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## Pythagoras Compliance Solutions

### CULTURE, DATA, TOOLS

—

### HOW TO SHAPE COMPLIANCE TASKS AND PROCESSES FOR THE FUTURE



# SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

## Introduction:

### Pre-requisites for a Compliance Officer / Compliance Manager:

- Who is member of Executive Board of company?
- Who reports directly to a member of Executive Board of company?
- Who has direct influence on company's strategy?
- Who feels enabled to perform her / his job?
- Who feels empowered to perform her / his job?
- Who feels appreciated for her / his job?



# SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

Introduction:

Perception of Compliance Function and Personnel:

Holy inquisition or great friend?

- Principles and values vs checklist
- Stubborn execution vs flexible implementation
- Theoretical foundations vs practical consequences

Compliance function and personnel:

- Relevance
- Effectiveness
- Efficiency
- Evidence-based?



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Case Study:

- You are responsible Compliance Officer in a bank in South Africa.
- Your bank receives a wire transfer of USD 15 MN from Bank A in Switzerland through its correspondent bank, Bank B, in New York.
- The following information (amongst correct account numbers) is also included in the wire transfer:
  - Ordering Bank: Bank A, Eisengasse 40, 8001 Zurich, Switzerland
  - Ordering Party: Real Fun Trust Reg., Heiligkreuz, 9490 Vaduz, Principality of Liechtenstein
  - Amount: USD 15 MN
  - Receiving Party: Real Estate Agency South Africa Ltd, Long Street, Cape Town 8001, South Africa



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Case Study (cont'd):

- Purpose: Real Estate Purchase Agreement / #12215678 / Reference: Sergey Rolgudin, St. Petersburg
- What do you do?



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Know Your Customer:

- Client
- Beneficial Owner
- Power-of-Attorney
- Shareholder(s)
- Director(s)
- Business Partner(s)
- ....
- Referring to the Case Study: Does any of this information help?



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Know Your Customer's Customers:

- Transaction Partner(s)
- Receiver / Sender
- Involved bank(s) and/or other financial institutions

### Regulatory Expectations on a global scale:

- Complete,
- Accurate,
- Up-to-date,
- Reliable information on file.



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Case Study (cont'd):

- News check brings to your attention: Sergej Rolgudin, famous viola player, director of House of Music, St. Peterburg, Russia. Said to be born on Easter Sunday, 1951.
- Having investigated with the ordering bank, you receive a date of birth of Sergey Rolgudin being 04/29/1951.
- Sergey vs Sergej: The same person?





## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Data sources for KYC purposes:

- Client(s)
- Employees
- Newspapers / Newsfeeds
- Search engines (e.g. Google, Bing, Yahoo, Ahmia, Grams, TorSearch)
- Data bases (e.g. Thomson Reuters World-Check)
- Social Media (e.g. Facebook, LinkedIn, Vkontakte or ВКОНТАКТЕ, RenRen)
- Intelligence Providers (e.g. Kroll, Economist Intelligence Unit, Stroz Friedberg, Interfax)



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Problems / Issues re data sources:

- Data availability / not enough vs too much data
- Data accuracy / consistent and unambiguous vs ambiguous and inconsistent data
- Data quality / allegations vs established facts
- Data reliability / «alternative» facts
- Overall, the problems / issues may easily be summarized with Thomas L. Friedman: The World is flat 3.0. Information is globally, instantly available.
- Additionally, internal data sources (esp. data collected from client(s)) and external data sources may be inconsistent, may show gaps or overlaps. Therefore, corroboration may be needed.
- Finally, using search engines might leave tracks that will lead to you.



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Big data:

- How to identify issues / risks?
- Small numbers vs big numbers
- Manual vs automated processes
- Semi-automated vs fully automated processes
- Self learning devices and Industry 4.0 ?



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Industry 4.0 / Issues

- Highly complex
- IT security topics
- Reliability and stability of machine-to-machine communication (e.g. mainframe to compliance systems)
- Adequate skill set(s) availability



# SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

## Regulatory Requirements

- Banks Act:
  - Fit and proper management
  - To be seen in this context:
    - Enhanced Due Diligence Procedures for Politically Exposed Persons
    - Suspicious transactions reporting
    - Money Laundering Prosecutions
- Protection of Personal Information Act (POPIA)
- Potential Discrepancies?



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### What qualities should a Compliance Officer have?

- Be curious;
- Be open;
- Be empathetic;
- Be accessible;
- Be organized;
- Be prepared;
- Be principled;
- Be reliable;
- Overall: **Be trustworthy**

And: Have a strong constitution and extra conviction



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### What should a Compliance Officer do?

- Perform regular Risk Assessments and inform Senior Management of the outcome;
- Establish Compliance Action Plans, escalate to Senior Management and
- Implement agreed Compliance Actions;
- Ensure proper processes and procedures;
- Ensure proper documentation of activities (own and others’);
- Escalate all identified topics and issues, suggest actions and activities (solution before punishment);
- Ensure implementation of agreed actions for such topics and issues;
- Ensure diversity and inclusion.



## SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

### Use of tools

- Compliance Officers need to make sure they have the appropriate tools to perform their tasks (remember: fit and proper management);
- Do things manually that need to be done manually, let machines do tasks that can be done by machines;
- Manage (IT) risks accordingly;





# SHAPING THE FUTURE OF COMPLIANCE IN AFRICA

## Recap

### – Compliance Culture

- Holy inquisition or Great Friend ?
- Stubborn or persistent ?
- Relevant or impractical ?
- Effective or worthless ?
- Efficient or useless ?
- The Decision is yours (and your senior managers')

### – Compliance Data

- Need to be
  - complete,
  - accurate,
  - up-to-date.
- Must be corroborated and dealt with in compliance with applicable laws.

### – Compliance Tools

- Must be useful and fit for the purpose.
- Shall support processes and procedures and avoid redundancies.
- Shall not create new and additional risks but detect unknown risks.
- Shall support goals, principles and values.

### – Compliance Persons

- Strong constitution and extra conviction

QUESTIONS ?

## *HUBERT KRATTINGER*



Hubert Krattinger has over 25 years of experience in the financial industry. He has a legal background and is admitted to the Berne Bar, Switzerland. He has been working in legal and compliance departments and also covered business risk management functions within a major Swiss bank for almost his entire career. During this career he covered Private Banking, Corporate and Retail Banking activities for mature and emerging markets and also banking operations departments as well as consumer finance, credit and debit card organizations, correspondent banking, institutional clients and external asset manager topics. Hubert Krattinger is member of the board of the Swiss Association of Compliance Officers (SACO) and is a regular speaker on general and specific compliance and risk management topics.