



Audit Policy

of the

**Self-regulatory Organisation pursuant to the
Anti-Money Laundering Act**

of the

**VQF Financial Services
Standards Association**

regarding

**Combating of Money Laundering
and Prevention of the Financing of Terrorism**

The VQF Financial Services Standards Association (hereinafter: "VQF") is a self-regulatory organisation (hereinafter: "SRO") approved by the Federal Financial Market Supervisory Authority (hereinafter: "FINMA") and as such is obliged in accordance with Art. 24 Para. 1 letters b and c of the Federal Act of 10 October 1997 on the Combating of Money Laundering and Prevention of the Financing of Terrorism in the Financial Sector (hereinafter "AMLA"):

- to supervise the financial intermediaries affiliated to the VQF SRO (hereinafter: "VQF SRO members"), thereby ensuring that they fulfil their duties in accordance with Chapter 2 of the AMLA and the regulations of the VQF SRO in accordance with Art. 25 AMLA (hereinafter: "Regulations"); and
- to ensure that the persons and audit companies entrusted by the VQF SRO with conducting audits demonstrate the required specialist knowledge, provide guarantee of impeccable auditing activity and are independent of the executive management and administration of the VQF SRO members to be audited.

The Supervisory Commission of the VQF SRO issues the present Audit Policy¹ (hereinafter: "Audit Policy") regarding the Combating of Money Laundering and Prevention of the Financing of Terrorism on the basis of Art. 22 of the VQF By-laws (hereinafter: "By-laws") and Art. 61 et seq. of the Regulations:

1. **General**

Art. 1 Principles and goals

¹ The VQF SRO audit procedure is based on the following elements:

- a. The principle of self-declaration (Art. 2 of the Audit Policy); and
- b. The AMLA Audit (Art. 3 et seq. of the Audit Policy).

² The goal of the AMLA Audit is to verify compliance with duties pursuant to the AMLA and the by-laws and regulations of the VQF SRO for those of its members affiliated to the VQF SRO in accordance with Art. 3 Para. 1 of the by-laws.

³ The term "member" as used in the other provisions of this VQF SRO Audit Policy refers exclusively to VQF SRO members.

¹ Note with regard to the use of the masculine form: the masculine form used in this Audit Policy incorporates the feminine form.

2. Self-declaration for the previous Calendar Year

Art. 2 Duty and modalities

¹ For the duration of membership and by no later than 31 January of each year, each member must submit an annual self-declaration on the previous calendar year (reporting year), whereby he certifies compliance with his duties pursuant to the AMLA and the by-laws and regulations of the VQF SRO and, in particular, discloses the quantity of his AMLA files including changes thereto.

² Members must use the form provided by the VQF SRO for this purpose (VQF doc. no. 903.1).

³ In addition, the self-declaration also forms the basis for calculating the file fee in accordance with the regulation on fees (Art. 3 Para. 2 and Art. 27 letter b of the By-laws).

3. AMLA Audits

Art. 3 Auditor

¹ Member audits are carried out by an internal or external auditor appointed by the Supervisory Commission of the VQF SRO (hereinafter: "auditor"). Members of the Supervisory Commission may also carry out their own audits.

² Auditors must meet the following requirements:

- a. They must be able to demonstrate their specialist knowledge and experience in AMLA matters.
- b. They must submit an application to the Supervisory Commission for approval as auditors of the VQF SRO (VQF doc. no. 701.1), including the following documents:
 - i. For natural persons applying to become accredited auditors of the VQF SRO:
 1. Authenticated copy of a valid passport or identity document.
 2. Extract from Central Criminal Records (original or authenticated copy not more than 3 months old).
 3. Current extract from the Debt Enforcement Office (original or authenticated copy not more than 3 months old).
 4. Current extract from the Commercial Register on the auditor (if registered in the Commercial Register) and/or on the employer (if registered in the Commercial Register) and employer's certificate (original or authenticated copy not more than 3 months old).
 5. Signed and dated curriculum vitae (minimum contents: personal data, education and professional training, experience in the field of auditing/AMLA controlling).

6. Brochures and company profile (if available).
 7. Diplomas and/or Certificates of Qualification (original or copy).
 8. Evidence of knowledge of the AMLA: training events attended and activity as auditor (if available).
 9. Written confirmation of approval from the Swiss Financial Market Supervisory Authority (FINMA) as auditor to financial intermediaries directly subject to FINMA (if available) or certification of approval as auditor from another self-regulatory organisation pursuant to the AMLA.
 10. Authorisation of the Federal Audit Inspection Authority as audit expert or auditor (if available).
 11. License to practice law (if available).
- ii. For legal entities applying to become accredited auditors of the VQF SRO:
1. Current extract from the Commercial Register (original or authenticated copy not more than 3 months old).
 2. Current extract from the Debt Enforcement Office (original or authenticated copy not more than 3 months old).
 3. Brochures and company profile (if available).
 4. Written confirmation of approval from the Swiss Financial Market Supervisory Authority (FINMA) as an auditing company for financial intermediaries directly subject to FINMA (if available) or certification of approval as auditor from another self-regulatory organisation pursuant to the AMLA.
 5. Authorisation of the Federal Audit Inspection Authority as auditing company (if available).
 6. Disclosure of the natural persons who will carry out the AMLA audits on the legal entity including submission of complete applications for authorisation (Art. 3 Para. 2 letter b Section i of the Audit Policy) for these natural persons.
- c. They must have a good reputation and offer a guarantee of efficient auditing activity.
 - d. They must comply with the pertinent directives on independence of the Trust Chamber with regard to the VQF SRO members to be audited. Reciprocal controls are not permissible.
 - e. They must commit to keeping secret all confidential facts which come to their knowledge in the context of their activity on behalf of the VQF.
 - f. They must attend the advanced training course for AMLA auditors carried out by the VQF SRO.

³ Audit mandates awarded by the Supervisory Commission to legal entities (of VQF SRO approved audit companies) (Art. 5 of the Audit Policy) must only be carried out by natural persons likewise approved by the VQF SRO as auditors for validating compliance with duties pursuant to the AMLA and the VQF by-laws and regulations. The Supervisory Commission can bindingly specify in the audit mandate which natural person (VQF SRO approved auditor) must carry out the AMLA audit on behalf of the legal entity (VQF SRO approved audit companies).

⁴ AMLA audits on lawyers and notaries are carried out by lawyers and notaries.

Art. 4 Audits and frequency of audits

¹ For applicants and new members:

- a. In the case of applicants the Supervisory Commission can call for additional information and data at any time by correspondence prior to deciding on admission (including information and data on subjects not mentioned in the admission forms and guidelines).
- b. The first audit takes place within no more than twelve months after admission. Subject to Art. 4 Para. 1 letter c of the Audit Policy.
- c. If a former member of the VQF SRO transfers his AMLA-relevant contracts and financial intermediary activity to an applicant for admission (e.g. by means of investment in kind, transfer of assets in accordance with the Mergers Act and the like) and if the same natural persons of the former member of the VQF SRO – and with the same organisational structure - are responsible for financial intermediary activities on behalf of the applicant for admission, the Supervisory Commission can waive the performance of a first audit within twelve months of admission of the applicant into the VQF SRO and can transfer the audit frequency (Art. 3 Para. 2 of the Audit Policy) of the former member transferring its business, organisation and personnel to the corresponding new member of the VQF SRO (i.e. the first audit on the new member takes place in the same calendar year as the next periodic audit on the former member transferring its business), provided that the new member demonstrates that all afore mentioned prerequisites for the waiver of the requirement to perform the first audit within twelve months of admission (Art. 4 Para. 1 letter b of the Audit Policy) are met. The new member has no legal claim to the waiver by the Supervisory Commission of the performance of the first audit within twelve months of admission.

² On changing from "professional financial intermediary" membership status to "non-professional financial intermediary" membership status: The transfer audit is deemed to have been performed if an audit took place within the previous twelve months which determined that the member had met no criterion in accordance with respectively applicable Federal regulations² for at least one calendar year. A transfer audit must be performed within twelve months of the transfer if no such transfer audit previously took place.

² Ordinance of 18 November 2009 on the professional practice of financial intermediation (SR 955.07).

³ On changing from "non-professional financial intermediary" to "professional financial intermediary" membership status: If an audit took place within the previous twelve months which determined that the member carried on professional activity, the next (periodic) audit takes place in accordance with the frequency defined by the Supervisory Commission (Art. 4 Para. 4 of the Audit Policy). If no such audit took place, the next audit must be performed within 24 months of the last audit as a "non-professional financial intermediary".

⁴ Periodic audits:

- a. All members are subject to inspection in the context of periodic (AMLA) audits.
- b. The frequency of the periodic audits is between one and three years and is re-defined by the Supervisory Commission after each AMLA audit (excluding the admission and final audits) on an individual basis for each member on the basis of his risk profile. The list of criteria produced by the Supervisory Commission for the assessment of the member's risk profile forms the basis for the periodic definition of the audit frequency.
- c. If an admission audit did not take place prior to admission, after the first audit the Supervisory Commission may only determine an audit frequency spanning more than one year (Art. 4 Para. 1 of the Audit Policy) if:
 1. The risk assessment so permits, and also:
 2. The member was previously affiliated to another SRO or was inspected by FINMA, or:
 3. As a minimum, the AMLA Training Officer (VQF doc. no. 907.1) was already responsible for compliance with duties pursuant to the AMLA in the context of his previous activities (professional experience).
- d. Periodic audits are carried out on members with VQF SRO "non-professional financial intermediary" membership status in accordance with the maximum audit frequency of three years.

⁵ Irrespective of the determined audit frequency, the Supervisory Commission may order an (extraordinary) audit at any time and in particular on suspicion of money laundering/financing of terrorism and/or serious offences against duties pursuant to the AMLA or the by-laws and regulations of the VQF.

⁶ Following termination of membership, in the case of members supervised by the VQF SRO under the status of professional financial intermediary, a final audit takes place prior to (or no later than three months after) leaving the Association. (A final audit is not performed in the case of members supervised by the VQF under the status of "non-professional financial intermediary"). The final audit can be waived:

- a. If the member was deleted from the Commercial Register; or
- b. If, during the course of the last membership year, a periodic audit already took place; or
- c. If the last periodic audit confirmed that the member does not carry on professional activity as a financial intermediary; or

- d. If confirmation of the transfer of all mandates is available from another financial intermediary or the member submits written confirmation of the termination of all mandates; or
- e. If confirmation is available of admission to an alternative self-regulatory organisation pursuant to the AMLA, or confirmation is available of approval by the Federal Financial Market Supervisory Authority with regard to supervision pursuant to the AMLA.

⁷ The member is obliged at any time to undergo the audits referred to in Art. 4 of the Audit Policy, to collaborate with such audits and – also outside of these audits – to present all documents and to truthfully and completely give all information as may be requested from him by the auditor on the occasion of such audit or – outside of the (local) audits on the member's premises – by the Supervisory Commission directly.

Art. 5 Audit mandate, verifying the independence of the auditor and the principle of rotation

¹ The Supervisory Commission can award (individual) mandates for the performance of AMLA audits in accordance with this Audit Policy to auditors or audit companies accredited by the VQF SRO based on the by-laws, regulations, audit policy and any general agreement between the VQF SRO and auditors or audit companies. Auditors and audit companies accredited by the VQF SRO have no legal claim to the allocation of AMLA audits by the VQF or to the assignment of the performance of audits on behalf of the VQF SRO.

² The (individual) mandate of the Supervisory Commission for the performance of an audit is awarded to the auditor in writing (signed by a member of the Supervisory Commission) stating the name or company name of the VQF SRO member to be audited including details of the period of time for the performance of the mandate.

³ The instructed auditor and – in the case of audit companies – the auditor performing the audit (and also the instructed audit company) are obliged to verify their independence for each (individual) mandate in accordance with the relevant "Guidelines on independence of the Swiss TRUST CHAMBER of Auditors and Tax Experts". Facts which might influence the independence of the auditor (or instructed audit company where appropriate) must be reported to the Supervisory Commission immediately in writing. The mandate must be returned or revoked in the event of reasonable doubt as to the independence of the auditor (or audit company).

⁴ When awarding audit mandates with regard to a specific member, the Supervisory Commission pays attention to the reasonable rotation of auditors (rotation among the natural persons accredited as auditors of the VQF SRO. In general, after the same auditor (natural person) was assigned to the same member three times in succession, a different auditor (other natural person) must be given the mandate to perform the (fourth) audit on the member in question.

Art. 6 Notification and place of audit

¹ AMLA audits are usually pre-announced. However, they may also be carried out un-announced.

² AMLA audits take place on the member's premises (subject to Art. 10 Para. 6 of the Audit Policy). AMLA audits may also be extended to other premises accessible to the member.

Art. 7 Commencement of the AMLA audit, natural (auxiliary) persons of the member present during the AMLA audit and member's duty to guarantee the feasibility of the AMLA audit

¹ The auditors charged with carrying out the AMLA audit identify themselves to the member subject to auditing by means of an identification document (passport/ID card) and the written order from the Supervisory Commission.

² The person responsible for the AMLA on behalf of the member, or his deputy, must be present at the AMLA audit and the presence of an informed person with regard to the member's activities as a financial intermediary and the AMLA files – or at least the availability of this person to the auditor during the audit - must be guaranteed. If this is not guaranteed, the auditor would not be able to carry out the audit and would be required to forward the AMLA audit report (including a written statement on the infeasibility of the audit and the reason for same) to the Supervisory Commission for a decision on further proceedings.

³ The member subject to the audit must guarantee that a complete AMLA audit can be carried out by granting the auditor access to all requested records and providing all requested information truthfully and completely. In addition to the AMLA files and other AMLA-relevant documents, the member's documents to be presented to the auditor also include the following, in particular:

- a. The member's own (financial) accounts and (audited) annual financial statements.
- b. Customer accounts including corresponding receipts, correspondence, memoranda etc. on the customer relationships.
- c. Documents on business relationships which the member may not consider relevant to the AMLA.

Art. 8 Auditor's activity

¹ The auditor's activity is in accordance with the member's duties. The audit activity calls for deeper examination and investigates the transactions of the business. Accordingly, it is transaction oriented, whereby the auditor inspects a random sample of all records it considers necessary, including the member's accounting records.

² In the first step, the following are checked:

- a. The member's structure and organisation (including compliance with the duty to report to the VQF SRO and the careful selection, instruction – including training - and control of auxiliary personnel).
- b. The member's (business) activity in general. In particular: the inventory of AMLA files (including changes over time), the volume of managed assets and whether the member is/was professionally active under the provisions of the respectively applicable Federal regulations.
- c. Consistency between the data in the self-declaration and the actual situation.

³ In a second step, the AMLA files are subjected to (detailed) examination with regard to compliance with AMLA duties (Art. 3 – Art. 10 AMLA) and duties pursuant to the by-laws and regulations of the VQF SRO, including a random feasibility check on the basis of all records associated with the AMLA files. During the audit and in accordance with the encountered situation, the auditor decides on the quantity of AMLA files to be audited in each individual case, whereby the audited files must guarantee a representative overview of the customer base as well as compliance with duties pursuant to the AMLA and the by-laws and regulations of the VQF SRO.

⁴ In the third step, the auditor verifies whether the member has fully complied with his duties with regard to the AMLA (Art. 3 - 10 AMLA), (e.g. unusual events, duty of documentation and retention, etc.). In particular, the auditor checks whether other business relationships between the member and his customers, designated as not relevant to the AMLA, should in fact be assessed as relevant to the AMLA. If the auditor discovers this to be the case, it must clarify the background and extend its audit if necessary.

Art. 9 AMLA Audit Report

¹ The results of the audit are recorded in the AMLA Audit Report (VQF doc. nos. 702.1 and 706.1). The member must be informed of the result by means of a copy of the AMLA Audit Report, which must also be discussed with the member. By adding his signature, the member confirms receipt and discussion of the AMLA Audit Report as well as the completeness and correctness of the statements made by the member and the information recorded by the auditor.

² As far as lawyers and notaries are concerned, in all cases the AMLA Audit Report must be compiled while observing professional secrecy.

³ The auditor must fill out the AMLA Audit Report correctly and truthfully and submit it to the VQF no later than two weeks after completing the audit. The auditor must immediately inform the VQF of any violation by the member of Articles 9 and 10 of the AMLA (duty to report and freezing of assets) as well as serious violations of the by-laws and regulations of the VQF SRO.

Art. 10 Approval of the AMLA Audit Report, supplementary audits and further procedures after performance of audit

¹ The Supervisory Commission decides on approval of the submitted audit reports (VQF doc. nos. 702.1 and 706.1) and based on these AMLA Audit Reports (including reports on audited AMLA files, appendices thereto and other documents submitted during the audit) decides on the ordering of any measures and the opening of any sanctions proceedings.

² A supplementary audit must usually be performed in the case of complaints relating to active (not yet closed) AMLA files. Supplementary audits may be performed by members of the Supervisory Commission or by an auditor. A decision is taken in each individual case with regard to the form and content of the supplementary audit. However, the Supervisory Commission may also open sanctions proceedings or order measures directly without a supplementary audit.

³ After performing a supplementary audit, the auditor must again discuss the duly supplemented AMLA Audit Report with the member, which the member must again sign. By his signature, the member confirms receipt and discussion of the supplemented AMLA Audit Report (including supplementary audit report) as well as the completeness and accuracy of the statements made by the member and the information recorded by the auditor in the supplemented audit report.

⁴ The right to the subsequent imposition of any sanction based on the results of the AMLA audit or supplementary audit is not waived by the ordering and performance of a supplementary audit. Only after a supplementary audit has been performed and on the basis of the determinations of the supplemented AMLA Audit Report (including the list of audited AMLA files, appendices thereto, supplementary audit report and other enclosures) does the Supervisory Commission decide on further proceedings, which may also include the opening of sanctions proceedings and subsequent sanctioning or the ordering of additional measures.

⁵ In the event of minor complaints (Bagatelle Ordinance pursuant to Art. 67 of the VQF regulations), the auditor can, on his own authority, order a supplementary audit and perform such a supplementary audit within a period of two months following the AMLA audit. He must inform the VQF Secretariat of this circumstance without delay. If in the event of minor complaints the auditor is unable to agree a date for a supplementary audit to be performed within a period of two months following the AMLA audit, he is obliged to obtain the approval of the Supervisory Commission for the performance of a supplementary audit after expiry of the two month period following the performance of the AMLA audit.

⁶ Supplementary audits by way of correspondence whereby the member provides the auditor with outstanding or revised documents within an agreed period of time are only possible:

- a. In the case of minor complaints (e.g. individual outstanding documents), and if in addition (cumulative)
- b. It is guaranteed that the auditor requires no further documents in addition to those to be sent to him in order to audit the member's compliance with duties pursuant to the SRO Regulations and VQF by-laws.

In the AMLA Audit Report, the auditor confirms that the supplementary audit took place by way of correspondence and states the reason for this in the audit report. The auditor must guarantee that the documents to be submitted at a later date can be assigned without equivocation to the respective audited AMLA files or specific complaints. If there is any doubt as to the feasibility of performing the supplementary audit by way of correspondence the supplementary audit takes place on the member's premises.

⁷ In the event of significant complaints which can no longer be classified as minor, the auditor, stating this reason, immediately forwards the AMLA Audit Report (including enclosures thereto) to the Supervisory Commission. The Supervisory Commission then decides on the performance of the supplementary audit (time limit, content, form etc.). A period of grace for the correction of the complaints found during the AMLA audit is set simultaneously on notification of the ordering of a supplementary audit. The supplementary audit usually takes place within one month following expiry of the period of grace for the correction of complaints.

4. Final Provisions

Art. 11 Other provisions

The following are integral components of this Audit Policy:

- a. AMLA Audit Report on member (VQF doc. nos. 702.1 and 706.1).
- b. List of audited AMLA files (VQF doc. no. 904.1), including Appendix to the list of audited AMLA files.
- c. Declaration of completeness (VQF doc. no. 904.6).
- d. Supplementary Audit Report (VQF doc. no. 904.1.2)
- e. Internal risk assessment of the member by the auditor and Supervisory Commission (VQF doc. no. 703.1).

Art. 12 Entry into force and publication

¹ Following authorisation by the VQF Board and the Federal Financial Market Supervisory Authority (FINMA), this Audit Policy enters into force on 31 August 2010. It also applies to pending proceedings of the Supervisory Commission.

² This Audit Policy was published on the VQF website (www.vqf.ch) on 31 August 2010.

Zug, 31 August 2010



Hugo Brücker
Chairman
Supervisory Commission



Alfred Widmer
Vice Chairman
Supervisory Commission