

Emerging Global Trends in Ethics & Compliance

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Key Drivers of Change in the Approach to Risk & Compliance Management



- Compliance Management changes as technology and business practices change
- The nature of the risk landscape changes as well, as new devices and technologies create new exposure and opportunity for fraud, etc.
- Companies who respond to regulatory enforcement actions are driving the most change and elevating standards
- A focus on reputation leads companies to invest not just to satisfy local regulators, but to thrive in global markets and satisfy global regulators

Key Trends in Third Party Risk Management (KYS, KY3P)

- Development of Compliance “Programs” (or Integrity Programs)
- Prioritization of new risk types
- Many data sources are used for assessing risk
- Adoption of purpose-built “workflow” automation technology that integrates risk data

Third Party Compliance Programs

Best Practices for Tracking Third Party Risk

Changes in data, technology and automation have turned third party risk management on its head. Emerging threats such as cyber security, geopolitical challenges, and ever more opaque webs of related entities make the need for a holistic risk profile greater than ever before. Today, advanced technologies streamline data across multiple sources and systems, providing a clear and comprehensive view of risks inherent in global third party networks with deeper, more accurate risk profiles. This illustration explores the benefits of today's best practice approach of integrated, ongoing due diligence.

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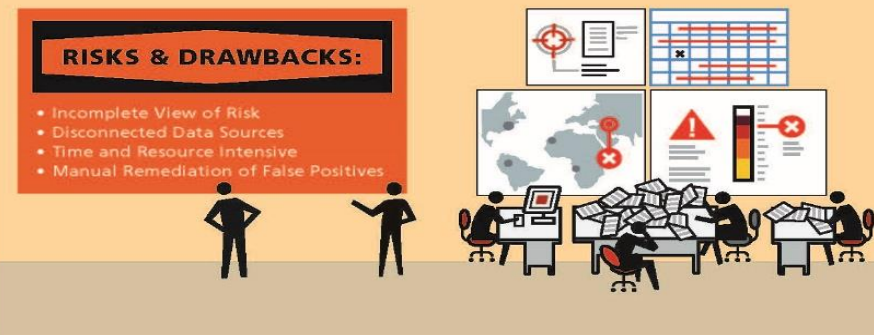
START WITH EFFECTIVE GOVERNANCE

The building blocks of a robust third party risk management program rest on a strong foundation of effective governance. This demands the right 'tone from the top' translated into effective policies, performance of business and third party risk assessments, establishment of contractual expectations and monitoring of all third parties.



GO BEYOND BASIC DUE DILIGENCE

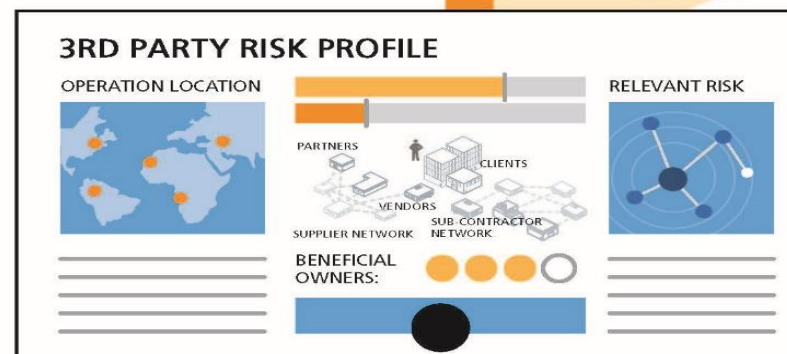
Organizations often rely on the use of independent data sources to screen and validate self-reported information from third party questionnaires collected through the on-boarding process. This helps them establish a foundational workflow that takes in third-party data and screens it against various separate sanctions and watch lists, country risk databases and other public records. This provides greater confidence in their risk mitigation program. However there are limitations to what this linear and siloed screening workflow can accomplish. It is now possible, and essential, to develop a more holistic, integrated approach to due diligence.



INTEGRATE, AUTOMATE & STREAMLINE

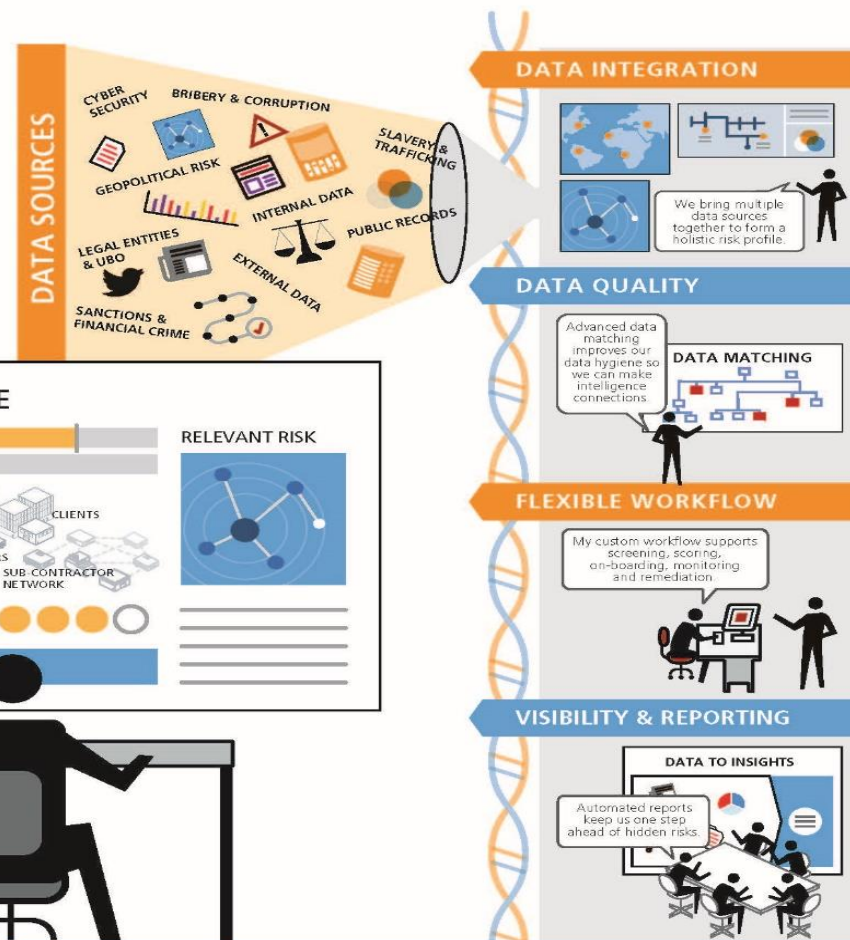
Cutting edge due diligence programs incorporate an array of internal and external data sources. These are mapped, integrated, and consumed in a technology powered workflow, enabling:

- Evaluation of a broad, holistic risk profile
- Deeper data mining and improved data hygiene
- Visibility of previously unseen connections and changes
- Ongoing monitoring with timely reports
- Streamlined workflow with less manual effort



BENEFITS:

- + fewer false positives
- + enhanced risk profiles
- + advanced data hygiene and quality
- + rapid identification of changes
- + seamless integration of multiple data systems
- + automation & saved resources



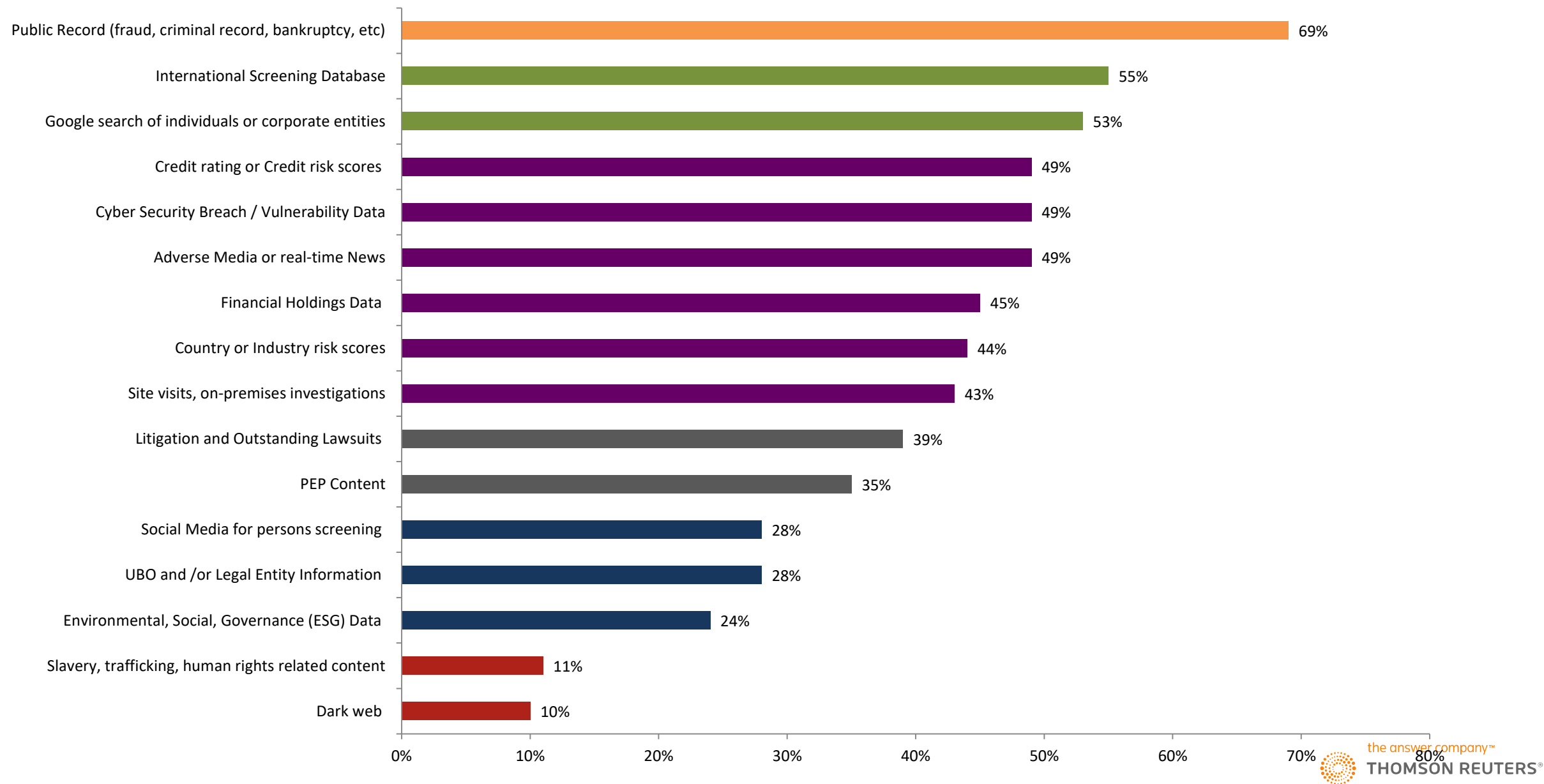
Risk Prioritization



survey of greatest perceived risks shows the emerging importance of cyber security and reputation, along with bribery and corruption

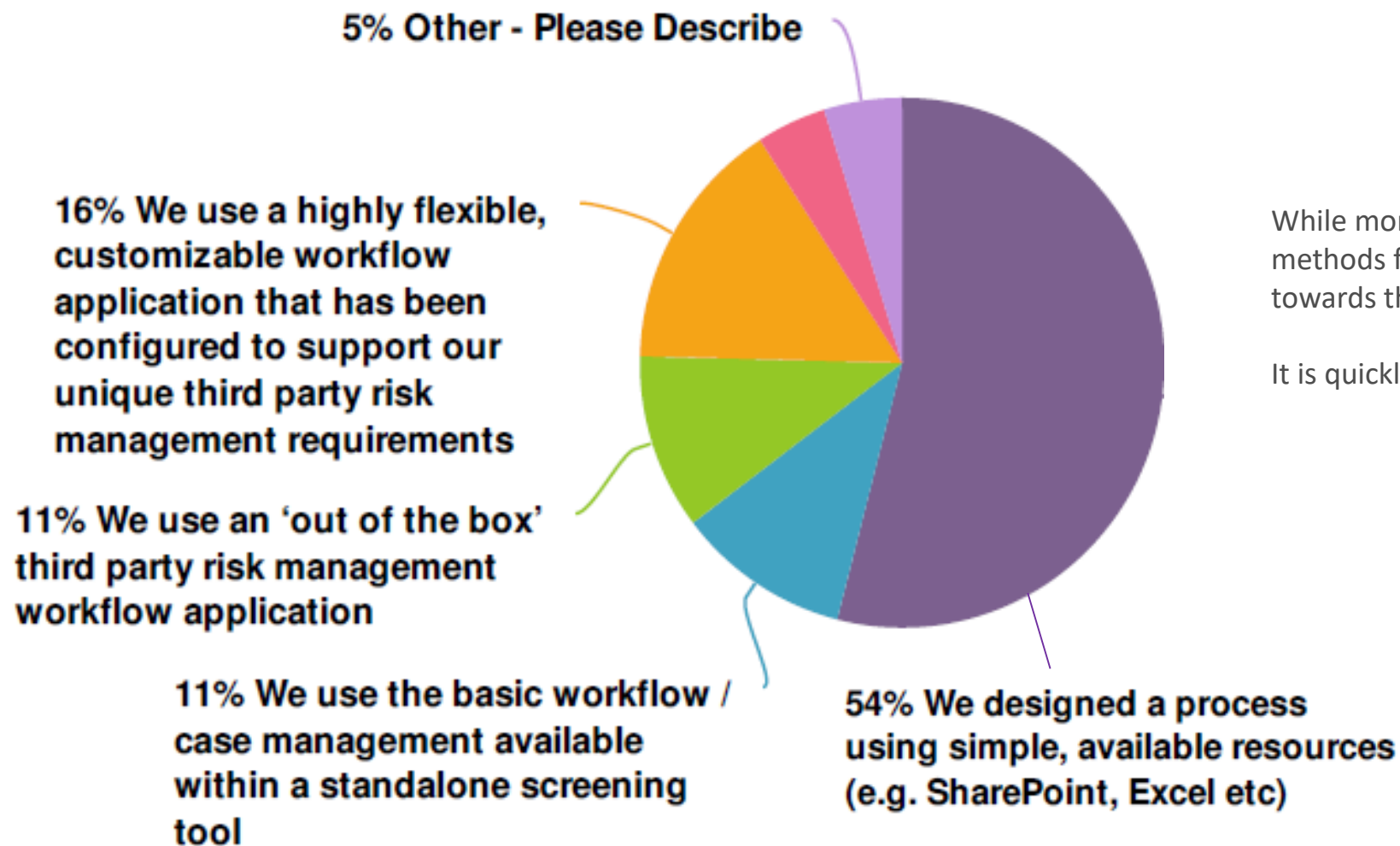
Item	Overall Rank	Rank Distribution	Score
Cyber security risks	1		1,452
Reputation damage risk	2		1,421
Bribery and Corruption	3		1,226
Public record risk (including criminal history, fraud, bankruptcy, etc.)	4		1,127
Trade based money laundering	5		1,080
Sanctions	6		1,036
Ultimate Beneficial Ownership	7		871
Environmental crimes (including illegal fishing, logging, poaching, dumping etc.)	8		719
Labor crimes (including child or forced labor, conflict minerals, etc.)	9		714

Data Sources for Third Party Risk Assessment



Emerging use of workflow automation technology

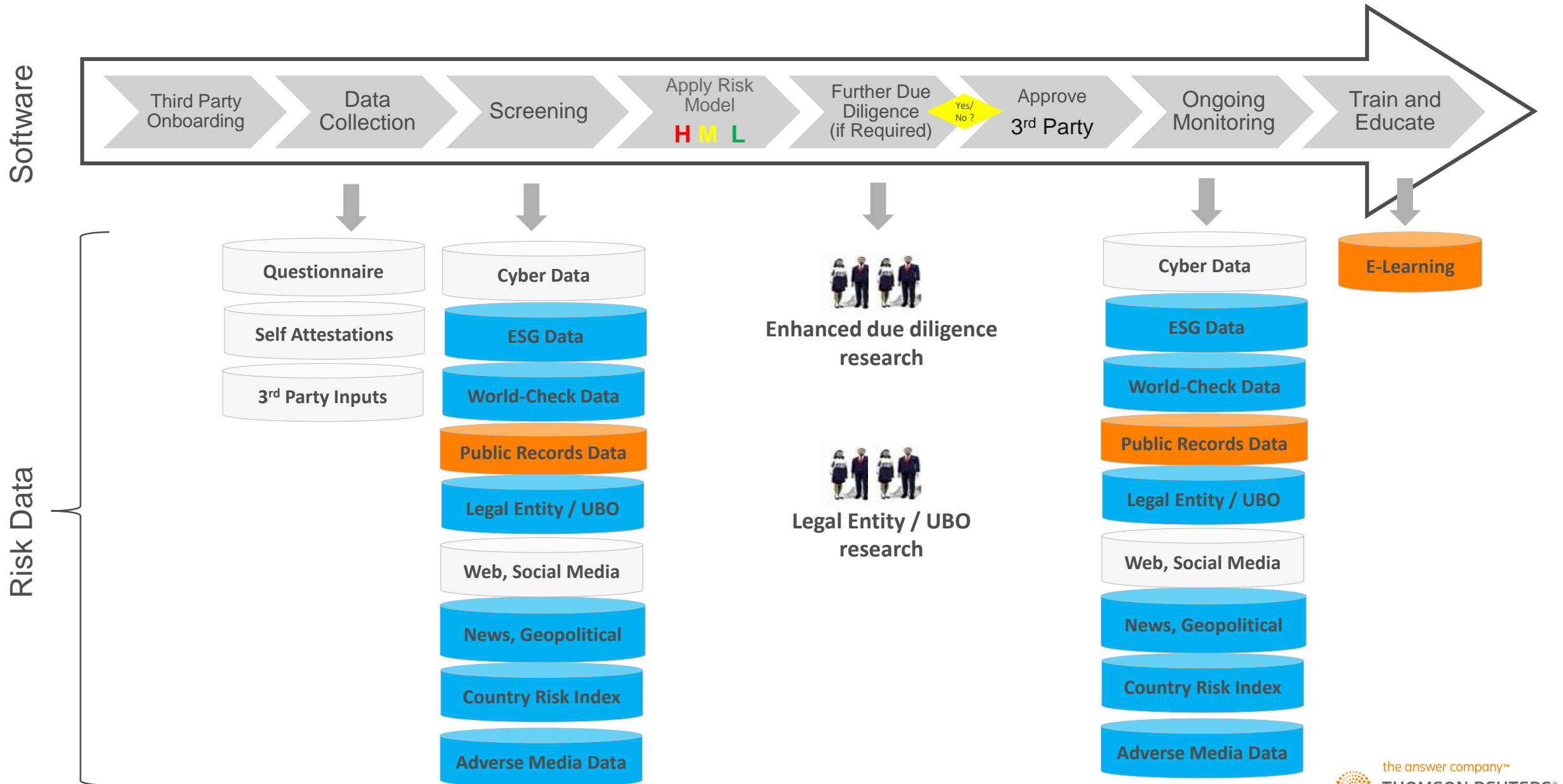
Which of the following statements best describes the design of your third party risk management workflow?



While more than half of programs still use simple methods for storing data, there is a strong trend towards the use of workflow automation software.

It is quickly becoming the expectation of regulators.

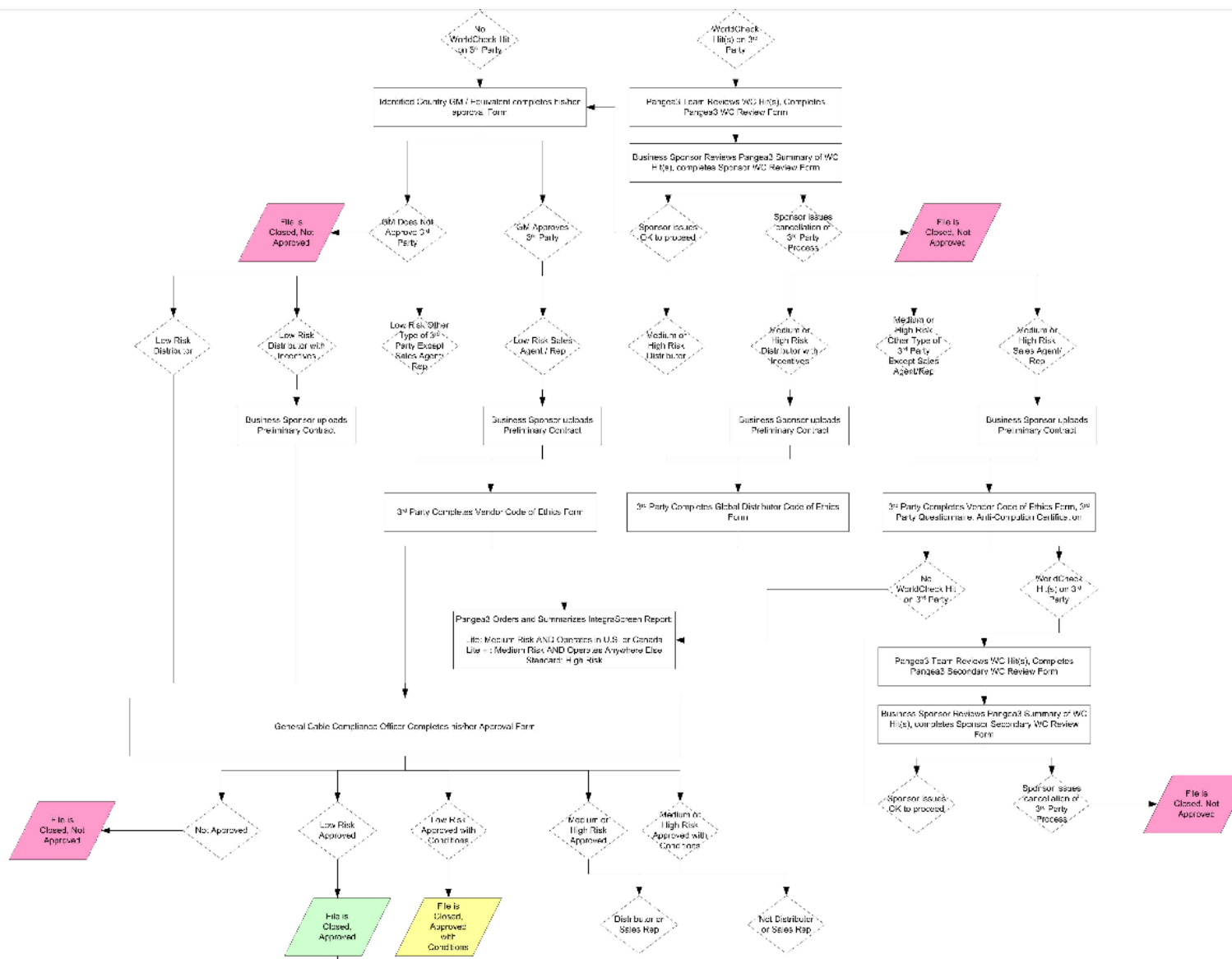
Example of Simple Workflow Automation with Integrated Data



Example of Advanced Workflow Automation

This real customer example demonstrates the possible workflow pathways based on:

- Many decision points
- Divisional needs
- Type of 3rd parties
- Risk levels
- Urgency
- Specific attributes of the 3rd party
- Local jurisdiction requirements
- (and more)

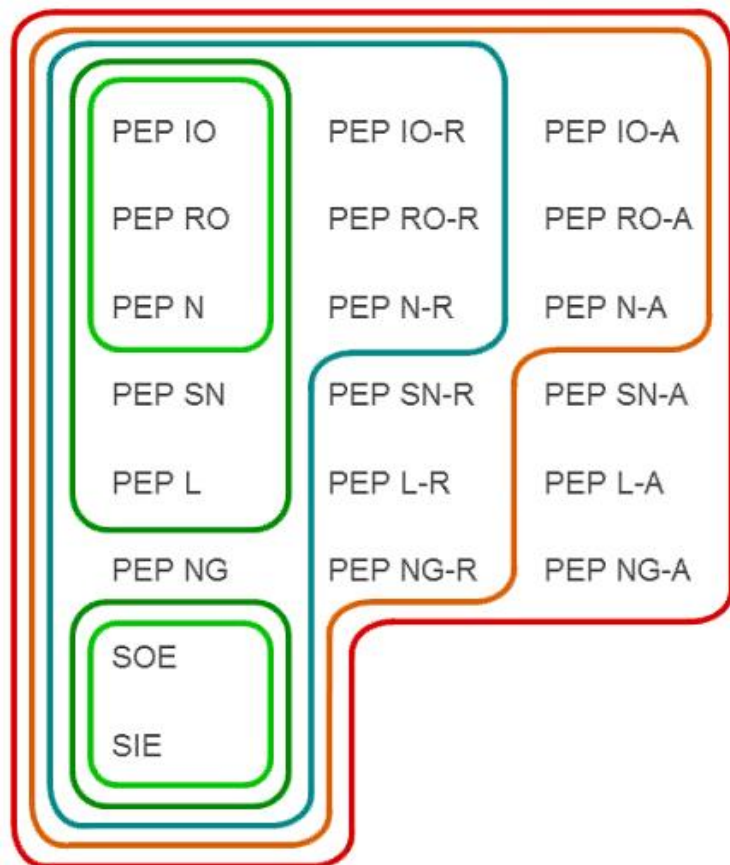


Key Trends in AML / KYC

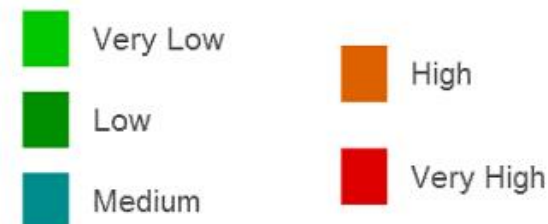
- As with Third Party Risk Management, major trends include increased workflow automation and the integration of multiple data sources
- Increased importance of relationship mapping
- Increased focus on Ultimate Beneficiary Ownership (UBO)
- Emergence of Artificial Intelligence and Machine Learning

Data Classification and Ranking

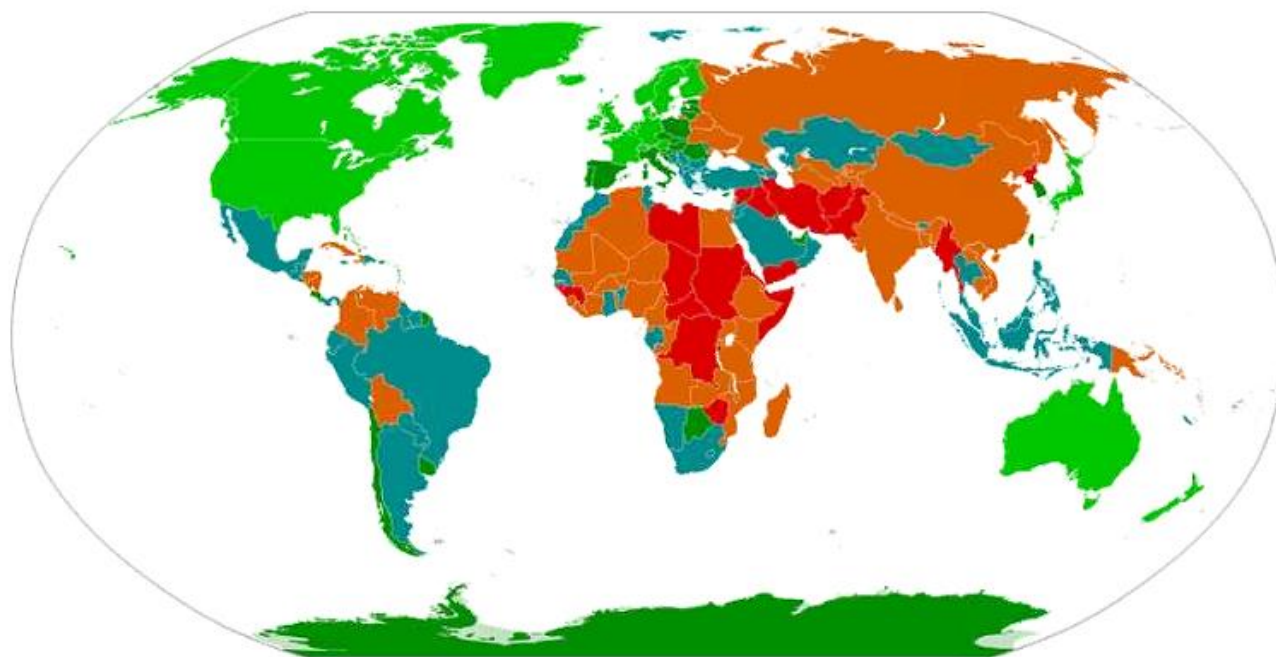
PEP Subcategory



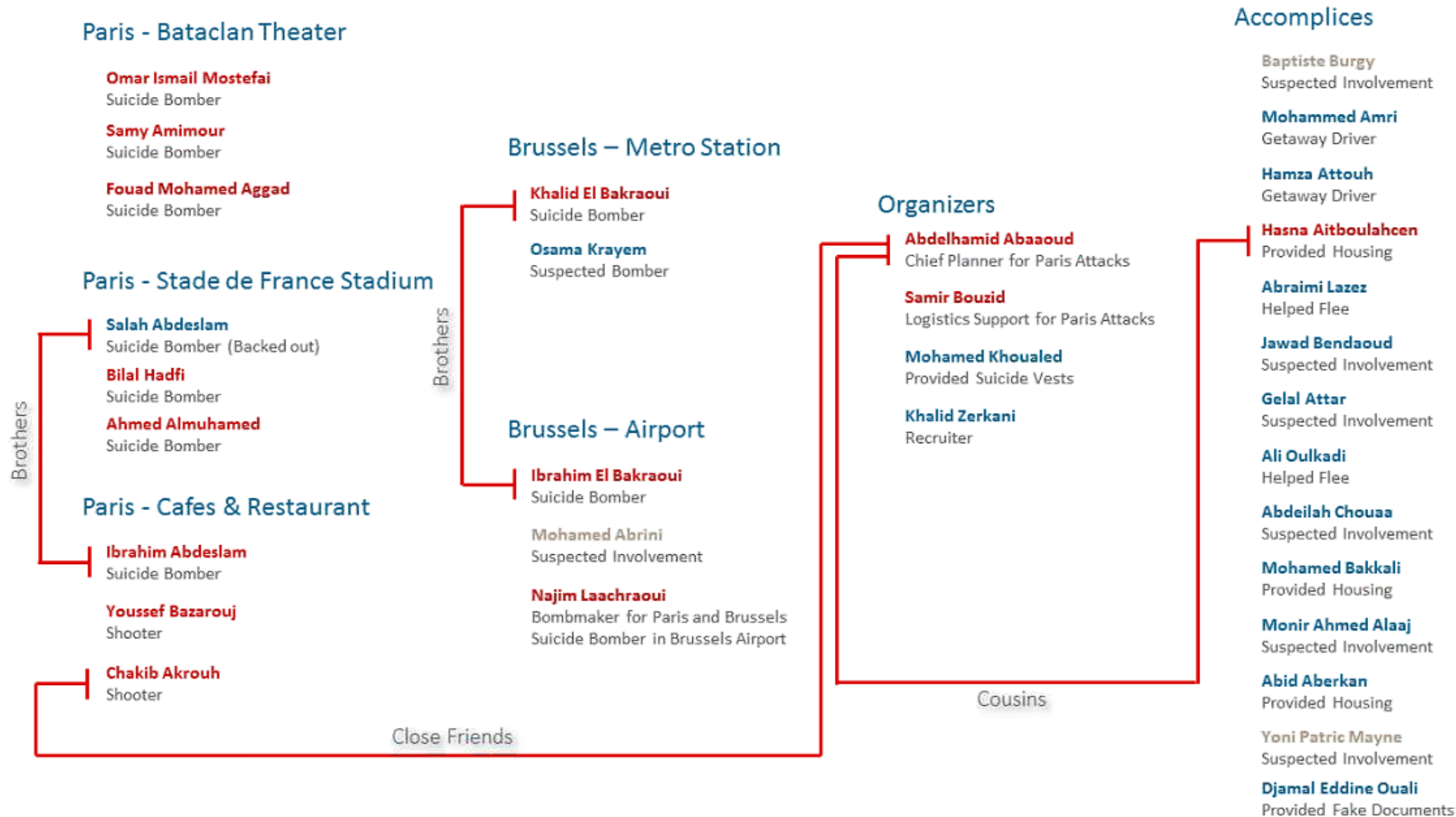
Country Risk Ranking Band



* Based on 50 indicators of risk.



Example of Complex Relationships – Terror & Terror Financing



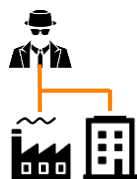
Example of Complex Relationships – Sanctions & UBO



Nicos Nicolaou – Sanctioned in 2015 for materially assisting the Syrian Government.



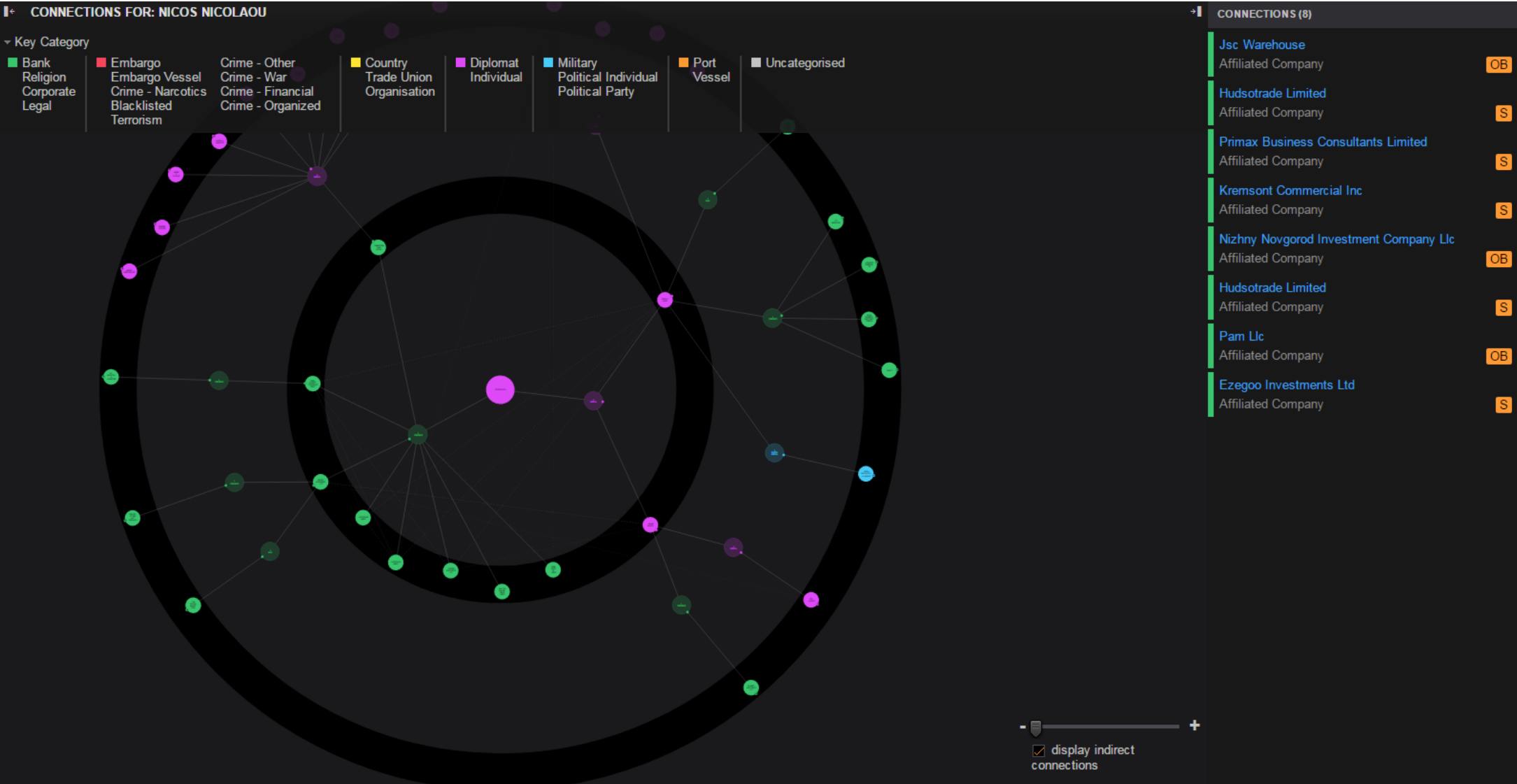
Cyprus Stock Exchange designates him as a member.



- Nicos Nicolaou is also a Director of over 400 Shell Companies unlisted in the OFAC announcement. These shell companies have ties to additional actors sanctioned and affiliated with Syrian regime
- Ioannis Ionnou is a majority shareholder in Piruseti Enterprises
- Mugalal Khuri is a director of Ezegoo Investments and Primax Business Consultants Limited
- Together, these three are linked to directorship of more than 1,400 shell companies.

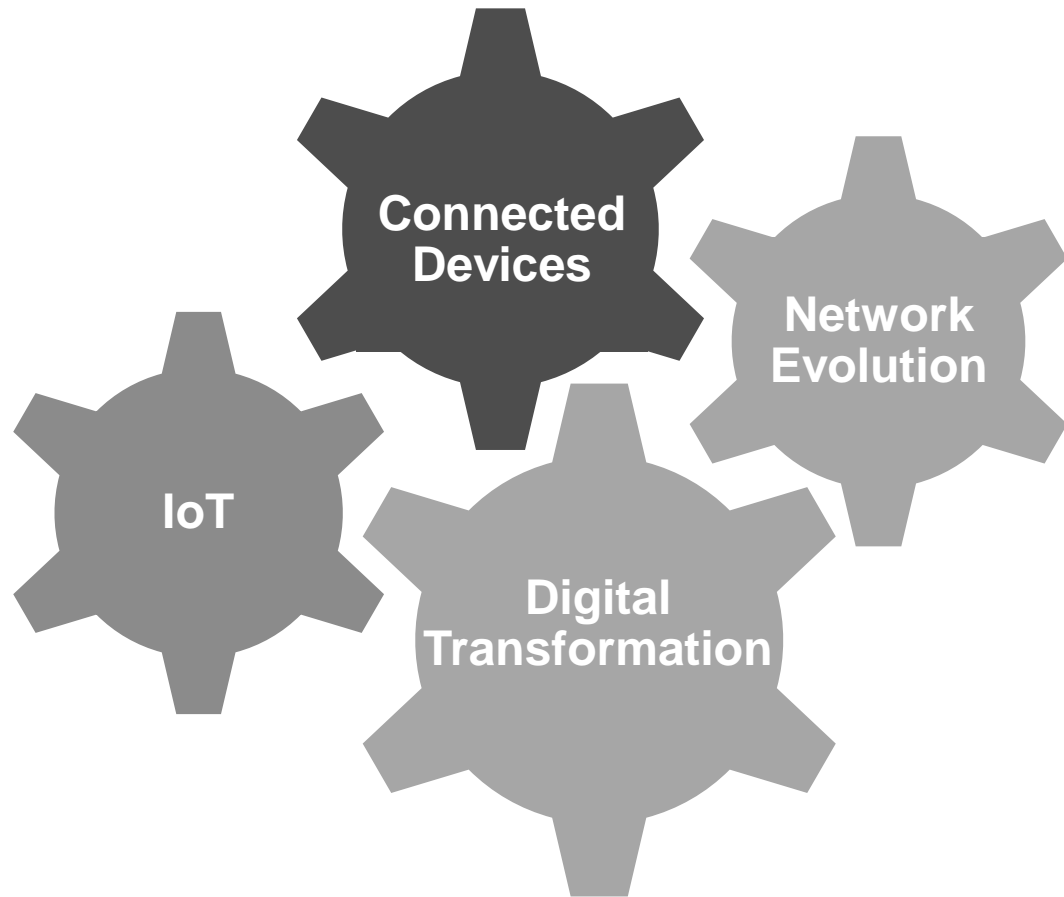
These data-points, along with hundreds of others, act as independent nuggets of insight. Each is sourced through independent sources of data, but when combined into one holistic picture, illuminates a sprawling global web of relationships, most of them existing outside the purview of know watch-lists and sanctioned entities typically caught through screening programs.

New Tools for Visualizing Complex Relationships



World Check One Relationship Analyzer

Emergence of Artificial Intelligence and Machine Learning



Finance: Detect & reduce systemic exposure to fraud and cyber attacks via machine learning; improve models and algorithmic trading; improve operations with predictive analytics

Insurance: Using AI & machine learning in predictive analytics to determine policy premiums and fraud rates

Mining: Using AI at the forefront in planning and optimizing scheduling; adopting “smart caps” that use technology to analyze brain waves to monitor worker fatigue; autonomous trucks

Compliance: Fighting account opening fraud with machine learning; minimizing false positives & duplication via deduction/reasoning in screening and negative news

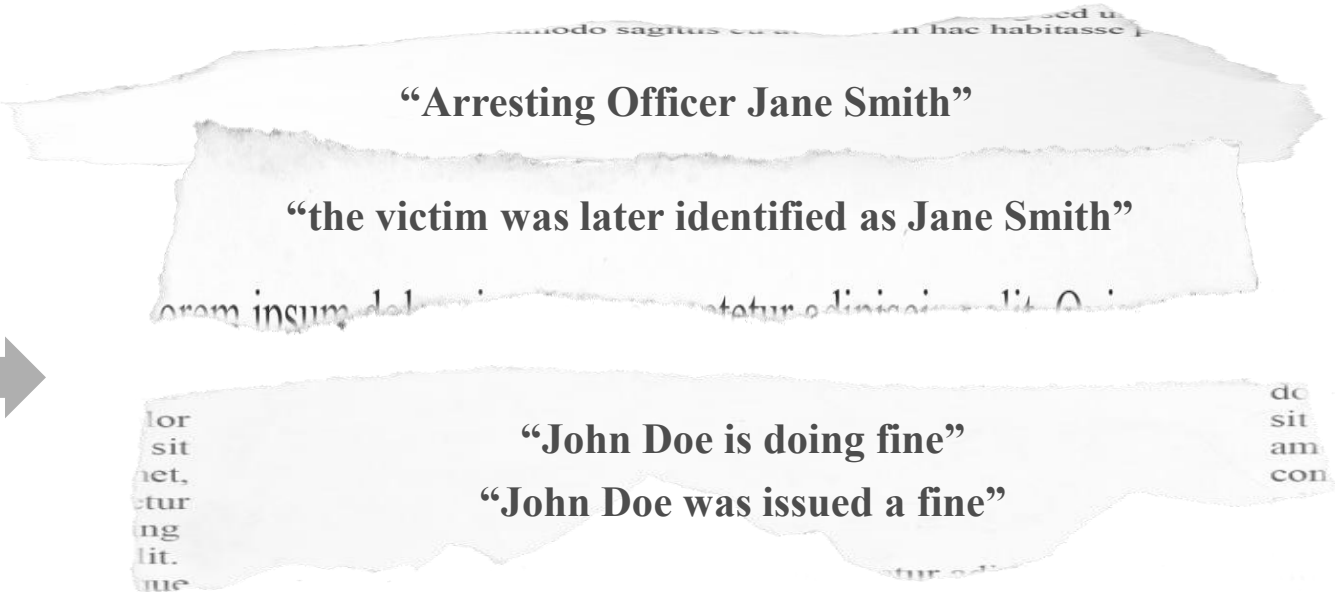
Immediate application of Artificial Intelligence and Machine Learning

Reducing the challenge of false-positives in screening searches



Name	Alias	Sex	Date of Birth	Location	Type	Category
Dr James Roland SMITH	a	Male	26-Feb-33	United States	PEP	POLITICAL INDIVIDUAL
James E SMITH	a	Male		United States	PEP	POLITICAL INDIVIDUAL
James Gabriel SMITH	a	Male	1989, 1990	United States	LE	INDIVIDUAL
James H III SMITH	a	Male	24-Feb-48	United States	LE	INDIVIDUAL
James SMITH		Male	1991, 1992	United Kingdom	OB	CRIME - NARCOTICS
James SMITH		Male	1974, 1975	United States	LE	CRIME - NARCOTICS
James SMITH		Male	1990, 1991	United Kingdom	OB	CRIME - ORGANIZED
Brigadier General James B Smith		Male	1952	United States, Saudi Arabia	PEP	DIPLOMAT
James K SMITH		Male		United States	RE	CRIME - FINANCIAL
James P SMITH		Male	1955, 1956	United States	LE	CRIME - FINANCIAL
James Stewart SMITH		Male	1965, 1966	United Kingdom	OB	TERRORISM
208 results in total						

Reducing the challenges of false-positives in Media Monitoring



Thank you