



# BGS REFINERY (FZC)

## TFS POLICY

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## 1. OVERVIEW

The UNSC holds the capacity to take action seeking to maintain or restore international peace and security under Chapter VII of the Charter of the United Nations by imposing sanctioning measures under **Article 41**. These measures encompass a broad range of enforcement options that do not involve the authorization of the use of armed force, including interruption of economic relations, international communications and diplomatic relations.

The Security Council sanctions regimes focus mainly on supporting the settlement of political conflicts, nuclear non-proliferation, and counterterrorism. These regimes include measures ranging from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and restrictions on dealing with certain financial or commodity transactions.

Since, the United Arab Emirates (UAE), as a member of the United Nations, is mandated to implement UN Security Council Resolutions (UNSCR), including those related to the UN's sanctions regimes. Consequently, through the **Cabinet Resolution No. 74 of 2020**, the UAE is implementing relevant UNSCRs on the suppression and combating of terrorism, terrorist financing and countering the financing of proliferation of weapons of mass destruction, in particular relating to targeted financial sanctions (TFS). Therefore, in accordance with the laws of the UAE, the UAE Government also applies TFS by publishing a Local Terrorism List in accordance with UNSCR 1373 (2001).

**BGS REFINERY FZC** ensures that it is in line with the Implementation of TFS. It also confirms that it will comply with all the obligations relating to TFS, which are as follows.

1. Conduct screening on existing, new, and potential clients to verify any positive names matched with any designated person (Entity or Individual).
2. Upon a new update to the relevant sanctions list screen its customer database without delay when new names are listed.
3. To conduct a review about the parties, the nature of transaction and the source of funds.
4. Upon screening reasonable measure must be taken to verify and confirm the identity of the customer against the designated person.
5. Has appropriate internal controls to ensure compliance with the most recent publication of targeted financial sanctions of the UNSC Consolidate lists and the Local Lists
6. Policies and procedures that prohibit staff from, directly or indirectly, informing the customer or any third party that freezing action or any Other Measures are going to be implemented as per provisions of Cabinet Resolution No. 74 of 2020.

## 2. PURPOSE

To implement the UN and local Targeted Financial Sanctions (TFS) regimes.

DNFBPs are obliged, by UAE law, to apply policies, procedures and controls to implement TFS to those sanctioned and referred in the UN List and the Local Terrorism List.

## 3. LEGAL FRAMEWORK

- **Federal Law** : Decree Federal Law No. 20 of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations.
- **Executive Regulation** : Cabinet Decision No. 10 of 2019 Concerning the Implementing Regulation of Decree Federal Law No. 20 of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations.
- **Executive Resolution** : Cabinet Resolution No. 74 of 2020 concerning the Local Terrorist List of terrorists and implementation of UN Security Council decisions relating to preventing and countering financing terrorism and leveraging non-proliferation of weapons of mass destruction, and the relevant resolutions.

## 4. SANCTION SCREENING POLICY

**BGS REFINERY FZC** recognizes the threat posed by sanctioned or blacklisted entities and individuals. As such, the Company will take appropriate precautions to ensure there are measures in place to prevent such relationships and to ensure those identified are fully investigated and appropriate action is taken on a timely basis.

As part of the KYC process, the Company has introduced appropriate systems for real time screening of customer names against Sanctions List. While establishing business relationship, names including customer, beneficial owners and other relevant names are screened against all applicable sanction list, particularly the UN Sanction List issued by the UN Security Council and local regulators' list.

- Ensure that system is updated with latest sanction lists.
- Ensuring that the existing customers are regularly screened against the updated sanctions lists.
- Reporting of transaction of sanctioned customers to Financial Intelligence Unit.

## 4.1 INTERNATIONAL SANCTIONS/ RESTRICTIONS ON HIGH-RISK JURISDICTIONS/ BLACKLISTS

International sanctions and embargoes are economic and trade sanctions mainly put in place by OFAC, United Nations, and European Union against selected countries. the Company shall perform sanctions screening against the following international sanction lists.

- UNSCR Sanctions list
- UAE Local Sanctions list; and
- Any other relevant sanctions list.

The sanctions can be either selective or comprehensive. As a result of which the Company, will not process transactions for such countries and likewise the Company is committed to adhere to sanctions imposed by International Regulatory bodies also. As such the CO shall be responsible to maintain High Risk Countries list and it will be updated in internal system as and when necessary.

To ensure that Company is in compliance with international sanctions issued by different international regulatory bodies such as United Nation, Office of Foreign Assists Control, European Union and HM Treasury the core application of Company is integrated with World-Check database for screening Watch lists including sanction and embargo lists such as OFAC, UK, HMT, EU this is in addition to FPEP List as this types of customers are classified as high risk and their transactions are subject to Enhanced Due Diligence and require approval of owner.

All the transactions generated by the core application of Company, are subject to screening against individual and entities included in sanction lists issued by above indicated international regulatory bodies.

A transaction with a potential match will be blocked by the system. And Compliance department investigate all transactions that are blocked to verify further information on the buyer or seller such as:

- Full Name
- Nationality
- Date of Birth
- Gender

This is to find out whether the match is false or genuine and transaction will be released immediately if it can be verified that it is a false match.

## 4.2 SCREENING OPERATIONS

The Company will ensure to regularly screen their databases and transactions against names on the UN Consolidated List and the Local Terrorist List, and immediately when notified of any changes to any of such lists, provided that such screening includes the following:

- *Searching their customer databases*
- *Search for the names of parties to any transactions.*
- *Search for the names of potential customers.*
- *Search for the names of beneficial owners.*
- *Search for names of persons and organizations with which they have a direct or indirect relationship.*

- *Continuously search their customer database before conducting any transaction or entering a serious business relationship with any person, to ensure that their name is not listed on the UN Consolidated List or the Local Terrorist List.*

## 5. WHAT ARE TARGETED FINANCIAL SANCTIONS (TFS)?

The term TFS refers to asset freezing and other financial prohibitions, agreed upon by the UNSC, to prevent funds or other assets from being made available, directly or indirectly, for the benefit of listed individuals, groups and entities.

The term targeted sanctions means that such sanctions are imposed against specific individuals or groups, or undertakings.

The term targeted financial sanctions includes both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of individuals, entities, groups, or organization who are sanctioned.

## 6. DURATION

Asset freezing and prohibition measures have **no time limit**. The funds must remain frozen, and the prohibition to offer funds and services stands until the individual, group, or entity is removed from the Local Terrorist List or the UN List or until there is a freezing cancellation decision made by a competent authority or the UNSC.

## 7. TYPES OF SANCTIONS IMPLEMENTED WITHIN UAE

The purpose of TFS is to deny certain individuals, groups, organizations, and entities the means to violate international peace and security, support terrorism or finance the proliferation of weapons of mass destruction. To achieve this, it seeks to ensure that no funds, financial assets, or economic resources of any kind are available to listed actors for so long as they remain subject to the restrictive measures.

The target financial sanctions are implemented in the UAE following UNSCR with relation to :

### **Terrorism and terrorist financing :**

- Islamic State in Iraq and the Levant (Da'esh), AlQaida, and associated individuals, groups, undertakings and entities.
- The Taliban, and associated individuals, groups, undertakings, and entities.
- Any individual or entity included in the Local Terrorist List, according to UNSCR 1373 (2001)

### **The proliferation of weapons of mass destruction (WMD) :**

- Democratic People's Republic of Korea (DPRK): nuclear-related, other weapons of mass destruction - related and ballistic missile-related programmes.
- Islamic Republic of Iran: nuclear programme.

### **Other UN sanctions regimes with TFS**

- Somalia
- Iraq
- Democratic Republic of Congo (DRC)
- Related to the involvement of terrorist bombing in Beirut (2005) plus restrictive measures in relation to UNSCR 1701 (2006) on Lebanon
- Libya
- Central African Republic (CAR)
- South Sudan
- Mali
- Yemen

**Note :** TFS restrictions published by the UN and the Local Terrorism List are subject to change.

## **8. WHOM TO TARGET?**

The freezing measures, including the prohibition of making funds available, apply to :

A. Any individual, group, or entity listed in the Local Terrorist List defined by the Federal Cabinet or listed by the UNSC in its Consolidated Sanctions List.

B. Any entity, directly or indirectly owned or controlled by an individual or entity listed under A.

C. Any individual or entity acting on behalf of or at the direction of any individual or Entity listed under A & B.

## **9. LISTS OF SANCTIONS FOLLOWED BY THE COMPANY**

- **UN List** : The UN Security Council has a Consolidated List of all the sanctioned individuals, groups, or entities by the UN Sanctions Committees.
- **Local Terrorist List** : Any individual or entity listed by the UAE.

## 10. OBLIGATIONS ON THE COMPANY TO IMPLEMENT TFS REGIMES

1. **Registration at the Executive Office** : The Company is registered at <https://www.uaieec.gov.ae/>
2. **Screening** : We undertake ongoing and daily checks to the following databases to identify possible matches with names listed in the Sanctions Lists issued by the UN List or the UAE Local Terrorist List:
  - a. Existing customer databases.
  - b. Names of parties to any transactions.
  - c. Potential customers.
  - d. Beneficial owners.
  - e. Names of individuals or entities with direct or indirect relationships with them.
  - f. Customers before conducting any transactions or entering a business relationship with any Person.
  - g. Directors and/or agents acting on behalf of customers (including individuals with power of attorney).
3. **Application of Targeted Financial Sanctions** : The following are the measures that must be implemented if a match with the UN List or the Local Terrorist List is identified :

**I. Freeze all funds** : freeze, without delay (immediately or in any case within 24 hrs.) and without prior notice to the Listed individual or entity all the funds:

- a. Owned or controlled, wholly or jointly, directly, or indirectly, by an individual or entity listed by the Cabinet or the UN list.
- b. Derived or generated from funds under item (a); or
- c. Any individual or entity acting on behalf of or at the direction of any individual or entity under item (a).

The obligations to freeze shall not prevent additions to frozen accounts of:

- interest, profits, or other earnings due on the account; or
- of payments due under contracts, agreements or obligations agreed upon prior to the date on which the account has become subject to Freezing, provided such additions are immediately frozen.

**II. Prohibition of making funds available** : No Person (natural and legal) in the UAE is permitted to provide funds to or render financial services or other services related to, whether in whole or in part, directly or indirectly, or for the benefit of any listed individual or group on the Local Terrorist List or on the UN list.

4. **Notify** : Reporting to be done within 2 business days from taking any freezing measure and/or attempted transactions to the Executive Office.



## 11. REGULATORY REPORTING

In line with the recent supervisory authorities' guidance and communication on the subject defining obligations of DNFBPs for TFS reporting as stipulated in the Cabinet Decision no. (74) of 2020, as a DNFBP and registered entity, **BGS REFINERY FZC** has obligation to report transactions in GoAML System for the following transaction which qualifies the following qualifications:

### 11.1 Fund Freeze Report (FFR)

When a Confirmed Match to a designated individual, group, or entity to the UAE Local Terrorist List or UNSC Consolidated List is identified, the Company is required to take the following necessary action:

- *Freeze without delay and prohibition of making funds or other assets available or provide services.*
- *Report measures via the GoAML platform within five business days by selecting the Fund Freeze Report (FFR)*
- *Ensure all the necessary information and documents regarding the Confirmed Match is submitted along with the FFR.*
- *Freezing measures shall remain in effect until the person is de listed.*

In case of Confirmed matches, **BGS REFINERY FZC** is liable to report FFR on the goAML portal.

### 11.2 Partial Name Match Report (PNMR)

When a Potential Match to a designated individual, group, or entity to the UAE Local Terrorist List or UNSC Consolidated List is identified, the Company is required to take the following necessary action:

- *Suspend without delay any transaction and refrain from offering any funds or services.*
- *Report the Potential Match via GoAML platform within five business days by selecting the Partial Name Match Report (PNMR).*
- *Ensure all the necessary information and documents regarding the name match is submitted.*
- *Uphold suspension measures related to the Potential Match until further instructions are received from Executive Office or the relevant supervisory authority.*

In case of any doubt regarding the identity of any customer, **BGS REFINERY FZC** is obligated to file PNMR on the goAML portal.

## 12. ASSET FREEZING MECHANISM

### 12.1 DETECTION

The Company will ensure to have an adequate system for the detection of confirmed and partial name matches if any on a real time basis.

## 12.2 ALERT DISPOSITION

When the system detects a client or beneficial owner, CO must analyze the alert to determine whether the client detected is the person or entity subject to a freezing measure or simply has the same name as that person or entity.

If the alert occurs before a transaction is executed or before a financial service is provided, CO must suspend execution of the transaction or provision of the service to a person or entity named in a freezing measure until the alert has been fully processed.

When CO does not have sufficient information at his/her disposal to deal with the alert, it is up to him/her to collect the information required to carry out this analysis and analyze the transaction or business relationship to determine whether a link can be established with a country subject to sanctions or with the objective pursued by the relevant UNSCR regulation or UAE Local sanctions.

## 13. IMPLEMENTING FREEZING MEASURES

### 13.1 IMPLEMENTATION PROCEDURES

When the CO identifies that the client is subject to a freezing measure, they are required to apply the freezing measure **without delay** as soon as it comes into force. The CO does not have to request authorization or confirmation of the freezing measure from the EOCN and the FIU other than submitting the Fund Freeze Report (FFR).

The Company is obligated to carry out the appropriate procedures that are as follows:

- The Company upon application of such freezing measures, the person or entity name identified must always be notified as per their last address known to the authority deciding on the measure. The notification letter must specify the reasons for such freezing as per UNSCRs or decisions of the Cabinet regarding issuance of the Local Terrorist List.
- The CO has to ensure to report measures via the GoAML platform within Five business days by selecting the Fund Freeze Report (FFR).
- And the CO shall ensure to cooperate with the Executive Office and the relevant Supervisory Authority in verifying the accuracy of the submitted information.

### 13.2 LIFTING MEASURES

Freezing procedures and other measures may be lifted when taken against an individual, entity, or group who was adversely affected under the following situations:

- An individual, entity, or group that has a name identical or similar to a designated individual, entity, or group;
- The designated individual, entity, or group has been removed from the list by the relevant authorities; or
- The individual, entity, or group is a third party acting in good faith who has been adversely or wrongly affected by the freezing measures.

For cancellation of freezing and any other measures taken against an individual, entity, or group with a name identical or similar to an individual, entity, or group designated, or the person who has been adversely affected by the freezing or any of the other measures due to being designated in the Local

Terrorist List, the Freezing measures, he/she must submit a written application to the Executive Office accompanied with all supporting documents to the email: [iec@uaeiec.gov.ae](mailto:iec@uaeiec.gov.ae).

A judgement may also cancel or suspend freezing measures. As soon as a freezing measure is lifted, CO must ensure to lift all restrictions implemented without delay. Using their AML/CFT system, they must reassess the risk profile of their business relationships with the persons or entities concerned and implement appropriate due diligence measures.

## 14. NON-PROLIFERATION FINANCING

### 14.1 Overview

Along with the risk assessment pertaining to money laundering and financing of terrorism, it is obligatory on the part of DNFBPs to assess the risk associated with “proliferation financing.”

Accordingly, it is critical to understand what the word “proliferation” means and how “proliferation financing” is a threat to the DNFBPs and society as a whole.

- **WMD (Weapons for Mass Destruction) Proliferation** refers to the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling, or use of *nuclear, chemical, or biological weapons* and their means of delivery and related materials (including both Dual-Use technologies and goods used for non-legitimate purposes).
- **Financing of Proliferation or Proliferation Financing (‘PF’)** refers to the risk of raising, moving, or making available funds, other assets or other economic resources, or financing, to persons or entities for purposes of WMD proliferation, including the Proliferation of their means of delivery or related materials.

There are 3 stages of PF:

1. Program fundraising
2. Disguising the funds
3. Procurement of proliferation-sensitive materials and technology

**North Korea** and **Iran** are subject to Targeted Financial Sanctions (‘TFS’) related to WMD proliferation, as these countries are a global threat because of their efforts to develop illegal WMD programs and capabilities.

**Proliferation Financing Risk** refers to the potential breach, non-implementation, or evasion of the TFS obligations pursuant to United Nations Security Council Resolutions relating to the prevention, suppression, and disruption of the Proliferation of WMD and its financing.

The EOCN is responsible for implementing the provisions of Federal Decree Law No. (43) of 2021 On the Commodities Subject to Non-Proliferation which replaces Federal Law No. (13) of 2007 Concerning Commodities Subject to Control of Import and Export.

This is for the aim of preventing the illegal and unauthorized circulation of dual-use goods that contribute to the production or development of weapons of mass destruction, along with their associated technology and means of delivery.

FATF obligations on PF, including when it comes to assessing PF risk, are limited to compliance with UNSC targeted financial sanctions (TFS) on North Korea and Iran. Entities on TFS lists have been sanctioned for engaging in or supporting sanctions evasion activity.

Others engaging in or supporting evasion of activity-based sanctions may be candidates for future designation. For effective compliance it is essential that:

- Understanding the types of activities that sanctioned entities are most likely to be engaging in helps assess risk exposure and prioritize mitigation measures;
- Compliance with the full scope of international obligations on CPF is not optional.

## 14.2 PF Threats

- As per Strategic Analysis Report issued by the UAE FIU, following is an illustrative list of ML/FT risk indicators captured in the report involving the abuse of precious metals and stones :
- Using DPMS entities as “front” to launder the illegal money using trade-based money laundering methods like incorrect invoicing, phantom shipment, or fictitious supply transactions.
- Use of multiple DPMS entities as a ‘Corporate Vehicle’ to disguise the source of funds by creating multiple layers by way of transferring a large sum of money amongst the entities without any business rationale.
- Smuggling gold or illegally transferring the gold from the conflict-affected or high-risk jurisdiction. This smuggled gold or illegally transported gold is sold in smaller quantities to local DPMS entities against cash or is processed and re-exported illegally to different countries,
- Sourcing of gold from miners without adequate due diligence of the miner,
- Individuals smuggle cash (importing and exporting) on behalf of DPMS entities.

## 14.3 PF Vulnerabilities

Factors which a company may be exposed to in relation to PF are:

- DPMS entities extensively transact in cash;
- Adverse news about the DPMS’ UBO or senior management;
- DPMS or its UBO or management having close association with high-risk countries;
- Transfer of funds amongst unrelated companies, having no business nexus;
- DPMS or its employees engaging in frequent foreign currency conversions without any business logic;
- Inadequate documentation of the precious metal and stone transaction;
- DPMS transacting in gold instead of cash/bank transfer;
- DPMS entities importing precious metals from conflict-affected jurisdictions, or the volume of import is inconsistent with the country of import (having limited mining capacity or no mines).

## 15. MANDATORY COMPLIANCES FOR HIGH-RISK COUNTRIES

- DNFBPs must screen customers against the FATF Jurisdictions under Increased Monitoring and High-Risk Jurisdictions Subject to a Call for Action while onboarding and continuously monitor their transactions throughout their business relationship.
- DNFBPs should ensure that their customer due diligence measures verify their customer’s residence in, or business with, listed countries and that their transaction monitoring measures can examine the size, frequency, and pattern of transactions involving high-risk countries to determine the possibility of occurrence of financial crimes such as money laundering.
- DNFBPs must file suspicious transaction/activity reports (STR/SAR) to the Financial Intelligence Unit (FIU) when red flags are observed so that enforcement actions can be conducted.
- DNFBPs are obligated to report the transaction or activity with high-risk countries subject to a “Call for Action” to the FIU by filing High-Risk Country Transaction Report or **High Risk Country Activity Report (HRC/HRCA)**, as the case may be.

- DNFBBs are required to have appropriate risk-based AML/CFT protections in place to limit the potential of money laundering and terror financing posed by countries subject to increased monitoring or listed as high-risk jurisdictions subject to a “Call for Action” by FATF.

## 16. ADDITIONAL OBLIGATIONS

In addition to the above, the **COMPANY** has the following obligations :

1. **Cooperate** with the Executive Office and the relevant Supervisory Authority in verifying the accuracy of the submitted information.
2. **Implement the freezing cancellation or lifting decision**, when appropriate, without delay, pursuant to Related UNSCR or decisions of the Cabinet regarding issuance of Local Terrorist List.
3. **Set and implement:**
  - Internal controls and procedures to ensure compliance with the obligations arising from Cabinet Resolution No. 74 of 2020.
  - Policies and procedures that prohibit staff from, directly or indirectly, informing the customer or any third party that freezing action or any Other Measures are going to be implemented as per provisions of Cabinet Resolution No. 74 of 2020.

## 17. ANNEXURE

**FATF's list of High Risk countries as per Circular No. MOEC/AML/001/2023 dated :  
15<sup>th</sup> March, 2023**

### I. Grey List : Jurisdictions under increased monitoring

S. No.	Country	S. No.	Country
1	Albania	13	Panama
2	Barbados	14	Philippines
3	Burkina Faso	15	Senegal
4	Cayman Islands	16	South Africa
5	Democratic Republic of the Congo	17	South Sudan
6	Gibraltar	18	Syria
7	Haiti	19	Turkey
8	Jamaica	20	Tanzania
9	Jordon	21	Uganda
10	Mali	22	United Arab Emirates
11	Mozambique	23	Yemen
12	Nigeria		

### II. Black List : High – risk countries subject to Call for Action

S.No	Country	Remarks
1	Iran	Jurisdictions to apply countermeasures( subject to FATF calls on its members)
2	Democratic People's Republic of Korea	Jurisdictions to apply countermeasures( subject to FATF calls on its members)
3	Myanmar	Jurisdictions to apply Enhanced due diligence measures proportionate to the risk arising from Myanmar.

**Meaning of Grey Listed Country :** It means the country is actively working with FATF's recommendations to fight against money laundering and other risks. It means the government is taking active measures to identify the deficiencies in its regulatory structure and correct them within the agreed timelines.

**Meaning of Black Listed Country :** FATF blacklist features the high-risk jurisdictions subject to a Call for Action.

**NOTE :** The above list of jurisdictions under increased monitoring is updated as on 24<sup>th</sup> February, 2023. The new countries added to this list are **Nigeria** and **South Africa**. Also, **Combodia** and **Morocco** have been removed from the list.