

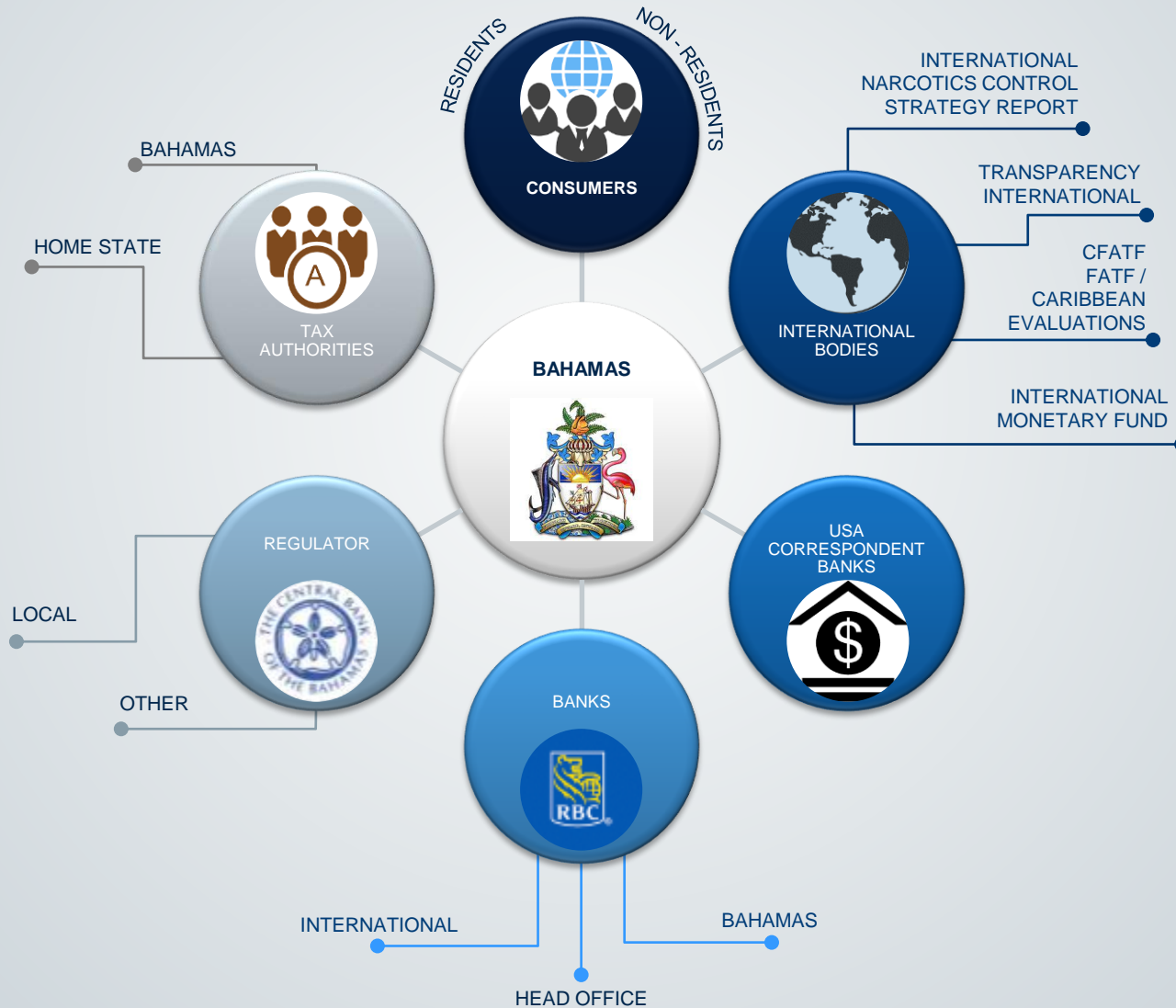


Bahamas AML Conference

Sept 17th 2018

Carrie Nelson, Director AML Advisory

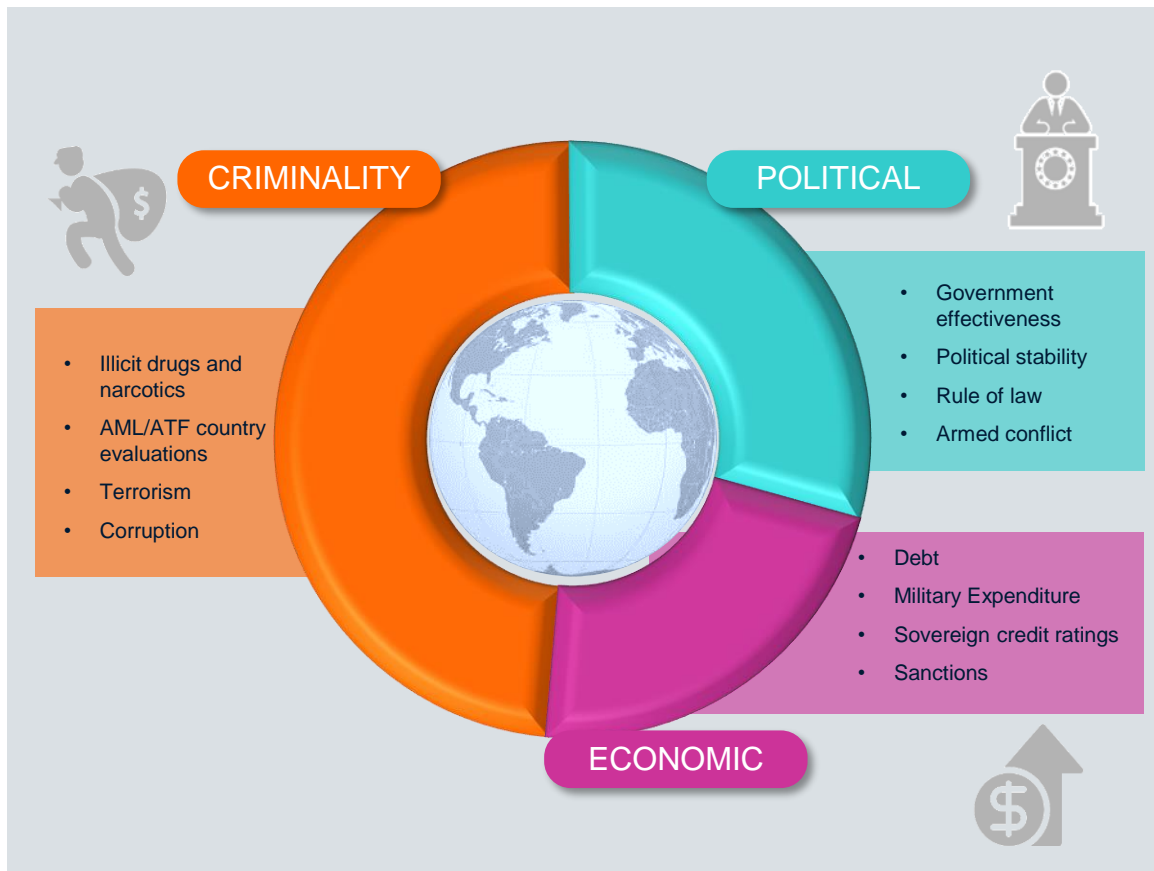
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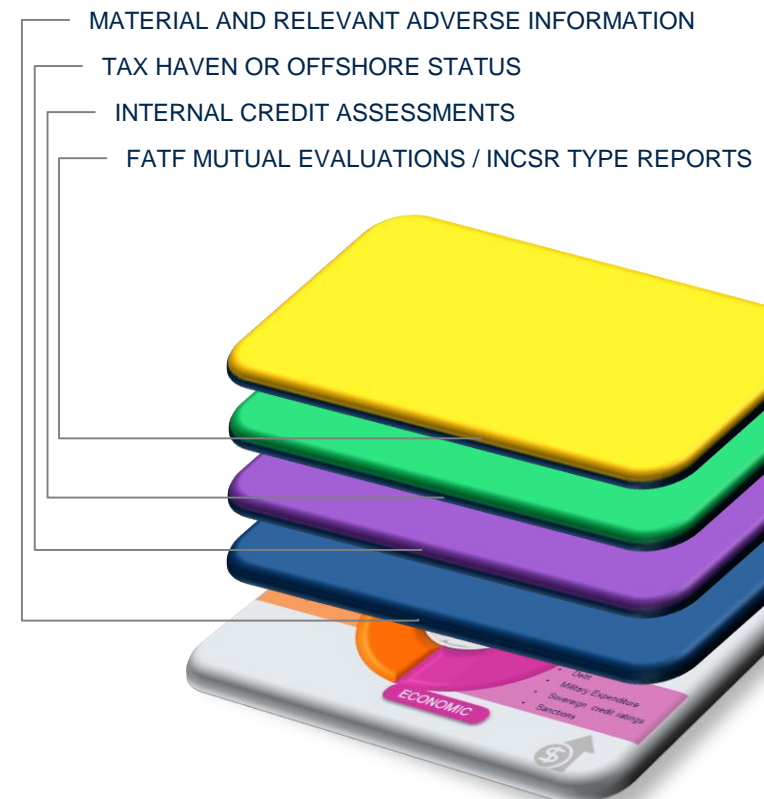
There is no one size fits all, many factors involved in assessing a country. A few examples are outlined below:



- An industry standard tool can be very helpful to assist an organization to understand the risk factors within a country.
- Below are the elements that the tool might cover.



- All tools have limitations such as: 1) limited public sources; 2) cannot fully capture contemporary issues (e.g. current affairs, political instability), and 3) may not fully reflect emerging areas of regulatory focus (e.g. tax).
- In addition to the use of the tool, organizations should consider applying qualitative information to their assessments to enrich the assessment, e.g.



Country risk is important, but it is only one element. The following factors could be consider in the risk rating of clients:

CLIENT SPECIFIC



- ❑ PEP's (foreign/domestic)
- ❑ Sanctions exposure
- ❑ Relevant adverse information (RAI)
- ❑ Economic rationale for accounts/nexus to country
- ❑ Inherent higher risk client sectors
- ❑ Client types, e.g. complex ownership structures
- ❑ Own risk appetite /correspondents risk appetite

COUNTRY



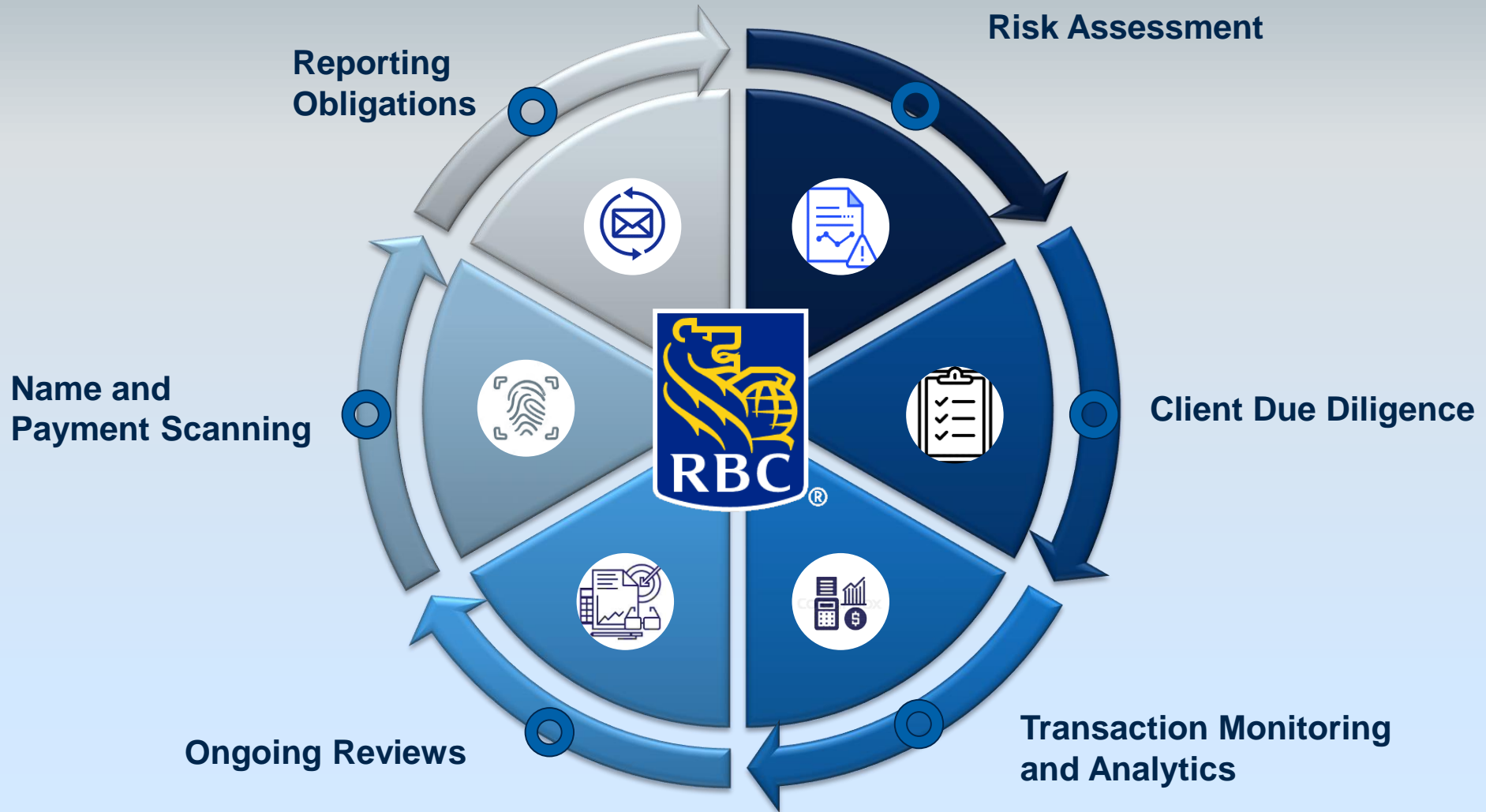
- ❑ Based on the information obtained from the country assessment, countries are risk rated. Consider using more than low, medium, high.

PRODUCTS & SERVICE VULNERABILITIES



- ❑ Transactional data
- ❑ USD, Euro, GBP, local currency
- ❑ Operating account, Clearing relationships

KEY PROGRAM CONTROLS





OVERVIEW AND CHALLENGES- CORRESPONDENT BANKING



- ❑ **Correspondent Bank relationships are vital to a country's economy to enable financial transactions, foreign investments and international trade with counterparties globally.**
- ❑ **Particularly challenging for small, medium size banks, in higher risk countries given impediments to countries' abilities to trade globally, ultimately impacting the country's economy.**
- ❑ **Challenges and risks inherent in decisions to onboard / maintain relationship.**
 - **Transparency- essential for risk quantification**
 - **Evidence of an effective country regulatory infrastructure – otherwise, adherence to global industry best practices**
 - **Understanding of client base, products, and services offered**



REQUESTS FOR INFORMATION



- ❑ When investigating cases, information may be required from the client. Essential to receive timely, transparent information from the respondent
- ❑ If no response, or information is not sufficient to address concerns, RBC may prohibit any further dealings with an underlying client of bank client.
- ❑ Bank client may be considered out of appetite based on factors such as client sectors, markets served, and exposure to activities of concern.



RBC'S APPROACH TO BANKING CORRESPONDENT BANKS



- ❑ Information required on AML program components which include, but are not limited to:
 - Policies and Procedures
 - Client Due Diligence / High Risk Client Management
 - Audit and regulatory review information
 - Monitoring and analytics program
 - Training
 - Name and Transaction scanning program
 - Risk Assessments
 - Controls in place to manage risks for regions considered offshore tax regions
- ❑ Compliance with applicable AML laws, industry best practices, and regulatory expectations
- ❑ Consistent policy for Correspondent Banking lifecycle in Canada and the Caribbean
- ❑ Central management of relationships in both Canada and the Caribbean
- ❑ Central AML responsibility for both Canada and the Caribbean
- ❑ New account approvals
- ❑ Always ensure USD clearing agents' risk appetite and regulatory requirements given volume of USD activity