



ASX / PNGX Market Announcement

ASX: BFL | PNGX: BSP

18 June 2021

Response to media report about Papua New Guinea regulatory matters

BSP Financial Group Limited (**BFL**) provides the following response to the media report appearing in the Australian Financial Review of 16 June 2021 (**AFR**) that BFL is the subject of regulatory action by the Financial Analysis and Supervision Unit of the Bank of Papua New Guinea (**FASU**) concerning anti-money laundering processes (**AML**).

BFL is regulated by the Bank of Papua New Guinea, which is the central bank of Papua New Guinea and the sole regulator of banks and financial institutions, including its FASU division in respect of AML. FASU's role includes ongoing review of AML processes undertaken by banks and financial institutions.

FASU undertook a review of BFL customer due diligence procedures in an onsite inspection in October 2019. In June 2020 FASU notified BFL that it had formed a preliminary view about non-compliance by BFL with its AML due diligence obligations in respect of 8 customers. In response to that notification, BFL substantially refuted the allegations made against it by FASU including by letters sent in October 2020. To date FASU has not refuted BFL responses. In April 2021 BFL provided a further detailed explanation to FASU in respect of each of the customers per the subject of FASU's request. There has been no further correspondence with FASU since then. BFL intends to continue its dialogue with FASU about the review in a collaborative manner and to defend its rights and those of its customers. BFL considers that the likely outcomes of the review, whether as to any remediation actions or imposition of penalties, will not be material to BFL's share price. Accordingly, BFL is of the view that further disclosure is not required at this time.

BFL is unaware that any transactions involving its correspondent banks in Australia are under review.

As noted in BFL's recently issued Information Memorandum, BFL believes its current AML policies and procedures are adequate and it is making continuous improvements consistent with international practice. BFL confirms that in the course of preparing the Information Memorandum it carefully assessed all regulatory matters, including FASU's allegations referred to above, and disclosed the nature of AML risk in Papua New Guinea that presently impacts BFL's operations.

This announcement was authorised for release by Robin Fleming, Group Chief Executive Officer of BSP Financial Group Limited.