

COMPLIANCE POLICY JSC "Octobank"

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I. INTRODUCTORY PROVISIONS

(1) JSC Octobank ensures adherence to statutory and internal regulatory requirements, as well as the identification and management of compliance risks. The Bank operates in compliance with the legislative provisions of Uzbekistan and follows the guidelines and regulations of international, European, United States, and United Kingdom financial supervisory authorities, as well as the standards set by the Financial Action Task Force (FATF).

(2) Compliance risk is the potential legal risk, the risk of supervisory or other official sanctions, of significant financial losses, or of reputational damage due to a failure to adhere to legislation or other non-legislative standards and internal rules applicable to the financial organization and pertaining to its service activities.

(3) The purpose of the Compliance Policy is to summarise – based on the requirements and guidelines outlined by senior management and taking into consideration the effective and prevailing laws, regulatory guidelines and internal regulations – the principles related to the compliance of JSC Octobank and determine the main direction of the independent compliance activity, which together define, foster and support compliant, legal, safe and prudent operation.

II. GENERAL PROVISIONS

II.1. Scope of regulation

(4) The activity of the compliance function covers the Bank as a whole, including all of its subsidiaries, organisational units and activities. Persons performing outsourced activities or engaged as experts or advisors, whether natural or legal persons, must meet compliance requirements and standards as well.

II.2. Principles

(5) Laws and regulations referred to in this Policy:

- a/ Law of the Republic of Uzbekistan "On banks and banking activity" (#ZRU-580 dated November 5, 2019)
- b/ Law of the Republic of Uzbekistan "On countering the legalization of proceeds from criminal activity, the financing of terrorism and the financing of proliferation of weapons of mass destruction" (#660-II dated August 26, 2004);

- c/ Law of the Republic of Uzbekistan "On personal data" (#ZRU-547 dated July 2, 2019);
- d/ Law of the Republic of Uzbekistan "On joint stock companies and protection of shareholders' rights" (#LRU-370 dated May 6, 2014);
- e/ Law of the Republic of Uzbekistan "On combating corruption" (#LRU-419 dated January 3, 2017);
- f/ Regulation of the Central Bank of the Republic of Uzbekistan on the requirements for risk management system of banks and group of banks (#3427 dated April 18, 2023);
- g/ Regulation of the Central Bank of the Republic of Uzbekistan on corporate governance in commercial banks (#3254 dated June 30, 2020);
- h/ US Regulations: The guidelines of OFAC (Office of Foreign Assets Control), including sanctions programs governed by the International Emergency Economic Powers Act (IEEPA), USA PATRIOT Act, Foreign Corrupt Practices Act (FCPA), Foreign Account Tax Compliance Act (FATCA);
- i/ EU Regulations: Market Surveillance Regulation (EU) 2019/1020, Council of the EU Regulation No. 833/2014, No. 269/2014, Anti-Money Laundering Directives: 2015/849 and 2018/843;
- j/ UK regulations: Sanctions and Anti-Money Laundering Act 2018 (SAML), Bribery Act 2010.

II.3. Interpretative provisions

(6) Employee: employees of or persons employed by JSC Octobank an employment relationship or another legal relationship for the performance of work.

II.4. Position of the compliance function in the system of internal lines of defence

(7) In accordance with the guidelines of the Central Bank of the Republic of Uzbekistan and the recommendations of international financial regulators, JSC Octobank.

Recommendation established the key principles and requirements that financial service providers must satisfy in setting up internal lines of defence and security to promote the following:

- a/ prudential operations of the organisation in compliance with legal and internal regulations;

- b/ protection of the provider's assets, as well as the interests and societal aims of its shareholders and customers in connection with the provider;
- c/ the provider's undisturbed and profitable business and the continued trust of customers and society.

(8) The organisation's internal lines of defence comprise the responsible internal governance and internal control functions.

(9) Internal control functions include the risk control function, the **compliance function**, and the internal audit function.

Principles of operating the compliance function

(10) The compliance function is operated in order to create a lawful and ethical corporate culture that ensures the prudential and ethical operation of the Bank in the long term.

(11) In the course of operating the compliance function, the Bank applies the following principles:

- a/ independence
- b/ integrity
- c/ operation without interference
- d/ objectivity
- e/ preventive and proactive approach
- f/ risk-based approach
- g/ proportionality
- h/ high level of professional care and competence
- i/ full coverage
- j/ efficiency, rationalisation of compliance costs

(12) For the Bank, compliance means that

- a/ it carries out its tasks by observing, following and enforcing the laws, the guidelines and recommendations of national and international supervisory authorities, as well as the public and internal regulations;
- b/ it enforces the system of in-process controls, including the control of compliance risks associated with banking operations and of their management.

(13) With regard to compliance functions, JSC "Octobank" (hereinafter referred to as the Bank) ensures continuous professional supervision, management, and oversight. In fulfilling this responsibility, Bank undertakes the following essential tasks:

- a/ operating a subsidiary reference system
- b/ identification and analysis of Bank risks from a compliance perspective;
- c/ development of standardised procedures and rules, supply of methodologies;
- d/ operation of the Bank-level reporting system;
- e/ coordination of the activities of the Compliance specialist;
- f/ education and training.

II.5. Compliance risk

(14) The Bank manages the following compliance risks:

- a/ management of conflicts of interest, compliance with ethical standards and rules;
- b/ separation of financial and investment service activities;
- c/ ensuring compliance with restrictions pertaining to the flow of information, prevention and detection of insider transactions;
- d/ prevention of market abuse (insider dealing, unfair price manipulation);
- e/ prevention and detection of external and internal fraud, corruption;
- f/ combating money laundering and terrorist financing;
- g/ conduct risk;
- h/ compliance with international tax arrangements (FATCA);
- i/ compliance with the provisions of international sanctions and risks associated with sensitive transactions;
- j/ fulfilment of Compliance/AML Due Diligence criteria;
- k/ enforcement of Know Your Customer (KYC) principles;
- l/ compliance risks to be managed as part of outsourcing and procurement processes.

(15) During the assessment of compliance risks, the Bank also takes into consideration the following:

- a/ risks arising from changes in legislation and expected new regulations that are relevant to compliance;
- b/ pending and closed litigations that are relevant to compliance;
- c/ the nature, number and volume of administrative measures and sanctions;
- d/ frequency and significance of negative media appearance that is relevant to compliance and affects the reputation of the Bank Detailed provisions

II.6. Key areas of compliance

(16) Among the compliance risks controlled (directly or as primary owner) by the Internal Control Department of the Bank, the key risk areas are the following:

II.6.1. Conflict of interest, ethics, prohibition of corruption and bribery

(17) The Bank has a vested business interest and a statutory obligation in ensuring that the personal interests of its employees and of members of its management bodies are not in conflict with the business interests and commitments of the Bank and its customers, and that the Bank identifies, prevents and manages the conflicts of interest related to its various activities, and regulates and ensures the assessment of suppliers' compliance (supplier pre-screening).

(18) With a view to protecting its values and its customers, the Bank formulates requirements for ethical business operations. It regulates the acceptable and prohibited forms and degrees of the external economic interests and personal relations of managers and employees, while also prohibiting managers and employees from giving precedence to their own interests and economic relations over the interests of the Bank, its customers and business partners.

(19) The Bank develops and enforces rules on conflicts of interest and ethics, with a demand for all managers and control organisations to take firm action against any breach of those rules.

(20) The Bank draws up a Conflict-of-Interest Policy to specify the circumstances that are associated with its investment service activity, ancillary services and related financial services, and which lead or may lead to a conflict of interest potentially causing adverse consequences for the business partner. The Policy also defines the detailed procedural rules and measures that allow the prevention, identification and management of conflict-of-interest situations that are potentially prejudicial to the business partner

(21) The Bank is committed to combatting corruption, and declared zero tolerance towards all forms of bribery and the gaining of unfair advantages.

(22) The Bank has whistleblowing arrangements (hot line) in place for reporting breaches of ethical standards and of legal provisions on the rules of compliance.

II.6.2. Compliance with restrictions on information flows between financial and investment service activities

(23) The Bank puts in place an internal organizational, operational and procedural mechanism to ensure that the data and information flows among the organisational units in charge of financial services, ancillary financial services and investment services comply with the applicable legal provisions and recommendations.

(24) The organizational units of the Bank may only disclose confidential banking and securities information to one another as provided for in the applicable internal regulation of the Bank

(25) Additionally, the Bank ensures that any person may only access bank secrets and securities secrets on a need-to-know basis.

II.6.3. Compliance with international tax agreements

(26) The Bank has a fundamental interest and a legal obligation in ensuring its full compliance with the customer identification and reporting requirements set out in international tax arrangements (FATCA for the US) and in applicable Uzbek law.

(27) The Bank uses its own internal regulation to regulate the tasks to be carried out by the relevant business units, in particular the branch network, in order to ensure full compliance by the Bank.

II.6.4. Compliance with the requirements of international sanctions and mitigation of risks associated with sensitive transactions

(28) Upon the establishment and maintenance of its relationships and making its business decisions, the Bank takes into account the economic, financial and commercial sanctions and embargo requirements approved by international organisations and specific states, thus, in particular, by the United Nations Security Council, the European Union, the United States of America and the United Kingdom. On its website, the Bank publishes a Sanctions Policy on its general principles of the application of international sanctions.

(29) In the interest of retaining its market position and good reputation, supporting international collaboration and complying with legal regulations, the Bank formulates and shapes its regulations as well as its processes so as to ensure appropriate compliance with sanctions-related obligations and to protect the Bank's reputation.

(30) In pursuing its business policy goals, the Bank strives to avoid sensitive transactions that may be detrimental to the reputation and business relations of the Bank and accordingly, it inspects – in particular but not limited to – active transactions related to military goods, dual use products and technologies, the extraction of crude petroleum, nuclear energy and crypto instruments.

II.7. General principles and requirements

II.7.1. Compliance awareness

(31) The Bank focuses on prevention at all times, and should an action or incident constituting a breach occur in daily practice nevertheless, it takes appropriate and effective action to address the breach.

(32) While carrying out their work, the employees, managers and executives of the Bank are under an obligation to act in accordance with their job descriptions and with the applicable internal standards and legal regulations in place.

(33) Internal Control Department monitors employee education and training, and ensure that all new entrants are equipped with the knowledge to perform their work to high standard. Where deficiencies are found, the missing knowledge is provided, or the knowledge acquired in earlier programmes is updated. In addition, the Compliance continuously provides special training dedicated to specific compliance areas, and prepare summaries and checklists for individual domains.

II.7.2. Compliance requirements for business processes

(34) In defining and maintaining its business processes, the Bank places particular emphasis on their compliance, i.e., on ensuring that they comply with the applicable legal regulations and regulatory requirements.

(35) In all areas associated with business processes, particular importance is attached to unique, reliable and definite identification and authentication, including the identification of both customers and the employees conducting each business process.

(36) The terms of contracting, contract amendments, account opening and account termination are specified by the Bank in such a manner that they are consistent with the

principles of compliance and risk exposure, and ensure the prudential operation of the organisation.

(37) In the establishment and maintenance of its customer relations, the Bank has regulations in place to ensure that exposures, commitments and services are well-founded and transparent, risks are assessed, assessment is controlled, and risks are mitigated.

II.7.3. Responsibility for compliance (Internal Control Department)

(38) The Bank declares that governance and organisational responsibility for compliance lies with the Management Board and the Supervisory Board in accordance with the practices of internal governance and control of the Bank.

(39) The Compliance Policy is approved and released by the Supervisory Board of the Bank

(40) The Supervisory Board of the Bank discusses and agrees the compliance work plan for the following year on an annual basis.

(41) On a quarterly basis, the Director of Internal Control department reports on the Banks Management Board and Supervisory Board.

(42) As set out in the legal regulations in effect and in the internal provisions and regulations, the executives, managers, employees of the Bank undertake general responsibility for the application of compliance requirements and rules. All employees of the organisation are under an obligation to enforce requirements for compliance, report any circumstances that pose a threat to enforcement, and participate in the elimination of such circumstances.

(43) It is a fundamental requirement that there be direct cooperation between the business and other units of the Bank and the Internal Control Department, based on equity and on sharing the special knowledge of each unit.

II.7.4. Organisation, mandate and tasks of compliance

(44) As required by law, the Bank operates Internal Control Department, which operates independently within the organisational framework of the Bank.

(45) In connection with the detection of incidents and circumstances that pose a threat to compliance, and with exceptional occurrences, the Management of the Bank authorises the Compliance (Internal Control) function to take immediate and direct measures and action in order to prevent and inhibit additional similar incidents, and to prevent the occurrence of additional damage.

(46) The Compliance function performs the following tasks:

a/ tasks of a regulatory nature

aa/specification and definition of compliance rules

ab/control of the possible effects of changes in compliance rules

ac/initiation of amendments to internal regulations, control of adequate implementation

ad/development and documentation of methods and procedures for the identification and analysis of compliance risk

b/ tasks of an operational nature

ba/examining and monitoring of adherence to compliance rules in all areas relevant to compliance risks, reporting breaches of the compliance rules to the organisation's management

bb/advice and regular reporting to the management of the financial organisation in compliance matters

bc/compliance education and training, daily availability, assistance for answering employees' questions concerning aspects of compliance

bd/maintenance and monitoring of records on information relevant to compliance

be/fulfilment of specific reporting obligations to authorities

bf/ provision of continuous support to the business activity and consulting to facilitate the operative management of compliance risks

bg/provision of adequately documented compliance opinions prior to the launch of new products and procedures, and to the implementation of organizational changes

(47) The activities of the Internal Control Department are audited by the Bank 's internal audit function in accordance with the regulations applicable to it.

III.CLOSING PROVISIONS

(48) This Policy shall come into force from the moment of its approval and publication, unless otherwise specified in the Policy.

(49) After its entry into force, the Policy must be communicated, in an appropriately documented manner, to all employees of the Bank.