Bank of Jordan Policy

For Compliance with International Economic Sanctions In relation to Money Laundering and Terrorism Financing

(Applicable for Bank Jordan Foreign Branches and Subsidiaries)

2020
<table>
<thead>
<tr>
<th>#</th>
<th>Topic</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Definitions</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Legal Framework</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Policy Scope/Objectives/General Rules - Principles</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Corporate Governance related to Responsibilities for Complying with the Principles of this Policy</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Financial Sanctions Compliance Program</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>Monitor, Follow Up and Escalate</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Awareness and Training</td>
<td>9</td>
</tr>
<tr>
<td>9</td>
<td>Keeping Records</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>Policy Review and Approval</td>
<td>10</td>
</tr>
</tbody>
</table>
1. **Introduction.**

Bank of Jordan pursued its business on clear policies based on consolidating the values of commitment and excellence in performing business based on our belief in the bank's role in the local and global economic system. The Bank strives to comply with the resolutions of the United Nations Security Council which have been ratified by the Hashemite Kingdom of Jordan and have been confirmed in the anti-money laundering and terrorism financing instructions issued by the Central Bank of Jordan which the banks are obliged to comply with, as well as the sanctions and restrictions imposed by countries in which Bank of Jordan has dealings with correspondent banks in the respective jurisdictions.

2. **Definitions.**

**Sanctions**

Commercial and financial sanctions which one or more countries apply against a country, group, individual, or institution, that may include economic sanctions in various forms, such as: restrictions on trades, financial transactions, freezing of assets and travel bans.

Governments use these sanctions as a political, external, nonviolent tool to combat illegal activities such as financial crimes, human rights violations, harbouring international criminals, nuclear weapons development, and terrorism.

**Restrictions related to sanctions, mainly include the following:**

- Prohibition of money transfers from and/or to any country subject to sanctions.
- Prohibition of money transfers from and/or to individuals or institutions whose names are included in the sanctions list.
- Freezing assets of any governments, bodies, individuals, or institutions listed the sanctions list.
- Prohibition of specific commercial and economic transactions that are within a country subject to the sanctions.
- Impose travel ban on persons whose names are included in the sanctions lists.
- Other diplomatic and financial restrictions.

For the purposes of this policy, the financial restrictions that the bank complies with include the following:

- Sanctions lists issued by the Security Council pursuant to the United Nation's resolutions.
- Sanctions list issued by United States of America.
- Sanctions imposed by the European Union and the United Kingdom.
Financial Sanction Breach

Any action that might hinder the implementation of the resolutions issued by the international committees in relation to the economic sanctions. Events of in compliance with these resolutions include:

➢ Dealing with an individual, entity or person listed in the international ban lists.
➢ Money transfer from and/or to a country subject to "banned from dealing" sanctions.
➢ Dealing with prohibited goods and services within a country or a specific judicial jurisdiction.
➢ Making an asset that was frozen pursuant to a resolution, available to persons and entities.
➢ Notifying the competent committee regarding any case the bank encounters relating to the above.

For the purposes of this policy, the term dealing includes every form of bank dealings.

3. Legal Framework

➢ Instructions No. (3) for the Year (2018); Instructions for implementing the responsibilities of the Security Council’s Resolution No. (1373) (2001) and other relevant resolutions issued by the anti-money laundering and terrorism financing national committee pursuant to the provisions of paragraph (C) of article (37) of the Anti-Money laundering and Terrorism Financing Law No. (46) for the Year (2007) and its Amendments.

4. Scope of Policy

This policy is the master policy for compliance issues of financial sanctions for all members of the Bank of Jordan Group of foreign branches and subsidiaries, and represents the minimum standard of restrictions that must be complied with, while taking into account all laws and instructions of the hosting countries where the foreign branch or subsidiaries are subject to their judicial jurisdiction. In the event a conflict arises between the terms of this policy and the laws and instructions of the hosting countries for the foreign branch or subsidiaries, the stricter instructions shall apply, provided that the compliance department of the foreign branches or subsidiaries undertakes to immediately notify the compliance department at the headquarter in the event there is anything that prevents compliance with the sanctions lists mentioned above.

Policy Objectives

➢ The policy sets out the minimum requirements for compliance with the sanctions lists imposed by the international committees as well as the bank’s risk management expectations in this regard.
➢ Define the concept of sanctions.
➢ Define the principles and measures related to mitigating risks associated or arising from any possible breach of sanctions.
➢ Determine the consequences of failure to comply with the sanctions, responsibilities, and the policy.
➢ Report regularly regarding breaches (or similar risks) of the applicable sanction laws and regulations.
➢ Regular training of personnel regarding applicable laws and regulations.

General Principals/ Policy Rules

➢ In general, the bank has followed a zero-tolerance approach for any form of non-compliance with financial penalties imposed by international committees which are referred to above in this policy.
➢ Bank of Jordan, represented by its Board of Directors, and committees emanating from the Board of Directors, the executive managements and all employees at all levels of the management, are all aware of the importance of complying with the international economic sanctions program in accordance with this policy and are fully aware of the consequences of incompliance whether in terms of reputation, fines or terminating relationships with correspondent banks.
➢ It is prohibited to deal with any of the names (individuals, entities) listed within the resolutions imposed by international committees regarding financial sanctions that are prohibited to be dealt with pursuant to the sanctions issued by the international committees previously mentioned in this policy (or with any person or entity mentioned in the list).
➢ The Bank is obliged not to retain, permit, or undertake any activity or behaviour that might breach the compliance of the applicable sanctions or any penal laws and regulations.
➢ The Bank is obliged not to perform any transactions, whether directly or indirectly, or to establish a commercial relationship with any person or entity subject to the sanctions or is restricted by the sanctions, unless there is an appropriate license to mitigate these risks and is approved by the anti-money laundering and terrorism financing unit that is connected with the compliance department.
➢ All managements shall ensure compliance with all resolutions and regulations contained in this policy related to the economic and financial sanctions and in accordance with the programs developed by the bank to ensure compliance with the provisions of this policy.
➢ It is not permissible to deal with any third parties except after verifying the compliance of these parties with the international sanction programs.
➢ In general, it is each employee’s duty to read, comprehend and comply with this policy. Any employee that is found not to be in compliance with the duties required of him pursuant to this policy and the financial sanction compliance program shall be subject to the sanctions stated in the employees’ bylaws.
5. **Corporate Governance Relevant to the Compliance Responsibilities with the Principles of this Policy.**

5.1 **Responsibilities of the Board of Directors:**

5.1.1 Adopt a policy of compliance with financial sanctions and ensure it is circulated on every management level, and to constantly review it.

5.1.2 Issue financial sanctions compliance programs that the compliance department develops for this purpose.

5.1.3 Urging senior management to take the necessary procedures in order to enhance the values of integrity and professional practices within the Bank, in a manner that makes complying with the applicable laws, regulations, instructions, orders and standards a primary objective that must be implemented.

5.1.4. Moral support for the compliance department by promoting a positive attitude towards complying with the principals of this policy and ensuring that the required human resources and systems are provided and made available for the compliance department, being the body responsible for developing and implementing the financial sanction compliance program.

5.1.5. Approving the necessary corrective or disciplinary actions in the event there are any breaches in relation to the implementation of the financial sanctions compliance program.

5.1.6. Review the periodic reports submitted by the compliance department to the Board of Directors regarding controlling and monitoring procedures in the anti-money laundering and terrorism financing field, including procedures for verifying compliance with the financial sanctions program.

5.2 **Responsibilities of the Executive Management:**

5.2.1 **Compliance Department**

5.2.1.1 The compliance department is responsible for developing the compliance program for financial sanctions, including defining the responsibility related to monitoring any non-compliance practices in each line of business as well as in the field of work of each manager and employee.

5.2.1.2 Follow up on developments related to resolutions issued by the international committees that issue financial sanctions falling within the scope of this policy, and verify that the Bank's policies and programs are updated in relation to compliance with these resolutions.

5.2.1.3 Establish and implement monitory procedures in order to verify the implementation of the financial sanctions compliance program with the aim of preventing the occurrence of any violations, or the escalation of these violations (if they occur).

5.2.1.4 Establish a culture of seriousness and respect, which makes it clear that there is no tolerance or leniency, in addition to handling any incident with a quick and decisive manner.

5.2.1.5 Submit reports to the Board of Directors and the emanating committees relating to the financial sanction compliance program and any developments issued by the international committees that have an impact on the Bank’s operations.
5.2.2 Internal Audit Unit
The responsibility scope of the internal audit unit includes to verify that all employees on all levels and depending on the nature of their jobs, comply with the Bank's policy regarding the financial sanctions compliance program, that the Bank's policy in this regard is regularly updated according to the developments, and that reports of the audit unit include the results of the verification.

5.3 Responsibilities of Bank’s Employees
Under this policy, all employees regardless of their positions and administrative levels are obliged to perform their duties pursuant the program developed for this purpose, to ensure that the imposed financial sanctions are not breached, and to ensure that no dealing takes place with any listed person or entity. In addition, all employees are obliged to ensure that no prohibited financial transactions are executed pursuant to these resolutions.

6. Financial Sanctions Compliance Program
Bank of Jordan has developed a program to achieve compliance with the financial sanctions that includes the following:

6.1 Automated system to verify that none of the Bank's customers are listed on the international ban lists within the following levels:
   6.1.1 New to bank: prior to establishing the relationship, verifying that the person or entity is not included on the lists, before opening an account for that person at the Bank.
   6.1.2 Existing account: during the relationship, by performing periodic scan that includes the Banks customers’ data base pursuant to the risk-based methodology.
   6.1.3 Prior to performing any financial transaction for any customer at any time.
   6.1.4 Verification system of outgoing and incoming remittances performed through SWIFT.

6.2 Constantly updated lists of all banned commercial operations, goods and products pursuant to the resolutions issued by the international committees that are circulated to all relevant units to ensure no transactions (remittance/credit) are performed in relation to these operations.
Within this framework, the verification process on the SWIFT system and the names of the sender and the beneficiary include the verification of the purpose, port of shipment, goods and origin.

6.3 High risk countries list (countries that are not banned from being dealt with pursuant to the resolutions issued by the international committees, yet are subject to certain restrictions in trading and financial dealing) which is constantly updated and circulated, and any dealings with countries on the said list are subject to prior approvals by the anti-money laundering and terrorism financing unit that is under the compliance department.

6.4 Automated system to monitor executed financial transactions on customers’ accounts within specific scenarios to monitor the outgoing and incoming financial transactions
performed from and to high risk countries, so that these transactions are reviewed by the anti-money laundering and terrorism financing unit and a verification is made thereon as to occurrence of no breaches of the international committees' resolutions.

6.5 Reporting/ Notifying

The Bank complies with the decisions of seizure, freezing and immediate freezing issued by the obligatory bodies and especially the resolutions of the Security Council pursuant to the instructions issued by the Central Bank of Jordan in this regard. The Bank also commits to immediately notify the technical committee of the anti-money laundering and terrorism financing committee at the Central Bank of Jordan regarding any verification process that results in a match or similarity between the Bank's customers or the parties related to the financial transactions performed through the Bank. Such notification is to be made by the notification manager so as for the Central Bank of Jordan to notify the competent authorities in the country, or the committee or the competent authority, pursuant to the mutual international cooperation agreements. Moreover, the Bank complies with any resolutions or orders received from the Central Bank of Jordan following the notifications issued by the Bank.

7. Monitor, follow up and escalate

7.1 Controlling and monitoring

As Bank of Jordan pursues self-assessment methodology for risk, compliance with this policy is evaluated in accordance with the same methodology through three main defense lines, according to the following:

➢ The first line of defense is business units, where a breach of financial sanctions has been identified within the main risks in the risk profile of the units, branches, and business units which the nature of their activity includes these risks. Also, control measures were determined accordingly as part of the financial sanctions compliance program through monitory procedures performed by each director of each unit / branch ensuring that these procedures are operating as they should, and the risk management unit is responsible of issuing the reports.

➢ The second defense line is through the compliance department, as a risk profile of money laundering and terrorism financing was created at the level of the group, and the breach of financial sanction was defined among the main risks that the group may be exposed to. Also, the director of the compliance department shall perform periodic evaluations at least annually to ensure that the monitoring actions are operating properly.

➢ The third defense line is through the internal audit unit, by monitory checks conducted by the internal inspection team to verify the evaluation results are within the following levels:
  - The self-monitoring checks for branches and bank's units to verify the accuracy of the self-assessments conducted by the administrative director of each unit, branch, or division.
  - The monitory checks of the money laundry risk profile to verify the accuracy of the results demonstrated by the monitory checks performed by the director of the compliance department.
- Inspection tours to all units of the bank.

7.2 Escalation

7.2.1 The market risk and operations units submit periodic reports to the risk committee emanating from the Board of Directors regarding units and divisions who were evaluated with weak monitory environments, and these reports must include recommendations to upgrade the monitory environment.

7.2.2 The inspection and internal audit unit submits periodic reports to the audit committee emanating from the Board of Directors regarding the audit results including any observations related to any deviations arising out of implementing the international financial sanctions compliance program.

7.2.3 The compliance department submits the results of the monitory checks to the money laundering and terrorism financing risk profile and to the compliance committee emanating from the Board of Directors and to the Board of Directors’ risk committee, with any observations related to any deviations arising out of implementing the international financial sanctions compliance program.

7.2.4 The compliance, risk and audit committees submit their recommendations regarding the reports of the compliance, risk and audit units to the Board of Director to approve and circulate them to the executive managements through board secretary.

8. Awareness and training

The compliance department in coordination with the training unit organizes periodic training courses to raise awareness for all employees regarding the following topics:

➢ The concept of international economic sanctions.
➢ Introduction to international committees that issued the international sanctions.
➢ The importance of complying with international economic sanction.
➢ The risk of breaching international economic sanctions.
➢ An explanation of the international sanction compliance program and the employee's role according to his job duties.
➢ The employee’s role in achieving compliance with the international sanctions.
➢ The applicable sanctions if the employee does not comply with the international sanction compliance program.
➢ Notify the compliance department if any employee believes that there is a transaction that possibly contains a breach of the international financial sanctions.

All training records shall be archived for at least 5 years including the following:

➢ Names of the trainees.
➢ Names of the trainers.
➢ Training materials.
➢ Dates and locations of the training programs.
9. **Record keeping**

All documents, records and reports of the financial sanctions compliance program including investigations, verifications and the results of these procedures are recorded, as well as the notification and reporting procedures to the competent authorities and bodies and all relevant correspondences.

The compliance department is responsible of keeping these records and providing the competent authorities or any relevant bodies of them when requested.

10. **Policy review and approval**

➢ The compliance department is responsible for annually reviewing this policy and amending it if necessary.

➢ The Board of Directors, represented by the competent committees, is responsible for approving the policy and amendments thereto.

➢ This policy is the Master Policy for the international sanction compliance program for all members of Bank of Jordan Group including foreign branches and subsidiaries, and sets out the main guidelines that must be complied with. This policy takes into consideration all laws and regulations of the hosting countries where the foreign branch and subsidiaries are located. In the event a conflict arises between the terms of this policy and the laws and instructions of the hosting countries of the foreign branch or subsidiaries, the stricter instructions shall apply.

➢ In the event the laws governing the underlying subjects differ from or otherwise are in conflict with the terms of this policy, the foreign branches and subsidiaries are hereby entitled to create a policy that emanates from this policy and consists with the laws of the hosting country, which policy shall hereby be deemed automatically approved by the Board of Directors with no need to have it ratified by the Board of Directors and coordinated with the compliance department at the headquarter.

** In the event that the local laws of the hosting countries where foreign branches and subsidiaries are located, require a different policy than the master policy and/or if a discrepancy appears that **would not prevent the implementation of the general rules of this policy**, a sub-policy emanating from the master policy shall be created, taking into consideration the stricter instructions as previously mentioned and as follows:

➢ The competent unit / division that is empowered to oversee the compliance requirements at the foreign branches or subsidiaries shall create and approve the sub-policy in accordance with the corporate governance rules applicable to that foreign branch or subsidiary.

➢ Constant coordination with the compliance department in the headquarter (the mother Bank) shall be performed by regularly notifying them about any developments and ratifications of sub-policies.
➢ Sub-policies which are consistent with and meet the requirements of the laws of the hosting country shall be considered emanating from the master policy and are deemed automatically ratified by the Board of Directors of the mother institution.

The compliance officer at the foreign branch or the subsidiary shall commit to immediately notify the compliance department in the headquarter at all times about any obstacles or limitations that might prevent or hinder compliance with international sanction programs.