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- The parent company is the Angolan bank, BNI – BANCO DE NEGÓCIOS INTERNACIONAL, S.A. (“**BNIAO**”), which has the following shareholding structure evolution:

Shareholdings Summary

SHAREHOLDERS	12-31-2006	12-31-2007	12-31-2008	12-31-2009	12-31-2010	12-31-2011	12-31-2014	12-31-2015
Mário Abílio Pinheiro Rodrigues Moreira Palhares (1)	45.00%	45.00%	24.00%	25.67%	28.28%	28.28%	28.28%	23.28%
Welwitschea José dos Santos (2)	13.34%	13.34%						
João Baptista de Matos (3)	7.00%	7.00%	11.00%	11.63%	11.63%	11.63%	11.63%	11.63%
José Eduardo Paulino dos Santos (4)	6.66%	6.66%						
Valdomiro Minoru Dondo (5)			9.00%	9.52%	6.76%	6.76%		
Luís Manuel Neves			5.00%	5.29%	5.41%	5.41%		
Joaquim Manuel Nudes (10)			5.00%	5.29%	3.70%	3.70%	3.70%	3.70%
José Teodoro Garcia Boyol (6)	5.00%	5.00%	5.00%	5.29%	6.41%	6.41%	5.41%	5.41%
Ricardo Daniel Sandão Queirós Viegas de Abreu (7)	5.00%	5.00%	5.00%	5.00%				
Luís Filipe Marques Piseiro	4.00%	4.00%	4.00%	4.23%				
Carlos Manuel de Carvalho Rodrigues	4.00%	4.00%	4.00%	4.23%				
Arnaldo Leiro Octávio			4.00%	4.23%	4.32%	4.32%	4.32%	4.32%
Mário de Almeida Dias	2.00%	2.00%	2.00%	2.11%			1.11%	1.11%
Manuel José de Almeida Lima Lobo			2.00%	2.11%				
Ivan Leite de Moraes			9.00%	5.29%	5.29%	5.29%	5.29%	5.29%
Rui António Cruz	2.00%	2.00%	2.00%	2.11%			2.11%	2.11%
Manuel Arnaldo Sousa Caiado (8)	6.00%	6.00%	9.00%	3.00%			1.10%	1.10%
Kanda Kassoma (9)				4.50%	3.15%	3.15%	3.15%	
António de Sousa Marques de Oliveira				0.50%			0.50%	0.50%
Oscar Tito Cardoso Fernandes					5.02%	5.02%	5.02%	5.02%
Luís Filipa Lopes da Silva Duarte					5.00%	5.00%		
Rute Marisa Proença Brito					5.00%	5.00%	5.00%	
Leonel da Rocha Pinto					3.21%	3.21%	3.21%	3.21%
Outros					7.82%	7.82%		6.00%
BGI (11)							10.00%	10.00%
Conselho Nacional de Carregadores							1.00%	1.00%
Portfolio shares							9.17%	2.32%
Amarildo Délcio de Carvalho Viegas								4.00%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

- (1) Former President of BAI and its shareholder with 5% of the capital. In October 2013, a contract of purchase and sale of 30.57% of the capital of Finibanco Angola, S.A. was concluded between Montepio Holding, SGPS and Mário Palhares.
- (2) Welwitschea dos Santos – “Tchizé” dos Santos, daughter of President José Eduardo dos Santos, MPLA ex-deputy, responsible for the television channel TPA 1 and partner of *Semba Comunicações* - sold her ownership in 2008. Therefore, she no longer holds any capital of this institution.
- (3) João de Matos (general, former chief of defence staff) and connected to *Genius*, which is setting up a factory with Sumol&Compal.
- (4) José Eduardo Paulino dos Santos - son of José Eduardo dos Santos and partner of *Semba Comunicações* - sold his ownership in 2008. Therefore, he no longer holds any capital of this institution.
- (5) Valdomiro Minoru Dondo, the Brazilian businessman who has enriched due to the Angolan market socialism.
- (6) José Garcia Boyol (Vice-President of BNIAO and President of Banco Privado Internacional, with its head office in Cape Verde).
- (7) Ricardo Viegas de Abreu (Vice-President of BNIAO, Vice-Governor of Banco Nacional de Angola between June 2009 and January 2015).
- (8) Arnaldo Sousa Calado (non-executive member of the board of directors of the bank and President of the diamond state-owned company, Endiama).
- (9) Kanda Kassoma - daughter of Paulo Kassoma - Prime Minister between Sep/2008 and Feb/2010, non-executive Chairman of BESA, former Governor of the province of Huambo and President of the National Assembly.

- Regarding BNIE, the share capital is held by the entities referred below:



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Shareholder structure of BNIE:

	2011	2013	2014	2015
BNI Angola	51.02%	97.97%	99.97%	92.99%
Tecnovia Angola	15.44%			
Final Trust	15.44%	2.00%		
Hipólito Pires	15.44%			
MONAF	2.66%			
Daniel Borges Salgado Carvalho dos Santos (1)		0.02%	0.02%	
Nuno Fernando Teixeira Ferreira		0.01%	0.01%	0.004%
José Jaime Agostinho de Sousa Freitas (2)				3.504%
Elizabeth da Graça Isidoro (3)				3.504%
	100.00%	100.00%	100.00%	100.00%

- (1) Former member of the BD of BNI-Cons. Banca e Seguros, who was accused of falsification of documents and removed from BD in Oct/2013
- (2) Owner of Cosal, shareholder of CGD Angola with 12%, holder of 50% of the MCoutinho group (automotive retail)
- (3) Director of "Motores de Angola"

Regarding the other entities that are part of the BNI group:

3. FACILCRED - SOCIEDADE DE MICROCRÉDITO, S.A. - which operates through the branches of BNIAO, whose president is Mário Palhares. Its target audience is the population segment that does not have access to the banking system.
4. EMIS – EMPRESA INTERBANCÁRIA DE SERVIÇOS, S.A. - which runs the *multicaixa* network, coordinating the national ATM network and the management of card acceptance by processing transactions originating at ATM terminals, automated payment terminals, and homebanking, as well as the Automated Clearing House of Angola.

However, it is important to mention that there is still a bank, with its head office in Cape Verde – BANCO PRIVADO INTERNACIONAL, IFI ("BPICV") - considered by the BNIE as an entity related to the referred institution and to its parent entity (having 3 common shareholders). The BPI CV was incorporated on February 20, 2006, and does not have consolidated accounts with the other institutions belonging to the BNI group.

Regarding the natural persons, current holders of the share capital of BPICV¹:

- Manuel Domingues Vicente – 35%
- Mário Rodrigues Palhares – 30%
- João Baptista de Matos – 25%
- José Garcia Boyol – 10%

Taking into consideration the information above, it is possible to conclude that the group in question is majority-held by people with notorious political influence in Angola, per example, Mário Palhares and João Baptista Matos (who together hold a social participation of 44.91% in BNIAO, exceeding the 50% if we join the social participation of José Garcia Boyol). Naturally, these facts compete to the intrinsic risk to which the institution is exposed to, a matter that will be described in detail in point C of this report.

It was also identified a coincidence in the ownership of the company bodies of BPI CV and BNIE:

- (i) José Teodoro Garcia Boyol - Chairman of the Board of Directors of BPI CV and member of the board of directors of BNIE
- (ii) Sandra Cunha Pereira Africano – member of the board of directors and
- (iii) Mário Palhares - Chairman of the Board of Directors of BNIE and President of the National Assembly of BPI CV²

¹ On 4/27/2015, in a note addressed to the Governor of the Banco de Cabo Verde, José Boyol as Chairman of the Board of Directors of BPI, requests authorization for the shareholder Mário Palhares to acquire 35% of the social participation of Manuel Domingues Vicente. The Banco de Cabo Verde responded on 6/5/2015, warning that the protocols regarding the request for an increase of qualifying holdings were not respected. There are no developments regarding this issue and, therefore, the BPICV maintains the same shareholder structure.

² This matter is covered in more detail in light of the diligence duty analysis.



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This last solution would have, once again, as a consequence an overload of information and would exist aside from the valences potentially brought by the AML tool, as it is a manual procedure.

- **Filtering:** Due to the eventual impossibility of knowing the counterparties of the transactions associated with the absence of collecting and registering payment swift messages, it is possible to conclude that not all operations may be subject to filtering by the AML tool.

CONTROL DUTY - GENERAL ANALYSIS

The Control Duty is considered to be **Not Compliant**, since, despite the institution has a formal provision for most control procedures concerning MLTFP as well as a manual filtering tool, it was considered that:

- those control procedures are not actually implemented,
- the risks inherent to the institution are not identified and graded,
- the monitoring of potentially suspicious operations is non-existent,
- the compliance function does not possess the necessary means,
- the internal audit function was deficient.

In addition, through the analysis carried out to the referred norms, it was also possible to identify some erroneous procedures that consequently demonstrated gaps in the MLTF culture present in the institution. The AML control is deficient, taking into account all the possible standpoints: Audit, compliance and IT Monitoring.

Therefore, having identified deficiencies that imply serious gaps in the internal control system regarding MLTF prevention, **Not Compliant** is attributed based on the following aspects:

1. LACK OF INSTITUTIONAL MLTF PREVENTION CULTURE

- a) The adoption and inclusion of legally incorrect procedures in the internal regulations demonstrated a lack of knowledge of the legal basis in force regarding MLTF matters, not only by RCMLTF but also by the Board of Directors, who unavoidably approves these documents. However, these errors will be corrected individually in the last part of the analysis carried out on the duty in question.
- b) As it is a financial institution that is in a process of growth with regard to the adoption of new products (such as *Market Invoice* and *Saving Global*) it was felt by the inspection team that the whole dynamics of BNIE is focused on the fast development of these products, sometimes to the detriment of aspects related to an adequate perspective of MLTFP. In these terms, two situations representing this fact were identified:

(i) A situation related to *Market Invoice* has been identified in which the member of the board of directors responsible for the MLTFP (Miguel Rola), in exchange of electronic correspondence with the RCMLTF³⁴, questions the need to be known the beneficiaries owners of the entities to whom the BNIE, through the electronic platform, acquires the selected invoices – being of the opinion that a credit risk analysis would be more necessary instead. Bearing in mind that, at the time of this email, the procedures adopted by *Market Invoice* regarding MLTFP were not known by BNIE, as can be verified by reading the correspondence, the situation described above can be demonstrative of:

- a) lack of knowledge of matters related to MLTFP by the member of the board of directors or, at the limit;
- b) the prevalence conferred by the member of the board of directors on commercial matters, to the detriment of the assessment and ponderation of issues associated with MLTFP.

(ii) The *Saving Global* product was created and made available before the necessary procedures concerning MLTF were formally foreseen, specifically outlined for the new product - given that, in the general procedures manual, there were no control mechanisms suitable for the collection of non-resident customers time deposits. Within the scope of the reply to PEA10³⁵(12), a "product guide" with the date of May 9, 2016 (date after the delivery of the request in question, being delivered and duly signed on the 5th of the same month) was delivered. After the insistence - through PEA13(3), the RCMLTF

³⁴ See Annex 7 — electronic correspondence.

³⁵ Annex 7 — submitted documentation.



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In the course of the inspection, although the RCMLTF has expressed his availability and **cooperation**, the elements in the initial request, as well as the additional requests, and the negative statements were not delivered to the inspection team in time.

It should be noted that there was **still a lack of collaboration by the board of directors, regarding some particular situations. The member of the board of directors responsible for the Compliance (Miguel Rola) did not demonstrate transparency in relation to issues raised taking into consideration that he did not answer the questions properly – he had a defensive attitude and barely cooperated with the team.**

For instance, it is important to identify a situation in which he was asked about the identification of the shareholders of BPI CV (related entity⁴⁴), a question to which he replied that although he was aware of their identity, he could not disclose that information, on the grounds of bank secrecy. It was replied to him that the inspection team was also covered by banking secrecy.

He left the room, returning a few minutes later and finally indicating the names. In the information provided, the name Manuel Domingues Vicente was indicated in last, adding that he did not know if he held a position of a politically exposed person⁴⁵.

3. QUANTITATIVE INSUFFICIENCY OF HUMAN RESOURCES IN THE MLTFP AREA

At the inspection starting date, the Compliance Department was composed only by Fernando Oliveira, and it was only on April 20 that a new employee, Cristina Almeida, was hired part-time⁴⁶. It was considered that the existence of only one employee, who is necessarily linked to all the issues related to the compliance area, is clearly not enough:

- (i) either in view of the institution's business and risk as well as of the turning point it is in;
- (ii) either in view of the responsibility committed to this function in general terms.

The situation is even more aggravated taking into account the lack of computer tools and the dependence on manual controls⁴⁷.

Therefore, it was concluded by the inspection team that, the lack of time for Fernando Oliveira to exercise the functions assigned to him, combined with his general lack of knowledge regarding the risks involved, prevent him from exercising his position properly, resulting in an insufficiency of human resources in the area of MLTFP.

4. FLAWS REGARDING THE INTERNAL AND EXTERNAL AUDIT / EFFECTIVENESS TESTES EXECUTION

- a) Despite the incapacity manifested by the internal audit, which was observed and reiterated by the management bodies of BNIE, it continued to function until April 2016, without demonstrating any improvements⁴⁸;
- b) Lack of quality in the work performed by the internal audit, since when the compliance analysis regarding the opening accounts process was conducted, the totality of the applicable law was not taken into account - consequently, the identification of the beneficial owners in relation to legal persons was not assessed.⁴⁹
- c) No effectiveness tests were carried out since BNIE started its activity (July 2014), despite the present institution cannot be considered as having less exposure to MLTF risk.⁵⁰
- d) No audits on the compliance body were carried out since the bank started its activity (July 2014)⁵¹;
- e) Flaws regarding the performance planning of the internal audit: The activities plan of the internal audit for 2016 had not been approved, until the date of the start of the inspection, by the management body, since that function was in the process of externalization.

⁴⁴ With shareholders and company bodies in common with BNIE and BNIAO (see the diligence duty analysis).

⁴⁵ Despite the figure in question being Vice President of Angola since 2012.

⁴⁶ See point 2d) of this duty, as well as the document "PS 02 04" (Annex 7 – submitted documentation).

⁴⁷ Presently, by ending the inspection and as a result of Cristina Almeida leaving, a new employee (Alexandra Oliveira) was hired.

⁴⁸ See the Minute of the Executive Board – point 6 of the Minute of 10/16/2014 - page 56, Minute No. 7, of 10/23/2014, page 9, point 4, and Minute No. 8 of 11/16/2014, page 18, point 5 (and page 19) (Annex 7 – submitted documentation.)

⁴⁹ See report number 4 of the internal audit, page 3 (Annex 7 – submitted documentation.)

⁵⁰ See the submitted formal statements, first group (Annex 6A) - and Status Report No. 3 - PIE - point 19 (Annex 3B), as well as panto C.3 of this report.

⁵¹ See Status Report 3 signed by RCMLTF - observations, point 18 (pie) (Annex 3A).



D.3 DILIGENCE DUTY

DILIGENCE DUTY RCD	FC	SC	PC	NC	NA	NAV
				X		

ADEQUACY OF THE IT TOOLS TO THE DUTY COMPLIANCE

NOT COMPLIANT:

The IT tools used by the institution for the diligence duty present several weaknesses:

- (i) depend exclusively on manual actions,
- (ii) concerning KYC, they are used mostly by employees who are not part of the compliance department, without having as first aim the MLTF prevention and hindering the global perception of the customers operative by the RCMLTF;
- (iii) there is no PEP supervening acquisition detection scanning procedure (in theory, these procedures are only carried out in the context of the periodic review of the customers' physical documentation, which periodicity can vary between 1 and 5 years);
- (iv) the AML risk profile update throughout the business relationship is manual and the customer's operative is only relevant for customers classified as having a low AML risk (with the exception of the internal list R7, which in theory would function as a notice list to the RCMLTF, however, in practice is only used for accounts related to BNIE systems computer testing).

Regarding the use of *Accuity* (filtering tool):

It is necessary to reiterate the fact that the institution by not having an automatic filtering tool, makes it impossible the transfer automatic block when the name is in existing tool lists, even though BNIE customers can make transactions at any time of the day, through the Hombanking website and Multibanco networks, without the operation data being analyzed by an employee.

In addition, the existence of a hit in the Filtering tool (Online Compliance) is not considered in the determination of a customer's AML risk profile.

Growth of BNIE - in terms of customer numbers and volume of operations:

The limitations listed above are partially mitigated when the number of customers and their respective operations was reduced. According to the information that was made available, through the files containing information on the AML risk profile, the number of clients increased from 373, on 03/16/2015, to 2470, on 05/03/2016, and the operations of the customers of the institution have quadrupled, from 24 operations to more than 100. Therefore, it is considered that the tools that BNIE has are insufficient in view of its operational reality and the MLTF risk to which it is exposed.

Therefore, the increase in terms of customers and transactions¹⁰¹, as well as the AML risk assigned by the institution to customers who carry out most of these operations, makes the need for an automatic AML monitoring tool an urgent matter.

TECHNICAL COMMENTARY

The present duty was considered **Not Compliant** since most of the diligence duty normative requirements are not complied with. Therefore, the following was found:

¹⁰¹ See in Annex 7 —Document "Summary BNI Operation Analysis".



REGARDING THE CUSTOMERS:

1. INAPPROPRIATE MLTF RISK PROFILES

i. Customers from the general sample who were categorized in lists and system were identified as opened in person, despite having been opened remotely, not allowing the customer risk to be correctly calculated [WEBCOR S.A. and ESTAMOS JUNTOS LDA.], as well as regarding Mário Palhares and his company [MÁRIO PALHARES SGPS] that should be classified as risk 6 due to his quality as PEP.¹⁰²

ii. According to the procedure described in PEA1(7) - the following clients should be included in the internal list (Risk 7), if the RCMLTF made continuous and analytical monitoring of the account movements: ESTAMOS JUNTOS LDS, MIAO LI, JUNG YANG.

Taking into account the described PEA1(7), and the fact that the inspection team detected several operations considered as unusual in view of the declared activity of the customer and/or its risk profile, it was considered that some clients should have been included in the Internal List (and, therefore, their risk should have been increased to risk 7). However, by contrast, and after a global analysis of the lack of monitoring on the customer's activity, the fact that these customers were not included in list 7, is due to the fact that there was no continuous monitoring of these accounts, causing RCMLTF to not have the ability to identify movement deviations from the known profile. Therefore, this matter also serves as a basis for the flaws identified in terms of compliance with the diligence duty concerning the monitoring of the transaction received and made.

2. FLAWS REGARDING THE COLLECTION OF KNOW YOUR CUSTOMER INFORMATION

Several gaps were observed in obtaining the legally required information, with the adequate knowledge of the client in view. It was considered that none of the customers' documentation processes included in the sample had an appropriate KYC.

Regarding the information evidence requirement concerning the purpose and characterization of the operations of the customers, only high risk and PEP risk customers (risk 5 and 6) were included in the aforementioned demandable universe. The rest were considered to be inapplicable due to the fact that BNIE assigned a lower risk to the remainder and it is only legally required to collect documentary evidence of both aforementioned elements, if the customer has a relevant risk.

NATURAL PERSONS:

Purpose and nature of the business relationship: The information was not properly proven in cases in which it was required, attending to the customer's risk in **71.43%** of the cases (**10/14**) — the remaining 8 customers from the sample were classified as "not applicable" cases for those purposes¹⁰³;

Operation characterization: The information was not properly proven in cases in which it was required, attending to the customer's risk in **92.86%** of the cases (**13/14**¹⁰⁴) — the remaining 10 customers from the sample were classified as "not applicable" cases for those purposes.

LEGAL PERSONS:

Purpose and nature of the business relationship: The information was not provided in **21.43%** (3/11) nor properly proven in cases in which it was required, attending to the customer's risk in **50%** of the cases (**3/6**) — the remaining 8 customers from the sample were classified as "not applicable" cases for those purposes¹⁰⁵;

¹⁰² See Print screens (Annex 7 - Print screens) as well as the account opening process of the aforementioned customers (Annex 7 – submitted documentation, PEA4).

¹⁰³ See Annex 4 - "Quantitative Sample".

¹⁰⁴ See Annex 4 - "Quantitative Sample".

¹⁰⁵ See Annex 4 - "Quantitative Sample".



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Operation characterization: The information was not provided in **21.43%** (3/11) of the cases nor properly proven in cases in which it was required, attending to the customer's risk in **100%** of the cases (**6/6**) — the remaining 8 customers from the sample were classified as “not applicable” cases for those purposes¹⁰⁶.

Understanding, by the institution, of the customer's control and ownership structure: It was considered that in **16.67%** (3/15) of the cases, BNIE did not demonstrate to have knowledge of the real ownership structure of its customers¹⁰⁷.

It should also be noted that failing to fill in most of the customers KYC sheets does not result from the lack of provision for the procedure in question, since not only it is described in the corporate manual of the institution, as a document elaborated by the RCMLTF was delivered to the inspection team in which appears that part of the frequent intervention goes through the “(...) *analysis of the KYC form of customers (...)*”.¹⁰⁸

3. UNKNOWNLEDGE OF THE EXISTENCE OF BNIE CUSTOMERS BUSINESS RELATIONSHIP WITH BNIAO AND BPI CV – FLAWS REGARDING THE COLLECTION OF RELEVANT INFORMATION FOR RISK PROFILE AND KYC PURPOSES

It was possible to conclude that, despite their proximity, BNIE did not control the interconnection of customers with both aforementioned entities. Therefore, there was no centralized and complete information analysis on these interconnections, as they depend on the information that is made available by the customer. This fact makes it impossible for the RCMLTF to have a global knowledge of the transactional behavior of the customer, at the level of circuit funds as well as the level of operations characterization and hampers its risk analysis (a fact considered as relevant due to the jurisdictions where both banking institutions are based).

Regarding the factual proximity between the three institutions (BNIE, BNIAO and BPI CV)

Taking into account that:

- (i)** 92,89%¹⁰⁹ of BNIE is held by BNIAO;
- (ii)** BNIE maintains a correspondence relationship with the institution since the date of its beginning of banking activity (transacting considerably high amounts);
- (iii)** There is a close relationship between BNIE and BNIAO employees as well as between BNIE employees and BNIAO customers, having established direct contacts between them in order to attract new customers¹¹⁰;
- (iv)** BNIE formally considers BPI CV a related entity¹¹¹;
- (v)** There is a coincidence in terms of the shareholder composition between BNIE and BPI CV, with Mário Palhares holding 33.28% of BNIAO¹¹², which in turn holds 92.98%¹¹³ of BNIE and 30% of BPI CV;
- (vi)** There is a coincidence in terms of ownership of the company bodies of this institution, with Mário Palhares being the Chairman of the Board of Directors of BNIE and BNIAO as well as Chairman of the Board of the General Assembly of BPI CV;
- (vii)** Coincidences concerning other shareholders and/or members of the company bodies such as:

¹⁰⁶ See Annex 4 - “Quantitative Sample”.

¹⁰⁷ See Annex 4 - “Quantitative Sample”.

¹⁰⁸ See document (PS03_PS 02 28) – Annex 3B, as well as the customer account opening processes in the general sample (Annex 7 – submitted documentation – PEA4).

¹⁰⁹ See page 105 of the 2015 Report & Accounts of BNIE (Annex 7 – submitted documentation – PEI_02).

¹¹⁰ Examples:

I. The BNIE employee (and daughter of Mário Palhares) Lúcia Palhares offered to streamline the opening process of a client at BNIAO (PEA7(8) - Minute of the Executive Board, Minute No. 6 of October 16, 2014).

II. Supporting documentation (Annex XII) of Minute No. 14 of the Executive Board - PEA7(11) - Mention of the strategic placement of Rui Teles, BNIE employee, in BNIAO, during the period of time, with the aim of strengthening commercial relations between both institutions. It is possible to confirm this placement through the emails included in PEA15(3) - in the electronic correspondence included in the account opening process of ECBUILD Eng Constr e Project Lda.

III. Lúcia Palhares, daughter of Mário Palhares (PEP and Chairman of the Board of Directors of BNIE and BNIAO), who served as client manager, having directly participated in the account opening process of several customers who were previously BNIAO customers and/or with close connections to Angola, namely the PEP Guilhermina Prata.

¹¹¹ See page 107 of the 2015 BNIE Report & Accounts of BNIE (Annex 7 – submitted documentation – PEI_02).

¹¹² See PEI_01 (Annex 7 – submitted documentation – PEI_01);

¹¹³ See page 105 of the 2015 Report & Accounts of BNIE (Annex 7 – submitted documentation – PEI_02).



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6B) REGARDING OTHER MOVEMENTS, SELECTED BY THE INSPECTION TEAM, BUT TO WHICH DILIGENCE WERE NOT DELIVERED:

Regarding other movements selected from BNIAO *nostro* account statements, operations that raised doubts and for which the BNIE implemented diligence were not delivered, despite what was requested in the PEA8, were selected.

BNIAO Account No. 1057410003 - selected operations:

- Value date 03-09-2016 in the amount of **EUR 82,404.52**

BNIAO Account No. 1057415001 – selected operations:

- Value date 10-02-2014 in the amount of **USD 920,000.00;**
- Value date 10-03-2014 in the amount of **USD 8,000,000.00;**
- Value date 10-03-2014 in the amount of **USD 97,855.00;**
- Value date 10-06-2014 in the amount of **USD 130,000.00.**

BNIAO Account No. 1057415002 - selected operations:

- Value date 09-30-2015 in the amount of **GBP 100,000.00**
- Value date 11-27-2015 in the amount of **GBP 251,000.00**
- Value date 12-28-2015 in the amount of **GBP 10,000.00**
- Value date 12-28-2015 in the amount of **GBP 10,000.00**

BNIAO Account No. 1057415003 - selected operations:

- Value date 12-22-2015 in the amount of **USD 4,598,260.00;**
- Value date 01-19-2015 in the amount of **USD 5,600,000.00;**
- Value date 01-21-2015 in the amount of **USD 4,589,321.00.**

6C) PEA15 and PEA17 – AFTER THE ANALYSIS OF THE STATEMENTS OF BANK CORRESPONDENCE ACCOUNTS OWNED BY BNIAO, OPENED IN BNIE

Nevertheless, the complete statements of seven BNIAO *loro* accounts from July 17, 2014, to the present date, have been requested through PEA14. Consequently, operations in which descriptions were not perceptible and for which the inspection team, by searching the Swift messages files of the supposed completeness of the cataloged operations, was unable to obtain proven knowledge regarding the origin and destination of funds, were selected through PEA15 and PEA17.

BNIAO Account - No. 1057410001

Although, in an email sent to the inspection team, on May 9, 2016, the RCMLTF has stated that, “(...) *for all operations from BNIE Angola, the evidence is collected by them (...)*” during the request of diligence implemented in order to obtain knowledge of the origin and destination of funds of the selected transactions, as well as other supporting documentation, within the PEA15, it was not possible to confirm that this fact was true, given that in general there was no supporting documentation, even after BNIE has informed the inspection team that it would request to BNIAO the submission of those documents.

In addition, it is erroneous to place full responsibility, in terms of the proper compliance with the diligence duty in BNIAO, taking into account that even in the context of a bank correspondence relationship, especially in the case of an entity based in Angola and held by a PEP, BNIE has no legal excuse for not collecting supporting documentation while dealing with transactions and customers that justify this measure.

On the contrary, most of the submitted documentation is consisted of transfer orders¹³⁴ and not diligence implemented by the RCMLTF of BNIAO or by Fernando Oliveira, although, in the view of the inspection team, the request constant movement justifies the execution of additional diligence.

¹³⁴ Since in some cases the SWIFT messages included are MT940 - extract messages - in order to control the movements in the corresponding accounts, *loro/nostro*, it is usual to request the sending of an extract Swift message (MT940 or MT950) at the end of the day to the FI that provides the correspondence service. In contrast to the MT103 and MT202, these extract swift messages do not allow the identification of the players of a transfer.



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It should also be reiterated that the inexistence of monitoring and carrying out diligence on a large scale is not surprising given that the inspection team was always aware that the RCMLTF did not have the unrestricted and illimited access to all the corresponding accounts of BNIAO.

Conclusions regarding bank correspondence transactions (6A 6B and 6C):

As a conclusion, regarding the transactions received and carried out in the context of this correspondence relationship, the following points should be emphasized:

- (i) The RCMLTF does not have access, at the transactional level, to the BNIAO nostro accounts, therefore, his analysis can only cover, until at least the submission date of the third status report, the delivered daily balance sheets and the extract type Swift messages. It would be impossible not only to control the referred accounts with an overall view (inability to view the transactional history) but also to be aware of several information fields due to the problems associated with the extract Swift messages;
- (ii) The institution does not have an automatic monitoring tool, nor are there any other warnings to be triggered based on high risk factors indicators regarding operations (such as, for instance, the imperceptibility of the description, the risk country of the counterparty and the amount);
- (iii) There is no continuous and analytical monitoring of the correspondence transactions;
- (iv) The relationship between BNIE and BNIAO is a relationship of total dependence¹³⁶. The inspection team had the perception¹³⁷ that the RCMLTF did not have autonomy or power to enforce the AML principles, obtaining incomplete and inconclusive responses to the triggered small diligences - as well as in obtaining the respective supporting documents of the information sent (in the vast majority of cases, only copies of Swift messages were submitted);
- (v) BNIE is apparently unaware of the obligation to carry out diligence procedures regarding the transactions ordered by or for the benefit of BNIAO, taking into account the fact that BNIAO implements, in a first-line, the due diligence;
- (vi) the aforementioned fact is aggravated by considering the procedural weaknesses identified through the analysis of the procedures manual in force at BNIAO, delivered in response during the establishment of a bank correspondence relationship with BNIE and to the inspection team in relation to PEA8;
- (vii) no evidence that BNIAO actually initiates diligence in cases in which it is legally necessary has been obtained;
- (viii) the use of cataloged transactions, at BNIE, to register payment orders presents innumerable weaknesses, given that no information that allows the identification of the counterparty of the operation is kept and because the descriptions inserted manually do not explain the nature and origin/destination of the operation, favoring a major ignorance of the economic reason underlying the operation in question.
- (ix) there is a clear difficulty of understanding inherent to the transactions between correspondent accounts, at the MLTFP level, as well as the lack of quality of evidence on the Swift messages information;
- (x) transactions made within the correspondence relationship ordered by customers of BNIAO, who are politically exposed persons, were identified. However, this fact is not known by the BNIE since the diligence that should have been triggered in those cases, regarding the knowledge of the origin and destination of funds, were not handed over to the inspection team under the PEA8.¹³⁸

¹³⁶ See diligence duty – owners of shareholdings and coincidence between shareholders and company bodies.

¹³⁷ The present perception was also due to the inexistence of small diligence follow-ups driven by the RCMLTF – as well as of the automatic accordance by Fernando Oliveira of the information provided by BNIAO - without the need to present documental evidence - PEA8 example of operation of January 26 ("SERVICE PAYMENT") and December 12, 2014 - in which the "invoice 78" is referred - provision of advisory services without being presented any proof or invoice (Annex 7 – submitted documentation).

¹³⁸ See file in Annex 7 – "Correspondence Relationship Operations - PEP".



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3. The daily lists removed from the system, which serve as the basis for the supposed fulfillment of this duty (through the execution of manual monitoring procedures), are saved according to the date. Therefore, it is not possible for the institution to create and analyze behavioral patterns of customers as well as to control aggregated values (this analysis is fundamental for the feasibility of a detailed and careful examination).

4. In addition, the aforementioned lists do not have information regarding the AML risk of the parties involved in an operation, as well as of the BNIE customer and the counterparty of a payment order. In order to obtain this information, the Compliance would have to consult the Swift messages printings processed by BNIE or request that information from the client managers (who in turn would have to ask the clients).

SAMPLE:

5. The information written in the Swift message copies or the exchange of correspondence between the RCMLTF and the reporting of the client managers is an example of compliance (albeit weak and incomplete) with the diligence procedures and not a real MLTFP examination;

6. Therefore, by carrying out analyses in addition to the mere annotations and diligences mentioned above, there is no written record of them, although this is legally required and their existence is foreseen as an internal formal procedure¹⁴⁹;

7. Through the analysis of the sample, it was possible to verify that: **100%** ([9/9] natural persons) and **66.6%** ([2/31] legal persons) of the operations made or received and identified by the inspection team as being sufficient suspicious to be examined, they were not (in total, both in natural persons and legal persons, 21 cases were considered to be not applicable because it was considered that they did not justify a thorough examination).¹⁵⁰

8. Through the analysis of the sample, several cases were found in which some diligences were undertaken characterized by the sendings of electronic correspondence, by the RCMLTF to client managers, in order to obtain additional information on these operations, from which was possible to request a much more in-depth analysis and this did not happen, particularly in the case of the following customers¹⁵¹: **TEREZA JESUS TEIXEIRA BARBOSA AMADO, JUN YANG, CARLOS ALBERTO MONTEIRO CATANAS, ELVINO PIMENTEL DE ALMEIDA GOUVEIA, MARGARIDA ROSA BORGES G PIMENTEL PALMA.**

9. Through the analysis of the sample, it was possible to identify several cases that, in spite of the existence of associated suspicious factors and the need for those to be examined immediately, were not subject to any additional diligences (of any nature), nor of an in-depth analysis concerning the examination duty, namely in the cases of the following clients: **CORAL VENTURES SL, ESTAMOS JUNTOS LDA, MÁRIO ABILIO PINHEIRO R MOREIRA PALHARES, RICARDO SANTOS SILVA, MIAO LI and IMTAZ ALI AHMAD.**

It should also be noted that the present duty is seriously hampered by the lack of mechanisms and means to allow the compliance of duties that precede the examination, namely the control and diligence duty, which translates into a non-detection of suspicious operations¹⁵².

For this contributes mostly:

- (i) the lack of IT tools that make it possible to detect the majority of the suspicious operations;
- (ii) the manual method of detection has several weaknesses such as the inability to envision the transactional profile of customers;
- (iii) the lack of access by RCMLTF to all accounts opened in BNIE - a fact aggravated by a higher volume of transactions received and sent by the correspondence relationship with the BNIAO and,
- (iv) the lack of awareness in the institution regarding the prevention of MLTF.

¹⁴⁹ On page 55 of the Corporate Manual, it is formalized that "(...) of all analyses the carried out, decentralized and centralized, there is written evidence of its result is left (...)" (Annex 7 – submitted documentation).

¹⁵⁰ From the customers in the general sample, 34.4% had no transactions. From all customer accounts, 35% had no transactions, demonstrating the representativeness of the sample for these purposes. Therefore, the possibility that the absence of analyses carried out be justified by the impossibility of the institution to manage and analyze big transactions without the support of manual tools is left aside. See attached file (Annex 7 - "Received and made transactions analysis").

¹⁵² See diligence duty deficiencies.



2. RATING REGARDING THE MONITORING SYSTEM

GRADE	TECHNICAL COMMENTARY
D	<p><u>As several very serious deficiencies have been identified, the internal monitoring system is NONEXISTENT. These deficiencies require urgent regularization and put the institution in a very vulnerable situation regarding the risk of MLTF.</u></p> <p>In this sense, the following list holds the main weaknesses that contribute to this classification:</p> <p><u>a) Absence of a risk-based management model;</u> <u>b) Inexistent awareness for the implementation of an effective MLTF prevention policy by the board of directors;</u> <u>c) Inexistent rooted MLTF prevention culture;</u> <u>d) No computer tools for monitoring and detecting suspicious operations;</u> <u>e) Relevant weaknesses in the filtering tool;</u> <u>f) Lack of independence of the compliance function regarding the decision to report suspicious operations and the decision-making in general;</u> <u>g) Insufficient, at a quantitative and qualitative level, human resources for MLTFP;</u> <u>h) There is no detection of operations with high-risk factors;</u> <u>i) Inadequacy of diligence measures in view of the customers MLTF risk profile;</u> <u>j) Defective control regarding the source and destination of funds;</u> <u>k) Inexistence of reinforced diligence measures concerning business relationships with emphasis on the correspondence relationships.</u> <u>l) Inexistence of a real training policy extended to all relevant employees.</u></p>
<p>GRADE A</p> <p>STRONG MONITORING SYSTEM</p>	<p>High quality institution's risk control policies and procedures in terms of creation and implementation. They are appropriate regarding its size and complexity, as well as the assumed risks.</p>
<p>GRADE B</p> <p>SATISFACTORY MONITORING SYSTEM</p>	<p>The institution's risk control policies and procedures, in terms of creation and implementation, meet the minimum compliance requirements that are mandatory. The relevant risks are identified and analyzed. Their control is minimally appropriate for the institution.</p>
<p>GRADE C</p> <p>UNSATISFACTORY MONITORING SYSTEM</p>	<p>The institution's risk controls are insufficient in view of the risks incurred. The creation and/or implementation of policies and procedures established is unsatisfactory and the relevant risks are not identified and/or analyzed and/or controlled in time, requiring significant improvements.</p>
<p>GRADE D</p> <p>NONEXISTENT MONITORING SYSTEM</p>	<p>The institution has no risk control measures or has very serious shortcomings requiring urgent corrective action. Risks are not even identified, analyzed or controlled.</p>