

The Advanced Corporate Treasury Series: Understanding How Sanctions Affect Your Corporate Payments

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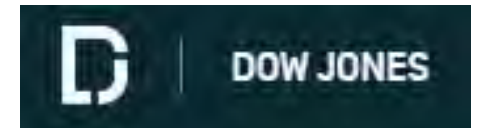
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- **Global Payments Environment**
- **Challenges Faced by Corporate Treasury**
- **Sanctions Overview**
- **Solutions and Benefits**



Global Payments
Environment



Challenges Faced by
Corporate Treasury



Sanctions Overview



Solutions & Benefits

Global Payments Environment Overview

- Transactions to/from abroad 24/7
- Continually changing regulations
- Volatile FX markets



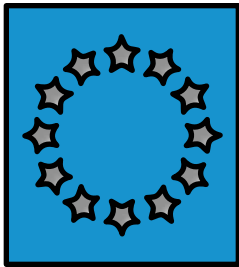
Global Payments Environment

Challenges Faced by Corporate Treasury

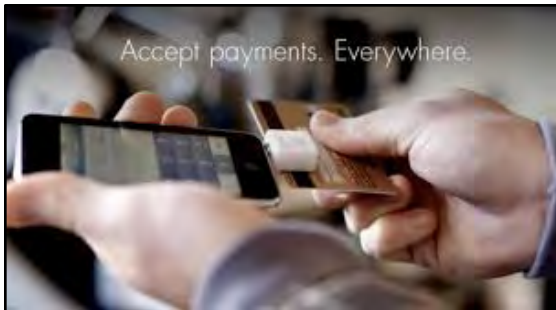
Sanctions Overview

Solutions & Benefits

Centralize, standardize, automate



- Single Euro Payments Area (SEPA)
- Pay-on-behalf-of (POBO)
- Growth in non-cash transactions
- New payment vehicles

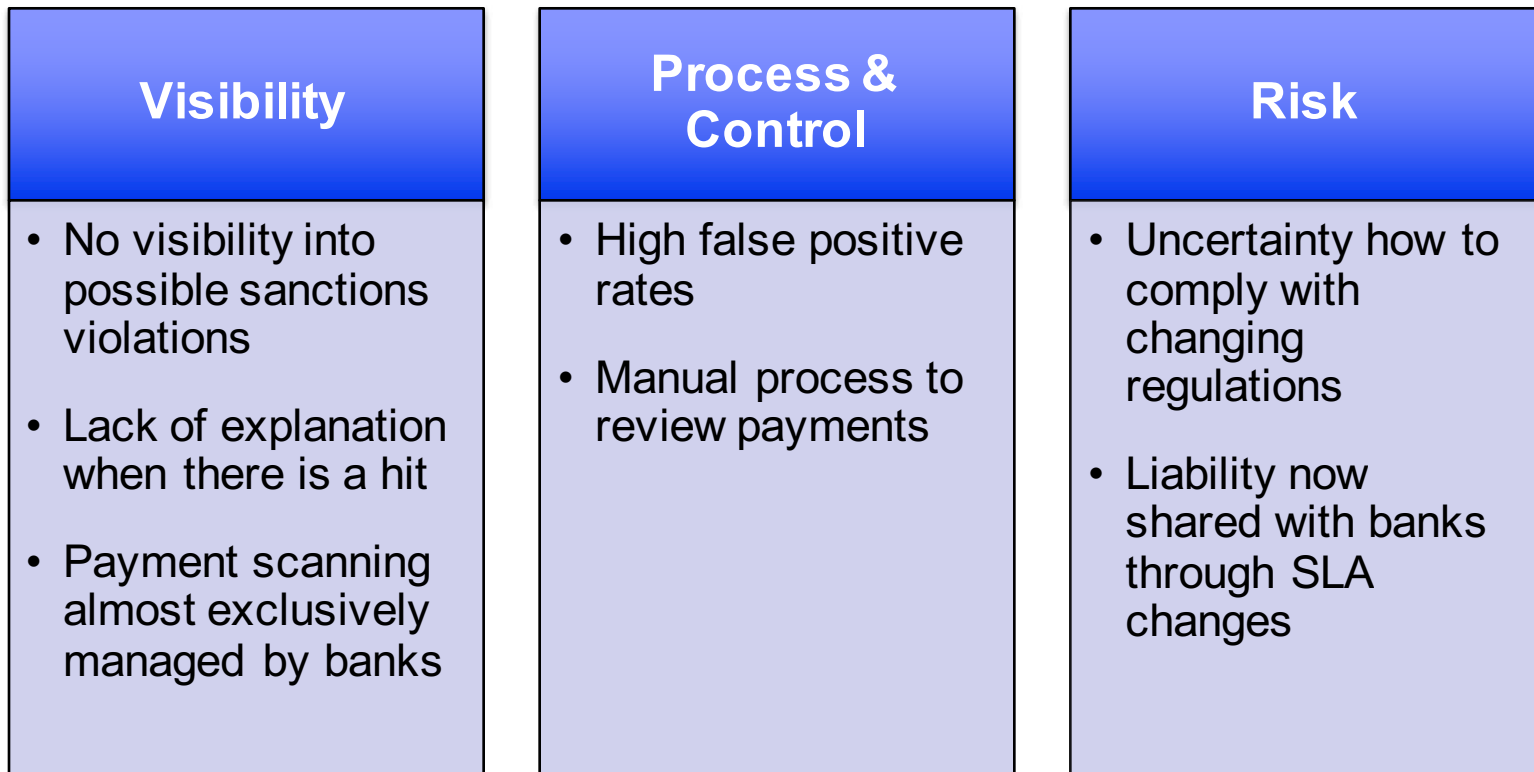


Global Payments Environment

Challenges Faced by Corporate Treasury

Sanctions Overview

Solutions & Benefits



Global Payments Environment

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Solutions & Benefits

“We see the same false positive kickbacks on an almost monthly basis that end up wasting a lot of our time.”

“Our organization spends a lot of time chasing payments that have been falsely flagged, resulting in payment delays and unhappy vendors.”

“Banks require us to prove that we are operating within KYC [Know Your Customer] regulations, but this is a very manual process for us.”

Global Payments Environment

Challenges Faced by Corporate Treasury

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Solutions & Benefits



OFAC – Office of Foreign Assets Control

Blocks or limits transactions with groups and individuals associated with terrorism, drug trafficking, and other perceived threats to national security

Likelihood of issues may be higher in the following industries:

- Oil & gas
- Shipping
- Logistics
- Transportation
- Insurance



Global Payments
Environment

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Wall Street Journal:

*“Schlumberger Unit to Plead Guilty to Violating Iran, Sudan Sanctions”
Oil-services giant to pay \$232.7 million to end Justice Department investigation into work for Iran, Sudan.*

Other 2015 Violations/settlements for non-banks include*:

- PayPal – Weapons proliferation, Iran, Cuba, Sudan
- Navigators Insurance – North Korea, Iran, Sudan

Potential penalties

- Criminal or civil fines/forfeiture
- Prison
- Reputational risk
- Increased scrutiny from regulators
- Risk of relationship with bank

*<http://www.treasury.gov/resource-center/sanctions/CivPen/Pages/civpen-index2.aspx>

Global Payments Environment

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OFAC 50% Rule

REQUIREMENTS→

Specially Designated Nationals and Blocked Persons List (SDN)*

- Property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate
- One or more blocked persons are considered blocked
- No regard to whether such entities appear on OFAC's Specially-Designated Nationals and Blocked Persons List (SDN List) or the annex to an Executive order*

Sectoral Sanctions Identifications List (SSI List)*

- OFAC also applies a 50 percent rule to entities on the Sectoral Sanctions Identifications List (SSI List) created in July 2014 in the Ukraine-related sanctions context.
- Interests or property are not required to be blocked; instead, a more limited set of transaction restrictions applies to them.

*Source: Department of Treasury

RESULT → Due Diligence on Ownership Structure



Sanctions Overview

Risk Data

Risks	Data/List	Specific Screen
1. Anti-Corruption 2. Anti-Money Laundering 3. Sanctions 4. Denied Parties 5. Reputation	Government officials & Politically Exposed People (PEPs)	Anti-Corruption, Anti-Money Laundering, Reputation
	Relatives and close associates of PEPs	Anti-Corruption, Anti-Money Laundering, Reputation
	Sanctions lists	Sanctions, Reputation
	Other official lists	Denied Parties, Reputation
	State-owned enterprises	Anti-Corruption, Reputation
	Negative media – individuals	Anti-Corruption, Anti-Money Laundering, Reputation
	Negative media – entities	Anti-Corruption, Anti-Money Laundering, Reputation

Global Payments Environment

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Sanctions Overview

Solutions & Benefits

What do I scan?	
Transactional	Payments
	Letters of credit
Third parties	Customers
	Vendors
	Distribution partners
	Overseas agents



Against what list?
OFAC
PEP
Company ownership
Other





Make sure all hits are identified at the lowest cost.

External	Internal
<ul style="list-style-type: none">• Use the right lists• Update lists regularly• Capture required information from vendors and customers	<ul style="list-style-type: none">• Minimize false positive rate• Document exception and investigation policies• Centralize processes



Keep false positive rate low.

Original Instruction

57D:KIKOME BANK
...189 **TEHERAN**-RO BLVD
...SEOUL, SOUTH KOREA

Assumption:

- Iran is a sanctioned country; therefore, all principal cities of Iran are sanctioned

Explanation Provided to Bank

- The black-listed city name "Teheran/Tehran" is found in payment instruction.
- Did not block this transaction because system understands that word "Teheran" is part of a street indicator (Blvd).

Visibility

- Greater clarity on rejected/flagged payments/partners
- Reduced payment delays
- Lower FPR

Process & Control

- Virtually eliminated OFAC violations risk
- Reduced stopped payments

Risk

- Reduced bank cost and risk
- Reduced reputational risk

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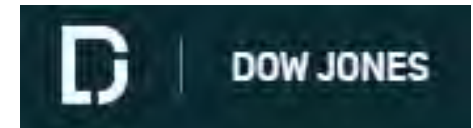


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Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

What We Do

Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

Treasury Technology

We provide guidance through every step of the technology process – which includes creating a roadmap, selection, implementation and optimization. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

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Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your business.


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A global provider of next-generation payments management and sanctions compliance technology for banks and corporates

Our History

We were established in 1992 as a specialist consultancy company for Artificial Intelligence and Natural Language Parsing techniques.

By 1996, ACE evolved to become a software company focusing on STP and compliance for the financial services sector.

Today we employ over 150 people, 75% of whom are in development.

ACE has offices in New York, London, Amsterdam, Dubai and Mumbai.





About us

Dow Jones delivers vital risk and compliance information, which drives the review and monitoring of third party relationships related to anti-money laundering (AML), anti-bribery and corruption (ABAC), and governmental sanctions compliance. Our solutions include structured risk data, investigative research tools, and due diligence reports.

