



**RISK ASSESSMENT METHODOLOGY FOR SANCTIONS AND  
EXPORT CONTROL MEASURES**

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## I. Purpose and General Provisions

This Methodology for Risk Assessment of Sanctions and Export Control Measures (the «**Methodology**») defines the approach and requirements for assessing risks associated with sanctions and export control measures at JSCB «Asia Alliance Bank» («AAB»).

This Methodology was developed on the basis of the Law of the Republic of Uzbekistan «On Counteraction to Money Laundering and Terrorist Financing», on the basis of the «Rules of Internal Control on Counteraction to Money Laundering and Terrorist Financing in Commercial Banks» (hereinafter referred to as the Internal Control Rules), registered on May 23, 2017 in the Ministry of Justice under No. 2886, «Regulation on Digital Identification of Clients», registered on September 30, 2021 in the Ministry of Justice No.3322, “Regulation on the Procedure for Suspending Transactions, Freezing Funds or Other Property, Providing Access to Frozen Property and Resuming Transactions of Persons on the List of Persons Involved in or Suspected of Participating in Terrorist Activities or Proliferation of Weapons of Mass Destruction”, registered on October 19, 2021 in the Ministry of Justice No.3327, Resolutions of the Central Bank of the Republic of Uzbekistan No.14/3 dated 18.06.2022, No.30/6 dated 24.12.2022, No. 476/1 dated 02.12.2022. Also, when developing the Methodology, best practices of EU and U.S. correspondent banks in the field of sanctions compliance were used.

## II. Definitions

**Sanctions** means economic or financial restrictions, or trade embargoes, imposed, prescribed or enforced by the governmental authorities of the relevant jurisdictions.

**Sanctions List** is a register of individuals and/or entities, territories, countries, goods and services affected by sanctions.

**Export Control** means laws or regulations relating to the regulation of the import, export, re-export, transfer, release, shipment, transfer or any provision or receipt of goods, technology, technical data, software or services, and any laws or regulations of a similar nature applicable and enacted by authorized governmental authorities.

**Risks related to sanctions and export control measures («Sanctions Risks»)** are the possibility that American, European sanctions or other sanctions adopted by states and international jurisdictions will be imposed on the subject of bank transactional services, its founder, beneficiary or controlling person.

**Blocked Person** means any person (a) whose property or right to property is blocked by any sanctions, (b) who is designated as subject to an asset freeze under the Sanctions, (c) with whom transactions are prohibited under the relevant sanctions or export control measures, or (d) owned or controlled by any such person.

**Parallel import (re-export)** is import of goods into the state and country without the consent of the trademark right holder (i.e., «in parallel» to the «official» import of such goods through dealers, authorized right holders).

**Correspondent bank** is a bank that has business relations with other banks and performs payments, settlements and other operations on their behalf and at their expense on the basis of a correspondent agreement.

### III. Applicable Sanction Categories

Sanctions can vary significantly by jurisdiction and usually fall into one of the following categories:

**Primary Sanctions** are economic restrictions that must be observed by all individuals and entities in the country that has issued the sanctions. The Bank strictly adheres to the primary sanctions of Western countries and related parties/territories (*e.g.*, *US Nexus*).

**Blocking Sanctions** - in blocking sanctions, individuals and entities are placed on the SND list («**Specially Designated Nationals**»), which involves freezing of assets, denying access to the U.S. financial system, prohibiting transactions on behalf of the target of the sanction, and other restrictions.

**Sectoral Sanctions** - these are targeted restrictions on transactions with companies included into the SSI-list (**Sectoral Sanctions Identifications**), which are of strategic interest to sectors of the economy of the sanctioned state.

**Secondary Sanctions** are measures to punish individuals or entities, including those in another jurisdiction, for violations of existing sanctions regimes or ties to those countries or individuals already under sanctions.

One of the main coordinating bodies operating the USA sanctions regimes is the Office of Foreign Assets Control («**OFAC**»), which reports to the US Treasury Department. The Bank strictly adheres to OFAC's sanctions regimes.

The Bank also strictly adheres to the sanctions regulations of the United Kingdom («**HM Treasury sanctions**») and the European Union («**EU sanctions**») and other G7 countries<sup>1</sup>.

### IV. List of Goods

BIS<sup>2</sup> has identified the following goods<sup>3</sup> as of particular concern because of their potential diversion and ultimate use by the Russian Federation and the Republic of Belarus to enhance their defense capabilities.

1. Aircraft spare parts and equipment
2. Antennas
3. Respiratory systems
4. Cameras

<sup>1</sup> The G7 list includes the United States, France, Great Britain, Germany, Japan, Italy and Canada.

<sup>2</sup> Bureau of Industry and Security (BIS)

<sup>3</sup> This list of goods is not exhaustive, when assessing the risks of sanctions, it is necessary to carry out an in-depth study of goods with the help of open sources on the Internet.

5. Navigation systems (GPS)
6. Inertial measurement equipment
7. Integral circuits
8. Oil and gas equipment
9. Hydrolocation equipment
10. Spectrophotometers
11. Test equipment
12. Engines
13. Underwater communication facilities
14. Vacuum pumps
15. Equipment for microchip production
16. Equipment containing microcircuits
17. Plate substrates for semiconductor production

## **V. Risk Assessment Criteria**

Sanctions risks on clients and their operations are assessed according to the risk matrix in *Appendix 1*. The following criteria are used to assess sanctions risks:

- Currency of the transaction, export-import contract;
- Payment system;
- Amount of the transaction/deal;
- Type of contract;
- Country of affiliation of the client or founder(s);
- Country of affiliation of key persons (directors, executives) of the client;
- Foreign partner (country of affiliation, shareholders, key persons);
- Banks are participants of operations (country of affiliation, shareholders, key persons);
- Goods and services under export-import contracts;

- Actions of correspondent banks in relation to the client (frequency of requests, delays, blocking of transactions).

Risk calculation is carried out by scoring (accumulation) of risk levels according to the above criteria (see *Annex 1*). Risks are assessed at five levels: «Low», «Medium», «High», «Very high», «Critical».

VI. Risk Assessment Matrix (*Appendix 1*)

<i>Risk rating</i>	Low (L)	The operation is permitted	
	Medium (M)	The operation is permitted with notification of Compliance	
	High (H)	Enhanced Customer Due Diligence/Compliance	The Chairman of the Management Board is notified of the operation
	Very High (VH)	Enhanced due diligence of parties to transactions (banks, counterparties, manufacturers, goods and services, etc.)	Approval of the Chairman of the Management Board is required
	Critical (K)	The operation is prohibited	
<i>Currency</i>	UZS		<p><i>Comment:</i> When examining transactions in foreign currencies, special attention should be paid to transactions in U.S. dollars and Euros.</p>
	USD		
	EUR		
	RUB		
	CNY		
<i>Payment system</i>	SWIFT		
	SPFS		
<i>Contract amount (USD equivalent)</i>	< 500 000\$		
	500 000\$ < x < 2 000 000\$		
	2 000 000\$ < x < 10 000 000 \$		
	10 000 000 \$ <		

<i>Is the customer's contract a re-export contract</i>	No		
	Yes		
<i>Client and client founders</i>	<i>Country</i>		
	FATF	Gray List	Blacklist
	Prohibited areas	DNR, LNR, Crimea, Kherson, Zaporozhye	
	Russia		
	Belarus		
	Offshore zone		
<i>First persons of the client (Director, Chairman of the Board, etc.)</i>	Are persons sub-sanctioned	Yes	UN Sanctions lists US OFAC-SDN US OFAC-non-SDN
		No	EU sanctions UK Sanctions (HMT) Other G7 countries
<i>Foreign Partner</i>	<i>Country</i>		
	FATF	Gray List	Blacklist
	Prohibited areas	DNR, LNR, Crimea, Kherson, Zaporozhye	
	Russia		
	Belarus		
	Offshore zone		
<i>Founders of a foreign partner</i>	Are persons subject to sanctions	Yes	UN Sanctions lists US OFAC-SDN

			US OFAC-non-SDN
<p>The first persons of the foreign partner (Director, Chairman of the Board, etc.)</p> <p>Banks, participants of operations, founders, first persons of banks</p>		<p>No</p> <p><b>Comment:</b> When examining the shareholders of a foreign partner or member bank, it is necessary to identify the owners with more than 10% of the shares; Also, it is necessary to examine the historical data on the founders of the foreign partner using available systems and public sources.</p>	EU sanctions
			UK Sanctions (HMT)
			Other G7 countries
<p>Goods and services</p>	<p>Whether a contracted good or service is sanctioned</p>	<p>Does the country of origin match</p>	<p>Does the recipient's country match</p>
	Yes	Yes	Yes
	No	No	No
	<p><b>Comment:</b> If all answers to the above questions are «Yes», then the sanction risk assigned to the client becomes «Critical»</p>		
<p>Work with correspondent banks</p>	<p>Frequency of inquiries</p>	<p>Correspondent banks country</p>	

	High	USA	
	Medium	EU	
	Low	UK	
	<p><b>Comment:</b> <u>High Frequency:</u> Out of every 5 transactions, at least 1 request;</p> <p><u>Medium Frequency:</u> At least 1 request out of every 10 transactions;</p> <p><u>Low Frequency:</u> At least 1 request out of every 20 transactions.</p>		
<i>Risk Calculation</i>	Critical risk	$(VH)+(VH)+(VH) = (C)$	
	Very high risk	$(H)+(H)+(H)+(H) = (VH)$	
	High risk	$(M) + (M) + (M) + (M) = (H)$	

