

**EUROPEAN STABILITY MECHANISM**  
**THE POLICY ON THE PREVENTION OF MONEY LAUNDERING AND**  
**TERRORISM FINANCING (EXTRACT)**

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**Introduction**  
*Purpose and Scope*

The Policy on the Prevention of Money Laundering and Terrorism Financing of the ESM (the “Anti-Money Laundering Policy” or “**AML Policy**”) is established by the Managing Director of the European Stability Mechanism (ESM).

The purpose of the AML Policy is to assess the money laundering risk inherent in ESM’s operations and implement appropriate procedures to protect the ESM against being used for money laundering or terrorist financing.

The AML Policy applies to all members of staff of ESM while acting for and on behalf of the ESM.

**Definitions**

1. **Money laundering** as defined by Directive (EU) 2015/849<sup>1</sup> on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing is:
  - a. the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such activity to evade the legal consequences of his action;
  - b. the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity or from an act of participation in such activity;
  - c. the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such activity;

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<sup>1</sup> References to Directives (EU) 2015/849 and 2017/541 in this AML Policy are for ease of reference only. They do not imply that such directive is fully or partially applicable to ESM.

- d. participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions mentioned in the foregoing points.
2. **Terrorist financing** means the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out any of the offences referred to in Articles 3 to 10 of Directive (EU) 2017/541 on combatting terrorism.

### **Measures to Prevent Using ESM for Money Laundering and Terrorist Financing**

1. To eliminate or to reduce the money laundering and terrorist financing risk to the minimum possible, the ESM will not engage in any other operation than is necessary to complete its mandate. The ESM currently does not establish business relationships with private individuals or non-financial institution corporates in relation to transactions performed to carry out its mandate, i.e. managing its paid-in capital, raising funds to finance the financial assistance programmes and providing support to ESM Members. Should the ESM decide at any time to establish business relationships with private individuals or non-financial institution corporates for such transactions, this would trigger the review of the AML Policy.
2. The ESM currently only enters into business relationships relating to its financial operations (funding lending and investments) with counterparties that are
  - a. Central Banks
  - b. Sovereigns
  - c. Government Agencies
  - d. Supranational Institutions
  - e. Credit or financial institutions either subject to the Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing or are operating in a third country which imposes requirements equivalent to those laid down in the above mentioned Directive and are supervised for compliance with those requirements.
3. The ESM uses a risk-based approach in assessing the counterparties for money-laundering and terrorism financing risk and applies due diligence measures that commensurate with the risk.

### **Sanctions Compliance**

Sanctions compliance measures are implemented to ensure that the ESM does not enter into business relationship with entities subject to EU, UN or US sanctions.

### **On-going Monitoring, Reporting of Unusual Activity, Confidentiality**

1. On-going monitoring of counterparties and transactions is conducted in a risk-based manner.
2. Members of staff who have reason to suspect that a part or the entirety of a transaction is connected to money laundering or terrorist financing, must report this suspicion in

writing without delay to the Compliance Officer. The Compliance Officer will confirm receipt of the report, will investigate the matter and take action as appropriate.

3. The fact that a transaction was considered suspicious must not be disclosed to third parties. Any breach of such obligation is a serious matter and may lead to disciplinary measures.

### **Training**

1. Members of staff of the divisions listed in the internal procedure are under the obligation to participate in AML training in order to be able to identify any potential money laundering concerns during their daily activities.
2. Training attendance is documented.

### **Record Retention**

1. Records of activities relating to AML measures, including trainings are retained as per internal record keeping provisions.

### **Policy Ownership, Maintenance and Review**

1. This Policy is owned by the Head of Risk and Compliance and is approved by the Managing Director.
2. It is reviewed, and if necessary updated on an annual basis.