

GUIDELINE	VB/GL/6.1.1
ANTI-FRAUD POLICY	Revision : 0

**REVISION HISTORY**

Rev	Description of Change	Process Owner	Approved Date
0	Final Draft		
	BOD Noted		
	Initial Release		

**REFERENCE DOCUMENTS**

Document Number	Document Title

GUIDELINE	VB/GL/6.1.1
<b>ANTI-FRAUD POLICY</b>	Revision : 0

## **1. Purpose**

To ensure that the company conducts:

- i) Its business in accordance with the laws of the country and to emphasize that it does not condone illegal acts for whatever reason.
- ii) To promote an environment of honesty and inform all employees of the company's concern with improper activities and actions taken when individuals choose to conduct themselves  
  
against the best interest of the company.
- iii) To instill integrity and honesty among staff in the environment and the awareness of company's policies on dishonest acts, their implications and consequences.
- iv) To create staff awareness on their roles, rights and responsibilities pertaining to dishonest and fraudulent acts.
- v) To communicate the company's policy regarding investigation on fraudulent activities, improprieties or irregularities.

## **2. Applicability**

- i) The conditions of this Policy apply to any irregularity or suspected irregularity involving not only Directors, officers and staff of the company but also vendors/suppliers/consultants/agents engaged in the supply of goods or services to the company, outside agencies doing business with staff of the company, and/or unknown parties.
- ii) It is intended that all members of staff be aware of this policy since good business practice dictates that every suspected fraud is to be promptly identified and investigated.
- iii) All members of staff at all levels are responsible for knowing what can go wrong in their areas and for being alert to symptoms of wrong-doing.

## **3. Policy**

- i) All staffs are responsible for preventing and detecting defalcations, misappropriations and other irregularities. They should be familiar with the types of improprieties that might occur within their areas of responsibility and be alert to any indication of irregularity.

GUIDELINE	VB/GL/6.1.1
<b>ANTI-FRAUD POLICY</b>	Revision : 0

ii) In the case involving branches, any irregularity detected or suspected must be reported to the staff's immediate Regional Manager or if that is not appropriate, to the Director, Administration Division

iii) In the case involving Head Office, any irregularity detected or suspected must be reported to the staff's Head of Division or if that is not appropriate, to the Director, Administration Division

iv) In the case where it involves the Regional Manager, Head of Division, Director, Administration, the matter is to be referred to the Chairman of the Audit Committee.

v) In any case and in accordance with the whistle blowing policy, staff may report to email to xxx under anonymity???

#### **4. Definition and Scope of Fraud**

i) The term "FRAUD" refers to all multifarious means which human ingenuity can devise, which are resorted to by one or more individuals, to take advantage over another by false suggestions or suppression of the truth, including surprise, trickery, cunning or dissembling and any other unfair way by which another is cheated.

ii) elements of Fraud:

a) A material false statement;

b) Knowledge that the statement was false;

c) Reliance by the victim; and

d) Damages are resulted.

iii) The term fraud refers to but is not limited to :

a) manipulation, falsification, alteration of records or documents belonging to a shareholder or customer, staff of the company, supplier, vendor, agent, etc;

b) misappropriation of funds, securities, supplies or other assets;

c) impropriety in the handling or reporting of money or financial transactions;

d) profiteering as a result of insider knowledge of sensitive and privileged information;

e) disclosing to unauthorized persons the sensitive and privileged information engaged in or contemplated by the company and its subsidiaries;

GUIDELINE	VB/GL/6.1.1
<b>ANTI-FRAUD POLICY</b>	Revision : 0

g) accepting or seeking anything of material value from customers and person(s) providing services/materials to the company in return for giving favorable treatment to such parties;

h) unauthorized destruction or suppression of documents, records, furniture, fixtures and equipment;

i) cheating, falsifying documents for gainful usage of oneself or for others outside the company;

j) offences in relation to entries in books/ documents including :

- Causing or making a false entry.
- Omitting or causing to omit any entry.
- Altering, abstracting, concealing, destroying or causing to alter, abstract, conceal or destroy any entry.
- Obscuring the true nature of the transaction.
- Mislead the true authorization limits or approval.

k) computer fraud by manipulation of input/documents and records, theft of any kind e.g. money, data or programs, damage to software, etc.

iv) All attempted fraud, if successfully proven, are to be dealt with, as if they are fraud.

v) If there is any doubt as to whether an action constitutes fraud, the Chief Internal Auditor is to be consulted.

## **5. Why are we concerned about Fraud?**

- Banks deal with money and valuable securities,
- Increasing number of incidents and amounts involved,
- Frauds are sometimes professionally done,
- Reputation of the bank is at stake.

### **5.1 Consequences of Fraud**

a) Financial risks – loss of money or fines.

b) Market risks – bad publicity/loss of reputation and customers' confidence

c) Legal/Regulatory risks – law suits/fines/loss of license

GUIDELINE	VB/GL/6.1.1
<b>ANTI-FRAUD POLICY</b>	Revision : 0

## 5.2 Causes of Fraud

### Staff

- Non-compliance of procedures
- Negative attitudes and lack of understanding on the consequences of fraud
- Ignorance of the law and operations procedures and manuals

### Systems

- Weaknesses in systems and procedures
- Breach of confidentiality and secrecy

### Management

- Weaknesses in organizational structure
- Staff constraint and unequal job distribution
- Poor supervision and control

## 5.3 Formation of Loss and Claims Committee

A Loss and Claims Committee will be established to look into frauds, losses, cash shortages, claims etc. This Committee is to meet at least once a month to deliberate and make recommendations/decisions on the cases tabled.

The Committee members should include the following personnel:

- MD
- Executive Director
- COO
- CFO
- Head Administration
- Head of Operations
- Head of Human Resources

GUIDELINE	VB/GL/6.1.1
<b>ANTI-FRAUD POLICY</b>	Revision : 0

- Head of Finance
- Head Internal Auditor
- Head Risk

The secretary of this committee will be the Head of Internal Audit.

#### **5.4 Status of Staff Involved in Fraud**

i) It is the declared policy of the company :

a) to dismiss all staff proven to have been engaged in fraudulent acts;

b) to recover from the persons involved, in whatever manner as legally permissible, the losses incurred by the company; and

c) to report all staff proven to have been engaged in fraudulent acts to the relevant law enforcement agencies.

ii) Management reserves the right to request the suspected staff to declare all his/her assets and liabilities.

iii) Staff with knowledge of any wrongdoing and who conceal, abet or suppress information of the wrongdoing will be liable for disciplinary action.

#### **5.5 Training on Fraud Prevention**

The Fraud Prevention training should be conducted at least twice a year. The training objectives are to enable MAG's staff to:-

1. Define Fraud
2. Identify the symptoms of fraud
3. Give examples of the consequences of committing fraud
4. List the secured and protected reporting options

#### **6. Fraud Prevention**

i) The Board of Directors and Management will ensure that an ethical environment prevails in the Bank and will be guided by the policies on fair dealing and conflict of interest.

ii) Internal controls must be reviewed giving consideration to the types of fraud that can be perpetrated and by whom.

GUIDELINE	VB/GL/6.1.1
<b>ANTI-FRAUD POLICY</b>	Revision : 0

iii) Management when making decisions about control, must be fully aware of the implications of fraud.

iv) In areas where segregation of duties is not practical, alternative control must be incorporated to reduce such opportunity.

v) The working environment must be such that staff are aware that dishonest acts will be detected by the Management or by the Auditors.

vi) The working environment should be such that dishonest acts are not tolerated and are in fact punished and/or prosecuted.

vii) Staff, especially senior supervisors, should be alert to changes in the life styles of staff, frequent visits by suspicious characters or threatening calls, etc.

## 7. Administration

The Head of Internal Auditor is responsible for the administration, interpretation and application of this policy.

## 8. Forms, Registers and Reports

	Forms, Registers and Reports	Reference
8.1	Fraud Report	