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**Version Control Table**

Version	Prepared/Reviewed by	Approval Date	Description
1.0	Compliance Department	01/10/2016	Compliance Statement
2.0	Compliance Department	22/1/202020	Compliance Statement – update regarding UAE laws and related CBUAE circulars

**Approved by the Board of Directors**

**No. 233**

**Dated 9 February 2020**

**Approval:**

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Bank of Sharjah (“BOS”) is committed to compliance, combatting money laundering, and terrorism financing. All efforts and measures are taken to avoid being involved, directly or indirectly, in transactions linked to laundering funds derived from illegal activities or the channelling of funds to be used for illicit or terrorism purposes as well as ensuring the safekeeping of the Bank’s reputation. BOS’ commitment is the result of rigorous guidance and instructions from the Board of Directors and Senior Management, in addition to, the critical role played by the employees.

## **I. Legal and Regulatory Framework**

BOS’ Compliance policy and Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) policy are structured so as to meet the anti-money laundering and combating the financing of terrorism (AML/CFT) requirements as set by the Central Bank of the UAE and recommendations based on international best practices.

The Central Bank of the United Arab Emirates (UAE Central Bank) Requirements is covered in the following:

- UAE Federal Law No. 20 of 2018 ‘On Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations’;
- UAE Cabinet Decision No. 10 of 2019 ‘Concerning the Implementing Regulation of Decree Federal Law no 20 of 2018’;
- CBUAE circular 74/2019 dated 19/6/2019;
- CBUAE circular 79/2019 dated 27/6/2019.
- UAE Federal Law No. 1 of 2004 on Combating Terrorism Offences
- UAE Securities and Commodity Authority (SCA) AML guidelines 2019.

Recommendations based on international best practices

- The Financial Action Task Force (FATF)
- The European Union (Directives)
- The Basel Committee on Banking Supervision
- The Egmont Group
- The Wolfsberg Group
- The international standards as set out by major global correspondent banks and their regulators

This Statement must be read and applied in line with relevant local laws, regulations, and international best practices and recommendations. Any and all changes to this Statement must be approved by the Board of Directors of the Bank. Any and all exceptions to this Statement must be documented in order to justify the applied changes.

## II. AML Program

BOS is committed to the highest standard of Anti-Money Laundering (AML) practice in all markets and jurisdictions in which it operates. In line with regulatory requirements and international best practices and recommendations, BOS:

- Carries out the appropriate Customer Due Diligence (CDD) using a Risk based Approach by:
  - o Identifying and verifying the identity of all parties involved, including any ultimate beneficial owners;
  - o Securing relevant supporting documentations;
  - o Conducting Enhanced Due Diligence (EDD) for opening new accounts and reviewing existing ones, as indicated by the corresponding risk-rating;
- Screens potential and existing customers against relevant watch lists (please refer to Section VI of this document);
- Implements the relevant procedural and system-based controls for the timely detection, monitoring, and reporting of suspicious transactions and activities; flagged transactions or activities are escalated internally or to the relevant regulatory authorities, as the need arises.
- Maintains records of customer identification, CDD documentation and transactions as per the UAE Central Bank requirements in addition to documents deemed necessary as per Bank' internal policies and procedures;
- Cooperates with relevant authorities as per the local regulatory requirements;
- Provides regular KYC-AML training to all employees of the bank in order to enhance understanding of KYC-AML and also to fulfil regulatory requirements;
- Names an employee to be designated as a "Compliance Officer" to be responsible for reporting suspicious cases in addition to supplying relevant reports to the UAE Central Bank.

## III. Customer Due Diligence (CDD)

In order to mitigate risks resulting from parties attempting to launder money or finance terrorism, BOS applies the following CDD principals:

- Establishing and verifying the identities of all parties related to an account, including ultimate beneficiaries;
- Ensuring the customer's profile includes information on occupation, source of funds, nature and purpose of the relationship, and expected account activities. The documented information is used to monitor and assess the customer's current and future account activities;
- On-boarding clients only via referral and obtaining supporting documentations detailing the legitimate source of funds;
- In line with the Risk Based Approach, an internal scoring mechanism is used to calculate and assign a risk rating to each client. For scores above a predetermined level, the customer will undergo Enhanced Due Diligence (EDD) and can only be on boarded with the approval of the Compliance Department;  
All Company accounts are subject to EDD, irrespective of their risk-rating;
- It is against BOS's policy to on board and maintain relationships with Shell Banks, non-face-to-face customers, money service businesses, numbered or bearer accounts, and others as recommended by local regulations and international best practices;
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- BOS on-boards and maintains accounts for Non-Profit Organisations including Charitable Organizations and Associations that are registered with UAE government. Such accounts are opened on the basis of an original signed letter from the UAE's Ministry of Community Development.

#### **IV. Suspicious Activity Monitoring and Reporting**

All customer accounts are rigorously monitored through an automated system, and daily monitoring reports. The automated system screens all customers that are being on-boarded and also screens real-time transactions for any red flags regarding sanctions and PEPs.

Also, with respect to Anti-Money Laundering, the automated system monitors the accounts at the client profile/account/transaction levels to promptly identify suspicious transactions and activities in accordance with pre-set scenarios in line with the UAE Central Bank regulations and international best practices. In the event of identifying a suspicious activity and as appropriate, the Bank would submit a Suspicious Transaction Report (STR) to the Financial Intelligence Department (FID) of the Central Bank of the UAE.

#### **V. Correspondent Banking**

BOS takes into account all risks associated with correspondent banking relations. All relations undergo periodic screening, appropriate due diligence, monitoring, and review. It is BOS's policy not to maintain &/or open accounts for Shell Banks. BOS does not permit 'Nested' accounts or 'Payable through Accounts'.

#### **VI. Sanctions and Embargos**

BOS is committed to complying with local and international regulatory responsibilities in respect of international sanctions. All relations and transactions are screened against an internal list in addition to international sanctions lists i.e. UAE, OFAC, UN, and EU.

#### **VII. Record Keeping**

In line with UAE Central Bank requirements and internal policies, BOS retains physical records related to customer identification and transactions for a minimum of five (5) years after the account is closed, or any longer retention periods where it is required by any specific regulator.

#### **VIII. Staff Awareness and Training**

In BOS Compliance is an integral part of every employee's work ethics. BOS is committed to maintaining a high level of compliance awareness among its employees. In line with UAE Central Bank requirements and international best practices, BOS provides the appropriate AML/CFT and Sanctions training to all its employees. Training sessions are conducted on an annual and need basis. Training is imparted by means of class-room sessions as well as an online training module. Records of all relevant training material and attendance are maintained by the Compliance Department.