

## **Group Sanctions Policy**

### **1. Purpose**

This Policy provides instruction with regards to the treatment of, and compliance with, sanctions or restrictive measures imposed on countries, territories, entities, or specific persons and bodies by the UN and the EU, by the governments of the countries that the Group operates in, as well as by the US Department of Treasury's Office of Foreign Assets Control ("OFAC").

Compliance with sanctions, or restrictive measures, is important for:

- The avoidance of criminal, civil or regulatory action and/or penalties that may be taken against the Bank by regulatory or other authorities,
- The protection of the Group's reputation, and
- Cypriot national security and rule of law; the safety and security of other EU Members and countries around the world; the effort to combat terrorist financing and proliferation; and respect for civil society and human rights.

Financial institutions play an important role and are held to high standards.

### **2. Sectors Affected**

The Policy applies to all Group Entities.

### **3. Policy**

#### **3.1. General Principles**

- Complete abstinence from business relationships or transactions which violate or facilitate the violation of sanctions as defined in this Group Policy.
- Adherence to directives and guidance from regulatory and other authorities relevant to sanctions.

#### **3.2. Implementation Procedures**

All Group Entities must, as a minimum, meet the requirements of this Policy. In any country where the requirements of applicable law(s), directives or practices establish a higher standard, Group Entities must meet those standards.

#### **3.3. Implementation Guidance Notes**

Sanctions can be:

- a) Specific, i.e. relate to specific lists of named individuals, legal entities, organizations, vessels etc. (the US Department of Treasury refers to some of these entities as Specially Designated Nationals),
- b) General, i.e. cover all transactions with certain countries or jurisdictions; certain transactions with countries or jurisdictions such as exports, imports or new investment, or all transactions within a certain area of activity/products (e.g. arms sales to a particular country).

- c) Sectoral, i.e. cover certain parties in specific sectors (OFAC designates parties on a Sectoral Sanctions Identification List or “SSI List”) but only restrict certain transactions of these designated parties.

### **3.3.1. Specific Sanctions:**

With respect to sanctions against specific lists of named individuals, legal entities, organisations, vessels or other U.S Specially Designated Nationals or EU asset freeze targets:

- New business relationship must not be established: Group policy is to deny authorisation for new business relations with parties subject to specific EU, U.S. and U.N sanctions.
- The opening or the maintenance of accounts or the execution of transactions related to close family members or close associates or related entities ((irrespective of %age of ownership (directly or indirectly)) of parties subject to specific EU, U.S. and U.N sanctions, is strictly prohibited.
- The execution of transactions with any of parties subject to specific EU, U.S. and U.N sanctions and related entities with ownership (directly or indirectly) equal or over 50%, is strictly prohibited, irrespective if a general license exists.
- The execution of transactions with related entities with ownership (directly or indirectly) under 50% by the party subject to specific EU, U.S. and U.N sanctions, can be considered, provided that all necessary supporting documents are obtained, examined and found satisfactory

Note: The Bank could consider maintaining the relationship with a legal entity related to an SDN, only if the legal entity is listed on a stock exchange in an EU country, UK or USA and also provided that the ownership held by the SDN (including related parties) is under 50%.

- Existing business relationships which subsequently are subject to specific sanctions (or whose accounts are beneficially owned/controlled by persons subject to specific sanctions) should be treated as follows:
  - Comply with any instructions or requirements provided by the Cyprus, U.N. or EU authorities with direct jurisdiction over any Group Entity. Usually, assets of these persons are frozen and the relationship is reported to the appropriate local and/or international authorities via the Compliance Division.

#### **3.3.1.1. Freezing and Unfreezing Accounts Subject to Sanctions**

- Where required by applicable law, Group Entities will freeze assets in accounts of parties subject to specific sanctions or where the freezing is otherwise indicated. The Sanctions Policy also requires freezing of accounts pending review to determine if an asset freeze is required or a violation of law has occurred.
- Group Entities must freeze accounts of parties subject to specific sanctions as follows:

- All Group Entities must freeze accounts of parties where required under Cyprus and E.U. law;
  - Each Group Entity must freeze accounts where required under the law of the jurisdiction where they operate.
  - All Group Entities must freeze accounts for parties sanctioned under U.S. law where U.S. jurisdiction applies. (see description in Section 4)
- Frozen accounts may be unfrozen only by (a) authorization from the jurisdiction which required the freezing, or (b) an official removal of the specific sanctions leading to the asset freeze or blocking.
  - Where specific sanctions are applied by Cyprus/EU and U.S. measures, and the U.S. sanctions are removed, then the account must remain frozen under Cyprus/EU law. Where Cyprus/EU sanctions measures are removed but U.S. sanctions measure remain for a party, the account must remain frozen only where U.S. jurisdiction applies.
  - For parties who become subject to U.S.<sup>1</sup> specific sanctions but not Cyprus (or any other country the Group operates in), UN or EU sanctions, their accounts must be initially frozen and each case is handled on a case by case basis.
  - Group Entities should not participate in transactions involving parties who are subject to specific sanctions implemented by EU, UN and “OFAC”, unless these transactions are allowed under the relevant sanctions, as confirmed in advance by the Compliance Division (which may need to review licenses or provide prior notification to and/or obtain approval from the relevant local and/or international authorities).

### **3.3.2. General Sanctions:**

- Instructions issued by the Compliance Division for the handling of sanctions on specific countries must be followed strictly.

#### **Appendix 1**

- Enhanced due diligence must be applied for transactions to / from countries listed in Appendix 1. Such transactions include Inwards, Outwards, Bills of Collection and Letters of Credit.

#### **Appendix 2**

- The establishment of a new business relationship with persons who are residents<sup>2</sup> in sanctioned countries (as per Appendix 2) is prohibited. Existing clients who are residents in sanctioned countries, are considered high risk until their final closure and the below enhanced due diligence measures apply to them as well.

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<sup>1</sup> Under OFAC’s ‘50 percent rule’, any entity that is owned 50 percent or more by one or more blocked persons or entities is also blocked, even if the entity itself is not on the SDN (Specially Designated Nationals) List.

<sup>2</sup> Refer to Paragraph 4. Definitions: Persons who are resident in a sanctioned country.

- The establishment of a new business relationship with persons with a passport<sup>3</sup> from sanctioned countries (as per Appendix 2) is allowed, provided they are not resident of these countries. In such a case, the below enhanced due diligence must be applied, to ensure that no sanctions are violated:
  - The opening of accounts in US Dollars is strictly prohibited.
  - Transactions in US Dollars (including transactions with funds converted to US Dollars from non-Dollar accounts) that involve the same countries, or persons connected<sup>4</sup> with these countries, are strictly prohibited.
  - The use of a US correspondent bank for any transactions (in any currency) in such cases is strictly prohibited.
  - The processing of wire transfers in any currency from / to Banks established in these countries is prohibited.

### Appendix 3

- The establishment of a new business relationship with persons connected with the countries mentioned in Appendix 3 is strictly prohibited, with the exception of individuals with an Iranian passport having their permanent residence in an EEA or a Third Equivalent country. In such a case, the establishment of a new business relationship is considered as high risk. Additionally, existing clients who are residents in the countries mentioned in Appendix 3, are considered high risk until their final closure and the below enhanced due diligence measures apply to them as well.
- For all the above customers, the below enhanced due diligence must be applied, to ensure that no sanctions are violated:
  - The opening of accounts in US Dollars and outward payments (wire transfers) in any currency are strictly prohibited.
  - The processing of transactions to / from Banks established in these countries is prohibited.

### General notes for all Appendices

- Enhanced due diligence must be applied on all customers who are connected with countries that have sanctions imposed on them. Their activities must be comprehended fully to enable the correct assessment and treatment of their transactions.
- Enhanced due diligence must be applied on all transactions of customers connected with sanctioned countries as per Appendix 2, to ensure that no sanctions are violated.
- The processing of wire transfers relating to significant investment in a Special Russian crude oil project<sup>5</sup>, on behalf of a Russian company engaged in the energy sector under Sectoral Sanctions, is not allowed.
- Any natural or legal person, entity or body is prohibited from acting on behalf of or dealing/trading with any sanctioned person or in any sanctioned activity.

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<sup>3</sup> Refer to Paragraph 4. Definitions: Persons with a passport from a sanctioned country.

<sup>4</sup> Refer to Paragraph 4. Definitions: Persons connected with a sanctioned country.

<sup>5</sup> The term “special Russian crude oil project” means a project intended to extract crude oil from— (A) the exclusive economic zone of the Russian Federation in waters more than 500 feet deep; (B) Russian Arctic offshore locations; or (C) shale formations located in the Russian Federation.

### **3.3.3. Sectoral Sanctions:**

- Sectoral Sanctions are an entirely new breed of sanctions which the EU and OFAC imposed for the first time on Russia and Venezuela (Appendix 1) on the Financial, Oil, Gas and Defense sectors.
- Sectoral sanctions have taken the form of restricting new debt and in some cases equity to parties subject to Sectoral Sanctions, as well as controls on the export of goods, services or technologies to specified energy sector parties for use on certain oil-producing projects (deep water, Arctic offshore and shale oil).
- Instructions issued by the Compliance Division for the handling of Sectoral Sanctions must be followed strictly.
- No transactions involving these affected entities in the specific sectors are allowed.
- Under OFAC's '50 percent rule', any entity that is owned 50 percent or more by one or more parties under Sectoral Sanctions, must be treated as though it itself is under Sectoral Sanctions.
- The processing of wire transfers relating to intra-group loans between entities which are included in the Sectoral Sanctions List (SSI List) in any currency, are strictly prohibited.
- The affected entities must be flagged as High Risk Customers for easy identification and close monitoring of their transactions.

## **4. Definitions**

### **Group**

The Bank of Cyprus Group (including its overseas entities) and its subsidiary companies.

### **Group Entity**

Any company of the Bank of Cyprus Group in Cyprus or overseas.

### **High Risk Customer**

Customer that may pose a particular risk to the reputation of the Group and who should normally be treated as high risk and be subject to enhanced due diligence measures (see Customer Acceptance Policy).

### **Office of Foreign Assets Control (OFAC)**

Office in the US Department of Treasury that administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

### **Persons connected with a sanctioned country**

Persons connected with a sanctioned country are considered those who fall within the definition of:

- a) Persons who are residents in a sanctioned country, and
- b) Persons with a passport from a sanctioned country

a) **Persons who are residents in a sanctioned country**

The following are considered as persons who are residents in a sanctioned country:

- The government/state of a sanctioned country or any public authority thereof
- Any natural person residing in the sanctioned country
- Any legal person, entity or body registered in the sanctioned country
- Any legal person, entity or body, registered in or out the sanctioned country, owned or controlled, directly or indirectly, by one or more of the above mentioned persons or bodies
- Any natural or legal person, entity or body operating in a sanctioned country

b) **Persons with a passport from a sanctioned country**

- Any natural person with a passport from a sanctioned country
- Any legal person, entity or body, registered outside the sanctioned country, owned or controlled, directly or indirectly, by one or more of the above mentioned natural persons.

### **Sanctions**

Instruments of a diplomatic or economic nature which seek to bring about a change in activities or policies such as violations of international law or human rights, or policies that do not respect the rule of law or democratic principles. Sanctions (or restrictive measures) may target governments, non-state entities and/or individuals (such as terrorist groups and terrorists). They may include arms embargoes, other specific or general trade restrictions (e.g. import and export bans), financial restrictions, restrictions on admissions (e.g. visa and travel bans), or other measures, as appropriate.

### **Specially Designated Nationals (SDN)**

The United States blocks assets and imposes restrictions on dealings with specified individuals, companies and entities. These can be individuals, companies, or entities owned or controlled by, or acting on behalf of a sanctioned country. They can also be individuals, groups, or entities, such as terrorists and narcotics traffickers, designated under OFAC programs that are not country-specific. OFAC maintains a list of these Specially Designated Nationals

### **Subject to Financial Sanctions (EU)**

The European Union maintains asset freezes and bans on investment for parties subject to sanctions. These can include individuals, companies, or entities owned or controlled by, or acting on behalf of a sanctioned country. They can also be individuals, groups, or entities, such as terrorists and narcotics traffickers, designated under EU measures in force that are not country-specific. The European Union's External Action Service maintains a list of parties subject to EU financial sanctions.

### **U.S. Jurisdiction**

U.S. sanctions rules apply to U.S. persons anywhere located and U.S. or foreign persons acting in the United States. U.S. persons would include foreign branches of U.S. banks and other U.S.-incorporated entities, as well as U.S. personnel even if working abroad at a non-U.S. company. Sanctions administered by OFAC also apply to property subject to U.S. jurisdiction, which includes property in the possession of a U.S. person, physically in the United States or in some cases where subject to U.S. export controls.

## **Secondary Sanctions**

The United States imposes sanctions measures which authorize penalties against non-U.S. banks for specified activities even where there is no U.S. jurisdiction. These are referred to as “Secondary Sanctions.” The penalties must be affirmatively imposed by U.S. policy makers and are not automatic. However, the penalties are serious and include sanctions designations against the non-U.S. bank, prohibiting correspondent and other accounts with U.S. banks, and various other measures which would be of significant concern to Bank of Cyprus. Group Entities must not engage in any business relationships or transactions relating to parties subject to U.S. Secondary Sanctions or activity which can expose the Group or any of its Entities to U.S. Secondary Sanctions. The Compliance Division will provide periodic updates on U.S. Secondary Sanctions, where deemed necessary.

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## Appendix 1

Current list of countries which are subject to General Sanctions on specific products / services, or Sectoral Sanctions on specific industries and specific types of transactions by OFAC, EU and UN

Treatment of sanctioned entities or transactions subject to sanctions relating to the following countries must be in accordance with specific instructions issued by the relevant Regulation.

### **Countries with List-Based Sanctions Programs**

Iraq  
Libya  
Russia  
Somalia  
Venezuela

#### Notes:

Please refer to Paragraph 3.3.2 for the treatment of transactions to / from countries included in Appendix 1.

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## Appendix 2

Current list of countries which are subject to **strict** sanctions (on an extended list of products / services and on the government) by OFAC, EU and UN. For Sudan, even though sanctions were lifted, remains on this list due to restrictions imposed by Correspondent Banks.

### Countries

Cuba

Syria

Sudan (\* North, not including South Sudan)

Note:

Please refer to Paragraph 3.3.2. for the treatment of customers connected with countries included in Appendix 2 as well as transactions to / from these countries.

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## Appendix 3

Current list of countries which are subject to stricter sanctions (on a comprehensive list of products / services and on the government) by OFAC, UN and EU.

Countries:

- Iran
- Democratic People's Republic of Korea (North Korea)

Territories:

- Crimea/Sevastopol

Note:

Please refer to Paragraph 3.3.2. for the treatment of customers connected with countries included in Appendix 3 as well as transactions to / from these countries.

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