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# POLICY FOR THE PREVENTION AND SUPPRESSION OF MONEY LAUNDERING AND TERRORIST FINANCING

P-33 /2015

Responsible Area: Financial Sustainability

## **OBJECTIVE:**

Describe the FUNBIO methodology for the prevention of money laundering and terrorist financing; document the roles and responsibilities of the Secretary General's Office, Deliberative Board and other key functions; and summarize the main aspects.

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## **APPLICABILITY:**

This policy applies exclusively to Funbio and covers all areas.

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## VALIDATION

Version in effect	Action	Date
1	Approved by the Deliberative Board	Dec 14, 2015
	Came into effect	Dec 15, 2015
	Up for review	Dec 2017

## CONTROL OF VERSIONS

Version	Date	Drafted by	Status
0.1	Dec 4, 2015	Fábio Leite	Act
0.2	Dec 7, 2015	Aylton Coelho	Revised
0.2	Dec 8, 2015	Rosa Lemos	Revised
1	Dec 14, 2015	Deliberative Board	Approved

## RELATED DOCUMENTS:

- Financial and Economic Project Analyses and Directives;
- Project and Program Appraisal Policy;
- Procurement and Recruitment Policy;
- Project Appraisal and Selection Policy;
- Funbio Risk-management Policy;
- Policy for Reporting Misconduct and/or Concerns.

## CONTACT:



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Funbio's Financial Sustainability area can be contacted by email at:  
[sustentabilidade.financeira@funbio.org.br](mailto:sustentabilidade.financeira@funbio.org.br)

**Privacy:** This document is public and available for consultation on the Funbio website. It must not be edited or altered without express consent.

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## I. INTRODUCTION

1. Measures to prevent and suppress money laundering and terrorist financing have increased in quantity and quality over the last decade. However, attempts to commit financial crimes have evolved at the same pace, harnessing financial systems and new electronic payment methods worldwide. Cooperation among financial institutions and the adoption of control policies and procedures are extremely important if we are to curb this activity.
2. Funbio is a project-financing entity and recognizes the importance of internal policies and practices in identifying suspicious agents and projects before, during and after the period of financing. The nature of the projects Funbio supports, and of the types of institution it supports, does not exempt us from the risk of money laundering and terrorist financing.
3. This Policy is intended to define the principles, directives and institutional structure of Funbio's activities to protect against and suppress money laundering and terrorist financing in accordance with the present legislation and national and international best practices.
4. The following international norms will be observed in conjunction with this Policy:
  - The principles set forth in UN Security Council Resolutions 1353 and 1540<sup>1</sup>.
  - The Financial Action Task Force on money laundering and terrorist financing – FATF<sup>2</sup>.
  - International Convention for the Suppression of the Financing of Terrorism—United Nations Treaty ratified in 1999, criminalizing the provision of material support to acts of terrorism—Adopted by the United Nations General Assembly in Resolution 54/109, passed on December 09, 1999.
  - The Wolfsberg Group Principles (private association of 13 major international banks) created to combat money laundering and terrorist financing<sup>3</sup>.
5. Brazilian legislation:
  - Decree 5639/2005- Promulgating the Inter-American Convention against Terrorism, signed in Barbados on June 3, 2002<sup>4</sup>.
  - Decree 5640/2005 - Promulgating the International Convention on the Suppression of the Financing of Terrorism, adopted by the United Nations

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<sup>1</sup> <http://www.coaf.fazenda.gov.br/menu/pld-ft/financiamento-ao-terrorismo>

<sup>2</sup> <http://www.fatf-gafi.org/>

<sup>3</sup> <http://www.wolfsberg-principles.com/>

<sup>4</sup> [http://www.planalto.gov.br/ccivil\\_03/\\_Ato2004-2006/2005/Decreto/D5639.htm](http://www.planalto.gov.br/ccivil_03/_Ato2004-2006/2005/Decreto/D5639.htm)

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General Assembly on December 9, 1999, and signed by Brazil on November 10, 2001<sup>5</sup>.

- Law 9613/1998 - Concerning the crimes of money “laundering” or the concealment of assets, rights and values; the prevention of the misuse of the financial system for illicit activities; and creating the Council for the Control of Financial Activities—COAF, and other measures.
  - Law 12683/2012 - Amending Law 9613, passed March 3, 1998, increasing the efficiency of penal prosecution for crimes of money laundering.
  - COAF Resolution 15 – March 28 2007 - Lays down the procedures to be followed by all legal entities regulated by COAF as per § 1<sup>st</sup> of art. 14 of Law n<sup>o</sup> 9613, promulgated on March 3, 1998, concerning operations or proposed operations with links to terrorism or the financing thereof<sup>6</sup>.
6. In order to prevent funds under Funbio’s management from being used to finance terrorism or launder money, this Policy is to be widely divulged among the Fund’s staff and partners.

## II. DEFINITIONS

7. **Money laundering** - is the practice of concealing the origin, nature, source, location, disposition, movement or ownership of assets, rights or values deriving directly or indirectly from criminal activities.
8. **Financing of Terrorism** - is the solicitation, collection or provision of funds, whether from legal or illicit sources, with the intention that these be used to support terrorist acts or organizations.
9. **Politically Exposed Persons (PEP)** – PEP as a concept recognizes that people entrusted with prominent public functions are more exposed to the risk of bribery and corruption. The fact that an entity has a PEP on its staff or board does not necessarily mean there are problems, but it does indicate that there is a higher risk of problems developing. Those holding relevant public posts or functions in Brazil or abroad, as well as their family and close associates, are considered PEPs.
10. **Shell Banks** – Financial institutions registered but not physically present in a country. Such institutions are frequently used for the purposes of money laundering.

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<sup>5</sup> [http://www.planalto.gov.br/ccivil\\_03/\\_Ato2004-2006/2005/Decreto/D5640.htm](http://www.planalto.gov.br/ccivil_03/_Ato2004-2006/2005/Decreto/D5640.htm)

<sup>6</sup> <http://www.coaf.fazenda.gov.br/backup/legislacao-e-normas/normas-do-coaf/coaf-resolucao-no-015-de-28-de-marco-de-2007-1>

### **III. DECLARATION OF PRINCIPLES**

11. Funbio repudiates all forms of terrorism and recognizes the importance of policies and procedures to prevent and suppress money laundering and terrorist financing.
12. Funbio neither uses nor agrees to work with Shell Banks.
13. The Beneficiary must always be known — whenever funds are disbursed to other institutions or individuals, Funbio must first ascertain the identity of the beneficiary. Sending resources without the identity of the ultimate beneficial owner having been ascertained through due diligence (obtention of company registration number or personal ID) is to be stringently avoided.
14. Funbio bases its operations on relevant best practices, most notably the Wolfsberg Principles and Financial Action Task Force recommendations.
15. Funbio will not do business with individuals or entities on the United Nations (UN), US Office of Foreign Assets Control (OFAC) and/or European Union (EU) financial sanctions lists.
16. All of Funbio's financial transactions are registered, involve funds from licit, known sources, and are only paid to entities wholly unconnected with illicit practices.
17. All suspicious circumstances/transactions will be reported to the competent authorities.
18. Funbio will ensure that this policy is made clear to all its partners and that it applies across all financial appraisal and monitoring of projects.

### **IV. INSTITUTIONAL STRUCTURES**

19. The prevention and suppression of money laundering and terrorist financing is the responsibility of the Planning and Management Superintendency. Funbio's budget and financial sustainability director serves as AML Officer.
20. Funbio has various reporting channels that can be used if suspicions arise concerning possible money laundering or terrorist financing activities. Tip-offs can be made anonymously. For further details, see P-17/2013 (Reporting to the Ethics Committee).
21. Funbio has a Code of Ethical Conduct, which is public and available for consultation on the Funbio website. In addition to this code of ethics, the organization has an Ethics Committee, which appreciates all issues concerning ethical conduct and breaches thereof, including suspicions of money laundering or terrorist financing.
22. When suspicions of money laundering or terrorist financing are raised with Funbio's Ethics Committee, the AML Officer should be present at the sessions discussing the subject.

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23. Funbio adopts the practice of informing its staff about money laundering and terrorist financing and provides AML training to its financial controllers, including capacitation in the use and application of instruments and practices for identifying malpractice.

## **V. POLICY AGAINST MONEY LAUNDERING AND TERRORIST FINANCING IN FUNBIO'S ACTIVITIES**

24. The procedures to ensure that this policy be implemented effectively in the day-to-day running of Funbio are defined in an operations document drafted specifically for this end and approved by the Executive Secretary.

### **V.1. PROJECT PREPARATION, APPRAISAL AND CONTRACTING**

25. Funbio will apply Know Your Partner/Client measures to verify the level of risk involved in working with any given project partner. These measures must be in place right from the preparation and appraisal of projects.
26. When conducting due diligence at institutions being considered as possible project partners, Funbio's financial controls team, responsible for the financial side of the appraisal process, will check all items related to the manner in which the project is financially organized, and identify any other partners that might receive funds or be otherwise involved over the course of the project. This check must follow, but not be restricted to, the Financial Controls Checklist contained in the operational procedures list annexed to this policy.
27. There is always the risk that an apparently legitimate entity might actually be a front for money laundering or terrorist financing operations. Such cases can be avoided by conducting proper due diligence and by verifying the institution's existence and analyzing its project backlog and company charter/articles of association.
28. Another risk is that a legitimate institution may be used by criminal groups to launder money or finance terrorist activities. In this case it is important that Funbio inform its partner institutions of this policy and clarify how it is to be adopted on all Funbio-financed projects. In addition, the institution's expenditure controls should observe a minimum security standard, also verified by Due Diligence.
29. If controls are considered lax or Politically Exposed Persons are identified at the institution in question, the project should be classified as high-risk and therefore subject to risk mitigation or elimination measures based on the proposals suggested by the AML Officer.
30. Funbio's calls for project proposals include a section in which candidates are asked to explain how they identify their beneficiaries; list their board members (or similar);



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enumerate their financial controls and indicate whether or not there is an external audit.

31. Projects/institutions presented to Funbio are classified for risk of Money Laundering or Terrorist Financing based on the information provided in this section; the risk category is determined by the AML Officer.
32. Funbio's contracts with partners include specific clauses dealing with the risk of money laundering and terrorist financing. These clauses are defined during the anti money laundering operational procedures.
33. Funbio requires, by contractual agreement, that all records of financial transactions, including payments to third parties, be kept on-file for a minimum of five years after project completion.

## **V.2. PROJECT MONITORING**

34. For the duration of the project, the financial controllership must remain alert for signs of practices that might indicate Money Laundering and/or Terrorist Financing and any suspicious activity must be reported to the AML Officer/Ethics Committee.
35. More stringent financial controls should be applied on projects classified as higher risk. In addition to proper reporting, risk mitigation measures should be tracked throughout. Failure to comply with the implementation of mitigating measures must be reported to the AML Officer.
36. Reports concerning the suspicious use of funds or non-compliance with the required risk mitigation measures set for the project are analyzed by the AML Officer, who may determine sanctions.

## **V.3. FUNBIO'S INTERNAL OPERATIONS**

37. Funbio only makes payments, including daily fees/rates, to beneficiaries who have been duly identified.
38. Funbio does not make payments, including daily fees/rates, to Politically Exposed Persons.
39. Funbio only makes payments to suppliers that have the necessary internal processes in place and are duly registered with the competent organs.
40. Funbio adopts fraud prevention and control policies as per its financial procedures manual, which sets forth the internal controls and escalation processes.

## **VI. SANCTIONS**

41. Funbio can apply the sanctions listed below upon any project that fails to comply with the norms established by this policy:

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- Cessation of project funding;
- Recall of funds already disbursed but not yet used by the project;
- Glossing of all or some of the payments already made by the project;
- Addition of partner(s) to Funbio's project blacklist;
- Report the partner(s) to the competent authorities.