



Ensuring alignment with Anti-Bribery and Corruption (ABC) Best Practice

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- **Introduction**
- **ABC Best Practice**
- **Key Elements of an ABC Program aligned with Best Practice**

Bribery:

Giving or receiving an unearned reward to influence someone's behavior

- Benefit does not have to involve cash or a payment exchanging hands. It can take many forms such as gifts, hospitality and expenses, access to assets or a favor made to a relative or friend
- When a person offers, promises or gives a bribe, it is called 'active bribery' and when a person requests, receives, or accepts a bribe, it is called 'passive bribery'. Both forms are of concern to companies and are outlawed in most countries.

Corruption:

Abuse of entrusted power for private gain. Can take many forms:

- Public servants demanding or taking money or favors in exchange for services
- Politicians misusing public money or granting public jobs or contracts to their sponsors, friends and families
- Corporations bribing officials to get lucrative deals

United Nations (2018): global cost of corruption amounts to \$3.6 trillion. Of that cost, it is estimated that more than \$1 trillion in bribes are paid each year.

World Bank (2020): OECD Corruption has a disproportionate impact on the poor and most vulnerable, increasing costs and reducing access to services, including health, education, and justice.



- **UN Convention Against Corruption 2003.** Is the only legally binding universal anti-corruption instrument. It covers five main areas: preventive measures, criminalization and law enforcement, international cooperation, asset recovery, and technical assistance and information exchange.
- **FATF Best Practices Paper: Use of the FATF Recommendations to Combat Corruption (2013).** Significantly raised the bar for financial institutions to leverage AML/ CTF Programs for combating corruption
- **Wolfsberg Anti-Bribery and Corruption Compliance Program Guidance (2017 updated 2010 version).** Developed in collaboration with the Basel Institute on Governance and with input from Transparency International.
- **Transparency International Compliance toolkits including:**
 - Global Anti-Bribery Guidance
 - Global Anti-Bribery Checklist
 - Third Party Due Diligence Checklist

Wolfsberg enhanced Correspondent Banking Due Diligence Questionnaire (CBDDQ) of 2019 significantly raised the ABC bar for financial institutions by incorporating a new section on Enterprise-Wide ABC Program



Best Practice ABC Program



1. Tone At The Top & Accountability

Best Practice to Consider:

Role	Responsibilities
Board of Directors / CEO	<ul style="list-style-type: none">• Foster an anti-bribery and corruption culture through regular communication to Business Heads and Senior Management• Review and approve the ABC policy• Provide ongoing oversight of the ABC Program
ABC Officer /Champion	<ul style="list-style-type: none">• Serve as the organization's center for competency for all ABC matters• Develop the ABC policies and procedures manual to be cascaded down to all employees• In coordination with Business Heads, conduct a risk assessment exercise (gap analysis exercise) of the related procedures, systems and controls against the defined principles of the manual; identify and enhance areas in need for improvement• Receive, analyze, and take appropriate actions with regards to whistle-blowing reports
Business Heads	<ul style="list-style-type: none">• Model the way and ensure that respective Business lines conduct their activities with integrity• Understand bribery and corruption risks faced by the respective Business line, the materiality of the risks, and the extent to which existing ABC systems and controls are adequate and effective• Stay fully abreast of bribery and corruption matters
All Bank Employees	<ul style="list-style-type: none">• Comply with Bank policies and procedures, as well as the Code of Conduct and report any misconduct or policy violations or breaches

2. Policies and Procedures

Best Practice to Consider:

Code of Conduct:

- Must be incorporated into new-hire orientation (i.e. all new employees must read and sign the code as part of their condition of employment)
- Must be periodically reaffirmed by all employees

Anti-Bribery and Corruption Policy

- Must provide for “zero” tolerance and prohibit facilitation payments
- Must encourage employees to report violations as well as offer examples of “red flags” for employees to recognize or avoid problem situations

Whistleblowing Policy

- Must require employees to report any conduct that is inconsistent with the organization’s ethical fabric whether by customers or third parties acting on the organization’s behalf
- Must clarify willful blindness is equivalent to actual knowledge
- Must be made available to third parties, e.g. posted on the organization website

All documentation must be endorsed by the Board on annual basis, made available to all employees, and be the central focus of anti corruption compliance training

Organizations may choose to address corruption issues in more detail in a series of policies including in relation to: use of third-parties, consultants, and other intermediaries, gifts and entertainment, charitable payments, and petty cash.

3. Training and Awareness

Best Practice to Consider:

Training Scope	<ul style="list-style-type: none">• Overview of the company's code of conduct and anti-corruption policy• Overview of the relevant laws as well as international treaties such as the UN Convention Against Corruption.• Explanation of the importance of ABC and potential implications, both for the organization as a whole and for individuals• Protocol and channels for reporting potential incidents, questions, and concerns• Policies and procedures around gifts and entertainment, and rules around charitable contributions, donations, and sponsorships• Real-life examples of ethical dilemmas
Targeted Staff	<ul style="list-style-type: none">• Training should be extended to all employees including trainees and temporary workers. No one should be excluded from the scope of training including upper management and Board members• Organizations should consider providing enhanced ABC training to targeted departments based on areas of responsibility (e.g. Finance, Accounting, Procurement)
Appropriate Format	<ul style="list-style-type: none">• Training is often most effective when it is conducted in-person. However, for large organizations online training is more suitable with targeted face to face training provided to staff in higher risk positions such a Procurement

Critical Factors:

- Training should be provided to all new hires as well as existing staff on a regular basis
- Maintaining full records of training provided in order to demonstrate compliance to regulators

4. Recruitment, Vetting, and Performance Management

Best Practice to Consider:

- The organization should ensure its recruitment process is merit-based and fair, free from corruption, and respects human rights. Detailed operating procedures on recruitment which are followed in all situations with no exceptions allowed is a key compliance tool
- The organization should conduct appropriate due diligence on potential employees on a risk-based approach, taking into account the corruption risk (including but not limited to, previous employment checks, credit checks and basic criminal records checks)
- The organization should ensure compliance with the employee Code of Conduct, and ideally to the Anti-Corruption and Bribery Program, are key terms under employment contracts
- The organization should have a clear sanctions mechanism for anti-corruption failures including termination of employment
- Organizations are encouraged to review their remuneration schemes to integrate cultural and behavioral metrics into performance scorecards

5. Gifts, Entertainment And Hospitality

Best Practice to Consider:

- Gift and hospitality policies and procedures must be clear, practical, accessible, effectively implemented and enforced.
- The policies and procedures should set out when and how a gift or hospitality may be offered or accepted. This may involve setting financial limits.
- The organization should consider how gifts and hospitality details should be recorded centrally. The organization should also consider setting out guidance on how staff can refuse gifts or hospitality.
- Gifts records (usually managed by HR) must be made available to Compliance upon request

6. Charitable Contributions & Sponsorships

Under all circumstances, an organization's Charitable Contributions & Sponsorships must:

- Comply with applicable regulatory requirements
- Never be made in cash and should always be registered in the organization's books and records
- Be subject to public disclosure*, such as on the organization's website or in its annual report.
- Be subject to appropriate due diligence, name screening, as well as negative media screening
- Require prior approval of Senior Management or designated committee
- Subjected to enhanced due diligence where prominent political figures, or their close relatives, friends and business partners are involved

Accurate books and records to contributions should be maintained as well as the relevant pre-approval which are in line with internal policies.

*Disclosure requirements apply for significant contributions and sponsorships only

7. Whistleblowing

Best Practice to Consider:

Persons Obligated to Report	<ul style="list-style-type: none">• Expand the scope of reporting to include not only employees but also former employees, customers, and third parties.
Scope of Reportable Activity	<ul style="list-style-type: none">• Go beyond violations to laws and regulations and internal policies and procedures by encouraging the reporting of any questionable conduct• Provide ongoing guidance (through training or awareness messages) on how to address ethical dilemmas and identify questionable conduct
Reporting Channels	<ul style="list-style-type: none">• Provide the whistleblower with multiple reporting channels• Allow various mediums for reporting, e.g. phone call, email...etc• Organizations may make Compliance the first port-of-call for those raising a concern, or appoint a specialized person or committee to be responsible for receiving and processing reports. Within financial institutions, whistleblowing channels are typically managed by Compliance, Legal, HR, or Audit. For smaller organization, the channels may also include the General Manager
Reports Management	<ul style="list-style-type: none">• Develop clear operating procedures on handling and investigating concerns raised. Such procedures should articulate the minimum standards including as it relates to fairness, disclosures of potential conflict of interest, confidentiality of investigation, reporting to the Board, and appropriate case closure and record retention.

▶ The organization must promote the WB channel on ongoing basis. Providing ongoing training and awareness at all levels of an organization is critical for developing a supportive and open culture.

8. Third Parties

Definition: Any person acting on behalf of the organization, representatives, consultants, brokers, contractors, suppliers, joint ventures, affiliates, or any other intermediary or agent of the organization

Due Diligence Measures:

- Identify the third party, business sector, reputation and validate their credentials and background
 - Search commercially-available intelligence databases and the internet for adverse information on the third party
 - Conduct due diligence and sanctions screening on the entity and natural persons who own /control the entity (e.g. members of the management body, GM, authorized signatories)
 - Identify the location of the third party and whether cross-border activities are anticipated
 - Define whether the third party will have contact with public officials throughout the course of providing services
 - Identify any adverse media relating to the third party
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- Agreements with business partners should impose commitments to fully comply with laws and regulations with a particular emphasis on anti bribery and corruption
 - Existing third parties should also be subjected to reasonable and proportionate monitoring on a risk based approach
 - Third Party's remuneration shall not be paid in cash and shall only be paid in (i) the country of incorporation of the third party, (ii) the country where its headquarters are located, (iii) its country of residence, or (iv) the country where the mission is executed.

9. Risk Assessment

The risk assessment entails four basic elements:

- A review of the organization's business to identify and understand its most significant corruption risks.
- A review of the current state of the organization's current anti-corruption program.
- A "gap analysis" of the current program versus the anti-corruption risks identified.
- Recommendations for improvement to the program based on common and leading practices and also what is most practicable for the particular organization in terms of achieving compliance.

Best Practice to Consider:

Key Steps	<ul style="list-style-type: none">• Conducting interviews of selected officers and employees• Obtaining and reviewing documents, financial and other evidentiary matter• Reviewing or testing transactions to further understand or clarify issues• Reporting the results to senior management and the Board, usually by a written findings and recommendations report
Scope of Risk Assessment	<ul style="list-style-type: none">• Third Parties• Government Interactions• Charitable Donations and Fundraising• Gifts & Business Entertainment• Employee Risk• Procurement Risk• Services/Products Risk• Customer Risk• Country Risk• Internal hiring and staff remuneration
Ongoing Update	Risk assessments should be reviewed and updated regularly as internal and external bribery and corruption risks evolve

10. Internal Financial Controls

- The organization's policy should utterly prohibit the maintenance of undisclosed or unrecorded funds or assets for any purpose and records that disguise or misrepresent any aspect of a transaction
- Each transaction and disposition of assets must have proper authorization, must be timely recorded, must be accurately recorded in terms of amount, accounting period and accounting classification and must accurately reflect the substance and purpose of the transaction
- The organization should ensure no transaction shall be entered into, that requires or contemplates the making of false or fictitious entries or records in whole or in part. No accounting balances shall be created or maintained that have no documentary support or that have no reasonable basis in fact
- Accounting and recordkeeping practices should be subject to regular audits to verify compliance

11. Ongoing Monitoring & Reporting Meaningful MI

An part of ongoing monitoring, the organization must:

- Ensure that the processes mitigating bribery and corruption are followed by all Business units
- Gather and analyze feedback from business units regarding the implementation of policies and procedures, breaches or gaps encountered
- Review and report Management Information (MI) periodically and trend information to Senior Management and the Board

MI essential for appropriate oversight of the ABC Program may include but not limited to:

- Rate of ABC trainings completion
- Number and value of gift and hospitalities received and provided
- Number of reported breaches
- Analysis of the whistle-blowing trends

12. Audits and Reviews

- The ABC Policy and all related policies and procedures must be subject to ongoing review to ensure they remain relevant. Related policies and procedures must also be reviewed on ad hoc basis when any material change is identified such as best practice publications
- The ABC Program must be subject to periodic review and validation by internal audit function

Questions & Open Discussion

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