KBZMS General Insurance Sanctions Monitoring Framework Policy

1. Introduction and Objective

1.1 KBZMS is aware that breaching sanction laws and regulations can lead to criminal offenses and negatively affect a company's reputation and business. In order to comply with sanctions imposed by the UN, EU, UK, Swiss, OFAC and any local authorities. KBZMS is committed to preventing, detecting and deterring suspected money laundering and terrorist financing activity and, in particular, sanction risk.

1.2 The objective of this policy is to set the principles and standards management of sanctions breaches and to ensure that minimizes the risk of sanctions breaches and abuse of KBZMS's products and services for money laundering and terrorist financing purposes or violations of applicable economic or trade sanctions.

2. Definition

2.1 Sanction is defined as an official order such as the stopping of trade that is taken against a country and/or individual person and/or organization in order to comply with international law.

2.2 Sanctions can be imposed by the UN Security Council, the European Union, UK, Swiss, Office of Foreign Assets Control (OFAC) of the US Department of the Treasury and individual States.

3. Policy

3.1 This policy is to ensure sanctions are observed and enforced when conducting business and to help governments for the global fight against financial crime.

3.2 KBZMS will comply with the local blacklists, exclusion lists, UN Sanction list, EU Sanction list, and US (OFAC) Sanction list.

3.3 KBZMS will not engage in a business relationship with any local individual or organization who is currently under sanction or exclusion by the Central Bank of Myanmar and any other duly authorized enforcement regulatory body.

3.4 KBZMS will not engage in a business relationship with any foreign nationality or organization that is currently under sanction or exclusion by the UN, EU,UK, Swiss and US.

3.5 KBZMS shall not employ any individuals who have been recently convicted of a criminal offense related to financial matters or who are listed as excluded or otherwise ineligible for participation in countrywide financial products and services.

3.6 KBZMS will not establish business relationships with any person incorporated, domiciled or resident in, or owned or controlled by any person incorporated, domiciled or a resident in, a country or territory that is the subject of comprehensive or countrywide sanctions, currently comprising Crimea, Cuba, Iran, North Korea, Libya, Somalia, Congo and Syria.

4. Sanction Screening

4.1 Sanction screening is a control that detects, prevents, and manages sanctions risk to assist with the identification of sanctioned individuals and organizations as well as the illegal activity.

4.2 Screening controls will categorize as transaction screening and customer screening. Transaction screening is used to identify transactions involving targeted individuals or entities. Customer screening is designed to identify individuals or entities during on-boarding or during the business relationship with us.

4.2 Legal and Compliance Department will work together with IT Department, Underwriting Department and Reinsurance Department to construct a database of the sanction lists and sanction entities.

5. Sanction List Management

5.1 Sanction list management is regarded as the end-to-end process of determining and managing lists for screening. To have effective list management, the following should be well-documented and reviewed on a regular basis:

List selection

To determine which sanction lists are relevant for screening. This should include regulatory lists, for instance, the UN, UK, EU, Swiss and OFAC lists, as well as other lists designed to comply with regulatory requirements and to manage risk.

Source of lists

To determine which lists are generated internally and which lists are sourced from World Check One System and external authorities.

List maintenance

To determine the processes for adding and removing lists or entries to internal lists when screening is no longer required. Determine appropriate controls to ensure lists remain up-to-date.

Data enhancement

To determine whether certain list entries should be modified or enhanced based on additional information.

White Listing

To determine the management of rules for automatically eliminating potential hits caused by the interaction of certain list terms and frequently encountered data, for instance, customer names which have already been confirmed as false positives.

Frequency of screening

It can determine the additions to lists and changes in customer data by static data screening.

5.2 To ensure the quality and timeliness of updates made to the lists against delays between regulatory sanctions list updates and employees provided screening list updates.

6. Procedure Flow

6.1 Legal and Compliance Department is the main recipient of Sanction List updates sent from regulatory bodies (FRD, IBRB, MOPF, CBM etc.). Sometimes Regulatory Inward Letter received by Facility Management Department, Facility Management Department will forward to Legal and Compliance Department.

6.2 Legal and Compliance Department will safe keep the information forwarded from Facility Management Department for archiving and referencing purposes.

6.3 Legal and Compliance Department will compile and build a list of the sanctioned list and will share with Operations Division.

6.4 Operation Department will use the list to cross check and perform KYC analysis upon underwriting of new business and on-boarding of new customers.

6.4.1 If the new business and/or customers is listed in the sanction list, underwriting is prohibited and the enquiry refused. KBZMS will not conduct any business with individuals or organization under sanctioned.

6.4.2 Compliance Team will report any incidents as described in 6.4.1 to the Myanmar Financial Intelligence Unit (MFIU).

6.5 For products which claim payouts are payable to third parties and/or more than one payee; third parties and/or multiple payees who are not mentioned or not part of the proposal/underwriting; sanction screening will be conducted by Claims while the claim process has been initiated.

6.5.1 If there is any hit, verifications need to be done to determine if the hit is a false positive or true positive. If it is a false positive, claim payments are to be proceeded.

6.5.2 If the hit is a true positive, claim payments will be on hold while notification is made to Compliance. Compliance will report to the CEO in order to attain approval to withhold payment.

6.5.3 The decision will be recorded and compliance will work together with Legal and Claims and notify the customer/client and the payees of what has transpired.

6.5.4 Compliance will report to the Myanmar Financial Intelligence Unit (MFIU) of the event in accordance with the regulatory instructions.

6.6 Compliance Team will cross check the customer/client database against any new addition to the sanctioned list and if one of our existing customer/client is found to be under Sanction, KBZMS will stop all business with the Sanctioned entity.

6.6.1 In the situation as described in 6.5, Compliance Team will notify Operation of the event and will report to the CEO in order to attain approval to cancel policy, reimburse fees, refund remaining premium, etc.

6.6.2. Compliance will work together with Legal and Commercial and notify the customer/client of what has transpired.

6.6.3 Compliance will report to Myanmar Financial Intelligence Unit (MFIU) of the event in accordance with the regulatory instructions.

7. Updating of Sanction List

7.1 Compliance Team will ensure that the sanction database is regularly updated in accordance with the sanction list updates obtained by official UN, EU, UK, Swiss and OFAC Lists is inclusive in this measure.

8. Retention of documents

8.1 KBZMS will retain all necessary information and documents regarding the sanction list, sanctioned entities, local blacklists for a period of at least 5 years as prescribed for the retention of documents under the relevant Anti-Money Laundering laws in Myanmar.

8.2 KBZMS will retain all necessary information and documents regarding the sanction list and sanctioned entities that is imposed by the UN, EU, UK, Swiss and the US (OFAC).

This measure is inclusive to the local listings, if any, by the Insurance Business Regulatory Board (IBRB), Financial Regulatory Department (FRD), Myanmar Financial Intelligence Unit (MFIU), and the Central Bank of Myanmar (CBM).

9. Training and awareness

9.1 Compliance Team and senior management will ensure that training of employees is conducted at regular intervals and awareness campaigns will be conducted regarding the policy to ensure that employees have a better understanding of Sanction monitoring, the risks associated with sanctioned entity, how KBZMS is dealing with the sanction list and sanctioned entities and for all around compliance with the effected laws, rules and regulations.

10. Continuous Improvements

10.1 This framework plans and procedures etc. will be reviewed and updated annually or earlier in line with any changes to business, market and regulatory requirements.

As part of the review and monitoring of the framework, in addition to the reviews undertaken by the company's appointed Head of Legal and Compliance has an important role in ensuring that this framework achieves its objectives as agreed and set up.