

Open Source Intelligence



# Blood, Sweat and Tears

how to make a  
difference with a  
risk based  
compliance  
approach

World Compliance, Inc.



# What is YOUR “Risk Appetite” ??????

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## Different Countries, Different Rules

We need to deal with FATF recommendations, USA Patriot Act, 3<sup>rd</sup> EU Directive, PREVENTION OF MONEY LAUNDERING ACT (CAP. 373), DFSA Regulation, FCPA and so on....

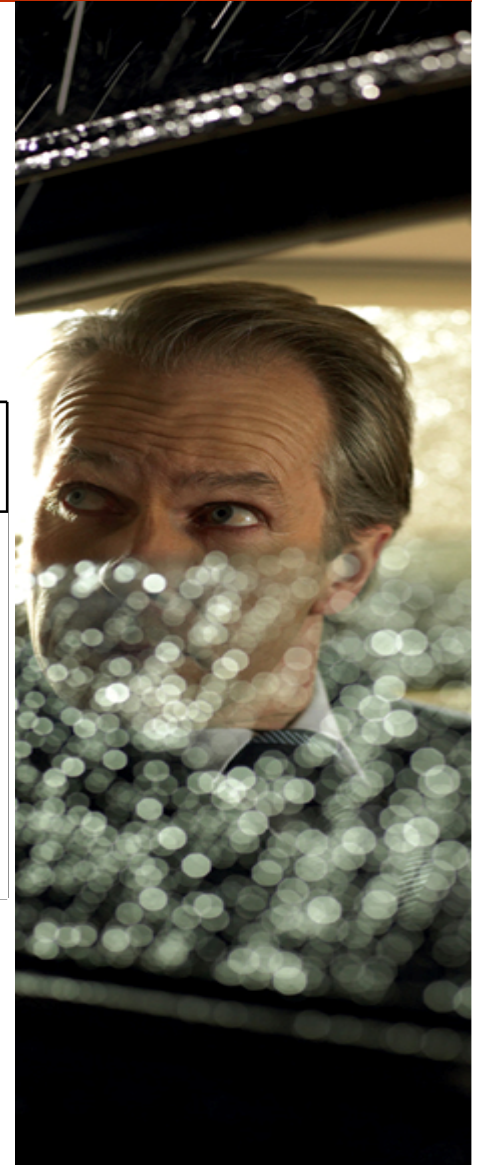
Different regulation, different rules, different understanding, different approach, a lot of differences... NO uniform definitions around the world





# Quiz #1: Who is a Politically Exposed Person?

	USA	Mexico	Malta	UAE *	DIFC
Imelda Marcos					
Carla Bruni					
Michael Bloomberg					
Account opening					
Periodic					



\* Menatef Report, April 2008 => revised legislation in June 08



## How does a banker become a defendant?

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### **Money Laundering Reporting Officer Fined** October 30, 2008

The Financial Services Authority of the United Kingdom fined Sindicatum Holdings Limited £49,000 and its money laundering reporting officer (MLRO), Michael Wheelhouse, £17,500 for not having adequate anti-money laundering systems and controls in place for verifying and recording clients' identities. [FSA fines firm and MLRO for money laundering controls failings] Apparently this is the first time the FSA has fined a money laundering reporting officer. The FSA did not find any evidence of money laundering at the firm.

In the final notice for Mr Michael Wheelhouse, the FSA states:

2.1. Throughout the Relevant Period, Mr Wheelhouse was approved by the FSA to perform and performed the controlled function of Money Laundering Reporting Function (CF11). As such, he was the Firm's money laundering reporting officer. In that role, he had responsibility for oversight of the Firm's compliance with the FSA's rules on systems and controls against money laundering.

2.2. However, in performing that role and discharging CF11, Mr Wheelhouse failed to take reasonable steps to ensure that the business of the Firm for which he was responsible in his controlled function complied with the relevant standards and requirements of the regulatory system (as required by Statement of Principle 7 of APER ("Statement of Principle 7")).

**2.3. Mr Wheelhouse breached Statement of Principle 7 by failing to take reasonable steps to implement adequate procedures for verifying the identity of the Firm's clients; by failing to ensure that the Firm adequately verified the identity of a significant number of its clients; and by failing to ensure that the Firm kept adequate records to demonstrate that it had verified the identity of a significant number of its clients**





## How does a banker become a defendant?

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### Swiss Bank to Pay \$536 Million Fine in Largest Ever U.S. Economic Sanctions Penalty

December 22, 2009

On December 16, 2009, Credit Suisse AG, a financial institution organized under the laws of Switzerland, agreed to pay \$536 million in penalties to the United States and the State of New York to settle charges of violating federal and state law related to transactions with countries subject to U.S. economic sanctions. The U.S. Government and New York split the fine evenly (\$268 million each). This fine exceeds penalties (\$350 million) imposed on January 9, 2009 against Lloyds TSB Bank plc of the United Kingdom by the U.S. Government and New York to defer prosecution related to allegations of committing similar conduct as Credit Suisse.

On December 22, 2009, OFAC published an agreement in connection with the Lloyds TSB case to settle civil allegations of U.S. economic sanctions violations related to Iran, Syria, and Libya for \$217 million. Combined with the deferred prosecution agreements reached with DoD and DANY, Lloyds TSB's cumulative fines for apparent U.S. economic sanctions violations amounted to \$567 million.

.....

**Credit Suisse allegedly knew that without such alterations, amendments, and code words, OFAC screening filters at U.S. financial institutions likely would have detected that these transactions involved U.S. embargoed countries and entities, thereby allowing the U.S. financial institutions to reject or block the sanctions-related transactions and to report them to OFAC, as required by U.S. law.**





# PEP EU Definition:

Directive 2005 / 60 / EU Art. 3 (8)  
 Directive 2006 / 70 / EU Art. 2

## Immediate family members

Parents      Spouse/Partner      Children

Spouses/Partners

## Close Associates

### Any Natural Person who...

... is known

... has

to have other **close** business relations with PEP

to have **joint** beneficial Ownership of legal entities or legal arrangements with the PEP

**Sole** beneficial ownership of legal entity or legal arrangement which is known to have been set up for benefit **de facto** of the PEP

# Politically Exposed Persons

Natural Persons who are or have been entrusted with

## Prominent Public Functions

EU Level      National Level      Internat. Level

### Legislative Body

Members of Parliament

### Executive Body

▲ **Heads of State**      ▲ **Heads of Government**  
 ▲ **Ministers and Deputy**      ▲ **Assistant Ministers**

<b>Diplomatic Body</b>	<b>Armed Forces</b>	<b>Central Fin. Institutions</b>	<b>State-Owned Enterprises</b>
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Ambassadors Chargés d' Affaires	High-Ranking Officers	Courts of Auditors Boards of Central Banks	Administrative Management Supervisory Bodies
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### Judiciary Body

Members of:  
 Supreme Courts  
 Constitutional Courts  
 High Level Judicial Bodies



Entity      Associatic



email

submit

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Date of Bir

Place of Bir

Primary Co

Position

National ID

Passport #

Last Updated      31-March-2009







## New Account Opening (sanction lists)

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USA Patriot Act and European Regulation requires a firm or financial institution to determine:

- If the person appears on any specially designated or debarred lists.
- Verify against known or suspected terrorists or terrorist organizations
- Verifying the identity of the customer seeking to open a new account
- Maintaining records of the information used to verify the person's identity, including name, address, and other Identity related information.
- Make periodic review of the information collected





## New Account Opening (PEP lists)

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PREVENTION OF MONEY LAUNDERING ACT (CAP. 373)

Prevention of Money Laundering and Funding of Terrorism Regulations, 2008

“politically exposed persons” means natural persons who are or have been entrusted with prominent public functions and shall include their immediate family members or persons known to be close associates of such persons, but shall not include middle ranking or more junior official

In accordance with sub-regulation (7 (*PEP definitions*)) and subject to sub-regulation (8 (*1 year term*)), subject persons undertaking transactions or establishing business relationships with politically exposed persons residing in another Member State of the Community or in any other jurisdiction shall:

(a) require the approval of senior management for establishing such business relationships

(b) ensure that the internal procedures include adequate measures to establish the source of wealth and funds that are involved in these business relationships or transactions





## The world is always changing

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Information is dynamic, updated in real time, from our intelligence units all over the world.

Your customers can change behavior, role, business, relationship ....

You can change your “risk appetite”

You can change territory, partners, geography, products.....

So you need to do something and WorldCompliance

**is here to help you**





# New Account Opening

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## PEP and Sanction lists Screening

- Manually via web interface to WorldCompliance database

## Important Points for Online License: Protection, noise and features

- Define March % based on your risk appetite
- Define Protection based on your risk appetite
- Assign different rights to different users
- Relationship display
- Anonymous
- Audit trail features
- Additional tools, e.g. passport verification





# On-Going Monitoring

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## PEP and sanction lists Screening

- Automatically via data file and filter with different schedule

## Important Points for Data License: Protection and amount of work

- Define level of Protection and receive relevant data only
- Unique Identifiers (DOB, Passport#, National ID#)
- Structure (MicroCategorization)
- Risk Rating
- Active vs. non-active
- Automatic Pass through from match to online





# On-Going Monitoring

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## Sanction Lists

- Daily customer screening recommended
- real time screening of transactions recommended
- match likelihood to be set at 60 to 80% depending on algorithm

## PEP Lists

- Monthly or quarterly screening recommended, customers only
- Match likelihood to be set between 85 to 95%

## Crime Lists

- Monthly screening recommended, customers only
- Match likelihood between 80 and 90%





# On-Going Monitoring

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## Key Success Factors

- 1) Define your risk based approach
- 2) Choose database that allows flexibility of data choice
- 3) Choose high quality database
  - primary ID's, dob, passport numbers
  - secondary ID's, photographs, nationality
- 4) Choose good filter
  - Match against name and primary ID's
  - Adjust match likelihood based on category





## Different Categories

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### **Global Sanction List**

Aggregation of the most important sanction lists around the world, e.g. OFAC, EU, UN, BOE, FBI, Interpol, etc.; app.. 20,000 profiles

### **Global PEP List**

Profiles of Politically Exposed Persons, their immediate family members and close associates; app 850,000 profiles

### **Global Enforcement List**

Aggregation of information from over 500 enforcement lists and court filings worldwide, e.g. US SEC, UK FSA, German Bafin, Colombian Supreme Court, international court filings, etc.; app.. 200,000 profiles

### **Global Adverse Media List**

Aggregation of information from over 20,000 newspapers and magazines in over 15 languages; app.. 100,000 profiles

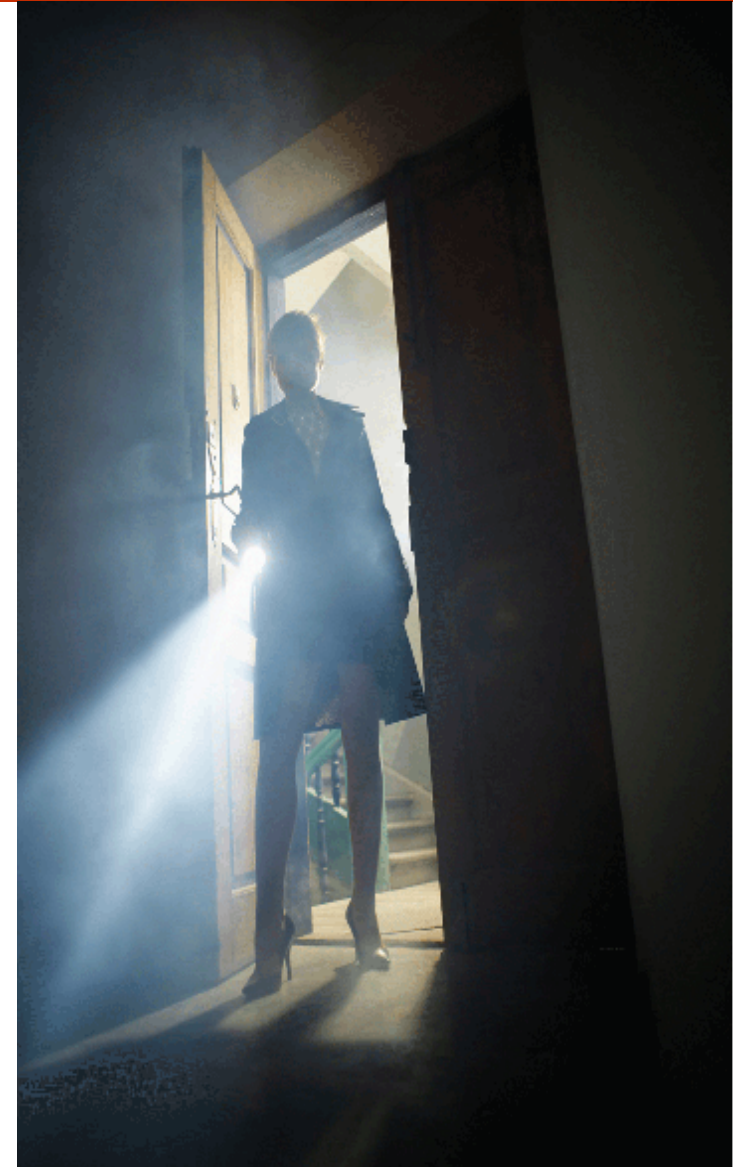




## Where is the Risk?

There are also unknown unknowns -  
the ones we don't know we don't know

(Donald Rumsfeld)





**WorldCompliance**

**“It takes a network  
to bring down a network”**

**World Compliance, Inc.**

**Attilio Fusco**

**European Director Sales and Alliances**

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