



**PROCEDURE OF WORKING WITH SANCTIONS IN “ASIA ALLIANCE BANK”
JSCB SYSTEM**

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I. PURPOSE OF THE PROCEDURE

This Procedure creates a list of sanctioned individuals and legal entities (hereinafter referred to as the Sanctions list) in the ASIA ALLIANCE BANK JSCB system (hereinafter referred to as the Bank), and subsequently updates them, includes suspending operations, allowing resumption of suspended operations, and determines the procedure for making appropriate decisions regarding sanctioned persons and their operations.

II. REGULATORY LEGAL DOCUMENTS¹

This Procedure is based on the Law of the Republic of Uzbekistan "On Combating the Legalization of Criminal Proceeds and the Financing of Terrorism", the Decree of the Cabinet of Ministers dated June 29, 2021 "Combating the Legalization of Criminal Proceeds, the Financing of Terrorism and the Financing of the Distribution of Weapons of Mass Destruction" Resolution No. 402 of the Ministry of Justice, registered with the Ministry of Justice on May 23, 2017, No. 2886, "Combating the legalization of proceeds from criminal activities in commercial banks, the financing of terrorism, and the financing of the distribution of weapons of mass destruction Internal Control Rules" and developed based on the recommendations and requirements of the Financial Action Task Force on Combating Money Laundering (FATF), the United Nations (UN) Security Council, Wolfsberg Group, OFAC (USA), EU (European Union).

III. BASIC CONCEPTS

Bank –"ASIA ALLIANCE BANK" JSCB, including its constituent units, regional offices, branches and banking service centers;

Customer –an individual or legal person who applied to a commercial bank with an order (application, request) to carry out an operation related to money or other property (hereinafter referred to as Operation);

Beneficiary – the owner of the client who is a legal entity, including the individual who controls it on the basis of the founding documents (charter, founding agreement, charter) established by law and on the basis of additional confirmed information available in open sources and databases by studying the property and management structure,

Sanctions –international (public) restriction measures established by international organizations or a specific state against certain countries, specific subjects, individuals and legal entities (terrorists, persons accused of military and political crimes, extremist organizations, etc.) or specific activities;

Financial constraints –restrictions on assets, financial instruments and funds owned or controlled by a person (natural or legal person or other identifiable sanctioned person);

Internal control program– A special software module developed for the Compliance and Control Department based on the information in the bank's automated system, which includes automation processes in the field of internal control;

¹Legislation on sanctions and export controls may be updated according to the international situation.

SWIFT Transaction Screening Utility– Automated module for checking the compatibility of payments of sender and recipient legal entities and individuals with persons on the selected list of sanctions;

Employees of the Compliance Control Department– Employees of the Bank's Compliance-control department responsible for the implementation of sanction control (head and employees of the Compliance-control department);

Branch for Handling Requests and Sanctions Lists - The responsible structural unit of the Compliance-Control Department for the implementation of the control of the list of sanctions;

Sanction control– Comparison of customers and/or transactions with the Sanctions List, as determined by the software tools of the Compliance Control Department, including Internal Control and SWIFT Transaction Screening Utility and termination process;

Export control- laws or regulations relating to the import, export, re-export, transfer, release, shipment, transmission or provision and receipt of goods, technology, technical data, software or services, and any law or government legal documents of a similar nature used and implemented by the authorities.

Participants of the operation- clients, their representatives, partners of the client participating in the operation (taking into account correspondent and intermediary financial institutions for international operations), as well as persons related to the client (controlling or controlled persons);

List of sanctions- United Nations, OFAC (Office of Foreign Assets Control of the US Department of Finance), EC (European Union, European Commission), UK (United Kingdom, Great Britain and Northern Ireland) and other foreign countries²the list published by competent authorities and international organizations or provided through reliable, official sources, as well as additional lists of sanctions on sectoral or export control;

Sanction risks- the possibility of sanction restrictions being applied to the participant of the operation, its founder, beneficiary or controlling person;

Sanctioned lists of the UN Security Council – list compiled by the UNSC and its committees, including the UNSC Committee on ISIS and Al-Qaeda established by resolutions 1267, 1989 and 2253, and the Committees established by resolutions 1988 on the Taliban and 1718 for the Democratic People's Republic of Korea, individuals and entities subject to sanctions against persons involved in terrorist activities or the proliferation of weapons of mass destruction;

FATF -Financial Action Task Force on Money Laundering (FATF);

OFAC –Office of Foreign Assets Control of the US Treasury Department;

Suspension of Operations -to suspend the execution of the client's orders to transfer, convert, transfer, own and use other persons' funds or other property, as well as perform other legally significant actions.

IV. IMPORTANCE OF COMPLIANCE WITH SANCTIONS REQUIREMENTS

²The G7 countries are France, USA, UK, Germany, Japan, Italy and Canada.

4.1. Failure to comply with the requirements of applicable sanctions and export control legislation increases the level of sanctions risks against financial institutions and the possibility of restrictions and fines imposed by regulatory authorities.

4.2. It is known that international correspondent banks have a strong internal policy within the framework of the sanctions legislation of their countries. In the process of maintaining a representative bank account number, if the participants of financial operations, types of goods and services, business activities and territories correspond to the sanctions list, the correspondent banks can suspend the movement of funds or apply other restrictions. Such a situation may damage the reputation of the Bank and adversely affect its operational and financial activities.

4.3. Disciplinary measures will be applied to the responsible employees who violate the international and local legislation and the Bank's internal policy mentioned in this Procedure.

V. CATEGORIES OF SANCTIONS

Sanctions are divided into several main categories depending on their origin, nature, and application:

Primary Sanctions –economic restrictions that must be observed by all individuals and legal entities in the country applying sanctions;

Blocking sanctions –the assets of persons subject to these sanctions will be frozen, they will be banned from entering the US financial system, their financial operations will be suspended, and they will be included in the SDN-list (Specially Designated Nationals);

Sectoral sanctions -it is targeted restrictions with companies included in the SSI-list (Sectoral Sanctions Identifications) of strategic importance for the economic sectors of the sanctioned country;

Secondary sanctions -these are sanctions imposed on legal entities or individuals who have contact with persons or territories on the sanctions list.

The Bank regularly studies the guidelines on all categories of sanctions used by international organizations and G7 countries and uses them in its operational activities.

VI. PROCEDURE FOR CREATION AND UPDATE OF SANCTION LISTS

6.1.The list of sanctions is downloaded from the "World-Check-Data" program (based on the official data of foreign countries and international organizations or received through official channels, in the form of XML files) by the Bank's Head Office Compliance Control Department and is updated daily at the beginning of the working day. It is uploaded to the internal control program by the employees of the Information Technology Department, and the Sanctions list is formed based on the selection by the responsible employee in the SWIFT Transaction Screening Utility program. The formed list of Sanctions is automatically updated to the program database on a daily basis.

6.2.The head of the Compliance Control Department and the employee of the Inquiries and Sanction Lists Branch will monitor whether the sanctions list is updated on the official website of the relevant organizations and whether information is received or updated through other special channels (Employees responsible for sanctions list).

6.3.The list of sanctions is automatically uploaded to the appropriate section of the Internal Control Program (at the beginning of each working day) and updated online in the

SWIFT Transaction Screening Utility, this process is monitored by the Bank's Sanctions List Officer.

6.4. The responsibility for uploading the list of sanctions to the programs is attached to the personnel responsible for the list, in the event that none of them is at work for known reasons, the uploading of the list of sanctions to the internal control program is transferred to the head of the Compliance and Control Department, as well as Compliance - the head of the control department directly supervises this process

6.5. Lists of countries subject to international or special sanctions (sectoral sanctions, embargoes or export/import controls) by the Compliance Control Department are delivered to the constituent units within one working day from the time of receipt from official sources.

6.6. The types of sanctions applied will be communicated to the Bank's constituent units as an instruction by the Compliance Control Department (based on total or partial prohibition of relations with such countries).

6.7. In cases of non-standard (not regulated by this Regulation) situations arising in connection with foreign economic activity operations of the country or special sanctions, the relevant structural units of the Bank shall carry out such operations in consultation with the Compliance and Control Department.

VII. COMPARISON OF PERSONS ON THE SANCTION LIST AND PROCEDURE FOR SUSPENSION OF OPERATIONS

7.1. Before establishing relations with clients or partners, carrying out their operations or accepting their documents for execution, the Bank's Head Office, its structural divisions, regional offices, branches and banking service centers provide customer service (opening an account number, carrying out operations increase, international money transfers, one-time operations, counterparty customers, etc.) operations are compared through an online automated system.

In cases where one of the participants of the operation or one of the parties intending to carry out any operation fully complies with the list of Sanctions during the initial comparison, they will be prohibited from serving and continuing the operation. In this process, employees serving the client at the Bank's Head Office and branches must inform the employees of the Compliance Control Department by phone within 5 minutes from the moment the situation is discovered.

In addition, in order to identify operational participants (including inactive or active customers) that are compatible with the updated Sanctions List, the personnel responsible for the Sanctions List should compare the existing customer base on a daily basis through a special comparison function in the Internal Control Module.

7.2. At the next stage of the comparison with the list of sanctions, the comparison with the list of sanctions is carried out automatically through the relevant modules of the Internal Control Program.

Comparison with the list of sanctions when confirming clients or operations by employees of the compliance control department in customer service areas (for example, opening an account when a client contacts a bank, making money transfer transactions, a client of a bank or counterparty (export-import operations, international money transfers),

transactions carried out through VASH³, in the process of changing the database of the bank's client and in the process of identifying a legal entity, comparing its head or founders, etc.) are carried out in an electronic management system that includes minimum comparison amounts.

Entering the minimum amount of settlements into the electronic management system is carried out by employees responsible for the list of sanctions, based on the risks in the areas, operations, technologies and sanctions of the Bank's activities, after notifying the head of the Compliance Control Department in writing (by providing a certificate).

Also, the Internal Audit Department can check in what order and when the settings in the automated database (internal control program and SWIFT Transaction Screening Utility) were changed for automatic comparison with the list of sanctions.

7.3.The SWIFT Transaction Screening Utility software system checks online the compatibility of the payments of natural and legal entities made by the sender and receiver with the persons on the selected international lists.

The authority to approve or reject payments of foreign currency by the sending and receiving individuals and legal entities through the SWIFT Transaction Screening Utility software is entrusted to the employees of the Compliance and Control Department based on the decision of the Chairman of the Bank's Management Board.

The head of the Compliance Control Department, the head of the Financial Monitoring System Development and Coordination Department, and the head of the Department for Working with Requests and Sanction Lists are assigned the task of SWIFT Transaction Screening Utility software administrator (supervisor).

Also, when the client applies to the Bank's Operations Department and branches to make payments, the Bank's front office employees explain sanctions to clients, that is, when their partner's country or bank is among the countries and organizations on the list of sanctions. Please note that payments will be reviewed by the Compliance Office within 3 to 10 business days.

The SWIFT Transaction Screening Utility software has created a questionnaire (Appendix 1) for the purpose of a more complete study of the client by the Compliance Control Department regarding transactions blocked by legal clients of the bank due to similarities with legal entities on the sanction list. This questionnaire is provided to the client by the Department of Foreign Economic Activities in order to obtain additional information about the client.

The SWIFT Transaction Screening Utility software checks blocked payments due to possible similarities with persons on the sanction list, using the form created by the client and additional information, the compliance officer verifies the correctness of the payment and transfers or remits the payment, makes an independent decision on non-transfer.

7.4.The Compliance Control Department makes a decision on the transfer or non-transfer of payments based on the sanctions risks and informs the employees of the relevant departments about this decision by e-mail. In this decision, the customer must indicate the reason for not carrying out the operation.

Also, when the information of the senders and receivers of payments matches with the persons on the list, enhanced measures are taken by the employees of the Compliance Control Department, that is, the exact match of similar information is checked, additional information

³Internal control program

obtained through open sources is studied. As a result of the verification, when it is confirmed that the persons on the list are fully matched, the responsible officer will make a decision on not making the payment through the SWIFT Transaction Screening Utility software. . The Compliance Control Department will submit an order on unpaid payments to the Department of Foreign Economic Activity of the Bank's Head Office. It is returned to the client's account by the Department of Foreign Economic Activities of the Head Office of the Bank according to the Compliance-control order or to the account of a foreign bank with the comment "Due to internal policy".

7.5.In the comparison of operations and their participants in the internal control program, and in the suspicious customer identification module⁴ are automatically detected and these operations (for example, opening an account for a customer, confirming him as a customer) are blocked.

7.6. Legal entities and individuals blocked by the employees of the compliance control department will be checked for 100% similarity. If there is no 100% similarity with the person in the module, the operation is allowed by the employees of the compliance control department, if there is 100% similarity with the person in the suspicious client detection module. Compliance officers make stronger comparisons (in the case of an individual - the year and place of birth, address, etc., in the case of a legal entity - the date of registration, TIN, address, etc.), if there is no possibility of comparison (i.e. the counterparty of the person, persons, on the sanctions list), in which employees of the compliance and control department inform the employee of the department for working with inquiries and sanctions lists of the head office of the bank by phone or e-mail to find out information about the person in the block.

7.7.The branch officer will further investigate the individual through the World-Check-One program and communicate additional information about the individual in the block to Compliance Officers by phone or email. Compliance officers will use this additional information to identify the individual in the block, if there is no similarity, they will have to to authorize or give one-time authorization this client at their own risk. If, on the basis of additional information, a hundred percent similarity is determined, the operation of this person will be suspended (blocked) by the employees of the Compliance Control Department. A blocked person will not be able to perform any operation.

7.8. The full compliance of the suspended client or transaction participant in terms of the minimum comparison amounts is studied by an employee of a lower division of the Compliance Control Department, in this case, an employee of the Compliance Control Department of the subordinate unit may contact the Compliance Control Department in writing or verbally (by telephone) for assistance.

In order to determine the level of compliance with the sanctions list, an employee of the compliance control department is provided with additional information about the legal entities that are participants in the operation (including the establishment, management or state authority of the legal entity as a participant in the operation), documents and data on the list), individuals have the right request electronic copies of their identity documents from the client or his representative through subordinate structural units, but the process should not exceed 10 minutes.

⁴Internal control program

Also, the suspension will not be canceled (unblocked) in cases where the necessary documents or information are not provided by the client.

7.9. The following measures will be implemented by the structural divisions and employees of the Bank, including the Compliance Control Department, if the client, participant in the action or operation, suspended (blocked in the program) through the minimum amount of settlements, is recognized as fully compliant with the list of sanctions:

An employee of the compliance control department in the branch notifies the compliance control department of the Bank's head office about the situation by phone within 5 minutes and sends an official letter to the head of the subordinate department;

at the same time, an employee of the compliance control department of the branch informs the customer service employee by phone that all the information was brought to the head office of the bank within 5 minutes, that the client needs to be explained (in order not to make the client wait in the process) and that further instructions will be provided by the head office Jar;

the subordinate structural unit must explain to the client the consequences of sanctions and the possibility of freezing (suspension) of the client's funds by partner banks;

The head office of the Bank, fully aware of the state of compliance, makes a proposal to the head of the compliance control department on whether or not to enter into a relationship with the client on the account and to perform or not to perform the operation (within 30 minutes);

The Compliance Supervision Department submits a conclusion to the Chairman of the Board or his authorized deputy on entering / not entering into a relationship with a client or conducting / not conducting an operation;

The Chairman of the Management Board of the Bank or his authorized deputy, within the framework of the (reasoned) opinion of the Compliance Control Department, may give the following instructions to the structural units of the Central Office of the Bank:

a) depending on the significance of the client and the operation performed by him, the structural unit (economic unit) of the head office of the Bank takes measures within the framework of the opinion received from the international legal organization;

b) refusal of client transactions.

In both of the above cases, the structural unit of the Head Office (business line) of the Bank must notify the subordinate structural unit (the head of the unit and the head of the front office) about this content by e-mail through the Outlook system;

The results of the above instruction of the Chairman of the Management Board of the Bank or his authorized deputy must be communicated to the lower structural unit within one working day, taking into account the execution of such an instruction;

on the other hand, the lower structural unit must inform the client about the result of the instruction received from the Head Office of the Bank by phone, prepare a written message about this for the client (no more than 30 minutes) and deliver a written response letter to the client on the situation.

7.10. Based on the documents/information received from clients in the course of the activities of the Bank's Head Office, full compliance with the list of sanctions was established, or in cases of transfer of funds to industries (goods, services) to which sanctions

were applied. will be notified by phone within 5 minutes. The Compliance Supervision Department carries out work in the manner prescribed by clause 7.3 of these Regulations.

7.11. It is prohibited to enter into relationships or carry out transactions related to customers (registered, located or resident) in countries and territories that are subject to sanctions. The list of such countries and regions is constantly updated by the Compliance Control Department as sanctions are expanded or changed and is provided to the Bank's Head Office and subordinate structural divisions.

7.12. Information about clients and transactions that do not fully comply with the list of sanctions (false alarms / signals) is stored electronically in the "Internal Control" program, all documents and information on full compliance will be kept confidential for the periods established by law.

VIII. WORKING WITH QUESTIONNAIRES OF CORRESPONDENT BANKS

8.1. Correspondent banks follow international, local and internal procedures for identifying and managing sanctions risks. Accordingly, they monitor operations on representative accounts. In turn, according to the results of analyzes and monitoring conducted in correspondent banks, questions of various scales arise and they send questionnaires (questionnaires) to respondent banks, including ASIA ALLIANCE BANK ATB.

As a rule, such questionnaires include questions about clarifying information about ongoing transactions and set specific deadlines for responses. Accordingly, the Bank's officials (compliance control and foreign trade departments, branch managers and other employees) must take all measures to respond to the questionnaires in a timely manner.

IX. SANCTION RISKS AND THEIR MANAGEMENT

9.1. Sanctions risks are generally assessed at three levels, namely "low", "medium" and "high". In determining and assessing sanctions risks, the Bank should study the following:

- database of customers and their business partners (KYC⁵ and KYCC⁶);
- currency, amount and territories of transactions;
- practice amount with countries under full or partial sanctions;
- amount of transactions with countries included in FATF lists and offshore territories;
- Parties to contracts registered in the bank (banks, partners, beneficiaries and controlling persons);
- Types of products and services according to the contracts registered in the bank and the operations carried out;
- level of sanctions compliance obligations and amount of inquiries of correspondent banks;
- the existence of internal procedures and documents in the field of sanction compliance and the level of Bank employees' compliance with them;

⁵KYC (Know Your Customer) – study/know your customer.

⁶KYCC (Know Your Customer's Counterparty) – Study/Know Your Customer's Counterparty.

- compliance of existing programs of the Bank for sanction screening with modern requirements;
- availability of training materials on sanctions compliance and knowledge levels of Bank officials;
- other situations that may arise in the field of sanctions compliance.

IX. IMPROVING THE QUALIFICATIONS OF PERSONNEL ABOUT SANCTIONS

10.1.In addition to increasing their knowledge and experience on sanctions, the responsible employees of the Compliance Control Department should also conduct regular trainings for the Bank's employees.

10.2.Compliance officers should improve their knowledge in the following ways:

- participate in training on sanctions and export control conducted by international organizations at least four times a year;
- at least once a year, participate in seminars held by foreign or local organizations with qualified speakers in the field and receive a certificate;
- regularly study and apply information published in international organizations and G7 countries on sanctions and export control legislation, procedures, regulations and other open sources;
- Studying and strictly following the requirements and recommendations on sanctions published by the Central Bank of the Republic of Uzbekistan and other regulatory bodies;
- to study and put into practice the experiences of foreign correspondent banks and local banks on sanctions compliance.

Responsible employees of the Compliance Control Department must regularly, that is, at least once a quarter, conduct an interactive seminar-training for the relevant departments of the Bank and provide them with manuals related to this field.

X. FINAL RULES

11.1.The implementation of the requirements of this Procedure is mandatory for all structural divisions of the Bank.

Monitoring and control over compliance with this Regulation by subordinate structural units is carried out by the Compliance Control Department.

Persons guilty of violating the requirements of this Regulation shall be liable in accordance with the Bank's internal regulatory documents, as well as relevant legal documents.