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Change Log:

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<td>1.0</td>
<td>Compliance Department</td>
<td>05/06/2013</td>
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<td>1.1</td>
<td>Sashidharan Menon</td>
<td>18/04/2016</td>
<td>Section on Information Security added</td>
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<td>2.0</td>
<td>Compliance Department</td>
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<td>Section on Risk Assessment Policy added</td>
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<td>Changes made in line with CBUAE circular 161/2018</td>
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Approved by the Board of Directors
No. 227 dated 26 January 2019

Approvals:

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Overview

Bank of Sharjah is committed to compliance and ensuring the safekeeping of the Bank’s reputation.

Reputation is one of our most valued assets and must be protected at all times.

Therefore, compliance is meant to be a state of mind as much as the normal behaviour of our everyday business. Breaches of law, regulations or internal procedures cannot be justified in the pursuit of profit, nor are such breaches rendered acceptable based upon the practices of competitors or others in the market.

Compliance should be an integral part of every employee’s work ethics. Bank of Sharjah is committed to maintain the compliance awareness among all employees.

The Compliance Department works in close collaboration with the Bank’s businesses, operations and other control functions, to mitigate reputational, regulatory and other compliance risks.

Compliance Department has complete access to books and records of the Bank. All staff of the Bank are required to co-operate with the Compliance Department staff in fulfilling its objectives.

Head of Financial Crime Compliance (FCC) function in Bank of Sharjah (BOS) reports to the Board Audit and Compliance Committee and to the General Manager.

This reporting line ensures independence of the Compliance Department and timely escalation of relevant issues to appropriately senior levels of BOS.

Independence of the Compliance Department is also ensured by non-involvement of Compliance staff in any business or operational process in the Bank.
Compliance Department in BOS is responsible for Group Compliance, which includes Compliance Department in Emirates Lebanon Bank and all other subsidiaries of Bank of Sharjah.

Head of Compliance in Emirates Lebanon Bank reports into Head of FCC in BOS who is responsible for oversight of the Group Compliance.

This Group Compliance structure works towards ensuring a uniform approach to reputational, regulatory and other Compliance risks.

If required Compliance Department would conduct investigations of possible breaches of the Bank’s Compliance Policy.

Mission

The mission of the compliance policy is to promote the culture and practice of compliance so as to abide by the spirit of legal and regulatory requirements, and the Bank’s ethical standards.

The strategic objectives of the Compliance policy are to:

- promote a culture of compliance
- set procedures covering ethical and compliance standards
- be the custodian of the Code of Conduct
- ensure that the key compliance risks are managed effectively
- enable Compliance Department to work proactively with Senior Management – so as to influence, and when necessary, to challenge Senior Management decisions if compliance risks are identified
- set compliance training standards and facilitate the provision of appropriate training.
Responsibilities

Ultimate responsibility for compliance rests with the Bank’s Board of Directors, although this devolves onto all staff. The protection of the Bank’s reputation is a collective responsibility. The involvement of every staff member, with no exception, is necessary for the efficacy of the system.

The Compliance Department plays a major role in this field. The Compliance Department is responsible for checking and updating, on a regular basis, the applicable regulations to better guide staff, perform training and enhance awareness related to compliance.

Prevention of money laundering and countering terrorism financing

Bank of Sharjah consistently adheres to the prevention of money laundering, and fighting terrorism financing.

Compliance Department is responsible for:

- transaction monitoring with a view to detect any attempt at money laundering/terrorist financing operations/organisations;
- exam of the eminence for counterterrorist financing and corruption.
- examination of suspicious transactions and identification of those to be reported to the Central Bank’s Financial Intelligence Department (FID);
- bi-annual assessment of the Bank’s AML (Anti money-laundering) and Countering the Financing of Terrorism (CFT) framework and transmission of the assessment report to FID;
- implementation of an ongoing training programme on various aspects of Compliance, including AML and CFT;

منع غسل الأموال ومكافحة تمويل الإرهاب

ينبغي أن تتمكن النقابة بالإلتزام المستمر لمنع عمليات غسل الأموال ومكافحة تمويل الإرهاب.

إدارة الإلتزام مسؤولة عن:

- رصد المعاملات بهدف لمنع أي محاولة غسل الأموال / تمويل منظمات أرهابية;
- تقييم نص سنوي للالتزام الذي اعتمده البنك لمكافحة غسل الأموال ومكافحة تمويل الإرهاب، وإرسال تقرير التقييم إلى وكالة الاستثمارات المالية;
- تفعيل برنامج تدريبي مستمر بشأن مختلف جوانب الامتثال، بما في ذلك مكافحة غسل الأموال وتمويل الإرهاب;
any co-operation with FID in the UAE upon its request.

To this end, Bank of Sharjah is committed to:

- take all reasonable steps to verify the identity of our clients, including the beneficial owners of corporate entities and the principals behind customers who are acting as agents.

- document, implement and maintain systems, controls and procedures to monitor the clients’ businesses in the context of local regulations.

- refuse any transaction where, based on explanations offered by the client or other information, reasonable grounds exist to suspect that the funds may not be from a legitimate source.

- where required, make prompt disclosures of suspicious transactions to the relevant authorities.

- educate and train the staff in the recognition of suspicious transactions, the requirements of the local legislation and the Bank’s controls and procedures implemented to that effect.

**Internal procedures**

Subsequent to the compliance policy, and in accordance with the regulations, the Compliance Department establishes and implements specific procedures detailing a risk based approach to "Know Your Customer" processes, transaction monitoring, customer behaviour and suspicious activity reporting.

**Information Security**

Bank of Sharjah has put in place an Information Security Policy, and other related policies and procedures. In addition, the CBUAE and National Electronic Security Authority (NESA) have issued guidelines and instructions to be adhered to by all financial institutions. Staff should read and be aware of all the Information Security requirements, as
circulated from time to time. Daily activities of staff, while using the information systems of the Bank (both hardware and software), should be guided by the above-mentioned policies and related procedures.


Bank of Sharjah (BOS) adheres to an FCC Risk Assessment Policy and procedures with the objective of identifying systemic vulnerabilities and threats, which, in turn, informs the Bank’s suite of FCC policies, procedures, risk analysis and application of its Risk Based Approach.

The scope of BOS’ FCC risk assessment policy includes risk assessment related to money laundering, terrorism finance, bribery and corruption, weapons of mass destruction proliferation finance, sanctions evasion, tax evasion as a money laundering predicate, and corresponding FCC risks.

FCC Risk Assessment is performed by the Compliance Department in collaboration with the various businesses and operations of the Bank. The FCC Risk Assessment is approved by management of the Bank, as well as by the Board Audit and Compliance Committee.

The Compliance Policy, which includes the FCC Risk Assessment Policy, is approved by Bank of Sharjah’s Board of Directors.

Breaches and Penalties for Non-Compliance

Breaches of law or regulation may result in penalties by regulators or other law enforcement agencies, including the exclusion from certain markets (e.g. the US Dollar market) or the withdrawal of licences or curtailment of business activities. They can ultimately lead to reputational damage if such breach becomes public knowledge. Compliance with all aspects of the regulatory environment is therefore vital: it is not optional.

It is an express term of the employment contract

En عدد العمل بين البنك وموظفيه ينص بشكل صريح على تقديم

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It is an express term of the employment contract
with the Bank that staff will comply with all the policies and procedures of Bank of Sharjah in force from time to time. Failure to do so may result in disciplinary proceedings and could lead to dismissal. Moreover, staff will be personally liable for any breach of statutory law or regulation if the non-compliance itself constitutes an offence.

The Compliance Policy is subject to review at least once every year or when there are material changes to be incorporated within the Policy as a result of regulatory, internal or organisational changes.

N.B. Compliance and Financial Crime Compliance have been used interchangeably in this document.