

**GROUP SANCTIONS POLICY**

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## 1. PURPOSE AND SCOPE OF POLICY

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This Policy states the Bank's commitment to act in full 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 Bank operates in, as well as by the US Department of Treasury's Office of Foreign Assets Control ("OFAC") and by HM Treasury's Office for Financial Sanctions Implementation.

It also covers important restrictive measures imposed by other US authorities such as the Department of Commerce, where a US nexus is established.

UK HM Office Treasury for Financial Sanctions Implementation are also monitored, where a UK nexus is established to ensure completeness and swift cooperation with correspondent banks.

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 Bank'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.

Additionally, Bank of Cyprus ensures the following:

- a) The Sanctions Policy outlines the legal and regulatory requirements/principles emanated from the provisions set out in (a) the Law for the Implementation of the Provisions of the United Nations Security Council Resolutions (Sanctions) and the Decisions and Regulations of the Council of the European Union Law 58(I) of 2016, and (b) the Central Bank of Cyprus Directive for Compliance with the Provisions of United Nations Security Council Resolutions and the Decisions/Regulations of the Council of the European Union.
- b) The Bank and its subsidiaries meet the requirements set out in the Group Sanctions Policy and therefore the requirements of the Sanctions and Terrorism Laws.
- c) The Bank, through the Annual Sanctions Risk Assessment Exercise, identifies sanctions risks and sets out appropriate mitigation measures.

Financial institutions play an important role and are held to high standards. We expect all employees to view this policy as a Bank priority and to apply it conscientiously.

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## 2. ABBREVIATIONS

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Within this document, the following abbreviations are used:

Abbreviation	Definition
AML/CTF	Anti-money Laundering / Combating Terrorism Financing
AMLCO	Anti-Money Laundering Compliance Officer
CBC	Central Bank of Cyprus
EU	European Union
OFAC	Office of Foreign Assets Control
UK	United Kingdom
UN	United Nations
US	United States

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## 3. ENTITIES AFFECTED

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The Policy applies to all Group Entities.

All Group Entities must, as a minimum, meet the requirements set out in 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. In the case where current local laws are in conflict with this policy, the respective local Compliance Department must liaise with the AMLCO of the parent company of the Group, so as to resolve the issue.

All Bank subsidiaries and branches abroad are expected to enact in their own internal systems equivalent procedures regarding Sanction programs. The corresponding Bank function has the responsibility for coordinating the application of the framework across the Bank, in accordance with established reporting lines.

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## 4. POLICY

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### 4.1 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.
- Availability of information and provision of appropriate training by Group Entities' Compliance Departments to Group Entities employees to ensure that they understand the provisions of this policy, the importance of complying with it and the implications of a failure to do so.
- Implementation of appropriate filtering software systems that enable the screening of customers and transactions against UN, EU, US and UK sanctions lists as well as sanctions in the country of the Group entity's operation. Furthermore, the use of public information from worldwide reputable providers, e.g. World-Check, is required.

## 4.2 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.

All procedures relating to the treatment of sanctions (screening, accepting, reporting etc.) should be described in the relevant local operations manuals and in Organizational Circular 151.

Furthermore, all Compliance Departments are responsible to ensure that information on applicable sanctions and procedures is posted on their Employees' Portal and that this is updated regularly.

## 4.3 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.
- d) Focused prohibitions on the export of commercial and dual-use goods, software and technology subject to U.S. jurisdiction under the Export Administration Regulations ("EAR")

The treatment of customers / transactions falling in the above categories is described in Organizational Circular 151 and the relevant operations manuals of the subsidiaries.

### 4.3.1 Parties who become subject to U.S. or UK specific sanctions but not Cyprus /EU/UN sanctions

For parties who become subject to U.S. or UK specific sanctions but not Cyprus (or any other country the Group operates in), UN or EU sanctions, their accounts must be initially frozen. Thereafter, the Bank will assess the account and take one of the following actions:

- If the funds in the account are subject to US or UK jurisdiction in any manner, the account will need to be blocked / frozen respectively. The fact that an account is denominated in U.S. dollars /GBP is not in and of itself a cause for US /UK jurisdiction, although transfers between banks in dollars / Stg generally clear through the United States / UK correspondent Banks respectively.
- If it is clearly established beyond reasonable doubt that the funds in the accounts of the sanctioned entity are not subject to US / UK jurisdiction respectively in any manner, following consultation with the CL and the Group Compliance FC&SCD ([fcrime@bankofcyprus.com](mailto:fcrime@bankofcyprus.com)), the Bank can exceptionally proceed with the closure of the accounts and the termination of the business relationship taking into account the risk involved in each case.

- If the party sanctioned under US law is subject to a designation carrying US Secondary Sanctions (see description in Appendix 4), but the account is not subject to US jurisdiction and not denominated in U.S. dollars, seek specific guidance from the Compliance Division.
- If beyond reasonable doubt, (i) the party sanctioned under US law is not subject to a designation carrying US Secondary Sanctions, (ii) there is determined to be no US jurisdiction, and (iii) the account is not denominated in U.S. dollars, then the account could be exceptionally closed, taking into account the risk involved in each case, provided that the responsible Unit obtains the relevant instructions by the AMLCO, subject to the following:
  - It is imperative to create records confirming that the closing is to help the bank maintain legal compliance, avoid legal risk and act consistent with internal policy.
  - Arrange to transfer the account balance to an account at another financial institution indicated by the customer, to be remitted in a currency other than U.S. dollars.
- In all cases, the affected entities must be flagged as High-Risk Customers for easy identification and flagged accordingly for better monitoring.

#### **4.4 Training**

Group Entities should provide appropriate training to employees to ensure that they understand the provisions of this policy, the importance of complying with it and the implications of a failure to do so. Identified employees with positions of greater exposure or responsibility relating to the implementation of this Policy should receive enhanced training as appropriate. All training should be refreshed frequently as may be deemed appropriate. Compliance Departments in cooperation with Human Resources Departments will be responsible for arranging for and maintaining records of employee training.

#### **4.5 Reporting of Violations**

Senior Management and the Compliance Department of the Group Entity must be advised immediately of any potential violations relating to sanctions. Where deemed necessary the local Compliance Department must inform immediately the Director of Compliance and the AMLCO in Cyprus.

Reporting should be encouraged via written policies/procedures maintained by each Group Entity. No employee should be punished for reporting a perceived violation or concern, and no person in a position of authority should otherwise discourage reporting. Further, each Group Entity should ensure that reporting is treated as a positive event in performance reviews.

The responsible Compliance Department, upon receiving a report, will conduct an appropriate internal review and record its findings, as per the set procedures. The Compliance Officer may instruct the responsible business unit to freeze funds or an account pending the outcome of the review. Where the Compliance Department finds indications of a violation of sanctions or other laws, in addition to violation of the Policy, it will coordinate with the Legal Department and Senior Management to determine an appropriate response.

Where appropriate, the Compliance Division, in coordination with the AMLCO and Bank Legal Counsel, may report potential violations of U.S. sanctions rules by the Group or its Entities to OFAC as part of a “voluntary disclosure”. In certain cases, the Bank may choose to report activity related to parties where secondary sanctions apply, but there is no U.S. jurisdiction.

#### 4.6 Review of Policy and its Implementation

Periodic review, at least annually, and ongoing improvement is a key part of the Policy. The results of reviews will be shared with Group Entities and Compliance Departments will be responsible to implement recommendations and draw lessons learned in order to improve compliance implementation.

#### 4.7 Sanctions Compliance Officer

Both the Bank and each Group Entity will designate Sanctions Compliance Officers. This will usually be the same employee as the AMLCO.

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### 5. ROLES AND RESPONSIBILITIES

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The Roles and Responsibilities within the Bank of Cyprus are as follows:

- I. I. The **Board of Directors and Senior Management** understand the Bank’s obligations in relation to the Sanctions and Terrorism Laws and have the ultimate and overall responsibility for ensuring that:
  - The Bank’s business is in compliance with various legal and regulatory requirements, as well as all internal policies and procedures which govern the Bank’s activities.
  - The Bank develops and implements an appropriate and effective Sanctions Compliance Program, which:
    - Ensures management commitment with respect to sufficient authority and autonomy granted to the Compliance Department, allocation of adequate resources, and promotion of a “culture of compliance”.
    - Identifies risks emanating from the Bank’s business profile and ensures that these are managed in a manner commensurate with their magnitude and complexity.
    - Sets out relevant policies and procedures
    - Provides for testing and auditing of the Program
    - Provides for staff training at least on an annual basis
    - Establishes that engaging in sanctionable conduct is cause for immediate termination of business or employment and determines that appropriate controls have been adopted that adequately mitigate potential risks associated with the activity.
    - Ensures that employees who disclose illicit behavior be protected from retaliation and that a confidential mechanism exists to report suspected or actual illicit or sanctionable activity.
    - Encourages communication with relevant counterparts to articulate compliance expectations in a manner consistent with applicable laws and regulations.

The Board provides specific directions as to how the Bank will apply:

- a) Sanction programs which are not formally adopted by the Governments in any of the Countries where the Bank is present.
- b) Sanction programs which are adopted by the Governments of some but not all of the Countries where the Bank is present.

The Board is also responsible for setting appropriate arrangements for identifying, measuring, managing and controlling the risks of non-compliance with all obligations arising from Sanction programs in accordance with the policy statement.

- II. The **Audit Committee** of the Board is responsible for recommending appropriate Sanction programs Policy to the Board. In this respect, the Audit Committee reviews the Risks undertaken

by the Bank and recommend suitable policy to the Board of Directors. The Audit Committee also reviews the Annual AMLCO Sanctions Risk Assessment Report and recommends approval to the Board.

- III. The **Chief Executive Officer** (CEO) has overall responsibility for applying the provisions of Sanction programs, in accordance with the directions of the Board of Directors. In this respect, the CEO communicates the Bank position on enforcement of all relevant Sanction programs and takes all necessary measures to ensure that the relevant procedures are instituted and applied throughout the Bank.
- IV. **Operational Risk Management** is responsible for assessing the possible impact of non-compliance to Sanctions programs and for advising the Chief Risk Officer (CRO) accordingly.
- V. **Compliance Division** is responsible for:
  - a. Obtaining all relevant information as to the existing Sanction programs. Compliance maintains an internal list of all current Sanction programs which is available on the Portal.
  - b. Making the necessary recommendations to the Audit Committee, taking into account the common position of other Banks, and the recommendations of the Regulators or other relevant bodies.
  - c. Referring to the Audit Committee all matters relating to sanction programs which require further policy decisions.
  - e. Reviewing the systems and procedures in place for the application of Sanction programs.
  - f. Developing appropriate breach reporting systems and procedures and review all cases of non-compliance to Sanction programs.
  - g. Developing, reviewing and maintaining all local sanctions procedures, systems and procedures.
  - h. Preparing the Annual AMLCO Sanctions Risk Assessment Report, submitting it to the Audit Committee and the CBC.
- VI. **Legal Department** is responsible for analyzing the Sanction programs, and providing where needed, relevant explanations and clarifications or legal opinion.
- VII. The Responsibility of the **Business Heads**, is to:
  - a. Manage the application of the relevant policies and procedures.
  - b. Liaise with local Compliance Departments and Compliance Division to ensure that relevant procedures evolve enabling the business units to comply with Sanction programs
  - c. Communicate such procedures to all staff

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## 6. CAPITAL ADEQUACY AND LIQUIDITY OF THE BANK

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Capital requirements emanating from sanctions risks are calculated under the ICAAP exercise within the context of the calculation of Pillar II capital set aside for operational losses. In this respect, scenarios are drafted relating to either Money Laundering, Terrorist Financing or Sanctions Risk and historical data as well as existing mitigating measures are considered to calculate the expected loss in case the scenario crystalizes. Operational losses could be in the form of penalties, loss of business, legal/operational expenses or any other costs relevant to each scenario.

The provisions set out in this policy should be considered when selecting and drafting scenarios for the purposes of calculating capital requirements emanating from ML/TF risks.

In case operational losses are expected to influence cash flows, their impact on the liquidity stress tests and on the different liquidity matrices will be evaluated by Risk Strategy.



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**APPENDIX 1**

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**Appendix 1 - A**

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, UK ,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  
Somalia  
Venezuela

**Notes:**

Please refer to OC151 and the relevant operations manuals of the subsidiaries for the treatment of transactions to / from countries included in Appendix 1-A. In general, these vary according to the country and sanctions imposed, and Managerial approval is required for the performance of transactions.

**Appendix 1-B****List of countries which are subject to Sanctions / Restrictions related to actions destabilizing the situation in Ukraine:**

Belarus  
Russia

**Notes:**

Due to the extent and complexity of the imposed sanctions / restrictions please refer to General Circular (GC 2022-003) and the Customer Acceptance Policy, which describe the treatment of customers and transactions for clients with a Russian or Belarusian nexus.

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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, UK, EU and UN.**

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Current list of countries which are subject to **strict** sanctions (on an extended list of products / services and on the government) by OFAC, UK, 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 OC 151 and the relevant operations manuals of the subsidiaries for the treatment of customers connected with countries included in Appendix 2 as well as transactions to / from these countries. In general, new customers residing in these countries are not accepted, whilst existing customers are categorized as high risk, and are subject to prohibitions relating to the use of USD and Managerial approval is required for the performance of transactions.

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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, UK, UN and EU.**

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

Countries:

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

Territories:

- Crimea / Sevastopol
- Donetsk / Luhansk\*
- Kherson
- Zaporizhia

Note:

Please refer to OC 151 and the relevant operations manuals of the subsidiaries for the treatment of customers connected with countries included in Appendix 3 as well as transactions to / from these countries.

New customers connected to these countries are not accepted. There is an exception which allows the on-boarding of individuals with an Iranian passport who reside in countries under Category F of the Customer Acceptance Policy. These customers are classified as High Risk.

Existing customers resident in these countries (Iran) are categorized as High Risk until the termination of the business relationship is possible.

Clients connected to these countries are subject to transaction prohibitions, and in particular, prohibition in the use of USD, and general prohibition on outgoing wire transfers in any currency. Managerial approval is required for the performance of transactions.

No transactions relating in any way to these countries/areas are performed\*.

\*Transactions relating to the payroll of civil maritime personnel residing in Donetsk / Luhansk are allowed, provided that their services are performed outside the Covered Regions and such services are not performed on behalf of any entity located in, or organized under the laws of, the Regions (OFAC General License 24).

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## APPENDIX 4 - DEFINITIONS

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### **Group**

The Bank of Cyprus and its subsidiary companies.

### **Group Entity**

Any company of Bank of Cyprus.

### **High Risk Customer**

Customer that may pose a particular risk to the reputation of the Bank 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

### **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 Bank 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.

## **Office of Financial Sanctions Implementation (OFSI) – UK**

The UK government publishes the UK Sanctions List, which provides details of those designated under regulations made under the Sanctions Act. The list also details which sanctions measures apply to these persons or ships, and in the case of UK designations, provides a statement of reasons for the designation.

HM Treasury’s Office for Financial Sanctions Implementation provides a consolidated list of persons and organisations under financial sanctions, including those under the Sanctions Act and other UK legislation.