

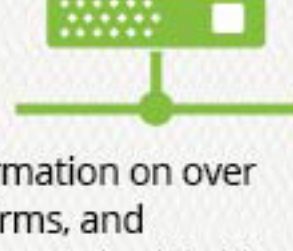
# PANAMA PAPERS

## HOW CONFIDENT ARE YOU IN YOUR ORGANIZATION'S ABILITY TO IDENTIFY AND MITIGATE CORRUPTION, FRAUD, MONEY LAUNDERING, AND SANCTIONS RISKS?

**What multinational corporations need to know to identify and mitigate corruption, fraud, money laundering, and sanctions-related risks**

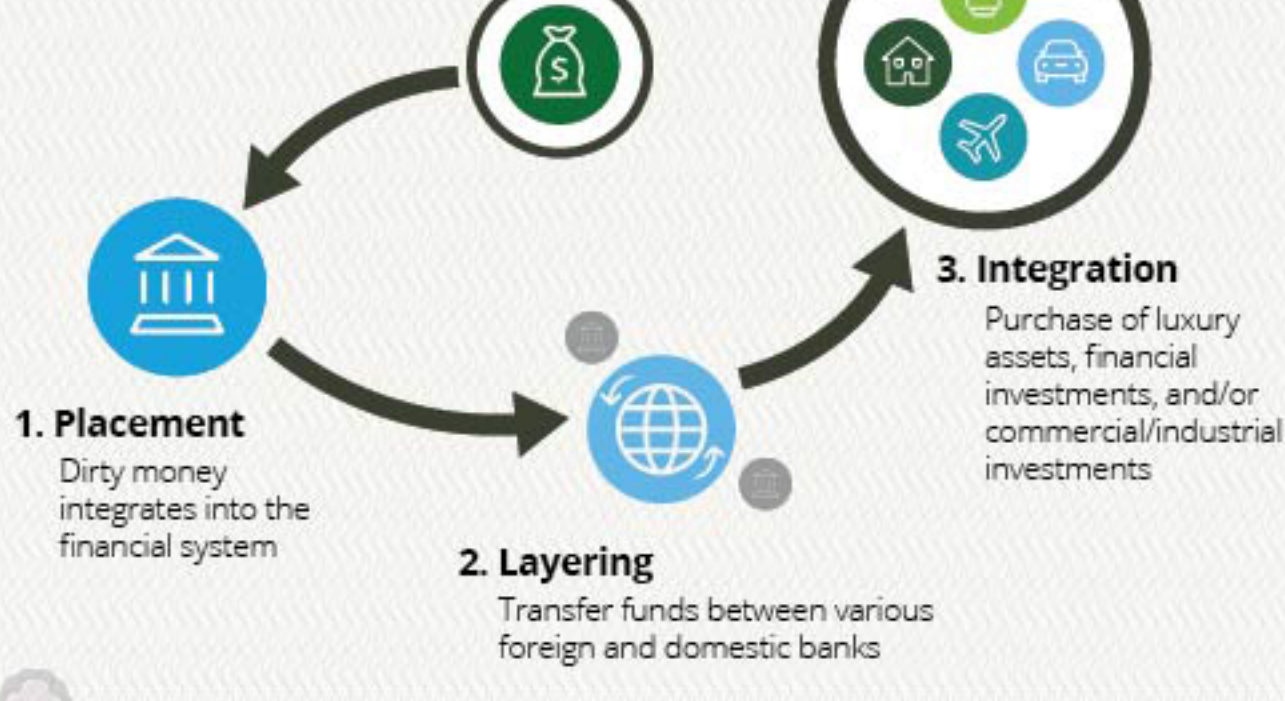
### THE PROBLEM

On May 9, 2016, the International Consortium of Investigative Journalists (ICIJ) released a searchable database of the over 2.6 terabytes of internal data files from Panama-headquartered law firm Mossack Fonseca (MF).



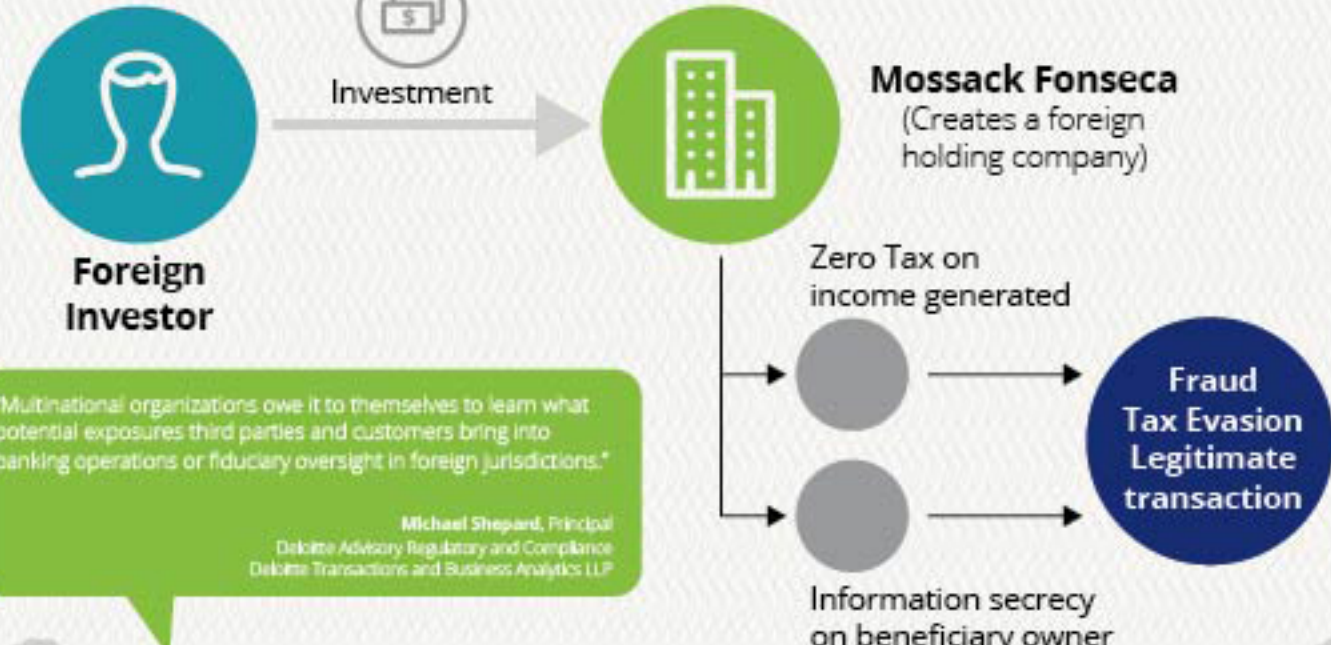
These records are reported to contain confidential information on over 200,000 offshore companies, including banks and law firms, and high-profile individuals including, political figures, athletes and celebrities.

### A TYPICAL MONEY LAUNDERING SCHEME



### HOW FOREIGN HOLDING COMPANIES WORK

Most foreign holding companies are created for legitimate business reasons; however, they can be a ripe opportunity for fraud when there is corrupt intent. Here is how they are basically structured:



"Multinational organizations owe it to themselves to learn what potential exposures third parties and customers bring into banking operations or fiduciary oversight in foreign jurisdictions."  
 Michael Shepard, Principal  
 Deloitte Advisory Regulatory and Compliance  
 Deloitte Transactions and Business Analytics LLP

### PANAMA PAPERS BY THE NUMBERS:

- 15,000 entities created by MF on instruction of 500 banks
- 140 other politicians and public officials named
- 21 offshore jurisdictions used to incorporate offshore entities
- 33 people & companies blacklisted by the US Government

**Panama Papers by the numbers**

Source: International Consortium of Investigative Journalists (as of May 9, 2016)

### CORRUPTION AND FRAUD-RELATED RISK ASSOCIATED WITH CONDUCTING BUSINESS WITH FOREIGN OFFSHORE HOLDING COMPANIES

- Increased scrutiny of payments in and out of offshore locations
- Highlighted potential money laundering and sanctions-related risks
- Increased the importance of having visibility into the ultimate corporate ownership structure of customers, vendors and other third-party business partners

### CORPORATE BUSINESS UNITS MUST CONSIDER:



- POTENTIAL RED FLAGS**
- Inadequate, inconsistent, or unformulated third-party due diligence policies and procedures
  - Inadequate client/vendor selection processes when engaging third parties
  - Lack of visibility into the ultimate beneficial ownership structure of companies
  - Limited use of advanced analytics to monitor payments to companies in offshore locations and potentially restricted entities

- ADDRESSING RED FLAGS**
- Scope and Identification of potential exposure to offshore entities includes:**
- Relationships with third parties who may have banking or fiduciary oversight in foreign jurisdictions.
  - Quality of accounting and vendor management systems
  - Degree of which payment process is centralized
- Once identified, companies may want to:**
- Identify all associated payments/transactions
  - Review the extent of due diligence previously performed
  - Assess the business rationale for maintaining the relationship
  - Determine the need for additional investigations

### BY TAKING A RISK-BASED, TAILORED APPROACH TO PROACTIVELY ASSESS ANY:



"Failure to mitigate financial crime risk can result in legal and regulatory violations, civil and criminal penalties, inability to grow through acquisition, reputational damage and court appointment of an outside risk monitor."  
 Chris Georgiou, Partner  
 Deloitte Advisory Forensic & Investigations  
 Deloitte Financial Advisory Services LLP

You may be better positioned to keep your company out of the headlines.

### POTENTIAL RESPONSES TO OFFSHORE RISK

Includes a revisit or creation of policies, procedures, training, and internal controls in these areas:

- Anti-corruption/fraud/AML/sanction compliance
- Customer/vendor due diligence
- Transaction monitoring and data analytics
- Internal reviews and investigations

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