

BSA AML OFAC Highlights

(Anti-Money Laundering & Terrorist Financing Prevention)

Scope: This document is intended to serve as a guide and not as a substitute for directives issued by a Bank staff member acting in a supervisory capacity. If there is any question as to whether one should follow the procedures described herein a supervisor must always be consulted.

An effective BSA/AML Compliance Program requires the implementation of a sound risk management policy. In accordance with federal regulations and specifically, Section 326 of the USA Patriot Act, all financial institutions must have a written Customer Identification Program (CIP) in place. The CIP must be included into the Bank's BSA/AML Compliance Program and is subject to Board of Director's approval. The regulatory guidelines, associated to Section 326 of the USA Patriot Act are an essential component and core requirements included in the FFIEC BSA/AML Examination Manual.

BB Americas Bank, is committed to safe and sound banking practices. It is the policy of the Bank to maintain strict compliance with both the content and spirit of all applicable state and federal anti-money laundering ("AML") laws, regulations, guidelines and norms, including but not limited to:

- Bank Secrecy Act ("BSA");
- USA PATRIOT Act;
- U.S. Department of Treasury Office of Foreign Assets Control (OFAC) Sanctions Program

BB Americas Bank or "The Bank" as any other U.S. financial institution, is subject to the laws and regulations of the United States. The Bank's main headquarters and its operations are located in the State of Florida. The Bank's primary regulators are the Federal Deposit Insurance Corporation (FDIC) and State of Florida Bureau of Financial Institutions (OFR). As any other financial institution, the Bank is subject to periodic examinations performed by federal and state regulators. The review includes an evaluation of the Bank's internal controls and procedures.

The primary objectives and goals of the Bank's BSA/AML/OFAC Compliance Program are as follows:

- Prevent the use of the Bank, systems and resources by criminals and criminal entities to conduct illegal/illicit activities of any type, including money laundering and terrorist financing.
- Provide comprehensive procedures and internal controls tailored to BB Americas Bank business model to ensure that the Bank is in full compliance with the BSA, all applicable anti-money laundering federal and state laws, regulations and norms, as well as all economic and trade sanctions and requirements of the OFAC regulations.
- Develop and implement policies, procedures and systems to ensure the detection and reporting of any

suspicious activity passing through the Bank.

- Increase efficiency by creating and implementing a set of compliance procedures and controls that are practical and that ensure a safe and sound banking operation.
- Ensure that BSA/AML/OFAC policies and procedures are annually reviewed.
- Define the BSA/AML/OFAC compliance responsibilities of the Bank's BSA/AML /OFAC Compliance Officer and BSA/AML/ OFAC compliance staff, bank management and all other bank staff.
- Define the monitoring activities of the Bank to ensure that the policies and procedures developed and adopted in this BSA/AML/OFAC Compliance Program are being effectively implemented.
- Establish a timetable for the revision and update of the BSA/AML/OFAC Compliance Program to guarantee that any changes in the applicable laws, regulations and/or policies and procedures are noted and incorporated into the BSA/AML/OFAC Compliance Program. The BSA/AML/OFAC Program will be revised and updated at least annually.
- Establish a timetable that will ensure that all personnel at the Bank are adequately trained on a regular basis and that their training is appropriate to their job so that they are fully aware of the applicable laws and regulations that are critical to the performance of their assigned duties.
- Test the effectiveness of the BSA/AML/OFAC Program through audits conducted by independent auditors.
- Respond to the mandate of the Board of Directors of the Bank requiring that the Bank be administered in a safe and sound manner.
- Identify and resolve any BSA/AML/OFAC deficiencies and problems to preclude regulatory enforcement actions.
- Avoid civil or criminal liability due to non-compliance.

Due Diligence

The Bank's Know Your Customer ("KYC") represents a commitment on behalf of the Board of Directors, to strengthen the Bank's compliance Program and to establish guidelines that allow for the detection of unusual or suspicious activities. The following Program outlines the established KYC/ Customer Identification Program (CIP) / Customer Due Diligence (CDD) / Enhanced Due Diligence (EDD) practices as they apply to the different business units of the Bank. The objective of this Program is to ensure that the Bank has the necessary tools to determine whether an account should be established for a prospective customer. Prior to the establishment of any account, the Bank must fully comply with the Know Your Customer Program and Section 326 of the USA Patriot Act, Customer Identification Program.

Senior Political Exposed Person (s) (PEP)

Senior Political Figure is defined as:

- A "senior official in the executive, legislative, administrative, military or judicial branches of a Foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation";
- Any corporation, business or other entity that has been formed by or for the benefit of, a senior political figure;
- Immediate family is defined as the senior foreign political figure's "parents, siblings, spouse, children
- and in-laws;

- Close associates is defined as “a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is a position to conduct substantial domestic and
- international financial transactions on behalf of a senior foreign political figure”

On January 16, 2001, the U.S. Treasury Department, Department of State, Federal Reserve Board, Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) issued an interagency guidance entitled “Guidance on Enhanced Scrutiny for Transactions That May Involve the Proceeds of Foreign Official Corruption.” (“Guidance”).

<https://www.treasury.gov/press-center/press-releases/Pages/guidance.aspx>.

Since its enactment in 2001, this Guidance has been used as a resource for risk prevention and as a foundation for Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) in managing account relationships with Senior Political Exposed Persons (PEPs).

Office of Foreign Assets Control (OFAC)

The Office of Foreign Assets Control (OFAC) of the U.S. Department of Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries, terrorism sponsoring organizations and international narcotics traffickers those engaged in activities related to proliferation of weapons of mass destruction and other threats to national security, foreign policy or economy of the United States.

OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and to freeze assets under U.S. jurisdiction. Economic sanctions are powerful foreign policy tools. Their success requires the active participation of every financial institution. Many of the sanctions are based on the United Nations and other international mandates. There is a closed cooperation with allied governments.

OFAC is part of the Office of Terrorism and Financial Intelligence of the US Department of the Treasury, the division that also includes the Financial Crimes Enforcement Network (FinCEN).

All U.S. persons, including permanent residents, individuals located in the U.S. and U.S. banks, their domestic branches, agencies, international banking facilities, foreign branches and overseas offices and subsidiaries are required to comply with OFAC regulations when executing transactions in U.S. dollars. This includes U.S. branches for foreign financial institutions as well as U.S. persons working at foreign corporations outside of the U.S. at the time the transactions are processed.

Source: (Federal Financial Institutions Examination Council 2010)

The federal banking agencies during bank examinations, evaluate OFAC compliance systems to ensure that all banks subject to their supervision comply with the sanctions. In general, the regulations require the following:

- Block accounts and other property of specified countries, entities, and individuals.
- Prohibit or reject unlicensed trade and financial transactions conducted without a license with specified countries, entities, and individuals.

OFAC prohibits trading and processing of financial transactions, thus barring banking and other transactions involving properties in which there are designated foreign country interests. OFAC prohibits transfers of the affected assets, except as authorized by general license, in published regulations or by specific license, issued on a case-by-case basis by the Treasury Department. The controls apply to contracts, letters of credit, payments and other transactions in which a designated foreign country or its nationals have any interest.

BB Americas Bank will not knowingly participate in any transaction with a foreign country or national that is identified by OFAC as a prohibited country or national. A transaction includes currency, letters of credit, loans, check processing, cashier's checks, money orders, ACH transactions, and wire transfers. It is the Bank's policy to conform in all respects with all Programs established and implemented by OFAC including establishing a formal OFAC Compliance Sanctions Program for the Bank and disseminating the information and requirements via formal training to all Bank staff including Executive Management. The BSA Officer will ensure that the Bank is not conducting business with prohibited countries or nationals. Findings will be reported to the Board of Directors. Moreover the Bank maintains Bank personnel abreast of any changes in sanctions and Executive Orders that may impact business activities via periodic updates.

Suspicious Activity Reporting (SAR)

Under CFR, Title 12, Chapter 1 Section 21.11 national banks are required to file a Suspicious Activity Report when they detect a known or suspected violation of Federal law or a suspicious transaction related to a money laundering activity or violation of the Bank Secrecy Act. Section 21.11 Suspicious Activity Report is applicable to all national banks as well as any federal branches and agencies of foreign banks licensed or chartered by the Office of the Comptroller of the Currency (OCC).

At BB Americas Bank the Board of Directors acknowledges the Bank's responsibility to file Suspicious Activity Reports (SARs) as required by federal regulations.

A national bank shall file a Suspicious Activity Report (SAR) and must notify FinCEN of suspected violations of currency transactions reporting and money laundering laws. All banks are required to report possible criminal violations and suspicious transactions via a SAR.

Information Sharing

Section 314 (a) and 314 (b): The USA Patriot Act / Information Sharing With FinCEN

USA Patriot Act Section 314: This section of the Act assists law enforcement identify, disrupt and prevent terrorist acts and money laundering activities by encouraging further cooperation among law enforcement, regulators and financial institutions. Information shared will be individuals or businesses suspected to be involved in terrorism or money laundering.

On September 26, 2002, the Treasury and FinCEN issued Final Regulations (“Info-Sharing Regulations”) establishing procedures for:

- 314 (a): Information-sharing between federal law enforcement agencies and financial institutions;
- 314 (b): Voluntary information-sharing among financial institutions.

Subsequent to the issuance of the Final Regulations FinCEN further amended the scope of the Info-Sharing Regulations and issued guidelines on how financial institutions should respond to requests for information.

A. USA Patriot Act Section 314(a) (31 CFR 1010.520):

A federal, state, local or foreign law enforcement agency investigating terrorist activities or money laundering may request that FinCEN solicit on its behalf, certain information from a financial institution or a group of financial institutions.

A request to FinCEN from a foreign law enforcement agency must come from a jurisdiction that is a party to the Agreement on Mutual Legal Assistance between the United States and the European Union. Id. at 6560-61.

BB Americas Bank Obligations to FinCEN under 314 (a):

It is the Bank’s policy to comply with all requests for information from FinCEN under Section 314(a).

B. Voluntary Information Sharing Among Financial Institutions 314 (b):

USA Patriot Act, Section 314 (b) (31 CFR 1010.540) regulatory guidelines states that a financial institution, under the protection of the Safe Harbor from liability, may transmit, receive or otherwise share information with other financial institutions regarding individuals, entities, organizations and countries for the purpose of identifying and reporting activities that the financial institution suspects may involve possible terrorist activity or money laundering.

To receive the benefit of this statutory safe harbor from liability, a financial institution or an association must notify FinCEN of its intent to engage in information sharing and that it has established and will maintain adequate procedures to protect the security and confidentiality of the information.

Any financial institution that fails to comply with the requirements will result in the loss of safe harbor protections for information sharing and may result in violation of privacy laws or other laws and regulations.

Under this section financial institutions may share information with each other regarding individuals. Entities, organizations and countries for purposes of identifying and reporting (if applicable) activities that may involve possible terrorist activity or money laundering.

BB Americas Bank Obligations to FinCEN under 314 (b):

It is the Bank’s policy to comply with all requests for information from FinCEN under Section 314(b).