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SANCTIONS, OFAC and PEP SCREENING POLICIES AND PROCEDURES

Last update 30 August, 2019

INTRODUCTION

Sanctions, OFAC, PEP screening of Simex Europe OÜ is aimed to detect, prevent and manage above mentioned risks. Screening should be undertaken as part of an effective Financial Crime Compliance (FCC) programme, to assist with the identification of individuals and organisations and the illegal activity to which Simex Europe OÜ may be exposed. It helps identify areas of potential risk concern and assists in making appropriately compliant risk decisions.

DEFINITIONS

1. Sanctions Screening

Sanctions screening is a control used in the detection, prevention and disruption of financial crime and, in particular, sanctions risk. It compares data sourced from an Simex Europe OÜ operations, such as customer and transactional records, against lists of names and other indicators of sanctioned parties or locations.

These lists are typically derived from regulatory sources and often supplied, updated and maintained through external vendors specialising in the amalgamation, enhancement, formatting and delivery of these lists. Simex Europe OÜ may also augment these with lists of sanctions relevant terms, names or phrases, identified through their own operations, research or intelligence.

The generation of an alert as a result of the process of screening is not, by itself, an indication of sanctions risk. It is the first step towards detecting a risk of sanctions exposure, which can be confirmed or discounted with additional information to evaluate whether the similarities in the text reveal a true sanctions match.

While this concept sounds simple, it can be complex when it comes to determining what actually constitutes a “true match” across a range of variables such as alphabets, languages, cultures, spelling, abbreviations, acronyms and

aliases. When screening is automated, additional complexities are introduced such as “fuzzy matching” algorithms, workflows and match rules.

2. Sanctions Screening Programm

Fundamental pillars of an FCC programme, including key enabling functions, should be applied to screening, not in isolation, but in conjunction with other financial crime risk prevention and control processes:

Policies and Procedures - defining requirements for what must be screened, in what context and at which frequency, and how alerts should be adjudicated, paying particular attention on how to resolve alerts where information is unavailable, incomplete or potentially unreliable.

Responsible Person - ensuring appropriate skills and experience in understanding the nuances of often arcane sanctions requirements and how these might influence screening outcomes and decisions, as well as the technical capabilities of screening software.

Risk Assessment - applying risk based decisions to resolve specific questions of what data attributes to screen, when to screen, what lists to use and how exact or “fuzzy” to set the screening filter.

Testing - conducted to validate that the screening system is performing as expected and to assess its effectiveness in managing the specific risks articulated in the Simex Europe OÜ Risk Assessment. Regular testing of the system is supported by metrics, analysis and reporting.

3. Risk Based Approach

Sanctions screening can never detect every possible sanctions risk due to the wide range of variables in which a string of text could be altered and still convey the same meaning. Sanctions screening is dependent on a range of factors, including the type, availability, completeness and quality of data, as well as the inherent sanctions risks to which an FI, its products, customers and services are exposed.

4. OFAC Sanctions Procedures

OFAC sanctions procedures are international regulations directly enforced by the US in according with their policy.

5. PEP

A politically exposed person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognised that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing (TF).

SANCTION SCREENING PROCEDURES

Screening clients:

We screen all clients either from those countries on the UN, EU, US, sanctions lists or with links to them.

We conduct screening **before** we:

- a. Undertake any work for or on behalf of the individual or entity, or
- a. Receive or transfer any funds to, from or on behalf of the individual or entity
- a. Routinely – every 6 months and whenever we become aware that a target has been added or removed from the sanctions lists

Screening others:

In addition to screening our clients, we follow the above screening procedures for:

- a. Directors and beneficial owners of corporate clients
- a. Intended recipients of funds in transactional and litigation matters, where we have reason to believe that they may be subject to sanctions

If there is a match:

Any potential match identified through screening process must be properly investigated before we can take any further steps.

Simex Finance OÜ employees are responsible for reporting any potential matches immediately to the Chief Compliance Officer.

The Chief Compliance Officer (CCO) will investigate whether there is an actual match.

The result of that investigation may be that we:

- a. Seek guidance from EEAS
- b. Ask an external party to investigate whether the person or entity we are dealing with is in fact a target

Where there is a positive match against the sanctions lists:

- i. Decline to act
- ii. Cease to act
- iii. Inform EEAS as necessary

Whether there is a positive match and if so the Sanctions Report should be submitted to the Chief Compliance Officer (CCO) who will decide how to proceed.

In order to comply with sanctions imposed by the UN, EU, US, and any local authorities, relevant control procedures must be in place. Most Market Areas within Simex Europe OÜ are EU Member States and, as such, are obligated to follow EU regulation and, therefore, comply with EU sanctions.

US sanctions regulations have a major impact on Simex Europe OÜ due to the USD transactions that Simex Europe OÜ may undertake. Simex Europe OÜ has therefore chosen to be compliant with the requirements of the Office of Foreign Asset Control (“OFAC”), regardless of currency.

Simex Europe OÜ has a screening solution, which is integrated in Simex Europe OÜ’s IT systems to ensure that Simex Europe OÜ is compliant with AML, CTF and financial sanctions regulations.

Transaction screening Simex Europe OÜ conducts real-time transaction screening on all transactions in relation to relevant lists of designated persons, groups and entities subject to financial sanctions.

Customer screening The customer screening solution ensures that all customer registered in Simex Europe OÜ’s IT systems, including natural persons, legal entities and their beneficial owners, are screened against the relevant sanctions lists of designated persons, groups and entities.

Persons, groups and/or entities designated by the UN and EU shall be highlighted and may be subject to asset freezing with subsequent reporting to appropriate authorities. Simex Europe OÜ will, terminate or limit the services offered to natural persons and legal entities designated by OFAC as Specially Designated Nationals.

OFAC SANCTIONS SCREENING PROCEDURES

OFAC sanctions are diplomatic, economic and trade regulations enforced by the United States of America and targeted against terrorism, drug trafficking, foreign regimes, mass destruction weapons proliferation, or any countries, individuals and entities engaged in activities that threaten the US foreign policy, economy or security.

Sanctions applied by Simex Europe OÜ can be:

- restrictions on financial transactions;
- investment bans;
- freezing of assets.

OFAC sanctioned countries:

- Balkans
- Burma
- Cote D'Ivoire
- Democratic Republic of Congo
- Iraq
- Liberia
- North Korea
- Sudan
- Syria

Any individuals, entities or companies acting on behalf, controlled or owned by these targeted countries are directly subjected to case-related sanctions such as barring certain parties from operating in the US, prohibiting financial transactions and declaring a travel ban. Specially Designated Nationals — is a collective name adopted for sanctioned individuals falling under these restrictions.

PEP SCREENING PROCEDURES

Screening of politically exposed persons In order to ensure that all natural persons defined as politically exposed persons (“PEPs”) are identified and registered in Simex Europe OÜ’s system as such, a PEP screening process is conducted when natural persons are on-boarded. Furthermore, the customer database is screened for PEPs on an ongoing basis.

Examples of prominent public functions include:

(a) heads of state, heads of government, ministers and deputy or assistant ministers;

- (b) members of parliament or of similar legislative bodies;
- (c) members of the governing bodies of political parties;
- d) members of supreme courts, of constitutional courts or of any judicial body the decisions of which are not subject to further appeal except in exceptional circumstances;
- (e) members of courts of auditors or of the boards of central banks;
- (f) ambassadors, charges d'affaires and high-ranking officers in the armed forces;
- (g) members of the administrative, management or supervisory bodies of State-owned enterprises;
- (h) directors, deputy directors and members of the board or equivalent function of an international organisation;

Any match, or possible match to a PEP requires the CCO's approval and or further advice before allowing the customer to have an account with the Company. Should approval be granted for a PEP, enhanced due diligence may be required (such as additional documentation) but all PEPs will also be subject to ongoing monitoring of their account activity.

This is undertaken on at least a monthly basis to ensure the customer's account is operating as expected and there are no sudden changes to account activity and / or behaviour.

Policies and procedures created and maintained in concern with the following International Sanctions Act posted in Riigi Teataja (<https://www.riigiteataja.ee/en/eli/504072018003/consolide>)