



POLICY

**for Control and Prevention of Money Laundering and Terrorist
Financing of Bulgarian American Credit Bank AD and the
subsidiaries of BACB Group that are liable entities under Art. 4
MaMLA**

Adopted by a decision of the MB of 06.04.2023

SECTION I.

GENERAL INFORMATION

Art. 1. (1) "Bulgarian-American Credit Bank" AD (BACB AD or the Bank) is a credit institution registered in the Trade Registry and NPLE Registry with the Registry Agency, UIC 121246419 and holds a full license to offer all banking services provided for in the Credit Institutions Act, issued by the Bulgarian National Bank. BACB AD operates on the Bulgarian market as a universal bank offering banking services in compliance with the Credit Institutions Act.

(2) BACB AD is also a licensed investment intermediary and a member of the "Central Depository" AD, as well as of the "Bulgarian Stock Exchange" AD.

(3) The Bank's activity is regulated by the Bulgarian National Bank and the Financial Supervision Commission.

Art. 2. In its capacity as a credit institution and an investment intermediary, "Bulgarian-American Credit Bank" AD is a liable entity required to implement measures to prevent the use of the financial system for the purposes of money laundering within the meaning of Art. 4 of the Measures against Money Laundering Act.

SECTION II.

OBJECTIVES AND SCOPE

Art. 3. (1) This "Policy for Control and Prevention of Money Laundering and Terrorist Financing of "Bulgarian-American Credit Bank" AD" /the "Policy"/ regulates the general framework for control and organization at BACB AD, with a view to counteracting and preventing the use of the Bank and its resources for the purposes of money laundering and terrorist financing.

(2) The policy is also applied in relation to the activities of the Bank's group subsidiaries, where such subsidiaries are liable persons required to apply measures to prevent the use of the financial system for the purposes of money laundering within the meaning of Art. 4 of the Measures against Money Laundering Act.

Art. 4. (1) The Bank has implemented appropriate measures to prevent the use of BACB AD and its subsidiaries for the purposes of money laundering, terrorist financing and/or operations involving funds of criminal origin, as well as allocation of duties and responsibilities within the Bank that facilitates their adequate and effective implementation.

(2) BACB AD implements and complies with the relevant local and uniform European law and global international standards regarding the compliance with anti-money laundering and anti-terrorist financing requirements, including but not limited to:

1. Measures against Money Laundering Act /MaMLA/;
2. Regulation on the Implementation of the Measures against Money Laundering Act /RIMaMLA/;
3. Measures against Terrorist Financing Act /MaTFA/;
4. Cash Payment Restriction Act;
5. Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds;
6. The general European regulations imposing sanctions and/or restrictive measures against individuals and embargoes on certain goods and technologies, incl. dual-use goods;

7. The guidelines and recommendations issued by the European Banking Authority for the purposes of preventing money laundering and terrorist financing;
8. The global standards and recommendations developed by the Financial Action Task Force (FATF) against money laundering, the Basel Committee on Banking Supervision and the Wolfsberg Group for the purposes of financial crime risk management.

SECTION III. DEFINITIONS

Art. 5. (1) For the purposes of this Policy, the definitions specified below shall have the following meaning:

1. "Money laundering", when committed intentionally, includes:

- a) the conversion or transfer of property, with the knowledge that such property was acquired as a result of a crime or any form of participation in a crime, in order to hide or conceal the illegal origin of such property or to assist a person who participates in the commission of such an act in order to avoid the legal consequences of the relevant act;
- b) the concealment or hiding of the nature, source, location, disposition, movement, rights in respect of or ownership of property, with the knowledge that such property was acquired as a result of a crime or any form of participation in a crime;
- c) the acquisition, possession, holding or use of property, having knowledge at the time of receipt that it was acquired as a result of a crime or any form of participation in a crime;
- d) participation in any of the actions under pt. (a-c), conspiring to commit such an act, attempting to commit such an act, and aiding, abetting, facilitating or advising on the commission of such an act or its concealment.

Money laundering is also present where the crime resulting in the acquisition of the property, was committed in another member-state or in a third country and does not fall under the jurisdiction of the Republic of Bulgaria.

2. "Terrorist Financing" means: the direct or indirect, illegal and intentional provision and/or collection of funds and other financial assets or economic resources, and/or the provision of financial services with the intention of using them or with the knowledge that they will be used in whole or in part to commit terrorist acts, finance terrorism, recruit or train individuals or groups of people for the purpose of committing terrorist acts, leaving or entering the country's border, as well as illegally staying in the country for the purpose of participating in terrorist acts, forming, leading or being a member of an organized criminal group that aims to commit terrorist acts or the financing of terrorism, preparation for committing terrorist acts, theft for the purpose of obtaining funds for committing terrorist acts, forging an official document for the purpose of facilitating the commission of terrorist acts, clear incitement to commit terrorist acts or threat to commit terrorist acts within the meaning of the Criminal Code.

3. "High-risk activities" include: trade and manufacture of weapons, trade in precious stones and metals, virtual currencies, gambling activities, mining industries, etc., as well as activities associated with local and foreign PEPs, defined as high-risk persons pursuant to the National Assessment of the Risk of Money Laundering and Terrorist Financing.

SECTION IV.

ORGANIZATION OF ACTIVITIES AIMED AT THE CONTROL AND PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

Art. 6. (1) The Bank possesses an appropriate and effective organizational and operational structure, built based on the nature and scale of the financial products and services offered by BACB AD and its subsidiaries, which have to implement the anti-money laundering and anti-terrorist financing (ML/TF) measures, required to be introduced by the Bank, with a special focus on ensuring sufficient resources for ML/TF prevention and counteraction activities and the internal allocation of functions within the institution.

(2) The main activities of the Bank for the prevention of money laundering and terrorist financing, related to the verification and analysis of clients and their operations, are aimed at the monitoring of specific risks, such as non-compliance with applicable laws and regulations and the introduction and implementation of effective practices and their management, as well as for the timely identification and reporting of suspicious operations and customer behavior, pursuant to the applicable legislation.

Art. 7. (1) The management bodies of the Bank (the Management Board and the Supervisory Board of BACB AD) exercise supervision and control over the implementation of the internal management and control framework to ensure compliance with the applicable requirements in the context of ML/TF prevention.

(3) Pursuant to the applicable ML/TF legislation, BACB AD has designated a member of the Management Board who is responsible for the compliance with any legal, by-law and administrative provisions, incl. at a group level.

(4) A Specialized Unit has been established under the Measures against Money Laundering Act and operates in the Bank. The head of the specialized unit is responsible for the implementation of internal controls over the fulfillment of the Bank's obligations and those of its subsidiaries (liable persons under MaMLA), pursuant to the applicable local and European legislation.

(5) The Bank employees involved in the customer service process, ensure the validity of the information collected about the Bank's clients in the course of the established business relationships with them, by periodically reviewing and updating the available databases, where necessary.

SECTION V.

ASSESSMENT OF THE RISK OF MONEY LAUNDERING AND TERRORIST FINANCING

Art. 8. (1) The basis of the developed Assessment of the money laundering and terrorist financing risk at BACB AD and the BACB group subsidiaries, which are liable entities under Art. 4 of the MaMLA, is the understanding and assessment of the risks of money laundering and terrorist financing inherent to the Bank's activities, respectively the activities of its subsidiaries, taking into consideration the relevant risk factors, including those related to clients, countries or geographical areas, the products and services offered, the operations and transactions carried out or the delivery mechanisms.

(2) The assessment of the risk of money laundering and terrorist financing at BACB AD and BACB group subsidiaries, which are liable entities under Art. 4 of MaMLA, complies with the Results of the National Risk Assessment, published on the page of the State Agency of "National Security" and the applicable regulatory requirements in the field of ML/TF.

(3) The assessment of the money laundering and terrorist financing risk at BACB AD and the BACB group subsidiaries, which are liable entities under Art. 4 of the MaMLA is subject to regular periodic review and updating, if necessary.

SECTION VI.

STANDARDS FOR ESTABLISHING BUSINESS RELATIONSHIPS

Art. 9. The system of rules, procedures and standards developed by the Bank for initial selection and identification, as well as the possibilities for tracking and getting to know the clients and the specifics of their activity, the ongoing monitoring of established business relationships and verification of transactions and operations, carried out throughout the entire term of such relationships, as far as they correspond to the client's risk profile and the information collected on the client while applying the measures, the timely updating of the collected documents, data and information, contribute to reducing the inherent risk in relation to the Bank's client base.

Identification and verification of the client's credentials

Art. 10. (1) As part of the efforts to comply with the anti-ML/TF requirements and ensure customer due diligence, BACB AD has introduced and applies strict principles and standards in establishing business relationships by conducting identification and identity verification of the clients, and where applicable – of their legal representatives and proxies, as well as of the beneficial owners of legal entities.

(2) The measures implemented by BACB AD in performing a due diligence on its clients include identifying the clients and verifying their identification, based on documents, data and information from reliable and independent sources; identifying the beneficial owner and verifying his identification; gathering information about and assessing the purpose and nature of the business relationships and clarifying the origin of funds.

(3) For certain products and services announced in advance, BACB AD enters into business relationships also by using remote means of communication and establishment of business relationships, where the identification of the client and the subsequent verification are carried out by means of electronic identification and authentication services provided for in Regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and authentication services for electronic transactions on the internal market or another method of electronic identification recognized by a regulatory act. In such cases the Bank applies additional measures allowing it to verify the identification information gathered within the process of customer verification and approval.

Policies for establishing business relationships with persons engaged in high-risk activities

Art. 11. For the purpose of establishing business relationships with persons engaged in high-risk activities, BACB AD has developed and applies a strict due diligence methodology, based on sufficient documents, data and information, thus ensuring that there is sufficient clarity on the sources of financing, it conducts an assessment of all elements of a reputational nature in order to minimize and manage the risk of using the products and services provided to the Bank's potential clients to circumvent legal requirements and regulations or perform illegal activities.

SECTION VII.

ONGOING MONITORING OF BACB AD'S CLIENTS AND OBSERVATION OF TRANSACTIONS AND/OR OPERATIONS

Art. 12. (1) In pursuance with the regulatory requirements, the Bank conducts an ongoing and periodic monitoring of the operations, behavior and identification data of the relevant client, and for that purpose, throughout the entire existence of the business relationship with the client, the Bank has the right to request documents in order to clarify the status of the client and/or the transactions carried out, and place the client's operations and/or transactions under special monitoring.

(2) The frequency of such ongoing monitoring of the established business relations and verification of transactions and operations throughout the duration of these relations, including whether they correspond to the client's risk profile and the information gathered during the due diligence process applied to the client and/or his business activity, corresponds to the risk level of the transactions or operations carried out as part of the business relationship.

SECTION VII.

SUBMISSION OF INTERNAL REPORTS

Art. 14. (1) Any Bank employee who suspects or knows that certain operations or transactions are aimed at money laundering and/or terrorist financing must immediately notify the Bank's Specialized Service under MaMLA.

(2) The Bank takes the actions specified in its internal regulation with regards to any submitted report.

SECTION VIII.

APPLICATION OF INTERNATIONAL RESTRICTIVE MEASURES

Art. 15. (1) BACB AD strictly implements and complies with the international restrictive measures (sanctions) imposed by the United Nations (UN), the European Union (EU) and the Office of Foreign Assets Control (OFAC).

(2) Sanctions that are usually imposed include one or more of the following measures taken against persons or entities included in sanction lists published by a relevant authority at a national or local level:

1. Embargo – in its two forms (financial and commercial);
2. Prohibitions on certain types of trade; and
3. Freezing of assets.

(3) The compliance with these international restrictive measures means that the Bank shall not provide payment services, financing or economic resources to individuals, legal entities and other legal formations or government organizations included in restrictive lists or subject to sanctions or who are not authorized to receive financial services, according to the UN Security Council resolutions or the EU regulations and decisions in force, imposed in connection with the

combat against terrorist financing and the prevention of the proliferation of weapons of mass destruction.

(4) To achieve its objective of risk mitigation, as a main verification form, the Bank conducts various checks of its clients and their operations, aimed at timely identification of sanctioned individuals and legal entities and other legal formations, both before establishing business relations and at other important stages of the relationship with the client.

SECTION IX.

DOCUMENT AND INFORMATION STORAGE PERIOD

Art. 16. The bank stores customer data and documents regarding transactions and operations, documents related to the establishment and keeping of trade or professional relations for the legally provided 5 (five)-year term, and upon written instructions by the director of the Financial Intelligence Unit at the State Agency for "National Security", the term for keeping such information shall be extended to 7 (seven) years.

SECTION X.

TRAINING

Art. 17. (1) The Bank provides introductory and periodic continuing training for its employees on the rights, duties and responsibilities of BACB AD's employees in the practical implementation of the provisions of the current legislation and the Bank's internal regulations governing the measures for prevention of money laundering and / or terrorist financing.

(2) The training aims to increase the efficiency of the Bank's employees in performing their functions and recognizing suspicious operations, transactions and clients, as well as taking the necessary actions in cases of suspected ML/TF.

SECTION XI.

AUDITING

Art. 18. ML/TF prevention activities at BACB AD are subject to periodic review by the specialized internal audit, as well as assessment by an external independent auditor during the Bank's annual mandatory audit.

FINAL PROVISIONS

§1. This Policy was adopted by a decision of the Management Board of BACB AD of 06.04.2023.

§2. The policy is fully implemented in the activities of all BACB group subsidiaries, which are liable entities under Article 4 of the MaMLA, and covers the entire BACB AD group.