

Scanmarket Exclusive Summit

Using data and technology to turbocharge third party risk management



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Global trends in “Know Your Supplier” compliance

Trends currently impacting KYS programmes include:

- Impact of the global pandemic
- War in Ukraine and geopolitical instability
- Clampdown on corruption
- Disruption to global supply chains
- Increasing laws and regulations to be followed
- Consumer/customer pressure
- Data privacy laws
- Digitalisation

The global trend to digitalisation is now exposing efficiency and effectiveness issues in TPRM systems and this is forcing a change of approach for many

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How has the risk landscape changed?

The risk landscape has become more complex and challenging to understand and impacts due diligence programs

- Anti-bribery and corruption laws such FCPA, UKBA, Sapin II etc.
- **The emergence of Modern Slavery, Human Rights Abuse legislation in UK (Modern Slavery Act), USA (Slave-Free Business Certification Act) , Germany (Supply Chain Due Diligence Act), EU (Corporate Sustainability and Due Diligence Directive)**
- **Beneficial ownership of key and higher risk third parties**
- **Sanctions risk**
- The continued risk from political corruption (PEPs and SOE's)
- Environmental Social and Governance Risks

Action point: Review External Data sources used for Sanctions risk, Political Exposure, Adverse Media and Company Data to ensure fit for purpose

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Let's talk about the Risk-based Approach...

The Risk-based approach- is shorthand for ensuring that in both onboarding and ongoing monitoring of suppliers, steps have been taken to fully understand the potential risks that may be associated with that supplier and its suppliers. That a risk assessment is carried out and an appropriate level of due diligence undertaken to mitigate those risks.

Areas of risk to consider:

- Legal and Regulatory risks including sanctions where they apply
- Country Risk factors (beware the deeper supply chain!)
- Business Sector Risk
- Transactional Risk
- Political Risk

Action Point: Conduct a thorough risk analysis of the supply chain, and other third parties; develop a risk assessment and scoring process, undertake appropriate due diligence checks, ensure it is dynamic and ongoing.

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How data is key in KYS solutions

The use of data, data management and data analytics are key to implementing an effective KYS solution

- Data includes internal data sources and external data sources
- Data Management is concerned with the standardisation and enrichment of critical data
- Creating a single view of the supplier/third party (the golden record)
- Don't rely on data provided your third parties!
- The importance of verification
- Effective use of specialist data sources for sanctions, adverse media, ESG, corporate registry information etc.

Action point: Establish a data strategy that materially improves data quality, standardises data structures and facilitates data exchange across the organisation

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How good is your control framework?

Some areas to take action on:

- Digitising policy management and policy rules and moving away from physical documents that are shared around the organisation creates greater engagement with the people who implement them and audit them
- Create a strong link between legal requirements, company policies and procedures. Make clear the 'why' as well as the 'how'.
- Implement a measurement of effectiveness that involves everyone
- Ensure there is a culture of continuous improvement

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Enablement through technology

Compliance technology is a key enabler of an efficient, effective, resilient and consistent TPRM compliance system yet is often last in the queue for investment. Why? Research consistently shows that excellence in compliance delivers significant improvements in business performance. So where are the opportunities?

- Eliminate repetitive manual processes
- Eliminate system handovers that require manual intervention
- Replace disparate legacy systems
- Implement automated data gathering processes
- Establish a supplier/third party lifecycle platform

Action Point: The aim of the technology strategy should be to improve efficiency, reduce costs and enable human focus on risk analysis to improve effectiveness

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Putting it all together

Digitalisation and transformation of KYS/TPRM systems takes time, effort, commitment and resources. If you haven't embarked on the journey yet- **START SMALL!**

Action plan to success:

- Start with a company-wide audit/survey – where are we now?
- Establish a task group involving a group from across the business
- Fully document the current operating model
- Develop a vision for the Target Operating model
- Where are the 'gaps'? Where are the priorities?
- Develop an action plan with milestones, responsibilities, targets, outcomes etc
- Monitor, review, revise
- ...keep going

Ultimately every KYS system is only as good as the people who are dedicated to its operation. The Human factor in compliance is irreplaceable...

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