



ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING POLICY

IFD - INSTITUIÇÃO FINANCEIRA DE DESENVOLVIMENTO, S.A.

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CONTENTS

1. INSTITUTIONAL INFORMATION	3
2. INTRODUCTION	4
3. MONEY LAUNDERING	5
4. TERRORISM FINANCING.....	6
5. MAIN PRINCIPLES	7
6. INTERNAL CONTROL	9
7. APPENDIX I – GLOSSARY	10
8. APPENDIX II – LEGAL FRAMEWORK	11

1. INSTITUTIONAL INFORMATION

Legal Name	"IFD - Instituição Financeira de Desenvolvimento, S.A."	
Legal Status	Limited Liability Company ("Sociedade Anónima")	
Regulator/Supervisor	Banco de Portugal (www.bportugal.pt)	
Activity	Performance of operations to mitigate market failures in financing to small and medium enterprises, through the management of investment funds, other autonomous sets of assets or instruments of a similar nature, co-financed by public funds to support the economy, and the performance of credit operations, including issuance of guarantees and other commitments.	
Share Capital	€ 100.000.000 (one hundred million euros)	
Registration Number	Commercial Register	513 230 068
	Banco de Portugal	316
Head Office	Avenida Fernão de Magalhães, 1862 - 13.º andar, 4350-158 Porto Portugal	
Shareholder	Portuguese Republic	
External Auditor	Oliveira, Reis & Associados, SROC, LDA	
Contact	Name	José Monteiro
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2. INTRODUCTION

The “Anti-Money Laundering and Counter-Terrorism Financing Policy” foresees the key principles followed by IFD regarding the prevention, detection and fight of money laundering and terrorist financing.

This Policy is drafted in accordance with the applicable EU and national legislation and must be read and interpreted jointly with these legal documents, which are provided herein as “Appendix II – Legal Framework”.

All IFD’s employees are legally bound to the “Anti-Money Laundering and Counter-Terrorism Financing Policy” and the actions and procedures of all IFD’s employees, whether existing or still to be adopted, must be taken, adapted to and/or construed in accordance with this Policy and related legislation.

Reference must be made to the fact that IFD is a State-owned company. For that reason, a higher awareness and enhanced care are mandatory because there is the duty to safeguard public money.

3. MONEY LAUNDERING

Money laundering is the process whereby funds derived from criminal activity are given the appearance of being legitimate by being exchanged for “clean” money. Participating in the handling of such funds is illegal and it can also be illegal to become involved in them with knowledge or suspicion.

Money laundering may encompass three phases:

1. **Placement:** property and revenues are placed in financial and non-financial circuits, for instance through deposits in financial institutions or investments in profitable activities and high-value goods;
2. **Circulation:** property and revenues are used in multiple and repeated operations (for instance, transfers of funds), with the purpose of obscuring the money trail, eliminating any trace of its source and property;
3. **Integration:** recycled goods and revenues are reintroduced in the legitimate economic circuits, through their utilisation in the purchase of goods and services.

Money laundering is foreseen as a crime under Portuguese Law in article 368.^º-A of the Portuguese Criminal Code.

4. TERRORISM FINANCING

As per the definition given above, money laundering may be linked to any illegal activity.

Notwithstanding, there are certain activities, entities and countries that are more likely to be involved in money laundering operations.

Terrorism financing – as well as the proliferation of weapons of mass destruction – is an activity that is specially linked to money laundering and to significant amounts of money.

Additionally, there is a greater concern surrounding the repercussions of the perpetration of these crimes.

Given the above, money laundering and terrorism financing are usually held jointly; this is valid for legislation, rules, procedures, etc.

That is the reason why one of the first steps in KYC and CDD must be screening entities and individuals that are indicated by the United Nations Security Council and/or the European Union as being subject to restrictive measures.

As the banking system is now more heavily regulated, criminals' attention has shifted to other entities – including public entities – that are seen as softer targets. Moreover, criminals' techniques are also becoming more sophisticated.

In accordance with Portuguese Law, terrorist financing is considered a criminal offence, by virtue of the provisions laid down in Article 5.º-A of Law no 52/2003 of 22 August 2003.

5. MAIN PRINCIPLES

IDENTIFICATION AND DUE DILIGENCE

IFD must be aware of who are its counterparties, which activities these counterparties are engaged in and which is the origin and destination of the funds managed by them. Furthermore, IFD must be provided with the corresponding supporting documentation.

Prior to the execution of a transaction, it is therefore mandatory to be provided with adequate and updated information regarding IFD's counterparties and this information shall only be effective when supported by adequate and updated documentation. Whenever the counterparty is a legal entity, further information and documentation must be provided regarding the counterparty's management bodies, shareholders and UBO.

To meet this Principle, IFD must engage in KYC and CDD procedures – which shall be simplified or enhanced depending on specific criteria – from which shall result a risk profile.

MONITORING

The information provided by the counterparties for identification and due diligence purposes must be updated periodically and the pace of this update shall depend on the risk profile that was given to the counterparty. For instance, PEP counterparties must be more often monitored than non-PEP counterparties because the risk associated to those entities is higher.

Monitoring also applies to the transactions made by IFD or to IFD involving its direct counterparties; IFD must take all precautions to guarantee that the funds received from counterparties did not result of an illegal activity and that the funds transferred to counterparties will not be used in money laundering activities.

REPORTING

Whenever there's a suspicion or there are reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, a report must be promptly addressed to the competent authorities.

REFRAIN

IFD shall not proceed with any transaction whenever the requested identification information and documentation are not provided by the counterparties or whenever there's a suspicion or there are

reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing.

RECORD KEEPING

All documents related to the compliance of AML obligations must be kept by IFD under the terms and conditions determined by law. This documentation must be kept and organized in such a way that BdP or any other competent authorities are able to easily accede and examine.

COOPERATION

IFD is bound to provide any information requested by the competent authorities and this communication must be made through the compliance department with the knowledge of the supervisory board.

NON-DISCLOSURE

It is strictly forbidden to disclose to the counterparties (or any other entities) that they have been or that they will be reported to the authorities or that there is an ongoing criminal investigation in which they are involved.

TRAINING

IFD's employees must be trained on anti-money laundering and counter-terrorism financing rules on a regular basis. This training shall be proportionate to IFD's activity and dimension.

6. INTERNAL CONTROL

IFD must have a sound and effective internal control department composed by (i) Internal audit, (ii) risk management and (iii) compliance.

IFD must develop and maintain a culture that encourages a positive attitude towards risk control and compliance within the institution and a robust and comprehensive internal control framework. Under this framework, IFD's business line should be responsible for managing the risks they incur in conducting their activities and should have controls in place that aim to ensure compliance with internal and external requirements. As part of this framework, IFD must have internal control functions with appropriate and sufficient authority, stature and access to the management body to fulfil their mission, and a risk management framework.

“To ensure their proper functioning, all internal control functions need to be independent of the business they control, have the appropriate financial and human resources to perform their tasks, and report directly to the management body. Within all three lines of defence, appropriate internal control procedures, mechanisms and processes should be designed, developed, maintained and evaluated under the ultimate responsibility of the management body” – Final Report on Guidelines on Internal Governance under Directive 2013/36/EU – European Banking Authority, 26 September 2017.

7. APPENDIX I – GLOSSARY

Acronym	Full Term
AML	Anti-Money Laundering
BdP	Banco de Portugal
CDD	Customer Due Diligence
EC	European Commission
EU	European Union
IFD	“IFD - Instituição Financeira de Desenvolvimento, S.A.”
KYC	Know your Counterparty
PEP	Politically Exposed Person
SME	Small and Medium Enterprises
UBO	Ultimate Beneficial Owner

8. APPENDIX II – LEGAL FRAMEWORK

	Legal Document	Subject
National	Law 92/2017 of 22 August 2017	requires the use of a specific means of payment in transactions involving amounts equal to or greater than EUR 3000.
	Law 89/2017 of 21 August 2017	approves the Legal Regime of the Central Register of Beneficial Ownership.
	Law 83/2017 of 18 August 2017	establishes measures to combat money laundering and terrorism financing.
	Law 52/2003 of 22 August 2003	sets forth measures to combat terrorism.
	Law 5/2002 of 11 January 2002	lays down measures to combat organised crime and economic and financial crime and provides for a special system for the collection of evidence, the violation of professional secrecy and loss of assets to the State in relation to unlawful acts of a specified type, such as money laundering and terrorist financing.
	Decree-Law 298/92 of 31 December 1992	approves the Legal Framework of Credit Institutions and Financial Companies.
	Portuguese Penal Code	whose Article 368. ^o -A typifies the laundering crime.
	Regulatory (Banco de Portugal)	
	Instruction 9/2017 of 3 July 2017	identifies and establishes the applicable requirements for the purpose of corroborating the elements of identification foreseen in indent c) of paragraph number 5, of article 18 of Banco de Portugal Notice no 5/2013 of 18 December, as regards remote bank account opening.

<p>Notice 8/2016 of 30 September 2016</p>	<p>establishes the duties of registration and communication to the Bank of Portugal of payment operations, corresponding to payment services, whose beneficial owner is a natural or legal person having its head office in an offshore jurisdiction.</p>
<p>Notice 5/2013 of 18 December 2013</p>	<p>sets out the conditions, mechanisms and procedures needed for effective compliance with AML/CTF obligations.</p>
<p>Notice 9/2012 of 17 May 2012</p>	<p>approves the Report on Anti -Money Laundering and Combating the Financing of Terrorism, which must be filled in and sent to Banco de Portugal through BP Net on an annual basis.</p>
<p>Instruction 46/2012 of 17 December 2012</p>	<p>approves the Self-Assessment Questionnaire in the field of AML/CTF, which must be filled in and sent to Banco de Portugal through BP net on an annual basis.</p>
<p>Notice 7/2009 of 16 September 2009</p>	<p>prohibits credit granting to entities having their head office in an offshore jurisdiction considered as non-cooperative or whose ultimate beneficiary is unknown.</p>
<p>Notice 5/2008 of 18 December 2008</p>	<p>defines the principles and minimum requirements that should be observed by the financial institutions' internal control system.</p>
