

ALYIANT2YOU: Regulatory Brief

The Bite of Sanctions

Introduction

The increasing global spotlight on sanctions against individuals, entities, and groups, is a stark reminder of the importance of ensuring awareness and compliance with applicable sanctions regulations, particularly in the course of conducting business. The consequences of the failure to comply with applicable sanctions vary between jurisdictions, including significant financial penalties, imprisonment and adverse effects on a business and persons associated with the business. In this paper, we discuss the Financial Action Task Force (“FATF”) and the general sanctions frameworks of the United Nations (“UN”); the United Arab Emirates (“UAE”); the European Union (“EU”); the United Kingdom (“UK”); and the United States (“US”).

UN Sanctions Framework

Under Chapter VII of the Charter of the United Nations, the United Nations Security Council (“UNSC”) has the capacity to take measures to maintain or restore peace and security. Chapter VII provides in material part that the UNSC may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and calls upon the Member States of the UN to apply such measures. Article 41 of Chapter VII gives the UNSC the authority to use a variety of measures to enforce its decisions. Among the most common are "sanctions" measures, ranging from comprehensive economic trade sanctions to more targeted measures such as travel bans, arms embargoes, and financial and commodity restrictions.

The UNSC has established 30 sanctions regimes since 1966. Today, there are 14 ongoing UN sanctions regimes, which are in relation to: (a) terrorism and financing; (b) the proliferation of weapons of mass destruction; and (c) other UN sanction regimes. Each sanction’s regime is administered by a sanctions committee established by the UNSC. There are also 10 monitoring groups, teams and panels that support the work of 11 of the 14 sanctions committees. The published United Nations Security Council Consolidated List (“UNSC Consolidated List”) includes all individuals, entities and groups subject to measures imposed by the UNSC. The inclusion of all names on the UNSC Consolidated List is to facilitate the implementation of the measures. Each sanctions committee publishes the names of individuals and entities listed in relation to that committee and information concerning the specific measures applicable to each listed name.

FATF

The Financial Action Task Force (“FATF”) is the global money laundering and terrorist financing monitor, established by the G-7 Summit that was held in Paris in 1989 and is a major catalyst for the international approach to combating money laundering and the financing of terrorism and proliferation, and related matters, including sanctions. The UAE is a member of the Co-operation Council for the Arab States of the Gulf (“GCC”) and the GCC is a FATF member. FATF developed the “International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation” (the “FATF Recommendations”), which were adopted by the FATF Plenary in 2012. There are 40 FATF Recommendations and to achieve their global implementation, several FATF-Style Regional Bodies (FSRBs) have been established in addition to the 39 FATF members. The Middle East and North Africa Financial Action Task Force (“MENAFATF”) is one of the FSRBs. The UAE is a member of MENAFATF and has developed and implemented its sanctions framework and regulations.

In the context of “targeted financial sanctions” or “TFS” (discussed further below in the context of the UAE’s sanctions framework), FATF Recommendations 6 and 7 are relevant. Recommendation 6 provides for “Targeted financial sanctions related to terrorism and terrorist financing” and pertains to countries implementing targeted financial sanctions regimes to comply with UNSC resolutions relating to the prevention and suppression of terrorism and terrorist financing. Recommendation 7 provides for “Targeted financial sanctions related to proliferation” and pertains to the requirement for countries to implement targeted financial sanctions to comply with UNSC resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing. The UAE’s sanctions framework aligns with the above recommendations of FATF.

UAE Sanctions Framework

Robust legislation and measures have been implemented by the UAE with respect to sanctions. Legislative measures are contained in and implemented pursuant to Federal Decree Law No.20 of 2018 on “Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations” (“Federal Law No.20 of 2018”) as amended by “Federal Decree Law No.26 of 2021”, and Cabinet Decision No.74 of 2020 regarding “Terrorism Lists Regulation and Implementation of UN Security Council Resolutions on the Suppression and Combating of Terrorism, Terrorist Financing, Countering the

ALYIANT2YOU: Regulatory Brief

Proliferation of Weapons of Mass Destruction and its Financing and Relevant Resolutions” (“**Cabinet Decision No.74**”). Cabinet Decision No.74 covers the ‘Local Lists’ (e.g. the national terrorist list issued by the UAE Cabinet – see also discussion below) and ‘Sanctions List’ (e.g. the UNSC Consolidated List – see also discussion below). International sanctions are outside the scope of Cabinet Decision No.74. Regarding designations on international sanctions lists (e.g. those of the EU, the UK and the US), the requirements of the relevant Supervisory Authorities in the UAE are required to be followed. The “Supervisory Authorities” referred to are the relevant federal and local authorities entrusted by legislation to supervise ‘FIs’, ‘DNFBPs’ and ‘VASPs’ (see below). For example, the Dubai Financial Services Authority (the “**DFSA**”) is the Supervisory Authority in the case of a ‘Relevant Person’ in the Dubai International Financial Centre (“**DIFC**”) (see below under the heading of AML Module). Cabinet Decision No.74 is applicable across the UAE in its entirety, including in the UAE’s two financial free zones, namely: the DIFC and the Abu Dhabi Global Market. Both have put in place their respective rules for sanctions compliance, which apply along with Cabinet Decision No.74. In the context of the UAE, this paper focuses on some of the several aspects of the obligations under Cabinet Decision No.74 and in connection with the DIFC, the Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module of the DFSA Rulebook (“**AML Module**”).

Cabinet Decision No.74 of 2020

As a member of the UN, the UAE implements UNSC resolutions, including those related to the UN’s sanctions regimes. Through Cabinet Decision No.74 of 2020, the UAE implements relevant UNSC resolutions on the suppression and combating of terrorism, terrorist financing and countering the financing of proliferation of weapons of mass destruction, in particular those relating to targeted financial sanctions (“**TFS**”). Simply put, 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 provisions of Cabinet Decision No.74 or the “Decision”

The Decision applies to all persons (natural and legal) in the UAE. In particular, included in the Decision are provisions for specific obligations applicable to “Financial Institutions” (“**FIs**”), “Designated Non-financial Businesses and Professions” or “**DNFBPs**” and “Virtual Asset Service Providers” or “**VASPs**”.

We focus on: (a) freezing Funds as per the Sanctions List and Local Lists; (b) “Confirmed Matches”, “Positive Matches” and “False Positive Results”; (c) reporting of a “Confirmed Match” or “Positive Match”; (d) reporting of STRs/SARs; and (e) additional obligations of FIs, DNFBPs and VASPs. Whilst this paper generally covers some parts of the Decision, the Decision should itself be viewed in its entirety, along with the various guidance’s published by the UAE’s “Committee for Goods and Material Subjected to Import and Export Control”/ “Executive Office for Control and Non-Proliferation” (the “**Executive Office**”). In the case of a “Relevant Person” in the DIFC, the AML Module and guidance/instructions issued by the DFSA from time to time also need to be viewed in their entirety.

The Decision sets out the mandate of the Executive Office’s (or “Office” as is referred to in the Decision), which includes acting as a central authority for ensuring implementation of UNSC resolutions and TFS in the UAE, and for publishing the Sanctions List and updated Local Lists on the website of the Executive Office. So as to put the matters the above matters in context, discussed at the outset are few of the definitions which are used in the substantive provisions of the Decision: “Local Lists”, “Sanctions List”, and “Funds”.

“**Local Lists**” is defined by the Decision as: “Terrorism lists issued by the Cabinet pursuant to the provisions of Article 63 paragraph (1) of Federal Law No.7 of 2014.”. By way of reference, Article 63(1) of Federal Law No.7 of 2014 on Combating Terrorism Offences provides that the Cabinet may, based on the proposal of the Minister of Presidential Affairs, issue a decision on the creation of list(s) of terrorist organisations or persons that pose threat to the UAE or that the UAE is internationally bound to include therein. The Decision provides for the procedure for proposed Listing (as defined) and re-listing on Local Lists and updating of same. The “Local Lists” can be accessed through the website of the Executive Office. Note: references to the “Cabinet” is the UAE Cabinet.

“**Sanctions List**” is defined by the Decision as: “A list containing the names of individuals and organizations linked to terrorism, financing of terrorism or proliferation of weapons of mass destruction and its financing, and that are subject to sanctions imposed as per UNSCRs and decisions of the Sanctions Committee, along with information related to such persons and reasons for their listing.”. The “Sanctions Committee” is the relevant UNSC Committee established as per its resolution. The “Sanctions List” (e.g. the UNSC Consolidated List) can be accessed through the website of the Executive Office or by directly visiting the website of the UN.

The term “**Funds**” is set forth in the Decision and in Federal Law No.20 of 2018 (as amended by Federal Law No.26 of 2021), which in essence is broadly defined as: *assets, whatever the method of acquisition, type and form, tangible or intangible,*

ALYIANT2YOU: Regulatory Brief

movable or immovable, electronic, digital or encrypted, including local and foreign currencies, legal documents and instruments of whatever form, including electronic or digital form that proves ownership of such assets, shares or related rights and economic resources that are assets of any kind, including natural resources, as well as bank credits, cheques, payment orders, shares, securities, bonds, bills of exchange and letters of credit, and any interest, profits or other incomes derived or resulting from these assets, and can be used to obtain any financing or goods or services.

Freezing Funds as per the Sanctions List and Local Lists

The Decision provides that **any person** shall “**Without Delay**” (defined in the Decision to mean “**Within 24 hours**” of the Listing (as defined) decision being issued by the UNSC, the Sanctions Committee or the Cabinet), **and without prior notice, freeze Funds** as per the Sanctions List and Local Lists without limiting such measures to Funds that may be used to perpetrate a certain act, conspiracy, threat or agreement related to terrorism and its financing or weapons of mass destruction proliferation and its financing.

The freezing measures include: (a) Funds owned or controlled, wholly or jointly, directly or indirectly, by the Listed Person or Funds owned or controlled, wholly or jointly, directly or indirectly, by a person or organization acting on behalf of or at the direction of the Listed Person; and (b) Funds derived from funds under (a) above. The Decision provides that the Executive Office is to be notified of any freezing measures within five (5) business days of the freezing. See discussion below under the heading of “Reporting”.

Confirmed Matches/Potential Matches/False Positive Result

In the context of “Reporting” (see below), there is a distinction between: (a) a “Confirmed Match”: which is when an individual, entity or group matches all key identifiers published on the Local Lists or the Sanctions List; (b) a “Potential Match”: which is when there is a partial match between identifiers in the Local Lists or the Sanctions List with any information in one’s database and inability to conclude a False Positive or a Confirmed Match; and (c) a “False Positive Result”: which is a Potential Match to a listed individual, entity or group, either due to the common nature of the name or due to ambiguous identifying data, which on examination does not prove to be a Confirmed Match. Whilst reporting is required in instances of a “Confirmed Match” or a “Potential Match”, in the case of a “False Positive Result”, once the reporting entity is satisfied that an individual, entity or group is not designated, there is no requirement implement TFS measures and the transaction may be allowed to continue in the normal course, but with the requirement of maintaining evidence of the process in one’s records.

Reporting of Confirmed Match or Potential Match

FIs, DNFBPs and VASPs: “Financial Institutions” (i.e. FIs), “DNFBPs” and Virtual Asset Service Providers (i.e. VASPs) have a specific methodology of reporting. What constitutes a FIs and DNFBPs is set forth in detail in Federal Law No.20 of 2018 (as amended by Federal Law No.26 of 2021), read with Cabinet Decision No.10 of 2019 (Concerning the Implementing Regulations of Federal Law No.20 of 2018). Federal Law No.26 of 2021 amends Federal Law No.20 of 2018, with the amendments including provisions relating to “VASPs” and also provides that the “Executive Regulations” (e.g. Cabinet Decision No.74) shall regulate the obligations of VASPs. Federal Law No.20 of 2018 (as amended by Federal Law No.26) requires FIs, DNFBPs and VASPs to promptly apply directives when issued by the competent authorities in the UAE for implementation of the decisions of the UNSC under Chapter VII of the UN Convention for the Prohibition and Suppression of the Financing of Terrorism and Proliferation of Weapons of Mass Destruction, and other related directives.

FIs, DNFBPs and VASPs are required to be registered on the ‘goAML’ platform and need to report any freezing or suspension measures taken upon identifying a ‘Confirmed Match’ or a ‘Potential Match’ through the goAML platform. The reports submitted via the goAML platform is simultaneously received by the Executive Office and the relevant Supervisory Authority (e.g. the DFSA as the relevant Supervisory Authority for a “Relevant Person” in the DIFC).

In the instance of a Confirmed Match, the reporting entity must, in terms of the guidance published by the Executive Office, freeze Without Delay all Funds and other assets and submit a “Funds Freeze Report” (FFR) through the goAML platform within five (5) business days of implementing the freezing measures, along with all necessary information and documents regarding the Confirmed Match and the freezing measures taken. Once the reporting entity raises the FFR through goAML, the Executive Office and the relevant Supervisory Authority are notified simultaneously. Where the Confirmed Match is a potential customer, the transaction must be rejected immediately and the case reported as above. Any applicable additional and specific guidelines/guidance/instructions of relevant individual Supervisory Authorities in connection with a Confirmed Match would also need to be followed.

In the case of a Potential Match, the reporting entity, in terms of the guidance published by the Executive Office, is required to suspend Without Delay any transaction, refrain from offering any funds, other assets or services, and submit a ‘Partial Name Match Report’ (PNMR) through the goAML within five (5) business days, along with all necessary information and documents

| Alyiant Consultancy Limited |

| Registered Address: GV-00-02-03-BC-09-0, Level 3, Gate Village Building 2 |

| Dubai International Financial Centre, Dubai, United Arab Emirates | PO Box: 113355 |

| E-mail: info@alyiantconsultancy.com | Tel: +971 4 4019390 | M: +971 50 9131027 | Fax: +971 4 4019392 |

ALYIANT2YOU: Regulatory Brief

regarding the name match and maintain suspension measures related to the Potential Match until further instructions are received from the Executive Office. Once the reporting entity raises the PNMR through goAML, the Executive Office and the relevant Supervisory Authority are notified simultaneously. Any applicable additional and specific guidelines/guidance/instructions of relevant individual Supervisory Authorities in connection with a Potential Match would also need to be followed.

Other persons reporting TFS by Email: For non-goAML users, which are persons not falling within the scope of the definition of an FI, DNFB or VASP and therefore not obliged to register on the goAML platform, the reporting of any freezing measures or attempted transaction by a designated individual, entity, or group must be communicated by directly sending an email to the Executive Office at a prescribed email address provided by the Executive Office within the time periods specified above for Confirmed Matches and Potential Matches. The email must include information on the full name of the Confirmed Match or Potential Match, and the value of the Funds or other assets frozen or suspended.

Reporting Suspicious Transaction Reports (STRs)/Suspicious Activity Reports (SARs)

Any suspicious transactions or activities that do not include a Confirmed Match or a Potential Match to the Local List or the Sanctions List should be reported-by FIs, DNFBPs and VASPs to the Financial Intelligence Unit (FIU) of the UAE by raising a STR or SAR (as the case maybe) through the goAML platform, or by any other means approved by the FIU.

Additional Obligations of FIs, DNFBPs and VASPs

FIs, DNFBPs and VASPs are subject to additional obligations, which under the Decision include: (i) registration on the website of the Office (i.e. the Executive Office) to receive notifications related to new listing, re-listing, updating or uploading the lists issued by the UNSC (e.g. UNSC Consolidated List), the Sanctions Committee or the Cabinet; (ii) regularly screening their databases and transactions against names on lists issued by the UNSC, the Sanctions Committee or the Local Lists and also immediately when notified of any changes to any of such lists, provided that such screening includes the following: (a) search of customer bases; (b) searching the names of parties to any transaction; (c) searching for the names of potential customers; (d) searching for the names of beneficial owners; (e) searching for the names of persons and organizations with which they have a direct or indirect relationship; (f) continuously searching their customer databases before concluding any transaction, or entering into a serious business relationship with any person to ensure that their name is not listed on the Sanctions List or the Local Lists. As discussed above, FIs, DNFBPs and VASPs are required to implement freezing measures, without delay, and without prior notice to the Listed Person (i.e. the person or organization listed by the UNSC on the Sanctions List, or listed by the Cabinet on the Local Lists, immediately when a match is found through the screening process referred to above. Regarding (i) above on registration on the website of the Office (i.e. the Executive Office), persons which are not FIs, DNFBPs or VASPs, would need to register on the website of the Office to receive notifications relating to new listings, re-listings, updates or uploading of the lists referred to.

FIs, DNFBPs and VASPs are in terms of the Decision also required: (a) to establish and effectively implement internal controls and procedures to ensure compliance with the obligations arising under the Decision; (b) establish and implement policies and procedures that prohibit staff from, directly or indirectly, informing the customer or any third party that freezing or Other Measures shall be implemented in accordance with the provisions of the Decision; and (c) cooperate with the Office and the Supervisory Authority in verifying the accuracy of submitted information. The "Other Measures" referred to are defined in the Decision as: "Sanction measures other than freezing that must be enforced, and which may be included in Relevant UNSCRs or Cabinet decisions regarding the issuance of Local Lists, such as prohibitions relating to travel, weapons, imports, or provisions of fuel supplies."

FIs, DNFBPs and VASPs are required to immediately notify the Supervisory Authority in several circumstances set out in the Decision: (a) identification of funds and actions that have been taken as per the requirements of Relevant UNSCRs (defined in the Decision as: "All current and future UN Security Council resolutions relating to the suppression and combatting of terrorism, terrorist financing and proliferation of weapons of mass destruction and its financing, including but not limited to..." (with the definition also referring to specific resolutions)) or decisions of the Cabinet regarding the issuance of Local Lists, including attempted transactions; (b) detection of any match with listed persons or entities, details of the match data and actions that have been taken as per the requirements of Relevant UNSCRs and Local Lists, including attempted transactions; (c) if it was found that a previous customer or any occasional customer it dealt with, is listed on the Sanctions List or the Local Lists; (d) if it suspects that one of its current or former customers, or a person it has a business relationship with is listed or has a direct or indirect relationship with the Listed Person; (e) no action has been taken due to a false positive, and the inability to dismiss such false positive through available or accessible information; (f) information relating to Funds that have been unfrozen. The requirement of reporting entities to submit FFRs and PNMRs via the goAML platform is part of the process for meeting the obligations to notify the Supervisory Authority.

ALYIANT2YOU: Regulatory Brief

Penalties and Administrative Sanctions

In terms of Federal Law No. 20 of 2018 (as amended by Federal Law No. 26 of 2021), any person who violates the instructions issued by the Competent Authority in the UAE for the implementation of the directives of the UNSC under Chapter VII of the UN Convention for the Suppression of the Financing of Terrorism and Proliferation of Weapons of Mass Destruction and other related decisions” (i.e. Cabinet Decision No.74), will be liable for imprisonment of no less than one year and no more than seven (7) years, or a fine of no less than AED 50,000.00 (fifty thousand Dirhams) and no more than AED 5,000,000.00 (five million Dirhams).

In addition, under Federal Law No.20 of 2018 (as amended by Federal Law No.26 of 2021), the relevant Supervisory Authority is responsible for imposing the following administrative penalties on FIs, DNFBPs, VASPS and non-profit organizations in case they violate Federal Law No.20 of 2018 (as amended by Federal Law No. 26 of 2021) and its Executive Regulation or regulatory decisions in addition to any other related decisions (e.g. Cabinet Decision No74): (a) warning; (b) administrative fine of no less than AED 50,000.00 (fifty thousand Dirhams) and no more than AED 5,000,000.00 (five million Dirhams) for each violation; (c) banning the violator from working in the sector related to the violation for the period determined by the Supervisory Authority; (d) constraining the powers of the board members, supervisory and executive management members, managers or owners who are proven to be responsible for the violation, including the appointment of a temporary supervisor; (e) arresting managers, board members and supervisory and executive management members who are proven to be responsible for the violation for a period to be determined by the Supervisory Authority or request their removal; (f) arrest or restrict the activity or the profession for a period to be determined by the Supervisory Authority; (g) cancellation of license.

AML Module

In the DIFC, a “Relevant Person” is required to comply with the AML Module and the Decision. A “Relevant Person” covers: (a) an “Authorised Firm” other than a “Credit Rating Agency”; (b) an “Authorised Market Institution”; (c) a “DNFBP”; and (d) a “Registered Auditor”, all as defined in applicable DIFC legislation.

The AML Module makes provision for relevant UN resolutions and sanctions and requires a Relevant Person to establish and maintain effective systems and controls to ensure that on an ongoing basis it is properly informed as to, and takes reasonable measures to comply with, relevant resolutions or sanctions issued by the UNSC. A Relevant Person is also required to immediately notify the DFSA upon becoming aware that it is: (a) carrying on or about to carry on an activity; (b) holding or about to hold money or other assets; or (c) undertaking or about to undertake any other business whether or not arising from or in connection with (a) or (b); for or on behalf of a person, where such carrying on, holding or undertaking constitutes or may constitute a contravention of a relevant sanction or resolution issued by the UNSC.

A Relevant Person is required to establish and maintain systems and controls to ensure that on an ongoing basis, it is properly informed as to, and takes reasonable measures (specified in the AML Module) to comply with, any findings, recommendations, guidance, directives, resolutions, sanctions, notices or other conclusions issued by: (a) the government of the UAE or any government departments in the UAE; (b) the Central Bank of the UAE or the FIU; (c) FATF; (d) UAE enforcement agencies; and (e) the DFSA, concerning: (a) arrangements for preventing money laundering, terrorist financing or the financing of weapons of mass destruction in a particular country or jurisdiction, including any assessment of material deficiency against relevant countries in adopting international standards; and (b) the names of persons, groups, organizations or entities or any other body where suspicion of money laundering or terrorist financing or the financing of weapons of mass destruction exists.

A Relevant Person is required to immediately notify the DFSA in writing if it becomes aware of non-compliance by a person with a finding and provide the DFSA with sufficient details of the person concerned and the nature of the non-compliance. This is in addition to other specified notification obligations of a Relevant Person to the DFSA under the AML Module. The AML Module requires ongoing sanctions screening by a Relevant Person, which should review its customers, transactions and records databases for any names appearing in resolutions or sanctions issued by the UNSC – e.g. the UNSC Consolidated List. A Relevant Person is also expected to take steps in acquiring relevant information from various available sources, such as, for example, from the consolidated list of financial sanctions of the UAE Cabinet (e.g. the Local Lists), the European Union Office, HM Treasury (United Kingdom) lists, and the Office of Foreign Assets Control of the US Department of the Treasury. Sanctions frameworks of the EU, the UK and the US are briefly discussed below.

EU Restrictive Measures (Sanctions) framework

Known as restrictive measures, sanctions are a tool in the EU’s Common Foreign and Security Policy (CFSP). Decisions on the adoption, renewal, or lifting of sanctions regimes are taken by the Council of the European Union (“Council”), on the basis of proposals from the High Representative of the Union for Foreign Affairs and Security Policy. The European Commission, together with the High Representative, give effect to these decisions into EU law through joint proposals for Council

ALYIANT2YOU: Regulatory Brief

regulations, also adopted by the Council. In addition, the European Commission has an essential role in overseeing sanctions implementation by member states of the EU.

In essence, there are three types of sanctions regimes in place in the EU: (a) there are sanctions imposed by the UN which the EU transposes into EU law; (b) the EU may reinforce UN sanctions by applying stricter and additional measures; and (c) the EU may impose fully autonomous sanctions regimes. There are over 30 different sanctions regimes in place in the above categories. The EU has also adopted sanctions regimes targeting terrorism, human rights violations and abuses, cyber-attacks, proliferation and the use of chemical weapons. The types of sanctions include freezes of assets and funds, travel bans, economic and financial measures (e.g. import and export restrictions, restrictions on banking services) or arms embargoes on military goods included in the EU's common military list. Sanctions imposed by the EU may target governments of third countries or non-state entities (e.g. companies) and individuals. The European Commission's Directorate General for Financial Stability, Financial Services and Capital Markets (DG FISMA) manages and updates the consolidated list of persons, groups and entities, subject to EU financial sanctions (i.e. the "European Union Consolidated Financial List").

Generally, EU sanctions apply within the jurisdiction of the EU. Depending on the specific restrictive measures, they apply to EU nationals in any location; to companies and organisations incorporated under the laws of a member state (including branches of EU companies in third countries); and to persons located in the EU or doing business in the EU. Each package of restrictive measures needs to be looked at for specific application and its conditions.

Examples of recent restrictive measures imposed by the EU have been on and in connection with the Russian Federation, in response to the escalation of the crisis in Ukraine since February 2022 and include the following five packages of restrictive measures:

(i) 23 February 2022-First package: The restrictive measures targeting Russia include those reflected in: Council Regulation (EU) 2022/259 of 23 February 2022; Council Implementing Regulation (EU) 2022/260 of 23 February 2022; Council Implementing Regulation (EU) 2022/261 of 23 February 2022; Council Regulation (EU) 2022/262 of 23 February 2022; Council Regulation (EU) 2022/263 of 23 February 2022; Council Decision (CFSP) 2022/264 of 23 February 2022; Council Decision (CFSP) 2022/265 of 23 February 2022; Council Decision (CFSP) 2022/266 of 23 February 2022; and Council Decision (CFSP) 2022/267 of 23 February 2022. The restrictive measures broadly include: (a) restrictions on the ability of the Russia state, its government and Central Bank to access the EU's capital and financial markets and services; (b) restrictions on economic relations with the non-government controlled areas of Donetsk and Luhansk oblasts of Ukraine; and (c) targeted sanctions against specified individuals and entities. Fuller and complete details are contained in the above referred documents.

(ii) 25 February 2022-Second package: The restrictive measures targeting Russia include those reflected in: Council Decision (CFSP) 2022/327 of 25 February 2022; Council Regulation (EU) 2022/328 of 25 February 2022; Council Decision (CFSP) 2022/329 of 25 February 2022; Council Regulation (EU) 2022/330 of 25 February 2022; Council Decision (CFSP) 2022/331 of 25 February 2022; Council Implementing Regulation (EU) 2022/332 of 25 February 2022; and Council Decision (EU) 2022/333 of 25 February 2022. The restrictive measures broadly include the following targets: (a) the financial sector; (b) the energy sector; (c) the transport sector; (d) the technology sector; (e) visa policy; and (f) new sanctions on additional specified individuals and entities. Fuller and complete details are contained in the above referred documents.

(iii) 28 February 2022-Third package: The restrictive measures targeting Russia include those reflected in: Council Regulation (EU) 2022/334 of 28 February 2022; Council Decision (CFSP) 2022/335 of 28 February 2022; Council Implementing Regulation (EU) 2022/336 of 28 February 2022; Council Decision (CFSP) 2022/337 of 28 February 2022; Council Decision (CFSP) 2022/338 of 28 February 2022; and Council Decision (CFSP) 2022/339 of 28 February 2022. The restrictive measures broadly include: (a) a prohibition on transactions with the Russian Central Bank or any legal person, entity or body acting on behalf of or at the direction of the Russian Central Bank; (b) EU member states denying permission to land in, take off from or overfly their territories to any aircraft operated by Russian air carriers; and (c) new sanctions on additional specified individuals and one entity. Fuller and complete details are contained in the above referred documents.

(iv) 2 March 2022 – also part of the Third package: The restrictive measures targeting Russia include those reflected in: Council Regulation (EU) 2022/345 of 1 March 2022; Council Decision (CFSP) 2022/346 of 1 March 2022; Council Regulation (EU) 2022/350 of 1 March 2022; and Council Decision (CFSP) 2022/351 of 1 March 2022; Council Implementing Regulation (EU) 2022/353 of 2 March 2022; and Council Decision (CFSP) 2022/354 of 2 March 2022. The restrictive measures broadly include: (a) prohibition of SWIFT services to several Russian banks and specified types of other legal persons; (b) prohibitions to investing, participating or otherwise contributing to future projects co-financed by the Russian Direct Investment Fund; (c) prohibitions to sell, supply, transfer or export euro-denominated banknotes to Russia or any natural or legal person, entity or

ALYIANT2YOU: Regulatory Brief

body in Russia; (d) suspension of the broadcast activities in the EU of Russia Today and Sputnik; and (e) new sanctions against additional specified individuals. Fuller and complete details are contained in the above referred documents.

(v) 9 March 2022: The EU adopted several restrictive measures targeting Russia and Belarus, which include those reflected in: Council Regulation (EU) 2022/394 of 9 March 2022; Council Decision (CFSP) 2022/395 of 9 March 2022; Council Implementing Regulation (EU) 2022/396 of 9 March 2022; Council Decision (CFSP) 2022/397 of 2 March 2022; Council Regulation (EU) 2022/398 of 9 March 2022; and Council Decision (CFSP) 2022/399 of 9 March 2022. The restrictive measures broadly include: (a) restrictions on the provision of SWIFT services to several Belarus banks and specified types of other legal persons; (b) prohibiting transactions with the Central Bank of Belarus; (c) prohibiting the listing and provision of services in relation to shares of Belarusian state-owned entities on EU trading venues; (d) significantly limiting the financial inflows from Belarus to the EU; (e) prohibiting the provision of euro-denominated banknotes to Belarus; (f) restrictive measures with regard to the export of maritime navigation goods and radio communication technology to Russia; and (g) new sanctions on additional specified individuals. Fuller and complete details are contained in the above referred documents.

(vi) 15 March 2022-Fourth package: The restrictive measures targeting Russia include those reflected in: Council Decision (CFSP) 2022/427 of 15 March 2022; Council Resolution (EU) 2022/428 of 15 March 2022; Council Decision (CFSP) 2022/429 of 15 March 2022; and Council decision (CFSP) 2022/430 of 15 March 2022. The restrictive measures broadly include: (a) a prohibition on transactions with certain state-owned enterprises; (b) a prohibition to provide credit rating services as well as access to any subscription services in relation to credit rating activities to any Russian person or entity; (c) further trade restrictions concerning iron and steel, as well as luxury goods; (d) prohibitions on new investments in the Russian energy sector; and (e) new sanctions on additional specified individuals and entities. Fuller and complete details are contained in the above referred documents.

(vii) 8 April 2022 – Fifth package: The restrictive measures against Russia and Belarus include those reflected in: Council Regulation (EU) 2022/576 of 8 April 2022; Council Regulation (EU) 2022/577 of 8 April 2022; Council Decision (CFSP) 2022/578 of 8 April 2022; Council Decision (CFSP) 2022/579 of 8 April 2022; Council Regulation (EU) 2022/580 of 8 April 2022; Council Implementing Regulation (EU) 2022/581 of 8 April 2022; and Council Decision (CFSP) 2022/582 of 8 April 2022. The restrictive measures broadly include: (a) a prohibition to purchase, import or transfer coal and other solid fossil fuels into the EU if they originate in Russia or are exported from Russia, as from August 2022; (b) a prohibition to provide access to EU ports to vessels registered under the flag of Russia, except with respect to certain specified products and purposes; (c) a ban on any Russian and Belarusian road transport preventing them from transporting goods by road within the EU, including in transit; (d) further export ban, targeting jet fuel and other goods such as quantum computers and advanced semiconductors, high-end electronics, software, sensitive machinery and transportation equipment; (e) imports bans on products such as wood, cement, fertilisers, seafood and liquor; (f) prohibition on deposits to crypto-wallets; (g) a general EU ban on participation of Russian companies in public procurement in EU member states; (h) the exclusion of financial support to Russian public bodies; (i) the sale of banknotes and transferable securities denominated in any official currencies of the EU member states to Russia and Belarus, or to any natural or legal person, entity or body in Russia and Belarus; and (j) new sanctions on additional specified individuals and entities. Fuller and complete details are contained in the above referred documents.

(viii) 21 April 2022 - EU sanctions two additional individuals: The restrictive measures are contained in: Council Implementing Regulation (EU) 2022/658 of 21 April 2022 and Council Decision (CFSP) 2022/660 of 21 April 2022. Fuller and complete details are contained in the above referred documents.

UK Sanctions Framework

The UK implements a range of sanctions regimes through regulations made under the Sanctions and Money Laundering Act 2018 (the “Sanctions Act”). The Office of Financial Sanctions Implementation (OFSI) which is part of HM Treasury helps to ensure that financial sanctions are properly understood, implemented and enforced in the UK. The Sanctions Act provides the main legal basis for the UK to impose, update and lift sanctions. The UK may impose the following types of sanctions measures: (i) trade sanctions, including arms embargoes and other trade restrictions, (ii) financial sanctions, including asset freezes, (iii) travel bans, and (iv) aircraft and shipping sanctions, including de-registering or controlling the movement of aircraft and ships. Some sanctions measures (such as asset freezes and travel bans) apply only to persons or ships which have been designated or specified by the UK Government.

At present, the UK has in place nine thematic sanctions regimes (relating to a particular issue) and twenty-nine geographic sanctions regimes (relating to a particular country or region). OFSI also provides a consolidated list of persons and organisations under financial sanctions (i.e. the “Consolidated List of Financial Sanctions Targets in the UK”).

ALYIANT2YOU: Regulatory Brief

Generally, the UK sanctions Regulations made under the Sanctions Act apply to the whole of the UK, including in Northern Ireland. Depending on the specific sanctions, the prohibitions and requirements in the Regulations apply to conduct by UK persons and includes anyone in the UK (including its territorial waters), UK nationals, bodies incorporated or constituted under the laws of any part of the UK. In addition, UK sanctions measures are given effect in the British Overseas Territories and Crown Dependencies. Each sanction program needs to be looked at for its specific application to whom it applies to and its conditions.

Recent examples of UK sanctions are on and in connection with the Russian Federation in response to the escalation of the crisis in Ukraine since February 2022 and include the following:

(i) the Russia (Sanctions) (EU Exit) (Amendment) (No.2) Regulations 2022, which came in to force on 1 March 2022 and include provisions covering: (a) the addition of new financial sanctions to the Russia (Sanctions) (EU Exit) Regulations 2019 (“2019 Regulations”). Existing restrictions on dealing with certain financial instruments and providing loans and credit are amended to extend the sanctions prohibitions to a broader range of transferable securities and money market instruments; and loans and credit. Further restrictions on correspondent banking relationships and processing of sterling payments have also been introduced, with the amendments also introducing a power to designate persons for the purposes of that provision. Fuller and complete details are contained in the above referred document.

(ii) the Russia (Sanctions) (EU Exit) (Amendment) (No.3) Regulations 2022, which came in to force on 1 March 2022 and include provisions covering: (a) prohibitions on the export, supply and delivery and making available of military goods are extended to include dual-use goods and critical-industry goods; (b) prohibitions on the making available and transfer of military technology being extended to include dual-use technology and critical-industry technology; and (c) related prohibitions on the provision of technical assistance, financial services, funds and brokering services are also extended in relation to dual-use goods and technology and critical industry goods and technology. Fuller and complete details are contained in the above referred document.

(iii) the Russia (Sanctions) (EU Exit) (Amendment) (No.4) Regulations 2022, which came in to force on 1 March 2022 and include provisions covering new shipping sanctions measures in relation to Russia. Fuller and complete details are contained in the above referred document.

(iv) the Russia (Sanctions) (EU Exit) (Amendment) (No.5) Regulations 2022, which came in to force on 1 March 2022 and include provisions for adding new financial sanctions to the 2019 Regulations, with the amendments inserting a restriction on the provision of financial services for the purposes of foreign exchange reserve and asset management involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, the Ministry of Finance of the Russian Federation, or persons owned or controlled by, or acting on behalf of, or at the direction of, the same. Fuller and complete details are contained in the above referred document.

(v) the Russia (Sanctions) (EU Exit) (Amendment) (No.6) Regulations 2022, which came in to force on 8 March 2022 and include provisions for new aviation and trade sanctions measures in relation to Russia. Fuller and complete details are contained in the above referred document.

(vi) the Russia (Sanctions) (EU Exit) (Amendment) (No.7) Regulations 2022, which came in to force on 30 March 2022 and include provisions for extension to the certain existing finance, shipping and trade sanctions. Fuller and complete details are contained in the above referred document.

(vii) the Russia (Sanctions) (EU Exit) (Amendment) (No.8) Regulations 2022, which came in to force on 14 April 2022 and include provisions for amending the 2019 Regulations on trade and inserting new restrictions in relation to trade in oil refining goods and technology; luxury goods; and iron and steel goods. Fuller and complete details are contained in the above referred document.

Persons who are designated under the 2019 Regulations (as amended) are included in the published “UK Sanctions List”.

US Sanctions Framework

The Office of Foreign Assets Control (“OFAC”) is a department of the US Department of the Treasury that administers and enforces economic and trade sanctions. There are at present approximately thirty-seven active sanctions programs administered by OFAC. Some programs are comprehensive in nature and include broad-based trade sanctions to block a government, while others target specific individuals and entities. Others maybe non-comprehensive programs, in which there may be broad

| Alyiant Consultancy Limited |

| Registered Address: GV-00-02-03-BC-09-0, Level 3, Gate Village Building 2 |

| Dubai International Financial Centre, Dubai, United Arab Emirates | PO Box: 113355 |

| E-mail: info@alyiantconsultancy.com | Tel: +971 4 4019390 | M: +971 50 9131027 | Fax: +971 4 4019392 |

ALYIANT2YOU: Regulatory Brief

prohibitions on dealings with countries and also against specific named individuals and entities. The names are incorporated into OFAC's list of "Specially Designated Nationals and Blocked Persons List (SDN List)". Note that persons whose property and interests in property are blocked pursuant to an Executive order or regulations administered by OFAC (blocked persons) – e.g. the SDN List, are considered to have an interest in all property and interests in property of an entity in which such blocked persons own, whether individually or in the aggregate, directly or indirectly, a 50 percent or greater interest. Consequently, any entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is itself considered to be a blocked person. The property and interests in property of such an entity are blocked regardless of whether the entity itself is listed in the annex to an Executive order or otherwise placed on OFAC's SDN List.

In addition, OFAC maintains other sanctions lists that may have different prohibitions associated with them, including the following two: "Non-SDN Menu-Based Sanctions List (NS-MBS List)" and the "List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions (CAPTA List)". The NS-MBS List identifies persons subject to certain sanctions, which are less than full blocking sanctions, and may include, among other things, non-blocking prohibitions on the provision of certain goods or services and blocking prohibitions, subject to a statutory exception for the importation of goods. The NS-MBS List is distinct from the CAPTA List, which lists foreign financial institutions for which the opening or maintaining of a correspondent bank account or a payable-through account in the US is prohibited or subject to one or more strict conditions.

Generally, depending on the specific sanction program, US persons are prohibited from dealing with SDN's wherever they are located and all SDN assets are also blocked. US persons must comply with the OFAC regulations, including all US citizens and permanent resident aliens regardless of where they are located; all persons and entities within the United States; all US incorporated entities and their foreign branches. In the case of certain programs, foreign subsidiaries owned or controlled by US companies must also comply. Certain programs may also require foreign persons in possession of US origin goods to comply. Each sanction program needs to be looked at for its specific application to whom it applies to and its conditions.

Recent examples of US sanctions are on and in connection with the Russian Federation in response to the escalation of the crisis in Ukraine since February 2022. The sanctions include the following:

(i) On 21 February 2022, Executive Order 14065 ("E.O 14065") was issued titled "Blocking Property of Certain Persons and Prohibiting certain Transactions With Respect to Continued Russian Efforts To Undermine the Sovereignty and Territorial Integrity of Ukraine". E.O 14065, which amongst other things, prohibits US persons from any new investment in, imports from, or exportation, re-exportation, sale or supply to the so-called Donetsk Peoples Republic and the Luhansk Peoples Republic regimes of Ukraine (the "covered regions"). US persons are prohibited from otherwise facilitating any such transactions by foreign persons under the terms of E.O 14065, which also provides for blocking measures against persons operating in the covered regions. Fuller and complete details are contained in the above referred document.

(ii) On 22, 24 and 28 February 2022, Directives were issued by OFAC under Executive Order 14024 ("E.O 14024") of 15 April 2021 titled "Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation". The Directives are as follows:

(a) On 22 February 2022: OFAC issued Directive 1A of 22 February 2022 under E.O 14024 dealing with "Prohibitions Related to Certain Sovereign Debt of the Russian Federation", which amongst other matters, prohibits a US financial institution as of 1 March 2022 to participate in the secondary market for ruble and non-ruble denominated bonds issued after 1 March 2022 by the Central Bank of Russia, the Russian National Wealth Fund or the Russian Ministry of Finance. A listing entities also determined to be subject to the said Directive can be found on OFAC's NS-MBS List;

(b) On 24 February 2022: OFAC issued Directive 2 dated 24 February 2022 under E.O 14024 pertaining to "Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions". A listing of foreign financial institutions determined to also be subject to the prohibition of the said Directive, including the foreign financial institutions listed in Annex 1 to the said Directive are contained in OFAC's CAPTA List.

(c) On 24 February 2022: OFAC issued Directive 3 dated 24 February 2022 under E.O 14024 pertaining to "Prohibitions Related to New Debt and Equity of Certain Russia-related Entities". A further number of names were also added to OFAC's NS-MBS List. A listing of the entities determined to be subject to the prohibition of the Directive, including the entities listed in Annex 1 to the said Directive are contained in OFAC's NS-MBS List.

(d) On 28 February 2022: OFAC issued Directive 4 dated 28 February 2022 under E.O 14024 in connection with "Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian

| Alyiant Consultancy Limited |

| Registered Address: GV-00-02-03-BC-09-0, Level 3, Gate Village Building 2 |

| Dubai International Financial Centre, Dubai, United Arab Emirates | PO Box: 113355 |

| E-mail: info@alyiantconsultancy.com | Tel: +971 4 4019390 | M: +971 50 9131027 | Fax: +971 4 4019392 |

ALYIANT2YOU: Regulatory Brief

Federation, and the Ministry of Finance of the Russian Federation. A listing of the entities also determined to be subject to the prohibition of the said Directive are contained in OFAC's NS-MBS List.

Fuller and complete details are contained in the above referred documents.

In addition, connected with the Russia related designations, a number of individuals were added to OFAC's SDN List pursuant to E.O 14024;

(iii) On 8 March 2022, Executive Order 14066 ("E.O 14066") was issued titled "Prohibiting Certain Imports and New Investments with Respect to Continued Russian Federation Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine". E.O 14066, amongst other matters, prohibits: (a) the importation into the United States of the following products of Russian origin-crude oil, petroleum, petroleum fuels, oils and products of their distillation; liquefied natural gas; coal; and coal products; (b) new investments in the energy sector in the Russian Federation by a United States person, wherever located; and (c) any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person would be prohibited by the terms of E.O 14066 if performed by a United States person or within the United States. Fuller and complete details are contained in the above referred document.

(iv) On 11 March 2022, Executive Order 14068 ("E.O 14068") was issued titled "Prohibiting Certain Imports, Exports, and New Investment With Respect to Continued Russian Federation Aggression". E.O 14068, amongst other matters, prohibits: (a) the importation into the United States of the list of products specified in E.O 14068; (b) the exportation, re-exportation, sale or supply, directly or indirectly, from the United States or by a United States person, wherever located of luxury goods, and any other items as maybe determined under the terms of E.O 14068; (c) new investment in any sector of the Russian Federation economy as may be determined under the terms of E.O 14068; (d) the exportation, re-exportation, sale or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of US dollar denominated bank notes to the Government of the Russian Federation or any person located in the Russian Federation; and (e) any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by E.O 14068 if performed by a United States person or within the United States. Fuller and complete details are contained in the above referred document.

(v) On 6 April 2022, Executive Order 14071 ("E.O 14071") was issued titled "Prohibiting New Investments in and Certain Services to the Russian Federation in Response to the Continued Russian Federation Aggression". E.O 14071, amongst other matters, prohibits: (a) new investment in the Russian Federation by a United States person, wherever located; (b) the exportation, re-exportation, sale or supply, directly or indirectly from the United States, or by a United States person, wherever located, of any category of services as may be determined under the terms of E.O 14071 to any person located in the Russian Federation; and (c) any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited under the terms of E.O 14071 if performed by a United States person or within the United States. Fuller and complete details are contained in the above referred document.

Conclusion

With businesses operating in a global eco-system, be it as a manufacturer, supplier, service provider or any other part of the supply chain, having in place robust and effective policies, systems, processes and checks which are compliant with the applicable sanctions frameworks and regulations, is part of the 'golden thread' that is required to run through the operations of a business to prevent a breach of any applicable sanctions regulations. The matters covered in this paper are non-exhaustive and general in nature. Accordingly, in any specific matter, the relevant sanctions frameworks, laws, regulations and individual sanctions regimes are required to be reviewed for the purposes of determining scope and applicability to the specific set of facts. Should you require any further information or wish to speak to a representative regarding Sanctions compliance, please contact us at info@alyiantconsultancy.com or at +971 4 4019390.

Alyiant Consultancy Limited
Date: 26 April 2022

NOTICE: The contents of this document are general in nature for information purposes only. Any views expressed in this document are ours. The contents of this document are non-binding. The information contained in this document is subject to change without any notice. The information contained in this document does not constitute any advice whatsoever. No customer relationship or engagement is created or constituted by this document or by any information contained in this document. No action should be taken on the basis of the information contained in this document without first seeking professional advice.