



CK Life Sciences Int'l., (Holdings) Inc.
Sanctions compliance policy

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1. Policy Statement

- 1.1 CK Life Sciences Int'l., (Holdings) Inc. (“CKLS” or the “Company”) has always been committed to conducting its business in compliance with all applicable laws and regulations, including financial sanctions and in accordance with the CKLS’ Employment Terms and Conditions.
- 1.2 In light of increasing complexity and diversity of such laws and regulations, CKLS establishes this Sanctions Compliance Policy (“Policy”) to ensure that each Employee acting for or on behalf of the Company understands and complies with all applicable sanctions laws and regulations.
- 1.3 It is every Employee’s responsibility to remain vigilant about potential financial sanctions consequences of their actions.
- 1.4 Failure to do so may result in criminal and civil penalties for the Company, its Employees and other persons involved, and may result in disciplinary action up to and including termination of employment or referral to law enforcement.
- 1.5 If you have any questions or become aware of any conduct you believe may violate this Policy or applicable laws and regulations, you should immediately raise the issue with your supervisor and department head or otherwise contact the audit committee of CKLS (“Audit Committee”). The Company will not tolerate any form of retaliation against an Employee that raises any such concerns and does so in good faith.

2. Purpose and scope of the Sanctions Compliance Policy

- 2.1 The purpose of this Policy is to set out the main areas of sanctions risks facing the Company and the principles that the Company applies to ensure its compliance with applicable financial sanctions laws.
- 2.2 The Company is committed to conducting its business abiding by the fundamental principles set out under the CKLS’ employment terms and conditions and/or Human Resources Policy/ Code of Conduct, where applicable (“CKLS Code of Conduct”). Each Employee is expected to observe the highest standard of ethical, personal and professional conduct. This includes abiding by best regulatory practices.
- 2.3 This Policy should be read alongside the CKLS Code of Conduct. It sets out the standards of conduct and professionalism applicable to all Employees acting for or on behalf of the Company to ensure their compliance with this Policy and applicable economic sanctions laws and regulations.
- 2.4 This Policy is applicable only to the Company. CKLS subsidiaries, joint venture companies, affiliate and associate companies, shall as applicable adopt and maintain their own independent sanctions compliance policy in alignment with the principles adopted under this Policy but subject to and in compliance with the legal and regulatory requirements of the jurisdictions in which they each operate.

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- 2.5 All Employees must also adhere to this Policy.
- 2.6 Capitalized terms used in this policy which are not otherwise defined are set out and defined in **Annex A**.
- 2.7 A high-level summary of relevant sanctions laws applicable across the principal jurisdictions within which the Company operates is set out in **Annex B**.

3. Relevant business falling within the scope of this Policy

- 3.1 There are three categories of transactions that CKLS undertakes which fall within the scope of this Policy (each a “*Relevant Transaction*”).
- (a) *Merger & Acquisitions & Divestment*: this refers to any merger, acquisition, investment or divestment, in any portfolio company, subsidiary or joint venture.
- (b) *Supplier transactions*: this refers to any transaction with a material supplier of any goods, facilities or services acquired by CKLS during the conduct of its business, including, for example, large suppliers of office stationery and printing services.
- (c) *Intra-group transactions*: this refers to CKLS dealing with subsidiaries, joint venture companies, associates and affiliates or operating companies, including, for example, providing intra-group loans, receiving interest on loans or receiving dividend payments.

4. Relevant sanctions authorities

- 4.1 Applicable economic sanctions laws and regulations may include any economic and financial sanctions laws, rules and regulations promulgated, administered or enforced by the following Relevant Authorities:
- (a) the United Nations Security Council;
- (b) the Office of Foreign Assets Control of the US Treasury Department (“*OFAC*”) or any other US government agency;
- (c) the European Union or any member state thereof;
- (d) Her Majesty’s Treasury, the Office of Financial Sanctions Implementation (“*OFSI*”) or other UK government agency; and
- (e) any other jurisdiction in which the Company operates, or which has a reasonable connection with or jurisdiction over the Employees or business activities.

5. Compliance commitments

- 5.1 The Company and its Employees shall comply with all applicable economic and financial sanctions regulations. The Company and its Employees recognize that sanctions laws and regulations continuously evolve and frequently change.

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CKLS commitment

- 5.2 CKLS shall take steps to ensure that prior to any Relevant Transaction, CKLS will identify and assess all financial sanctions risks associated with the proposed investment or proposed divestment and will only proceed provided that CKLS has taken steps to ensure that the proposed investment or proposed divestment can be completed in accordance with applicable financial sanctions laws.

Expectations of all CKLS subsidiaries, joint venture companies, affiliate and associate companies

- 5.3 CKLS expects that any of its subsidiary, joint venture company, affiliate and associate company, shall commit, that prior to the payment of any dividends or interest on any intra-company loans that are owed to CKLS, they will take steps to ensure that the monies used for such payments are not the benefit or proceeds from any breach of financial sanctions laws.

6. Scope of applicable sanctions laws

- 6.1 The Company and its Employees shall strive to comply with all with applicable sanctions laws and regulations which may include, without limitation, jurisdictions where:
- (a) an Employee is physically located (even temporarily and even when traveling for personal reasons);
 - (b) the jurisdiction where CKLS carries out its business;
 - (c) the customer, purchaser or individual who provides or receive funds or economic resources to or from the Employee or CKLS is located; or
 - (d) investments or divestments are made.
- 6.2 If specific questions regarding the scope of financial sanctions requirements are raised, please direct enquiries towards the internal audit department or legal department.

Special rules for US Persons and non-US Persons in the US

- 6.3 Given the broad application of US sanctions, US Persons shall not be involved in, approve of, or otherwise facilitate, any business that may be prohibited by US sanctions.

US Dollar and Euro-denominated transactions

- 6.4 US Dollar and Euro transfers typically must be cleared by US or EU-based financial institutions, respectively. Therefore, US dollar- and Euro-denominated payments could be subject to US and EU financial sanctions, even if the applicable parties and transaction otherwise have no connection to the US or EU. As such, US dollar- and Euro-denominated transactions may be frozen as a result of the application of such sanctions and could give rise to enforcement risk.



7. Transactions which the Company restricts

No transactions allowed with Sanctioned Countries or Sanctioned Persons

- 7.1 The Company and its Employees shall not transact with, directly or indirectly, or engage in any other transactions, involving:
 - (a) any Sanctioned Country; or
 - (b) any Sanctioned Person,
 in violation of applicable sanctions (these terms are defined in **Annex A**).

8. Red Flag and Green Light Indicators

- 8.1 The Company expects that prior to any Relevant Transaction each Employee shall review the nature and information about the Relevant Transaction in order to assess any financial sanctions risks posed. To assist with that assessment, each Employee may take into account the “Red Flag Indicators” and the “Green Light Indicators” below in order to identify the risk profile related to a transaction. The purpose of the Red Flag Indicators is to prompt the Company and its Employees to identify potential high-risk transactions from a sanctions risk perspective.
- 8.2 Any Relevant Transaction with a significant number of red flags should prompt the Company and its Employees to exercise further caution and examine whether the Transaction should be undertaken.
- 8.3 Note that US primary sanctions operate on a strict liability basis and the Company and its Employees may be liable for a breach of applicable US primary sanctions even if it deals with a sanctioned person’s assets without any knowledge or suspicion of the circumstances giving rise to a potential sanctions breach. It is therefore crucial that each Employee is aware of the Red Flag Indicators and can take appropriate risk mitigation steps.
- 8.4 To assist in assessing the risks associated with a transaction, Employees should collate the information set out in CKLS’ AML and Sanctions Transaction Assessment Form (see **Annex D**).

Red Flag Indicators

- 8.5 CKLS and its Employees shall not transact with, directly or indirectly, or engage in any other transactions, where the following Red Flag Indicators have been identified, without prior consultation with the his/her department head, the internal audit department, legal department and/or seek appropriate professional advice, where:
 - (a) a counterparty to a proposed merger & acquisition, divestment, joint venture or investment has significant operations (including sales to / clients and customers, purchasers located) in a country or territory or jurisdiction targeted under broad economic sanctions, including Iran, Crimea, Cuba, or the other “Red List” countries identifies in **Annex C**;

- (b) a proposed acquisition target, joint venture partner or investment opportunity has an opaque and complex ownership structure which may hide or conceal the true ownership of a potential asset or counterparty;
- (c) a counterparty to a proposed merger & acquisition, divestment, joint venture or investment does not provide sufficient information to enable CKLS to assess compliance with sanctions;
- (d) an Employee becomes aware (e.g., notification from a payment services provider or a financial institution) that the name or address of any counterparty or its controlling shareholder matches or is similar to:
 - (i) any Sanctioned Person; or
 - (ii) any other list of prohibited persons applicable to any relevant jurisdiction;
- (e) financing arrangements are unusual or unexpectedly change (e.g., the cancellation of a letter of credit by a financial institution citing sanctions concerns); or
- (f) any sanctions regime affecting a Relevant Transaction is subject to a sudden expansion or other change or criteria that is not covered by the above and that change might reasonably be considered to apply to the transaction.

Green-light indicators

8.6 The following factors will indicate that a Relevant Transaction may present a low risk of a breach of financial sanctions, in the absence of any “Red Flags”:

- (a) the proposed counterparty is:
 - (i) a regulated credit or financial institution which has a robust sanctions compliance framework;
 - (ii) a company under CK group (including, but not limited to, CK Asset Holdings Limited, CK Hutchison Holdings Limited, Cheung Kong Infrastructure Holdings Limited, Power Assets Holdings Limited, their affiliated companies);
 - (iii) a CKLS subsidiary, joint venture company, affiliate, associate or operating company;
 - (iv) a business operating in a heavily regulated sector in a country with a robust sanctions compliance framework; or
 - (v) a publicly listed entity (i.e. the ownership structure of the entity is deemed entirely transparent);
- (b) the proposed counterparty carries on a legitimate and clear business and does not attempt to conceal or hide the nature of the transaction;

- (c) the nature and location of the business proposed will take place predominantly in a low-risk jurisdiction (the jurisdictions other than those on the Red List or Amber List in **Annex C**);
- (d) the transaction is simple in nature and there is otherwise no complexity regarding the products and/or services provided and there is no indication that the ultimate beneficiaries of the transaction will be an individual or entity other than the contractual parties; and
- (e) the structure of the Relevant Transaction presents low opportunity to conceal the true purpose of the transaction, there are no opaque qualities around the transaction, involvement of offshore jurisdictions, intermediaries or shell companies, that could be abused for illicit purposes.

9. Case studies to illustrate identification of Red Flags and escalation

Merger & Acquisition

You are contemplating acquiring a company that operates in the water sanitation sector (the “*Target*”). The transaction team conducts initial due diligence on the Target. The Seller provides you with ownership documents of the Target. It appears that the shares in the Target are held by a chain of companies ultimately owned by a corporate entity registered in Panama. Following further due diligence and enquiries, you come to understand that the ultimate beneficial owner of the Company is a Syrian national that holds dual-Syrian-Maltese nationality.

RED FLAGS:

- the Target’s ownership structure is unclear and opaque
- the Target’s ultimate beneficial owner of the company is a from a Red-list country and holds dual nationality

This transaction should be escalated for further consideration.

Supplier transaction (1)

You approach a new supplier (“*X LTD*”) to enter into a multi-year contract for the sale of a wide-range of office stationery. *X LTD* provides the various stationery at a fraction of the cost of its competitors but refuses to provide any information of the origins of the goods. *X LTD* insists that all payments for goods must be paid partially to a Hong Kong based bank account and partially to an off-shore bank account held in Switzerland. *X LTD* does not provide details regarding the beneficiary of the account.

RED FLAGS:

- the Target does not explain the origin of its goods and where the office stationery is being sourced
- the Target arranges for a complex payment mechanism to complete the transaction

This transaction should be escalated for further consideration.

Supplier transaction (2)

You approach a new supplier (“E LTD”) for the purchase of new printers for your offices. E LTD is ultimately owned by an Egyptian based company and four private Egyptian individuals. Prior to entry into the transaction the four private individuals provide certified copies of their share certificates proving ownership of E LTD and copies of their passports. The four private individuals also do not appear on any sanctions lists maintained by a Relevant Authority. E LTD requests that funds are paid to a well-known bank in Hong Kong.

RED FLAGS:

- E LTD is owned by four private individuals from an amber list country.

GREEN LIGHTS

- There is clear documentation evidencing the ownership of E LTD.
- The four private individuals have provided a high-standard of due diligence and KYC information.
- The four private individuals do not appear on a sanctions list.
- The request for payment is to a Hong Kong based bank account.

This transaction, when considered in the round, may not need to be escalated further.

Payment of dividend

You receive information that your subsidiary (the *Subsidiary*) or a joint venture company, associate or operating company under the CKLS group (the *CKLS Investment*) has made profits in line with previous expectations and forecasts. The Subsidiary or the CKLS Investment has received regular audits and produced financial statements showing its profit and losses over the last few financial years.

The Subsidiary (or the CKLS Investment) declares that it will pay a dividend to you at the end of the financial year. Note that prior to the payment of the dividend, the Subsidiary (or the CKLS Investment) has not informed you of any pending, threatened or expected investigation into its conduct by any authority for breach of applicable laws.

RED FLAGS:

- None.

GREEN LIGHTS

- There is no evidence that the Subsidiary (or the CKLS Investment) has obtained any unexpected profits or conducted business outside of the ordinary course.
- There is no indication from the Subsidiary (or the CKLS Investment) that there is any pending, threatened or expected investigation into its conduct for breach of applicable laws.
- The Subsidiary (or the CKLS Investment) has produced consistent financial statements over the last few financial years.

This transaction does not need to be escalated.

10. Transaction screening for material Relevant Transactions.

- 10.1 The Company shall screen all counterparties connected to a material Relevant Transaction. The purpose of screening counterparties is to identify whether the counterparty is a Sanctioned Person (as defined in **Annex A**).
- 10.2 For the purposes of CKLS, material financial transactions include (but are not limited to) any proposed merger & acquisition, joint venture or investment in a new operating company or divestment of existing investment.
- 10.3 Employees of CKLS will take a risk-based approach to avoid any breach of financial sanctions and shall take into account the factors below in determining whether a transaction is material, including:
- whether the transaction is greater than the value as identified and agreed by CKLS' finance department or the relevant division from time to time as constituting a material financial transaction;
 - whether the transaction is an ad hoc transaction or as part of an ongoing and existing business relationship;
 - whether the transaction is a business/commercial or retail transaction (typically, retail transactions are lower risk); and
 - the significance of the transaction from a broader commercial and business perspective (for example, any associated publicity around a particular transaction and/or how central that transaction is to the ongoing operations of the CK group).



- 10.4 The process of screening shall also include screening of the shareholders of the counterparty, any beneficial owners and any relevant intermediaries.
- 10.5 For the avoidance of any doubt, irrespective of whether a transaction is material, the Company will always screen counterparties prior to
the entry of a Relevant Transaction.
- 10.6 If the screening results in a “hit” showing a possible match, the department head and also either the internal audit department or legal department should be notified as soon as possible in order to determine whether the hit is material, immaterial or a false positive and whether escalating consideration should be warranted.

11. Responsibility for sanctions compliance and screening

- 11.1 For any Relevant Transaction which the Company or any of its Employees identifies as necessary for further analysis and screening, please contact the internal audit department or the legal department for assistance.
- 11.2 It is important to stress that every department within the Company should be involved in ensuring the Company remains in compliance with all applicable sanction laws and regulations.
- 11.3 Furthermore, each Employee is responsible for identifying and spotting potential Red Flags relating to any Relevant Transaction and should take steps to report any concerns to their supervisor or other Employees involved in the transaction.

12. Reporting and escalating concerns

- 12.1 It is the responsibility of all Employees to identify and report any potential or actual compliance violations of this Policy or any applicable sanction laws and regulations.
- 12.2 The department head shall (in particular) be responsible for implementing and overseeing the provisions of this Policy and to take steps to prevent violations. Each department head must ensure that the Employees under their direction or control are familiar with, and apply, the provisions of this Policy. Please note that the timely report or escalation of any suspected breach of this Policy lies with the department head of the department in which the potential breach occurred, who shall report any actual or suspected breaches to the Audit Committee.
- 12.3 The Company actively encourages all Employees to report any concerns regarding sanctions compliance. To the extent possible, Employees raising legitimate concerns in good faith will be protected; retaliation of any kind against any Employee for making good faith reports about actual or suspected violations of this Policy is prohibited.

- 12.4 All complaints of violations of this Policy will be investigated in accordance

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with the procedures set out in the CKLS Whistleblowing Policy

- 12.5 It is the responsibility of Employees to fully and honestly cooperate with the investigations, to report information truthfully and in good faith, and to respond timely to any requests made by the investigators. Investigations may result in disciplinary steps (see paragraph 14 below) and/or reporting to any Relevant Authorities. To the extent possible, the Company shall keep confidential any reports raised by Employees.

13. Record-keeping

Records of screening

- 13.1 The Company shall maintain records of screening documentation, including *how, when* and *by whom* the screening was conducted, its outcome, as well as any questions raised and their disposition.
- 13.2 The Company should keep a clear record of what steps were taken after any screening which has resulted in a “hit”.
- 13.3 All such records must be kept for a minimum of seven (7) years or such other longer period as required under each department’s own document retention policy or practice.

14. Training and monitoring

- 14.1 The Company shall ensure that all Employees are informed about and understand this Policy.
- 14.2 The Company shall make this Policy available to all Employees and provide briefings on this Policy to any new Employees. Each Employee should be made aware of a clear escalation procedure for reporting actual or suspected breaches of this Policy.
- 14.3 At a minimum, the Company shall ensure that any Employees engaging in or responsible for conducting Relevant Transactions shall receive training on this Policy and information enabling them to understand the sanctions risks facing CKLS.
- 14.4 Given rapid developments in the sanctions environments, the legal department and the internal audit department will endeavor to monitor any changes in sanctions laws and regulations in order to implement any necessary changes to this Policy. Should a particular contract or relationship expose the Company to risk under any applicable sanction law (whether as a result of change in the sanctions regime itself or a change relating to the status of an individual or entity being included for the first time on a sanctions list), the Company will identify the appropriate way to mitigate any risk.

15. Disciplinary action

- 15.1 Doing business in violation of applicable sanctions laws and regulations could

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lead to negative consequences for the Company and/or individual Employees, which may include civil or criminal penalties, suspension of export privileges and significant reputational risks for the Company.

- 15.2 Disciplinary action may be taken not only against those who authorize or participate directly in a violation of sanctions laws and regulations or this Policy, but also against:
- (a) any Employee who deliberately fails to report a violation, or suspected violation, as required;
 - (b) any Employee who deliberately withholds material and relevant information concerning a violation;
 - (c) any Employee who fails to co-operate with an investigation into an actual or potential violation; and
 - (d) any offender's supervisor or manager, to the extent there was negligence or a serious lack of oversight or supervision.

16. Questions

- 16.1 For further information on this Policy, please contact your supervisor, the internal audit department and/or the legal department.
- 16.2 The Company welcomes Employees to refer to this Policy or ask questions of their manager or their business unit if any sanctions compliance-related issues or uncertainties arise in the course of the Employee's work.

Annex A Definitions

ASO means the Australian Sanctions Office, administered by the Australian Department of Foreign Affairs and Trade.

Australian Person means: any Australian citizen, any legal entity that is registered or constituted in Australia, any person physically located in Australian territory and/or any other individual or entity to the extent of any business they carry out in Australia

Employees means: all employees, officers, and directors of CKLS.

EU Person means: any national of any EU member state, any legal entity that is registered or constituted in any EU member state, any person physically located in the territory of the EU and/or any other individual or entity to the extent of any business they carry out in the EU.

OFAC means: the Office of Foreign Assets Control of the US Department of Treasury.

Relevant Authority means: the government of any jurisdiction, or any political subdivision thereof, whether provincial, state or local, and any department, ministry, agency, instrumentality, authority, body, court, central bank or other entity lawfully exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

Sanctioned Country means: any country or other region subject to a general export, import, financial or investment embargo under the economic or financial sanctions law of any Relevant Authorities, which as of March 2020, includes Cuba, Iran, North Korea, Syria and the Crimea Region of Ukraine.

Sanctioned Person means: any person, organization or vessel: (i) designated on the OFAC List of Specially Designated Nationals and Blocked Persons, the EU Consolidated List, the Consolidated List of Financial Sanctions Targets Maintained by Her Majesty's Treasury, the ASO Consolidated List, or any list of targeted persons issued under applicable sanctions; (ii) that is, or is part of, the government of a Sanctioned Country; (iii) is owned 50% or more in the aggregate or individually by, or acting on behalf of, any of the foregoing; and (iv) located within or operated from a Sanctioned Country, or (v) otherwise targeted by applicable sanctions.

US Person means: (i) any US citizen (including a dual citizen) or permanent resident alien (sometimes referred to as a "green card" holder), wherever located; (ii) any company or other entity organized under US law; and (iii) any person located within or operating from the US, even temporarily.

Annex B**Summary of applicable sanctions laws and prohibitions (as at March 2020)****1. United Nations Sanctions**

- 1.1 The United Nations Security Council administers sanctions to maintain or restore international peace under Article 41 of the UN Charter.
- 1.2 The Council has invoked mandatory sanctions against its members as a compulsory measure when peace is threatened and diplomatic efforts fail. The countries targeted under sanctions in recent years include Afghanistan, North Korea, Eritrea, Ethiopia, Haiti, Iran, Iraq, Liberia, Libya, Rwanda, Sierra Leone, Somalia, Sudan, Angola and the former Yugoslavia. The sanctions can include, depending on the targeted country, economic sanctions and trade embargoes, including arms embargos, financial sanctions (asset freezes and bans on financial transactions with designated persons), breaks in diplomatic relations, and bans on travel and sports exchanges.¹

2. US economic sanctions regime

- 2.1 OFAC administers and enforces US economic sanctions programs. OFAC has a wide-ranging arsenal of sanctions options, targeting countries, groups of individuals, economic sectors, companies or specific individuals. US sanctions can prohibit all transactions with sanctions targets, or may only restrict specific types of transactions. Critically, while the majority of US sanctions apply only to US Persons or require a US nexus, such as payment in US dollars (the so-called “primary sanctions”), there are certain sanctions that apply to any entity anywhere in the world regardless of any US nexus (the so-called “secondary sanctions”). In recent years, US sanctions have been subject to drastic changes and have become an often-utilized geopolitical tool. Therefore, the below descriptions may need to be updated from time to time.
- 2.2 Who must comply with US sanctions?

Primary Sanctions

- (a) US sanctions generally prohibit US Persons from:
- (i) engaging in any dealings or investment involving a country subject to comprehensive sanctions, or involving any Sanctioned Person as described below; or
 - (ii) assisting, approving, financing or otherwise facilitating any activity by a non-US Person that a US Person would be prohibited from engaging in directly.
- (b) For sanctions purposes, and as defined herein, US Persons include:

¹ More information on UN sanctions is available at:
<https://www.un.org/securitycouncil/sanctions/information> .

- (i) US citizens and green-card holders (located anywhere in the world);
 - (ii) entities organized under the laws of the US; and
 - (iii) non-US Persons located or operating within the territory of the US.
- (c) Non-US subsidiaries controlled or owned 50% or more by a US parent company or US persons may also be required to comply with primary sanctions.
- (d) These activities are also prohibited whenever there is a “US nexus”, such as US-dollar payments cleared through US correspondent banks, or otherwise taking or causing any action in the US or by a US person.

Secondary Sanctions

- (e) Certain secondary sanctions may apply to any non-US Person (such as a non-US company and its non-US subsidiaries), even if there is no US nexus involved.

2.3 Who is targeted by US primary sanctions?

US Persons are generally restricted from entering into or facilitating transactions with the following jurisdictions or entities:

- (a) **Crimea:** persons located in the Crimean region of Ukraine;
- (b) **Cuba:** the government of, and persons located in, Cuba, Cuban companies and nationals located anywhere in the world, and any entity owned or controlled by the government of Cuba;
- (c) **Iran:** the government of Iran, Iranian financial institutions, and persons located in Iran; any person that is, or is owned or controlled by or acting for, the government of Iran or an Iranian financial institution;
- (d) **North Korea:** the government of and persons located in North Korea, and any entity owned or controlled by the government of North Korea;
- (e) **Syria:** the government of and persons located in Syria, and any entity owned or controlled by the government of Syria;
- (f) **Venezuela:** the Government of Venezuela and any entity owned or controlled thereby;
- (g) **SDN List:** several thousand individuals, groups, entities and vessels (wherever located) included on the US List of Specially Designated Nationals and Blocked Persons any entity in which one or more persons

on the SDN List own, directly or indirectly, a 50% or greater interest (in the aggregate) (SDN List);² and

- (h) **Foreign Sanctions Evaders:** persons designated on the Foreign Sanctions Evades List.³

2.4 When do US primary sanctions prohibit only certain transactions?

- (a) **Licenses:** Many US primary sanctions programs have so-called “general licenses” that broadly permit transactions that would otherwise be prohibited by primary sanctions on a territory, SDN, etc. For example, a general license authorizes certain transactions related to providing humanitarian aid in Syria. Likewise, OFAC may issue a “specific license” authorizing a company or individual to engage in a transaction or group of transactions that would otherwise be prohibited.
- (b) **Sectorally-sanctioned entities:** certain transactions involving new debt or equity issued by Russian entities on the US Sectoral Sanctions Identifications Lists or the Government of Venezuela, or any entity in which one or more sectorally-sanctioned entities own a 50% or greater interest (in the aggregate).
- (c) **Russian energy sector:** the provision of services (except for financial services), or the provision of goods or technology, in support of exploration or production for new deepwater, Arctic offshore or shale projects that have the potential to produce oil and involve any entities in Russia’s energy sector.

2.5 When do US primary sanctions apply to non-US Persons?

- (a) **Physically in the US:** non-US Persons who are in the US (even temporarily and / or for personal travel) become subject to US primary sanctions for the duration of their stay in the US.
- (b) **Violation within the US:** non-US Persons who cause a violation in the US (e.g., by giving incorrect or incomplete US dollar-denominated transfer details to the banks).
- (c) **US-dollar transactions:** these transactions are generally cleared through US correspondent banks and are therefore subject to US primary sanctions. A non-US Person may face liability for instruction or facilitating such payments if they trigger a violation in the US.

² An electronic version of the SDN List can be found at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>. The list changes from time to time and it is important to ensure that the most recently list is used for the purposes of any screening or diligence.

³ The Foreign Sanctions Evaders List is available http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/fse_list.aspx. The list changes from time to time and it is important to ensure that the most recently list is used for the purposes of any screening or diligence.

2.6 Who is targeted under US secondary sanctions? US secondary sanctions are applicable to both US and non-US Persons. US secondary sanctions currently target, among other things:

- (a) **Iran:** engaging in certain transactions with Iranian industries, including, but not limited to:
 - (i) investment, including participation in joint ventures, goods, services, information, technology and technical expertise and support for Iran's oil, gas and petrochemical sectors;
 - (ii) providing significant goods or services used in connection with the shipping and shipbuilding sectors of Iran, or engaging in significant transactions with or on behalf of certain entities in the shipping sector;
 - (iii) certain transactions with Iran's energy sector;
 - (iv) certain transaction connected to the construction, mining, manufacturing, or textile sectors; and
 - (v) certain transactions involving Iran's automotive sector.
- (b) **Russia:** engaging in certain transactions with respect to Russia, including, but not limited to:
 - (i) significant transactions involving certain defense- and energy-related activities, or facilitating significant transactions on behalf of certain SDNs, if you are a foreign financial institution;
 - (ii) significant transactions with a person that is part of, or operates for or on behalf of, the defense or intelligence sectors of the Russian government; and
 - (iii) investing in, selling, leasing, or providing goods, services, technology, information or support for the construction of Russian energy export pipelines.
- (c) **SDNs:** engaging in significant transactions with, for or on behalf of SDNs to which secondary sanctions apply (e.g. certain Russian and Iranian SDNs or the Iranian Revolutionary Guard Corps), and entities 50% or more owned by certain Russian SDNs.
- (d) **Network disruption:** providing goods, services or technology likely to be used to facilitate computer or network disruption, monitoring, or tracking that could assist in or enable serious human rights abuses by or on behalf of the Iranian government or the Syrian government.

3. EU financial sanctions regime

3.1 EU sanctions are introduced through EU Council Regulations and apply:

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- (a) within the territory of the EU, including its airspace;
 - (b) on board any aircraft or any vessel under the jurisdiction of a Member State;
 - (c) to any person, inside or outside the territory of the EU, who is a national of an EU member state;
 - (d) to any legal person, entity or body, inside or outside the territory of the EU, that is incorporated or constituted under the laws of a Member State; and/or
 - (e) to any legal person, entity or body in respect of any business done in whole or part within the EU (each an “*EU Person*”).
- 3.2 The EU adopts sanctions against governments of non-EU countries, non-state entities and individuals (such as terrorists). These sanctions can target countries, groups of individuals, economic sectors, companies or specific individuals. Unlike US sanctions, EU sanctions can only apply to EU Persons and are administered by each EU member state.
- 3.3 The EU directly implements all UN financial sanctions against countries/regimes (described in paragraph 1 above) and it can also initiate autonomous measures under the auspices of its Common Foreign and Security Policy.
- 3.4 EU sanctions take different forms with respect to each targeted country.
- 3.5 Generally, however, they contain the following elements. The nationals of any EU member state, legal entities that are registered or constituted in any EU member state, persons physically located in the territory of the EU and/or any other EU Persons must:
- (a) freeze upon receipt and not otherwise deal with the assets of any individuals, entities and/or groups which are listed as targeted under EU economic sanctions (or under any additional domestic sanctions measures imposed by the relevant EU member state); and
 - (b) not make available, directly or indirectly, any further assets to persons targeted under EU sanctions.
- 3.6 EU economic sanctions (together with related control measures which are implemented by each respective EU member state) also may prohibit the supply of certain Items and goods or apply additional financial restrictions for certain targeted countries/industry sectors.
- 3.7 The full list of persons targeted by EU sanctions can be found here: <https://data.europa.eu/euodp/en/data/dataset/consolidated-list-of-persons->

groups-and-entities-subject-to-eu-financial-sanctions/resource/3a1d5dd6-244e-4118-82d3-db3be0554112.⁴

- 3.8 With respect to certain US extraterritorial sanctions imposed upon Cuba and Iran, the EU has enacted an updated EU Blocking Statute which came into force on August 7, 2018. The EU Blocking Statute generally prohibits EU entities from complying with re-enacted US secondary sanctions targeting Iran, unless especially authorized to do so by the European Commission. As of 1 February 2019, the UK has introduced criminal sanctions for failing to comply with the Blocking Regulation. The effect is that under EU law, EU persons are generally prohibited from complying with US extraterritorial sanctions against Iran.

Potential conflict between EU Blocking Regulation and certain US sanctions on Iran and Cuba

- 3.9 The EU Blocking Regulation (Council Regulation (EC) No. 2271/96) (the **Blocking Regulation**) prohibits EU entities (including, companies incorporated in the EU) from complying with certain specified US sanctions, including those extra-territorial sanctions imposed by the US against Cuba and Iran. Due to various agreements reached the practical impact of the Blocking Regulation and compliance with US secondary sanctions against Cuba has been limited. However, since the EU has upheld its commitment to the Joint Comprehensive Plan of Action reached in 2016 between the US, the EU and Iran, there is now some tension between the EU/US sanctions regimes in respect of Iran. The effect of the EU Blocking Regulation is that any entity within the EU is prohibited from complying with certain US extraterritorial sanctions on Iran. As of 1 February 2019, the UK has introduced criminal sanctions for failing to comply with the Blocking Regulation.

4. UK financial sanctions regime

- 4.1 The UK financial sanctions is principally made up of the EU financial sanctions regime.
- 4.2 Under EU law, the EU Regulations which create sanctions have direct effect in the UK. EU Regulations can either be:
- (a) autonomous EU-wide agree financial sanctions; and/or
 - (b) an implementation of the UN sanctions regime.
- 4.3 Once the EU Regulation has been enacted, a UK legislative instrument required to introduce criminal penalties for breaches of EU Regulations into UK law, although penalties for breach of EU Regulation 2580/2001 are imposed under TAFE 2010.

⁴ The list changes from time to time and it is important to ensure that the most recently list is used for the purposes of any screening or diligence.

- 4.4 As such, for every individual financial sanctions regime there are two types of legislative instruments:
- (a) an EU Regulation which imposes obligations on UK persons to freeze the assets of designated persons, to refrain from making funds and economic resources available to them and any other financial prohibitions or restrictions; and
 - (b) a set of UK regulations made under section 2(2) of the European Communities Act 1972, which enforces the EU Regulation by making it a criminal offence in the UK to breach the EU Regulation's measures.
- 4.5 The UK financial sanctions regime, since it implements the EU sanctions measures (see para 3.5 above), contains two core prohibitions:
- (a) A prohibition on dealing with the funds or economic resources belonging to or owned, held or controlled by a sanctioned person; and
 - (b) A prohibition on making funds or economic resources available, directly or indirectly, to, or for the benefit of, a sanctioned person.
- 4.6 As well as placing a direct prohibition on dealing with a sanction persons assets, some sectoral sanctions prohibit the supply of certain financial products and/or target particular sectors.
- 4.7 The full list of individuals targeted by the UK financial sanctions regime can is maintained by OFSI and can be found here: <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets> .⁵

Consequences of the UK's exit from the EU

- 4.8 On 31 January 2020, the UK's membership of the EU ceased under the terms of the Withdrawal Treaty agreed between the UK and the EU. The UK is currently in a transitional period which is set to end on 31 December 2020. During the transitional period, the UK will continue to be bound by EU sanctions laws and therefore no immediate steps need to be taken to comply with any UK specific sanctions laws.
- 4.9 The UK Government has created certain sanctions laws that will start at the end of the transition period on 31 December 2020 the effect of which is that the UK sanctions regime based upon EU law will continue without a break in application following the end of the transition period.
- 4.10 Note that during the transition period, the UK Government can introduce certain autonomous UK sanctions not connected to the EU regime under the Sanctions

⁵ The list changes from time to time and it is important to ensure that the most recently list is used for the purposes of any screening or diligence.

and Anti-Money Laundering Act 2018. The UK Government has not yet taken this step.

5. Hong Kong financial sanctions regime

- 5.1 Hong Kong is a Special Administrative Region (**HKSAR**) of the People's Republic of China (**PRC**) with a high degree of autonomy. Economic sanctions do not fall within Hong Kong's autonomy under One Country Two Systems. As a consequence, Hong Kong does not have a fully-autonomous sanctions regime.
- 5.2 Under the United Nations Charter, UN member states (including the PRC) should apply sanctions measures decided by the United Nations Security Council to maintain or restore international peace and security. As a part of the PRC, Hong Kong implements the United Nations Security Council sanctions under the instructions of the Ministry of Foreign Affairs of the PRC.
- 5.3 The United Nations Sanctions Ordinance (Cap 537) provides for the imposition of sanctions against persons, and against places outside of the PRC, arising from Chapter 7 of the Charter of the United Nations. It provides that, where the United Nations Security Council has decided on a sanctions measure to be employed and has called on the PRC to apply the measure, then, at the instruction of the Ministry of Foreign Affairs, the Chief Executive of HKSAR shall make regulations to give effect to that instruction.
- 5.4 Breach of the Hong Kong sanctions regime, without the appropriate licence from the Hong Kong government is a criminal offence. The maximum penalty is an unlimited fine and 7 years imprisonment. Each set of regulations published under the United Nations Sanctions Ordinance creates a separate offence, with its own penalties, up to the statutory maximum.

6. Australian financial sanctions regime

- 6.1 Australia implements the United Nations Security Council sanctions regime (refer to paragraph 1) and Australia's autonomous sanction regime. Australian autonomous sanctions regimes are primarily implemented under the Autonomous Sanctions Act 2011 (the Autonomous Act) and the Australian Autonomous Sanctions Regulations 2011 and apply:
- (a) within Australia, including its airspace;
 - (b) on board any aircraft or any vessel under the jurisdiction Australia;
 - (c) Australian citizens;
 - (d) to any legal person, entity or body, inside or outside the territory of Australia, that is incorporated or constituted under the laws of Australia; and
 - (e) to any legal person, entity or body in respect of any business done in whole or part within Australia.

(each an “*Australian Person*”).

- 6.2 Australia adopts sanctions against governments, non-state entities and individuals (such as terrorists). These sanctions can target countries, groups of individuals, economic sectors, companies or specific individuals. Unlike US sanctions, Australian sanctions can only apply to Australian Persons. The ASO administers Australia’s sanction regimes.
- 6.3 Australia’s sanctions take different forms with respect to each targeted country.
- 6.4 Generally, however, they contain the following elements. Australian citizens, legal entities that are registered or constituted in Australia, persons physically located in Australia and/or any other Australian Persons must:
- (a) freeze upon receipt and not otherwise deal with the assets of any individuals, entities and/or groups which are listed as targeted under Australian economic sanctions; and
 - (b) not make available, directly or indirectly, any further assets to persons targeted under Australian sanctions.
- 6.5 Australian economic sanctions (together with related control measures implemented by the ASO) also may prohibit the supply of certain Items and goods or apply additional financial restrictions for certain targeted countries/industry sectors.

The full list of persons targeted by Australian financial sanctions can be found here: <https://www.dfat.gov.au/international-relations/security/sanctions/Pages/consolidated-list>

- 6.6 Australia’s sanction regime in respect of Iran has not been altered by recent US extraterritorial sanctions imposed upon Iran, including the decision by the United States to withdraw from the Joint Comprehensive Program of Action (*JCPOA*) on 8 May 2018. As such, Australia’s UN sanctions against Iran remain unchanged. Australia’s autonomous sanctions are likewise not affected by the United States’ withdrawal from the *JCPOA*.
- 6.7 Australia’s sanction regime does not extend to Cuba and has not been altered by recent US extraterritorial sanctions in respect of Cuba.

7. New Zealand financial sanctions regime

- 7.1 New Zealand’s sanctions regime is contained in regulations made under the United Nations Act 1946. These regulations implement sanctions resolutions made by the United Nations Security Council. New Zealand does not impose sanctions independently of the United Nations Security Council (however an autonomous sanctions Bill is currently before Parliament).
- 7.2 There are 19 sets of sanctions regulations currently in force in New Zealand. They generally apply to New Zealand citizens, persons in New Zealand and/or persons dealing with property located in New Zealand. A list of the regulations

can be found here: <https://www.mfat.govt.nz/en/peace-rights-and-security/sanctions/>

7.3 The contents of New Zealand’s sanctions regulations vary. However, they usually contain prohibitions against knowingly:

- (a) Allowing designated persons to enter or transit through New Zealand;
- (b) Dealing with property owned or controlled by a designated person;
- (c) Providing financial assistance or services to or for the benefit of a designated person or a person in a sanctioned country or region;
- (d) Exporting prescribed goods to or importing prescribed goods from a sanctioned country or region;
- (e) Providing military training or assistance to a designated person or a person in a sanctioned country or region;
- (f) Establishing joint ventures with a designated person or establishing a business in a sanctioned country or region; and/or
- (g) Dealing with prescribed items that are linked to a designated person or a sanctioned country or region.

7.4 New Zealand does not maintain a list of designated persons. This information must be obtained from United Nations Security Council publications.

Exemptions

7.5 Certain New Zealand sanctions regulations permit otherwise prohibited activities with the consent of the Minister of Foreign Affairs and Trade. However, there is no prescribed process for obtaining consent. New Zealand does not have a general licensing or authorisation regime that permits sanctioned activities. New Zealand also does not have a regulator (such as OFAC in the United States or OFSI in the United Kingdom) that provides guidance on sanctions requirements.

Offences and Penalties

7.6 A breach of the sanctions regulations is a criminal offence. The maximum penalties comprise 12 years’ imprisonment or a \$10,000 fine (for individuals), or a \$100,000 fine (for a corporate). To date, there has only been one prosecution in New Zealand for a breach of the sanctions regulations. In 2018, Pacific Aerospace was fined approximately \$75,000 for exporting aircraft parts to North Korea.

8. Canadian financial sanctions regime

8.1 At the present time, Canada currently imposes economic sanctions measures of varying degrees on activities directly or indirectly involving the following

countries as well as individuals or entities based in such countries as those listed in **Annex C**.

8.2 Canada also imposes sanctions against listed terrorist entities, including Al-Qaida and the Taliban.

8.3 Any involvement of these countries, or any person that has been listed or designated under these sanctions measures (or any entity owned or controlled by them), in proposed transactions or other activities of the Company should raise a red flag for further investigation to ensure compliance.

8.4 Economic Sanctions Legislation

(a) The prohibitions and obligations under these economic sanctions generally apply to persons in Canada and Canadians outside Canada and are set out in the following statutes and regulations issued thereunder:

(i) ***United Nations Act*** – used by Canada to implement into its domestic law economic sanctions mandated by the United Nations Security Council (Central African Republic, Democratic Republic of the Congo, Eritrea, Iran, Iraq, Lebanon, Libya, Mali, North Korea, Somalia, South Sudan, Sudan, Yemen, Al-Qaida and Taliban, Suppression of Terrorism);

(ii) ***Special Economic Measures Act*** – autonomous economic sanctions imposed by Canada (Burma (Myanmar), Iran, Libya, Nicaragua, North Korea, Russia, South Sudan, Syria, Ukraine, Venezuela, and Zimbabwe);

(iii) ***Freezing of Corrupt Foreign Officials Act*** – imposes prohibitions on dealings with listed former leaders and senior officials, and their associates and family members, suspected of misappropriating state funds or obtaining property inappropriately (Ukraine, Tunisia);

(iv) ***Justice for Victims of Corrupt Foreign Officials Act (Sergei Magnitsky Law)*** - prohibits dealing with listed individuals involved in gross violations of internationally recognized human rights or acts of significant corruption (Russia, Venezuela, Saudi Arabia, Myanmar, South Sudan); and

(v) ***Part II.1 of the Criminal Code*** – prohibits activities associated with terrorism, including dealings with listed terrorist organizations and entities.

(b) Depending upon the sanctioned country, entity or individual involved, the measures can restrict the import, export and transfer of goods and technology, as well as the movement of people and money, the provision of services, and investment.

8.5 Monitoring and Reporting Obligations

- (a) Certain sanctions measures require banks and other financial services companies to monitor – i.e., “determine on a continuing basis” – whether they are in possession or control of property that is owned, held or controlled by or on behalf of a listed person. These include banks, insurance companies, loan and trust companies as well as entities authorized under provincial legislation to engage in the business of dealing in securities or to provide portfolio management or investment counselling services. In certain circumstances, these firms are also required to report sanctions screening results on a monthly basis to their Canadian or provincial regulators.
- (b) Separately, all persons in Canada and Canadians outside Canada must disclose without delay to the Royal Canadian Mounted Police (**RCMP**) or the Director of the Canadian Security Intelligence Service:
 - (i) the existence of any property in their possession or control that they have reason to believe is owned, held or controlled by or on behalf of a listed or designated person; and
 - (ii) any information about a transaction or proposed transaction in respect of such property.

8.6 Administration and Enforcement

- (a) Global Affairs Canada administers these sanctions measures and is responsible for considering applications for permits to allow activities otherwise prohibited under these economic sanctions programs to proceed. The RCMP and the Canada Border Services Agency are responsible for the enforcement of these sanctions programs. Violations are subject to criminal prosecution and fines and/or imprisonment.

8.7 Sanctions Blocking Orders

- (a) The Foreign Extraterritorial Measures (United States) Order, 1992 (the **FEMA Order**) prohibits Canadian corporations, and their directors, officers, managers and employees in a position of authority from complying with the US trade embargo of Cuba and any directive, instruction, intimation of policy or other communication relating to such measures. The FEMA Order also provides that this prohibition applies to acts or omissions constituting compliance with extraterritorial measures of the United States, regardless of whether compliance was the only purpose of such acts or omissions.
- (b) The FEMA Order also requires that Canadian corporations and their directors and officers immediately notify the Attorney General of Canada in writing of any directive, instruction, intimation of policy or other communication relating to the US trade embargo of Cuba that is

received from a person who is in a position to direct or influence the policies of the Canadian corporation in Canada.

- (c) Failure to comply with the FEMA Order is subject to criminal prosecution with fines of up to \$1.5 million and/or up to five years imprisonment.

9. Bermuda financial sanctions regime

9.1 Bermuda is a British Overseas Territory and generally implements the same international sanctions as the UK (see paragraph 4). International sanctions are given effect in Bermuda by the International Sanctions Act 2003 and the International Sanctions Regulations 2013 which sets out each sanctions related Overseas Territories Order in Council (**Orders**) issued by the UK, and those currently in force in Bermuda.

9.2 The Bermuda sanctions regime applies to all individuals and legal entities that are within or undertake activities within Bermuda. Broadly, the individuals and legal entities sanctioned under Bermudan law follow those that are targeted in the Consolidated List and similarly the territories listed in **Annex C** are the subject of Bermudan sanctions.

9.3 Exemptions and Licences

- (a) Specific exemptions and licensing powers may be defined under the applicable Orders. In certain circumstances, a licence may be granted by the Minister of Legal Affairs (**Minister**), with the consent of the UK Secretary of State, to allow an otherwise prohibited transaction to take place. The Minister may provide a licence only where there are specific and relevant licensing grounds (found in the relevant Order) that have been met. Where an exemption to a prohibition exists it will apply automatically and not require a license from the Financial Sanctions Implementation Unit (**FSIU**).

9.4 Offences and Penalties

- (a) Offences are set out in each Order and may include making funds or economic resources available to a designated person, dealing with frozen funds, failure to comply with reporting obligation or non-compliance with licencing conditions. The FSIU must be informed where an individual or entity knows or has reasonable cause to suspect that a breach of the financial sanctions has occurred. Specific criminal penalties for sanctions breaches, which include fines and/or terms of imprisonment, are contained within the individual Orders. In addition to criminal penalties, entities licensed by the Bermuda Monetary Authority (**BMA**) in breach may face enforcement actions by the BMA which could include licence cancellation, public censure and a civil penalty.

Annex C

High-Risk Sanctions Countries

Red List *Comprehensive sanctions apply which restrict all or most trade in the affected country*

- | | | |
|----------|---------|--------------------------|
| ▶ Iran | ▶ Cuba | ▶ North Korea |
| ▶ Crimea | ▶ Syria | ▶ Venezuela ⁶ |

Amber List *Selective sanctions apply which restrict specific activities in the affected country*

- | | | |
|---------------|----------------------------|--------------------------------|
| ▶ Afghanistan | ▶ Belarus | ▶ Bosnia and Herzegovina |
| ▶ Burundi | ▶ Central African Republic | ▶ Democratic Republic of Congo |
| ▶ Egypt | ▶ Eritrea | ▶ Haiti |
| ▶ Iraq | ▶ Kyrgyzstan | ▶ Lebanon |
| ▶ Libya | ▶ Maldives | ▶ Mali |
| ▶ Moldova | ▶ Montenegro | ▶ Myanmar |
| ▶ Nicaragua | ▶ Republic of Guinea | ▶ Republic of Guinea-Bissau |
| ▶ Russia | ▶ Saudi Arabia | ▶ Somalia |
| ▶ South Sudan | ▶ Sudan | ▶ Tunisia |
| ▶ Ukraine | ▶ Yemen | ▶ Zimbabwe |

⁶ Note Venezuela is not as of March 2020 subject to a general export, import, financial or investment ban. Nevertheless, it remains a 'red' risk country from a sanctions perspective in light of extensive US sanctions against the Venezuelan government.

Annex D
AML And Sanctions Transaction Assessment Form

Section (A) Basic Information

Counterparty) Name:		Today's) date:	
		Your) name:	
Customer) Contract Details:		Office:)	

Section (B) Transaction Information

(1) Transaction Categorisation Tick-Box and Description

Investment	<input type="checkbox"/>	
Supplier Transaction	<input type="checkbox"/>	
Other	<input type="checkbox"/>	

Section (B) Transaction Information			
(2) Direct counterparty details			
Counterparty name(s)	Counterparty jurisdiction(s)	Contact name	Contact details
(3) Any other third party details?			
Third party name(s)	Third-party jurisdiction(s)	Contact name	Contact details

Section (C) Transaction Information – Red flag identification

(2) Further information if any red flags appear

Please provide further details regarding any of the red flags identified in the section above?

Are there any factors which indicate that the transaction is generally low risk? If so, please provide details? Please consult the CKLS AML and Sanctions Policies if required.



Section (D) Sanctions screening	
Do any of the parties identified in Section B appear on any sanctions lists? Please leave blank if sanctions screening has not taken place.	Y/N
If so, please provide details?	_____

Section (E) Escalation to Group Legal	
Does this transaction require escalation to Group Legal?	Y/N
If yes, please explain basis of escalation ?	_____

