



CAIXA GERAL DE DEPÓSITOS, S.A.
**ANTI-MONEY LAUNDERING AND
COUNTER TERRORISM FINANCING**
CUSTOMER ACCEPTANCE AND MAINTENANCE PRINCIPLES
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1. INTRODUCTION

In compliance with the legal, regulatory and best practices recommendations issued by relevant international entities regarding Anti-Money Laundering and Counter Terrorism Financing (hereinafter abbreviated “AML/CTF”), Caixa Geral de Depósitos, S.A. (hereinafter CGD) defined and implemented a clear set of policies, procedures and control systems in order to assess and mitigate possible risks inherent to its customers¹ and the business relationships established.

Consequently, as part of the AML/CTF mechanisms, CGD’s “Customer Acceptance and Maintenance Principles” document was prepared based on the Portuguese Law 83/2017 of August 18, amended by Law 58/2020, of 31 August and accordingly with the recommendations and guidelines issued by the Financial Action Task Force (FAFT).

2. OBJECTIVE

This document intends to define the requirements and criteria adopted in the process of acceptance, maintenance or refusal of customers, detailing the different risk categories in which that can be classified.

Aiming to prevent the misuse of the financial system, through the attempt to obtain, conceal or apply funds provided by criminal or illicit activities, this document intends to provide a guiding principle of the whole criteria process for the acceptance, maintenance or refusal of customers, analyzing the risk profile of each customer.

3. CUSTOMER CATEGORIES AND ACCEPTANCE CRITERIA

CGD adopted a risk-based approach to manage and mitigate the risk of money laundering and terrorist financing (ML/TF), during the process of identification and classification of customer.

In line with this approach, CGD has implemented a dynamic system of money laundering risk classification, by assigning a risk profile to all CGD customers.

The assignment of a risk profile to CGD’s customers starts at the precise moment when a business relationship is established. Each classification is updated, whenever modifications occur related to the customers operating standard or set of related customers, as well as several other relevant factors.

CUSTOMERS NOT ACCEPTED

Individuals or legal entities will not be accepted as customers whenever they fit or show signs of qualification in any of the following types:

- Natural or legal persons referenced in official lists of sanctions, in particular official lists published for that purpose and established by resolutions of the UN Security Council, the European Union or the Office of Foreign Assets Control (OFAC);
- Natural or legal persons who refuse to submit the information or documentation legally required;
- Natural or legal persons over whom information available hints that they may be related to criminal activities;
- Natural or legal persons who refuse to provide information or documentation necessary to identify the beneficial owner²;

1 The concept of “Customer” shall be understood in a broad way, including business relationship customers, occasional transaction customers, customer representatives and authorized persons to act on behalf of the customer.

2 In accordance with art. 2º n.º1 h) of Law 83/2017 of 18 August, the beneficial owner is «the person or natural persons who ultimately owns or controls the customer and/or the person or persons on the account of whom an operation or activity is carried out, in accordance with the criteria laid down in Article 30º.».

- Shell banks³;
- Payable through accounts⁴;
- Anonymous accounts, numbered or with fictitious names⁵;
- Non-officially authorized financial institutions or similar;
- Casinos or gaming entities, not officially authorized;
- Legal persons that do not engage in banking activity and carry out activities with virtual assets, which include i) Exchange services between virtual assets and fiat currencies or between one or more virtual assets, ii) Virtual asset transfer services, iii) Safekeeping or safekeeping services and administration of virtual assets or instruments that allow to control, hold, store or transfer these assets, including private cryptographic keys;
- Activities related with red light business/ adult entertainment⁶;
- Unregulated charities;
- Activities related to the production and trade of drugs, except for those related to therapeutic/medical purposes duly authorized by the competent authorities.

HIGH RISK CUSTOMERS

For all customers with a high risk profile of money laundering, CGD has set up a set of monitoring and control procedures in order to comply with the legal obligation of enhanced surveillance and the consequent monitoring of all accounts where these are involved.

The following types of customers are automatically framed in the high risk profile of money laundering:

- Natural or legal persons whose scoring tool classifies them, taking into account their ML/TF risk;
- Correspondent banks, whose business relationship establishment are subject of a risk rating process in order to assess the inherent risks of their home jurisdiction, corporate structure, business developed and possible negative references in the scope of the ML/TF;
- Politically Exposed Persons (PEPs), whose business relationship establishment requires a higher hierarchical level of approval. The same applies to “close family members” and “persons recognized as closely associated” with PEPs;
- Customers with non-Portuguese nationality who request residence or citizenship rights in Portugal in exchange for capital transfers, acquisition of assets or public debt securities or investment in corporate entities established in Portugal;
- Clients that are part of the Private Banking segment.

With regard to holders of other political or public positions (TOCPP), the procedures described above, regarding the typology of PEP clients, are also applied even though these clients do not automatically assume the high money laundering risk profile due to their classification.

The following customers may also be classified in the high money laundering risk profile:

- Natural or legal persons residing in countries or jurisdictions subject to sanctions, embargoes or other restrictive measures;

3 In accordance with art.º 2º n.º 1 g) of Law 83/2017 of August 18, ‘Shell Bank’ shall mean any entity engaged in its own activity or equivalent to that of a financial entity that: i) Is constituted in a country or jurisdiction in which does not have a physical presence that involves an effective direction and management, not confining physical presence to the mere existence of a local agent or subordinate employees; and (ii) does not form part of a regulated financial group».

4 In accordance with art. 2º n.º 1 m) of Law 83/2017 of 18 August, the relevant transfer accounts means the accounts held by correspondents which, directly or through a sub-account, allow the execution of transactions on their own account , by the respondent’s customers or other third parties».

5 In accordance with art. 64º of Law 83/2017 of August 18.

6 Crime of incitement to prostitution.



- Natural or legal persons related to the production or distribution of arms and related products;
- Natural or legal persons established in offshore jurisdictions;
- Natural or legal persons established or operating in higher risk geographical areas, in particular those lacking effective systems for AML/CTF, evidence a higher level of corruption or other criminal activity;
- Persons residing in countries included in FAFT lists as non-cooperating;
- Natural or legal persons whose activity is incoherent with the existing profile information;
- Natural or legal persons related to activities likely to involve a greater risk of ML/TF such as casinos, betting agencies, payment institutions, exchange houses and similar entities, even if duly authorized;
- Customers with activities that involve cash operations in an intensive manner;
- Customer ownership or control structures that appear to be unusual or overly complex, considering the nature of the customers activity;
- Customers coming from high risk countries or territories according to the European Banking Authority guidelines;
- Customers for whom, according to the analysis carried out and taking into account the identified risk factors, the existence of enhanced due diligence is considered relevant.

4. CUSTOMER CATEGORY AND MAINTENANCE OF BUSINESS RELATIONSHIPS REVIEW

The monitoring procedures to be applied to customers must be in accordance with the risk profile assigned to them, and the risk associated with a customer may be increased if justifiable or in accordance with the legislation and regulations in force.

The reclassification of the risk profile is based on the relationship established between the customer and CGD, taking into consideration the type and frequency of transactions carried out and their associated risk, as well as the possible change of the customers situation in consequence of their inclusion or exclusion of sanctioned lists or PEPs.

In the exercise of the specific duty of enhanced diligence, and beyond situations related to customers with a high risk profile of money laundering or whose criteria so require, CGD will undertake increased diligence in situations of potentially higher risk, being able, whenever necessary, and in situations that so determine, to refuse to establish or to terminate a business relationship.

In accordance with current legislation and regulations, CGD may cease any business relationship when it becomes aware or suspects it is related to the practice of ML/TF crimes, and may also refuse or suspend the execution of a transaction ordered by the owner or his representative⁷, when the information required by law is not provided, including information on the origin and destination of the funds.

5. KNOW YOUR CUSTOMER (KYC)

Customer knowledge is one of the fundamental pillars in assessing the customers appetite for money laundering operations and in the consequent definition of their risk profile.

The adoption of effective KYC measures is an essential part of the risk management of money laundering and terrorist financing, so CGD:

- Classifies all customers in its database according to its money laundering risk profile;
- Adjusts the levels of surveillance (simplified or enhanced) according to each customer ML risk profile;
- Defines specific processes for monitoring customers and accounts that may pose a higher risk from the point of view of money laundering and terrorist financing;
- Periodically updates customer data.

⁷ It includes the various types of representatives, namely prosecutors, agents, agents or other forms of representation.



6. REVIEW PROCESS

CGD's "Customer Acceptance and Maintenance Principles" document shall be reviewed whenever there are changes in the context where CGD carries out its activities, in particular when legal, regulatory or other changes considered relevant for ML/TF.

Carlos Carvalho Lourenço
Group Head AML/CFT Compliance Officer
Anti-financial Crime Department

