



# Temple Grange Partners

Regulatory | Risk | Compliance

## IN THE SPOTLIGHT

### Financial Crime Risks in Trade Finance

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## Trade Based Money Laundering – In The Spotlight

- The World Trade Organisation estimates that between 80% and 90% of global international commerce depends on trade financing. High volumes of transactions with multiple parties in numerous territories, but with a lack of automation, create major financial crime risks.
- The risks of fraud, money laundering, terrorist funding and sanctions breaches have been recognised by regulators worldwide and they are increasingly turning their attention to this complex area.
- In the UK, there have been a number of major regulatory reviews and interventions (including Skilled Person reviews) where trade finance has been identified as a major area of concern. Comprehensive guidance was published by the UK Financial Conduct Authority (FCA) in 2013 and the FCA are becoming increasingly concerned that this is still not being followed by many international trade finance providers.
- The focus of regulators has traditionally been more on client due diligence but they are now looking much more closely at transactional due diligence.
- Many commentators believe that cryptocurrencies, artificial intelligence and blockchain technologies will have a material impact on managing the risk in trade finance. However, in the meantime, many firms remain vulnerable to regulatory action, including enforcement, for failure to manage this risk.



## Components of a Financial Crime Framework



## Risk Assessment—The Approach

Whilst the exact approach to a Risk Assessment will vary dependent on the firm, the following steps will need to be considered in the Risk Assessment methodology.





# Financial Crime Risks in Trade Finance

## Illustrative First Line of Defence Financial Crime Controls

Controls and checks identified below will need to be applied on a risk-based approach



## Top 10 Self-Assessment Questions

- 1 Is Senior Management within your firm actively involved in the firms approach to managing financial crime risks in trade finance?
- 2 Does your firm have a documented trade finance risk assessment – and is it regularly reviewed?
- 3 Does your firm have a risk-based approach to transactional due diligence?
- 4 Does the first line of defence in the firm have tailored training (in addition to standard/generic enterprise-wide AML / sanctions training)?
- 5 Does the firm have the appropriate red flags, supported by clearly defined escalation processes?
- 6 Does the firm have appropriate management information to demonstrate that all relevant financial crime controls are operating effectively?
- 7 Is there a specialist team conducting the financial crime transaction controls – or is this activity undertaken within operations?
- 8 When were the firm's transactional financial crime policy and procedures last reviewed and refreshed?
- 9 How confident are you that the FCA guidance set out in Thematic Review 13/3 is complied with in your business?
- 10 How effective are the three lines of defence in managing financial crime risk within trade finance?

## Case Study



## How Can TGP Help?

**TGP's senior team have led global projects, many of the services are interlinked:**

### Regulatory Compliance

- Regulatory advisory services
- Remediation support following regulatory intervention
- Support for regulatory reviews
- Managing regulatory relationships

### Operational Implementation

- Project and programme management
- Stakeholder engagement – senior management, tax, legal, compliance, financial crime, risk, audit
- Implementation of FC risk assessment methodology
- Systems implementation support

### Process Design and Controls

- Process improvement
- Gap analysis of how effectively your firm meets industry guidance and standards
- Build appropriate and proportionate FC systems and controls
- Policy and procedure design, implementation and testing
- Operating model design and implementation
- Workflow design
- Management Information design and implementation
- Design and delivery of tailored training
- Independent assurance

## Why Temple Grange Partners?

Temple Grange Partners (TGP) is a global practitioner-centred compliance, risk and regulatory consultancy firm.

We provide advisory, assurance and specialist resource augmentation services to our global clients, delivered through a highly experienced professional team that bring decades of specialist experience in managing complex risk, compliance and regulatory engagements.

TGP has recently led a major programme of remediation work around trade finance financial crime controls under close regulatory scrutiny.

TGP has been specifically designed to be able to address labour-intensive/time-sensitive engagements through a model that is agile, client-centred, responsive and rapidly scalable.

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