

Confidential
Draft
Prepared at the Instruction of Counsel



[REDACTED] March 20, 2019 [REDACTED]

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MARCH 20, 2019

PROJECT [REDACTED]
PHASE I - INITIAL AND PRELIMINARY UPDATE
March 20, 2019

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TERMS OF REFERENCE, LIMITATIONS AND DEFINITIONS

TERMS OF REFERENCE

Forensic Risk Alliance Limited (“FRA”, we, our, or us) was engaged by Swedbank AB (“the Bank”) and Counsel (“Counsel”). The Terms of Reference were finalised on March 2, 2019 and include two Phases of work and related Tasks (“the Review”). Fieldwork commenced on February 27, 2019 and is ongoing. This Initial and Preliminary update is based upon fieldwork performed through March 19, 2019. Phase 1 of the Review requires FRA to provide an update to the Board of the Bank on March 20 based upon the following Tasks:

- FRA to ascertain whether any of the 50 named entities in the form provided by SVT's *Uppdrag granskning* (the "50 Entities") are or have been customers of the Bank, by reference to the Bank's KYC and/or standing data systems for Sweden and the three Baltic countries (Lithuania, Latvia, Estonia) (for this purpose the 50 Entities does not include any affiliated persons or entities or any name variations or synonyms).¹
- If so, determine if Bank KYC records purport to indicate whether any entity has been ‘off-boarded’ by the Bank and if so, when and confirm which of the 50 Entities appear to remain customers of the Bank (according to KYC records).
- Conduct a high-level initial review of transaction records to indicate the extent to which they are consistent with the findings outlined above (i.e., if ‘off-boarded’, were any payments processed before/after the purported ‘off-boarding’).
- Scope further forensic investigative steps consistent with the work scopes contemplated in Phase 2 of the Terms of Reference.

Note 1: The list provided by SVT's Uppdrag granskning included 51 names, of which two related to the one entity: one name was presented as a former name of another named entity.

OVERVIEW OF LIMITATIONS

This Initial and Preliminary update has been prepared for Counsel and the Bank only. We accept no liability to any other persons for the content of this update (including for negligence). To the extent that the Bank or Counsel wish to disclose this update in whole or in part to other parties, they shall first consult FRA, and shall in any event incorporate all of the limitations set out below in any disclosure or reproduction of this update. There are a number of important limitations to our Phase I work which must be read as part of this initial and preliminary update. They include:

- a) Phase I of the scope of work was restricted to the individual 50 names in the form provided by SVT to the Bank (a review of affiliated or linked entities is being conducted in Phase 2);
- b) we relied upon the Bank to identify data repositories in order to be able to gather transaction and customer records related to Sweden and the Baltic jurisdictions for review in the available time and unless expressly indicated this did not include original source data;
- c) we relied upon the data gathered for us by the Bank without verifying its accuracy or completeness;
- d) we have not been provided with Bank-initiated remediation or investigation files, or reports;
- e) our initial and preliminary observations are subject to change as further information emerges; and
- f) our initial and preliminary observations do not constitute legal advice, and are not to be treated as an opinion on the views a regulator may take in relation to the matters covered in this update.

Details of these and other limitations applying to our work are set out in Appendix I.

KEY DEFINITIONS

Primary Accounts: Accounts which are in the Baltics KYC system (Current, Loan, Securities and Deposit Accounts)

Account: Includes all categories of accounts in the Data Sources (including Primary Accounts and, for example, agreements such as loan contracts, leasing contracts and money market contracts)

Off-Boarding: Termination by the Bank of the business relationship with a customer

50 Entities, or Entity: The list of 50 names (and one historic name) in the form provided by SVT, or one of the 50 Entities

Unique Identifier or Customer UID: ■ unique party codes in the Data Sources directly linked with the 50 Entities

Baltics: For the purposes of this review Estonia, Latvia and Lithuania

KYC: Know Your Customer

CRM: Customer Relationship Management

LC&I: Large Corporates and Institutions

Data Sources: Repositories and systems identified by the Bank as relevant to Phase I (Appendix 2)

Specific name match: Exact name match with variance only of company suffix (abbreviation or long form e.g. LTD or Limited)

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INITIAL AND PRELIMINARY EXECUTIVE SUMMARY AND METHODOLOGY

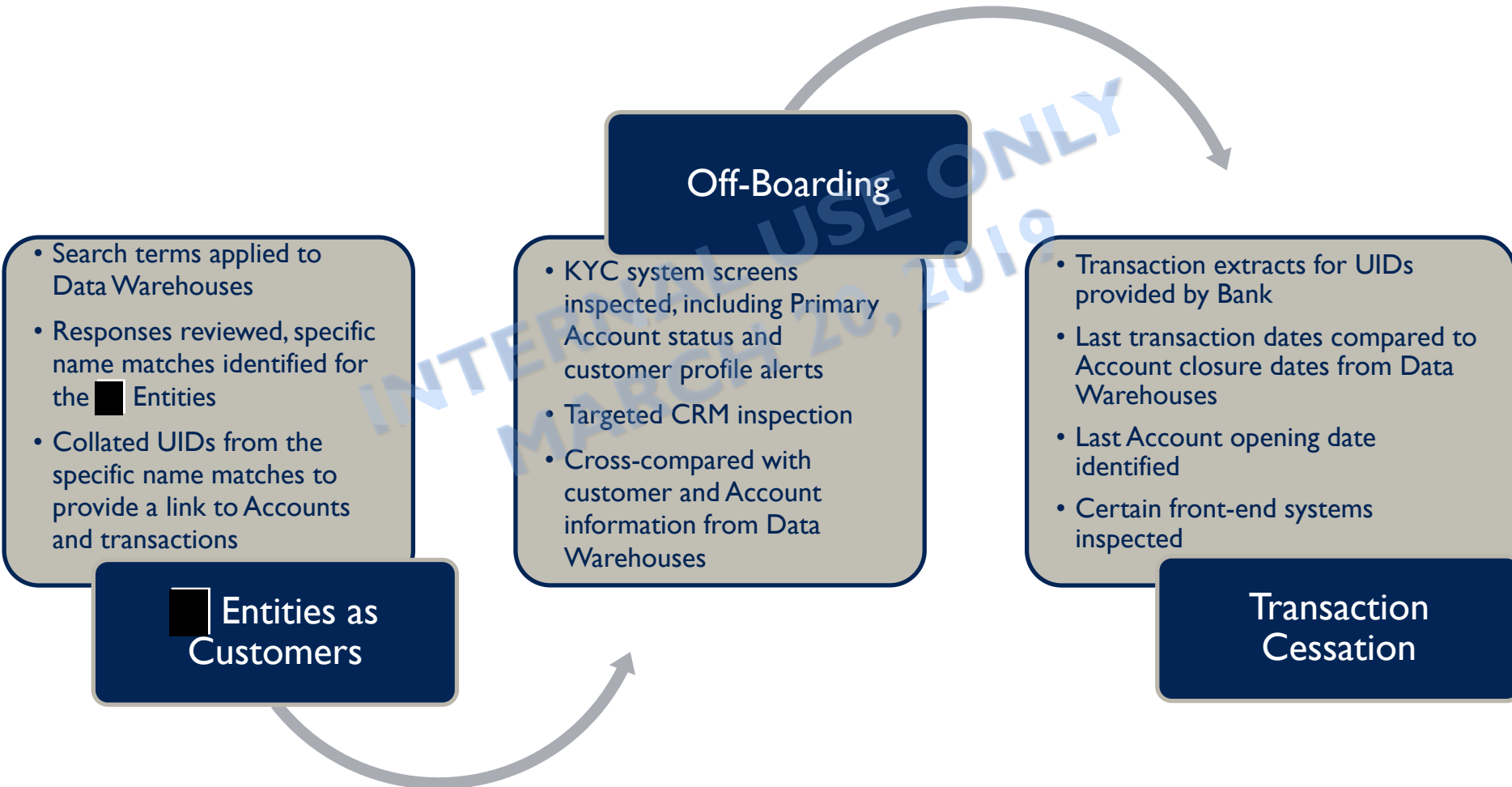
INITIAL AND PRELIMINARY OVERVIEW - EXECUTIVE SUMMARY

Our fieldwork during the period February 27, 2019 through March 19, 2019 identified the following initial and preliminary observations with respect to the Phase I Tasks:

- We identified Specific name matches for [REDACTED] Entities in the Bank's Sweden [REDACTED] and Baltic [REDACTED] customer data.
- The Off-Boarding of [REDACTED] Entities has been undertaken by the Bank through closure of the Entities' Accounts in Sweden, or the Primary Accounts in Baltics.
 - All Accounts in Sweden for [REDACTED] and all Primary Accounts in the Baltics for [REDACTED], were closed by July 10, 2018. However, the records were not clear as to whether the Bank or the customer initiated the Account closure.
 - The last Account opening date for any of the [REDACTED] Entities in Sweden or Baltics was May 15, 2017.
 - Transaction records indicate that the last transaction date for any of the [REDACTED] Entities was May 31, 2017.
 - Transactions appear to have occurred after Account closure in the Baltics and Sweden, but had ended by May 31, 2017. In Sweden these were bank fees. In the Baltics these were primarily credit card transactions and loans.
- Off-Boarding generally also includes the termination of the business relationship in addition to closure of accounts. In Sweden we identified clear records in the KYC systems consistent with termination of the business relationship, but in the Baltics KYC systems we were not able to identify records confirming the termination of the business relationship, but did confirm closure of all Primary Accounts.

INITIAL AND PRELIMINARY - METHODOLOGY OVERVIEW

The Bank identified relevant systems and data for FRA to review and inspect



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INITIAL AND PRELIMINARY OBSERVATIONS

INITIAL AND PRELIMINARY OBSERVATIONS

Phase I Task	Baltics	Sweden
1	50 Entities as Customers [REDACTED] identified in customer data in the Baltics, via specific name matches (Estonia ([REDACTED]), Latvia ([REDACTED])).	[REDACTED] identified in customer data in Sweden, via specific name matches.
2a	Off-Boarding Account Closure All Primary Accounts for [REDACTED] were identified as closed. Latest closure date identified is May 31, 2017. The last Account opening date was May 15, 2017.	All Accounts for [REDACTED] were identified as closed. Latest closure date identified is July 10, 2018. The last Account opening date was September 13, 2016.
2b	Off-Boarding Termination of Business Relationship The KYC system does not record evidence indicating termination of the business relationship.	In the KYC systems, we have seen evidence indicating termination [REDACTED] dated March 21, 2017.
3	Transaction Cessation The last transaction identified for [REDACTED] was on May 31, 2017. No transactions were identified after the Primary Account closures. For other Accounts, a number of credit card and loan transactions are under review to confirm whether they are dated pre or post Account closure, and whether they relate to fees.	The last transaction identified for [REDACTED] in Sweden was on March 1, 2017. No transactions, with the exception of fees, were identified after the Accounts' closure (last fee December 31, 2016).

INITIAL AND PRELIMINARY OBSERVATIONS

Baltics: Off-Boarding Account Closure

- To Off-Board ██████████ for the Baltics, the Bank has performed the closure of all of the Entities' Primary Accounts. The Bank considers that without the existence of an open Primary Account transactions cannot be performed for an Entity on any Account. In addition, Policies and Procedures require new Primary Account opening procedures to be followed should reactivation arise.*
- For the Baltics we have been informed that Off-Boarding by way of closing Primary Accounts has been performed either through:
 1. The closure of Primary Accounts where a specific concern has been detected. This resulted in a services prohibited flag being added to the customer record in the KYC system "Not allowed to initiate – Service prohibited". We identified this flag on the KYC record for ██████████.
 2. A process to permit the Party to make alternative arrangements before their Primary Accounts are closed, based upon indicators that cause the Bank to be no longer comfortable continuing the relationship. A services prohibited flag has not been added to the customer account in the KYC system during this process, even after the Primary Account is closed. Supporting information concerning the Bank's decisions have not been routinely recorded in the KYC system when closing the Entity's Primary Accounts.
- The Baltics KYC system has two systems options to categorize closure of certain Primary Accounts: 1) Closure for unpaid debts; or 2) Closure by Bank / Customer. The second option does not distinguish between Bank or Customer closure.
- An initial overview of the Policy and Procedures covering reactivation indicates in practice that Bank employees are required to reconsider the records held in the KYC system. In Phase I, FRA has not performed a detailed analysis or testing of the Bank's On-Boarding processes and procedures.

* FRA has not performed testing to determine whether Accounts can operate independently of a Primary Account, nor of the Bank's Policies and Procedures.

INITIAL AND PRELIMINARY OBSERVATIONS

Baltics: Off-Boarding Termination of Customer Relationship

- In addition to the closure of transactional accounts, Off-Boarding generally includes termination by the Bank of the business relationship with the customer. We sought to identify whether KYC or other appropriate systems provided a clear indication that a customer relationship had been terminated, and that services to the customer are prohibited.
- In the Baltics KYC systems, none of [REDACTED] Entities were marked or described as having a terminated business relationship, but [REDACTED] marked with a services prohibited notification flag.
- In the Baltics KYC systems, customer and Bank initiated Primary Account closures have not been differentiated.
- We are informed that information relevant to various customer analyses and management and Committee decisions relevant to the exit of customers and closure of accounts may reside in various unstructured data repositories. Our Phase I review has not extended to any such unstructured data repositories and it may be that additional Off-Boarding records – related to the [REDACTED] - exist in other sources. Examination of any such records would take place during Phase 2 of the Review.

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SUMMARY OF INITIAL FIELDWORK

SUMMARY OF INITIAL FIELDWORK // DATA REVIEWED

Our fieldwork included the following steps carried out to identify [REDACTED] in the Bank's records:

- We worked with the Bank to understand the repositories and systems identified by the Bank as relevant for the Review, and observed the Bank's data extraction searches.
- We designed 47 search terms focused on the specific names as provided by SVT to the Bank, without any corporate form identifiers e.g. Ltd, Limited, and occurring at any point in the name record (e.g. not limited to first or last word). Both the search terms and the specific names as provided by SVT are in English.
- The Bank applied these search terms to Data Warehouse tables identified by the Bank as containing customer names in [REDACTED] [REDACTED] and [REDACTED]. These search terms returned 23,114 responsive records.
- We reviewed the 23,114 responsive records to identify Specific name matches for [REDACTED] UIDs. The remaining records were allocated to Phase 2, or eliminated as false positives.
- We observed the bank execute at least 73 database searches to identify Accounts and related transaction data.
- In addition we reviewed Account closure dates where available. The Bank confirmed the existence of multiple Account closure fields in Baltics data, and that they cannot be considered wholly determinative.

SUMMARY OF INITIAL FIELDWORK // DATA REVIEWED

Our fieldwork included the following steps carried out to review KYC and CRM records:

Baltics

- We observed the Bank accessing the [REDACTED] system in order to review records for all of [REDACTED] in the Baltics, and [REDACTED] records for [REDACTED] Entities.
- When viewing the [REDACTED] records we confirmed customer name descriptions, and confirmed the status of Primary Accounts as closed. For all other Accounts we obtained the Account closure dates from the [REDACTED] system and cross-referenced with the Account closure dates per [REDACTED] on a sample basis.
- We searched for the Swedbank termination notices for [REDACTED] Entities, and identified those readily available in the [REDACTED] and [REDACTED] systems for [REDACTED] customers. The termination notices were issued for one category of Primary Accounts only.
- We searched for other indications that the business relationship had been terminated for [REDACTED] Entities.
- For [REDACTED] of the [REDACTED] we identified an indicator in the [REDACTED] system used to flag the prohibition of any new services to an Entity (“Not allowed to initiate – Service prohibited”). This data point was not activated for the remaining Entities.

SUMMARY OF INITIAL FIELDWORK // DATA REVIEWED

Our fieldwork included the following steps carried out to review KYC and CRM records:

Sweden

- We observed the Bank accessing the [REDACTED] and [REDACTED] records for the [REDACTED] relevant in Sweden (with [REDACTED] UIDs), and also the relevant [REDACTED] records and [REDACTED] (historic KYC system) records.
- For [REDACTED], no information could be found in any of the relevant systems as we were informed the record had been purged.
- For [REDACTED] we confirmed customer name descriptions and confirmed the status of Accounts as closed to the extent that Account records were available.
- In addition, we confirmed that the business relationship with [REDACTED] was described as “closed” (per [REDACTED]), and “inactivated” and “former client” (per [REDACTED]) on March 21, 2017. However, there is no field displaying the equivalent information in [REDACTED].
- An attached file within the [REDACTED] system indicates a recommendation was made on July 6, 2016 to change [REDACTED] risk rating to “unacceptable”.

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PHASE 2 - CONTINUATION OF THE REVIEW

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There are six components for Phase 2 as set out in our terms of reference

1. Data mapping and capture

Gather data, policies and procedures, and information from relevant source systems across Bank product lines and jurisdictions (specifically but not limited to KYC, customer databases and transaction warehouses), verify for completeness.

2. Identify population

Formalise a methodology for identification of the 50 Entities, and all associated or affiliated parties (parent entities, subsidiaries, affiliates, entities with common beneficial owners or directors, companies that might reasonable be considered as re-incarnations of the 50 Entities) “the In-Scope Entities”.

3. Transaction review

Formalise a methodology to conduct a review of transaction data of the In-Scope Entities to identify customers, and transactions of potential concern that could be connected to the In-Scope Entities. Establish the full population and conduct a review.

4. KYC file review

Conduct a review of relevant KYC and CRM records to assess the termination of business relationships.

5. Off-Boarding review

Conduct a review of relevant transactional data to confirm consistency with terminating the business relationship.

6. Reporting (as required)

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APPENDICES

APPENDIX ONE

INITIAL AND PRELIMINARY // LIMITATIONS

1. The findings in this update are strictly limited by the Terms of Reference set out in Phase I of the Terms of Reference and are based entirely on data contained in and extracted from the Bank systems by Bank personnel; such data remains in the possession or control of the Bank.
2. The time period available for conducting the fieldwork necessary for completion of Phase I has been limited, resulting in both the restrictions to the work scope for Phase I and the limitations set out below.
3. Phase I of the Review is restricted to the individual 50 names provided by SVT to the Bank; subsidiaries, affiliates, entity reincarnations and linked beneficial owners are included in Phase 2 of the Review. Further information may come to light which may alter the preliminary findings in this update.
4. The preliminary observations and findings in this update are not legal advice and are not an opinion as to the views a regulator or other public body involved in any way with the supervision or oversight of anti-money laundering or counter terrorist financing regulatory obligations may take.
5. This update is provisional and should not be treated as finalised until the satisfactory completion of Phase 2 of the Terms of Reference.
6. Whilst we have been informed of the existence of Bank customer relationship investigations and remedial reports from 2016 onward (whether prepared by external counsel or by the Bank), we have not had access to these reports or any other remediation records which may exist. This update is based solely on our analysis of the Bank data records provided to us.
7. The scope of this update for Phase I is limited to data available for the Baltic and Swedish customer base, excluding activities outside of those jurisdictions (e.g. Finland, Norway, China, USA), and also the [REDACTED] savings bank network in Sweden.

APPENDIX ONE

INITIAL AND PRELIMINARY // LIMITATIONS

8. FRA has relied on representations from the Bank in order to:
 - a) Identify the existence of systems holding data of potential relevance to the Terms of Reference; and
 - b) Understand the architecture of any relevant data system including the type of data held, the structure of the system, the way in which data is held in the system and how data may be extracted.
9. FRA has relied on a number of sources of information as indicated in providing this update. We have not sought to independently verify those sources unless otherwise noted in this update. We have relied on the Bank for the integrity, accuracy and completeness of all data extracted from Bank data systems and provided to FRA for the purposes of preparing this update.
10. Furthermore, save where expressly indicated the findings in this update are not based on original source data. Where data is not original source data FRA has proceeded on the basis that the data provided reflects accurately and completely the original source data. Note that FRA has not performed any verification process to establish whether data not from an original source is complete and accurate.
11. FRA has not been given direct access to any Bank data systems. We have relied on Bank employees, observed by FRA, to perform all extractions of data from Bank data systems (including all necessary steps preliminary to the extractions of data).
12. Data requested from and extracted by the Bank has not been subject to any date limitations, however we note that the Data Warehouses and KYC systems from which the Bank has extracted data may have been subject to historical data purging and archival processes which may have limited the time period for which data is available.
13. FRA has not reviewed the entirety of the Bank's relevant Policies and Procedures.

APPENDIX TWO INITIAL AND PRELIMINARY // DATA SOURCES

Data Sources: The Bank identified the following systems and repositories as holding the data relevant for Phase I of the Review. In addition we note systems and repositories excluded from Phase I.

Included in Phase I

██████████ covering Estonia, Latvia, and Lithuania. Together with ██████████ and ██████████, (“Data Warehouses”)

██████████ covering Sweden

██████████ covering Large Corporates and Institutions (“LC&I”)

██████████ front end interface system for Baltics

██████████ front end interface system for Sweden (non-LC&I)

██████████ front end interface system for Sweden (LC&I)

CRM systems in Baltics (CM) and Sweden (██████████)

██████████ (LC&I source system Guarantees)

██████████ (LC&I system to record and account for FX trades and derivatives)

Swedish Payment System ██████████

██████████ historical KYC system

Excluded from Phase I, included Phase 2

Source systems in Baltics and Sweden (specific exceptions are noted)

Source systems and repositories for ██████████ savings banks

Source systems and repositories for jurisdictions outside of Sweden and Baltics (e.g. Finland, Norway, China, USA)

Swedish domestic low-value payment systems

██████████ data relating to jurisdictions outside of Sweden, and for ██████████ savings banks

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