How we can help to improve your sanctions compliance?

- Health-check of sanctions compliance program (light touch)
- Benchmarking with industry and regulatory requirements
- Independent reviews on behalf of regulatory authorities, board of directors, C-suite
- Process review to enhance efficiency and cost savings
- Development of monitoring and testing plans
- Root-cause analysis of sanctions violation
- Conducting large-scale data analysis
- Senior management training awareness
- Develop end-to-end operating models for global sanctions compliance
- Targeted sanctions risk assessment by line of business
- Development of sanctions compliance management information
- Sanctions screening tool tuning

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Industry challenge

In the past decade, sanctions have been one of the popular concerns to all financial institutions (FIs) due to the following reasons:

- Rapid changes in landscape and increasing regulatory focus
- Increasing sophistication of the sanctions program
- Sectoral sanctions (SSI), 50% rule
- Data quality or data reliance
- Efficiency of screening tools and processes
- Sophisticated methods used by sanctioned parties or terrorist organizations. (e.g., Fintech, charity, trade finance)

Commercial risks with sanctions

- Delayed or seized payment, shipments or trade documents
- Difficulty obtaining financing or other services
- Lost business opportunities
- Reputational risks
- Litigation risks from counterparties
- Informal blacklisting by banks, suppliers

Rate your sanctions compliance risk

Factors to consider in assessing your organization’s sanctions risk:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Customer base</td>
<td>Domestic, stable, good corporate governance</td>
<td>Mostly domestic and its overseas subsidiaries: stable, clear structure</td>
<td>High proportion of overseas based customers, high risk jurisdiction</td>
</tr>
<tr>
<td>2 Customer risk profiles</td>
<td>Small proportion of high risk customers</td>
<td>Moderate level of higher-risk customers</td>
<td>Large number of higher risk customers</td>
</tr>
<tr>
<td>3 Product mix</td>
<td>Mainly domestic transfers, limited international transactions for customers only</td>
<td>Moderate level of international transactions, mostly for customers only</td>
<td>High volume of international transactions with third party/ non-customers</td>
</tr>
<tr>
<td>4 History of sanctions violations</td>
<td>No history of any sanctions violations</td>
<td>A small number of violations, is not at risk of similar violations in future</td>
<td>Multiple recent violations, issues are not addressed yet</td>
</tr>
<tr>
<td>5 Electronic banking services</td>
<td>No electronic banking services or products</td>
<td>Limited e-banking products</td>
<td>Wide array of e-banking products, limited face to face interaction with clients</td>
</tr>
<tr>
<td>6 Overseas operations</td>
<td>No overseas branches</td>
<td>Limited overseas branches mostly in jurisdictions with strong anti-money laundering (AML) governance</td>
<td>Large global foot print and multiple correspondent accounts with foreign banks</td>
</tr>
<tr>
<td>7 Robustness of screening process</td>
<td>Fully automated with strong fuzzy logic and list management process. Periodic testing</td>
<td>Semi automated</td>
<td>No screening or manual screening process with large backlogs</td>
</tr>
<tr>
<td>8 Robustness of SCP</td>
<td>Well established program with effective monitoring and testing</td>
<td>Newly updated program in the process of stabilizing, some monitoring and testing</td>
<td>Outdated program or no program</td>
</tr>
</tbody>
</table>

Key pillars of Sanctions Compliance Programme (SCP)

There is no single compliance program suitable for every financial institution. Very often the government agencies, which are responsible for sanctions, are not FI regulators.

A common pain point of FIs is the formation of a SCP – should it be part of the anti-money laundering and counter financing of terrorism (AML/CFT) policies? How much detail should it cover? From our related experience, we have identified the following key pillars of a matured SCP:

01 Policies & Procedures
Clear policy and procedures set the right tone for the organization. It is important for the policy to be easy to understand and provide clear guidance to the different units and individuals within the organization.

02 Country Supplements/Addendums
It is important to take into account the differences between local regulations and business nature and provide supplement/addendums to the policy and procedures as needed. Conflict of laws between local regulation versus headquarter policy need to be clearly addressed.

03 Risk Assessment
Risk assessment provides an overall view of the sanctions risks faced across the organization and helps to ensure this is aligned to the organization’s risk appetite. It helps to identify emerging risk and control deficiencies. Without an effective risk assessment, is like driving in the dark without headlights.

04 Sanctions Leadership
Strong sanctions leadership will drive success. Clear division of roles and responsibilities will ensure the controls are effectively implemented, and issues are being escalated and dealt with promptly.

05 Screening & Transaction Monitoring
Technology is becoming increasingly important in helping an organization to comply with sanctions regulations. Millions of transactions happen daily. Effective screening and monitoring will help identify risky transactions efficiently.

06 Training & Awareness
Trained personnel and organizational awareness of sanctions risk is one of the best defenses. Training should be updated from time to time and should be relevant to the function of the personnel.

07 Audit & Assurance
Audit and Assurance should be regularly performed, both internally and through qualified external professionals. Periodic health checks will help to ensure that controls are still effective and relevant.