

Anti-Money Laundering (AML/KYC) Policy

We, at **Credefi Ltd.** ("**Credefi**", "**Company**", "**We**"), are aware of our corporate duty to assist in the fight against money laundering and financing of terrorism and are committed to high standards of Anti-Money Laundering/Counter the Financing of Terrorism (AML/CFT) compliance.

Before entering into a relationship, *Credefi* must have sufficient information about any potential client and its activities in any case where such is required pursuant to the Anti-Money Laundering Act (AML Act). *Credefi* applies the "*Know Your Client*" principle, which forms the basis of the AML rules and includes the collection and maintenance of client identification information. *Credefi* shall gather and process such data only for the purposes stated in this AML Policy and shall not use it for any other purpose or disclose it to third parties unless obligated to do that by law.

In its contribution to manage the risks associated with money laundering and financing of terrorism, *Credefi* has developed this internal AML/KYC Policy in accordance with the applicable Bulgarian and European laws (Anti-Money Laundering Act (AML Act) and Directive (EU) 2015/849 of the EP and the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849), and regulations as well as international standards and best practices.

1. Definitions

"AML" stands for Anti-Money Laundering. Money laundering is carried out through a series or pattern of financial transactions which are intended to conceal the proceeds of criminal activities or the financing of criminal activities, or the illicit origin of property. Money laundering is also present when the offence from which such property was acquired had been committed in another member State or in a third country and does not fall under the EU jurisdiction.

"AML/KYC Policy", "Policy" – a set of internal rules and procedures that is used by the Company in order to perform customer due diligence as per the AML Act and the Directive.

"KYC" (*Know Your Client/Customer*) – the standards designed to protect entities against money laundering, fraud, financing of terrorism, etc. as well as to the due diligence process itself (identification, verification of identity, risk profiles, etc.).

“Credefi”, “Company”, “We” – the Company, Credefi Ltd., duly incorporated and operating under the laws of the Republic of Bulgaria, entered into the Commercial Register at the Registry Agency, with UIC 206396291, having its seat and address of management at: 1124 Sofia, Bulgaria, Yavorov District, 7 Boicho Voivoda Str., that owns and maintains the Platform.

“Platform”, “Website”, “Site” – the website with address (URL) www.credefi.finance in addition to any sub-pages, APIs, mobile and other related software applications.

“Identification” – a customer due diligence measure that includes identifying clients on the basis of provided identity documents.

“Business Relationship” – a business, professional or commercial relationship which is connected with the professional activities of the Company and which is expected, at the time when the contact is established, to have an element of duration.

“Beneficial Owner” – any natural person(s) who ultimately owns or controls the client and/or the natural person(s) on whose behalf a transaction or activity is being conducted.

“Politically Exposed Person” – a natural person who is or who has been entrusted with prominent public functions (See the categories in Art. 3, point 9 of the Directive) in the Republic of Bulgaria, in another EU member State, in a third country or in an international organisation. This AML/KYC Policy shall also apply to persons associated with any Politically Exposed Person.

“Virtual currencies”, “Cryptocurrencies” – a digital representation of value that is not issued or guaranteed by a central bank or a public authority, is not necessarily attached to a legal tender and does not possess a legal status of currency or money, but is accepted by persons as a means of exchange and which can be transferred, stored and traded electronically.

“High-risk Countries” refer to third countries with strategic deficiencies in their AML/CFT regime as identified by the European Commission, [here](#).

2. Objective and Scope

The purpose of this Policy is to establish a general framework and internal procedures of *Credefi* for the fight against money laundering and financing terrorism. This Policy aims at ensuring the proper identification and verification of customers as well as ongoing monitoring of Business Relationships, including

transactions carried out during Business Relationships, proper verification of data used for identification, update of relevant documents and, when necessary by law, identification of the source and origin of funds involved in transactions.

Customer due diligence is the main instrument in the fight against money laundering and financing of terrorism. According to the applicable legislation, customer due diligence encompasses:

- (a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;
- (b) identifying the Beneficial Owner and taking reasonable measures to verify that person's identity so that the Company is satisfied that it knows who the Beneficial Owner is, including, as regards legal persons, trusts, companies, foundations and similar legal arrangements, taking reasonable measures to understand the ownership and control structure of the customer;
- (c) assessing and, as appropriate, obtaining information on the purpose and intended nature of the Business Relationship;
- (d) conducting ongoing monitoring of the Business Relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the Company's knowledge of the customer, the business and risk profile, including where necessary the source of funds and ensuring that the documents, data or information held are kept up-to-date.

Upon qualifying of the Business Relationship via a risk-based approach in order to decide on the nature of the measure to be taken and depending on the risk (from low to critical – *See Art. 5 of this Policy*) associated with the specific Business Relationship, the Company applies simplified, standard or enhanced customer due diligence.

3. General Prohibitions

The Company shall not:

- (a) enter into Business Relationships with individuals, legal entities and groups known or suspected to be associated with criminal activities, to be members of criminal or terrorist organisations or to support politically or finance such organisations;
- (b) enter into or maintain Business Relationships or conduct transactions or dealings with any person or entity on Lists of Sanctions or engaged in activities that directly or indirectly involve countries or territories that are subject to comprehensive

sanctions. The List of Sanctions include not only but specifically Office Of Foreign Control Sanctions (OFAC) List and OFAC Specially Designated Nationals And Blocked Persons List (SDN) list (<https://sanctionssearch.ofac.treas.gov/>);

(c) enter into or maintain Business Relationships with individuals, entities or groups that are active in the military arms industry if those Business Relationships are directly related to the production, import, export, distribution, financing or brokering of military weapons;

(d) enter into or maintain Business Relations with legal persons or other legal entities whose activities are related to nuclear energy, with the exception of state-owned companies;

(e) enter into or maintain relationships with credit institutions or financial institutions within the meaning of Article 3, para. 1 and 2 of Directive (EU) 2015/849 or institutions carrying out activities equivalent to those carried out by such institutions established in a jurisdiction in which they do not have a physical presence, including conception and management, and are not tied to a regulated financial group that is subject to effective consolidated supervision ("Phantom Banks");

(f) enter into or maintain a Business Relationship with any legal entity that does not provide a certified copy of a license, permit or certificate of registration - if the entity's business is subject to such;

(g) enter into any relationship, including opening an account, and shall not conduct incidental transactions or dealings where it is not possible to meet the customer due diligence requirements. If *Credefi* is unable to conduct due diligence in the case of a commercial or professional relationship already established, *Credefi* may terminate that relationship at its sole discretion.

4. Standard due diligence

Standard due diligence applies to all clients and persons associated with clients at the point of entry and may apply throughout the relationship.

The Company shall apply standard due diligence:

(a) when establishing a Business Relationship with a client;

- (b) when carrying out an occasional transaction that amounts to EUR 15 000 or more, whether that transaction is carried out in a single operation or in several operations which appear to be linked;
- (c) when there is a suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold;
- (d) when there are doubts about the veracity or adequacy of previously obtained customer identification data.

4.1. Identification of a natural person

The Company performs Identification of a client who is a natural person on the basis of one of the provided identification documents (an extract in original or a notarized copy of), including but not limited to:

- a valid unexpired passport;
- a valid unexpired national or other government-issued identity card;
- a valid unexpired residence card;
- a valid unexpired driving license.

4.2. Identification of a legal entity

The Company performs Identification of a client who is a legal entity on the basis of one of the provided identification documents (an extract in original or a notarized copy of), including but not limited to:

- an extract for the current status of the legal entity from an official register;
- a certified copy of the Articles of Association or other official documents;
- a certified copy of the relevant license, permit or registration certification (if the client's business is subject to such).

These documents may also be used for the Identification and verification of the identity of the Beneficial Owners. For this purpose, the Company may make further inquiries on the accounts of the respective legal entities in the relevant registers. In the event that the ownership of the capital does not indicate who the Beneficial Owner(s) is/are, a further written declaration by the legal entity's representative is required.

For Identification purposes (of both natural persons and legal entities), the Company may further collect information about:

- The purpose for which the account is opened or the Business Relationship established;
- Expected transactions on client accounts;
- Origin of the funds expected to flow into the account;
- The expected destination of outgoing transfers and payments;
- Amount of the client's income for the last calendar year (for legal entities);
- Description of the client's professional activity and business;
- Whether or not the client meets the criteria for a high-risk client;
- Whether the client is a Politically Exposed Person or is related to such a person.

4.3. Verification

The Company shall carry out verification of the identification information and documents by using, including but not limited to, one or more of the following means:

- Use of technical means to verify the authenticity of the documents;
- Making inquiries in domestic and foreign official registers;
- Use of other independent sources (accessible databases of public and private organisations, etc.);
- Communication by telephone, mail or e-mail (in order to verify the correctness of the data provided);
- Request for additional documents;
- Request for written and/or verbal declarations, where deemed necessary in the Company's view.

When establishing a Business Relationship or carrying out an occasional transaction by means of an electronic statement, electronic document or electronic signature, or by any other form without the presence of the client, the Company shall verify the collected identification data by using at least two of the means referred to above.

The Company may complete the verification of the identification of the client and the Beneficial Owner at an earlier stage during the establishment of the Business Relationship when: 1. the identification and verification procedure leads to undermining the effectiveness and normal functionality of the respective business; 2. the risk for money laundering and financing of terrorism is low and effective measures for AML/CFT have been implemented.

The due diligence process is performed with the help of the Company's standard AML/KYC Checklist accessible [here](#).

4.4. Simplified due diligence

Before applying simplified customer due diligence measures, the Company shall ascertain that the Business Relationship or the transaction presents a lower degree of risk.

Upon notifying the competent authority (the Financial Intelligence Directorate at the State Agency for National Security), the Company may perform simplified due diligence when the respective Business relationship or transaction present a low risk after the risk evaluation (*See Art. 5 of this Policy*).

When applying simplified due diligence measures, the Company shall ensure sufficient monitoring of transactions and Business Relationships so that it would be possible to identify unusual transactions and detect suspicious activity.

4.5. Enhanced due diligence

The Company applies enhanced due diligence measures in order to adequately manage and mitigate a higher-than-usual risk of money laundering and terrorist financing.

The Company performs enhanced due diligence in relation, including but not limited to potential or current clients or Beneficial Owners who are Politically Exposed Persons, or who are settled in High-Risk Countries, or regarding operations and transactions which could lead to anonymity and in respect of which no additional measures are envisaged under the AML Act; new products and business practices or new technologies used thereof assessed as high-risk pursuant to Art. 5 of this Policy and the applicable laws; complex or unusually large transactions or operations, such that are carried out under unusual schemes as well as any other activity assessed as high-risk.

5. Risk Evaluation

When performing risk analysis and risk assessment of a client and/or a Business Relationship and/or a transaction, the Company shall take into account three risk categories: 1. customer risk factors, 2. product, service, transaction or delivery channel risk factors, and 3. geographical risk factors.

A non-exhaustive list of risk factors includes:

- type of professional activity and business;
- the relevant sector of this activity and/or business;
- the level of assets to be deposited by a customer or the size of transactions undertaken;
- the regularity or duration of the business relationship;
- client's reputation;
- whether the client is subject to international sanctions (UN,EU,OFAC, etc.);
- whether the client is a Politically Exposed Person;
- specific country and/or geographical area. In this regard, risk factors include, without limitation, whether the country applies legal provisions compatible with the AML/CFT international standards, whether the country is on any sanction lists (for example, in UN), whether there is a high crime rate in the country, etc.

Risks, which are identified by the Company, may be assessed according to the likelihood that they occur (from low to critical) and the impact of these risks on the business if they occur (from low to critical). The degree of risk (risk status) varies as follows: low, moderate, high and critical. If the risk status of a client and/or a Business Relationship and/or a transaction is considered high and/or critical, the Company retains the right to not provide the services thereby.

In case of any new or newly found circumstances and factors regarding the client and/or the Business Relationship and/or the transaction, the Company may perform additional identification and verification and/or new risk assessment.

5.1. Lower Risk

The following circumstances, without limitation, shall be considered as criteria of lower risk:

- the customer is a company listed on a regulated market, which is subject to disclosure obligations that establish requirements for ensuring sufficient transparency regarding the Beneficial Owner;
- the customer is an entity performing public functions like public administrations or enterprises;
- the customer is a resident in geographical areas of lower risk like Member States, third countries having effective AML/CFT systems, etc.

5.2. Higher Risk

The following circumstances, without limitation, shall be considered as criteria of higher risk:

- the Business Relationship is conducted in unusual circumstances;

- the customer is a resident in geographical areas of higher risk like countries that do not have effective AML/CFT systems, countries identified by credible sources as having significant levels of corruption or other criminal activity, countries providing funding or support for terrorist activities, or that have designated terrorist organisations operating within their country, etc.
- the customer is a legal person or a legal arrangement, which is engaged in holding ^[...]_{SEP} personal assets;
- the customer is a company that has nominee shareholders or bearer shares or a ^[...]_{SEP} company whose affiliate has nominee shareholders or bearer shares;
^[...]_{SEP}
- the ownership structure of the company appears unusual or excessively complex, ^[...]_{SEP} given the nature of the company's business., etc.

6. Company's Obligations

The Company:

(a) shall identify and verify the identification of its clients in accordance with the rules set forth in Art. 3 of this Policy;

(b) may be required to do a client's economic background check (including the origin of funds) if the Business Relationship and/or funds used are deemed to be unusual in the Company's view, or it is clear that the funds derive from any illegal activity, or there is a high-risk factor in the Business Relationship and/or the transaction;

(c) shall conduct ongoing monitoring of the Business Relationship and/or transaction(s), including reviewing the operations and activities undertaken by clients and Beneficial Owners in the course of the relationship to assess whether those operations and activities are consistent with what the Company knows about those clients, their business and risk profile, including, if necessary, the origin of their funds;

(d) shall keep records of up-to-date data and documentation related to Business Relationships, transactions and clients' identification documents and findings. All information and documents connected to the client Identification procedure shall be maintained in the Company's archive for no less than 5 years as per the applicable legislation.;

(e) before processing the respective transaction, shall inform the competent authority (the Financial Intelligence Directorate at the State Agency for National Security), including by filing a report, about the fact that the Company has sufficient

knowledge or duly suspects that any client's funds are the proceeds of criminal activity or are related to terrorist financing. In any such event, the Company shall delay performing the transaction to the extent permitted by the applicable laws and regulations.

7. Suspicious Activity. Termination of Business Relationships and Transactions

In case that the Company is unable to perform initial due diligence or due diligence throughout an already established Business Relationship, the Company may refuse to enter into or shall terminate the Business Relationship at its own discretion.

In case the Company still has doubts about the authenticity of the identification information and/or documents provided by the client even after carrying out a repetition of the verification of identity of the client, the Company may terminate the Business Relationship.

If a client, despite his or her obligation, does not provide the required identification documents or in any other way refuse to cooperate, the Company shall deny the requested operation and/or transaction, or shall terminate the relationship.

In the event the Company holds any assets belonging to the Client, the assets can be withdrawn on the condition that an audit trail of the respective transactions, operations and dealings is retained so as to be presented to the competent authorities, if legitimately requested.

8. Organisational Measures and Internal Control

In order to adequately and efficiently implement this Policy and the underlying applicable laws and regulations, the Company may form AML body for AML/CFT compliance. The AML body shall be authorized, including but not limited to, to review this Policy, the KYC checklists as well as other internal rules and policies related to AML/CFT; to manage and overview the customer due diligence; to develop and conduct transaction monitoring systems; to prepare risk analysis and risk assessment.

9. Training Programme

The Company may set up a training program in the field of AML/CFT, in accordance with the applicable laws and regulations, for the Company's employees, including members of the AML/CFT group, so as to provide them with proper instructions

regarding the implementation of the rules and procedures set forth in this Policy and the prevention of money laundering and financing of terrorism.

10. Governing Law and Jurisdiction

This Policy and all matters arising out of or relating to it shall be governed by the substantive laws and regulations of the Republic of Bulgaria.

In force: 22.10.2021

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