



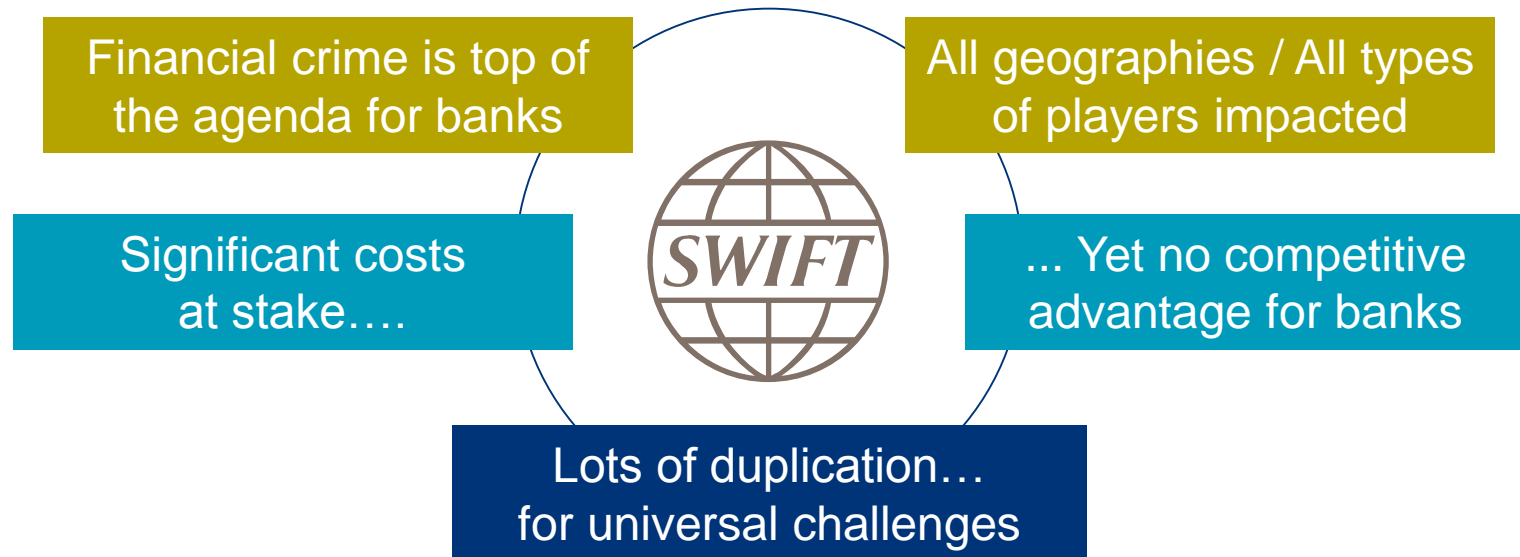
# Compliance Services

Community-inspired financial crime compliance solutions

*Julien Laurent, KYC/AML Specialist CEE*

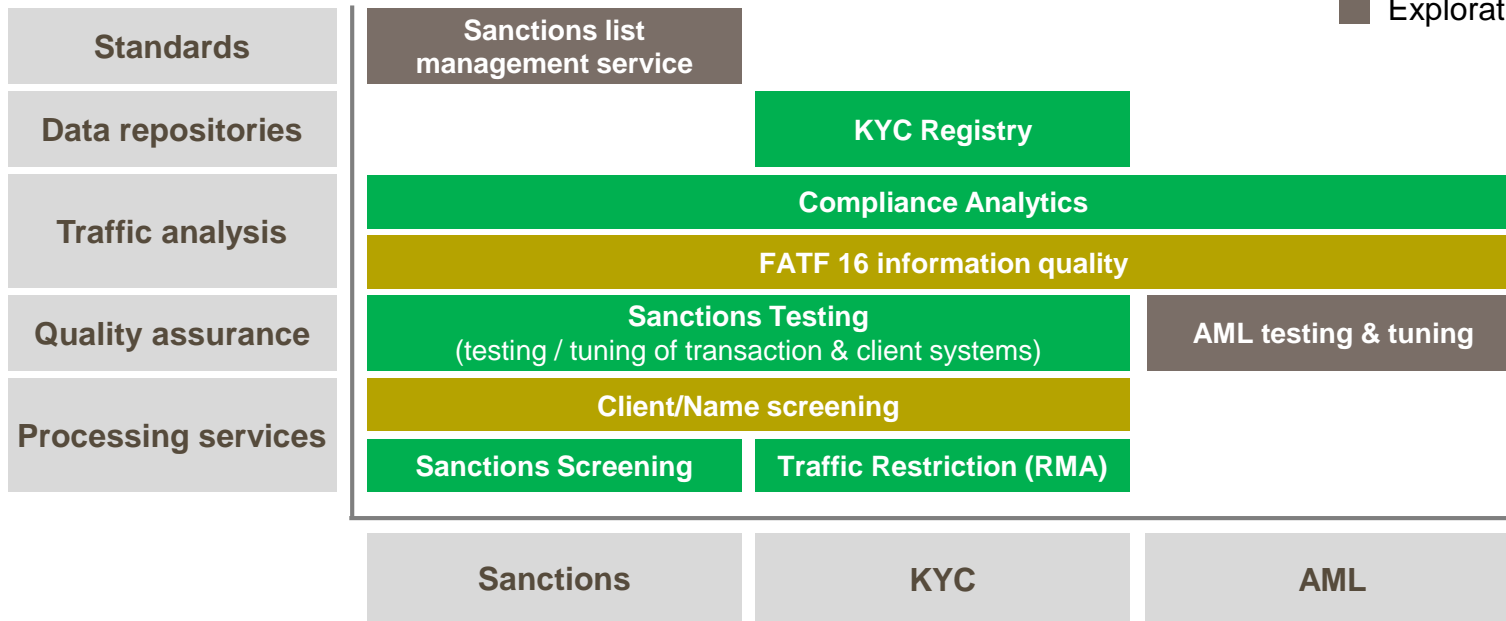
*SWIFT Business Forum Romania, 28 October 2015*

# A community issue calling for a community solution ...



# Financial Crime Compliance Roadmap

- Live
- Development
- Qualification
- Exploration



# Sanctions Screening- *SWIFT's hosted screening service*

## Challenges of small institutions

- Regulatory scrutiny and enforcement of sanctions policies is increasing
- Increasing pressure from correspondents to be compliant
- Available screening solutions complex and costly to maintain
- Increasing challenges for low-volume financial institutions

## SWIFT provides

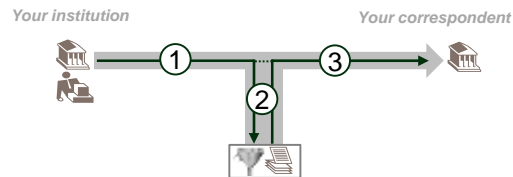
- Screening engine & user interface
- Sanctions List update service with enhancements
- No additional footprint
- Centrally hosted and operated by SWIFT
- Real time

A fully managed service to screen all transactions



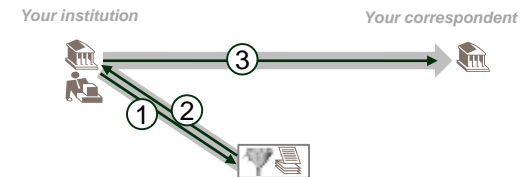
# Implementation options

## • Copy option



*Transparent routing of FIN transactions to the service using FIN-Copy*

## • Connector option



*Query/response of all transaction types through API call to the service*

**Timeframe**

*Time to compliance*

Few weeks

Few Months

**Footprint**

*Installation & integration*

Zero

Limited

**Flexibility**

*Granularity on what is filtered*

Limited

Enhanced

**Limitations**

*Transactions Screened*

FIN Cat 1, 2, 4, 7

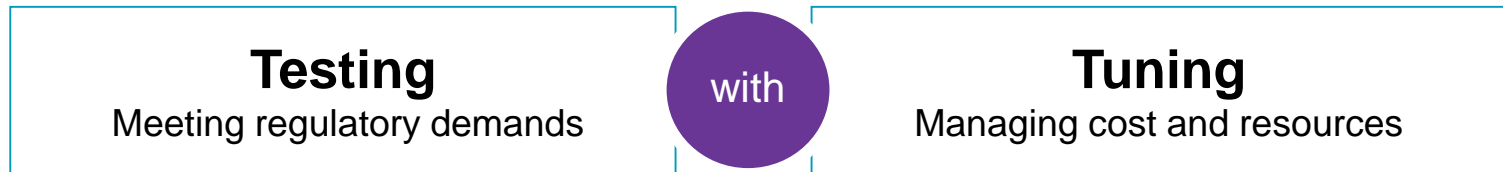
All transaction types



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# Sanctions Testing – balancing priorities



## Effectiveness

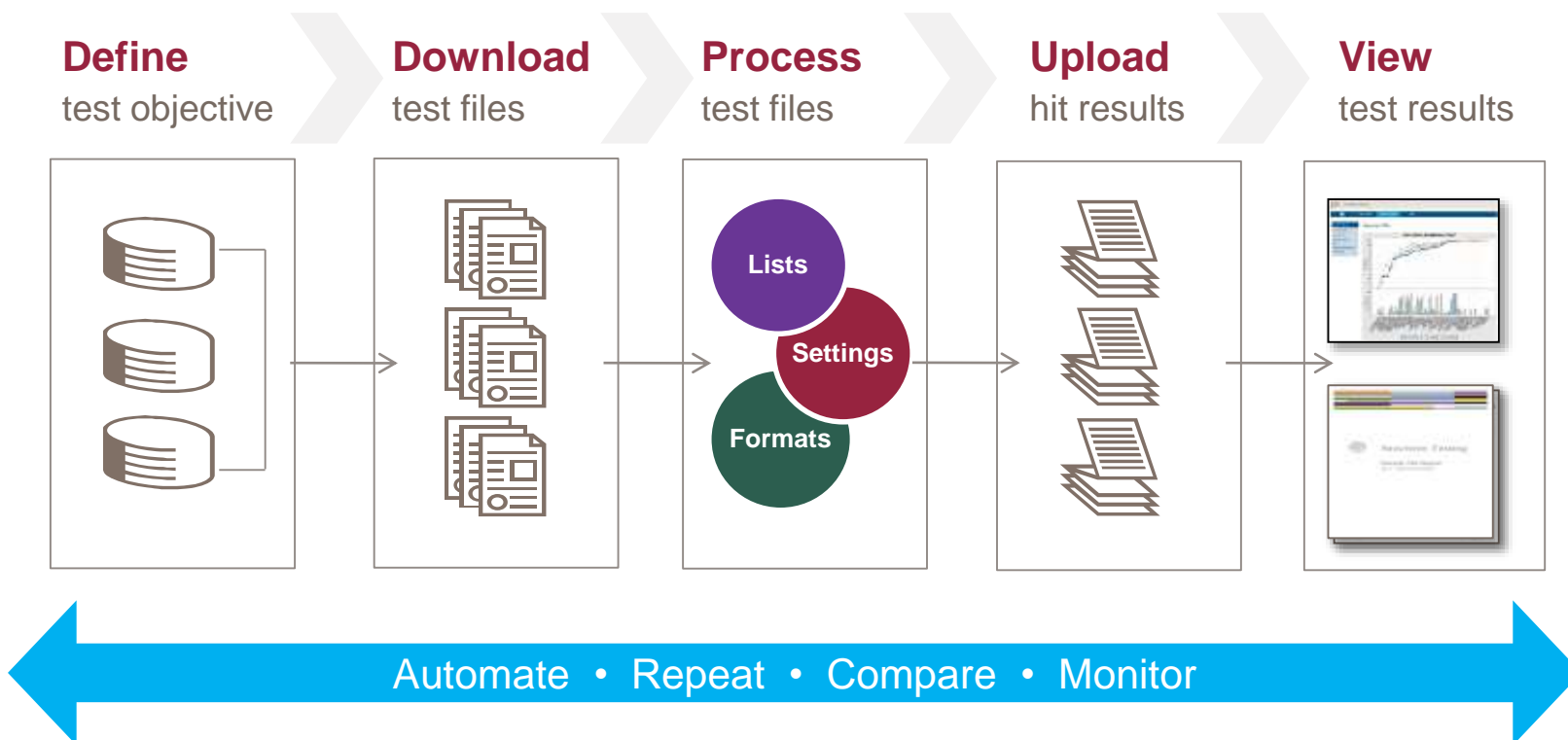
- Provide assurance that your filter works
- Measure system’s fuzzy matching performance
- Assess coverage of sanctions lists
- Align screening system to your risk appetite

## Efficiency

- Reduce false positives through iterative testing
- Build optimisation tests into your processes
- Understand parameter changes
- Manage and tune rules and “good-guy” lists



# Sanctions Testing process





# SWIFT Compliance Analytics





# Typical areas where Compliance Analytics will bring value

## Executing Risk assessments

- Enterprise risk assessment
- Correspondent risk assessment

## Customer Due Diligence

- Compare anticipatory behaviour against country standards
- Periodic reviews to ensure activity is in line with anticipated risk
- Event driven reviews
- Retrospective reviews

## Compliance investigations and visits

- Country visits
- Correspondent reviews

## Transaction monitoring

- Volume reconciliation
- Scenario optimisation
- System tuning

## Metrics and dashboarding

- Pre-calculated metrics
- Key Performance/Risk indicators



# Example 1 : Country risk assessment– Mauritania

*What business do I have with Mauritania on a global basis?*

## 1. How many of my branch / affiliates receive payments from Mauritania?

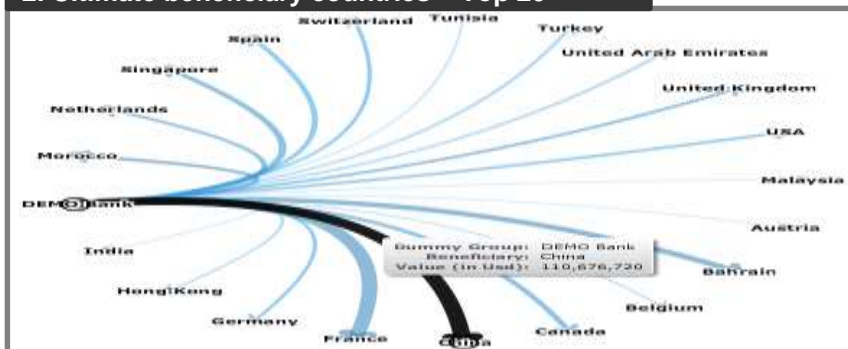


## Data Sources

All figures based on Inbound payments (MT103 & MT202cov) from correspondents in Mauritania – Full Year 2013

1. Geographical distribution of Demo Bank branches/affiliates, based on value of inbound traffic. Payments with 4 Demo bank affiliates in 4 countries
2. Top20 Ultimate beneficiary countries (field 57a), based on value of inbound traffic: Top 20 out of 100 countries overall
3. Sanctioned country as ultimate beneficiary, based on value of inbound traffic. Example has one payment sent by Bank X in Mauritania, via Demo Bank, with Cuba as ultimate beneficiary country

## 2. Ultimate beneficiary countries – Top 20



## 3. Do any flows end up in a Sanctioned country?



# Example 2: Specific Correspondent Risk assessment

*Where are payments originating from? Ending up in?*



Pakistan 561,129 58	Ecuador 68,092 12	Indonesia 22,231,510 108
Kenya 1,481,449 139	Turkey 134,950,572 2,600	
Algeria 6,465,738 25	Yemen 1,013,862 54	
Tanzania 211,622 17		

Rectangle Size: Percent of Value (In Usd)  
0% 20% 40% 60% 80% 100%

Bulgaria	Croatia	Czech Republic	France	Germany
DEM0BQ22 88,919	DEMOHR2X 235,868 1	DEMOCZPP 1,305,755 24	DEM0FRPP 761,067 31	DEMODEMM 2,319,858 11
DEM0BGSF 1,635,134	Hungary DEM0HUH8	Morocco DEM0MA MC	Poland DEM0PL PW	Romania DEM0RO BU
Austria DEM0ATWW 154,963,624	Italy DEM0ITMM	13,022 1	429,05 4 15	236,15 4 8
Bosnia and Herzog DEM0BA22 190,376	Albania DEM0ALTR	Serbia DEM0RS BG	Slovenia DEM0SI2 2	Tunisia DEM0TH TT
Macedonia DEM0MK22 20,012	Moldova DEM0MD22	15,208 1	9,423 3	554 1
				3,612 3

Rectangle Size: Percent of Value (In Usd)  
0% 20% 40% 60% 80% 100%

Moldova	Czech Republic	Italy	Macedonia	Austria	Monaco	Albania
25,120 2	1,305,755 24	1,153,726 40	43,149 5	154,949,59 9 3,095	3,995 1	12,772 3
Bosnia and Herzo govina 190,376 2	France 80,431 13	Montenegro 6,250	Serbia	Slovenia	Not any	Morocc 0
Bulgaria 1,724,053 52	Germany 2,296,721 8	Poland 1,105,695	Tunisia	United Arab Emrates		13,022 1
Croatia 235,868 1	Hungary 692,478 13	Romania 243,929	United Kingdom			
		Russian Federation 3,642,614				

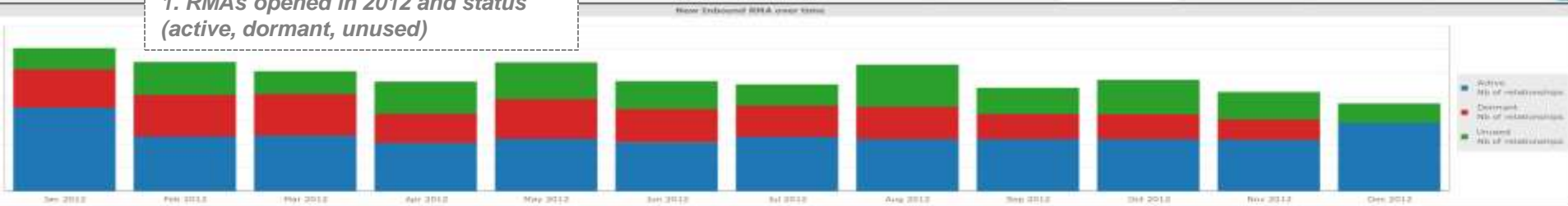
Rectangle Size: Percent of Value (In Usd)  
0% 20% 40% 60% 80% 100%



# Example 3: Monitor correspondent relationships at group level

*Active / Dormant / Unused RMAs*

1. RMAs opened in 2012 and status (active, dormant, unused)

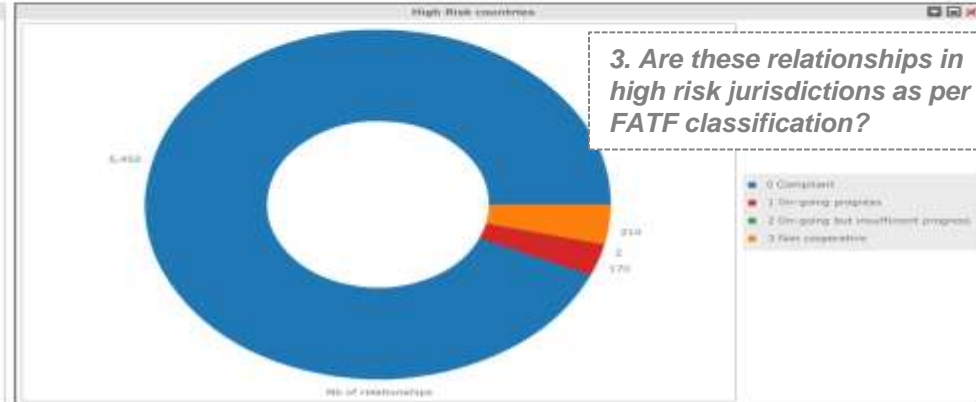


Geographical distribution of new inbound RMA



2. Geographical distribution of new inbound relationships

High Risk countries



3. Are these relationships in high risk jurisdictions as per FATF classification?



# SWIFT KYC Registry



# The KYC Registry: Stronger together as a Community



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# The KYC Registry – Baseline (1/2)

<b>Entity header and details</b>	<ul style="list-style-type: none"> <li>• Anglicised legal name</li> <li>• Trading name / Doing Business As</li> <li>• Registered address and country</li> </ul>	<ul style="list-style-type: none"> <li>• Operating address and country</li> <li>• BIC and <b>LEI</b></li> <li>• Type of entity (Head-office, subsidiary, branch)</li> </ul>	<ul style="list-style-type: none"> <li>• Entity classification (Bank/Cooperative/Central Bank etc.)</li> <li>• Head office: legal name, country and BIC</li> <li>• Group parent: legal name and country</li> </ul>
<b>CATEGORY</b>	<b>DATA</b>	<b>SUPPORTING DOCUMENTS</b>	
<b>I. Identification of the Customer</b>	<ul style="list-style-type: none"> <li>• Anglicised legal form</li> <li>• Legal name in local language</li> <li>• Trading name in local language</li> <li>• Immediate previous legal name(s)</li> <li>• Year of last legal name change</li> <li>• <a href="#">Phone and fax</a></li> <li>• Entity's website</li> <li>• Registration number</li> <li>• Authority issuing the reg number</li> </ul>	<ul style="list-style-type: none"> <li>• Date of incorporation/establishment</li> <li>• Regulatory status</li> <li>• Primary financial regulator or supervisory authority and link to website (optional secondary)</li> <li>• Type of licence (full / offshore)</li> <li>• Licence number and authority issuing the licence</li> </ul>	<ul style="list-style-type: none"> <li>📄 Proof of regulation and banking licence OR Charter of law / Local decree</li> <li>📄 Extract from registers OR certificate of incorporation</li> <li>📄 Certificate of change of name</li> </ul>
<b>II. Ownership and Management Structure</b>	<ul style="list-style-type: none"> <li>• Form of organisation: <ul style="list-style-type: none"> <li>☐ Privately held</li> <li>☐ Publicly listed <ul style="list-style-type: none"> <li>↳ Name and country of primary stock exchange (optional secondary)</li> <li>↳ Link to the website of the stock exchange (optional secondary)</li> <li>↳ Code of the institution on the stock exchange (optional secondary)</li> </ul> </li> </ul> </li> <li>• Bearer shares information</li> <li>• Shareholding companies (companies with 10% shares or more mandatory, 5% recommended for privately held and offshore banks)</li> <li>• Ultimate Beneficial Owners statement</li> <li>• Ultimate Beneficial Owners (threshold 10% ownership)</li> <li>• Key controllers (Board of Directors, Senior executive mgt, Supervisory Board, etc.)</li> </ul>		<ul style="list-style-type: none"> <li>📄 Memorandum and articles of association (statutes or by-laws)</li> <li>📄 Ownership structure</li> <li>📄 <a href="#">Documentary proof of shareholders companies</a></li> <li>📄 Declaration of Ultimate Beneficial Owners</li> <li>📄 List of shareholders</li> <li>📄 Board of directors</li> <li>📄 List of senior/executive management</li> <li>📄 Supervisory/non-executive Board</li> <li>📄 Sharia Board</li> <li>📄 Latest audited annual report</li> <li>📄 <a href="#">Functional organisational chart</a></li> <li>📄 <a href="#">Proof of identity of UBOs and key controllers</a></li> <li>📄 <a href="#">Proof of permanent residence of UBOs and key controllers</a></li> </ul>

Mandatory/conditional – [Enhanced KYC](#)



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# The KYC Registry – Baseline (2/2)

CATEGORY	DATA	SUPPORTING DOCUMENTS
<b>III. Type of Business and Client Base</b>	<ul style="list-style-type: none"> <li>• Type of products and services offered</li> <li>• Type of clients</li> <li>• Geographical presence and reach</li> <li>• Industry focus</li> </ul>	<ul style="list-style-type: none"> <li>📄 <a href="#">Evidence of type of customers</a></li> </ul>
<b>IV. Compliance Information</b>	<ul style="list-style-type: none"> <li>• Money Laundering Reporting Officer or department contact details</li> <li>• Chief Compliance Officer name</li> <li>• AML person contact details</li> <li>• <a href="#">Number of employees</a></li> <li>• <a href="#">Number of AML staff</a></li> <li>• <a href="#">Name of AML Auditors</a></li> <li>• Questions about               <ul style="list-style-type: none"> <li>• Sanction lists used by the entity</li> <li>• PEP screening / sanctions screening / AML transaction monitoring processed used</li> <li>• Procedures/information gathered when establishing a customer relationship</li> <li>• Regulatory investigation or fines</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>📄 Wolfsberg AML questionnaire completed or equivalent</li> <li>📄 Summary of AML policies/procedures or AML laws</li> <li>📄 <a href="#">Detailed AML policies and procedures</a></li> <li>📄 <a href="#">AML questionnaire of the entity (template)</a></li> <li>📄 USA Patriot Act Certification completed</li> <li>📄 MiFID questionnaire of the entity (template)</li> <li>📄 <a href="#">Organisational chart of the Compliance department</a></li> <li>📄 <a href="#">Response to negative statement from the press</a></li> </ul>
<b>V. Tax Information</b>	<ul style="list-style-type: none"> <li>• FATCA status and classification</li> <li>• GIIN</li> <li>• FATCA contact details</li> <li>• Tax Identification Number and tax country(ies)</li> </ul>	<ul style="list-style-type: none"> <li>📄 FATCA form</li> </ul>

Mandatory/conditional – [Enhance KYC](#)

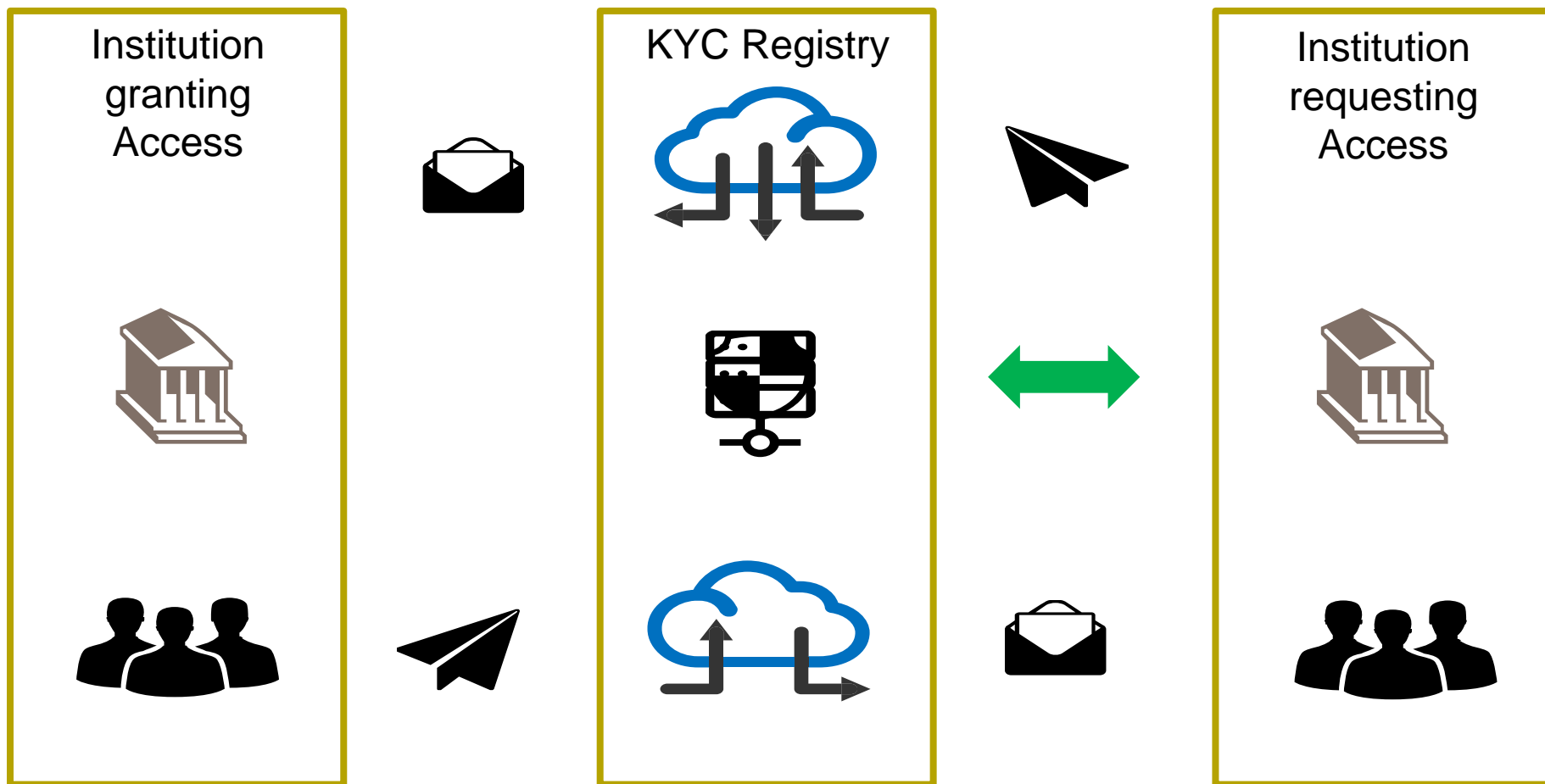


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# User controlled access



# Data contribution: Doing it right takes commitment and support

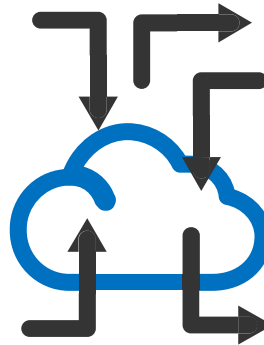
Contribution (Bank Side)



Submitter 1



Submitter 2  
(Optional)



KYC Registry



Controller 1



Controller 2

Data Validation (SWIFT Side)



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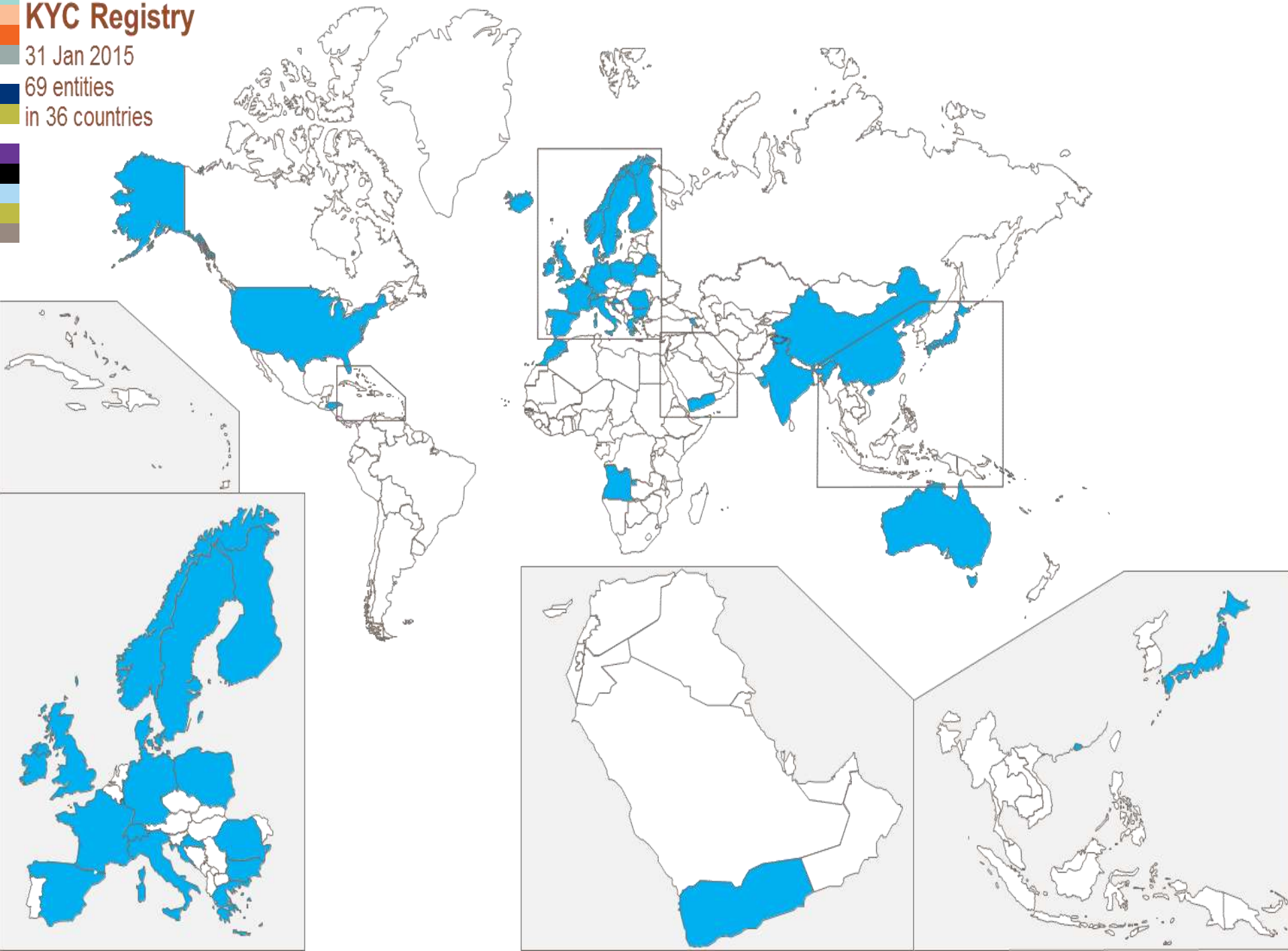
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# KYC Registry

31 Jan 2015

69 entities

in 36 countries



# KYC Registry

28 Apr 2015

389 entities  
in 109 countries



# KYC Registry

31 Jul 2015

863 entities  
in 142 countries



# KYC Registry

28 Aug 2015

1020 entities  
in 146 countries



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# KYC Registry

20 Sep 2015

1273 entities  
in 168 countries



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# SWIFT KYC Registry globally

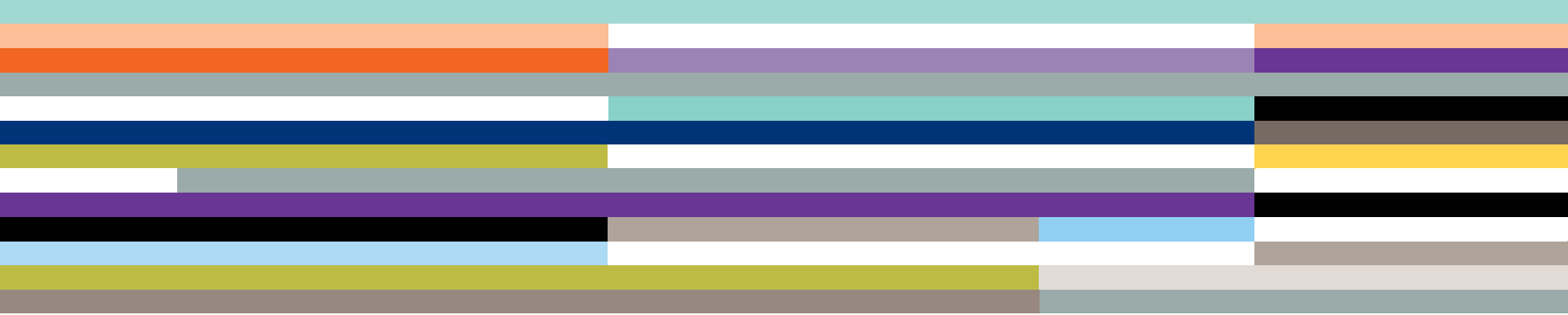
18 Oct 2015  
1522 entities  
in 178 countries







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Thank you



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