

RISK & COMPLIANCE

DOW JONES

Sanctions and PEP Introduction and Update

20 March 2018

Marian Halasz

Sanction update

What are sanctions?

- Typically a ban on trade, possibly limited to certain sectors such as armaments, finance, automotive, etc., sometimes with certain exceptions (food, medicine)
- Aim is to also combat the financing of terrorism

Comprehensive sanctions

- Generally prohibits all direct or indirect imports/exports, trade brokering, financing or facilitating against most goods, technology and services.

Targeted sanctions

- Focus on certain groups or individuals in the target country and aim to directly impact these groups

Sanctions are imposed by:



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Foreign Affairs, Trade and
Development Canada



HONG KONG MONETARY AUTHORITY
香港金融管理局

Another busy few years for Regulators/Law Enforcement

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Not only statistics.....but real headline news

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BNP Paribas Draws Record Fine for 'Tour de Fraud'

BNP Admits to Filing False Business Records and Conspiracy

Deutsche Bank to Pay \$258 Million in Fines for Violating U.S. Sanctions

New York regulator says bank employees handled more than \$10.8 billion in restricted transactions

Barclays Pays \$2.5 Million over Zimbabwe Sanctions Breaches

Crédit Agricole to Pay \$787 Million in U.S. Sanctions Case

Settlement resolves allegations the bank violated sanctions by handling transactions involving Iran, Sudan, Myanmar, Cuba

FCA fines Nigeria lender for inadequate money laundering checks

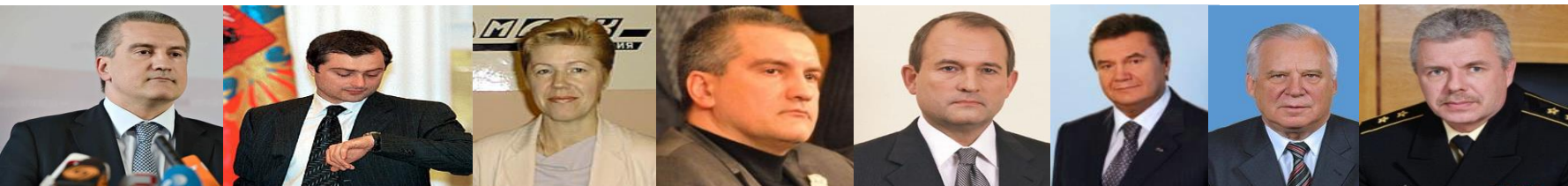
A Very Dynamic Environment

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ГАЗПРОМБАНК

«Газпромбанк» (Открытое акционерное общество)



BANK ROSSIYA



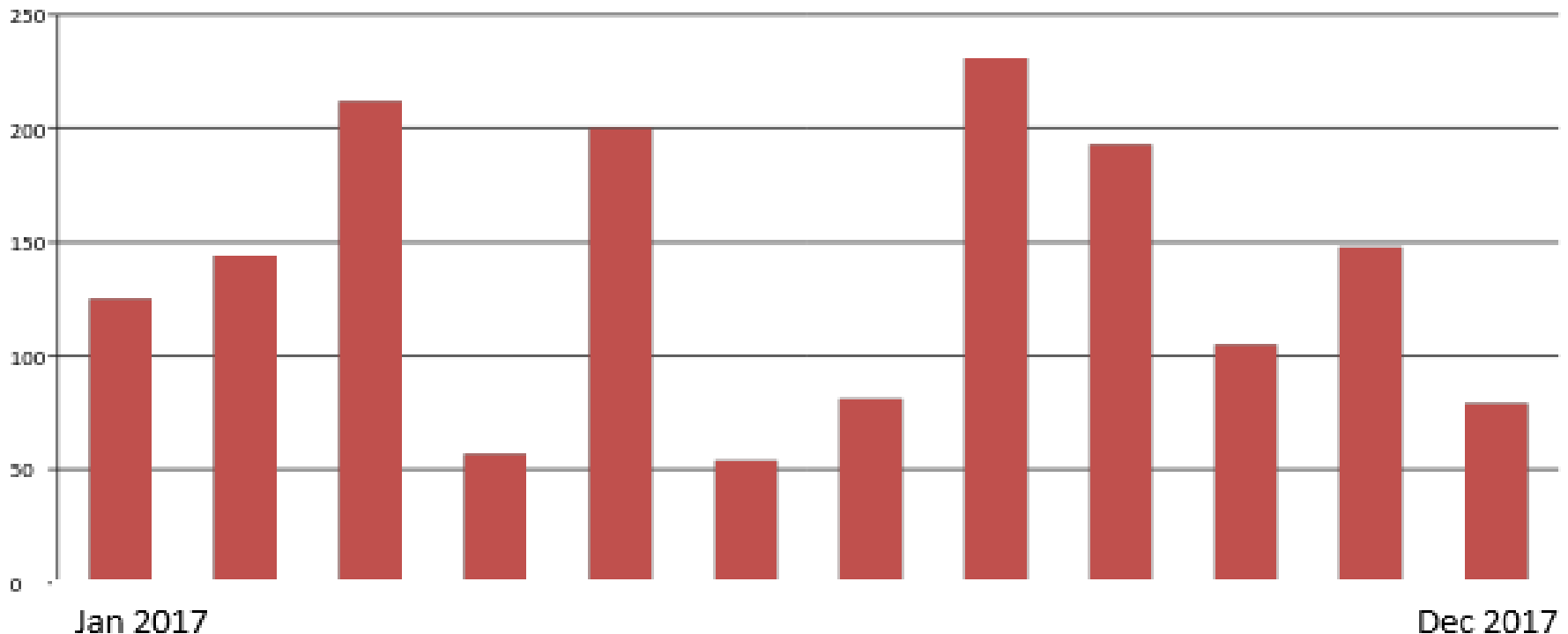
VNESHECONOMBANK



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A Very Dynamic Risk Environment

- OFAC/EU/UN Sanction lists only
- Over 3,100 changes (additions/deletions/updates) 01-Jan-2017 to 31-Dec-2017
- 99.98% processed by Dow Jones research team within 24 business hours (Mon to Sat)
- Need for efficient and timely management of data that power your filters is key



Sanctions compliance : beyond official lists

- Sanctions requirements now more comprehensive and complex, adding new needs to a compliance programme
- Practical consequence is a greater emphasis on identifying potential full or partial beneficial ownership



- Targets are not just Iranian institutions but their assets and access to supply chains

- Iranian shipping capabilities are a specific target and a growing regulatory focus

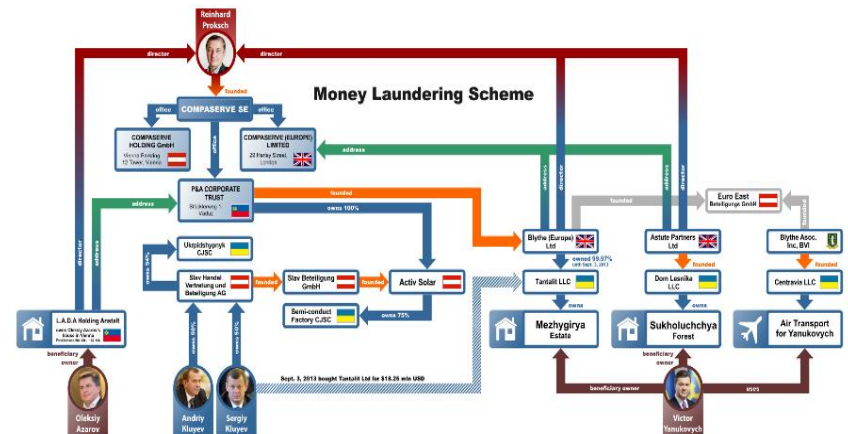


Sanctions compliance : beyond official lists



- Russian sanctions focus on not just the 300+ names added to the OFAC/EU lists but also companies connected to these individuals
- OFAC / EU require companies to identify companies these individuals are controlling (50% and more)
- Targets are assets and companies owned by Sanctioned individuals

Sanctioned Individual	Related Company	Company Original Script Name	Stake level held by Sanctioned
Leonid Eduardovich Slutsky	Russian Peace Foundation	Российский Фонд Мира	Chairman
Leonid Eduardovich Slutsky	Non-Commercial Organization The Naval Cathedral of Kronstadt	Некоммерческая организация Кронштадтский	Chairman
Oleg Evgenevich Panteleev	Interregional Public Organization M.S.N.	МОО С.Ф.Н.	President
Viktor Medvedchuk (Viktor Volodymyrovych)	Garmoniya Limited Liability Company	Общество с ограниченной	Board Director



Dow Jones and OFAC / EU Related Sanctions

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- Russian sanctions focus on the 500+ subjects added to the OFAC/EU lists AND companies connected to these individuals
- OFAC and EU requirements have evolved over the past months including the addition of Sectoral Sanctions and Aggregate Ownership rules
- Dow Jones response:
 - identify entities where sanctioned subjects hold shares, exercise control or sit on board of directors
 - Over 16,000 associated entities in 160 countries identified to date

Does it matter in South Africa or Nigeria??

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The answer is....Yes.

Date of Search : 19-Mar-2018 16:15:02 (19-Mar-2018 16:15:04 GMT)

Profile ID Number: 1137164
Record Type: Entity

Names

Primary Name

Name

NiGaz Energy Company

Suffix

Limited

Also Known As

Nigaz Energy

Country Details

Country of Registration

Nigeria

Addresses

Address

A:2 Logone Close, Maitama

City

Abuja

State

Federal Capital Territory

Country

Nigeria

Dates

Type

Date of Registration

24-Jun-2009

Status: Active
Category 1: Special Interest Entity (SIE)
Category 2: Sanctions Control and Ownership ⓘ
Category 3: OFAC Related - Majority Owned

The information on this site is derived from sources such as company websites, official company registries, company annual and financial reporting, news articles published by various media providers around the world and/or listings by a sanctioning body. Entities are included here when, although they may not have been specifically designated by name for sanctions, they meet the Dow Jones Risk & Compliance definition for Sanctions Ownership or Control, which does not necessarily signify that an entity must be treated as sanctioned. Certain ownership or control circumstances may require that an entity be treated as sanctioned. This is not an exhaustive source of information, and the database may not reflect all or subsequent developments in a particular matter. Users are advised to conduct a further inquiry as part of their decision-making process and for any information that post-dates the date on which the search result was last modified.

Country Details

ID Number Types

Type	Number	External Notes
Related OFAC Program ID	UKRAINE-EO13662	
Related OFAC Unique ID	17250	Directive 4

Profile Notes

Source Language: English ▼ [Translate](#) (Beta)

DOW JONES NOTES:
PROFILE CREATED: 13-Oct-2014

This company is 50% indirectly owned by OFAC SSI List Entity Open Joint Stock Company Gazprom via Gazprom EP International BV.

February 2016 – Looking back...

Barclays Pays \$2.5 Million over Zimbabwe Sanctions Breaches



REUTERS

Barclays processed transactions worth \$3.4 million from July 2008 to September 2013 including at its New York branch, for corporate customers of Barclays Bank of Zimbabwe that were majority-owned by people on U.S. sanctions lists

PEP update

What is a PEP?

Politically Exposed Person is a term describing someone who has been entrusted with a prominent public function. A PEP generally presents a higher risk for potential involvement in bribery and corruption by virtue of their position and the influence that they may hold.

PEPs are everywhere.....

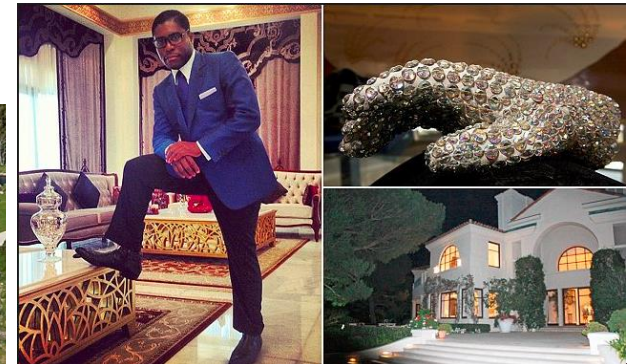


An example...



An example...

- Teodorin Obiang, son of the President of Equatorial Guinea, and Deputy President
- Bank accounts, assets in UK, France, US
- Country's Oil revenues are £3bn annually, the population lived in poverty
- His salary was \$3k / month
- Mansion worth \$30M in California, houses in Paris, cars worth \$10M



FATF and the new 40 Recommendations

- Established in 1989 to coordinate a response to the threat of money laundering
- Recommendations set the global standard for AML and CTF principals and best practices. Latest revisions published in February 2012
- Aims of updated 40 Recommendations:
 - Strengthen existing principles
 - Address new threats
 - Provide a more targeted, flexible approach to implementation and enforcement



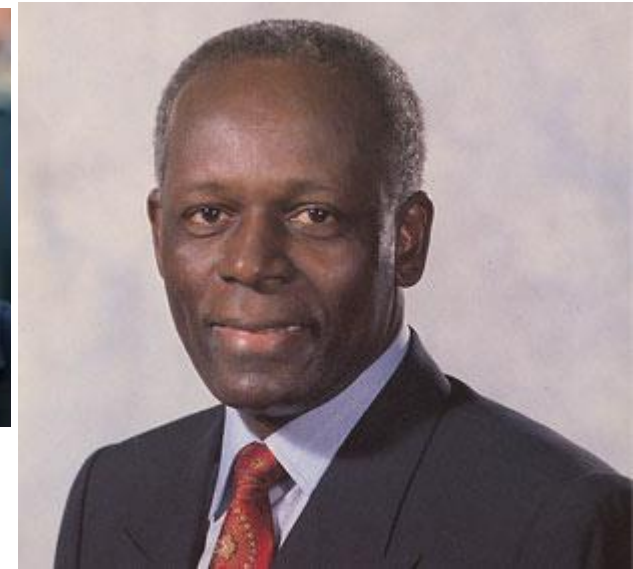
Analysis of PEP requirements

Country	Requirement to screen for PEPs	Domestic PEP included	Comments
South Africa	Yes	Yes	FIC Act Guidance Notes provide detailed outlines of what is a PEP / PIP, Policies for dealing with PEPs / PIPs
Angola	Yes	No	Focus on Prominent Public functions
Rwanda	Yes	Yes	Focus on Prominent Public functions
Ghana	Yes	Yes	Guidelines for banks and non financials on how to deal with AML and CFT
Kenya	Yes	Unclear	Unclear. There is no reference this would apply to foreign nationals only
Mauritius	Yes	Yes	Focus on Prominent Public functions
Nigeria	Yes	Yes	Unclear. Instructions refer to “foreign countries” and “any countries”
Tanzania	Yes	No	Focus on Prominent Public functions

Source – Dow Jones Risk & Compliance Global Editorial Team

PEP Issue Is Not Going Away

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How does Dow Jones help?

Our Expertise

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We enable users to treat their business relationships as an opportunity for growth rather than a regulatory or commercial risk



Regulatory
Risk

- Anti Money Laundering
- Anti Corruption
- Sanctions

Commercial
Risk

- Anti Fraud
- Supply Chain Risk
- Reputational Risk

Due
Diligence

- Open Source Risk Assessment

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Put Simply...

Dow Jones provides data for banks to screen their:

- Customers
- Payments
- Third parties (correspondent banks)

And identify if there are any red flags associated with them.

We help our clients assess, evaluate and monitor their business relationships for risks

Global Research Expertise

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- Five dedicated Dow Jones research and monitoring centres
- Cover 30 risk categories 24 hours per day in over 60 languages
- 50% of global research team have a Masters or PhD
- Over 70 languages covered fluently
- Data mining and web crawling



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Risk Data Categories

Global Sanctions &
Official Lists

Global coverage of sanctions list, law enforcement and other official lists

Special Interest Persons

Global profiles & associate linking high profile crimes

Politically Exposed
Persons

Senior Politically Exposed People (PEPs)

Relatives & Close
Associates

Relatives & Close Associates of PEPs

State Owned Companies

Global Coverage of State Owned Companies to help identify government links and corruption risk

Adverse Media Entities

Global profiles on companies according to clearly defined regulatory and supply chain related categories

Enhanced Country Risk

Companies from countries subject to enhanced sanction restrictions such as Syria, Libya, Iraq

Dow Jones Global PEP Definition



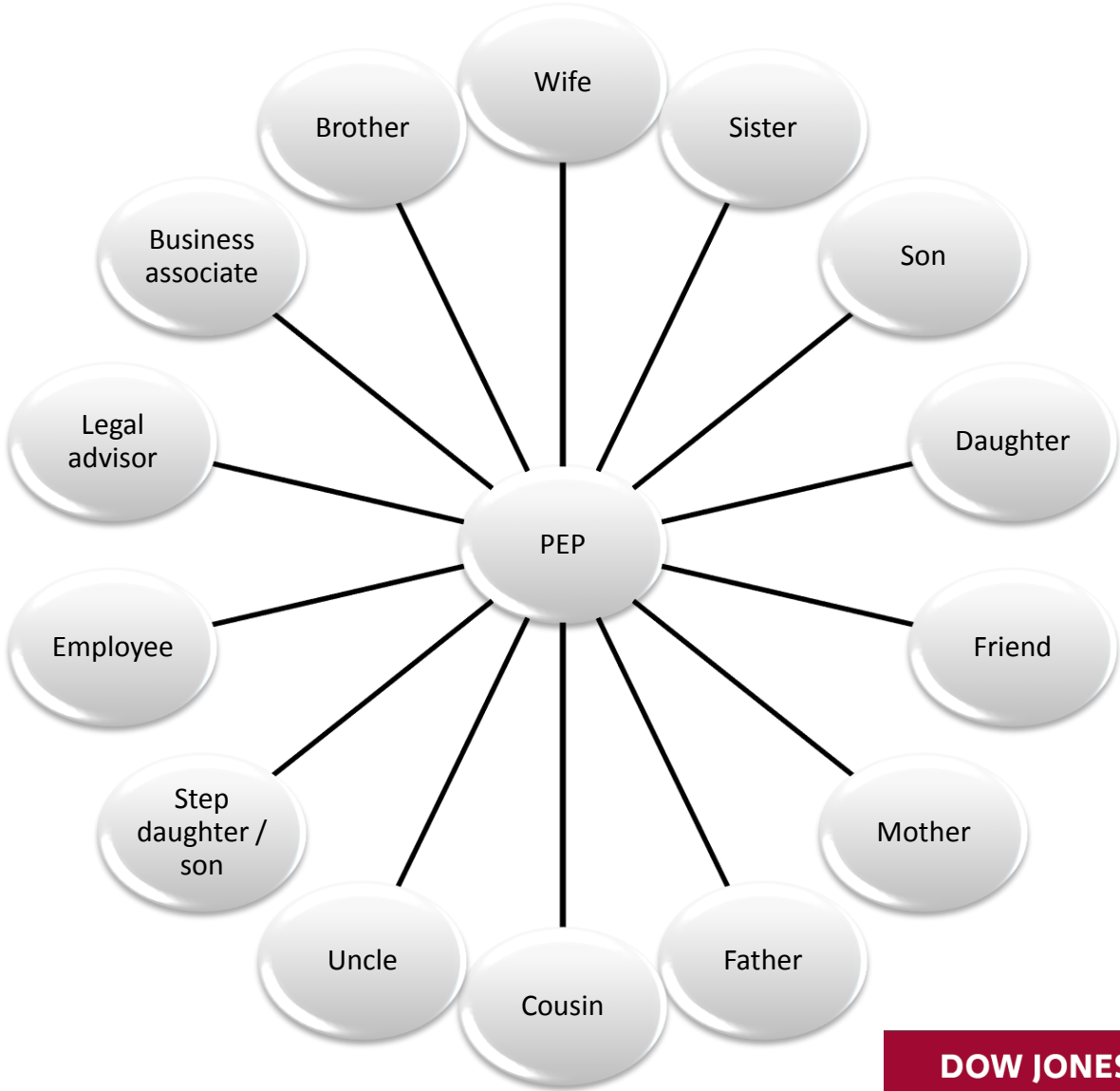
23 Job Categories Unique to Dow Jones

Coverage guided by international regulation & guidance since 2002

8 of the 13 members of the Wolfsberg Group use DJ's coverage exclusively enterprise wide to manage global PEP risk

Relatives and Close Associates

- PEP links to RCAs can expose significant risk
- Also known as “PEP by association”
- Primary focus for Dow Jones market leading coverage



Sanctions

- Dow Jones Watchlist provides full coverage of sanctions lists from around the world



HM TREASURY



- Including additional **enrichments** e.g. Vessels and their IMO Numbers, Banks and their BIC codes and dedicated Ukraine Related Sanctions Research.
- Coverage includes additional publically available lists including Law Enforcement and other Official lists



BaFin

Sanctions Ownership Research



- Russian sanctions focus on not just the 100+ names added to the OFAC/EU lists but also companies connected to these individuals, the “hidden SDNs”.
- OFAC requirements state that individuals controlling (50% and more) stake in a company must also be identified.
- Dow Jones response:
 - identifying entities where sanctioned individuals hold shares, exercise control or sits on the board of directors.
 - Over **16,000 companies in 160 countries** identified to date.

Special Interest Persons

- Global coverage of individuals involved in a legal process for serious crimes.
- Intelligence gained from global media, scanning almost 2 million articles per week from Factiva.com.

- Categories Include:

1. Financial Crime
2. Tax Crime
3. Organised Crime
4. Corruption
5. Trafficking
6. Terror/Terrorism Financing
7. Organised Crime Japan



What makes our risk data unique

- Our coverage definition
- Our “selectable” content
- Our proactive comprehensive coverage
- Cleanly formatted and structured data
- Access to unique information resources such as Dow Jones Factiva
- The skills and standards of our dedicated global research team
- Editorial standards of Dow Jones



Content Delivery Options

1. Online tool – Risk Center

- Risk Database Search – Access to the entire Risk Data
- Risk Database Premium – Risk Data plus full access to Factiva
- Risk & Compliance Portal – Batch Screening & Report Ordering

2. Data Feeds for integration

- Dow Jones Watchlist – Sanctions and enhancements Other Official Lists, PEP & Special Interest Persons,
- Dow Jones State Owned Companies
- Dow Jones Adverse Media Entities

3. API for integration

- Search API

4. Due Diligence Reports

- Red Flag Reports
- Level 1 Reports

Thank You

Marian Halasz

+44 774 775 8120

Marian.halasz@dowjones.com

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