

## COMPLIANCE NOTIFICATION

### *To whom it may concern*

The **European Stability Mechanism** (the ESM) is an international financial institution established by a treaty (the ESM Treaty) under international public law by the euro area Member States whose purpose it is to mobilise funding and provide stability support under strict conditionality, appropriate to the financial assistance instrument chosen, to the benefit of euro area countries which are experiencing or are threatened by severe financing problems, if indispensable to safeguard the financial stability of the euro area as a whole and of its members. The ESM has its headquarters in Luxembourg and is in operation since 8 October 2012. Its activities and financial operations are governed by the ESM Treaty, its By-Laws and further internal policies and guidelines. By advocating full transparency, the publically accessible ESM webpage contains all relevant information for our business partners to conduct customer due diligence by displaying specific and detailed information relating to the ESM governance structure, its annual accounts and operations.

In order to facilitate and accommodate numerous requests for information to conduct customer due diligence, and considering the unique position of the ESM in respect of its governance structure and composition of its decision-making bodies, this specific compliance notification sets out the most important information as a replacement for the otherwise standard due diligence surveys.

- The ESM is an **intergovernmental organisation**. The **capital** of the ESM is held by the **19 euro area member states**; the exact holding of each country (= ESM Member) is available [here](#).
- **Governing bodies**
  - The **Board of Governors** is the highest decision-making body of the ESM. It comprises government representatives of each ESM Member with responsibility for finance (commonly the relevant **Minister of Finance**) at any given time. Representatives of the European Commission, the ECB and the IMF may participate in its meetings as observers. The Board of Governors is chaired by the President of the Eurogroup. The current composition of the Board of Governors is available [here](#) and subject to regular updates to reflect changes in the national governments of ESM Members.
  - The **Board of Directors** consists of senior civil servants from each ESM Member who are highly competent in economic and financial matters, as appointed by that ESM Member from time to time. The European Commission and the ECB may participate in its meetings as observers. The Board of Directors ensures that the ESM is run in accordance with the ESM Treaty and the By-Laws. It takes decisions as provided for in the ESM Treaty or as delegated by the Board of Governors. The current composition of the BoD is available [here](#) and subject to regular updates when an ESM Member appoints a new Director.
  - The **Managing Director** is responsible for conducting the current business of the ESM under the direction of the Board of Directors. The Managing Director is appointed by the Board of Governors for a (renewable) term of 5 years. The Managing Director is the ESM's chief of staff and legal representative.

Although not a formal governing body of the ESM, the **Management Board** assists the Managing Director in conducting the current business of the ESM, preparing the decisions of the Boards of Governors and Directors and seeing to their implementation. The current composition of the Management Board is available [here](#).

- The **ESM organisational chart** depicting the current business structure of the ESM is available [here](#).
- The **ESM Annual Reports** are all published on the ESM webpage; the most recent report is available [here](#).
- As an independent oversight body of the ESM, the **ESM Board of Auditors** audits the regularity, compliance, performance, and risk management of the ESM and monitors the ESM internal and external audit processes and their results. The current composition of the Board of Auditors is available [here](#).

Due to the operation of a ‘*three lines of defence*’-model in its organisational set-up, the ESM has also established an **Internal Audit** function, as well as an **external audit service provider** appointed by the Board of Governors from among audit firms of good international reputation. There is a mandatory rotation of the external auditors every six years.

- In the area of **anti-money laundering and terrorism financing**, the ESM is not legally subject to any legislation and conducts its business in line with its internal “*Policy on the prevention of money laundering and terrorism financing*” (as established by the Managing Director). The ESM only enters into financial transactions with counterparties that are either (i) Clearing Systems or Counterparty Clearing Houses (CCPs), (ii) Central Banks, (iii) Sovereign States and their debt management offices, (iv) Sub-sovereign entities, (v) Government Agencies, (vi) Government-guaranteed institutions, (vii) Supranational Institutions, or (viii) Credit or financial institutions which are 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. Sanctions compliance measures form part of the policy and are also implemented. An extract of the internal ESM policy is available [here](#).
- The ESM established a **Code of Conduct** to set ethical standards for its staff which also supports its anti-bribery and corruption compliance efforts. The ESM Code of Conduct is available [here](#).
- A copy of the **ESM Authorised Signatory List** in force at any time is available upon request.

Luxembourg, 3 September 2019

[DULY AUTHORISED]

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