SWIFT in Compliance
SWIFT is the global provider of secure financial messaging services
Oversight

Governance

Board

Board committees

National Member Groups

National User Groups

Bucharest - Business Forum - October 30, 2014
Agenda

**SWIFT In Compliance**

**Sanctions Screening Service**
- Screen SWIFT messages in a cloud solution as they pass over the SWIFT network.
- Currently with over 250 Users in more than 80 countries and 10 Central Banks

**Sanctions Testing Service**
- Test & tune your sanctions environment to demonstrate & improve its effectiveness at catching bad buys, and increase cost efficiency.

**KYC Repository**
- Community approach to the global Know Your Correspondent burden.

**Compliance Analytics**
- A Service to help you create a Compliance Policy which responds to your customer activity
Barclays To Pay $298 Million For Evading U.S. Economic Sanctions

ABN AMRO bank pays 500 million for busting US sanctions

JPMorgan To Pay $88 Million For Violating U.S. Sanctions

The Cost of AML Fines Soars to Over $1 Billion in the Last Decade

United States: ING Bank To Pay $619 Million Fine In Largest Ever US Economic Sanctions Penalty
Compliance is a pervasive function within the financial institution function

Banking Group

Business
Retail | Corporates | FI | Business Compliance | …

Operations and IT
Monitoring | Investigation | Operations Compliance | …

Compliance & Risk Management
MLRO | Sanctions | AML | Capital Markets | Anti-Corruption…
Financial Crime Compliance Roadmap

- **Standards**
  - Sanctions list management service
  - KYC Registry

- **Data repositories**
  - Compliance Analytics

- **Traffic analysis**
  - FATF 16 information quality

- **Quality assurance**
  - Sanctions Testing
    (testing / tuning of transaction & client systems)
  - AML testing & tuning

- **Processing services**
  - Client/Name screening
  - Sanctions Screening
  - Traffic Restriction (RMA)

- **Sanctions**
- **KYC**
- **AML**
Sanctions Screening

A quick and easy route to comply with sanctions regulations
Context

- Regulatory scrutiny and enforcement of sanctions policies is increasing

- Available screening solutions complex and costly to maintain

- Challenges for low-volume financial institutions

SWIFT has launched a centralised Sanctions screening service for low volume clients
Sanctions screening over SWIFT

- Screening engine & user interface
- Centrally hosted and operated by SWIFT
- No local software installation & integration
- Real-time
- Sanctions List update service
<table>
<thead>
<tr>
<th>Country</th>
<th>List Name</th>
</tr>
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<tbody>
<tr>
<td>AU</td>
<td>Department of Foreign Affairs and Trade</td>
</tr>
<tr>
<td>CA</td>
<td>Foreign Affairs and International Trade</td>
</tr>
<tr>
<td>CN</td>
<td>Ministry of Public Security</td>
</tr>
<tr>
<td>EU</td>
<td>EUROPE Countries Embargoes</td>
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<tr>
<td>FR</td>
<td>Journal Officiel français</td>
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<td>HK</td>
<td>Hong Kong Monetary Authority</td>
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<td>JP</td>
<td>Ministry of Finance</td>
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<tr>
<td>NL</td>
<td>Frozen Assets List - Dutch Government</td>
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<tr>
<td>NZ</td>
<td>New Zealand Police</td>
</tr>
<tr>
<td>SG</td>
<td>Singapore</td>
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<tr>
<td>CH</td>
<td>Secrétariat d'Etat à l'Economie</td>
</tr>
<tr>
<td>UK</td>
<td>Her Majesty's Treasury</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>US</td>
<td>Office of Foreign Assets Control SDN list</td>
</tr>
</tbody>
</table>

**Good guys List**

Create new Exception

| Reference | TEST0001 |
| City      |          |
| Country   |          |
| Scope     | DFAT00002 |
|           | OFAC00001 |
|           | UN00001  |

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Service overview - as sender

1. **Outgoing transaction**
   - Sending bank
   - Service user
   - Case management or alerts

2. **Transaction is copied**
   - SWIFT Network
   - FIN copy
   - Transaction abort notification (true hit)
   - Decision to deliver (no hit / false positive)
   - or abort transaction (true hit)

3. **Transaction abort notification (true hit)**
   - Managed by SWIFT
   - Sanctions Portal
   - Screening engine

4. **Decision to deliver (no hit / false positive)**
   - Receiving bank

5. **Transaction is delivered (no hit or false positive)**
Service overview - as receiver

1. Sending bank: Outgoing transaction
2. Transaction is copied
3. Sanctions Portal
4. Instruction to deliver transaction
5. Receving bank: Transaction is delivered (no hit or false positive), Transaction is delivered flagged (true hit)

Managed by SWIFT

Screening engine
Sanctions Screening over SWIFT
Your Live BIC
Screening report for October 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>Total outgoing for this category</th>
<th>Total incoming for this category</th>
<th>Total</th>
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<tbody>
<tr>
<td>Non-blocking</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Alerted and ‘Passed’</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Alerted and ‘Failed’</td>
<td>2</td>
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<td>2</td>
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<tr>
<td>Total screened</td>
<td>9</td>
<td>0</td>
<td>9</td>
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</table>
Audit Report

Sanctions Screening over SWIFT
Your Live BIC
Audit report for September 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>Total outgoing for this category</th>
<th>Total incoming for this category</th>
<th>Total</th>
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<tbody>
<tr>
<td>No hit messages</td>
<td>23</td>
<td>0</td>
<td>23</td>
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<tr>
<td>Non checked messages</td>
<td>0</td>
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<td>0</td>
</tr>
<tr>
<td>Non-blocking</td>
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<td>2</td>
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<tr>
<td>Alerted and ‘Passed’</td>
<td>1</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Alerted and ‘Failed’</td>
<td>1</td>
<td>0</td>
<td>1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>0</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>
Sanctions

1st October 2014
249 contracts
89 countries
Benefits

• Easy to implement
• Simple to use
• Cost efficient
• Compliance
• Peace of mind
DEMO
Your institution

Your correspondents

The Level 1 user logs-in to the Sanctions portal to review the alerts.
The Level 1 user selects one of the pending alerts to view the details.
Your institution

Your correspondents

Message content

Sanctions list record detail

Escalate to Level 2

Hits generated by the message & sanctions list identifier

Release the message

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Abort or Flag the message

Release the message

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When the user confirms a true hit on an outgoing message:

- The original message is aborted
- An abort notification (MT019) is sent to the user
When the user confirms a true hit on an incoming message:

- The original message is flagged…
- …then delivered to the recipient that routes it to a special queue for appropriate processing
Configuration and Training Workshop

**Silver Pack**
- **Presentation**: the fundamentals of the service and its functionalities
- **Initial configuration of the solution and hands-on training** to set up your environment & operating the service
- **Follow-up session**: functional questions raised during testing (two 3 hours WebEx session)
- **Token driver installed on one PC**
- **Successful connection to the Sanctions Portal**
- **Sanctions Service (Test) configured** with your initial configuration
- **One successful test and Sanctions Service (Test) configured** for further testing
- **Question and Answer assistance during testing phase**

**Gold Pack**
- **Assistance on pre-requisite completion** (2 hours WebEx session)
- **Presentation**: the fundamentals of the service and its functionalities
- **Initial configuration of the solution and hands-on training** to set up your environment & operating the service
- **Follow-up session**: functional questions raised during testing (two 3 hours WebEx session)
- **Token driver installed on one PC**
- **Successful connection to the Sanctions Portal**
- **Sanctions Service (Test) configured** with your initial configuration
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- **Question and Answer assistance during testing phase**

**The delivery will be executed through remote WebEx sessions.**
- Three sessions of 3 hours each
- The estimated time of the project is 5 business days.

**The estimated time of the project is 10 business days.**
Screening of Any Formats
Sanctions Screening: FIN - SAF

SAF (Screening of Any Format)

New end 2014

SWIFT
Benefits

1/ Screening other formats than FIN, such as:
   – Local non-SWIFT formats (*e.g.* domestic RTGS/ACH)
   – Internal format (*before transformation to FIN, for instance*)
   – ISO20022 MX messages
   – FIN MT or ISO20022 MX bulked in a file transmitted over FileAct or other file transfer, *e.g.* low value flows such as **SEPA**; sent through SWIFT or non-SWIFT channels.

2/ More flexibility for screening FIN:
   – More flexibility on which traffic is sent to the filter (*e.g.* exclude traffic from Head Office)
   – Screen additional categories (*e.g.* Cat 3, 5 & 9)
   – Ability to screen the messages *before* they are sent to SWIFT (*an acknowledgement is sent back to the Back Office*)
   – More time to decide on alerts

3/ Same user experience as today
   – Same GUI, same users, same tokens, etc.
Q&A
Financial Crime Compliance Roadmap

Standards
- Sanctions list management service

Data repositories

Traffic analysis
- Compliance Analytics
- FATF 16 information quality
- Sanctions Testing (testing / tuning of transaction & client systems)
- AML testing & tuning
- Client/Name screening
- Traffic Restriction (RMA)

Quality assurance

Processing services
- Sanctions Screening
- Sanctions
- KYC
- AML

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Sanctions Testing

Optimize your filter for effectiveness and efficiency
Sanctions compliance – balancing priorities

**Effectiveness**
- Provide **assurance** that your system 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

---

Testing
Meeting regulatory demands

with

Tuning
Managing cost and resources
Sanctions testing process

Define test objective
Download test objective
Process test files
Upload hit results
View test results

Automate • Repeat • Compare • Monitor
Sanctions Testing Portfolio

<table>
<thead>
<tr>
<th>Functions</th>
<th>Single Audit Point</th>
<th>Analyse &amp; Compare Regular Audit Points</th>
<th>On-Going Testing &amp; Tuning</th>
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<tbody>
<tr>
<td>Testing</td>
<td>• Testing</td>
<td>• Testing</td>
<td>• Testing +Tuning</td>
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<tr>
<td>Defined tests</td>
<td>• Defined tests</td>
<td>• Defined tests</td>
<td>• Custom tests</td>
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<td>2 systems</td>
<td>• 2 systems</td>
<td>• 2 systems</td>
<td>• Group license</td>
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<tr>
<td>One-off</td>
<td>• One-off</td>
<td>• Monthly tests</td>
<td>• Unlimited use</td>
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<tr>
<td>Report</td>
<td>• Report</td>
<td>• App + report</td>
<td>• App + report</td>
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</table>

Sanctions Testing Portfolio

- ASSESSMENT
- STANDARD
- ENTERPRISE
The one-off Assessment report

This report offers a One-off Assessment of an Institution’s Sanctions Environment.

It serves both Regulatory & Internal Audit purposes.

Several predefined tests are executed and the bank gets a report with Test results, Observations and Recommendations.
The one-off assessment report - benefits

The one-off assessment covers 3 areas of primary testing:

- Exact match
- Risk information
- Fuzzy matching

The assessment identifies/ensures:

- Potential sanctions screening issues
- Alignment of bank screening policy
- Technical implementation
- Sanctions screening coverage of common risk information

Further insight of filter performance in relation to fuzzy matching is provided.
Sanctions List Monitor

- Free service to SWIFT institutions
  - Launched Jan 2014
- Register to receive email alerts for monitored regulatory lists
  - Alerts are sent in a common format irrespective of source
  - List change impacts can be understood
  - Alerts are timely and often ahead of regulatory announcements
  - A valuable secondary source to verify list updates and changes

<table>
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<th>TYPE</th>
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<tr>
<td>ADDED</td>
<td>SDN/16315 Fahlawan ROZI</td>
</tr>
<tr>
<td>UPDATED</td>
<td>SDN/16667 Vladimir YAKUNIN</td>
</tr>
<tr>
<td></td>
<td>PRESIDENT OF OJSC RUSSIAN RAILWAYS</td>
</tr>
<tr>
<td>UPDATED</td>
<td>SDN/16690 Victor Petrovich IVANOY</td>
</tr>
<tr>
<td></td>
<td>DIRECTOR OF THE FEDERAL DRUG CONTROL SERVICE OF THE RUSSIAN FEDERATION</td>
</tr>
<tr>
<td></td>
<td>(FSKN)</td>
</tr>
<tr>
<td>UPDATED</td>
<td>SDN/16691 Sergey Yevgenyevich NARYSHKIN</td>
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<tr>
<td></td>
<td>CHAIRMAN OF THE STATE DUMA OF THE RUSSIAN FEDERATION</td>
</tr>
</tbody>
</table>
Financial Crime Compliance Roadmap

- Standards
- Data repositories
- Traffic analysis
- Quality assurance
- Processing services

- Sanctions list management service
- KYC Registry
- Compliance Analytics
- FATF 16 information quality
- Sanctions Testing (testing / tuning of transaction & client systems)
- AML testing & tuning
- Client/Name screening
- Sanctions Screening
- Traffic Restriction (RMA)

Sanctions
KYC
AML
SWIFT KYC Registry

Contacts: kyc.registry@swift.com
SWIFT KYC Registry

Today, banks are facing an unprecedented challenge to comply with KYC legal requirements.
How Large is the Cost to the Market?

### Key Takeaways:
- Tier 1 banks establish counterparty relationships with Tier 2, 3, and 4. Their diligence activities are more extensive, and therefore, more expensive per counterparty.
- The larger the bank the more correspondents, the more acute the problem.
Mapping customer workflows: high level questions customers will ask and at what stage

- “Who should I deal with by rank/country?”
- “Are they profitable?”
- “What services and network do they have, what can I offer them?”
- “Who can I pitch to by department and by title?”
- MIFID

- Confirm legal ID
- Confirm parent, group
- Confirm branches & geo-base
- Confirm board and SM
- Confirm regulated, audited and appropriate licenses
- “Who am I dealing with?”
  - Group/ Subsidiaries?

- Confirm credit health?
- “Can I benchmark against a peer or existing relationship?”
- “Can I integrate the 3rd party ratios and spread calculations with internal policy?”
- “Can I monitor existing relationships for changes?”

- “Are they legitimate?”
- “Do we have an existing rel?”
- “Are they regulated?”
- “What is the AML risk?”
- “Can I demonstrate due care and attention to DD and EDD?”
- “Are there any PEP/Sanctions concerns to be managed?”

Relationship Managers

Correspondent Bankers

Credit Analyst

Compliance KYC analysts

Internal KYC report & recommendations

Review
The on boarding/review workflow to highlight CDD versus EDD data;

**CDD (Simplified Due Diligence)**

- Legally registered address
- Head office address
- Registration number
- LEI
- GIIN
- Tax Identification number
- Confirm country of control

- Confirmation of regulator
- Confirmation of financial auditor
- Confirmation of AML auditor
- Outline key business areas & services
- Map key customers & profile customer bases
- Demonstrate an understanding of operational geographies
- Assets and Revenue for current year and previous
- World and country ranking
- Credit Rating Agency rating (if applicable)

- Perform AML high level health check:
  - WQ or other AQ
  - License(s)
  - USA PA Certificate
  - Annual Report
  - Proof of regulation
  - MA/AA
  - Statutes and charters

**EDD (Enhanced Due Diligence)**

- Map group structure and banking subsidiaries
- Identify Legal parent & ownership type: private/state-owned etc
- Confirm stock exchange listing
- Identify ultimate flesh & blood beneficiary (majority shareholder)
  - FN, MN, LN
  - DOB
  - Nationality
  - Source of Wealth
- Map shareholders down to 10%
  - FN, MN, LN
  - DOB
  - Nationality
  - (Address)

- List all supervisory board member names
- List Board member names (CEO, CFO, CRO, COO, MLRO) up to 5
  - List ID data (see above)
  - Extract biography
  - Confirm board shares Y/N

- Assess AML effectiveness
  - Compliance interview/visit
  - AML P&P
  - Assess sanctions/PEP policies
  - AML Statement/ own AML Q

- Assess country AML regime
  - Strength of regulator?
  - Active/past sanctions
  - FATF/OECD/INCSR/CPI scores
  - Country risk scores

- Conduct PEP/Sanctions and EDD checks
  - Supervisory & Exec board
  - UBO & shareholders
  - Bank name, parent name
  - EDD to include negative news/regulatory past

- Is this entity part of a larger group?
- Do we have other relationships within the group?
- List ‘significant’ shareholders: name/address/nationality?
- List ultimate beneficiary: name/address/nationality?
- Identify and verify their ‘source of wealth, is this legit?’
- Collect ID data for sanctions/PEP checks at a later stage

- Are they ethical, experienced, capable?
- Do they have shareholdings or do any qualify as having controlling interest?

- Assess AML fitness in depth
  - Confirm detailed understanding of the exact risks of their business and document mitigating activity

- Score financial stability of country and assess regulatory ‘level’ versus domestic

- Confirm no PEPs or negative news versus key principles
- Confirm no sanctions at entity or countries of operation levels
SWIFT KYC Registry

Your single source of correspondent banking KYC information

Industry-owned  Global

Guaranteed quality  Collaborative

SWIFT KYC Registry  SWIFT Profile  Increased Transparency
Registry Content & Controls

Content
- Comprehensive set of data
- Directly provided by the source
- Supports multiple languages
- Electronic only

Controls
- Fact-based and documented validation
- Yearly revalidation of all information
- Data quality ratings visible to all
- No judgemental or opinion-making controls
## Registry Features & Functionalities

<table>
<thead>
<tr>
<th>Consumption</th>
<th>Contribution &amp; admin</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Search and view counterparty summary</td>
<td>• Add and maintain your own KYC data</td>
</tr>
<tr>
<td>• Request access to your counterparty’s data</td>
<td>• Grant and manage access to your data</td>
</tr>
<tr>
<td>• Access your counterparty’s data</td>
<td>• Receive reporting and audit logs</td>
</tr>
<tr>
<td>• Watchlists and notifications upon update</td>
<td>• Manage KYC users for your organisation</td>
</tr>
</tbody>
</table>

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# The principles

*A single source of correspondent banking KYC information*

<table>
<thead>
<tr>
<th>Collection of data and documents</th>
<th>Controls and validation</th>
<th>Reporting and monitoring</th>
<th>Value added services</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Structured data</td>
<td>• Completeness</td>
<td>• Platform activity</td>
<td>• SWIFT Profile:</td>
</tr>
<tr>
<td>• Supporting documents</td>
<td>• Validity</td>
<td>reporting and practices</td>
<td>standard report</td>
</tr>
<tr>
<td>• Maintenance</td>
<td>• Accuracy</td>
<td>• Audit trail</td>
<td>based on traffic</td>
</tr>
<tr>
<td>• Archiving and versioning</td>
<td></td>
<td>• Notifications</td>
<td>data and owned</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by the reporting</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>institution</td>
</tr>
</tbody>
</table>
### Data and documents*

**Entity Summary**

- Legal Name
- Business Name
- Registered Address
- Registered Country

- Business Address
- Business Country (Domicile)
- BIC Code
- LEI Code

- Type of entity (Head Office, Domestic Branch, Foreign Branch etc.)

#### I. Identification of the Customer

- Legal Name in local language (English)
- Legal Name in local characters
- Immediate previous Legal Name
- Date of last Legal Name change
- Registered Phone and Fax
- Institution Website
- Company Registration Number
- Issuing Authority
- Date of Incorporation
- Legal Type (Legal Entity, Business Entity)
- Institution Status (Bank, Coop, etc.)

- Regulatory Status: Fully regulated / Partially regulated / Not Regulated / Other
- Name of Regulator or Supervising Authority
- Type of License (Full/Offshore)
- Licensing Authority
- Name of Head Office (Link)
- Country of Head Office
- BIC of Head Office
- Name of Group Parent (Link)

- Banking License and Proof of regulation OR Charter of Law/Local Decree OR Official authorisation to conduct financial business
- Certificate of Incorporation OR Extract from Registers
- Memorandum and Articles of Association OR Statutes OR By-Laws

#### II. Ownership & Management Structure

- Type of entity: privately held / publicly listed
- Beneficial Owners
  - Shareholding
    - Company name | % shares | Country | Stock Listing
    - Ultimate Beneficial Owners (10% threshold ownership): First name | Middle name | Last name | Gender | Date of birth | Place of birth | Address | % shares
  - Ultimate Beneficial Owners (Directors)
    - First name | Middle name | Last name | Gender | Date of birth | Place of birth | Address | Appointment date

- Audited Annual Report
- Proof of listing
- Ownership Structure / Chart Group
- Organisational Chart / Management Structure
- Declaration of Beneficial Ownership
- List of Shareholders and Directors
- Proof of Identity of UBOs
- Proof of Permanent Residence of UBOs
- List of authorized signatories
- List of Executive Management
- Sharia Board

#### III. Type of Business & Client Base

- Type of services offered
- Targeted Customers
- Geographical Markets reached
- Industry focus

- Evidence of type of customers

#### IV. Compliance Information

- Money Laundering Reporting Officer: First name | Last name
- Chief Compliance Officer: First name | Last name
- AML person contact details: First name | Last name | Job title | Phone | Email
- Number of employees and number of AML staff
- Name of AML Auditors

- Wolfsberg questionnaire completed or equivalent
- Summary of AML policies/procedures or AML laws
- Detailed AML policies and procedures
- Template of the entity's own KYC/AML questionnaire
- USA Patriot Act Certification
- MIFID questionnaire
- Organisational chart of the Compliance department
- Response to negative statement from the press

#### V. Tax Information

- FATCA Status: exempted/non exempted - compliant / non-compliant
- GIIN
- FATCA contact details: First name | Last name | Job Title | Phone | Email
- Value added Tax Identification Number

- FATCA form W-8 BEN-E or W-9 or equivalent tax form

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*Mandatory – Mandatory if available – Nice to have*

*Proposed structure – subject to change*
SWIFT Profile – The Concept

A standard traffic-based report to support your KYC

- Objective and factual, based on FIN traffic
- Helps validate declared behaviour
- Substantiates risk rating process
- Different levels of granularity
- Optional and shared at bank’s discretion
- Specific, transparent and unambiguous
- Does not include competitive information
- Compliant with SWIFT data retrieval policy
SWIFT Profile – Granularity

SWIFT Profile
Level 1

Does Bank A have correspondent banking activity with entities located in countries under close monitoring of the FATF?

- Yes
- No

SWIFT Profile
Level 2 – “Nested Countries”

Bank A’s correspondent banking traffic with concerned FATF jurisdictions. **Share per country:**

- Turkey >20%
- Indonesia >20%
- Tanzania <5%
- Yemen <5%
- Ethiopia <5%
- Malaysia <5%
- Pakistan <5%
- Bank A

SWIFT Profile
Level 3 – “Nested Correspondents”

**Identities** of Bank A’s correspondents per concerned jurisdiction:

<table>
<thead>
<tr>
<th>Country</th>
<th>BIC Code</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>TRBATRIS</td>
<td>Turkish Bank A</td>
</tr>
<tr>
<td></td>
<td>TRBATRIS</td>
<td>Turkish Bank B</td>
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<td>TRBATRIS</td>
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<td>Indonesian Bank I</td>
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Timeline
The journey starts today

Bootstrap
January ’14

- Formal announcement of the KYC Registry initiative
- Start of KYC Working Group
- Begin data collection with Working Group

Controlled ramp-up
September ’14

- Open the Registry for data contribution by a number of selected banks

General availability
December ’14

- Open the Registry for data contribution and consultation by all banks
- Commercial launch of the Registry
Value Proposition of the KYC Registry:

Market Problems:

- “Do more with the same resources & budget”
- FI KYC a growing regulatory focus
- FI KYC inherently “Hi Risk”= more EDD cases
- FI KYC DD more work intensive:
  - New Regulation; FATCA
  - Adoption of a ‘true risk-based approach’
- “Help me prioritise low & high risk DD cases”
- Front Office (RMs) now accountable for FI KYC DD
  - RMs involved to collect ‘sensitive data and docs’
  - Unhappy over levels of client disruption
- NO global KYC standard (AMLQ now AML ‘Fitness test’)
  - Duplication of effort
  - Correspondents don’t understand= non-cooperative
- Monitoring changes in risk profile is difficult
  - Tactical versus ‘complete overhaul’
  - What constitutes a change in risk level?

KYC Registry Value:

- Transition staff from the low value task of data collection to the high value task of data analysis
- The single most comprehensive cache of FI CDD and “Hard to get” EDD data and content
  - Shareholder and UBO detail, ID data and docs
  - Board Member detail, ID data and docs
  - Compliance detail : “AML Process analysis”
- Industry benchmarked ‘standard’ for banks to adopt to reduce duplication of effort (collection and supply)
- EDD data requested and supplied as standard to meet differing user risk appetites
- “At a glance” overview and risk scoring (?) to facilitate case prioritisation and escalation
- Clear chain of custody: collected directly from the source the bank via a secure and trusted utility
- FATCA in scope for collection
- Clear and transparent methodology for update frequency, data verification (?)
- User-defined alerts to effectively monitor changes to your FI exposure
- Ethically priced to suit consumption and derived ‘value’
A TRUE Industry collaborative solution:
- Created by thought-leaders within the banking industry (your peers) for the industry
- Pricing that rewards and encourages adoption by your own organisation and your correspondent relationships
- Best practice for CDD and EDD data as defined by the working group of 12 banks

Ethical Pricing:
- Consumption-based pricing so that the value you derive from any centralised utility is matched by the pricing
- A true partner and trusted supplier of secure banking systems with industry controls and direct supervision on product development strategic direction and more importantly price.

Intensive data validation and correlation processes:
- Extensive and manually intensive data validation and corroboration so you can trust the data you pay for
- Full transparency within the product as to data’s last update and full document audit trail
- Full document audit trails

A secure and controlled vehicle for sensitive data collection and sharing:
- The KYC Registry is more than an online database it offers its contributors controls over data sharing permissions so that sensitive and mission critical content can be shared securely.
- SWIFT manages a network that securely enables and processes 21 million messages a day, we are the only choice as a trusted supplier of secure KYC data

A Clear Industry standard in Financial Counterparty DD best practice:
- A standard set by the largest banks including Wolfsberg members that the industry will be using as a standard
- Enhanced AML declarations to highlight high level AML risk and facilitate AML process analysis
- Clear and standardised definitions to determine a bank’s business activities and operational reach

A Registry that addresses today’s data collection challenges in providing premium EDD content and documentation:
- Shareholder breakdown and ID data and docs
- Ultimate beneficiary listed with ID data and docs
- Full Board member listings and ID data and docs
KYC Registry

DEMO
Next steps: Start planning now!

- Inform those responsible for your customer due diligence about the SWIFT KYC Registry initiative
- Identify and determine who will be responsible for maintaining your institution’s data on the KYC Registry
- Review and potentially adapt your KYC procedures to start using the KYC Registry
- Country approach
Financial Crime Compliance Roadmap

- **Standards**
  - Sanctions list management service

- **Data repositories**
  - KYC Registry

- **Traffic analysis**
  - Compliance Analytics
  - FATF 16 information quality
  - Sanctions Testing (testing / tuning of transaction & client systems)

- **Quality assurance**
  - AML testing & tuning
  - Client/Name screening

- **Processing services**
  - Sanctions Screening
  - Traffic Restriction (RMA)

- **Sanctions**, **KYC**, **AML**
Compliance Analytics
The context

1. Banking areas that represent high money laundering risks are attracting increased regulatory scrutiny.

2. Correspondent banking is a high-risk area – and is crucial to business growth and operations.

3. Key growth areas must be prioritised whilst managing money laundering risks in a (cost-) effective manner.

4. Analytics can help you identify and assess potential risk and respond more effectively.
Leverage SWIFT traffic data to address risk

Monitor
Event-driven alerting

Drive
Focus on high risk

Investigate
Visual analytics

Quantify
Benchmark vs totals & peers

Report
Interactive generation

Identify
Global aggregated views

Look back
Retrospective reviews

Single Source
Compliance Analytics will bring value to…

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>Customer Due Diligence</th>
<th>Investigations and visits</th>
<th>Transaction monitoring</th>
<th>Metrics and dashboarding</th>
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<tr>
<td>• <strong>Enterprise</strong> risk assessment</td>
<td>• <strong>Compare</strong> anticipatory behaviour against country standards</td>
<td>• <strong>FIU</strong> investigations</td>
<td>• <strong>Volume</strong> reconciliation</td>
<td>• Pre-calculated metrics</td>
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<td>• <strong>Correspondent</strong> risk assessment</td>
<td>• <strong>Periodic reviews</strong> to ensure activity is in line with anticipated risk</td>
<td>• <strong>Country visits</strong></td>
<td>• <strong>Scenario</strong> optimisation</td>
<td>• Key Performance / Risk <strong>Indicators</strong></td>
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<td>• Alignment with risk <strong>policies</strong></td>
<td>• <strong>Event driven</strong> reviews</td>
<td>• <strong>Correspondent reviews</strong></td>
<td>• <strong>System</strong> tuning</td>
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<td>• <strong>Retrospective</strong> reviews</td>
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Leveraging country of origin and beneficiary country to provide additional insights
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?

   ![Map showing value distribution and 4 branches in 4 countries]

2. Ultimate beneficiary countries – Top 20

   ![Map showing ultimate beneficiary countries with top 20 countries]

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

   ![Map showing a payment from CORSMRMR to Cuba]

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. Top 20 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

Bucharest - Business Forum - October 30, 2014
Example 2: Specific Correspondent Risk assessment

Where are payments originating from? Ending up in?

1. What are the higher risk originating countries?
2. Which of my affiliates are involved in these flows?
3. What are the ultimate beneficiary countries?
Example 3: Monitor correspondent relationships at group level

Active / Dormant / Unused RMAs

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

2. Geographical distribution of new inbound relationships

3. Are these relationships in high risk jurisdictions as per FATF classification?
Spot anomalies in correspondent behaviour

Compare relative distribution of transactions by value range

Track value range evolution over time
Timeline

Live in June 2014

- Proof of concept testing with pilot banks
- Open portal to selected pilots
- Launch announcement on April 29
- Commercial launch of Compliance Analytics
Thank you!

Steven Palstermans
Head of Compliance Initiatives, Central and Eastern Europe

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