

Panama Banking Sector: Anti-Corruption Integrity Guide

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MODIFICATIONS TO THE INTEGRITY GUIDELINES

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Trust as a Pillar of Economic Growth and the Banking Sector	Page 6
Facilitation Payments	Page 11
Sponsorships	Page 12
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I. INTRODUCTION

The Inter-American Development Bank (IDB) has requested that Miller & Chevalier Chartered (Miller & Chevalier) assist with the preparation of an integrity guide specifically tailored for use by banks and financial institutions operating in Panama and geared toward addressing corruption-related risks that such banks may face in the course of their business.

In 2007, the IDB established the Transparency Fund (AAF) to help increase the institutional capacity of IDB member countries to curb corruption and promote transparency and integrity. The AAF was the result of an agreement with the Royal Ministry of Foreign Affairs of Norway. The AAF successfully expanded its volume of operations through additional funding from the Governments of Canada, Italy, and Sweden. The Mastercard Corporation and Microsoft provided complementary funding and resources for AAF activities.

The AAF supports institutional and regulatory reforms to improve transparency and integrity through three closely related approaches: (i) alignment with international regulations and standards; (ii) targeted transparency; and (iii) the use of innovation and technology.

This project was built upon key IDB milestones that define its approach towards the promotion of transparency and integrity. First, the *Report of the Expert Advisory Group on Anti-corruption, Transparency, and Integrity in Latin America* (2018). The document recommends a multi-layered approach based on collective action by governments, the private sector, civil society, and international institutions.

Second, the *Work Plan of the Americas Business Dialogue* (ABD). The ABD is a private-sector-led initiative facilitated by the IDB aimed at fostering a high-level, public-private policy dialogue between business and government leaders in the Americas on the region's priorities, challenges, and opportunities for economic growth and development. The Action Plan includes 42 recommendations across five key themes: (i) strengthening transparency and integrity; (ii) digitizing growth; (iii) trading for tomorrow, (iv) powering development; and (v) upskilling for the future. One of the recommendations is to encourage the private

and public sector to adopt comprehensive integrity mechanisms, including the implementation and periodic review of an effective ethics and compliance program.

Third, the *IDB Update to the Institutional Strategy* (2019) that lays down the IDB's cross-cutting approach to transparency and integrity, including reforms aimed at enhancing private sector integrity.

Fourth, the *IDB Transparency and Integrity Sector Framework Document* (2020) defines the roadmap for the IDB Group to strengthen public integrity, improve control systems, and support the private sector to stimulate a collective action to prevent corruption.

More recently, the IDB adopted *Vision 2025 Reinvest in The Americas: A Decade of Opportunity* (2021). Vision 2025 supports transparency and integrity by developing and implementing reforms aimed at improving the quality of institutions and regulations, expanding access to information, and strengthening the role of the agencies responsible for promoting public and private sector integrity.

Vision 2025 proposes to strengthen the rule of law and good governance and promote transparency and integrity reforms, including bolstering institutions and regulatory frameworks to attract private capital to achieve sustainable investments and support equitable economic growth.

Based on this consistent institutional mandate, the IDB supports countries in implementing transparency and integrity reforms aligned with international standards, with an emphasis on strengthening institutions and access to information. The reforms aim to improve the quality of institutions, promote the adoption of clear rules to prevent abuse of authority, increase information for collective action, and ensure the effectiveness of control agencies.

Following this institutional mandate, the AAF designed and approved the Regional Technical Cooperation RG-T3755 (TC) to support IDB member countries in their efforts to increase the capacity of the public sector to promote transparency and integrity in the private sector by implementing corporate integrity and governance standards. Through this TC, the IDB Group is supporting the adoption of comprehensive integrity mechanisms, including corporate governance standards and codes of conduct in selected LAC countries.

In this context, the Superintendency of Banks of Panama requested IDB prepare integrity guides specifically tailored for use by banks and financial institutions in Panama.

These Integrity Guides are intended to serve as a practical guide for banks in Panama seeking to develop or enhance their anti-corruption compliance programs. These guides describe the various components of an effective compliance program based on international best practices and universally accepted anti-corruption measures. Having a robust, effective internal controls environment is critical to a successful enterprise and adds value to a bank. Investors, clients, correspondent banks, and other external stakeholders often seek to do business only with banks that have established compliance programs aimed at mitigating a wide range of risks, including corruption-related risks. With increased frequency, these same stakeholders are establishing practices to request information about a bank's compliance program. In turn, banks are asked to provide documents, such as compliance policies, to demonstrate their commitment to transparent practices.

In several countries, it is a legal mandate for companies to have anti-corruption compliance programs. To manage legal and reputational risks, it is important for the banking sector to carefully consider the implementation of anti-corruption compliance programs that complement and enhance their existing compliance infrastructure. Relatedly, it can be prudent for banks to be transparent and open about their compliance programs, which can include providing external stakeholders with key information about their programs and internal control environment.

In considering the design and implementation of anti-corruption compliance programs for banks in this sector, Miller & Chevalier recognizes the inherent diversity of the banks that comprise the banking sector in Panama. By way of example, there are international banks operating in the country, local banks focused exclusively on Panama, state-owned banks, and banks operating in Panama under different licenses offering a variety of products and services. Each bank has its own unique risk profile based on a variety of potential factors including, for example, the license upon which it relies to operate in the country, its customer base, the products and services offered, its level of reliance on third parties, and the nature of its interactions with government officials and government entities, among other factors.

As a result, while similarities may exist across the banking sector in the country, each bank should establish and develop an anti-corruption program responsive to and commensurate with its size, risk profile, and unique circumstances. In light of the diversity that exists with the Panamanian banking sector, this guidance should be read as guidelines permitting flexibility, not as a strict set of rules to which each bank must adhere. Banks operating in the country should consider their own risks and particular circumstances when evaluating and enhancing their anti-corruption compliance programs and take steps to tailor responses to the specific risks that the bank is facing or could face in the future.

To that end, this guide is structured to address the different components of an effective anti-corruption compliance program. Throughout the guide, we discuss specific risks that, based on our research with the support of the Association of Banks in Panama (ABP) and the Superintendency of Banks of Panama (SBP), we understand the banking sector in Panama may be facing and the compliance measures and other internal controls that can be implemented to mitigate those particular risks.

During the course of our review, it was evident that many banks operating within Panama have already taken critical steps to implement sophisticated anti-money laundering (AML) compliance programs and have invested resources to mitigate such risks.

It is important to recognize that AML risks have important distinctions from anti-corruption compliance risks and require distinct controls. For example, AML risks tend to arise when third parties use a bank as a conduit for illicit conduct and proceeds. In contrast, corruption-related risks focus on the corrupt conduct of the bank itself, in particular, the risks that employees of the bank will offer or make improper payments to others, including to government officials, for the benefit of the bank. A money laundering violation often means the bank's client or third party engages in the predicate criminal conduct. A corruption violation, in contrast, means that the bank itself has engaged in the corruption violation.

Banks can leverage and build upon the AML and other compliance infrastructure they have in place to establish anti-corruption controls, as these compliance strategies usually interact. At the same time, those controls do not always take the place of specific anti-corruption controls. This guide is intended to serve as a reference for developing compliance features targeting corruption-related risk specifically.

These Guides recognize and underscore the fact that compliance is a shared responsibility across all members of an organization. Indeed, compliance is everyone, and everyone is compliance. Establishing that culture of compliance and recognizing the shared responsibility are key aspects of an effective compliance program. That said, compliance personnel have a unique and important role in establishing the compliance program. To that end, while these Guides might provide useful information for various important stakeholders and while it is important to underscore that everyone is responsible for acting with integrity and living the compliance principles, these Guides are specifically intended to help compliance personnel implement, review, consider and enhance new and existing compliance programs.

Trust as a pillar of economic growth and of the banking industry

Trust is a critical element of the economy; economic agents rely on trust to execute reasonable and sound commercial transactions. The key actions that drive economic development – including investment, employment, and production– depend on an environment of trust. The most productive and innovative societies are those that maintain high levels of trust because it leads to greater prosperity, constant investment, and less conflict. Integrity is key to maintaining and restoring trust in institutions and markets, as well as facilitating effective and transparent corporate governance.

A company's behavior and integrity directly affect its reputation. A damaged reputation reduces the trust of customers, suppliers, and investors, limiting the company's ability to attract financial and human resources, which is essential for its long-term growth and sustainability. Integrity and reputation are determining factors for a company's ability to inspire loyalty and attract investment.

The public – including current and potential customers, employees, investors, and opinion-makers – tends to prefer ethical and responsible companies. Companies with a strong ethical reputation are perceived as more reliable, giving them a significant competitive advantage. This “reputation capital” is an intangible asset that contributes to long-term stability and success. Today, business ethics is not only a social responsibility, but also a business strategy. Companies that prioritize integrity and transparency are better positioned to gain public trust, which translates into a sustainable competitive advantage.

The banking industry is crucial for economic growth, especially in Panama, which has one of the most sophisticated financial markets in the region. This puts the country in a leading position not only domestically, but also internationally.

Trust is particularly critical for the banking sector. Implementation of the guidance set forth in these Integrity Guidelines is essential not only from an ethical perspective, but also for the stability and growth of the financial sector. Trust in business relationships is the foundation of any financial transaction. A bank's reputation is one of its most valuable assets, and a loss of trust can have devastating consequences in terms of customers, business partners, and access to markets and financing.

A. Methodology

To develop this guidance, Miller & Chevalier first considered and analyzed international best practices, including the World Bank Group Integrity Compliance Guidelines, the United Nations' (U.N.) National Anti-Corruption Strategies, the U.S. Department of Justice's (DOJ) Evaluation of Corporate Compliance Programs, the Inter-American Investment Corporation's Integrity Framework, and the IDB's Transparency and Integrity Sector Framework Document, among other leading guidance in this area.

In addition, we conducted a series of interviews with compliance personnel across a variety of banks within Panama. Miller & Chevalier spoke with compliance personnel from (i) international banks operating in Panama; (ii) local Panamanian banks of various sizes focused on providing services to the local community; and (iii) a local state-owned bank. Miller & Chevalier also spoke with representatives from SBP and ABP.

The primary purpose of these discussions was to understand the banking sector in Panama, the corruption-related risks that banks in this jurisdiction currently face or could face in the future, and the current compliance orientation observed by banks in the country. In addition, the various interviews helped to identify certain areas for focus or enhancement as banks in Panama further develop their anti-corruption compliance programs.

B. Overview of the Legal Regimes and Corruption Risks Facing the Banking Sector in Panama

The banking sector operating in Panama are subject to a variety of anti-bribery and anti-corruption laws and legal regimes, both in Panama and abroad. It is important, therefore, that banks in Panama be committed to compliance with all applicable anti-bribery and corruption laws and regulations.

Global anti-bribery laws generally make it illegal to engage in any form of corruption and bribery. The laws of several countries, such as the U.S. Foreign Corrupt Practices Act (FCPA), focus exclusively on the bribery of government officials, while other laws, such as the United Kingdom Bribery Act 2010 (UKBA), prohibit both the bribery of government officials and commercial bribery (*i.e.*, the bribery of commercial actors). Multilateral development bank (MDB) integrity programs prohibit corruption among other prohibited practices by those participating in MDB-financed projects and their sanctions systems require a relatively low burden of proof to establishing such prohibited practices. Many global anti-corruption laws also require companies to keep books, records, and accounts in reasonable detail which accurately and fairly reflect their foreign and domestic transactions. Notably, certain anti-corruption laws provide an affirmative defense for banks that have established an effective compliance program. Even if an anti-corruption law does not establish such a defense, regulators often provide substantial benefits to banks that have demonstrated the effective functioning of their compliance programs.

At their core, global anti-bribery laws make it unlawful to offer, promise, pay, or authorize the extension of "anything of value" to any government official or private sector individual to help the bank obtain or keep business or secure some other improper business advantage. This prohibition applies whether the offer or payment is made directly or through another party. Violations of the anti-bribery laws could result in various sanctions, such as civil and criminal enforcement, debarment and exclusion from government processes, fines, incarceration for individuals, and meaningful penalties. Additionally, entities such as MDBs can also apply sanctions, including debarment, to certain banks that engage in improper conduct based on the contractual relationships they have with those banks.

In light of the requirements and prohibitions of these laws and the robust manner in which they are enforced, there are several areas of risk for the banking sector. It is helpful to keep these risks in mind when considering the development of each bank's anti-corruption compliance program. In discussing potential corruption-related risks with compliance personnel of several such banks in Panama, we identified certain risks that are specific to the Panamanian banking sector. These risks include:

- ▶ The need for frequent interactions with the government in connection with a variety of matters, including licenses and permits, the provision of financing for government projects, and concession agreements, among others
- ▶ Government entities as clients and the gifts, travel, entertainment, hospitality, or other benefits provided for improper purpose and in exchange for a business advantage (*i.e.*, developing business with government clients)
- ▶ Other sector-relevant benefits provided to government customers, such as loan forgiveness, credit extension, and other unique items of value in exchange for a business advantage
- ▶ Clients who are classified as politically exposed persons (PEPs)
- ▶ Acquisition of and merger with other entities to provide a wider range of services, including non-financing services that implicate new government touchpoints
- ▶ Participation as equity partners in joint ventures (JVs) or consortia, where the bank could be liable for the conduct of its consortium partners
- ▶ Reliance on third parties to provide lobbying services, particularly as the banking industry undergoes changes and develops new products (*e.g.*, the rise of financial technology (fintech) products and services that necessitate new government regulations), and third parties that assist with government interactions on behalf of the bank

This is not an exhaustive list of bribery and corruption risks, nor does each risk listed apply to every bank in Panama. This list, however, is illustrative of the types of corruption-related risks that such banks in Panama may face and the risks that these banks may need to mitigate.

This integrity guide provides broad guidance with respect to anti-corruption compliance. Throughout the document are references to these specific risks that the banking sector in Panama may face in order to help guide banks in taking steps to address and mitigate those risks.

C. Anti-Corruption Compliance Programs

There are several steps that banks can take to mitigate their corruption risks. The most effective compliance programs are "risk-based" – designed to respond to risks that the bank is currently facing or could be facing. As a general matter, effective and risk-based anti-corruption programs include a collection of basic components, which are described in detail in this guide and include: (i) risk assessments; (ii) policies and procedures, including specific guidance on codes of conduct and anti-bribery and corruption policies; (iii) training and communications; (iv) tone at the top; (v) the role of the compliance officer; (vi) independence; (vii) confidential reporting; (viii) incentives and sanctions; (ix) investigations; (x) third party management; (xi) ongoing monitoring; and (xii) collective action and integrity pacts.

SMALL - AND MEDIUM - SIZED BANKS

Because banks **range in size and type** from foreign banks with Panamanian subsidiaries to local banks, not all banks will have the same resources and means to adopt all the detailed programmatic components raised in these guidelines. Instead, **banks should consider the guidelines on a sliding scale, based on their resources, personnel, and capacity**. Smaller banks can show the **same level of commitment to ethics** but with less formality than larger banks. For example, they can **adopt email address reporting mechanisms** rather than engage an external provider to set up and manage telephone hotlines. For purposes of due diligence on third party intermediaries, they can **rely on existing systems to implement the concepts outlined in these guidelines** rather than invest in more sophisticated diligence and tracking systems. Trainings can be **integrated into periodic staff meetings** rather than performed as stand-alone initiatives. Internal Audit can take on responsibility for compliance audits and assessments. Smaller banks can **find creative ways to reaffirm cultures of compliance**, for example, with basic statements at staff meetings that are documented in minutes. **Most important is to demonstrate that smaller banks are still embracing the principles laid out in these guidelines, such as engagement by senior leadership, a track record of reasonable compliance actions, and indications of a culture of ethical conduct.**

II. RISK ASSESSMENTS

To develop and implement an effective anti-corruption compliance program, an important first step is to assess each bank's anti-corruption risk profile. In certain instances, corruption-related risks may overlap with other risks that banks may be facing, such as anti-money laundering risks or fraud risks. In other instances, a review of corruption-related risks may present a new set of risks for the bank to consider and address. As noted in Section I above, the various banks operating in Panama have different risk profiles, and it is necessary to understand those risks in order to establish a meaningful and effective anti-corruption compliance program.

In Panama, a regulatory requirement exists to conduct an annual risk assessment and report the assessment results, as well a description of the methodology employed, to the SBP. We understand that the mandated risk assessment focuses, among other items, on anti-money laundering risks and terrorist financing risks. As a result, banks in Panama have established practices of conducting these sorts of assessments and can leverage that experience to incorporate additional corruption-specific risks into their periodic risk assessments.

A. Potential Corruption-Related Risks

While corruption-related risks vary in nature, an illustrative set of risks that may be of particular relevance to the banking sector in Panama follows:

- **Interactions with Government Officials:** Banks in Panama have several reasons to be in close contact with government officials and other public agencies. For example, banks operating in Panama are subject to government-issued licenses. Certain banks may provide financing to

government projects or may participate in government tenders. These interactions carry risk of potential corrupt payments to government officials. In addition, employees who work at state-owned banks may be considered government officials under applicable laws and regulations and, as a result, there may be a risk that those employees are bribed or are offered bribes to avoid fees, forgive loans, or for other purposes.

- ▶ **Facilitation Payments:** Facilitation payments are typically small payments made to secure or expedite a routine government action. Facilitation payments are not prohibited by all anti-corruption laws and regulations; though they represent a "gray" area, a facilitation payment can often be interpreted to be a bribe. Nevertheless, it is generally considered a best practice to prohibit facilitation payments when establishing an anti-corruption program. Relatedly, to the extent a bank believes it is prudent to permit facilitation payments, the bank may want to establish a procedure for disclosure of the facilitation payment and to ensure that the payment is properly recorded in its books and records. The bank may also want to ensure that it properly memorializes the justification for the facilitation payment to avoid questions and uncertainty in the future. The bank may want to extend this practice to any third parties making facilitation payments on the bank's behalf.
- ▶ **Mergers, Acquisitions, and Other Transactional Activity:** Some banks are increasingly providing non-financing services (*e.g.*, assisting with the procurement of houses or vehicles) and are partnering with other enterprises to do so. This might involve acquiring other entities and engaging in broader transactional activity. This sort of transactional activity carries risks because the bank could be responsible for the actions of its business partners and could inherit liability from prior misconduct of the acquired entity as a result of the transaction (*e.g.*, successor liability).
- ▶ **Conduct of Third-Party Intermediaries and Representatives:** Under certain anti-corruption laws, banks could be responsible for the conduct of the agents, consultants, advisors, and other intermediaries retained to act on their behalf. There are a number of scenarios in which risks relating to third-party relationships could arise. For example, a bank could be responsible for the conduct of agents retained to assist the bank with obtaining or securing permits and licenses from government agencies or when using third parties to advocate for regulatory reform that could affect the banking industry. Similarly, risks can arise when banks participate in JVs or consortia. A bank may serve as an equity participant in a consortium and could be liable for the conduct of its consortium partners in the event that those partners engage in improper conduct to advance the interests of the consortium. This risk does not require the bank's direct contact with government agencies but rather focuses on the bank's participation in the consortium and efforts, or lack thereof, to ensure that the consortium acts with integrity.
- ▶ **Gifts and Entertainment:** While gifts and entertainment can be legitimate business expenses, they can also serve as a form of bribery if used for improper purposes. This may be especially true when hospitality is offered to government officials or government clients to secure or develop additional business, but also applies when providing gifts and hospitality, particularly if lavish or extravagant, to private actors. For this reason, it can be important to assess the bank's gift, entertainment, and hospitality practices to determine whether they present a corruption-related risk.

- ▶ **Charitable Donations:** While banks may make reasonable contributions to charities and other not-for-profit local organizations, it is important to keep in mind that corrupt payments can be made under the guise of charity and, as a result, charitable donations can give rise to a corruption risk.
- ▶ **Political Donations:** Political donations may be in violation of anti-corruption laws if made for corrupt purposes and, as a result, may also pose corruption risk.
- ▶ **Sponsorships:** Similarly, sponsorships can also be used as a vehicle to make corrupt payments, and therefore, it may be important to establish procedures to ensure that sponsorships are properly vetted prior to proceeding and that they are carried out for a proper purpose.

In addition to the more explicit corruption-related risks outlined above, adjacent risks may include AML risks, anti-competitive conduct, and conflicts of interest.

B. Performing the Risk Assessment

The Risk department with support and participation from the Compliance department typically leads the assessment and reports violations to the Board of Directors. The risk assessment typically includes various workstreams: (i) document review; (ii) interviews of relevant personnel; and (iii) analysis and documentation.

- ▶ **Document Review:** It is often helpful to collect a targeted universe of documents that may shed light on existing compliance risks. Relevant documents may include the results of prior risk assessments, reports reflecting analyses and reviews conducted by the Internal Audit or Risk departments, documents reflecting due diligence conducted on third parties retained to act on behalf of the bank or in connection with contemplated transactional activity, materials submitted to the government for any purpose (*e.g.*, to secure a license or to participate in a tender), and documents reflecting the bank's charitable or political donations, entertainment, gifts, and hospitality spending, among others. These documents can often serve as a starting point to shed light on existing practices that may give rise to risk and require additional internal controls or monitoring.
- ▶ **Interviews:** Successful anti-corruption risk assessments typically involve discussions or interviews with a cross-section of employees to gain a deeper understanding of the bank's operations and to identify touchpoints with government officials and agencies, either directly or indirectly, where corruption-related risk may exist. For example, it may be helpful to speak with employees in the Compliance, Risk, Internal Audit, Legal, or Human Resources departments, as well as employees who have a role in government relations (*e.g.*, applying for the requisite permits and licenses or interacting with regulators), client-facing interactions, financing services, and mergers or acquisitions (M&A). Certain functions, including Compliance, Legal, or Internal Audit, may provide a high-level overview of potential risks that the bank may face, while discussions with operational departments may help reveal additional risks from the institution's day-to-day operations.
- ▶ **Analysis:** After completing these steps, it is important to analyze the results of the fact gathering, list the risks identified, and consider rating the severity of the risk, as well as the impact of the

risk, in light of the bank's operations. During this phase of the assessment, it is also important to consider the internal controls that may already exist to mitigate the identified risks. To the extent that risks are identified for which there are inadequate controls, that gap analysis can guide the bank in determining where to enhance its internal control environment. This final step can ultimately serve as a roadmap for the development of the anti-corruption compliance program and can help inform the bank of areas where it may be necessary to devote compliance-related resources. Once the risks are identified, the bank is well-positioned to develop an anti-corruption compliance program that is based on and responds to the most significant risks or vulnerabilities.

- ▶ **Ongoing Assessment:** As described in Section XI below, the risk assessment is a helpful snapshot of the entity's risks at the time of the risk assessment. Most effective programs have an ongoing process to periodically update the risk assessment based on changes to the entity's risk profile, operations, and general business practices.

III. POLICIES AND PROCEDURES

Following the identification of corruption-related risks, the bank is in a strong position to develop, revise, or enhance policies and procedures tailored to mitigate or reduce the risks identified. Policies provide employees and other stakeholders with specific guidance and articulate permissible and impermissible conduct. When developing a collection of compliance policies, it is helpful to ensure that the policies are consistent and work together to provide an integrated, comprehensive compliance framework.

At a high level, compliance policies function to prevent, detect, investigate, and remediate potential forms of misconduct. To do this, the policies should:

- ▶ Provide clear guidance and outline permissible conduct and prohibited conduct
- ▶ Identify to whom the policy applies (*e.g.*, all employees, certain departments within the bank, third parties acting on behalf of the bank, etc.)
- ▶ Identify the bank officer or employee responsible for overseeing the policy
- ▶ Provide a mechanism for employees to seek guidance or report potential concerns of misconduct
- ▶ Explain the possible repercussions and sanctions applied in the event that the policy is violated (up to and including termination)
- ▶ Make a clear statement that employees who make reports in good faith will not be subject to retaliation

The policies that a bank implements should be driven by the result of the risk assessment. The bank's operations, risk profile, and the degree to which the risk may impact the bank are all factors to consider when determining topics to address in the policies. As a general matter, when considering particular corruption-related risks, it may be prudent to consider developing and implementing the following types of policies and procedures:

- ▶ Code of Business Conduct and Ethics (see discussion below)

- ▶ Anti-Bribery and Corruption Policy (see discussion below)
- ▶ Conflict of Interest Policy
- ▶ Procedures governing interactions with government officials
- ▶ Third-party due diligence procedures
- ▶ Monitoring procedures
- ▶ Policies and procedures governing gifts, travel, entertainment, and related forms of hospitality
- ▶ Policies and procedures concerning charitable donations or political contributions
- ▶ Policies governing transactional activity, such as mergers, acquisitions, and joint ventures

E X A M P L E

Certain banks operating in Panama may have **extensive interactions** with government officials.

These interactions could concern a wide range of issues, including the need to acquire **permits and licenses**, collaborating with the government to provide **financing** to government projects, or **interacting** with government clients.

A bank that has high frequency of interactions with government officials may want to consider **establishing a policy** that specifically addresses the bank's expectations for those interactions.

The policy may include, for example, a requirement that, a minimum of **two employees from different units within the bank attend any meeting** with government officials, a requirement to **memorialize the meeting in writing** following the interaction, and a requirement that any **gifts or entertainment provided to government officials must be pre-approved** by the compliance function.

EXAMPLE

Given that the banking sector in Panama is increasingly **providing non-banking services** and partnering with other companies to do so, some banks may wish to **develop a policy or procedure** that sets out the expectations when **exploring transactional activity**.

The policy could require that the bank **conduct specific integrity due diligence** on the potential business partner that includes assessing the business partner's corruption-related risk and to include appropriate compliance representations and warranties in the operative contracts.

These types of controls will help the bank **reduce the risks associated with the transactional activity** and ensure that it is better protected in connection with the transaction.

The various policies implemented within an organization should be readily available and easily accessible for all employees (*e.g.*, through an internal website or portal) to allow employees to consult them as necessary. It can also be helpful to provide training sessions for employees to explain and discuss the requirements of each policy (see Section VII).

At a minimum, banks seeking to enhance their anti-corruption compliance program may want to consider establishing or refreshing two policies in particular: (i) Code of Business Conduct and Ethics that generally describes the bank's values and ethics and approach to decision-making; and (ii) an Anti-Bribery and Corruption Policy that provides detail on corruption-related risks, defines prohibited practices, and describes the bank's expectations with respect to those risks. Below is a discussion of each document.

A. Code of Business Conduct and Ethics

For all entities, it makes sense to develop and implement a Code of Business Conduct and Ethics. The Code is the set of rules, values, principles, and expectations that guides the conduct of all employees and, in many cases, third parties acting on behalf of the institution. The purpose of the Code is to provide a decision-making framework for employees to follow, particularly when faced with difficult questions or when they are in difficult circumstances.

Similar to other compliance policies, it is important for the Code to:

- ▶ Establish a tone from the top expressing zero tolerance for all forms of misconduct, including bribery and corruption
- ▶ Provide clear guidance and outline permissible conduct and prohibited conduct
- ▶ Identify to whom the policy applies (*e.g.*, all employees, third parties acting on behalf of the bank, etc.)
- ▶ Identify the official or employee responsible for overseeing the policy
- ▶ Provide a mechanism for employees to seek guidance or report potential concerns of misconduct

- ▶ Explain the possible repercussions and sanctions applied in the event that the policy is violated (up to and including termination)
- ▶ Send a clear message that employees who make reports in good faith will not be subject to retaliation

At a high level, the Code may address the following types of topics, subject to the bank's particular values and conduct expectations:

- ▶ **Senior Management's Values and Conduct Expectations:** This message often comes in the form of a letter or introduction from the senior-most members of management, reiterating the bank's values and commitment to operating ethically and transparently.
- ▶ **Workplace Environment:** This section typically discusses the bank's expectations with respect to workplace conduct (*e.g.*, anti-harassment), diversity, healthy, safety, and security.
- ▶ **Business Practices:** This section typically addresses the bank's commitment to complying with laws and regulations and may highlight certain areas of particular risk, such as insider trading, antitrust considerations, gifts and entertainment, and interactions with the government.
- ▶ **Conflicts of Interest:** Typically, the Code explicitly prohibits conflicts of interest to ensure that no personal or financial interests interfere with employees' ability to work in the best interest of the bank. The Code often requires disclosure of outside activities and affiliations that could influence performance while working at the bank.
- ▶ **Intellectual Property and Confidential Information:** This section serves to discuss the bank's confidential information, appropriate use of confidential information, and expectations with respect to retention of the bank's documents.
- ▶ **Community Involvement:** To the extent applicable, this section can cover a wide range of sub-topics, including, for example, charitable contributions, political activities and contributions, and the bank's commitment to the environment and sustainability.

Many organizations find it helpful to have employees sign a certification on an annual basis, agreeing to adhere to the expectations set forth in the Code. Additionally, it can be important for employees to be introduced to the Code immediately upon the start of their tenure at the bank. As a result, the Code is often provided to employees as part of the onboarding procedures.

In addition, it can be helpful for external stakeholders to have access to the Code. It may make sense for the document to be published on the bank's external website. Note that many institutions also opt to establish a separate code for suppliers and business partners. The Code of Conduct for Suppliers often substantively overlaps with the Code but tends to be principle-based.

B. Anti-Bribery and Corruption Policy

Developing an Anti-Bribery and Corruption Policy is one of the initial steps in establishing an anti-corruption compliance program. This policy, like others, should be tailored to the bank's size, risk profile, business relationships, and business practices, and should be consistent with local laws and regulations,

as well as applicable foreign laws. While a bank's Code of Business Conduct and Ethics may generally address anti-corruption concerns and prohibit bribery of all forms, the Anti-Bribery and Corruption Policy provides additional details and information about the prohibited conduct and specific areas of risk. The two documents are intended to work together to provide employees and certain third parties with conduct expectations and guidance with respect to the bank's business and their provisions should be consistent with one another.

1. Components of an Anti-Bribery and Corruption Policy

As with other policies, it is important for the Anti-Bribery and Corruption Policy to:

- ▶ Provide clear guidance and outline permissible conduct and prohibited conduct
- ▶ Identify to whom the policy applies (*e.g.*, all employees, employees working in certain departments, third parties acting on behalf of the bank, etc.)
- ▶ Identify the officer or employee responsible for overseeing the policy
- ▶ Provide a mechanism for employees to seek guidance or report potential concerns of misconduct
- ▶ Explain the possible repercussions and sanctions applied in the event that the policy is violated (up to and including termination)
- ▶ Make a clear statement that employees who make reports in good faith will not be subject to retaliation

A comprehensive Anti-Bribery and Corruption Policy contains a meaningful level of detail and nuance. Below is a description of some of the topics that the bank may wish to address in its Anti-Bribery and Corruption Policy.

2. Statement Prohibiting Bribery and Defining Bribery

First, the Anti-Bribery and Corruption Policy should clearly state the prohibited conduct. In this instance, a blanket statement prohibiting all types of bribery and corruption, including both public and private corruption, may be appropriate, such as:

The Bank takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly, and with integrity in all its business dealings and relationships. It is the goal of the Bank to avoid acts that might reflect adversely upon the integrity and reputation of the Bank and its employees.

Second, it is helpful for the policy to clearly define bribery as the definition of may be broader than one may expect or anticipate. For example, a policy may state the following:

*Bribery is offering, giving, promising, soliciting, or accepting **anything of value** (financial or non-financial) to a **government official or any other person**, directly or indirectly through a **third party**, to improperly*

influence that person in the performance of a duty or to obtain or retain business or any undue business advantage.

Third, there are certain terms of art often used when defining bribery that may require further clarification. For example, the phrase "anything of value" has been broadly defined and may require additional attention. In the context of a bank operating in Panama, it may be important to note that "anything of value" can include gifts, hospitality, meals, travel, loan forgiveness, extensions of credit, and employment or internship opportunity to government officials or the friends and family members of government officials, among other benefits.

In addition, it may be important to define "government official," which is often interpreted broadly and may include, for example:

- ▶ Any employee or member of a local, regional, or national government body, department, or ministry, whether in the executive, legislative, administrative, or judicial branches of government (such as banking regulatory officials or tax inspectors)
- ▶ Any employee or official of a state-owned or -controlled company or instrumentality, even if operated like a privately owned corporation (such as a government-owned or -controlled bank)
- ▶ Anyone acting in an official capacity for or on behalf of the government
- ▶ Any political party, party official, or candidate for political office
- ▶ Any employee or official of a public international organization such as the World Bank, IDB, or one of their departments or agencies
- ▶ The close relatives of a government official (such as a sibling, spouse, child, or other dependent)

It can also be helpful to explain the differences between public bribery (to government officials) and commercial bribery (to officials of private entities). For example, the bank may wish to include a statement like the following to describe the two types of corruption:

This Policy applies to the two primary forms of corruption: (1) public corruption and (2) commercial bribery. Public corruption involves bribery of government officials. Commercial bribery involves bribery of private sector business partners, clients, and others. Both forms are prohibited and may subject you and the Bank to civil and criminal penalties.

3. Addressing Areas of Risk

A comprehensive Anti-Bribery and Corruption Policy generally describes the areas of corruption risk that organizations may face and provides guidance on those particular risks, such as:

- ▶ **Third Party Intermediaries and Representatives:** The use of third parties to interact with government entities and officials may present a risk for certain banks because banks can be held responsible for the acts of third parties. As a result, under these circumstances, it is often helpful for the Anti-Bribery and Corruption Policy to explain the bank's procedures for retaining third

party intermediaries. A bank should establish a practice that certain categories of third parties be vetted or subject to integrity due diligence prior to being retained. This due diligence process may include, for example, requesting that the third party complete a questionnaire that elicits information about its business, ownership structure, relationship with government officials, compliance program, history of corruption or fraud investigations, and references. This type of information allows the bank to assess the third party's expertise, affiliation with government officials, compliance orientation, and broader reputation for ethical business. Examples of due diligence questionnaires and related due diligence materials are attached hereto as Appendices A-C.

- ▶ **Transactional Activity:** Transactional activity can present corruption-related risks. For that reason, conducting integrity due diligence prior to closing the transaction allows the bank to gain a better understanding of the entity it may acquire or the entity with which it is partnering for a business venture and related risks. As such, the Anti-Bribery and Corruption Policy may want to expressly include a requirement that due diligence be conducted on contemplated counterparties prior to finalizing any transactional activity. The policy may permit flexibility to allow the due diligence to be tailored to the particular transaction.
- ▶ **Charitable Contributions and Political Donations:** The Anti-Bribery and Corruption Policy may provide guidance on a range of additional topics, such as charitable contributions and political donations. For example, given that charitable contributions and political donations can be misused to serve as corrupt payments, the bank can require prior approval of such contributions. This would entail having employees submit proposals for contributions and having compliance review and consider the requests before any payment is made.

4. Additional Requirements

The Anti-Bribery and Corruption Policy can discuss certain additional requirements, such as the requirement for employees to attend periodic compliance trainings, information regarding policy oversight, and the requirement for employees to submit annual or periodic certifications.

Compliance training is an effective way to ensure compliance with the policy and to provide employees with a forum to ask questions about the policy. It is often suggested that training on the policy take place annually (either in-person or online) and that attendance at the training be monitored and tracked.

As with other policies, the Anti-Bribery and Corruption Policy should clearly identify the employee or officer responsible for overseeing the policy and may require that employee or officer to conduct periodic reviews to ensure that the policy is effective and working as intended.

C. Gifts & Entertainment Policy

A related policy that can be very important to an organization's anti-corruption landscape is the Gifts & Entertainment Policy. Business gifts, entertainment, travel, and other forms of hospitality are commonly used to strengthen working relationships and typically are acceptable and customary. Sometimes, however, exchanging gifts with or providing hospitality to customers, business partners, government officials, or other individuals can raise ethical issues. What may be seen as innocent to some could be

interpreted as undue influence or even a bribe by others. Therefore, it can be helpful to implement a Gift & Entertainment Policy that sets forth the bank's position on providing gifts, hospitality, entertainment and travel to third parties. Because gifts and entertainment can be viewed as bribes, it can be helpful for a bank to lay out clearly its expectations with respect to these practices.

As a general matter, many Gift & Entertainment policies require that gifts and hospitality be:

- ▶ Openly incurred (that is, no effort is made to conceal them)
- ▶ Reasonable, customary, and appropriate (in the context of the local economy where they are to be provided)
- ▶ Given without an appearance of impropriety (for example, substantial hospitality should not be offered to decision makers who are presently evaluating a proposal involving the bank)
- ▶ Where possible, paid directly to service providers, such as hotels, restaurants, and airlines, not to recipients themselves, and paid via wire, check, or company credit card unless the service provider does not accept these forms of payment – if this is not possible, then reimbursement should be made only based on original receipts and written justification of business purpose
- ▶ Supported by adequate, accurate documentation (*e.g.*, invoices, receipts)
- ▶ Accurately recorded in the bank's books and records

Appropriate gift and hospitality expenditures may not:

- ▶ Be offered or provided in return for any favor or benefit to the bank or to improperly influence a decision
- ▶ Impose a sense of obligation on the recipient
- ▶ Be lavish, excessive, or too frequent
- ▶ Involve non-bank-related activities that overshadow the business-related purpose of the hospitality, such as travel centered around trips to tourist attractions, airfare, hotel accommodations, or other travel arrangements that extend beyond the reasonable duration of the relevant business activity, and open tickets for airfare or other travel
- ▶ Be provided to spouses, children, or other close relatives of government officials (unless specifically approved in advance by a compliance officer)
- ▶ Be in the form of cash gifts (or cash equivalent, such as gift cards) or advance payments
- ▶ Be paid for out of personal or non-bank funds of any type without bank reimbursement
- ▶ Violate local law (including any internal regulations governing the recipient's conduct, such as ethics rules or reporting requirements for government officials), bank policies, or the code of ethics/policies of the recipient's employer

- ▶ Have been solicited by anyone at the bank in exchange for steering or directing business opportunities or benefits to another person or company

Because of the specific risks that arise when providing gifts and hospitality to government officials, Gift & Entertainment Policies often distinguish between private, commercial actors on the one hand and government officials on the other hand, including stricter or tighter requirements for hospitality extended to government officials. It is often most protective of the organization to include very strict guidelines to closely monitor any contemplated gifts or hospitality involving government officials. It may be important, for example, to require employees to obtain prior approval for all hospitality provided to government officials by completing a standard form that is reviewed by the compliance officer (an example of which is attached as Appendix D).

For private parties, the bank may choose to provide different guidance considering that the legal risks associated with providing gifts and hospitality to third parties is often lower. Rather than requiring prior approval of all gifts and hospitality to third parties, the bank may choose to require employees to seek approval only for items above a certain monetary threshold or disclose such gifts or hospitality to or from private parties after the event or gift-giving has occurred, which enables monitoring and addressing issues if they do in fact arise. For example, the policy may require that any gifts or hospitality provided to a non-government official in excess of USD 200 per year must be pre-approved by the compliance function. This ensures that collectively, over the course of the year, the bank is not excessive in providing gifts and hospitality to certain private parties. It also allows the Compliance Department to monitor and observe any gift-giving patterns that could give rise to corruption risks over time. The monetary threshold provided in the policy can change depending on various circumstances, including any thresholds included in local anti-corruption laws, customary practices, and the bank's risk tolerance.

EXAMPLE: GIFTS AND ENTERTAINMENT

The Vice President of the bank has a business relationship with a third-party provider. The Vice President takes the provider out for extravagant dinners every 2-3 months and treats the provider to meals in excess of \$200 per person.

Following each meal, the Vice President should disclose the meal and the full amount paid to the compliance function. Compliance personnel should track each meal and recognize the patterns – for both the meals and the amounts spend. Compliance may also want to speak with the Vice President about these ongoing meetings with the provider to understand the purpose of each dinner and the rationale for the extravagant meals.

IV. TONE AT THE TOP

In addition to the various policies, procedures, and infrastructure implemented as part of the anti-corruption compliance program, it is important for banks to establish a culture of ethics and compliance throughout the bank. Establishing this sort of compliance orientation and culture requires the commitment of employees throughout the organization and, in particular, of senior- and mid-level employees.

The bank's key leaders, including the executive leadership team and the Board of Directors, can set the tone and culture throughout the organization. Regularly reiterating the importance of compliance and of conducting business ethically and transparently is important to setting a compliance-related tone within the bank.

As such, senior leadership should endeavor to take concrete steps like regularly reminding employees (in writing and orally) of the bank's commitment to compliance and by modeling compliance-focused conduct. Using these communications, senior leaders can encourage and remind employees to act ethically, consistent with the organization's values. Senior management may consider taking additional steps, such as participating in compliance trainings, to show a real commitment to the compliance function's endeavors.

It is equally important for senior management to discuss the bank's commitment to compliance externally with other stakeholders to remove any doubt about the bank's business practices and values.

Below is an example of an internal communication from senior leadership addressing the importance of compliance:

Our Bank's reputation is one of our most valuable assets and preserving it is essential to retaining our talented employees and loyal customers. We've worked hard over many years to build our reputation as a values-based bank, a distinction earned through the actions of our employees. Like any reputation, all it takes is one questionable act to damage it.

Our Code of Business Conduct and Ethics and our Anti-Bribery and Corruption Policy were developed to provide clear guidelines to help you make ethical decisions as we do business every day. These important policies are a statement of my strong commitment, and the Bank's commitment, to anti-bribery, anti-corruption, non-discrimination, and transparency to ensure we are operating according to our core values.

Our continued success hinges on our employees conducting business with integrity every day. This is why we encourage you to report employee misconduct when suspected. Every time you report a concern regarding a violation of our Code of Business Conduct and Ethics, you are making a difference for everyone at the Bank and you have my full support and appreciation.

Sincerely,

President/CEO

It is important for the bank's compliance officers to be mindful of the steps that senior management takes to establish a clear and compliant tone at the top. Compliance officers can help disseminate such messaging internally or externally. They can ensure a complete record of these communications is maintained. These steps can prove important when, for example, the bank is performing risk assessments or assessing management's commitment to the compliance program.

In addition to the messaging from senior management about compliance or the commitment to compliance, it may be important for the compliance officer to take note of specific examples where senior management has made decisions or taken steps that illustrate the values of the bank. This may include, for example, noting when senior management has determined not to go forward with a deal or transaction because of the perceived or actual risk presented or when senior management has declined to engage with a third party that may present particularly high corruption risks. Tracking these examples can serve to demonstrate the tone at the top and, equally important, to assess or confirm the bank's commitment to compliance.

Finally, when conducting its reviews, including risk assessments or periodic monitoring, it may be useful for the compliance officer to meet with members of senior management to discuss, among other topics, the bank's culture, management's approach to compliance, and steps that management could take to further enhance the bank's culture of compliance.

V. ROLE OF THE COMPLIANCE OFFICER

The compliance officer – and in larger banks, the Compliance department – plays a critical role in the development and oversight of the compliance function. At a high level, the compliance officer is usually responsible for:

- ▶ Establishing standards and implement policies and procedures to ensure that the compliance program is effective and efficient in identifying, preventing, detecting, and correcting non-compliance with applicable laws and regulations
- ▶ Collaborating with business leaders to establish and reinforce a culture of strong ethics and compliance within the bank
- ▶ Providing regular updates to management or the Board of Directors (or Board committees, such as the Audit committee) on compliance programming, including significant or material compliance matters
- ▶ Developing a corporate compliance framework calibrated to the bank's risks and business model, including periodic compliance program assessments, periodic compliance risk assessments, investigations, and routine and targeted compliance training for higher risk functions
- ▶ Advising management on compliance matters related to key strategic objectives (*e.g.*, mergers, acquisitions, JVs, alliances, organic/inorganic growth, etc.)
- ▶ Reviewing and revising corporate compliance policies

- ▶ Developing bank-wide compliance training programs, in some instances in conjunction with Human Resources
- ▶ Monitoring communication campaigns aimed at increasing awareness and encouraging support for compliance initiatives
- ▶ Monitoring employee requests to engage third party intermediaries, enter into JVs or partnerships, provide gifts, entertainment, and travel to third parties, or make charitable donations, in some cases in connection with Human Resources
- ▶ Developing action plans based on the results of internal reviews by the relevant area

To discharge effectively their duties, it is important for compliance officers to have access to information. This access may include, for example, the ability or authority to interview employees, as necessary, and to access information that relates to the functioning of the compliance program, including, information about third parties, information about new employees, financial information, files maintained by the Legal or Internal Audit departments, anonymous complaints or reports, and suspicious activity reports (SARs). This information allows the compliance officer to assess and monitor the effectiveness of the compliance program, to detect trends, and to investigate potential misconduct.

A key part of the compliance officer's role is to liaise between various departments and leverage the work performed by those departments. For example, compliance professionals often work closely with colleagues in the Legal and Internal Audit departments, among others, in performing the Compliance department's function. The Legal department may be able to assess legal risk that could directly inform the compliance programming. Relatedly, the Legal and Compliance departments may work collaboratively to investigate potential violations of policy or other misconduct.

The Internal Audit department is closely related to the work performed by the Compliance department. In light of their role in evaluating internal controls, the compliance officer can rely on the results of internal audits to inform and strengthen the compliance program. Additionally, Internal Audit can collaborate with the compliance officer in conducting reviews with the goal of identifying trend and propose improvements to the compliance program.

Also, the compliance officer is often in close contact with business units to assess changes to the bank's risk profile and how the compliance program should respond to those changes. The compliance officer can also make recommendations to business units regarding activities that the business unit has chosen to undertake.

While the compliance function plays a critical role in implementing the compliance framework, it is important to underscore that compliance is a responsibility that falls on all members of an organization, not only compliance officers. Indeed, Compliance is everyone, and everyone is compliance. To that end, many organizations find it helpful to establish a framework defined by the three primary “lines of defense.” The three lines of defense essentially assigns responsibilities for managing and mitigating compliance risks across various departments within an organization. The first line of defense tends to be the business unit or the operational management. The first line of defense has visibility into business operations and may be in the best position to identify and escalate potential compliance concerns. The second line of defense is often the compliance function which sets policies, monitors activity, and

identifies risk. And, the third line of defense is often the internal audit function which can independently assess the effectiveness of the internal control environment by conducting reviews and providing assurances.

In creating a framework based on these lines of defense, compliance becomes a shared responsibility across the organization. Indeed, the most successful compliance functions have worked to implement this structure and have learned to rely on their colleagues in other departments to socialize and support the compliance program. This kind of framework based on cross-function collaboration is particularly important for banks where the compliance function is small or where compliance resources are limited. This framework tends to be most successful when employees are fully trained on compliance expectations, as discussed in Section VII below.

VI. INDEPENDENCE

A critical factor of any compliance program is ensuring that the compliance function is sufficiently independent and empowered to act in the best interest of the bank. This is important because the compliance function is called upon to review, assess, and evaluate conduct and activities and must do so in an objective matter and without undue influence by others within the organization. Relatedly, it is important for the compliance function to be respected within the organization and for senior compliance personnel to be seen as leaders.

Depending on the size of the bank and the shape of its compliance program, the independence of the program can take different forms. Below are examples of ways that the compliance function can establish and maintain independence:

- ▶ The Board of Directors and senior management of each bank should authorize the compliance officer with sufficient authority and independence to implement and administer the compliance program, such as implementing corrective measures as necessary.
- ▶ Each bank should provide administrative support, consistent with the size and nature of the bank, to the compliance officer.
- ▶ It is usually prudent for the compliance officer to have a direct reporting line to the full Board of Directors to provide a forum for independent discussion without influence from senior management.
- ▶ Supporting the independence of the compliance unit demonstrates that senior management openly supports the compliance function.
- ▶ The compliance function can participate in high-level business meetings with the role of contributing a perspective of legal compliance.
- ▶ Perhaps the clearest way of supporting compliance is by ensuring that the compliance function is adequately resourced and can use its budget without influence of management.
- ▶ The Compliance department should also have access to data and information necessary to perform its function (particularly for purposes of ongoing monitoring and testing).

There are a number of advantages to establishing an independent compliance function. Perhaps most relevant, it allows the compliance function to operate as intended without the risk of falling prey to improper influence, such as political influence and changes in the banks' senior management team.

VII. TRAINING AND COMMUNICATIONS

Providing training to employees and potentially certain third parties on a bank's compliance expectations is critical to establishing an effective compliance program. Compliance training provides an opportunity to reinforce the importance of compliance within the bank, communicate compliance expectations, and discuss compliance risks that are specific to the bank. Compliance trainings should aim to be reasonable and practical and are usually most effective when conducted in person and when "real life" examples are used to illustrate the primary lessons and objectives.

A. Compliance Training Attendees

While basic compliance training should generally be offered to the majority of bank employees, officers, and directors, in practical terms the bank should consider applying a risk-based approach to prioritize the training of certain groups of employees. Certain employees, by virtue of their functions at the bank, are in positions that face higher risks than other employees. For example, employees who interact with government officials and develop new government-facing business hold positions that are inherently riskier than employees who interact only with private customers. It is worth emphasizing the importance of highlighting real-life examples and reviews conducted by the compliance officer. Employees in control functions at the institution, such as Finance and Internal Audit, should also be prioritized in training on anti-corruption policies and rules. Similarly, employees on the executive leadership team and Human Resources may also face higher risk and training for those employees should be prioritized.

Finally, it may make sense to consider training certain categories of third parties, such as those who have authority to act on behalf of the bank and interact with government officials on the bank's behalf.

B. Compliance Training Content

Anti-corruption compliance training should focus on covering and addressing the main requirements of the bank's anti-bribery and corruption program. The training may cover a basic overview of anti-corruption laws, the bank's policy on bribery and corruption, and specific guidance on key areas of risk (such as gifts, entertainment, and hospitality). In addition, it is often helpful to include "real life" examples of potential risks which tend to be more tangible and illustrate how corruption risks can affect employees' daily work and operations.

It may also be important to provide targeted trainings to certain groups. For example, for employees working in the Legal department, training can highlight transactional due diligence requirements and analyze those requirements in greater depth. A similar approach may be warranted for employees in the Human Resources and Finance departments, as well as executives in key business development roles.

C. Ongoing Compliance Communications

Compliance personnel should consider circulating periodic reminders about the anti-corruption compliance program and highlight specific aspects of the program. For example, each month or quarter,

the Compliance department may wish to send an email communication highlighting a particular compliance resource (such as the reporting hotline) or reminding employees of a requirement of the policies (such as gift and hospitality requirements in advance of the holiday season). These communications serve not only to remind employees of the elements of the compliance program, but also serve to underscore the importance of compliance throughout the organization and set an important tone from the top.

D. Third-Party Training

In some instances, depending primarily on the level of risk that a third party presents, it may be prudent to provide training to third parties that are empowered to act on behalf of the bank. This kind of training ensures that third parties are familiar with the bank's policies, procedures, and conduct expectations. Many times, it is useful to incorporate the training requirement into the governing contract to show that the training is a requirement that the bank takes seriously. Similarly, it can be helpful to include a training requirement in other documents, such as certifications that third parties must complete.

The content of the training should focus on risks most relevant to the third parties and should similarly focus on actions and conduct that could give rise to liability for the bank. The training should underscore the bank's zero tolerance for all types of bribery and corruption, describe the bank's expectations with respect to third parties, and highlight additional key policies, such as gifts and entrapment and the bank's approach to facilitation payments.

VIII. THIRD-PARTY RISK MANAGEMENT

Under many anti-corruption laws, banks can be legally responsible for the misconduct of third parties. If a third party acting on a behalf of a bank pays a bribe and the bank knew or should have known of the bribe – including by ignoring certain red flags that the third party might pay bribes – the bank can be held liable as if it actually knew of the bribe. As a result, it is important for banks to conduct risk-based due diligence on third-party agents, consultants, intermediaries, or others that act on their behalf. Such due diligence helps banks avoid working with questionable third parties. It can also serve as a mitigating factor or affirmative defense under some legal regimes if the third party pay a bribe despite the bank's best effort to avoid it.

Banks in Panama may retain third parties to assist with securing government licenses, participating in a government tender, identifying government-related customers, or seeking modification to a government concession agreement, among other purposes. While third parties are valuable resources, relying on third parties to interact with government officials presents heightened risk considerations that should be properly addressed.

- A. A comprehensive anti-corruption program, therefore, includes a mechanism for vetting, retaining, and monitoring these third-party intermediaries. It is important to note at the outset that not all third parties present the same level of risk. Certain third parties, depending on the services they are providing or their need to interact with government officials, may present a higher risk profile than other third parties. For that reason, it is helpful at the outset of a new third-party**

relationship to determine the risk presented and categorize third parties accordingly. Anti-Corruption Due Diligence

Prior to engaging third parties to interface with governments officials or government actors, banks should consider implementing a process to vet the third party. This due diligence process is important for several reasons: (i) it allows the bank to confirm the business rationale for retaining the third party; (ii) it provides the bank with an opportunity ensure that the third party does not have reputational or compliance-related red flags; (iii) it allows the bank to confirm that the third party has the necessary expertise to conduct the work for which it is retained; (iv) it provides the bank with information about the third party's relationships to government officials, if any; (v) the due diligence process also allows the bank to confirm that the third party's payment terms are appropriate and consistent with market value; and (vi) it helps the bank determine the level of risk that the third party presents.

The nature of due diligence expected is often deeper than the prohibited party screenings conducted pursuant to AML policies. For higher-risk third parties, banks are expected to perform thorough media and background checks, check public records, issue questionnaires to the third party, and check references of the third party.

To the extent that red flags are identified during the due diligence process, the bank may decide not to retain the third party or to consider implementing additional controls around the third-party relationship. For example, for third parties presenting particular risks, the bank may want to require additional certifications or representations in which the third party agrees to adhere to certain conduct expectations. For highest-risk third parties, banks may wish to provide compliance training or other training to ensure that the third party is aware of compliance risks. Depending on the nature of the red flags identified, banks may choose to terminate the preexisting relationship with the third party.

B. Responding to Red Flags

In hiring and working with third parties, banks should be sensitive to circumstances that signal corruption risks or suggest a reason to know of an illegal payment by a third party. Such circumstances are commonly referred to as red flags. The presence of red flags suggests a need for greater scrutiny and safeguards against potential misconduct. It does not necessarily mean that the relationship cannot go forward.

Red flags that warrant further investigation when selecting or working with a third party are varied and numerous. The following are a few examples:

- ▶ Excessive compensation, or compensation above the "going rate"
- ▶ Agreements that include only vaguely described services
- ▶ The third party is in a different line of business than that for which it is being engaged
- ▶ The third party has a flawed background or reputation
- ▶ The third party is a current or former government official (or owned/controlled by one)
- ▶ The third party has a close personal or family relationship, or a business relationship, with a government official or relative of such individuals

- ▶ The third party is suggested by a government official, particularly one with discretionary authority over the bank's work
- ▶ The third party objects to anti-corruption and anti-bribery compliance representations in agreements
- ▶ The third party requests unusual contract terms or payment arrangements that raise local law issues, such as payment in cash, payment in another country's currency, payment to an offshore bank account, or the third party is located in an offshore jurisdiction
- ▶ Due diligence reveals that the third party is a shell company or has some other unorthodox corporate structure
- ▶ The only qualification the third party brings is influence over government officials

In general, any fact that puts into question whether the third party is providing a necessary service at a reasonable market price is a red flag. If due diligence uncovers any red flags, such as those discussed above, more in-depth inquiry may be required.

Banks in Panama may already have a list of red flags in place in order to detect potential money laundering concerns. While there is overlap between red flags that may suggest money laundering and red flags that may suggest corruption concerns, it is important for banks to consider the differences and address them separately. Attached hereto as Appendix G is a list of common third-party red flags that may give rise to corruption concerns, as well as a list of red flags that may give rise to money laundering concerns.

Establishing this due diligence process is important to ensure that banks are transacting with reputable and trustworthy third parties. It may be equally important for a bank to establish some sort of repository or database of third parties that have successfully undergone the due diligence process. This serves to alert employees within the bank that, because of a successful due diligence screening, the bank can retain, contract, and pay the third party. Conversely, third parties that have not been successfully vetted are excluded from this list of database and that serves to notify employees of the prohibition of contracting with this third party.

C. Contractual Covenants, Representations, and Warranties

In addition to conducting due diligence on the third party, should the bank proceed with the engagement, the bank may wish to consider including certain compliance-related representations and warranties in the operative contracts. These covenants, representations, and warranties may include, for example, a provision stating that the third party has complied and will continue to comply with laws generally, stating that the third party has complied and will continue to comply with specific anti-corruption requirements, a statement that the third party has not and will not agree not to offer, authorize, or extend payments (or any other benefits) to government officials in exchange for a business advantage, and an agreement to allow the bank to audit the third party's books and records, if necessary. Additional representations and warranties may require third parties to agree to comply with the bank's Code of Business Conduct or Anti-Corruption Policy, among others. Attached as Exhibit E are examples of standard, anti-corruption covenants, representations, and warranties.

D. Ongoing Monitoring

In addition to conducting due diligence and imposing compliance-based requirements, the bank should establish a process of monitoring or overseeing third-party conduct. This monitoring process may include, for example, reviewing the third party's work to ensure that it is consistent with the contractual terms, ensuring that payment is made through appropriate means (*i.e.*, no cash payments) and properly recorded, meeting with the employee who "owns" the third-party relationship to ensure that there are no concerns about the work performed, meeting with the third party periodically to ensure an understanding of the bank's compliance concerns and expectations, exercising audit rights as necessary, and periodically refreshing the due diligence conducted.

To the extent that concerns or red flags are identified at any time during the lifecycle of the third-party relationship, including after contract execution, it is important that the bank be proactive in addressing and remediating the identified red flags.

E. Higher-Risk Third Parties

As discussed at the outset, there are certain categories of third parties that, by their virtue, present higher anti-corruption risk than other categories of third parties. These third parties tend to have responsibilities that require interacting directly with government officials and that interaction could give rise to additional risk. Higher-risk third parties, for example, may include:

- ▶ Sales intermediaries
- ▶ Any person or entity that interacts with government officials (including representatives of state-owned entities) on the bank's behalf (such as permitting agents, visa processors, lawyers, etc.)
- ▶ Any entity that is recommended or directed for use by government officials
- ▶ JV partners, business partners, or any person or entity in a consortium, partnership strategic alliance, or similar business relationship with the bank
- ▶ Any entity in which a government official or a relative of a government official holds a beneficial interest
- ▶ Any person who is a current government official or who is related to a government official up to the fourth degree of kinship

Similarly, third parties that subcontract work or projects may also increase the corruption-related risk for the bank. This is because the bank may have less visibility into the subcontracted party's identity, reputation, operations, and conduct. For this reason, many organizations prohibit the use of subcontractors and include provisions in the governing contract to that effect. Alternatively, banks could require that third parties immediately disclose the use of any contemplated subcontractor and provide the bank with information about the subcontracted parties. This gives the bank an opportunity to consider and evaluate the subcontractor, conduct appropriate due diligence, and assess and mitigate any risk presented by that subcontractor.

More generally, for higher-risk third parties, it may be helpful or beneficial to conduct a more in-depth review or due diligence process prior to engaging them and to require heightened monitoring practices or additional controls to mitigate or address the risk presented by their activities.

F. Transactional Activity

Banks in Panama may choose to expand their business and offerings by entering into JVs, acquiring or merging with another entity, or entering into similar business arrangements. This type of transactional activity can present anti-corruption risk because a bank can be liable for violations committed by companies with which it engages in partnerships or by companies that it acquires, even if the bank has no knowledge of these violations. To address this risk, banks may want to establish procedures that require the bank to conduct due diligence on acquisitions, mergers, and other corporate partnerships before a transaction is concluded to identify and analyze potential anti-corruption violations or risks. It is important for compliance personnel to be aware of these transactions in order to be able to determine the appropriate scope of the due diligence.

CASE STUDY: TRANSACTIONAL DUE DILIGENCE

Bank A has decided to acquire Bank B. After months of negotiations, the deal is in **the final stages**. At this advanced stage, the key business partners inform the Compliance department of the proposed transaction. The Compliance department quickly sets out to conduct due diligence on Bank B, but with limited time, the Compliance department is **unable to complete a thorough due diligence process**. Bank A, therefore, is closing the transaction **without knowing** about the risk it may be acquiring.

Key Lesson: Involve the Compliance department early and often when considering transactional activity.

IX. CONFIDENTIAL REPORTING

An important aspect of an anti-corruption compliance program is ensuring that employees and others have a mechanism through which to report concerns, allegations, or potential breaches of the Code of Business Conduct and Ethics and other compliance policies. A confidential or anonymous option whereby reporters can freely report misconduct without fear of retaliation is particularly critical. To that end, many organizations choose to establish an internal email address where reports can be filed or retain a third-party vendor to manage an anonymous reporting line. The reporting line need not be limited to use for confidential reports, but can also serve as a helpful and meaningful way for employees and others to ask questions and seek guidance about the compliance program and compliance expectations.

Banks should also ensure that the reporting mechanisms are regularly advertised throughout the organization to ensure that employees are aware of the reporting channels and how they can be used. This may include establishing a training program that specifically addresses the confidential reporting mechanism, describing the importance of using the confidential reporting mechanism, how appropriate use of the reporting line may help promote a culture of compliance within the organization, and the bank's

policy to protect whistleblowers who submit reports in good faith. The training program may also address appropriate and inappropriate uses of the reporting mechanism. Appropriate uses may include good faith concerns about violations of policies based on first-hand observation. Inappropriate uses may include grievances for interpersonal conflicts within the organization.

In addition to establishing the reporting mechanism, banks should establish a system whereby reports received are reviewed and promptly routed to the appropriate personnel. For example, workplace conduct concerns should be directed to the Human Resources department, anti-corruption-related allegations should be directed to the Compliance and Legal departments, and accounting-related concerns should be directed to the Audit committee. This allows the bank to ensure that reports requiring further review are properly investigated.

Finally, banks should track and monitor the reports that are submitted. This tracking process may include identifying the type of misconduct at issue, who was involved in the misconduct, the bank's response to the misconduct, and remedial action implemented. These reports can provide valuable information to the bank's compliance personnel and highlight patterns of misconduct and risk, and may be equally important for other stakeholders, such as the Board of Directors, to understand the types of misconduct commonly at issue.

X. INCENTIVES AND SANCTIONS

An important element of an effective anti-corruption compliance program is the establishment of incentives for compliance with and sanctions or disciplinary action for non-compliance with the program. The purpose of establishing this kind of system is to ensure that the bank is rewarding and incentivizing positive, compliance-focused behavior and deterring undesired conduct. The bank should also take steps to ensure that the compliance program is *consistently* enforced throughout the organization.

Incentives provide positive reinforcement and often serve to drive compliance and further encourage compliant behavior. The type of incentives and sanctions may look different at each bank. For example, certain banks may choose to include ethics and compliance as a metric during periodic employee performance reviews, ultimately tying compensation and promotion decisions to attention to compliance matters. The metric might serve to assess, for example, the employee's understanding of the program or the employee's general commitment to ethics and compliance.

The other side of the spectrum concerns sanctions and disciplinary action for employees who have violated or breached compliance expectations, as set forth in the various policies and procedures. Sanctions can vary widely, depending on the conduct at issue, and can range from warnings to economic repercussions to termination. The sanction imposed should be commensurate with the breach or violation and should be applied consistently throughout the bank. This means that employees in different roles, regardless of seniority, would receive a similar sanction for similar misconduct.

To establish an incentives and disciplinary program, it may be helpful to create a committee of relevant stakeholders, such as members of the Compliance and Human Resources departments, that can review recommendations for disciplinary action and can ensure that incentives and sanctions are appropriate and consistently applied.

XI. INVESTIGATIONS

Once the bank learns of potential misconduct or breaches of its policies, through whatever mechanism, it is important for the bank to determine whether an investigation is necessary. The bank should consider which potential violations warrant investigation compared to the ones that do not require in-depth review. For example, reports concerning fraud, conflicts of interest, and potential bribes to or improper interactions with the government should be escalated and investigated. To that end, it may be helpful for the bank to establish an investigations procedure outlining the characteristics or concerns warranting further review and the type of such review.

A. Investigation Characteristics

To the extent the bank believes it is necessary to conduct an investigation, the investigation should be independent and objective. Moreover, the investigation should be prompt and substantive and focus on identifying broader control failures or system vulnerabilities. Importantly, the investigation should be "properly scoped" to allow for a full review of the issues raised and any potentially adjacent concerns.

B. Determining Who Should Conduct the Investigation

When a decision is made to investigate a report of misconduct, the bank should consider who is best positioned to conduct the investigation. It is important to consider the nature of the allegations, whether internal personnel can objectively and independently review the allegations, or whether it would be prudent to call upon external actors to assist with the review. A number of factors may be considered when determining who should conduct the investigation, including: (i) the resources required for the investigation and which party has the available resources; (ii) the potential investigator's ability to conduct an independent investigation; (iii) how ensure that any applicable professional secret is established and attorney-client privilege is maintained throughout the course of the investigation (for example, in the U.S., it is often advisable for attorneys to lead investigations to ensure that the materials generated in connection thereto are subject to the professional privilege applicable to attorney work – this helps to prevent disclosure of the investigation and investigative materials to third parties); and (iv) whether particular expertise is needed to conduct the investigation.

C. Determining How to Properly Scope the Investigation

It is important for investigations to be properly scoped. They should thoroughly address the concerns at issue and avoid being too narrow or too expansive. The first step is often to identify the various issues outlined by the report. Next, it is helpful to consider how to collect the evidence that will shed light on the issues. Gathering evidence may require review of documentation and interviewing witnesses. In other instances, it may be helpful to conduct forensic testing and track the flow of funds. Each investigation is different, should be evaluated on a case-by-case basis, and tailored to the issues identified.

D. Responding to Identified Misconduct

Once the investigation is completed, it is important to review the results of the work performed to identify the underlying causes of the conduct (often referred to as root-cause analysis) and whether the misconduct was the result of systemic weaknesses or vulnerabilities. It is equally important to consider

appropriate remedial action aimed at decreasing the likelihood of recurrence and to address directly the "root cause" of the misconduct. For example, it may be necessary to implement additional internal controls or perform additional trainings to ensure that employees understand the requirements under the compliance program.

It may also be necessary to take disciplinary action against bad actors. Disciplinary action can vary from a warning to required attendance at a targeted training session to economic sanctions to termination. Disciplinary action should be proportional to the severity of the misconduct and should be applied consistently throughout the organization.

XII. ONGOING MONITORING AND TESTING

An effective anti-corruption compliance program is committed to constantly improving, enhancing, and adapting to new risks and challenges. As with all businesses, the bank's business and operations may change over time, as well as the legal and regulatory environment in which the bank operates. These changes can give rise to new risks and circumstances. It is therefore important for bank leaders and compliance personnel to ensure that the compliance program is up-to-date and remains current and responsive to the risks that the bank faces. The compliance program should be a living program that does not grow stale.

To ensure that the compliance program is responding in real-time to the bank's circumstances, it is important to establish a process of periodic review of the effectiveness of the program to determine if any changes are necessary. Periodically evaluating the compliance program can take different forms and compliance personnel can rely on several sources of information to evaluate program effectiveness.

- ▶ **Internal Audits:** Internal audits can provide additional information and insight into the bank's internal controls environment and can leverage expertise from other departments. To that end, it may be prudent for the compliance and internal audit functions to collaborate and jointly establish a schedule of internal audits that can be used by the compliance program to identify areas requiring enhanced controls.
- ▶ **Ongoing Risk Assessments:** Ongoing risk assessments can help identify new or changed risks facing the institution. They can inform compliance personnel of changes to the business and its operations that might require modified controls.
- ▶ **Review Collected Data:** Data collected from hotline reports and internal investigations, among other compliance initiatives, can help provide valuable information regarding the risks and challenges the bank is facing. They may highlight patterns or misconduct of other system failures. Reviewing these materials periodically can help the bank identify recurring themes or other signs of misconduct which informs the need for compliance improvements or enhancements.
- ▶ **Surveys:** Employee surveys provide input into employee perceptions of the compliance program and the culture of compliance with the organization. Periodically circulating surveys and receiving input can also help ensure that compliance has been integrated into the fabric of the bank.
- ▶ **Transaction Testing:** Reviewing a sample of potentially high-risk transactions can be another useful tool when evaluating the effectiveness of the anti-corruption compliance program. When

testing transactions for potential anti-corruption risk, the focus of testing typically centers on any links to government officials and whether the recipient (or the beneficial owners of a corporate recipient) have any links to the government. This differs from transaction testing conducted for AML purposes. AML testing tends to focus on the reason or legitimacy of the transaction and the source of funds.

These types of reviews can be performed periodically and continuously to enable the bank to make necessary changes to keep compliance programs relevant and effective.

As a bank is conducting its ongoing monitoring and evaluating the effectiveness and completeness of its compliance program, it may be useful to benchmark the existing compliance program with the checklist included as Appendix F. This checklist includes the key components of an anti-corruption compliance program and can be used to identify potential gaps in the bank's existing compliance program.

CASE STUDY: EFFECTIVE COMPLIANCE PROGRAMS

Bank A has reviewed its business practices and has determined that it has **many PEPs as clients**. It also recognizes that it **relies heavily on third parties** who have "influence" with the local government. Compliance personnel have identified these risks, documented their findings, and have **developed policies targeted at these issues**. These policies include, for example, focusing on third-party due diligence and monitoring of PEPs.

Bank B does not have a system in place to monitor its business practices and, as a result, is **not familiar with the corruption-related risks it may be facing**. Instead, it continues to focus on AML compliance. As a result, Bank B has greater exposure to potential corruption violations.

Key Lesson: Respond to the risks identified by focusing on those risks and developing a program aimed to mitigate those risks.

XIII. COLLECTIVE ACTION AND INTEGRITY PACTS

As banks consider, design, implement, or enhance their anti-corruption compliance programs, they should consider opportunities for ongoing external engagement and collective action as ways to obtain additional support and understand standards for effective compliance programs in the industry. Collective action focuses on the challenges that individual banks may be facing by acting in a cooperative manner. For many companies and banks operating in the same sector, it can be beneficial to communicate about compliance efforts and initiatives. Collective action creates a forum through which compliance officers of banks can interact on substantive issues and allows for sector-wide accountability. Integrity pacts can also ensure a consistency in compliance expectations within the broader market, to avoid an unevenness or an inconsistency in compliance expectations from bank to bank.

This kind of collective action can take various forms. Integrity pacts tend to be based on common integrity rules shared among the participating banks. They may establish an integrity pact through which participating banks publicly agree to refrain from bribery, corruption, and other forms of misconduct and

to work together to share compliance-related advice and support. Attached hereto as Appendix H is an example of an integrity pact.

These types of collective action initiatives can have concrete benefits. They enable participants to benchmark compliance programs elements across the industry and identify key information about those programs, such as the number of banks that have a standalone anti-corruption policy, the number of banks that have externally published their anti-corruption policy, banks' approaches to third party integrity due diligence practices, and common pre-approved hospitality value threshold amounts under which bank personnel can incur expenses on government officials. Banks can utilize these fora to share information about emerging risks in the industry. This kind of collective action and external engagement is particularly beneficial as banks begin implementing their programs to ensure that program elements are commensurate with market practices and expectations.

For collective action to be effective, banks need to be transparent and open about their compliance programs and trust other banks in the sector. Transparency is critical to the collective action effort and banks should be prepared to share information, such as their own policies and statistics about their compliance programs to benefit from the collective action and feedback.

In practice, this means that banks will sign an agreement to memorialize and confirm their commitment to compliance. In addition, compliance representatives from banks can meet periodically to discuss certain relevant topics relating to the compliance programming and risks that banks are facing and share data and information. These discussions and information-sharing practices can give rise to an exchange of ideas and to more consistent approaches to mitigation strategies throughout the industry.

APPENDIX A: THIRD PARTY BUSINESS JUSTIFICATION FORM

(To be completed by the relevant bank employee)

This form is intended for use in obtaining appropriate approval **prior** to engaging any third party (Candidate) for or on behalf of bank (the Company). This form should be completed by the bank employee who proposed or is responsible for dealing with the Candidate. This form should be populated with the most complete and accurate information available. Please consult the Chief Compliance Officer (CCO) for more guidance regarding this process if needed.

IDENTIFYING INFORMATION			
Third Party Candidate			
Address			
Telephone		Website	
Email		Contact	
Type of Business			

PRELIMINARY CLASSIFICATION		
<input type="checkbox"/> LEVEL I (LOW RISK) <ul style="list-style-type: none"> • Private suppliers, vendors and other service providers that do not interact with others on the bank's behalf and are not affiliated with a Government Official¹ • Professional services providers, such as law firms and tax practitioners that have no more than clerical interactions with government/Government Officials • BUT NOT Third Parties that: (a) may interact with government entities or Government Officials on the bank's behalf; (b) will be paid fees or commissions totaling \$75,000 or more; or (c) have red flags associated with them. 	<input type="checkbox"/> LEVEL II (MEDIUM RISK) <ul style="list-style-type: none"> • Processing, logistics, and manpower services providers that may interact with others on the bank's behalf, such as immigration agents, licensing consultants, customs brokers, freight forwarders, and transportation companies • Third Parties with red flags 	<input type="checkbox"/> LEVEL III (HIGH RISK) <ul style="list-style-type: none"> • Lobbyists, consultants, agents or other Third Parties that may interact with government entities or Government Officials on the bank's behalf, such as a consultant engaged to secure a crucial government license/registration • Third Parties that represent the bank in tender or bid processes with government entities • Third Parties that represent the bank before the government in legal or regulatory disputes • Third Parties owned, directly or indirectly, by government entities, Government Officials or former Government Officials • Third Parties with red flags

¹The term "Government Official" is defined in full in the bank's Anti-Bribery and Corruption Policy. In brief, the term includes: an employee, official or representative of a government body, agency or instrumentality, including a state-owned or controlled commercial enterprise; an employee or official of public international organization; a political party official; a candidate for political office; or the family member of any of the aforementioned (collectively, Government Official).

BUSINESS INFORMATION

Type of services or products to be provided by the Candidate:

Will the Candidate interact with government entities or Government Officials?	<input type="checkbox"/> No	<input type="checkbox"/> Yes. If yes, describe below:	
Proposed term of relationship:		Proposed compensation:	

SELECTION PROCESS

Why would the Candidate's service be valuable to the Company?			
How did you locate the Candidate?	Suggested by: <input type="checkbox"/> Company employee? <input type="checkbox"/> Government Official? <input type="checkbox"/> Other?		
Why did you select the Candidate?			
What other candidates did you consider? If none, why were no other candidates considered?			
How did you arrive at the proposed compensation?			
How does the proposed compensation compare to other similar transactions in this country/area by:	The Company?	Other organizations?	

OWNERSHIP/RELATIONSHIP/REPUTATION

To your knowledge, is this Candidate:

if a company, owned (wholly or partly) or controlled by a Government Official or a close relative of an official?	<input type="checkbox"/> No	<input type="checkbox"/> Yes. Please give details:
if an individual, a Government Official, a close relative of a Government Official or a former Government Official?	<input type="checkbox"/> No	<input type="checkbox"/> Yes. Please give details:
Have you inquired of the Candidate whether any of its owners, directors, officers or employees are themselves Government Officials or otherwise related to or affiliated with Government Officials?	<input type="checkbox"/> No	<input type="checkbox"/> Yes. Please give details:

What is the Candidate's reputation? On what basis have you formed this opinion?

Has the Candidate engaged in business with government entities or Government Officials on other occasions?
--

<input type="checkbox"/> No

<input type="checkbox"/> Yes. If so, please describe any inquiries you have made regarding the Candidate's reputation in those dealings (including information learned).
--

Please describe any reference checks or other "due diligence" performed on the Candidate; please also attach any background information you have on the Candidate.

CERTIFICATION

To the best of my knowledge, all information set forth in this Third Party Business Justification Form is correct and complete and does not omit any fact that might be important to the Company's evaluation of the qualifications, reputation, and associations of the Candidate.

Signed [Name and Title]:

Dated:

NEXT STEPS

Once completed, this form and, if necessary, the **Third Party Due Diligence Questionnaire** (completed by the Candidate) should be submitted to the CCO along with all supporting documents.

APPENDIX B: THIRD PARTY DUE DILIGENCE QUESTIONNAIRE

(To be completed by the proposed third party)

As part of the compliance of the bank, its affiliates and subsidiaries (the Company) with applicable anti-bribery, corruption, and economic sanctions laws, the Company requires due diligence on all third parties that conduct business or provide services on the Company's behalf (the Third Party or Third Parties). Such due diligence must be conducted before the relationship with any Third Party commences or services are provided by any Third Party. Part of the Company's due diligence is to request that all Third Parties provide specific information about their business. Accordingly, you are requested to complete the following questionnaire (the Third Party Due Diligence Questionnaire) fully and completely and return the completed questionnaire to your contact at the Company. Please also sign the affirmation of accuracy and responsibility (the Affirmation), attached to this Third Party Due Diligence Questionnaire.

If there is insufficient space in this Third Party Due Diligence Questionnaire for your response, please attach as many additional sheets of paper as necessary and include those extra sheets in your response. It is important to provide answers that are as complete as possible. Incomplete or vague responses will delay the approval process for the engagement of the Third Party by the Company.

If you have any questions about this Third Party Due Diligence Questionnaire, please contact your relevant contact at the Company.

A. GENERAL INFORMATION

1. Name of Business: _____
2. Name of Business Owner(s)/Principal(s): _____

3. Business address: _____

4. Business telephone: _____
5. Business facsimile: _____
6. Business email address: _____
7. Any other trade names or business names used by the Third Party over the last seven years:

8. Identity of Business's bank: _____

-
9. Business's bank address: _____
-
-
10. Currency of account held at Business's bank: _____

B. BUSINESS INFORMATION

1. Describe briefly the nature and history of your business: _____
-
-
2. If you are an individual/independent worker/sole proprietorship, please provide a curriculum vitae. If your business is a corporate entity or other organization, please provide a copy of your commercial registration and charter documents for the country in which you are incorporated/registered **and** for the country of intended business activity on behalf of the Company. Please indicate if the requested materials are attached: ☐ Yes ☐ No (If no, please explain why)
3. Please state number of business employees (both at your head office and overall) and include an organizational chart for your business: _____
-
4. Your principal lines of business, including products represented: _____
-
5. Specific services to be provided to the Company: _____
-
-
6. Any anticipated interactions with government entities (government departments, ministries, agencies, legislatures, political parties, or government-owned companies) or officials of such entities (employees, elected or appointed officials) on the Company's behalf: _____
-
-
7. Business locations other than business address provided above: _____
-

-
8. List of all subsidiaries and affiliates in countries in which you will be performing work for the Company: _____
- _____
- _____
9. Is the approximate annual revenue in the past five years (or if your business is a new venture, estimated turnover/revenue for the next business year) for your business less than US\$100,000; between \$100,000 and \$500,000; or more than US\$500,000?: _____
- _____
10. Do you plan to use any other parties (sub-contractors, consultants, venture partners, business associates, etc.) to provide services related to the proposed agreement with the Company? If yes, please identify each other party and detail the role/function it will perform: _____
- _____
11. List all previous or current relationships, if any, that you, your employees, or your business have with the Company: _____
- _____

C. BUSINESS OWNERSHIP AND MANAGEMENT

1. Are you a publicly held company? ☐ YES ☐ NO
- a. If YES, please provide a copy of your most recent public filing showing your company's shareholders, partners, and owners including any indirect or ultimate beneficial owners.
- If the public filing does not list major shareholders (*i.e.*, those holding more than 5% of your company's outstanding voting shares), or indirect or ultimate beneficial owners, please provide that information along with their respective nationality and country of current residency.
- _____
- _____
- _____
- b. If NO, please provide the full name, nationality, and country of current residency of each of your direct and indirect owners and partners, including ultimate beneficial owners and partners. If any of your shareholders is a company, please provide that company's direct and indirect owners, including any ultimate beneficial owners.
- _____

2. Please provide the full name, nationality, and country of current residency of each member of your board of directors or other supervisory board.

3. Please provide the full name, title, and nationality of each person who will be performing services for the Company under the proposed agreement.

4. Do any of the persons listed in response to Question C.3., above, hold a position as director, officer, or other management position with any other company or entity?

☐ YES ☐ NO

- a. If YES, please provide, for each person, the name of each company and the title of the position held.

5. Please identify the ultimate beneficial owner(s) (UBOs) of the Company.

D. GOVERNMENT AFFILIATIONS

NOTE—For purposes of the following questions, the following definitions shall apply:

Government Entity means (i) any department, ministry, agency or body of any national, regional or local government; (ii) any government instrumentality, including any business or entity that is owned wholly or partially or otherwise controlled by the government (for example, state-owned banks); (iii) any public international organization such as the United Nations or World Bank; and (iv) any political party.

Government Official means: (i) any employee or official of a Government Entity; and (ii) any candidate for political office.

1. Are any persons identified in response to Questions C.1., C.2., or C.3. (or any close family members of such persons) any of the following:
 - a. A current Government Official? ☐ YES ☐ NO
 - b. A person who formerly was a Government Official at any time during the previous five years? ☐ YES ☐ NO
 - c. Currently involved in any business relationship, including acting as a Third Party or consultant for, or holding common ownership of any business enterprise or partnership with, any current Government Official (or close family member of a Government Official)? ☐ YES ☐ NO
 - d. In a position to exercise direction or influence over the purchasing decisions of any Government Entity? ☐ YES ☐ NO
2. If any response to Questions D.1.a. through D.1.d. is YES, please provide the following information:
 - a. The name of the Government Official and/or the full name of the Government Entity.

A description of the Government Official's responsibilities.

- - b. The dates of the Government Official's service with respect to the Government Entity.

- c. Are the individuals identified in the response to Question D.2.a. permitted under local law to perform services on behalf of the Company?
☐ YES ☐ NO

E. ECONOMIC SANCTIONS

1. Are any persons identified in response to Questions C.1., C.2., or C.3. any of the following:
 - a. Included on the Specially Designated Nationals and Blocked Persons List ("SDN List") maintained by the U.S. Department of Treasury, Office of Foreign Assets Control ("OFAC") or 50 percent or more owned, directly or indirectly, by persons included on the SDN List? ☐ YES ☐ NO
 - b. Included on the Sectoral Sanctions Identifications List ("SSI List") maintained by OFAC or 50 percent or more owned, directly or indirectly, by persons included on the SSI List? ☐ YES ☐ NO
 - c. Included on any other lists of restricted parties maintained by relevant economic or trade sanctions authorities, including but not limited to: United Nations Security Council; the Department of Commerce, Bureau of Industry and Security ("BIS"); the U.S. Department of State; or equivalent authorities of any relevant jurisdiction? ☐ YES ☐ NO
2. If any response to Questions E.1.a. through E.1.c. is YES, please provide the following information:
 - a. The name of the individual and/or the full name of the entity.

 - b. A description of the restricted party list(s) on which the individual and/or entity appears.

 - c. The date on which the individual and/or entity was added to the restricted party list(s).

 - d. The role the individual and/or entity has at your company, including any legal or intermediate ownership interest.

3. Do you currently engage in any business, partnership, or joint venture with any individual or entity that is: included on the SDN List or SSI List; 50 percent or more owned, directly or indirectly, by individuals or entities included on the SDN List or SSI List; or included on any list of restricted parties maintained by OFAC, BIS, the U.S. Department of State, or equivalent authorities of any relevant jurisdiction?
☐ YES ☐ NO

- a. If YES, please describe, for each person, the name of the individual and/or entity and the nature of your business with each.

F. COMPLIANCE WITH APPLICABLE LAWS

1. During the past five years, has your company been involved in or the target of any government investigation, inquiry, or audit involving anti-bribery or anti-corruption laws, or filed any disclosure to the government of actual or potential violations of anti-bribery or anti-corruption laws? ☐ YES ☐ NO

If YES, please describe the specific matter and whether/how the issue was resolved.

2. Have you or your company, or any officers, directors, shareholders or employees of your company, been investigated or charged with any offense including bribes, corruption, kickbacks, money laundering, or conflicts of interest?

If YES, please provide details.

3. Are you or your company aware of any actual or potential violations of applicable anti-bribery or anti-corruption laws by your company, its employees or officers, or any affiliates or third parties? ☐ YES ☐ NO

If YES, please provide details.

4. Are you or your company aware of any actual or potential violations of applicable economic sanctions laws by your company, its employees or officers, or any affiliates or third parties? ☐ YES

☐ NO

If YES, please provide details.

5. Does your company have any codes of conduct, anti-bribery/anti-corruption compliance manuals or guidelines, a formalized system of accounting controls, or any other compliance-related policies, whether formally adopted or informal, applicable to your company and its employees? ☐ YES ☐ NO

If YES, please provide a copy of any such documents.

G. REFERENCES

Please provide the names and contact information for at least three commercial references.

Reference 1

Company/business name: _____

Individual contact: _____

Address: _____

Telephone: _____ Fax: _____

Email: _____

Reference 2

Company/business name: _____

Individual contact: _____

Address: _____

Telephone: _____ Fax: _____

Email: _____

Reference 3

Company/business name: _____

Individual contact: _____

Address: _____

Telephone: _____ Fax: _____

Email: _____

H. AFFIRMATION

Please sign and return the Affirmation provided on the following page.

AFFIRMATION

By signing below, I affirm the following:

All information submitted in this Third Party Due Diligence Questionnaire response, including information in all attachments and exhibits thereto, is complete and accurate;

I agree to provide any and all notices and to obtain any and all consents from individuals and entities that I identify in the Third Party Due Diligence Questionnaire response for the purpose of sharing information with the Company and for the purposes described in the Third Party Due Diligence Questionnaire;

I expressly consent to the transfer of the information provided in the Third Party Due Diligence Questionnaire response, including personally identifiable information, to a jurisdiction that may not provide equivalent privacy protection as the laws in my home country;

I expressly authorize the Company to take such steps as the Company considers necessary to verify the information provided in connection with the Third Party Due Diligence Questionnaire; and

I understand that the provision of false or misleading information in connection with the Third Party Due Diligence Questionnaire may result in termination of any relationship that may develop in the future between my company and the Company and that the Company reserves such other remedies and rights as may be appropriate should such termination occur.

I acknowledge that I have the authority to sign this Affirmation on my company's behalf.

Name of Certifying Official

Title

Signature

Date

APPENDIX C: THIRD PARTY DUE DILIGENCE CHECKLIST

(To be completed by the bank Employee/Officer proposing Third Party)

This form is intended to assist the CCO in reviewing proposed Third Parties (or Candidates) covered by the bank's (the Company) Anti-Bribery and Corruption Policy. Prior to completing this form, review the completed Appendix A: Third Party Business Justification Form, Appendix B: Third Party Due Diligence Questionnaire, and any attachments, reference checks, and/or background reports.

IDENTIFYING INFORMATION			
Candidate Name			
Category of Third Party	<input type="checkbox"/> Level I (Low Risk) <ul style="list-style-type: none"> Private suppliers, vendors, and other service providers that do not interact with others on the bank's behalf and are not affiliated with a Government Official² Professional services providers, such as law firms and tax practitioners that have no more than clerical interactions with government/Government Officials BUT NOT Third Parties that: (a) may interact with government entities or Government Officials on F the Bank's behalf; (b) will be paid fees or commissions totaling \$75,000 or more; or (c) have red flags associated with them. 	<input type="checkbox"/> Level II (Medium Risk) <ul style="list-style-type: none"> Processing, logistics and manpower services providers that may interact with others on the bank's behalf, such as immigration agents, licensing consultants, customs brokers, freight forwarders, and transportation companies Third Parties with red flags 	<input type="checkbox"/> Level III (High Risk) <ul style="list-style-type: none"> Lobbyists, consultants, agents or other Third Parties that may interact with government entities or Government Officials on the bank's behalf, such as a consultant engaged to secure a crucial government license/registration Third Parties that represent the bank in tender or bid processes with government entities Third Parties that represent the bank before the government in legal or regulatory disputes Third Parties owned, directly or indirectly, by government entities, Government Officials or former Government Officials Third Parties with red flags
Bank Employee Sponsor			
Approver			

²The term "Government Official" is defined in full in the bank's Anti-Bribery and Corruption Policy. In brief, the term includes: an employee, official or representative of a government body, agency or instrumentality, including a state-owned or controlled commercial enterprise; an employee or official of public international organization; a political party official; a candidate for political office; or the family member of any of the aforementioned (collectively, Government Official).

REFERENCES

Contact at least two references provided by the Candidate and provide comments below:

Reference	Date(s) Contracted	Comments

BACKGROUND

Indicate which of the following reports/inquiries were completed, and attach reports:

*Initial Due Diligence (Level I Requirements for **All** Candidates)*

- ☐ Completed Third Party Business Justification Form
- ☐ Screened government restricted party lists
- ☐ Inquired whether any of Candidate's key personnel are Government Officials
- ☐ Conducted basic online media search of the Candidate and its key personnel for information about the Candidate's past activities and/or government affiliation
- ☐ Conveyed anti-corruption compliance expectations to Candidate (via written compliance commitments)

Additional Requirements for Level II Candidates (as Deemed Appropriate by CCO Based on Specific Risks Presented)

- ☐ Secured completed Third Party Due Diligence Questionnaire from Candidate
- ☐ Depending on risks identified during initial due diligence and on Candidate responses to Third Party Due Diligence Questionnaire, CCO may direct Employee Sponsor to undertake one or more of the following:
 - ☐ Check business references provided by Candidate
 - ☐ Conduct local governmental records searches (e.g., corporate registries, credit reports, bankruptcy and litigation records)
 - ☐ Site visit (or other evidence of the Candidate's legitimate operations)
 - ☐ Conduct interview of Candidate
 - ☐ Additional requirements based on red flags:

Additional Requirements for Level III Candidates (as Deemed Appropriate by CCO Based on Specific Risks Presented)

- ☐ Any additional requirements based on red flags:

CHECKLIST

Any negative references?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is any of the information provided by the Candidate inaccurate or suspicious (<i>e.g.</i> , no local business registration; no letterhead; third party email address; irregular business hours; address same as home address; frequent address or number changes; "shell" offices or website; aliases or fictitious names; other red flags)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the Candidate listed on any government restricted lists?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the proposed compensation unreasonable or outside the normal range for the same country and services (<i>e.g.</i> , high costs; payments made through third parties; use of offshore accounts; or in cash)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the Candidate lack the qualifications to perform the services (<i>e.g.</i> , lacks licenses or sufficient staffing, technical resources, or expertise)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are there any negative financial indicators or conditions (<i>e.g.</i> , recent bankruptcies, poor bank references, poor credit ratings)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the Candidate have a relationship to current or former (within the last five years) government officials or any government entities?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the Candidate unwilling to make representations and covenants about anti-corruption compliance and make anti-corruption compliance certifications as requested by the Bank?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the draft contract with the Candidate lack appropriate anti-corruption terms?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

If you answered **yes** to any of the above, identify the basis for the response and, where applicable, explain why the Company should nevertheless consider entering a relationship with the Candidate (including any mitigating factors):

To the extent not addressed above, describe any other negative information:

EMPLOYEE/OFFICER RECOMMENDATION

Based on the information outlined above, we recommend ☐ approving / ☐ rejecting the proposed relationship with the Candidate for purposes of anti-corruption compliance due diligence for the reasons outlined below:

[APPROVER] SIGNATURE:		DATE:	
NAME/TITLE:			
[APPROVER] SIGNATURE:		DATE:	
NAME/TITLE:			

[APPROVER] SIGNATURE:		DATE:	
NAME/TITLE:			

CCO RECOMMENDATION

Based on the information outlined above, I ☐ approve / ☐ reject the proposed relationship with the Candidate for purposes of anti-corruption compliance due diligence.

CCO SIGNATURE:		DATE:	
NAME/TITLE:			

APPENDIX D: GIFTS AND ENTERTAINMENT APPROVAL FORM³

(to be completed by the relevant bank employee)

In accordance with the Anti-Bribery and Corruption Policy ("Policy"), bank Personnel must submit this form to the Chief Compliance Officer ("CCO") or the CCO's designee in connection with giving anything of value (including gifts, meals, entertainment, travel, and other similar activities and expenses, as described in the Policy) to a Government Official (as the term is defined in the Policy). The Policy sets forth the circumstances under which this form is required, including **the monetary limits and other conditions under which CCO pre-approval is required** before an expense can be incurred or hospitality received. If you anticipate a scenario that may require CCO pre-approval, you should contact the CCO early in the process to ensure that a thorough review may be conducted in a timely manner.

Below please describe each proposed expense or receipt in reasonable detail that accurately and fairly reflects all requested and relevant circumstances (if you need more space or have supporting documentation, please attach additional pages to this Form). Fill out a separate page for each anticipated expense, unless the recipients are part of a group from the same country and with the same non-U.S. entity/organization.

REQUESTOR INFORMATION			
Request date			
Name			
Position		Department	

EXPENSE AND RECIPIENT (OR PROVIDER) DETAILS			
Description of payment or expense (including the nature of the gift, meal, entertainment, travel, or other hospitality):			
Approximate value		Date of proposed expenditure	
Will this be provided or received?		Was the proposed payment or expense requested by the recipient (provider)?	
Recipient's (provider's) name			
Recipient's (provider's) nationality		Recipient's (provider's) official capacity/job	
Does the Bank currently have or expect to have business (including any authorizations, such as permitting requests) before the recipient (provider) or his/her government department? (if 'Yes,' please provide details.)			

³ In many instances, Human Resources is responsible for this process, but it depends on each organization's policies.

Other party(ies) involved	
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Reason for payment or expense:

CCO REPORT

Date request received	
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CCO's RECOMMENDATION

Approve	Reject	Modify (see below)
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☐☐☐

ANALYSIS

OTHER COMMENTS

CCO CERTIFICATION

Signature:	Date:
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APPENDIX E: MODEL ANTI-CORRUPTION CLAUSES

The following are anti-corruption compliance provisions that may be incorporated into agreements with any third party that may interact with government officials on behalf of the Bank. This document also contains additional specific provisions that might be incorporated into agreements with consultants, lobbyists, and other government affairs representatives. All provisions might not be necessary for each engagement. Consult with the relevant [compliance personnel] on any questions that arise during the contracting process.

I. Definitions Section of the Agreement

- ▶ **Anti-Corruption Laws.** For purposes of this Agreement, "Anti-Corruption Laws" include: (i) [Relevant Country]; (ii) the U.S. Foreign Corrupt Practices Act (FCPA); (iii) the U.K. Bribery Act of 2010 (UKBA); and (iv) the laws, rules, and regulations relating to bribery, corruption, or improper influence in the countries of each PARTY's place of incorporation, principal place of business, place of registration or in the countries of such PARTY's ultimate parent company's place of incorporation, principal place of business, or place of registration as an issuer of securities.
- ▶ **Government Official.** For purposes of this Agreement, a "Government Official" includes all officers, directors, employees, appointees, and other representatives of a government department, agency, or instrumentality, whether in the executive, legislative, or judicial branch of government and whether at the national, state/provincial, or local level (or their equivalent). The term includes the officers, directors, employees, appointees, and other representatives of companies under government ownership or control, even if those companies are operated like privately owned corporations. The term also extends to political parties, party officials, candidates for political office, members of royal families, and employees of public international organizations such as the World Bank and United Nations. Finally, the term covers part-time workers, unpaid workers, any person "acting in an official capacity," and, in certain cases, the immediate family of a Government Official.
- ▶ **Related Party or Related Parties.** For the purposes of this Agreement, "Related Party" shall mean any owner (including any principal, shareholder, or other person or entity having a direct or indirect financial interest), officer, director, partner, principal, employee, agent, or any other person or entity, directly or indirectly, controlling, controlled by, or under common control with, the THIRD PARTY.

II. General Compliance with Law

- ▶ THIRD PARTY [and any Related Parties] represents and warrants that, in connection with this Agreement and the transactions contemplated thereunder, it will take no action that would be in violation of, or would subject the Bank to any liability for, or penalty under, the applicable laws and regulations of any country, including the United States, the United Kingdom and [Host Country].
- ▶ THIRD PARTY [and any Related Parties] shall comply with [Applicable Law], the Anti-Corruption Laws, and the laws, rules, and regulations of any other jurisdiction which are or may be applicable

to the Bank's business and the activities of THIRD PARTY in connection with this Agreement, including all laws, rules, or regulations applicable to or dealing with improper or illegal payments, gifts, or gratuities.

III. Anti-Corruption Compliance

- ▶ During the term of this Agreement, THIRD PARTY [and any Related Parties] will comply with all applicable Anti-Corruption Laws, including the FCPA and UKBA. THIRD PARTY [and any Related Parties] shall not, directly or indirectly, pay, give, offer, promise, or authorize the payment of money or anything of value to or for the benefit of any person, including but not limited to Government Officials (as defined in [Clause X]), to corruptly influence any act or decision of such person, cause such person to act or fail to act in violation of his or her lawful duty, or cause such person to improperly influence an act or decision of another person or entity for the purpose of obtaining or retaining business or gaining any other improper advantage in connection with this Agreement.

IV. Awareness of and Compliance with Bank Policy

- ▶ THIRD PARTY [and any Related Parties] represents that it has received a copy of the Bank [Anti-Corruption Policy] and that it has provided copies of same to THIRD PARTY employees [or any Related Parties] who will be performing Services hereunder, and such employees have read and agree to perform Services subject to the contents of the [Anti-Corruption Policy]. Further, THIRD PARTY [and any Related Parties] warrants that its aforementioned employees will comply with these requirements in performing all activities undertaken pursuant to this Agreement.

V. Books and Records/Auditing

- ▶ THIRD PARTY [and any Related Parties] agrees to make and keep books, records, and accounts pertaining to this Agreement which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of THIRD PARTY in connection with this Agreement. The term "reasonable detail" means such level of detail as would satisfy prudent officials in the conduct of their own affairs.
- ▶ THIRD PARTY [and any Related Parties] shall devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances to the Bank that:
 - Transactions are executed in accordance with management's general or specific authorization
 - Transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with generally accepted accounting principles (GAAP) or any other criteria applicable to such statements, and (ii) to maintain accountability for assets
 - Access to assets is permitted only in accordance with management's general or specific authorization
 - The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences

The term "reasonable assurances" here means such degree of assurance as would satisfy prudent officials in the conduct of their own affairs.

- ▶ The Bank and its duly authorized representatives shall have the right to access, audit, review, and copy, whether or not assisted by independent certified public accountants (CPAs) and/or other professional advisors, the books of account and accounting records maintained by THIRD PARTY [and any Related Parties], to the extent they are relevant to this Agreement. The access, review, and audit of these books and records shall be reasonable as to scope, place, date, and time.
- ▶ THIRD PARTY [and any Related Parties] shall fully and in a timely manner cooperate in any audit or review conducted by or on behalf of the Bank pursuant to [Clause X], including by providing access to its premises, books of account, and accounting records, responding accurately and completely to all inquiries, and providing any requested documents. Further, THIRD PARTY agrees to be fully responsible for the timely payment of all fees and expenses in connection with such audit or review in the event such audit or review reveals that there has been a breach of this Agreement. THIRD PARTY [and any Related Parties] understands that failure to fulfill the obligations in this Clause will give the Bank the option to withhold payments under the Agreement or to immediately terminate this Agreement pursuant to [Clause X].

VI. Certifications

- ▶ THIRD PARTY [and any Related Parties] will provide the Bank with such further assurances or certificates that the Bank may from time to time request during the term of this Agreement relating to matters covered by this Agreement.
- ▶ THIRD PARTY [and any Related Parties] primarily responsible for this engagement with the Bank or rendering substantial service under this Agreement will certify in writing at least annually, or more frequently at the Bank's request, that they have not made any payments in violation of [Clause X] of this Agreement, are not aware of any payments in violation of [Clause X] made by any other person, and have complied with the representations and warranties in [Clause X] during the time period covered by the certification. THIRD PARTY [and any Related Parties] will also certify that they are in compliance with the Bank's [Anti-Corruption Policy], the Anti-Corruption Laws, and any other applicable law. THIRD PARTY also agrees that, at the Bank's request, it will obtain such certifications from any or all of its [Related Parties] with respect to their individual conduct.

VII. No Agency

- ▶ This Agreement does not create an agency relationship between the Parties, nor does it authorize or permit THIRD PARTY [or any Related Parties], except as explicitly provided elsewhere in this agreement, to bind the Bank.
- ▶ THIRD PARTY is an independent contractor to the Bank. THIRD PARTY, [its Related Parties], and its officers, agents, subsidiaries, affiliates, and employees are in no way the legal representatives or agents of the Bank for any purpose whatsoever and have no right, power, or authority to, and shall not assume, create, or incur, in writing or otherwise, any expense, liability, or obligation (expressed or implied) in the name of or on behalf of the Bank. The Bank reserves the right to

determine in its sole discretion the acceptability of any order, any provision thereof, or any condition proposed by the Customer and shall in no way be obligated to bid, quote to, or negotiate with any Customer.

VIII. No Sub-contractors or Agents

- ▶ THIRD PARTY [and any Related Parties] agrees that it will not retain any agent, sub-contractor, or consultant in connection with the services performed under this Agreement without obtaining express prior written approval from the Bank.

IX. Reporting of Certain Information

- ▶ THIRD PARTY [and any Related Parties] agree that should they learn or have reason to know of any information indicating there may have been an unlawful payment or other breach of any warranty or representation in [Clause X] to this Agreement, THIRD PARTY will immediately provide that and any related information to the Bank.

X. Manner of Payment

- ▶ All payments to THIRD PARTY [and any Related Parties] under this Agreement will be made by bank wire transfer to the accounts in the name of THIRD PARTY [or any Related Parties] at a designated financial institution in the country where THIRD PARTY [or any Related Parties] has its principal place of business or renders services under this Agreement, or by check made payable to THIRD PARTY [or any Related Parties] for delivery to such location. No payment to THIRD PARTY [or any Related Parties] will be in cash or bearer instrument, nor will any payment under this Agreement be made to any person or entity other than THIRD PARTY, [its Related Parties], or any principal, officer, or employee thereof. Further, no payment will be made in any location other than where THIRD PARTY [or the Related Parties] has its principal place of business or renders services under this Agreement.

XI. No Government Officials or Their Relatives

- ▶ Neither THIRD PARTY nor any of its [Related Parties] is, or during the period of this Agreement will become, (i) a Government Official in any country where any aspect of this Agreement will take place; (ii) a member of the family of such a Government Official; or (iii) a nominee for any Government Official position. In the event that during the term of this Agreement there is a change in the information contained in this paragraph, THIRD PARTY and affected [Related Parties] shall make immediate disclosure of same to the Bank.

XII. Training

- ▶ The Bank shall, at least annually during the term of this Agreement, provide THIRD PARTY [and any Related Parties] with training related to compliance matters covered by this Agreement, the Bank's [Anti-Corruption Policy], the Anti-Corruption Laws, and any other applicable law.

XIII. Breaches; Right to Terminate

- ▶ The Bank may terminate this Agreement immediately upon written notice in the event THIRD

PARTY [or any Related Parties] has failed to meet their obligations in [Clause X] of this Agreement, whereupon the Bank shall have no further obligation or liability under this Agreement. If the Bank reasonably believes that the event giving rise to such a termination also constitutes a violation of the Anti-Corruption Laws, any claims for payment by THIRD PARTY [or any Related Parties] relating to this Agreement, including claims for services previously rendered, shall be automatically terminated and cancelled and all payments previously made shall be immediately refunded to the Bank by THIRD PARTY. In the event the Bank determines in its sole discretion that a breach of any of the representations and warranties in [Clause X] by THIRD PARTY [or any Related Parties] has occurred or may occur, the Bank may, upon written notice, withhold further payments to THIRD PARTY [or any Related Parties] under this Agreement without liability to THIRD PARTY, until such time as it has been determined to the Bank's satisfaction that no breach has occurred or will occur. THIRD PARTY shall indemnify and hold the Bank harmless against any and all claims, losses, or damages arising from or related to a termination, or a determination to withhold payments, under this clause.

XIV. Consultants, Lobbyists, and Government Representatives

- ▶ **Meetings with Officials.** THIRD PARTY [and any Related Parties] agrees that they will not communicate or conduct meetings with any Government Official in connection with this Agreement without notifying a representative of the Bank in advance and obtaining prior written approval.
- ▶ **Expenses, Gifts, and Gratuities.** THIRD PARTY [and any Related Parties] warrants that it shall not pay any expense, including for any meal, travel, or entertainment cost, for any Government Official on the Bank's behalf without obtaining prior approval from the Bank. Additionally, THIRD PARTY [and any Related Parties] shall not provide or offer any gift or gratuity to any Government Official on the Bank's behalf without obtaining prior approval from the Bank. Where they obtain this approval, THIRD PARTY [and any Related Parties] will maintain all invoices, receipts, and other documentation for all such expenses.
- ▶ **Disclosure of Information.** THIRD PARTY [and any Related Parties] shall disclose to the Bank only such information as it is legally free to disclose. The Bank shall have the right, without further payment over and above that set forth in this Agreement, forever to use fully any and all information disclosed by THIRD PARTY [or any Related Parties] to the Bank. In addition, THIRD PARTY [and any Related Parties] shall not disclose or divulge to the Bank any proprietary, confidential, or trade secret information of third parties.
- ▶ **Compliance with Applicable Laws.** It is the Bank's policy to comply fully with all applicable laws regulating corporate political and lobbying activities and THIRD PARTY [and any Related Parties] agrees that it shall use its best efforts at all times to fully comply with all applicable laws, decrees, rules, regulations, orders, ordinances, actions, and requests of any government department or agency, judicial body, or Government Official, whether at the national, state/provincial, or local level (or their equivalent), pertaining to performing Services under this Agreement. In addition, THIRD PARTY [and any Related Parties] agrees that it shall use its best efforts to obtain all permits, licenses, or other forms of documentation, file all forms and reports, and do all other acts required

to perform the Services in compliance with such laws, decrees, rules, regulations, orders, ordinances, actions, or requests, including the timely securing and forwarding to the Bank of any forms and reports required to be filed by the Bank as a result of performing Services and assisting the Bank in the timely completion of such forms.

- ▶ **Conflicts of Interest.** In the event that a possible conflict of interest arises at any time during the term of this Agreement between the interests of the Bank and those of THIRD PARTY, [its Related Parties] or other clients, THIRD PARTY [and any Related Parties] agrees to promptly notify the Bank thereof and shall, if so directed by the Bank, refrain from performing Services for the Bank with respect to such area of conflicting interest. THIRD PARTY [and any Related Parties] agrees that the Bank shall have the right to terminate this Agreement at any time without liability upon written notice to THIRD PARTY, if in the Bank's sole judgment, THIRD PARTY's [and its Related Parties'] representation of its other clients conflicts with the best interest of the Bank.
- ▶ **Warranties and Sales.** THIRD PARTY [and any Related Parties] shall make no external warranties or representations of any kind with respect to the Bank or any of its services, nor shall THIRD PARTY [or its Related Parties] be authorized to consummate any sale of any of the Bank's services or products, unless in each instance THIRD PARTY [and any Related Parties] shall have received prior written authorization from the Bank to so act on its behalf.

APPENDIX F: COMPLIANCE PROGRAM CHECKLIST

RISK ASSESSMENTS		Complete?
1.	Has the bank carried out a risk assessment of anti-corruption risk?	<input type="checkbox"/>
2.	Which of the following steps did the bank take to complete the risk assessment? <ul style="list-style-type: none"> ▶ Document review ▶ Interviews ▶ Review of existing internal controls ▶ Development of a roadmap to mitigate identified risks ▶ Scheduling of next risk assessment ▶ Other: _____ 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

POLICIES AND PROCEDURES		Complete?
3.	Does the bank have a Code of Business Conduct and Ethics?	<input type="checkbox"/>
4.	If no to question 3 , does the bank plan to implement a Code of Ethics based on the contents of the Guide in the following year?	<input type="checkbox"/>
5.	If yes to question 3 , to whom does the Code of Business Conduct and Ethics apply? <ul style="list-style-type: none"> ▶ Directors ▶ Senior Management ▶ Employees ▶ Third Parties (e.g., suppliers, vendors, services providers, agents, consultants, etc.) 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
6.	If yes to question 3 , does the Code of Business Conduct and Ethics include a section or provision specifically prohibiting corruption or otherwise providing guidance on anti-corruption concerns? (e.g., stating the bank's zero tolerance policy for corruption, describing appropriate interactions with government officials, etc.)	<input type="checkbox"/>
7.	Does the bank have an anti-corruption compliance policy in place?	<input type="checkbox"/>
8.	If yes to question 7 , which of the following conduct is expressly prohibited in the anti-corruption policy? <ul style="list-style-type: none"> ▶ Bribery to local government officials ▶ Bribery to foreign government officials ▶ Corruption between commercial partners ▶ None of the above 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
9.	If no to question 7 , does the bank have another compliance policy that addresses anti-corruption?	<input type="checkbox"/>

	<p>▶ If so, describe relevant controls here:</p> <p>_____</p> <p>_____</p> <p>_____</p>	
21.	If no to question 20 , does the bank plan to implement control mechanisms to review, approve, and monitor charitable donations made on behalf of the bank in the following year?	<input type="checkbox"/>
22.	<p>Does the bank have guidance in place regarding political donations, either by the bank itself or its personnel?</p> <p>▶ If so, describe relevant controls here:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/>
23.	If no to question 22 , does the bank plan to implement control mechanisms regarding political donations, either by the bank itself or its personnel, in the following year?	<input type="checkbox"/>

TONE AT THE TOP		Complete?
24.	Has the Board of Directors taken any steps to help reinforce the importance of compliance, ethics, and integrity at the bank? (e.g., made public statements or circulated emails regarding the importance of compliance).	<input type="checkbox"/>
25.	<p>If yes to question 24, what steps has the board of directors taken to help reinforce the importance of compliance, ethics, and integrity at the bank? Check all that apply.</p> <p>▶ They address ethics, integrity, and/or compliance topics and issues in board meetings</p> <p>▶ Members of the board participate in compliance committees and/or other internal bodies relating to compliance</p> <p>▶ They have circulated statements internally reiterating the company's commitment to compliance</p> <p>▶ They have made public statements (externally) regarding the company's commitment to compliance assessment</p> <p>▶ Other: _____</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
26.	<p>If yes to question 24, what steps has the senior management team taken to help reinforce the importance of compliance, ethics, and integrity at the bank? Check all that apply.</p> <p>▶ They address ethics, integrity, and/or compliance topics and issues in team meetings</p>	<input type="checkbox"/>

	<ul style="list-style-type: none"> ▶ They consistently remind team members to participate in ethics, integrity, and/or compliance activities (<i>e.g.</i>, trainings, discussion groups) 	<input type="checkbox"/>
	<ul style="list-style-type: none"> ▶ They take an active part in ethics, integrity and/or compliance activities 	<input type="checkbox"/>

INDEPENDENCE		Complete?
27.	Does the bank's compliance department oversee anti-corruption compliance?	<input type="checkbox"/>
28.	<p>Which of the following statements describe the bank's compliance department? Check all that apply.</p> <ul style="list-style-type: none"> ▶ The compliance department has its own budget ▶ The compliance department shares a budget with another department (<i>e.g.</i>, finance, internal controls) ▶ The compliance department has a direct reporting line to the bank's highest authority (<i>e.g.</i>, board of directors) ▶ The compliance department reports to a senior management position (<i>e.g.</i>, CEO, CFO, Compliance Committee) ▶ The compliance department is empowered to participate in the bank's decision-making process (a "seat at the table") ▶ The compliance department has the authority to stop a business transaction if a "red flag" is detected ▶ The compliance department is well known by the bank's employees ▶ The compliance department carries out periodic training regarding the bank's main compliance risk areas 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
29.	How many employees work in the compliance department (or functional equivalent)?	Answer: _____
30.	<p>Do these employees exclusively serve in a compliance role (in other words, are the employees of said department exclusive to the compliance function)?</p> <ul style="list-style-type: none"> ▶ If no, identify the other departments for which they work: _____ 	<input type="checkbox"/>
31.	<p>If no to question 27, is another department in charge of the anti-corruption compliance?</p> <ul style="list-style-type: none"> ▶ If yes, specify which department: _____ 	<input type="checkbox"/>

TRAINING AND COMMUNICATIONS		Complete?
32.	Does the bank schedule periodic trainings for its employees regarding anti-corruption compliance?	<input type="checkbox"/>

33.	<p>If yes to question 32, how are these trainings delivered?</p> <ul style="list-style-type: none"> ▶ Live, in-person ▶ Online through a web-based platform ▶ Online through remote, live trainings ▶ Other: _____ 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
34.	If yes to question 32 , are those trainings mandatory for all employees?	<input type="checkbox"/>
35.	<p>If yes to question 32, to whom are these trainings directed? Check all that apply.</p> <ul style="list-style-type: none"> ▶ Directors ▶ Senior executives ▶ Employees ▶ Third-party agents, consultants, intermediaries ▶ Other: _____ 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
36.	Does the bank provide any type of written materials related to anti-corruption and integrity to its employees (<i>e.g.</i> , printed flyers, emails, newsletters, etc.)?	<input type="checkbox"/>

THIRD PARTY RISK MANAGEMENT		Complete?
37.	Does the bank have due diligence processes in place to identify and evaluate potential anti-corruption risks associated with third parties (<i>e.g.</i> , contractors, vendors, agents, consultants)?	<input type="checkbox"/>
38.	<p>If yes to question 37, select which types of third parties are hired by the bank and are subject to due diligence?</p> <ul style="list-style-type: none"> ▶ Contractors ▶ Vendors ▶ Agents ▶ Consultants ▶ Other: _____ 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
39.	<p>When identifying and evaluating a third party, what type of information does the bank collect and analyze? Check all that apply.</p> <ul style="list-style-type: none"> ▶ Third party's corporate/governance documents ▶ Reputational screening ▶ Background on the third party's previous experience and suitability for the services/goods required ▶ Third party's relationship with government officials ▶ Due diligence questionnaires 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

	<ul style="list-style-type: none"> ▶ Identification of all the third party's directors ▶ Identification of the third party's officers ▶ Identification of the third party's shareholders/ultimate beneficial owners 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
40.	When identifying and evaluating a third party, is a business justification required from the bank employee sponsoring or requesting the third party's engagement?	<input type="checkbox"/>
41.	<p>If the bank identifies red flags about the third party during the due diligence process, does the bank implement additional controls to mitigate the potential risk?</p> <p>▶ If yes, describe the additional controls implemented:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/>
42.	<p>Does the bank determine appropriate compensation for third parties (does the bank conduct benchmarking analyses to determine compensation, conduct RFPs, etc.)?</p> <p>▶ If yes, describe how:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/>

CONFIDENTIAL REPORTING, INCENTIVES AND SANCTIONS, AND INVESTIGATIONS		Complete?
43.	Has the bank implemented an internal mechanism for employees to seek guidance or report concerns of potential misconduct (e.g., whistleblower/ethics line)?	<input type="checkbox"/>
44.	<p>If yes to question 43, check all that apply.</p> <ul style="list-style-type: none"> ▶ Email address ▶ External reporting line ▶ Telephone hotline ▶ Other: _____ 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
45.	If yes to question 43 , can a reporter submit an anonymous report?	<input type="checkbox"/>
46.	<p>If yes to question 43, to whom is the reporting mechanism available? Check all that apply.</p> <ul style="list-style-type: none"> ▶ Bank employees only ▶ Third parties ▶ Clients ▶ Other stakeholders 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

47.	If yes to question 43 , has the bank implemented an internal investigation process to assess reports of potential misconduct?	<input type="checkbox"/>
48.	<p>If yes to question 43, does the bank apply sanctions or disciplinary measures for identified misconduct?</p> <p>▶ If yes, describe the sanctions and/or disciplinary actions that the bank may apply:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/>

ONGOING MONITORING AND TESTING		Complete?
49.	<p>Does the bank conduct periodic monitoring and testing activities regarding its anti-corruption compliance program?</p> <p>▶ If yes, describe the frequency:</p> <p>_____</p>	<input type="checkbox"/>
50.	<p>Select the monitoring and testing activities conducted by the bank.</p> <p>▶ Internal audits</p> <p>▶ External audits</p> <p>▶ Surveys</p> <p>▶ Analysis of collected data, documentation, and information (e.g., questionnaires, approval forms, checklists, relevant documents, etc.)</p> <p>▶ Other: _____</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

COLLECTIVE ACTION AND INTEGRITY PACTS		Complete?
51.	Is the bank a member of a collective action group related to anti-corruption compliance?	<input type="checkbox"/>
52.	Has the bank signed onto any anti-corruption integrity pacts?	<input type="checkbox"/>

ADDITIONAL QUESTIONS		Complete?
53.	Does the bank have a third party business justification form in place?	<input type="checkbox"/>
54.	Does the bank have third-party due diligence questionnaire in place?	<input type="checkbox"/>
55.	Does the bank have a third-party due diligence checklist in place?	<input type="checkbox"/>
56.	<p>If yes to question 55, how would you describe the due diligence checklist's content?</p> <p>▶ Very easy to understand and complete</p> <p>▶ Somewhat easy to understand and complete</p>	<input type="checkbox"/> <input type="checkbox"/>

	<ul style="list-style-type: none"> ▶ Not easy to understand and complete ▶ Difficult to understand and complete 	<input type="checkbox"/> <input type="checkbox"/>
57.	Has the bank implemented a Gifts and Hospitality approval form?	<input type="checkbox"/>

APPENDIX G: RED FLAGS

Examples of Third-Party Red Flags:

- ▶ Excessive compensation, or compensation above the "going rate"
- ▶ Agreements that include only vaguely described services
- ▶ The third party is in a different line of business than that for which it is being engaged
- ▶ The third party has a flawed background or reputation
- ▶ The third party is a current or former government official (or owned/controlled by one)
- ▶ The third party has a close personal or family relationship, or a business relationship, with a government official or relative of such individuals
- ▶ The third party is suggested by a government official, particularly one with discretionary authority over the bank's work
- ▶ The third party objects to anti-corruption and anti-bribery compliance representations in agreements
- ▶ The third party requests unusual contract terms or payment arrangements that raise local law issues, such as payment in cash, payment in another country's currency, payment to an offshore bank account or the third party is located in an offshore jurisdiction
- ▶ Due diligence reveals that the third party is a shell company or has some other unorthodox corporate structure
- ▶ The only qualification the third party brings is influence over government officials

Examples of Anti-Money Laundering Red Flags

Below is a list of illustrative anti-money laundering red flags:

New Business

- ▶ A prospective counterparty that is reluctant to provide details about its business, or to provide financial details or information provided is found to be false, misleading, or substantially incorrect.
- ▶ A prospective counterparty that is reluctant to provide complete information regarding its ownership and / or control.
- ▶ Unexplained difficulties and delays in obtaining certified copies of KYC / ID documentation (e.g., proof of organization, audited report and accounts, passports and utility bills).
- ▶ No apparent purpose or economic rationale (including where a person makes a loss against tax), for the counterparty's trading activity or relationship with BP.
- ▶ A counterparty who does not appear to be knowledgeable about the products he wishes to buy or sell.

Intermediaries (e.g., agents, brokers, intermediaries)

- ▶ Unnecessary use of an intermediary
- ▶ Excessive commission paid to an intermediary who has no apparent role in the transaction.
- ▶ Overseas intermediaries is considered high risk due to the perceived levels of corruption there.

On-going Business

- ▶ Buying or selling with no identifiable purpose.
- ▶ Unexplained changes in trading patterns.
- ▶ Short-term purchases and sales with no apparent concern about adverse economic impact.
- ▶ A change in banking details, particularly at the last minute.
- ▶ Doing activity that is atypical e.g. an airline selling options.

Offshore structures

- ▶ Offshore companies where it is difficult to verify the owners (e.g. the directors are professional advisors and ownership is achieved through bearer shares).
- ▶ Companies or trusts based in a country that is considered high risk due to the perceived levels of corruption there.

Settlements

- ▶ Third party payments or receipts from apparently unrelated entities.
- ▶ Changes to Standard Settlement or Delivery instructions without the normal authorizations or at the last minute.
- ▶ Excessive balances maintained on margin accounts or funding margin or collateral from banks in high-risk jurisdictions.
- ▶ Receipt of funds from an unknown bank located in a high-risk jurisdiction, such as an off-shore tax haven.

APPENDIX H: MODEL INTEGRITY PACT

By the present Integrity Pact, considering the essential role that Panamanian Banks play in the war against corruption and the necessity of transparent business practices, where compliance with ethics is standard, underscoring the importance of maintaining corporate government structures that are consistent with international best practices to facilitate investment and commercial loyalty, and to facilitate economic development to benefit the broader society, Panamanian banks agree to adopt the following,

1. Prevent and combat all types of corruption, and to that end, establish a compliance program with the intention of detecting, identifying and remediating corruption allegations. The compliance program will have, as a baseline, anti-corruption policies and procedures.
2. Investigate and discipline, consistent with the policies and procedures of each bank, reports and information that the bank receives of possible violations of the Bank's Code of Conduct or policies and procedures.
3. Promote within the industry and more generally, within society, the importance of adopting best practices for integrity and ethics within the bank's commercial activity to facilitate sustainable economic development.