

Regulation on the Function for Monitoring Compliance in the prevention of money laundering and terrorist financing

In view of the provisions of Article 3 (4) of Banco de Portugal Notice no. 1/2022 which stipulates that the requirements of Notice no. 3/2020 concerning the compliance function are applicable to the compliance monitoring function, it is important, in view of the provisions of Article 28 (7) of Notice no. 3/2020, that a specific regulation be drawn up which, in addition to describing the responsibilities attributed to the function, specifies and details all the activities and operations that must be analysed by the compliance function prior to its approval by the competent decision-making body.

Organisational framework

In organisational terms, the function of monitoring compliance with regulations on the prevention of money laundering and the financing of terrorism is attributed to Compliance, a second-line department integrated in the Audit & Quality Department, which reports to the Chief Executive Officer (CEO).

This function is independent from the functional areas that ensure the provision of financial services subject to the application of legislation and regulations preventing money laundering and terrorist financing (ML/TF). The person in charge of this function has a high degree of autonomy, with special emphasis on the decision process for reporting to the competent authorities potentially suspicious operations within the scope of the Reporting Duty, being a permanent staff member of CTT. There are no restrictions in terms of access to supporting activities and information.

Responsibilities

The following are the responsibilities of the compliance monitoring function regarding the prevention of money laundering and financing of terrorism:

- a) Participate in the definition of policies, procedures and controls aimed at preventing ML/TF, ensuring, at all times, that they are adequate, sufficient and up-to-date, and proposing the necessary updates, whenever necessary.
- b) Participate in the definition, follow-up and evaluation of the internal training policy.
- c) Ensure the centralization of all relevant information coming from the various business areas.
- d) Play the role of liaison with judicial, police and supervisory and enforcement authorities.
- e) Ensure compliance with the duty to report potentially suspicious transactions, as well as other reporting and collaboration obligations.
- f) Support the preparation and execution of the effectiveness assessment on the internal control system on prevention of ML/TF, which is independently carried out by the external or internal audit function or by an appropriately qualified third party.
- g) Coordinate the preparation of reports and other information to be sent to the supervisory entities in matters of prevention of ML/TF.
- h) Ensure immediate dissemination to all relevant employees of communications from supervisory bodies.

- i) Ensure the articulation with partners in order to comply with the provisions contractually agreed upon with them as regards the prevention of ML/TF, as well as guarantee the existence of preventive procedures that ensure compliance with the legal and regulatory provisions in force, as far as partner products marketed by CTT are concerned.
- j) Ensure, the monitoring of the business relationships at the level of enhanced due diligence measures.
- k) Ensure, based on a reasoned decision, the manual review of risk grades automatically assigned to customers.

Within the scope of compliance with legal and regulatory provisions concerning restrictive measures:

- a) Ensure immediate and full knowledge and permanent updating of the lists of persons and entities issued or updated under the restrictive measures;
- b) Monitor, on an ongoing basis, the adequacy, sufficiency and timeliness of the means and mechanisms designed to ensure compliance with the restrictive measures;
- c) Comply with the obligations to give prior notification, communicate and make prior authorisation requests for transfers of funds, in accordance with the provisions of Articles 14(2) and 15(1) of Law No. 97/2017;
- d) Immediately implement freezing measures, in accordance with the provisions of Article 16(4) of Law No. 97/2017, and the registration thereof, in the cases referenced in paragraph 5 of said Article;
- e) Comply with the duty of communication and information provided for in Article 23 of Law No. 97/2017;
- f) Comply with the reporting duty provided for in Article 23 of Law No. 97/2017;
- g) Play the role of liaison with the Directorate General of Foreign Policy of the Ministry of Foreign Affairs and with the Office of Planning, Strategy, Evaluation and International Relations of the Ministry of Finance, ensuring compliance with the duty of cooperation provided for in Article 22 of Law No. 97/2017.

Activities within the function for monitoring compliance

The function for monitoring compliance in the prevention of money laundering and terrorist financing is responsible for the performance of the following activities:

- a) Prepare and submit for the management's approval the documents foreseen in the monitoring duty that guarantee the adequate alignment with the legal and regulatory provisions in force regarding the prevention of ML/TF.
- b) Annually assess that the model and methodology used in the assessment of the ML/TF risk are up-to-date and update them where justified, namely whenever there are relevant changes in the legal and regulatory framework.
- c) Ensure that a risk assessment is carried out annually, in order to assess the level of exposure and decide on possible mitigation measures.
- d) Issue an opinion on the content of contracts concluded with partner entities relating to International money orders, specifically in terms of the assessment of agreed ML/TF preventive procedures, including AML questionnaires requested from counterparties.

- e) Validation of information falling within the scope of identification and diligence procedures regarding high-risk operations, situations within the scope of business relations and with customers that are legal persons regarding the postal money order service provision.
- f) Validation of the information requested from the various entities, including the identification details of the members of the management body, the holders of shareholdings equal to or greater than 5% of the share capital and also the beneficial owners (with the inherent consultation of the RCBE – Central Register of the beneficial owner) within the scope of the supplier certification process.
- g) Preparation of the contents to be submitted (via BPNNet) to Banco de Portugal within the scope of the RPB – Report on the Prevention of Money Laundering and Terrorist Financing.
- h) Respond to requests from supervisory authorities.
- i) Appraise the content of existing training actions on the prevention of ML/TF, issuing the respective favourable opinion, as well as to collaborate in the preparation of the contents to be included in training actions developed internally by CTT.
- j) Issue a prior opinion on the subcontracting of processes, services or activities in accordance with the remaining provisions laid down in Article 16 of Notice no. 1/2022 of Banco de Portugal.
- k) Monthly prepare the supporting information for the critical review of the member of the management body responsible for the implementation of the provisions of the legislation and regulations on the prevention of ML/TF, regarding decisions not to exercise the duty to report transactions subject to the duty of examination.

This Regulation was approved at the Audit Committee meeting of December 19, 2022, and at the Board of Directors meeting of December 20, 2022, entering into force on December 20, 2022.