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GLOBAL TRADE FACILITATION SUMMIT

SUSTAINING TRADE & DEVELOPMENT

1st - 2nd May 2024

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The New Landscape of Corporate Compliance
— navigating AML & CFT Challenges!

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The New Landscape of Corporate Compliance

Navigating AML & CFT Challenges!



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Middle East / India

Moody's

Moody's Financial & Regulatory Risk Compliance Approach

What are the Risks of doing business with them?

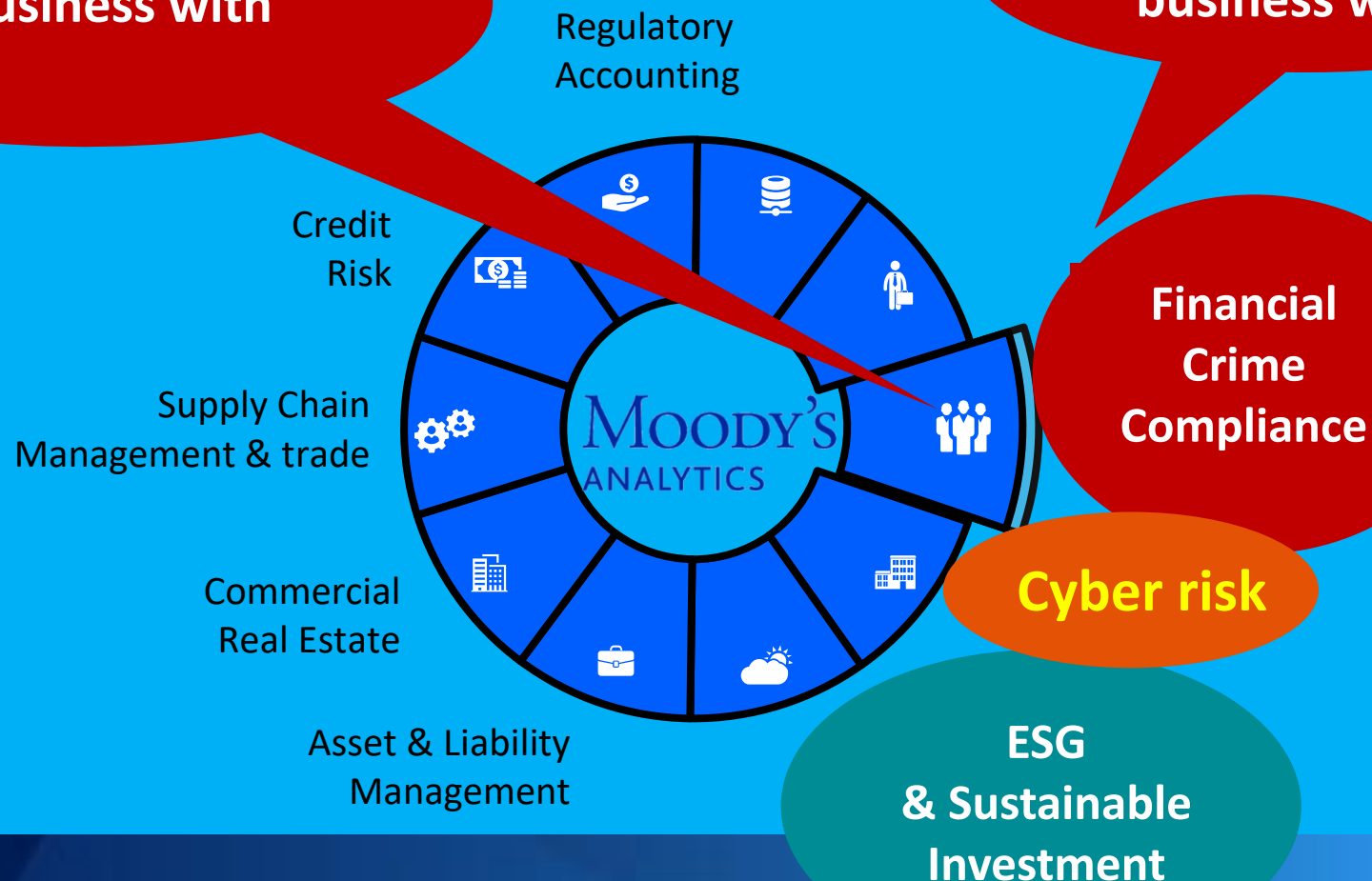
Who am I doing business with?

MOODY'S

MOODY'S

INVESTORS SERVICE

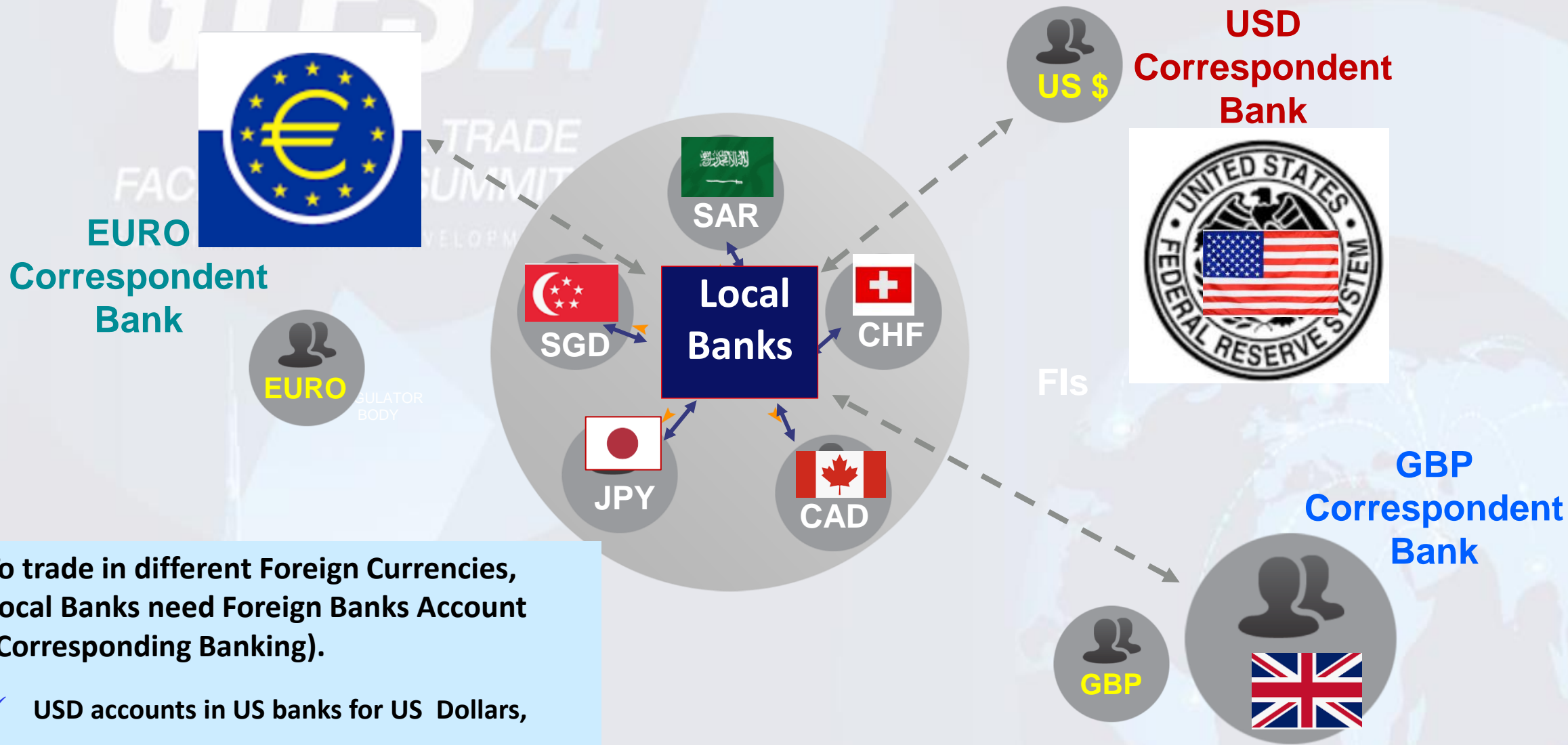
Credit Ratings & Research



The Foundation History - Financial Crime Context

- **FATF creation in 1987 by G7**
- **9/11, USA Patriot Act & OFAC**
- **FATF role expanded to include AML/CFT**
- **FATF – 38 jurisdictions + 2 regional organizations (GCC & EC) members at the core of global efforts to combat Financial Crime.**

Local Banks Require Correspondent Banking Relationships (CBRs) to Facilitate International Trade Transactions.



To trade in different Foreign Currencies, Local Banks need Foreign Banks Account (Corresponding Banking).

- ✓ USD accounts in US banks for US Dollars,
- ✓ Euro accounts in European banks for Euros
- ✓ GBP accounts in UK banks

Financial Transactions are subject to Multi-Dimension National and International AML / CFT Rules & Regulations

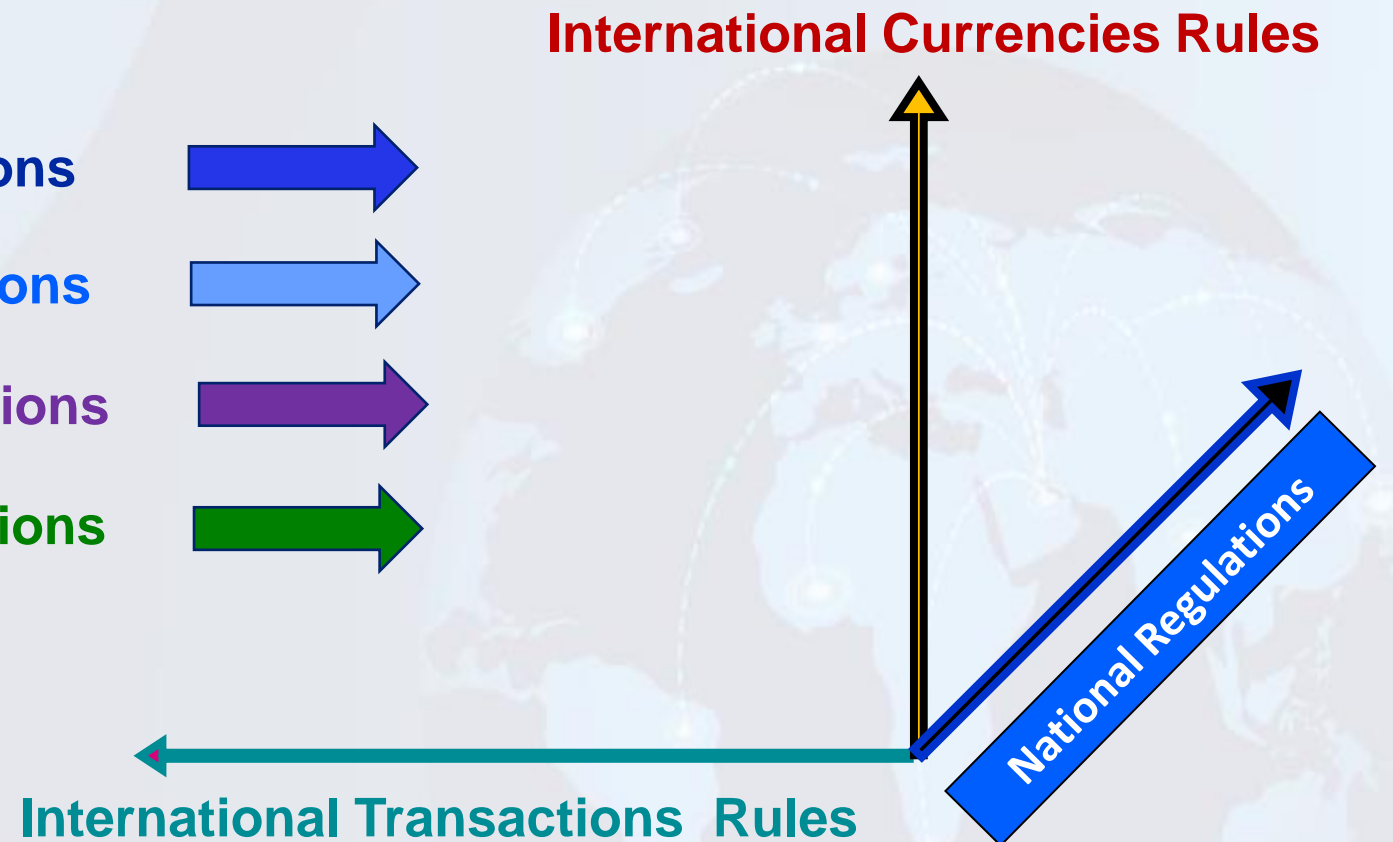
The specific currencies used in a cross-border transaction determines the applicable regulations

USD Transactions = US Rules & Regulations

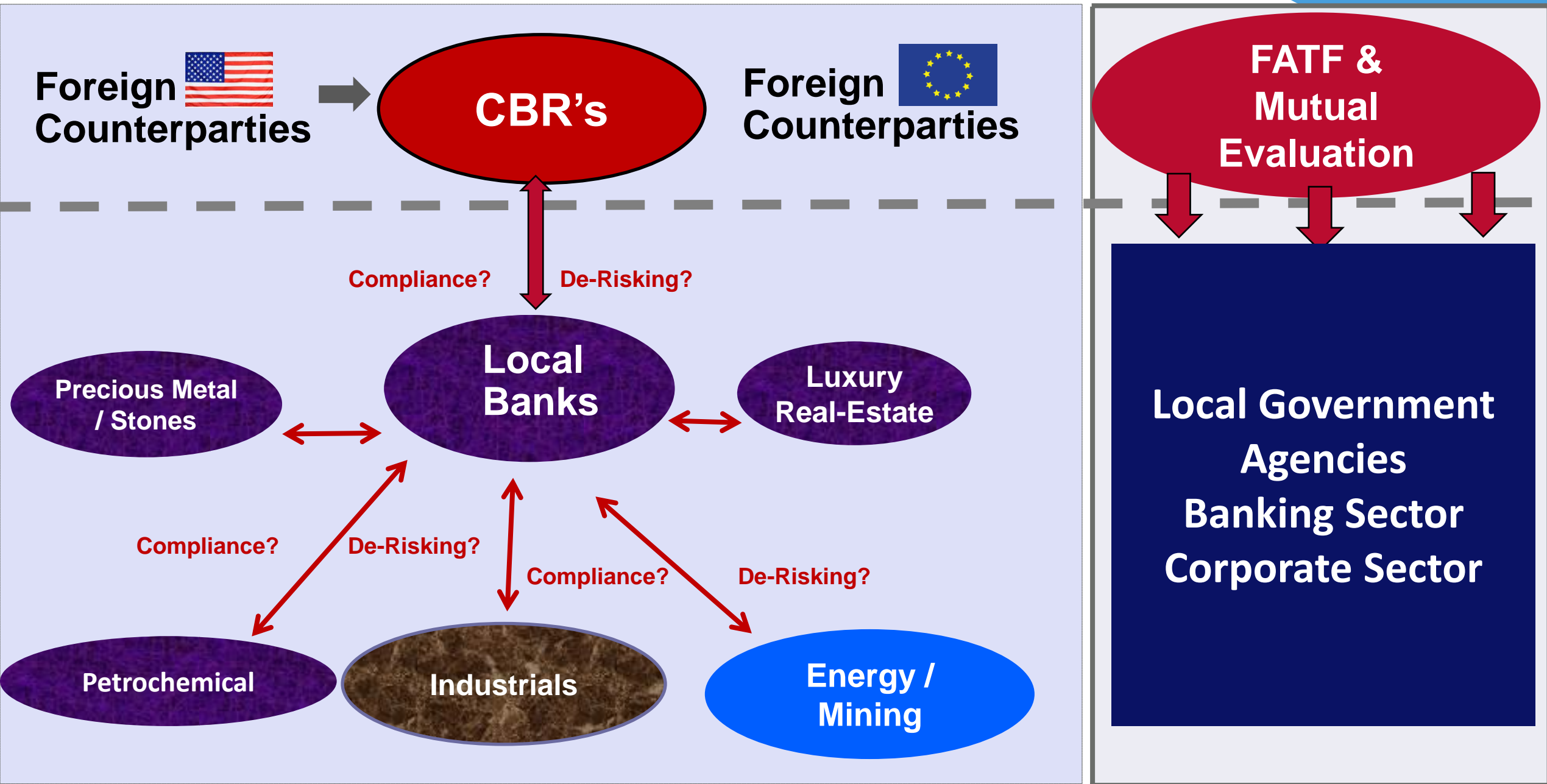
GBP Transactions = UK Rules & Regulations

EURO Transactions = EU Rules & Regulations

AED Transactions = UAE Rules & Regulations



AML/CTF/FP compliance Risk is a high impact Reputation & Cascading Risk



Key Ethical Principles in the Fight Against Financial Crime

- I. The fight against financial crime, including Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT), is guided by a set of ethical principles that are crucial for its success.**
- II. These principles serve as a foundation for sound legal frameworks, effective enforcement, and international cooperation including in the business with Third-Parties/Counterparties.**

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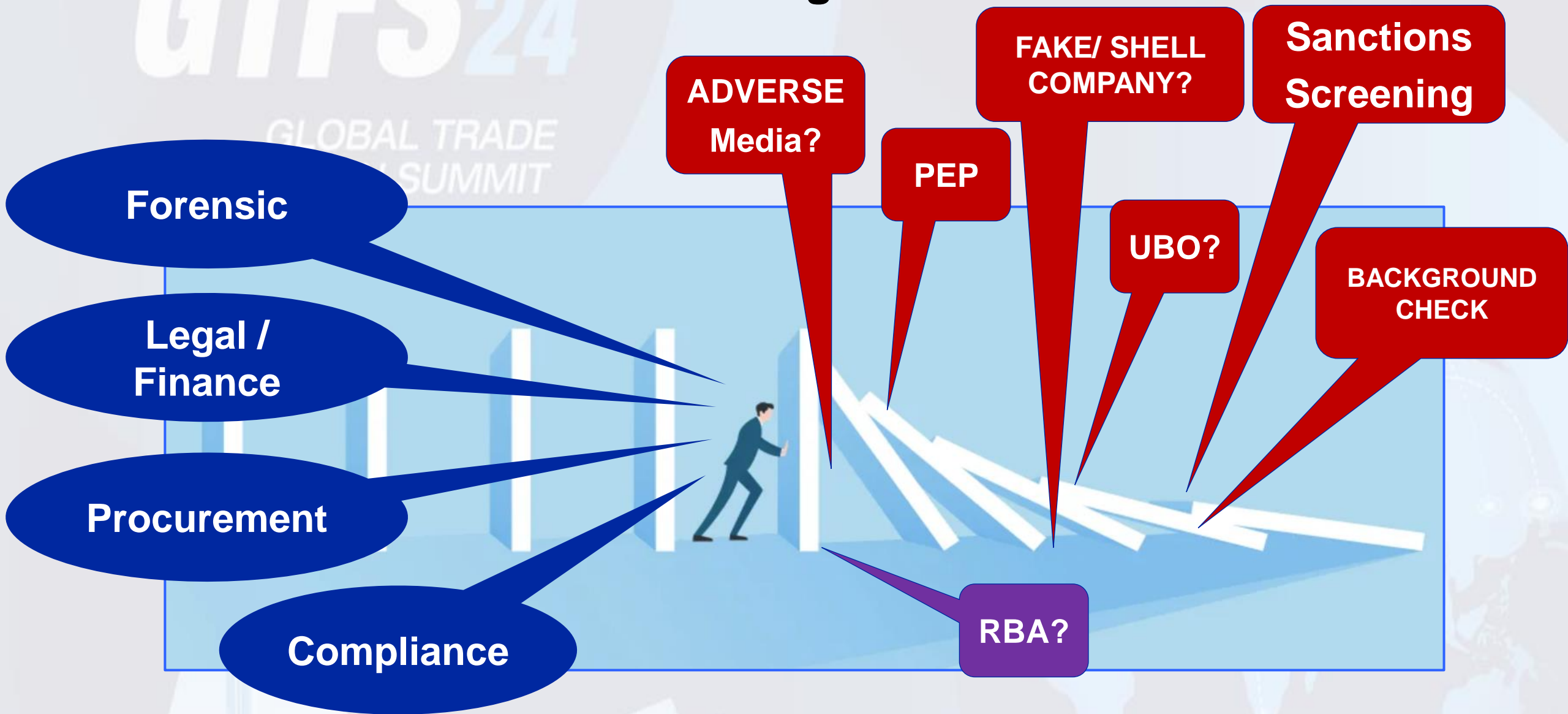
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Due Diligence & KYC in the corporate sectors



KYC / KYB / KYS / KYX Challenges



AML- CFT Requirements – Corporate Sectors

1. Due Diligence & Know Your Customers (KYC) including:

- ✓ Customers' information (individuals or Companies / organizations),
- ✓ The Due Diligence & KYC should include companies' information, Ultimate Beneficial Owners (UBO), Ownership Structure & who controls the companies,

2. Screening against Sanctions and other Watchlists including :

- ✓ The screening should focus on the companies including UBO, Shareholders/Directors, Controlling Parties,
- ✓ The screening should include any Third-Parties (Suppliers/ Providers of goods or services) or counter-parties that the organization has business relationships with – Customers, Agents, Brokers, Contractors, Distributors, etc.
- ✓ Politically Exposed Persons (PEP)
- ✓ Adverse Media/Negative News – Securitized depending on the Reputation Risk Level.
- ✓ Screening should be based on a Risk Based Approach (RBA) as indicated by the NRA and the FATF.

3. Business Conduct & Ethical Conduct policies – Anti-Bribery & Anti-Corruption Programs,

US & Allied sanctions have been gradually evolving from straightforward Comprehensive to Complex Challenging Nuances



Different types of Sanctions/Watchlists – External information required

Sanctions Data

Sanctions	Law Enforcement	Regulatory Enforcement
<ul style="list-style-type: none">• Coverage of global sanctions• Coverage of <i>explicit OFAC</i> sanctions• Examples: OFAC, UN, EU, UKHMT, CANS, DFAT, FINMA, etc..	<ul style="list-style-type: none">• Entities and individuals wanted, investigated or arrested by an official law enforcement body• Examples: Interpol, FBI, SFO, CBBI	<ul style="list-style-type: none">• Individuals or entities against whom official regulatory administrative action has been taken.• CBUAE• DFSA• FSRA

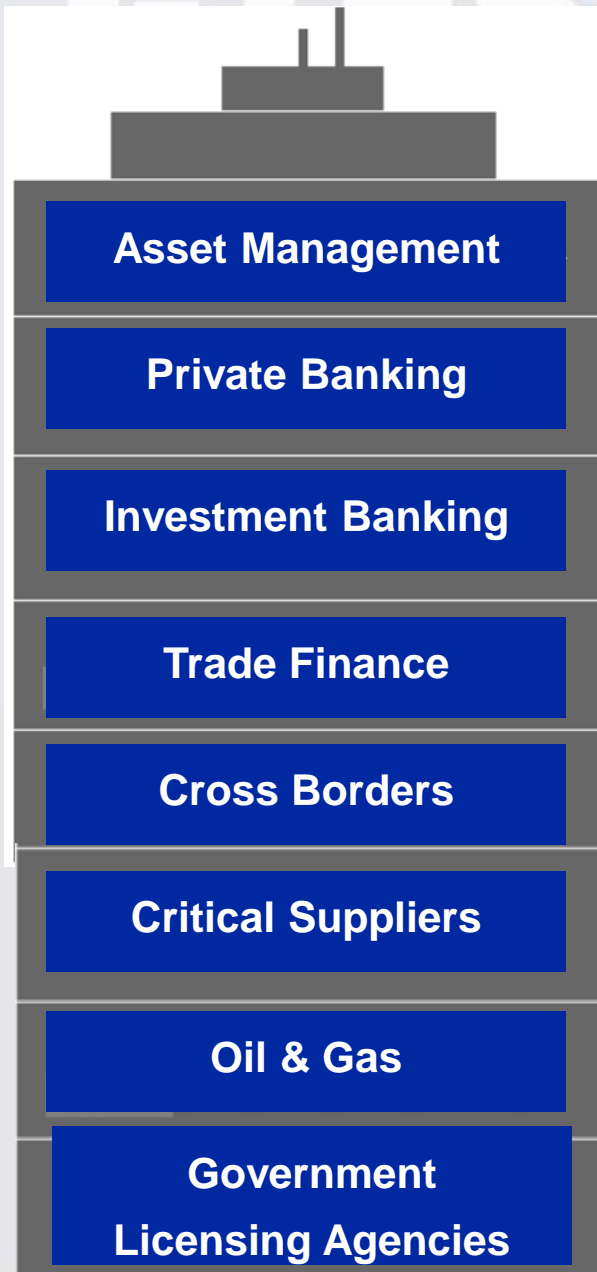
Profiles Data (Who is Who)

PEPs	Adverse Media	Companies Information
<ul style="list-style-type: none">• Coverage of Politically Exposed Person• Includes primary PEP, relatives & close associates• State Owned Enterprises or Organizations	<ul style="list-style-type: none">• Negative News• Reported in 3 reputable media as Accused, Questioned, Investigated, Financial Crime	<ul style="list-style-type: none">• UBO's & Shareholders/Directors• Ownership Structure & % of Control• Financial Health & reputation

What are the Third-Party Risk?

- **Organizations are held responsible for the actions of their suppliers, vendors & partners in addition to their own business activities.**
- **Knowledge and understanding of Third-Party Risk including Suppliers, is of the utmost importance to avoid association with those involved with Money Laundering, Bribery, Corruption, Modern day slavery & Environmental Crime to name a few.**

Which departments are interested in CDD / EDD information



EDD Stakeholders

- ✓ Compliance (officers, managers, heads of...)
- ✓ Legal
- ✓ Procurement
- ✓ Head of Enterprise Risk
- ✓ Supply chain management
- ✓ Vendor management
- ✓ Forensic / Investigation / Entities Resolutions
- ✓ Strategy
- ✓ M&A
- ✓ Investment officers (at Private Equity firms)

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KYC, KYS, KYB, KYX?



Why Third-Parties Risks Assessments?

Regulations required that organizations are held responsible for the actions of their:

- ✓ **Suppliers,**
- ✓ **Agents**
- ✓ **Distributors,**
- ✓ **Vendors,**
- ✓ **Sub-Contractors,**
- ✓ **Any Third-Party Business Relationship**

Customer Due Diligence (CDD) & Enhanced Due Diligence (EDD)

Regulatory & Reputation drivers:

1. **Anti-Money Laundering**
2. **Terrorism Financing**
3. **Bribery & corruption compliance**
4. **Modern day slavery**
5. **Politically Exposed Persons (PEP)**
6. **State Owned Enterprises (SOEs)**
7. **Third-Party Reputation Risks**
8. **Litigations**

Customer Due Diligence (CDD)

- **Customer Due Diligence is part of the KYC process and can scale-up to Enhanced Due Diligence,**
- **The measures that are taken should be consistent with guidelines issued by the FATF and competent authorities,**
- **CDD measures under a Risk Based Approach (RBA) depending on the type of customer, business relationship or type of transactions,**
- **For customers with higher risk categories, financial institutions should perform Enhanced Due Diligence (EDD,**
- **For low risks institutions can apply reduced or simplified measures based on the guidelines.**

Customer Due Diligence measures includes

- Identifying the customer & verifying that customer's identity using reliable, independent source documents, data or information.
- Perform name screening verification using Sanctions, Watchlists & PEP Databases
- Check reputation assessment using Adverse Media content for Medium to High-Risk new Customers/Counterparties/Third-Parties including Suppliers.
- Identifying the Ultimate Beneficial Owner (UBO) and taking reasonable measures to verify the identity of the beneficial Owners / Shareholders.
- For legal persons this should include taking reasonable measures to understand the Ownership & Control structure of the company's business partners/suppliers.
- Obtaining information on the purpose and intended nature of the business purpose relationship.

Typical Table of Contents of a Enhanced Due Diligence (EDD) Reports

Agenda for EDD Report

1- Executive Summary

- Risk Summary
- Key Risk Finding
- Country Related Risk Factors
- Business Sector Risk Factors

2 - Company Background Check

- Personal Details
- Business Positions & Work Experiences
- Shareholding
- Media & Internet Search
- Litigation & Bankruptcy
- Law Enforcement Checks
- Sanctions & PEP Compliance Checks
- Personal Reference Check
- Education & Employment Verification
- Other Information

3 - Background of the Company

- Company Background
- Directors & Executives Management
- UBO Check
- Shareholders
- Financial Information
- Type of Business and Business Sector Risk Factors
- Business Contracts
- Government Contracts
- Other Information

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Q / A

Thank you

