THE POLICY OF ACTING ACCORDING TO THE TRAVEL RULE

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INTRODUCTION

At Paynox, we are dedicated to maintaining the highest standards of regulatory compliance and operational transparency. In alignment with our commitment to combating financial crimes such as money laundering and terrorist financing, we have developed this Travel Rule Compliance Policy. This policy outlines our adherence to the Financial Action Task Force's (FATF) Recommendation 16, commonly known as the "Travel Rule," which mandates the collection, verification, and secure transmission of specific information for virtual asset transfers exceeding designated thresholds. By implementing this policy, Paynox aims to enhance the security of our platform, protect our clients, and contribute to the integrity of the global financial system.

DEFINITIONS

For this policy, the following terms shall have the meanings ascribed below:

1. A Virtual Asset (VA) is a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes. This includes but is not limited to, cryptocurrencies such as Bitcoin, Ethereum, and stablecoins.

2. A Virtual Asset Service Provider (VASP) is any natural or legal person who, as part of their business, conducts one or more of the following activities:

- Exchange between virtual assets and fiat currencies.
- Exchange between one or more forms of virtual assets.
- Transfer of virtual assets.
- Safekeeping and/or administration of virtual assets.
- Participation in and provision of financial services related to an issuer’s offer and/or sale of a virtual asset.

3. Travel Rule is a requirement established by the Financial Action Task Force (FATF) in Recommendation 16, mandating VASPs to collect, verify, and transmit certain originator and beneficiary information for virtual asset transfers.

4. Originator is the individual or legal entity who initiates a virtual asset transfer and from whose account the transfer is made.

5. Beneficiary is the individual or legal entity who is the intended recipient of a virtual asset transfer.

6. Threshold is the minimum transaction value (as set by local or FATF guidance) above which the Travel Rule information must be collected and transmitted. Paynox applies this rule to all transactions above EUR 1,000 or equivalent in other currencies.

7. Counterparty VASP is the virtual asset service provider receiving or sending a virtual asset transfer on behalf of a client, and with whom Paynox is required to exchange Travel Rule data.

8. Personally Identifiable Information (PII) is information that can be used to identify an individual, including full name, date of birth, address, national ID number, or other government-issued identifiers.

9. Risk-Based Approach (RBA) is a methodology that enables Paynox to identify, assess, and understand the risks of money laundering and terrorist financing and apply appropriate mitigation measures.

SCOPE

This policy applies to all virtual asset transactions processed by Paynox, including those conducted on behalf of natural and legal persons, whether domestic or international, that meet or exceed the applicable Travel Rule threshold (currently set at EUR 1,000 or equivalent in other currencies).

The policy governs:

- The collection, verification, and secure transmission of originator and beneficiary information for qualifying virtual asset transfers.
- All departments and employees involved in the onboarding, transaction processing, compliance, or customer relationship management functions.
- Interactions with other Virtual Asset Service Providers (VASPs), financial institutions, or counterparties where Paynox acts as either the sending or receiving party in a virtual asset transfer.

This policy shall also extend to any future services or products offered by Paynox that involve virtual asset transfers and fall within the regulatory requirements of the Travel Rule under applicable European Union, FATF, or Bulgarian national legislation.

All employees are required to adhere strictly to the procedures set out in this policy. Failure to comply may result in disciplinary action and/or reporting to competent authorities as required by law.

CORE PRINCIPLES

The implementation and enforcement of the Travel Rule at Paynox are guided by the following core principles:

1. Regulatory Compliance

Paynox is committed to full compliance with the Financial Action Task Force (FATF) Recommendation 16, EU AML directives, and any applicable national legislation governing the transfer of virtual assets. This includes the collection, verification, and transmission of the required originator and beneficiary information in a timely and secure manner.

2. Risk-Based Approach (RBA)

We apply a risk-based approach to all transactions and counterparties. This means enhanced due diligence is performed for transactions involving high-risk jurisdictions, counterparties, or clients. Risk assessments are conducted regularly to ensure that controls remain effective and proportionate to the identified threats.

3. Data Accuracy and Integrity

Paynox ensures that all personally identifiable information (PII) required under the Travel Rule is accurate, complete, and validated against reliable independent sources before any qualifying transaction is executed.

4. Secure Data Transmission

All Travel Rule-related data exchanges are conducted using secure, encrypted channels, in line with global best practices and applicable data protection laws. We take all necessary steps to safeguard client information from unauthorized access, loss, or misuse.

5. Interoperability and Cooperation

Paynox seeks to maintain open and compliant communication with counterpart VASPs. We prioritize the use of recognized industry protocols and networks to ensure the secure and compliant exchange of required Travel Rule information.

6. Transparency and Accountability

Roles and responsibilities regarding Travel Rule compliance are clearly defined within Paynox’s governance structure. Compliance officers are empowered to monitor adherence and report any violations or irregularities directly to senior management.

7. Continuous Improvement

The policy and its implementation mechanisms are subject to regular internal reviews and updates to reflect changes in regulation, technology, and best practices. Staff are provided with ongoing training to ensure awareness of their obligations and responsibilities.

REGULATORY COMPLIANCE

Paynox is fully committed to maintaining compliance with all applicable laws, regulations, and guidance related to the transfer of virtual assets, including but not limited to the Financial Action Task Force (FATF) Recommendation 16 (Travel Rule), the European Union's Anti-Money Laundering Directives (AMLD), and relevant Bulgarian national legislation.

Under these regulatory obligations, Paynox ensures that:

For any virtual asset transfer equal to or exceeding EUR 1,000 (or its equivalent), the required originator and beneficiary information is collected, verified, and securely transmitted to the counterparty Virtual Asset Service Provider (VASP) or financial institution involved in the transaction.

Information includes, at a minimum, the full legal name of the originator and beneficiary, their account number or wallet address, and additional identifying data such as physical address, national ID number, or date and place of birth.

The data collected is validated against reliable, independent sources before transaction execution and is transmitted using secure, standardized protocols that ensure data confidentiality and integrity.

Records of all relevant information are maintained by applicable data retention laws and are made available to competent authorities upon request.

The company continuously monitors developments in applicable regulations to ensure that internal procedures remain aligned with evolving legal requirements and industry standards.

Compliance with the Travel Rule is a mandatory obligation across all business lines within Paynox, and all staff are required to understand and adhere to the provisions of this policy as part of our broader Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) framework.

RISK-BASED APPROACH (RBA)

Paynox applies a Risk-Based Approach (RBA) to the implementation of the Travel Rule, by FATF guidance and EU AML directives. This approach enables the company to identify, assess, and effectively mitigate the risks associated with virtual asset transfers, particularly money laundering, terrorist financing, and sanctions evasion.

Under the RBA, all customers and transactions are subject to an initial risk assessment at onboarding and are continuously monitored throughout the business relationship. Factors considered include, but are not limited to:

- Customer profile and source of funds.
- Jurisdictional risk (including exposure to sanctioned or high-risk territories).
- Nature, size, and frequency of transactions.
- The involvement of counterparty VASPs or intermediaries.

Customers and transactions identified as higher risk are subject to enhanced due diligence (EDD), which may include obtaining additional verification documents, conducting more frequent reviews, and applying stricter transaction monitoring thresholds.

The RBA also guides Paynox in prioritizing resource allocation to areas of highest exposure, ensuring that compliance efforts are proportionate and effective. The risk assessment methodology is reviewed regularly and updated to reflect emerging threats, regulatory changes, and typologies in the virtual asset ecosystem.

All employees involved in onboarding, transaction processing, or monitoring are trained to apply to the RBA consistently and document their decision-making following internal procedures and audit requirements.

DATA ACCURACY AND INTEGRITY

Paynox places a strong emphasis on the accuracy, completeness, and integrity of customer data collected and processed in connection with Travel Rule obligations. We recognize that reliable information is critical for effective transaction screening, risk assessment, and regulatory compliance.

All required originator and beneficiary information—including but not limited to full legal name, account or wallet identifier, address, and other identifying data—are subject to validation against independent, credible sources during the onboarding process and before the execution of qualifying transactions. The company employs structured procedures and technological tools to verify the authenticity of submitted documents and identity data, minimizing the risk of errors, omissions, or fraudulent information.

Information transmitted to counterparty VASPs or financial institutions is handled with the utmost care, ensuring it remains consistent, current, and protected from unauthorized alteration or misuse. Changes or updates to customer information are promptly reflected in our internal systems, and any discrepancies are investigated and resolved under internal compliance protocols.

Furthermore, Paynox ensures that all personnel responsible for data processing and compliance receive adequate training on data handling practices, in alignment with applicable AML regulations and data protection laws such as the EU General Data Protection Regulation (GDPR).

Regular audits and data quality checks are conducted to uphold the integrity of our records and reinforce trust in our transaction monitoring and reporting mechanisms.

SECURE DATA TRANSMISSION

Paynox is committed to ensuring that all customer and transaction-related data shared in compliance with the Travel Rule is transmitted securely, reliably, and in accordance with applicable data protection laws and regulatory standards.

To meet this obligation, Paynox utilizes secure, encrypted communication protocols and transmission channels when exchanging originator and beneficiary information with counterparty Virtual Asset Service Providers (VASPs) or financial institutions. These channels are selected based on their ability to ensure data confidentiality, integrity, and availability, and are regularly assessed for resilience against emerging cyber threats.

Paynox prioritizes interoperability by integrating Travel Rule-specific technological solutions that adhere to recognized industry protocols such as TRISA, Travel Rule Protocol (TRP), or similar frameworks. These systems allow the secure exchange of mandatory Travel Rule data before or concurrently with the execution of a qualifying virtual asset transfer.

All data exchanged under this policy is logged and auditable, with access strictly restricted to authorized personnel. Paynox applies role-based access controls and enforces multi-factor authentication to prevent unauthorized access or tampering. Transmission failures or anomalies are subject to immediate investigation and, where appropriate, reported to relevant authorities.

Additionally, our systems are regularly tested and reviewed to ensure compliance with the EU General Data Protection Regulation (GDPR) and any applicable national cybersecurity requirements. Continuous monitoring and technical safeguards form a critical part of our broader information security strategy, reinforcing the trust and security of our operations.

INTEROPERABILITY AND COOPERATION

Paynox recognizes that effective implementation of the Travel Rule depends not only on internal systems and controls but also on seamless coordination with external counterparties. To that end, the company is committed to maintaining full interoperability with other Virtual Asset Service Providers (VASPs) and financial institutions engaged in virtual asset transfers.

We actively adopt and integrate industry-standard protocols and technologies—such as TRISA (Travel Rule Information Sharing Architecture), OpenVASP, and the Travel Rule Protocol (TRP)—to facilitate secure, standardized, and automated exchange of required originator and beneficiary data. These protocols ensure that Travel Rule data is transmitted reliably, regardless of the counterparty's jurisdiction or infrastructure.

Paynox maintains a registry of verified VASP counterparties and performs due diligence before establishing transactional relationships to ensure alignment with our compliance standards. In cases where a counterparty does not support Travel Rule compliance, we assess the associated risks and may restrict or prohibit such transactions to ensure regulatory adherence.

Furthermore, Paynox promotes a culture of cooperation within the virtual asset industry. We engage with regulators, peer VASPs, and technical working groups to contribute to the development of common compliance frameworks and best practices.

Through proactive interoperability and trusted collaboration, Paynox ensures that its approach to the Travel Rule remains scalable, future-proof, and aligned with evolving global regulatory expectations.

TRANSPARENCY AND ACCOUNTABILITY

Paynox upholds a strong culture of transparency and accountability in the implementation of its Travel Rule obligations. Clear governance structures and well-defined responsibilities ensure that compliance with regulatory requirements is not only a formal obligation but a core operational principle.

Responsibility for the oversight and execution of Travel Rule compliance lies with the Compliance Department, under the leadership of the Chief Compliance Officer (CCO). This includes ensuring that all applicable procedures for data collection, verification, secure transmission, and monitoring are followed across the organization. Key actions, decisions, and exceptions are documented and subject to periodic internal review and external audit where applicable.

All staff involved in onboarding, customer due diligence, and transaction processing are trained to understand the regulatory context and operational importance of the Travel Rule. Employees are expected to escalate concerns or unusual cases to the Compliance Department promptly and to follow established reporting lines for suspected non-compliance.

Regular internal assessments are conducted to evaluate the effectiveness of Paynox's Travel Rule controls. These assessments include reviews of transaction logs, data transmission records, and the integrity of communications with counterparty VASPs.

Paynox is also committed to engaging transparently with regulators and supervisory authorities. Where requested, we provide full access to records, audit trails, and policies to demonstrate our compliance with the Travel Rule and related AML/CFT obligations.

By maintaining transparency in processes and clear accountability at every level, Paynox ensures that its compliance framework remains robust, auditable, and aligned with international best practices.

CONTINUOUS IMPROVEMENT

At Paynox, compliance is not treated as a static requirement but as an evolving process that must adapt to emerging risks, regulatory changes, and advancements in technology. As such, we are committed to the principle of continuous improvement in our application of the Travel Rule.

Our compliance framework—including policies, procedures, and technical infrastructure—is reviewed on a regular basis to ensure its ongoing effectiveness and alignment with international standards such as those set by the Financial Action Task Force (FATF), the European Union, and local regulators. Updates are made proactively in response to changes in the legal environment, industry best practices, and lessons learned from internal monitoring, audits, or incident reviews.

To support this, Paynox invests in ongoing staff training and development, ensuring that all personnel involved in onboarding, transaction monitoring, and data handling remain informed about their responsibilities and equipped with the necessary skills and tools. New and existing employees receive refresher training on Travel Rule obligations, and targeted education is provided in response to risk findings or regulatory feedback.

Paynox also actively engages with compliance technology providers, industry forums, and peer VASPs to identify opportunities for innovation and collaboration. This includes testing and adopting emerging interoperability protocols and monitoring technologies that enhance both compliance effectiveness and operational efficiency.

Through a structured approach to continuous improvement, Paynox ensures that its Travel Rule compliance remains proactive, responsive, and future-ready.

CONCLUSIONS

Paynox is fully committed to upholding the integrity of the financial system by ensuring strict compliance with the Travel Rule, as set forth by the Financial Action Task Force (FATF) and applicable regulatory authorities. This policy outlines the standards and procedures we employ to collect, verify, and transmit essential customer and transaction data in a secure, transparent, and compliant manner.

Through a robust framework based on risk assessment, secure data management, cooperation with counterparties, and continuous improvement, Paynox reinforces its position as a responsible and trustworthy Virtual Asset Service Provider (VASP). Compliance with the Travel Rule is not only a legal obligation—it is a key component of our operational philosophy and commitment to customer protection and financial system integrity.

All employees are expected to adhere to this policy and act under its principles. Ongoing training, oversight, and review mechanisms ensure that compliance is embedded into the culture and day-to-day operations of the organization.

As regulatory standards and industry expectations evolve, Paynox will continue to refine and enhance its Travel Rule practices to maintain the highest level of compliance and contribute to a safe and transparent virtual asset ecosystem.