundering and unethical practices."; RAF should "include qualitative statements that articulate clearly the motivations for taking on or avoiding certain types of risk, including for reputational and other conduct risks" - see FSB 2013, Principles for An Effective Risk Appetite Framework.

Terms of Reference and the Integrity and Compliance Charter of EIB are modelled against these rules.

2.7 PARTICIPATION IN COMPLIANCE AND CONTROLS COMMITTEE

The Compliance and Controls Committee (CCC) has been created in 2015 in the context of reinforcement of the Compliance and Controls framework. The Committee has the purpose of providing a visible platform to monitor the Bank's compliance and control risks and to make recommendations for improvements, including alignment of the Compliance and Controls framework across the EIB Group and oversight and coordination of the Best Banking Practices (BBP) self-assessment exercises across the Bank. BBP issues were on agenda of several CCC meetings in 2017 in the context of the ongoing project for revision of the BBP framework.

3 TRAINING AND AWARENESS RAISING

3.1 AML-CFT TRAINING

OCCO maintains an up-to-date mandatory AML-CFT focused e-learning course consisting of several modules and including case studies, exercises and practical examples. The main objectives of the AML-CFT training are to:

- Inform about the AML-CFT risks;
- Provide legal principles and best banking practices in terms of AML-CFT requirements;
- Help to identify operations or transactions which could be suspicious ('red flags') in relation to money laundering or terrorist financing and to instruct on how to proceed in such cases;
- Provide an overview on AML-CFT trends, including risk-based approach;
- Inform about the relevance of the Compliance function and the consequences of non-compliance;
- Inform about the EIB requirements to follow in the context of the fight against money laundering and terrorism financing.

In 2017, additional material on data protection has been included into the updated release of the e-learning course.

In addition to AML-CFT training, OCCO holds induction presentations of the role, responsibilities and structure of the EIB Compliance function for all new EIB recruits and organizes or participates to ad-hoc awareness sessions on specific compliance topics.

3.2 AWARENESS-RAISING INITIATIVES

Several awareness-raising initiatives were started or further developed by OCCO in 2017 upon the Group Chief Compliance Officer guidance:

- Regular presentations were held for the new members of the Board of Directors and Audit Committee. The presentations covered the OCCO remit, its policies, latest and anticipated developments. Several awareness-raising workshops dedicated to the Code of Conduct were arranged for the EIB staff and management. Other specific presentations have been delivered to the Management Committee, the Board of Directors and Audit Committee, e.g. on the ML-FT Risk Scoring Tool, developed by OCCO, and in meetings with the European Commission and the Board's Working Group on Taxation;
- Participation in the EIB dialogue with civil society and with non-financial rating agencies;
- Further upgrade of the Compliance internet page on EIB's website promoting the Compliance role as integral to the Bank's ethical, professional and business approach; Development of the Tax Good Governance section on EIB's website; Revision of OCCO intranet site with the aim to provide a user-friendly tool by adding clarity and simplicity to the navigation structure.
- In 2017, a number of information alerts/updates were published on the Intranet News Centre to raise awareness on core Compliance policies and procedures in the areas of AML-CFT, Ethics and Code of Conduct.

3.3 COMPLIANCE CULTURE CHANGE PROGRAMME AND INTEGRITY WORKSHOPS

In 2017, several workshops were arranged as an integral part of the Compliance Culture Change Programme launched by OCCO, IG and Personnel in the context of the Codes of Conduct and Whistleblowing Policy review.



The workshops promoted highest ethical standards for management and staff, and discussed red flags, issues and incidents which may concern every staff member seeking assistance or clarification with regard to his/her rights and procedures to follow.

3.4 MARKET ABUSE GUIDELINES WORKSHOPS

In 2017, OCCO completed a general training cycle on the Market Abuse Guidelines and initiated a cycle of Directorate-specific workshops on Market Abuse.



An 'AperOCCO' event was arranged in partnership with Finance Directorate in April 2017 to raise awareness of the Market Abuse rules applicable to the EIB. The event was hosted by the Group Chief Compliance Officer, who made an express reference to the responsibility of all staff to ensure the appropriate implementation of the Market Abuse Guidelines.

4 ETHICS - CODES OF CONDUCT

4.1 ETHICS AND COMPLIANCE COMMITTEE

The Ethics and Compliance Committee (ECC), composed of four Board members and Chairman of Audit Committee, decides on possible conflicts of interest and all other ethical issues regarding Management Committee and Board members, and (on voluntary submission basis) Audit Committee members.

The Group Chief Compliance Officer plays an important role in the ECC, receiving communication of all the documents provided to the ECC, participating in the ECC meetings, without the right to vote, and may request a decision of the ECC. Furthermore, the Group Chief Compliance Officer provides opinions at the request of the Chairman of the ECC or upon his own initiative.

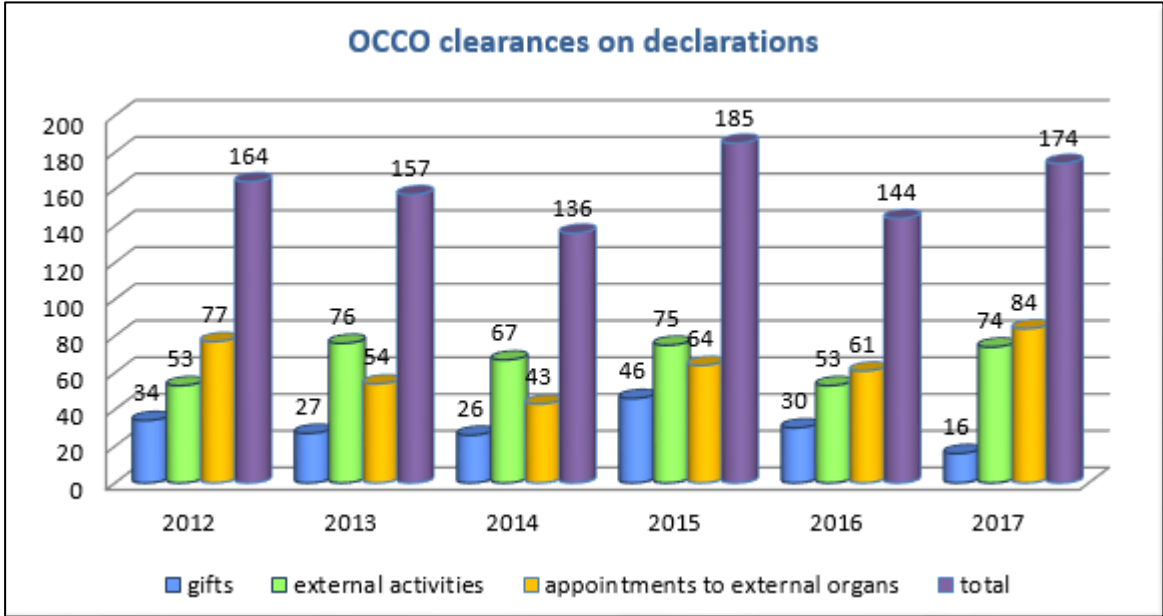
4.2 OCCO CLEARANCES ON DECLARATIONS

OCCO's remit includes the responsibility to administer the EIB Staff Code of Conduct (CoC) and handle connected compliance issues, where Compliance "acts as a first line detector of potential incidents of non-observance or breaches by the staff of the rules on ethics and integrity, monitors compliance therewith by the staff of the EIB Group and recommends the adoption of such protective or redressing measures as are appropriate."

OCCO's preliminary assessment and informal advice was also sought by staff and members of the Management Committee in connection with conflicts of interest, private investments, gifts, external activities and declarations of interest prior to the transmission of formal declarations.

During 2017, OCCO issued:

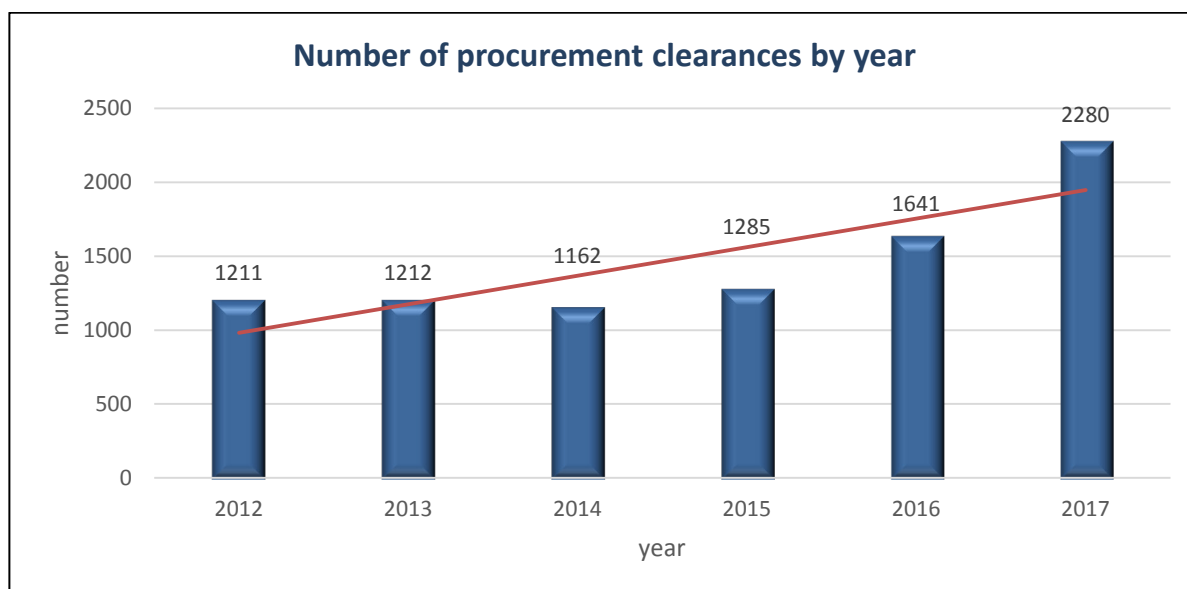
- 16 clearances for declarations of gifts;
- 74 clearances for external activities applications; and
- 84 clearances for appointments to external organs.



5 PROCUREMENT PROCESS

The role of OCCO-Procurement is based on the EIB's Corporate and Technical Assistance Procurement Guide (the Guide), which has been revised in 2017 in order to harmonise the EIB procurement framework for the EIB's own account and for Technical Assistance services. The Guide transposes the Directive 2014/24/EU on public procurement into the EIB rule framework.

The number of OCCO-Procurement clearances has been increasing continuously over the last years, and specifically in 2017 (passing from 1641 clearances issued in 2016 to 2280 in 2017 - i.e. 38.9% increase compared to 2016). The graph below shows the number of clearances issued by OCCO-Procurement over the past 6 years:



OCCO-Procurement also contributes to enhancing the Bank's procurement practice by delivering coaching, training and awareness sessions on procurement compliance topics and trends on a regular basis.

6 DATA PROTECTION

The Data Protection Office is an important function established in line with the Regulation (EC) 45/2001, requiring each Community Institution and body to appoint at least one person as Data Protection Officer (DPO) to ensure the application of the principles of data protection. The DPO task is to advise colleagues, to ensure compliance with data protection rules, and to keep a Register of personal data processing operations carried out within the Bank.

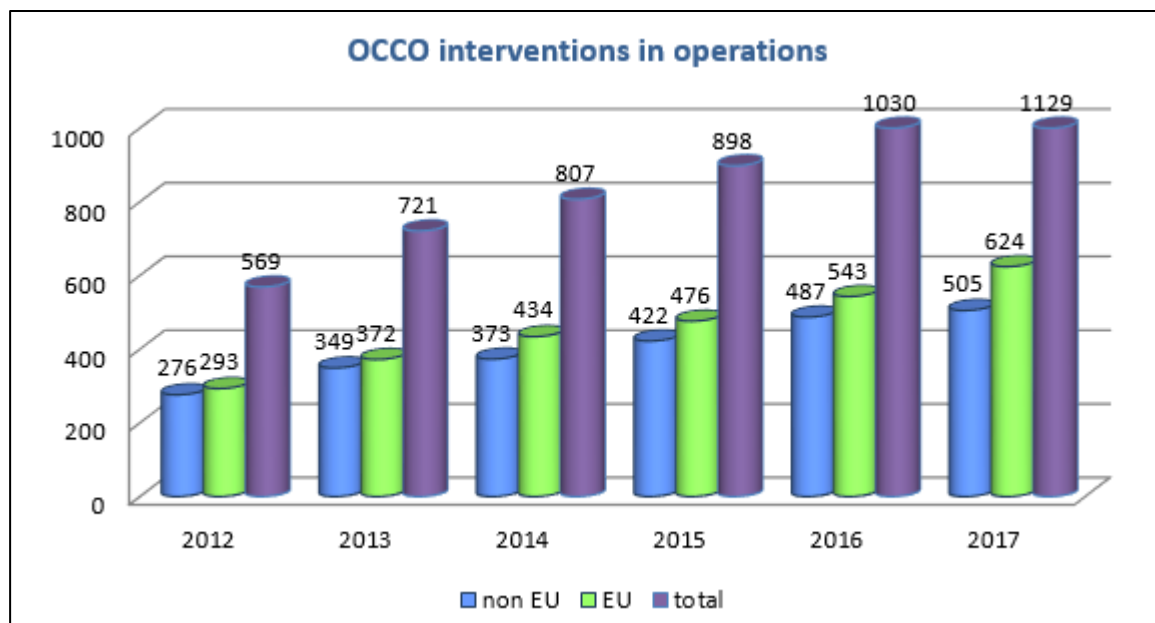
2017 was a very important year for Data Protection because of the preparation of the entering into force of the new Data Protection Package in May 2018 (GDPR and new Regulation¹³ applicable to European institutions and bodies). The new Regulation will enhance the accountability of the Institutions and bodies, the rights of the data subjects and the powers of the European Data Protection Supervisor (EDPS).

Therefore, the DPO has concentrated the activities of the Data Protection Office during 2017 on the demanding task of preparing the implementing actions for the new Regulation. This action plan takes into consideration the recommendations of the EDPS to the DPOs of the European Institutions and Bodies. Priority of the action plan is to increase awareness inside the organisation and to identify any risks and/or potential shortcomings, especially with regard to the new obligations introduced by the Regulation.

¹³ Regulation of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC

7 OPERATIONS COMPLIANCE

In 2017, OCCO was increasingly consulted by the Operational, Legal and TMR Directorates in connection with AML-CFT matters, including but not limited to opinions, comments and finance contracts, showing a 26% increase over the last 2 years (1129 cases in 2017 as compared to 1030 in 2016 and 898 in 2015).



OCCO opinions receive full attention of the Management Committee, Board of Directors and Audit Committee.

8 MONITORING OF ML-FT RISKS

With regards to the implementation of the EIB AML-CFT Procedure, OCCO is establishing a sound and comprehensive AML-CFT Monitoring Framework. This Framework covers two distinct pillars, complementary for the purpose of ML-FT risks management:

- Pillar 1. Ongoing monitoring, which is focused on the identification, assessment and management of ML-FT risks (including the subsequent reputational risk) that derive from EIB's business relationships. It is a responsibility shared by the EIB Directorates, with a particularly important role for client-facing services due to their knowledge of and interaction with the EIB's counterparties.
- Pillar 2. Compliance testing of AML-CFT controls, which is focused on the identification, assessment and management of weaknesses in EIB's AML-CFT controls. AML-CFT testing is the responsibility of OCCO (as the 2nd line of defence) and aims to assess the design and effectiveness of AML-CFT controls at the level of the 1st line of defence.

9 OCCO REPRESENTATION AND COOPERATION

9.1 INTERNATIONAL TAX CONFERENCE HOSTED BY EIB - OCCO

In October 2017, the EIB hosted the international conference “Tax - Compliance – Ethics: International Taxation – Role for International Financial Institutions?” organised by OCCO. This was the third major international conference, which OCCO has organised in last 3 years (after the successful Compliance Summit and Business Ethics events).

The conference attracted high interest, both externally and internally, with well over 120 participants of which some 45 external, high-level expert speakers, panellists, moderators, audience from IFIs, bilateral financial institutions, other institutions and organisations such as European Commission (TAXUD and ECFIN), ECB, European Ombudsman, OECD. The opening speeches gave an overview of basic concepts of taxation, pointing out to recent changes in the area of digital economy, virtual currencies and linking them to the taxation subject and stressed the drive of Luxembourg to adapt to changes brought by tax good governance initiatives and notably OECD Base Erosion and Profit Shifting (BEPS). The Audit Committee Chairman participated in one of the Panels.



The conference demonstrated that tax remains a high priority item on the international policy agenda and is a global issue calling for global action and responses. Representatives of the OECD, EU, and G20 presented the recent and future developments in the regulatory field, e.g. development of the EU list of non-cooperative tax jurisdictions, development of fast-track procedure (Global Forum/OECD), endorsement of the OECD and Global Forum work on tax transparency.

Participants discussed the role of IFIs as far as promoting tax good governance is concerned. The EIB was perceived as a leader in terms of tax due diligence.

9.2 REPRESENTATION AND COOPERATION WITH INTERNATIONAL ORGANISATIONS AND OTHER IFIS

Systematic consultation and cooperation with other IFIs (EBRD, ADB, CEB, NIB, IFC, IADB) and national development agencies (AFD, KfW) is an essential part of OCCO activity and is ongoing on several compliance areas (such as NCJ, Tax, FATF, Ethics, Regulatory Compliance).

In February 2017, the EIB was invited to give a presentation to the Development Committee of the European Parliament on private equity lending outside of the EU with focus on the tax due diligence related aspects. The Group Chief Compliance Officer (GCCO) and the Deputy Head of OPS spoke on behalf of the EIB. The GCCO outlined responsibilities of the Compliance function of the EIB and emphasised elements of enhanced due diligence applied in case of NCJ links, tax risk indicators and complex multi-jurisdictional structures as well as to the Bank's support and commitment to the ongoing regulatory measures and initiatives in this area, especially in the EU.

In March 2017, the GCCO attended the annual meeting of the Heads of Compliance and Integrity Functions of Multilateral Development Banks (MDBs) in Barbados, where compliance related subjects including taxation and policies towards non-cooperative jurisdictions, and AML-CFT played an important part of the discussions. The event was co-hosted by CDB and IADB and collected representatives from MDBs in Europe, the Americas, the Caribbean, Asia and Africa. The GCCO led the discussions on the items of NCJ and Tax issues, as well as the Risk Scoring Tool and measurement of Compliance risk.

In August 2017, the GCCO was invited to give a presentation at the "Financial market talks" of the European Forum Alpbach in a panel dedicated to the issue of tax havens.

In September 2017, the GCCO participated in the meeting of Europe based IFIs (EBRD, NIB, CEB, BSTDB, EIF, EIB), hosted by BSTDB in Thessaloniki, with the presentation on the EIB Compliance Risk Scoring tool and monitoring, a topic of high interest to the IFIs. The meeting showed that EIB/OCCO is leading on many Compliance subjects in IFI community, such as Compliance opinions, risk scoring, monitoring, tax assessment, data protection etc.

Furthermore, EIB's representation in international standard-setting ('Lead') Organisations continues to be ensured by the participation of the GCCO in Plenary meetings of the Financial Action Task Force (FATF)¹⁴ together with the European Commission and in the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes as an official observer.

The Group Chief Compliance Officer participated in the 10th meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes¹⁵ in Cameroon in November 2017. The Forum's 10th meeting brought together more than 200 delegates for discussions on the next steps to accelerate international cooperation on tax transparency.

¹⁴ FATF is an inter-governmental body established in 1989 whose objectives are to set standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering and financing the terrorism, and related threats to the integrity of the international financial markets. FATF has issued its 2012 Recommendations, recognized as the international standard, and evaluates its member states and other countries against this standard. FATF has currently 37 Members, amongst which the US, Canada, China, Russia, Brazil, India, 15 EU Member States and the European Commission. Amongst the organisations that have formal observer status are inter alia World Bank, EBRD, African Development Bank, Asian Development Bank, ECB, IMF, Basel Committee on Banking Supervision, Europol and United Nations.

¹⁵ The Global Forum on Transparency and Exchange of Information for Tax Purposes is the multilateral framework within which work on transparency and exchange of information for tax purposes has been carried out by both OECD and non-OECD economies since 2000. Since its restructuring in 2009, the Global Forum has become the key international body working on the implementation of the international standards on tax transparency. The Global Forum ensures that these high standards of transparency and exchange of information for tax purposes are in place around the world through its monitoring and peer review activities. The Global Forum currently has 148 members, together with 15 international organisations participating as observers (including the EIB).

10 OCCO 2020 INITIATIVE

The OCCO 2020 initiative was launched by the Group Chief Compliance Officer to identify scenarios for OCCO going forward in terms of increased focus of Compliance on the 2nd line of defence function and hence as contribution to a better delineation of the 3 lines of defence, further enhancement of efficiency and effectiveness of Compliance activities and review of OCCO's organisation and approach in the modern Compliance world.

The initiative was subject to an open discussion during OCCO's Away Day 2017 and received full support of the Group Chief Compliance Officer, the Heads of Division and Data Protection Officer. By working together across limits of organizational units, listening to and taking on board different viewpoints, OCCO 2020 is perceived as an excellent opportunity for shaping the working environment and strengthening OCCO as one team.

OCCO 2020 was presented to members of the Management Committee in March 2018 and was appreciated as a novel way to engage with staff.

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