

# ANTI-BRIBERY AND CORRUPTION (ABC)

Regulatory overview and  
impact analysis for banks

Octobre 2021

# Anti-Bribery and Corruption (ABC) regulations landscape

Anti-bribery and corruption (ABC) compliance continue to be some of the main challenges that companies are facing, both in their domestic markets and abroad.

On a global level, more and more countries promulgating new and more sophisticated anti-bribery and corruption legislation as well as aggressive enforcement by government regulators.

## Major regulations

- **1977 – USA:** Foreign Corrupt Practises Act
- **1993 – France:** Sapin I Law
- **1997 – OECD:** Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
- **2010 – UK:** Bribery Act (deemed more severe than US law as it encourages fines likely to be unlimited)
- **2011 – China:** amendment of the PRC’s Criminal Law to prohibit bribery of foreign officials
- **2016 – France:** creation of French Anti-Corruption Agency (AFA) by the Law of December 9,2016 or Law on transparency, fight against corruption and the modernization of economic life (“Sapin II law”)

## ABC Compliance Programs Measures included

1 Code of conduct

2 Internal whistleblowing mechanism

3 Corruption risk mapping

4 Risk assessment

5 Internal and external controls

6 Discipline procedure for ethics violation

# Why ABC is a key challenges for banks



## COMPLIANCE AND REPUTATIONAL RISK

- **Large fines** (regulatory and criminal) and cost of remedial measures
- **Loss of profits** from tainted business and **Impact on share price**
- **Multi-year of monitorships, reporting, cooperation obligations,** and compliance certifications
- **Potential debarment** by government agencies, international organizations or multi-lateral development banks



## COMPLEX GLOBAL REGULATORY LANDSCAPE

- Increased **enforcement of existing regulations** along with the prospect of new regulations
- **Constant change** of requirement by the regulators
- **Multiple Jurisdiction** to comply with and **worldwide activities** makes it more difficult for companies to establishing ABC minimum standards and rules that fits everywhere



## LACK OF RESOURCES & PROPER CONTROLS

- Multiple **specific local rules** requiring to **continuously update policies**
- **Lack of internal resources** and subject matter expertise
- **Struggles to catch violations of anti-corruption laws** by suppliers and its third parties, as well as Conflicts of interest
- **Difficulties to define controls and monitoring systems** arising from new ABC procedures implementation

### Record ABC fines



€ 775 millions

*Reason: bribes paid in Uzbekistan, in particular to ex-president Karimov's daughter (2018)*



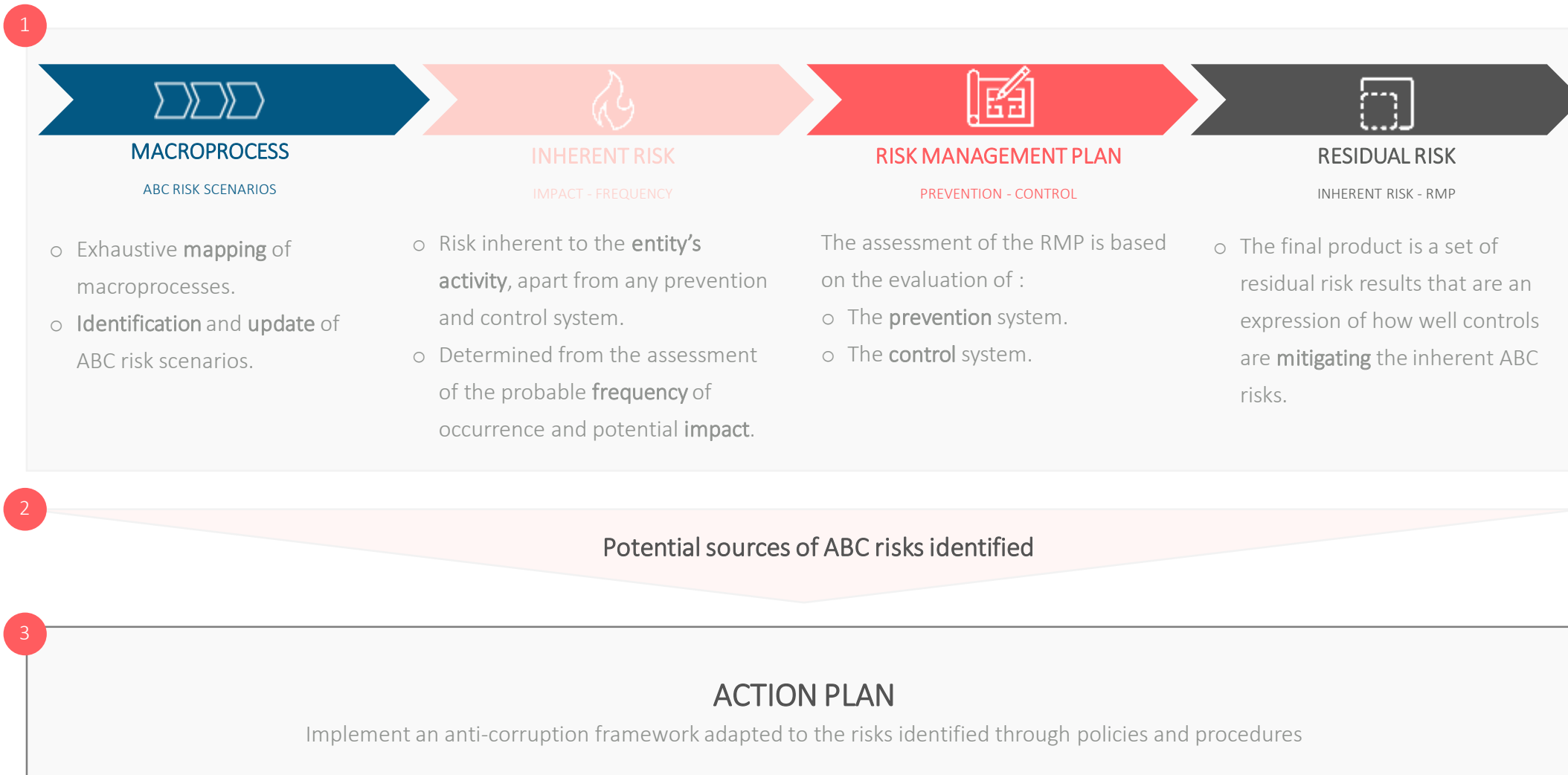
\$ 1.34 billion

*paid to French justice and American authorities Reason: investigations on suspicions of corruption with the Libyan sovereign fund and manipulation of Libor interbank rate (2018)*



# ABC risk assessment process

Realize a risk assessment to determine your sources of ABC risks



# Potential sources of ABC risks



RISK DESCRIPTION

1

Risk of being less careful with client recommended by a relative or a major client, or if feeling indebted because of a gift or an invitation. That could result in being more indulgence during the checks, or providing advantageous pricing or funding facilities.

Risk to favour a supplier or a partner over another one in cases you would be linked through a relative, a business relationship, a previous position, or feel indebted because of a gift or an invitation, could lead to a breach of the principle of equal treatment and competition principle.

An employee could favour a client, a supplier or a partner he may be linked to or that offer him gifts or invitations to events. He could also favour a relative or a former colleague during an internal or external recruitment process or a wage rise, or even someone that had been recommended to him. He could not alert on illegal situations in case of Conflicts of interest.

Risks mitigation handled through KYC process

2

- Client identification
- Document collection
- Screening of clients and related stakeholders on sanction list, surveillance list, PEP list, etc.
- Risk Scoring
- Onboarding



# Extracts from Aurexia ABC study



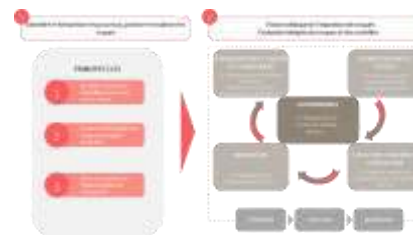
## ABC FRAMEWORK DEFINITION

- ✓ Process implementation
- ✓ Procedures and policies



## RISKS ASSESSEMENT

- ✓ Risks classification
- ✓ Framework analysis

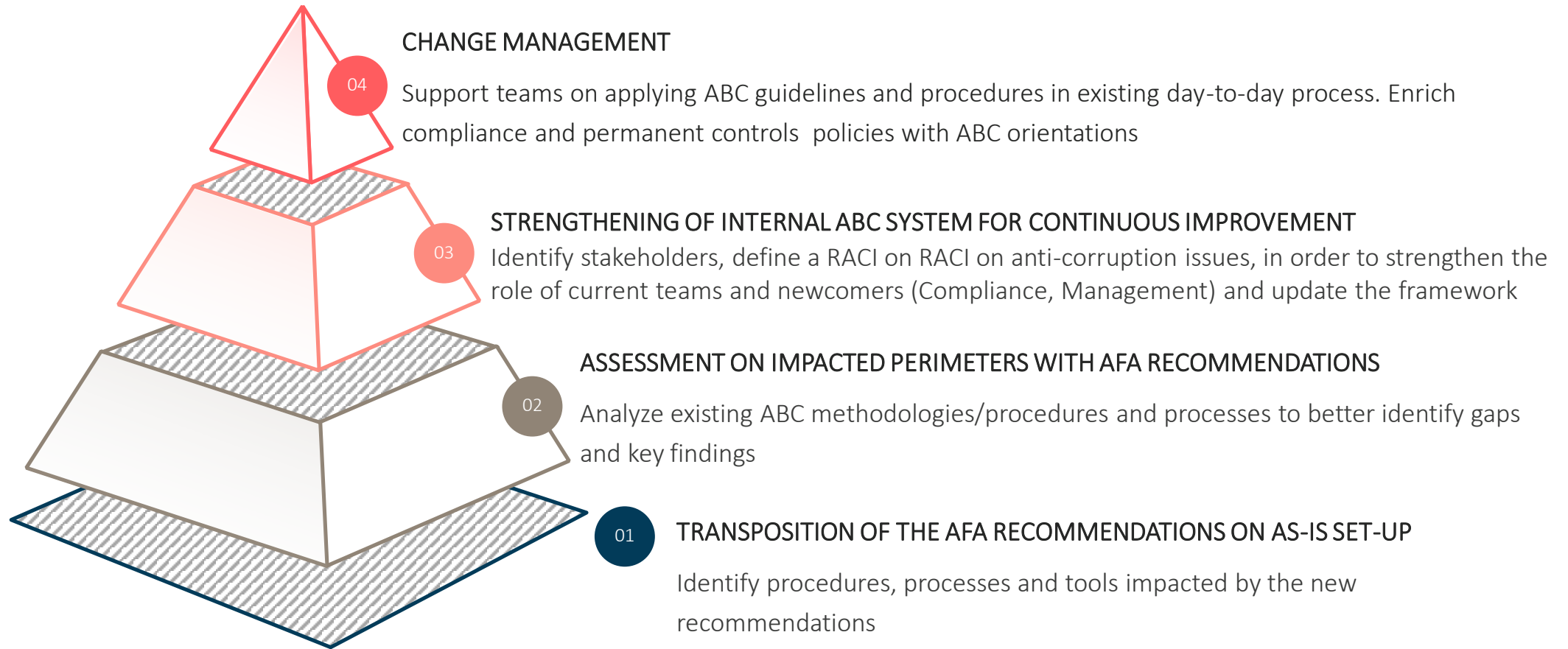


## RECOMMANDATIONS ON KEY ABC TOPICS

- ✓ Pain points
- ✓ Challenges and recommendations

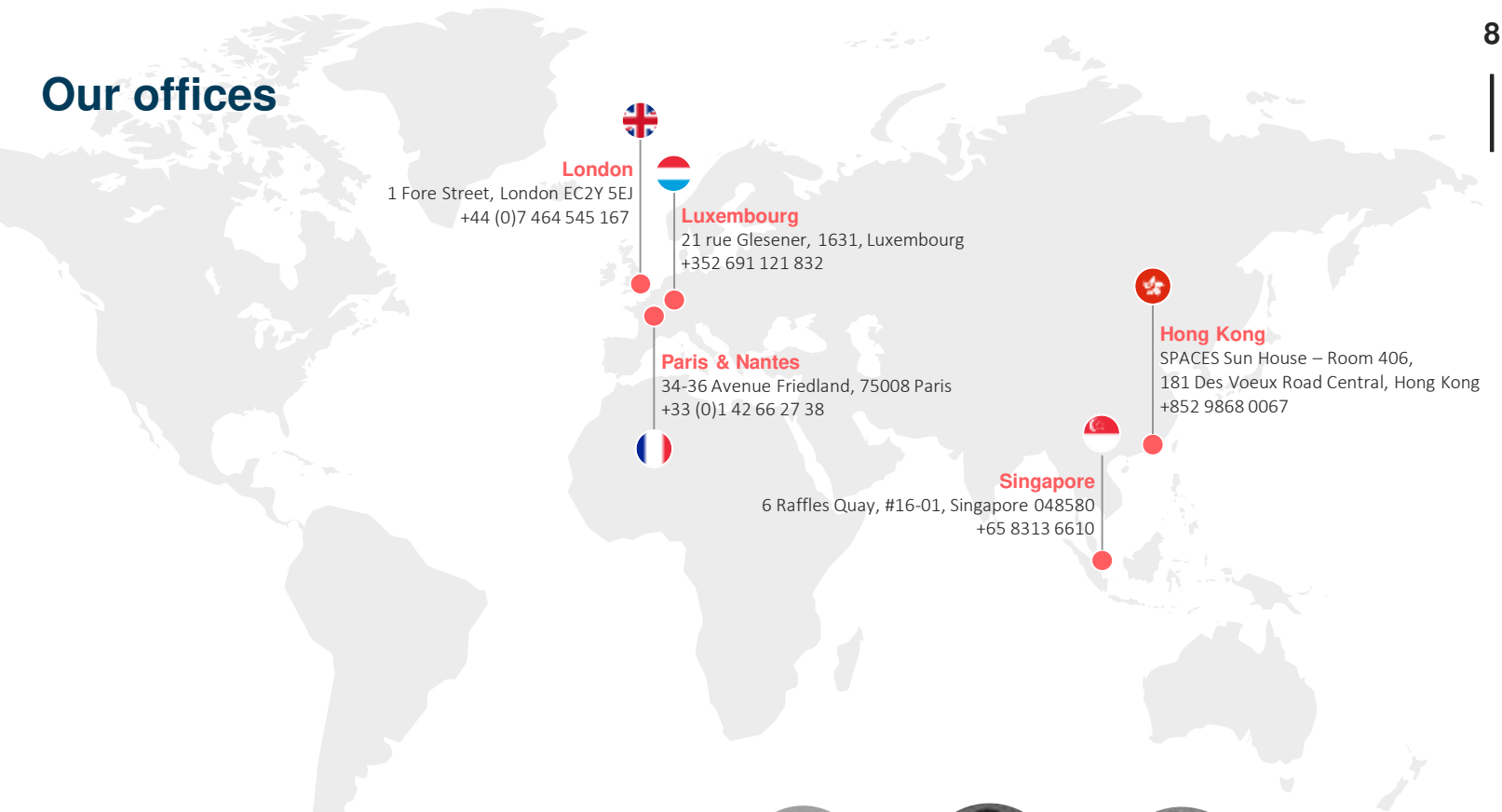


# How Aurexia can help on ABC topics





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