



**Counterparty due diligence**  
Mitigate the risks of the unknown

# Introduction

Given the present day competitive scenario, companies have increased their reliance on third parties to not only help them gain a competitive edge but to also supplement their rapid growth and gain a sustained cost advantage. However, this also exposes them to various reputational and regulatory risks making it imperative to select business partners after careful considerations.

## Adverse impact of an embittered business relationship

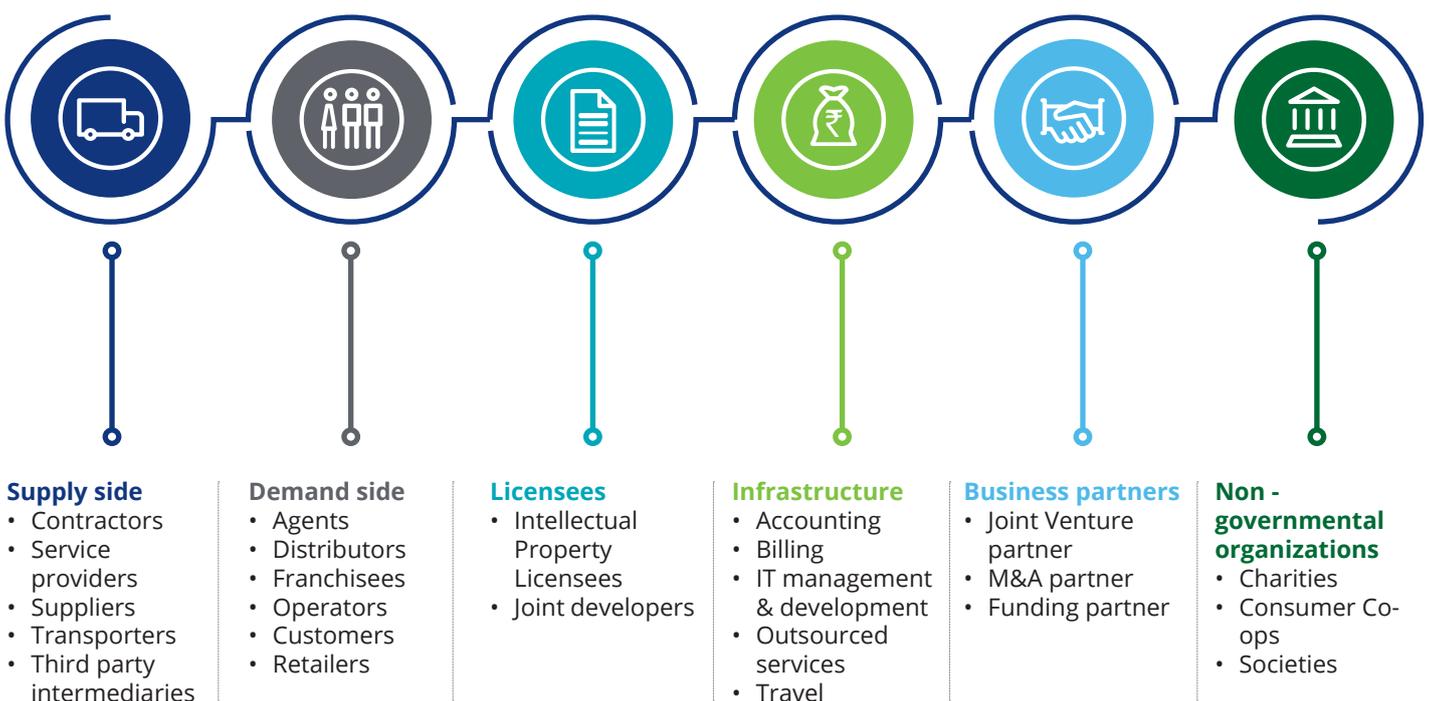
### Regulatory action

- Potential investigation by regulatory authorities.
- Penalties/financial implications for companies as well as the management.
- Civil/criminal charges and proceedings.
- Negative publicity and reputational damage.

### Commercial costs

- Liabilities relating to unfulfilled contracts/commitments.
- Full or partial write-off of amounts invested.
- Loss on account of the defaulting third party.
- Cost incurred to conduct a 'post-incident' investigation.
- Cost incurred to hire legal counsel.
- Cost incurred to minimise effects of negative publicity and damage to reputation.

## Key third party/counterparty relationships



## Key questions to ask regarding third parties

- Does the third party have a business profile and experience in the relevant industry?
- Who are the ultimate beneficial owners of the third party engaged by you?
- Are there any potential conflicts of interest that exist?
- Are there connections to government bodies or political officials?
- Does the third party or its principals have a track record of bankruptcy or solvency issues that might threaten the supply chain?
- Does the third party or its principals have a history of serial litigation, criminal issues, counterfeiting, or product safety?
- Is the third party associated with 'red flag' issues such as bribery, corruption, fraud, links to terrorist groups or money laundering?
- Is the third party located in a country restricted by law from receiving payment, or does it appear on lists of restricted entities or individuals?
- Has there been anything in the media that would reflect negatively upon the company?

## Protection against key risks

Effective international business partner due diligence requires that a company gather meaningful information, assess potential risks across the enterprise and devise risk mitigation actions accordingly.

Coverage parameters	Major risks ascertained
Background information, including ultimate beneficial ownership (UBO) and affiliates	<ul style="list-style-type: none"> <li>• Experience and competence/track record</li> <li>• Front/shell companies for money laundering</li> <li>• Collusion with employees</li> <li>• Clients and other business relationships</li> </ul>
Other business interests/ affiliations	<ul style="list-style-type: none"> <li>• Conflict of interest</li> </ul>
Adverse media	<ul style="list-style-type: none"> <li>• Evidence of past or current corruption</li> <li>• Unethical business practices</li> <li>• Involvement in tax evasion</li> <li>• Involvement in terrorist financing</li> <li>• Links to organized crime</li> <li>• Involvement in money laundering</li> <li>• Other reputational issues</li> </ul>
Litigation	<ul style="list-style-type: none"> <li>• Involvement in legal proceedings/ other crimes</li> </ul>
Political affiliations	<ul style="list-style-type: none"> <li>• Inappropriate political support and links to politically exposed persons/entities</li> </ul>
Sanctions/ high risk entities	<ul style="list-style-type: none"> <li>• Business operations in Office of Foreign Assets Control (OFAC) sanctioned countries</li> <li>• Other reputational concerns</li> </ul>
Regulatory screening	<ul style="list-style-type: none"> <li>• Action by competent authority for lapses or defaults</li> </ul>
Financial position screening	<ul style="list-style-type: none"> <li>• Financial position snapshot</li> <li>• Historic analysis of Financial position</li> <li>• Financial capacity to execute commitments</li> </ul>
Credit history	Credit defaults and bankruptcies

## What sets us apart

**A proactive and scalable approach:** We can provide our clients the flexibility to meet their compliance requirements while growing their business sans regular investments.

01

**Ability to handle high volumes:** The Forensic practice has solutions to address situations where large volumes (of third parties) need screening within the desired time frame.

**Integrated global reach:** With coverage of over 200 countries and a multi-lingual and multi-disciplinary team, we have an unparalleled reach and expertise to support your needs across geographies.

02

**Strong team capabilities:** We have an experienced team that have insight and understanding of local risks from varied domains such as law enforcement, journalists, economists, lawyers etc.

03

**Access to extensive business intelligence resources** across the world.

04

05

Built **market credibility** through values such as discretion, trust and integrity.

06

## To know more, reach out to

### Nikhil Bedi

Partner, Leader, Forensic

Deloitte India

Tel: +91 22 6185 5130

Email: [nikhilbedi@deloitte.com](mailto:nikhilbedi@deloitte.com)

### Rohit Madan

Partner, Forensic

Deloitte India

Tel: +91 124 679 2857

Email: [madanr@deloitte.com](mailto:madanr@deloitte.com)

# Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities.

DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India LLP (DTTILLP) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.