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Die Bank an Ihrer Seite

Trade-Related Compliance

Current Status & Outlook

Thomas Piontek | Commerzbank AG, Corporate Clients CCU Financial Crime Advisory | Minsk, 22.03.2018

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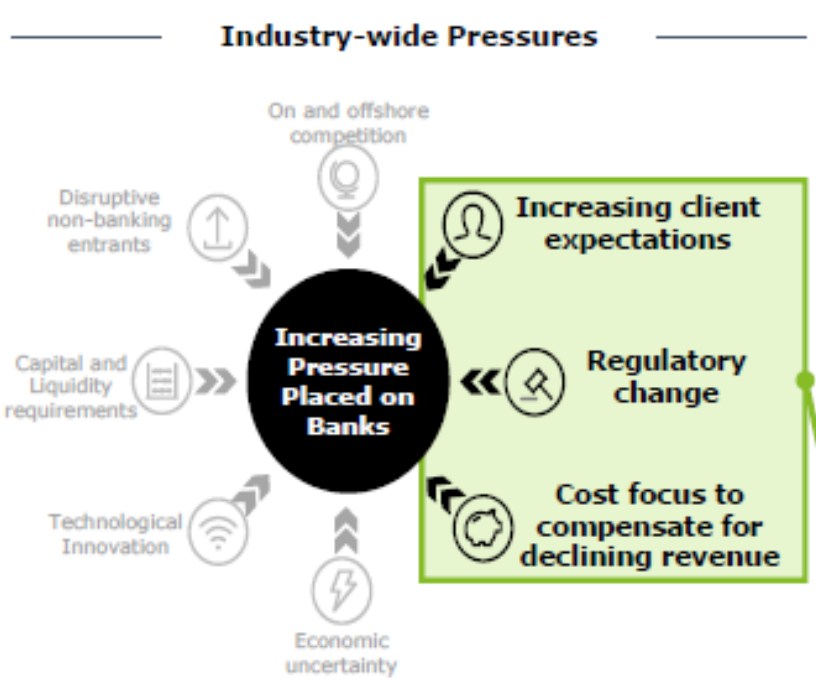
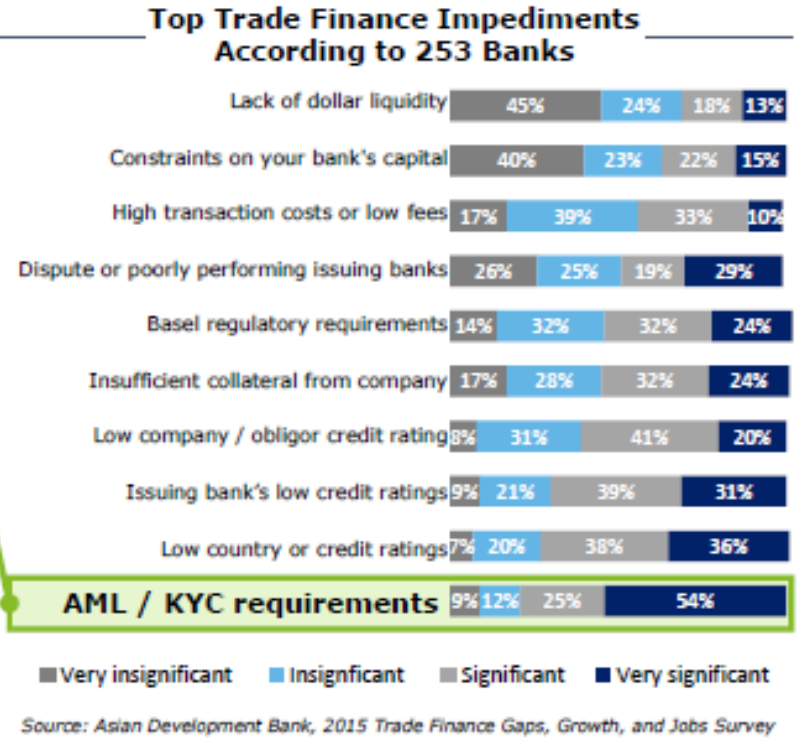
The Current Situation

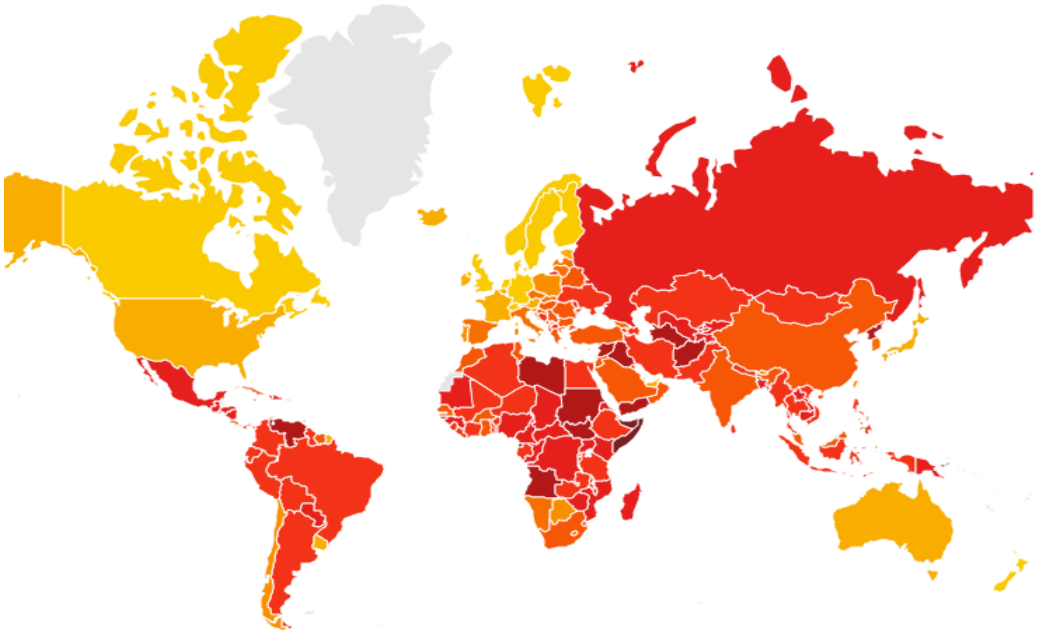




16 trillion USD trade volume and still growing

15 billion USD fines in 2014 for violation

TI Corruption Perception Index 2017



- Score ranges from 0 to 100
- 180 countries rated
- Best country rating:
  New Zealand with a score of 89
- Worst country rating:
  Somalia with a score of 9
- Average score = 43
- Belarus score = 44⬆(29 in 2013)

- Score 60 or below = High Risk jurisdiction according to a 2015 ruling by the FCA?
  - applies to 145 of 180 scored countries (appr. 80%)
  - Does that lead to more de-risking?
  - How to deal with it as a bank in a concerned country?

Source: Transparency International CPI 20217

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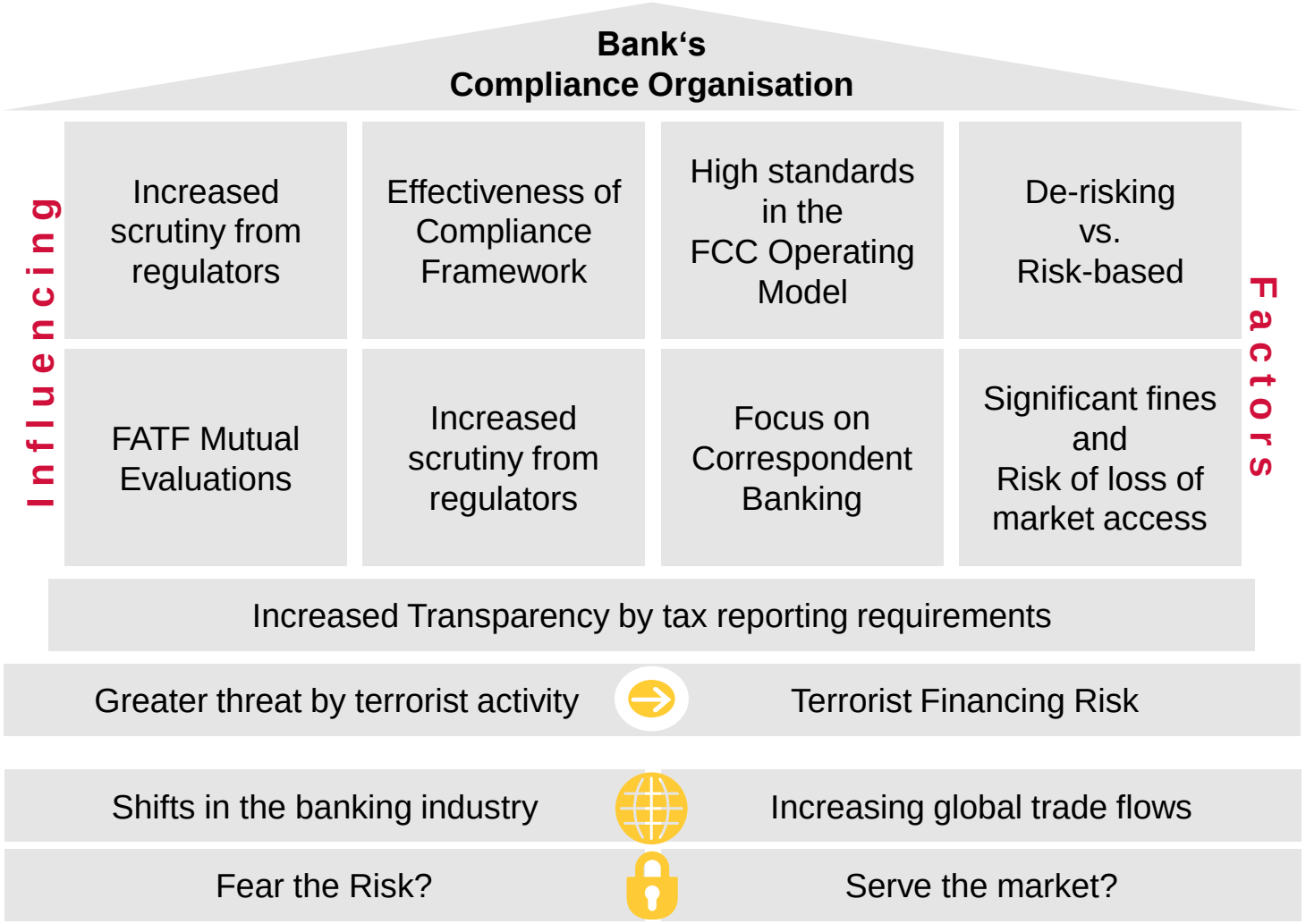
A Broader View



The Guiding Principles in Trade Compliance

The Standard Setting Regulatory and Industry Papers

Multinational

FATF

Trade Based Money Laundering (2006)

FATF

Best Practices on Trade Based Money Laundering (2008)

FATF

Guidance on AML/CFT measures and financial inclusion, with a supplement on customer due diligence (2017)

National Regulators

FCA

Thematic Review TR13/3 Banks' Control of Financial Crime Risks in Trade Finance (2013)

MAS

Anti-Money Laundering and Countering the Financing of Terrorism Controls in Trade Finance and Correspondent Banking (2015)

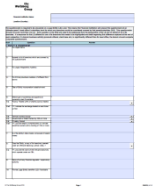
HKAB

Guidance Paper on Combating Trade-based Money Laundering (2016)

Industry Initiatives

The Wolfsberg Group, ICC and BAFT

Trade Finance Principles (2017)



The Wolfsberg Group, CBDDQU

The new Correspondent Banking Due Diligence Questionnaire and Guidance (2017)

BAFT

Guidance for Identifying Potentially Suspicious Activity in Letters of Credit and Documentary Collections (2015)

The Wolfsberg Group, Payment Transparency Standards

(2017)

Others

Australia Institute of Criminology

TBML: Risks and regulatory responses (2011)

EBA, ESMA, EIOPA

Final Guidelines on Risk Factors (2017)

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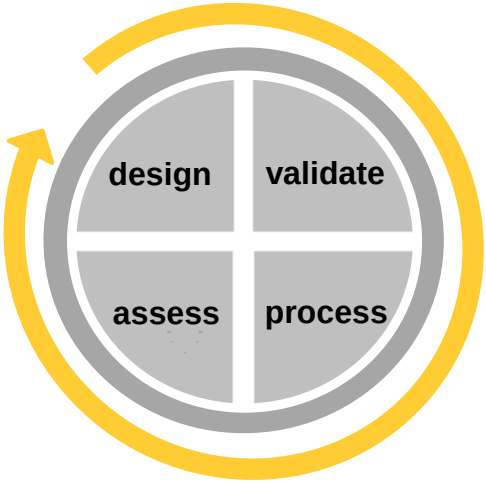
The Guiding Principles in Trade Compliance

BAFT Paper on „Trade Based Money Laundering and Documentary Trade Based Money Laundering“

- …to adress the misconception that the trade-based money laundering red flags universally apply to both
  - „traditional“ document based trade transactions and
  - „open account“ or „payment based“ trade transactions.
- …to draw a clear distinction between
  - trade based money laundering (which includes open acount and payment based trade transactions) and
  - trade finance based money laundering.
- The ability to use the trade red flags productively depends
  - on the role that a bank plays in the flow of funds and
  - The information that is available to the banks in nomal course of busines
- The likelyhood that an importer and exporter who are engaged money laundering would subject their documentation
  - to detailed manual review
  - by trained trade professionals
  - in at least two banks is low.

Monitoring



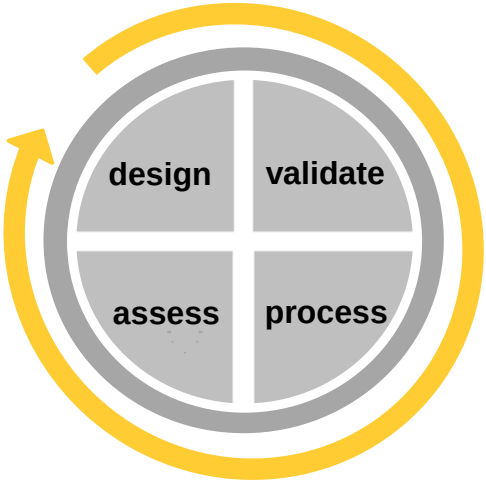
- Customer Profile Information
- Transaction Data
- Typologies

- Alerts based on transactional deviations
- Alerts based on peer group deviations
- Alerts based on industry trade flow deviations
- Alerts based on high risk country involvement
- etc.

- Potential trouble spots
- Design of better rules based monitoring systems
- Detection of unwished activities
- Implementation of mitigating measures

Data | Information | Knowledge

Screening



- Sanctions List
- Other Lists
- Transaction Data

- Historical transactional customer information
- White lists
- Research database
- etc.

- Potential trouble spots
- Design of better rules based screening systems
- Enables risk-based decisions on areas not to do business with or restricted business only

Data | Information | Knowledge

Dash

- This is Dash.
- Dash is a „service dog“ who provides support for his owner, who suffers from muscular dystrophy.
- Dash is not a terrorist.
- Unfortunately, the terrorist organisation known as the „Islamic State“ is also known as „Da‘esh“.
- So when Dash‘s owner sent $ 374 to the man who takes Dash for walks, the payment was blocked by Chase, because „Dash“ was in the memo line (reason for payment).
- The dog‘s owner had to call OFAC to explain that his dog was not a terrorist.

Some thoughts for the end of the day

Reputation

- Reputation is a highly vulnerable corporate asset.
- Compliance failures are the biggest source of reputational risk.
- The CEO is the Principal Guardian of Reputation.
- Excellent communication is vital to protect against and repairing reputational damage.

The Role of A Compliance Officer

- ✓ Protects the bank against compliance risks and reputational damage.
- ✓ Is a sound advisor on compliance risks.
- ✓ Is the lighthouse raising awareness and integrity.
- ✓ Searches for effective risk mitigating possibilities instead of simply rejecting clients or business opportunities – enabling the business.

The 3 Questions that should always be answered in detail:

1 – The Sales Question

What do our customers need and how can we arrange for a sustainable global network enabling our bank to offer such products and services internationally?

2 – The Risk/Return Question

How much country and counterparty risk do we recommend?

3 – The Compliance & Reputation Question

Do we know and understand the structure and the business of our clients and feel comfortable recommending a relation from a Know your customer, AML/CTF and reputational perspective?

✓ **Empower your staff, manage risk, grow!**

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Thank You for Listening

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