



# Policy for the Prevention of Money Laundering and Terrorist Financing.

Policy for the Prevention of Money Laundering and Financing of Terrorism approved on 23 October 2023 by Miriem Diouri García, Managing Partner of MDG Advisors, S.L.



## 1. Rationale and purpose.

MDG Advisors (hereinafter MDG) is committed to maximum **regulatory compliance**, not only in the development of its activity, but also in the way it develops and interacts with the rest of the organisation.

It is for this reason that, within the principle of legality, which prevails as one of the principles on which the MDG culture is consolidated, the firm commitment to the **prevention of money laundering and the financing of terrorism** should be highlighted, and where, through years of professional experience, measures and protocols have been developed to combat this matter and which are now intended to be included in this Policy.

The purpose of this Money Laundering and Terrorist Financing Prevention Policy (hereinafter referred to as the Policy) is to establish a **compliance framework** to lay the foundations for the application of the different protocols and procedures that may be applied in this area, and is mandatory for all parties with a direct interest in MDG.

The implementation of the measures set out in this Policy must ensure compliance with **the applicable regulations on the** prevention of money laundering and terrorist financing.

## 2°. Concepts.

In accordance with the applicable regulations and for a correct interpretation of this Policy, the following definitions shall apply:

### **Money laundering:**

(a) the conversion or transfer of property, knowing that such property is derived from criminal activity or from participation in criminal activity, for the purpose of concealing or disguising the illicit origin of the property or of helping persons involved to evade the legal consequences of their actions.

(b) concealing or disguising the nature, source, location, disposition, movement or beneficial ownership of property or rights with respect to property, knowing that such property is derived from criminal activity or from participation in criminal activity.

(c) the acquisition, possession or use of property, knowing, at the time of receipt, that the property was derived from criminal activity or from participation in criminal activity.

(d) participation in, association to commit, attempts to commit, aiding, abetting, counselling, facilitating or facilitating the commission of any of the activities referred to in the preceding subparagraphs.

Money laundering shall exist even if the conduct described in the preceding paragraphs is carried out by the person or persons who committed the criminal activity that generated the property.

For the purposes of this Law, property derived from criminal activity shall mean all types of assets whose acquisition or possession originates from an offence, whether tangible or intangible, movable or immovable, tangible or intangible, as well as legal documents or instruments in any form, including electronic or digital, evidencing the ownership of such assets or a right over them, including the amount defrauded in the case of offences against the Public Treasury.

Money laundering shall be deemed to take place even if the activities which generated the property were carried out in the territory of another State.

Needless to say, the stages of money laundering are as follows:

- a) Placement phase:** that phase in which money from illicit or illegitimate activities is introduced into various licit financial mechanisms. At this stage, reporting and taxation obligations are avoided.
- b) Diversification phase:** in this phase, the money is stratified and attempts are made to disassociate it from its illicit origin. To this end, as many financial operations as necessary may be carried out in order to give it a legal appearance.
- c) Re-entry phase:** illicit funds return to the financial system as clean and legitimate funds.

### **Terrorist financing:**

Provision, deposit, distribution or collection of funds or property, by any means, directly or indirectly, with the intention of using them or with the knowledge that they will be used, in full or in part, for the commission of any of the terrorist offences defined in the Criminal Code.

Terrorist financing shall be deemed to exist even if the provision or collection of funds or property took place in the territory of another State.

### 3. Scope of application.

This Policy shall apply to MDG, **acting under Spanish jurisdiction and regulations**, unless expressly provided otherwise by law.

### 4º. Applicable principles.

The principles governing this Policy are as follows:

#### **Risk assessment.**

The MDG's exposure to money laundering and terrorist financing risks is intrinsically **related to the type of activity or business it carries out**.

For this reason, the aim is to establish an **appropriate** risk-based **control framework according to the** different levels that may occur within the activity it carries out.

#### **Due diligence.**

Through the Know Your **Customer (KYC)** principle, the necessary, sufficient and up-to-date information on the customer and other related parties must be available in order to channel a possible exposure to the described risks.

This principle shall prevail in the customer admission policy together with all other due diligence measures, without any **possible infringement of customer rights**.

- **Formal identification of the client:**

The rules developed in this Policy must guarantee correct formal identification of the customer by means of **valid and current documentation**, at least one of which must include a photograph of the natural person in question.

Under no circumstances will business relations be maintained with persons who **refuse to identify themselves** or who do so anonymously, inadequately or fictitiously.

Prior to the establishment of the commercial relationship, the **ultimate beneficial owner** must be identified, **if** necessary in the case of legal persons or persons not acting on their own behalf. To this end, the necessary documentation shall be requested to accredit the powers conferred and other documentation in order to identify the ultimate natural person, in accordance with the regulations in force.

Likewise, prior to the commercial relationship, it is necessary to have knowledge of the **customer's assets**. To this end, documentation will be requested on the economic or commercial activity that gives rise to the economic funds or assets; and, bearing in mind that additional measures may be established, if necessary, in relation to a possible materialisation of a greater risk.

- **Persons whose admission is not permitted:**

Natural or legal persons who are in any of the **following situations** shall not be admitted to a business relationship with MDG:

- ❖ Persons to whom it has not been possible to apply any of the measures stipulated in this Policy or in the regulations in force.
- ❖ Persons for whom the origin of the funds and the legitimacy of the funds have not been properly established.
- ❖ Persons refusing to provide any documentation necessary for formal identification.
- ❖ Persons who, although they have identified themselves, refuse to identify the real owner.
- ❖ Persons who provide documentation that raises reasonable doubts as to its originality due to possible tampering or falsification or lack of sufficient guarantees.
- ❖ Persons who are subject to special authorisations (gambling, betting, etc.) and who do not have such authorisations.

- **High-risk persons:**

**Additional measures** must be taken to ensure the correct application of the regulations in force and to reinforce the guarantee of the prevention of money laundering and terrorist financing of those persons who find themselves in any of the following situations:

- ❖ Natural persons, whether nationals or not, who meet the requirements of a person with public responsibility, in accordance with the regulations in force.
- ❖ Legal persons, whether national or not, whose real owners, administrators or partners meet the requirements of a person with public liability, in accordance with the regulations in force.
- ❖ Natural or legal persons who, on the basis of the speciality of the economic activity they are carrying out and the high material risk they

present, should be placed in this category (betting shops, gambling, cryptocurrencies, relations with non-cooperative jurisdictions, etc.).

Natural or legal persons that are categorised as high risk must provide the **necessary information and documentation** to prove that the origin of the funds is legitimate and in accordance with the stipulations of the regulations in force.

### **3.- Review of operations. Detection and control.**

MDG shall have **sufficient and necessary means** for the detection, control and examination of transactions that may be carried out directly or indirectly within the organisation.

These means, as well as the provisions of this Policy, should be based on the inherent **risk of** each transaction.

Detection, control and examination shall be carried out through **internal reporting** by MDG employees to their line manager of any indications of money laundering and terrorist financing suspicions.

For its part, MDG may make the relevant **notifications** to official, police and/or judicial bodies, in accordance with the regulations in force, of those transactions detected as suspicious and based on the evidence gathered.

- **Examination and control of risk prior to the start of the business relationship.**

Prior to the commencement of the business relationship and based on the inherent risk, MDG will conduct a **KYC questionnaire** to be completed by natural or legal persons entering into a business relationship with MDG for the first time, irrespective of their nationality or the provision of the service in question.

This questionnaire will be carried out in the same way for those natural or legal persons who **re-establish a business relationship** with MDG after a period of inactivity of more than one year.

In the case of individuals or legal entities from **non-cooperative jurisdictions** and/or where they are considered to be a **person with public liability (PRP) or for other reasons provided for in this Policy**, and in accordance with the regulations in force, additional mechanisms will be established in order to provide greater control over the operations or origin of the assets.

The KYC questionnaire, once completed, will be **reviewed by the Head of KYC** and the Head of KYC will analyse the money laundering or terrorist financing risks that may be present in the specific case.

In the event of any risk in this matter, MDG may **request further documentation or information in order** to mitigate or eliminate the risk detected, in accordance with the provisions of this Policy. If this information and/or documentation is not provided, MDG will not initiate the business relationship.

- **Examination and control of risk during the business relationship.**

During the business relationship with MDG, the KYC questionnaire **shall be updated at least once a year**, even if no KYC indications or risks have been detected.

On an extraordinary basis and for **legal persons**, in the event of any **corporate or commercial modification involving new parties or significant economic events**, a new KYC questionnaire will be carried out in order to detect the risks inherent to money laundering and terrorist financing that may arise as a result of this operation. The necessary information and/or documentation will be requested in order to accredit the legality of the transaction and to formally identify possible new participants, in accordance with the provisions of this Policy.

Similarly, a new KYC questionnaire will be carried out for those **individuals** who carry out any economic transaction with a significant impact on their assets or economic activity.

#### **4.- Reporting of suspicious transactions.**

Any type of suspicious transaction, regardless of whether it has been carried out or not, and which is a direct indication of a possible money laundering and/or terrorist financing practice, **shall be reported on its own initiative to the relevant supervisory bodies.**

Specifically, those activities shall be reported which, bearing in mind the customer's own economic activity or the volume of transactions that are usually carried out, are **contrary to their own identity.**

This communication shall also be made if **it has not been possible to prove the legality** of the transactions in accordance with the measures established under this Policy.

#### **5.- Retention of documentation.**



MDG carries out **policies for the correct retention and conservation** of documents in order to comply with current regulations and bearing in mind that the conservation period may not, in any case, be less than 10 years.

Specifically, the documents required by the regulations in force shall be kept, which are as follows:

- **A copy of the documents required** under due diligence measures for a period of ten years from the termination of the business relationship or the execution of the transaction.
- **Original or a copy with evidentiary force of** documents or records that adequately attest to the transactions, the parties to the transactions and the business relationship, for a period of ten years from the execution of the transaction or the termination of the business relationship.

In accordance with the regulations in force, documents shall be stored on **physical, magnetic or electronic supports** that guarantee their integrity, the correct reading of the data, the impossibility of manipulation and their adequate conservation and location. Furthermore, the filing system of the regulated entities must ensure the adequate management and availability of the documentation, both for internal control purposes and for responding in due time and form to the requirements of the authorities.

## **6.- Roles and responsibilities.**

As a first line of defence, MDG will designate a person **in charge of** ensuring full compliance in the fight against money laundering and terrorist financing in accordance with the regulations in force; however, the responsibility for the proper application of the procedure for identifying the customer and his/her activities will fall on the professional who has a direct relationship with the customer, as well as the detection of any suspicious transaction.

In addition, the **function for the** prevention of money laundering and terrorist financing will be, inter alia:

- Preparation, drafting and elaboration of the various policies on the prevention of money laundering and terrorist financing.
- Analysis and control of the different risk-based activities.
- Monitoring the correct implementation of policies.
- Supervision of the correct identification of clients and their activities.
- Contact with relevant public bodies.
- Periodic assessment of inherent risks and implementation of new measures to mitigate or eliminate them.

Further additional measures may be implemented to form a **new second line of defence**, in addition to those mentioned above, and by making appropriate amendments to this Policy.

## **7.- Training.**

**Awareness-raising and training in the** prevention of money laundering and terrorist financing among MDG partners and employees is an essential and priority element in the fight against money laundering and terrorist financing.

For this purpose, MDG will use **external trainers** who have the necessary qualifications to provide this training and who are duly certified, and training will be provided on a regular and updated basis.

Similarly, MDG shall keep a **record** of the training provided, the date of the training, as well as the employees who have attended and passed the training.

## **5°. Entry into force and administration of the Policy.**

This Policy **shall enter into force** on the same day on which it is published in MDG's internal and/or external media.

The **administration of the Policy**, as well as its interpretation and subsequent amendments, shall be the responsibility of the Person Responsible and must be approved by MDG's management body.

23/10/2023	V.1	Approval	Miriam Diouri García