



STRATEGY

for Compliance with Regards to the Prevention of Money Laundering and Terrorist Financing

Adopted by a decision of the MB of 12.12.2024, inforce from 23.12.2024



SECTION I.

GENERAL INFORMATION

Art. 1. (1) "Bulgarian-American Credit Bank" AD (BACB 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 operates on the Bulgarian market as a universal bank offering banking services in compliance with the Credit Institutions Act.

(2) BACB 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 and supervised 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 the Measures against Money Laundering Act and for the purposes of terrorist financing within the meaning of the Measures against Terrorist Financing Act.

SECTION II.

OBJECTIVES AND SCOPE

Art. 3. (1) This Strategy determines and regulates the general comprehensive framework of BACB for the organization, implementation and control for compliance with the measures and activities aimed at the prevention of money laundering and terrorist financing (ML/TF prevention) with a view to counteracting and preventing the use of BACB and its resources for the purposes of money laundering and terrorist financing (ML/TF).

(2) The Strategy 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 and its subsidiaries for the purposes of money laundering, terrorist financing and/or operations involving funds of criminal origin.

(2) The Bank has implemented an effective and appropriate allocation of duties and responsibilities of structural units within the Bank that facilitates the adequate and effective implementation of the ML/TF prevention measures.

(2) BACB applies and complies with the relevant local and uniform European law and global international standards regarding the compliance with ML/TF prevention 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. Regulation No. 10 of the Bulgarian National Bank concerning the organisation, management, and internal control within banks.
5. Law on Limitation of Cash Payments.
6. Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 regarding information accompanying transfers of funds and the upcoming Regulation (EU) 2023/1113 (effective from 30 December 2024).
7. International standards and recommendations for combating money laundering and terrorist financing (ML/TF) published by the Financial Action Task Force (FATF).
8. Regulations, resolutions, decisions, and other acts of the United Nations Security Council (UNSC), the European Union (EU), or the Republic of Bulgaria (adopted by the Council of Ministers) imposing sanctions and/or restrictive measures against specific individuals, as well as embargoes on certain goods and technologies, including dual-use goods, and other sanction regimes related to ML/TF.
9. Guidelines issued by the European Banking Authority for the purposes of preventing money laundering and terrorist financing (including Guidelines on ML/TF risk factors).
10. Guidelines issued by the Bulgarian National Bank for the purposes of preventing money laundering and terrorist financing.
11. National and supranational risk assessment of ML/TF.
12. Instructions and indicative criteria for identifying suspicious clients and operations issued by the State Agency for National Security (SANS).
13. Joint guidelines issued by the Bulgarian National Bank and the State Agency for National Security (SANS).

SECTION III. DEFINITIONS

Art. 5. (1) For the purposes of this Strategy, the definitions specified below shall have the meaning provided by the Measures against Money Laundering Act and the Measures against Terrorist Financing Act and 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" according to the National Assessment of the Risk of Money Laundering and Terrorist Financing 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.

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 and its subsidiaries, which have to implement the money laundering and terrorist financing prevention measures, required to be introduced by the Bank, with a special focus on ensuring sufficient resources for ML/TF prevention activities and the internal allocation of functions within the institution.

(2) The primary activities of the Bank in identifying, measuring, and managing risks related to ML and TF prevention are focused on conducting comprehensive customer due diligence, monitoring and analysing customer operations, and observing and managing specific risks. These include the risk of non-compliance with applicable laws and regulations related to ML/TF prevention. The Bank implements and applies effective practices to ensure the timely identification, management, and reporting of suspicious operations and client behaviours, in accordance with the requirements of the applicable legislation in the field of ML/TF prevention.

Art. 7 (1) The corporate management and supervisory bodies of the Bank (the Management Board, Audit Committee, and Supervisory Board) oversee and monitor the internal governance and control framework to ensure compliance with the applicable requirements related to ML/TF prevention activities and the management of compliance risks associated with ML/TF prevention.

(2) In accordance with the applicable legislation on ML/TF prevention, BACB has designated one member of the Management Board as the officer responsible for ensuring compliance with the relevant ML/TF prevention requirements.

(3) The Bank has established and maintains a specialised body/ service responsible for adequately identifying, measuring, and managing compliance risks related to ML/TF prevention.



This body functions as the specialised service required under the Measures Against Money Laundering Act.

(4) The head of the specialised ML/TF prevention service is responsible for conducting internal control over the fulfilment of the Bank's obligations and those of its subsidiaries (obligated entities under the MaMLA), in accordance with applicable local and European legislation. This role encompasses the functions and responsibilities of an ML/TF prevention compliance officer.

(5) To fulfil its duties in preventing money laundering and terrorist financing, BACB has established a specialised unit—the "Counteraction to Money Laundering" unit within the Regulatory Compliance and Control Department. This division reports directly to, and supports, the head of the specialised ML/TF prevention service/compliance officer.

SECTION V.

OWN ASSESSMENT OF THE RISK OF MONEY LAUNDERING AND TERRORIST FINANCING

Art. 8. (1) To identify, understand, and assess the risks associated with money laundering and terrorist financing, BACB has developed its own risk assessment framework for the Bank and its subsidiaries, which are obligated entities under Article 4 of the MaMLA. This framework is referred to as the "Own Risk Assessment" for money laundering and terrorist financing.

The basis of the developed Own Risk Assessment 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 own 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 and the applicable regulatory requirements in the field of ML/TF.

(3) BACB performs a regular annual review and update of the Own Risk Assessment, if necessary.

SECTION VI.

STANDARDS FOR ESTABLISHING BUSINESS RELATIONSHIPS

Art. 9. The system of rules, procedures and standards developed by BACB 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 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 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 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 identification documents, data and information, thus ensuring that there is sufficient clarity on the origin of funds, 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 activities involving high risks of non-compliance.

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 ML/TF prevention service.

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

SECTION VIII.

APPLICATION OF INTERNATIONAL RESTRICTIVE MEASURES AND TARGETED FINANCIAL SANCTIONS

Art. 15. (1) BACB 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) with the US Department of State and the acts of the Council of Ministers.

(2) Sanctions that are usually imposed include one or more of the following measures taken against persons or entities included in sanction lists and lists of persons subjected to targeted financial sanctions, published by the relevant authority/ organization under para. (1) above:

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

(3) The compliance with these international restrictive measures/ sanctions and targeted financial sanctions 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/ sanction lists or subject to restrictions/ sanctions or who are not authorized to receive financial services, according to the UN Security Council resolutions, the EU regulations and decisions in force, acts of the Office of Foreign Assets Control (OFAC) and the acts of the Council of Ministers, 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 preliminary and ongoing 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 during its 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'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 are subject to periodic review by the specialized internal audit service, as well as assessment by the external independent auditors during the mandatory audit of the Bank's annual financial statements.

FINAL PROVISIONS

§1. This Strategy was adopted by a decision of the Management Board of BACB AD of 12.12.2024, in force from 23.12.2024.

After the entry into force of this Strategy, the Policy for Control and Prevention of Money Laundering and Financing of Terrorism of BACB and its subsidiaries, adopted by the Board of Directors on 06.04.2023, ceases to apply and its effect is replaced by this Strategy.

§2. The strategy 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 group.