



Securities Services

ISSA Financial Crime Compliance Principles („FCCP“)

Rita Mason, 27. Juni 2017



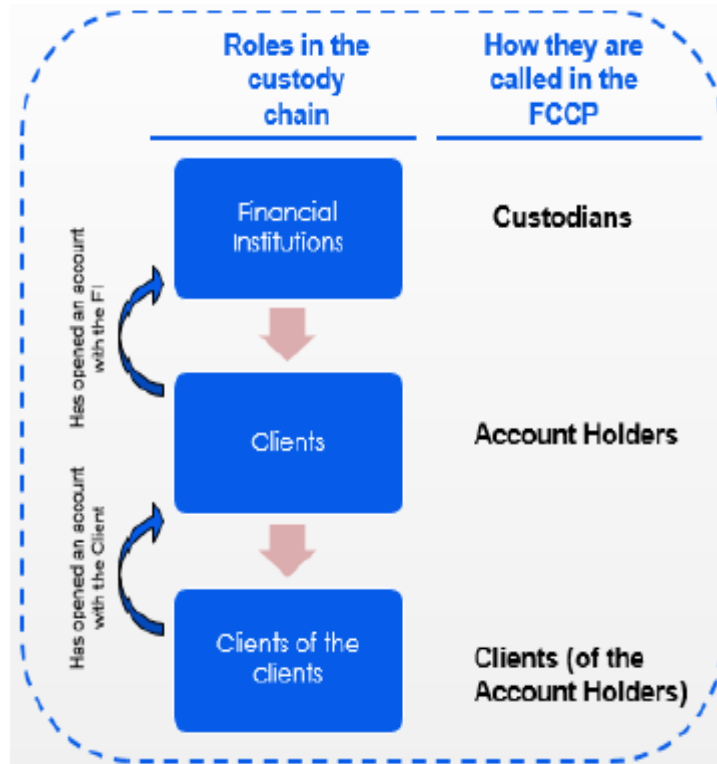
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Hintergrund

Anlässlich des ISSA Symposiums im Mai 2014 - Entscheid bezüglich drei Grundsätzen:

- Guidance in Sachen „*IOSCO Principles on Client Identification and Beneficial Ownership for the securities industry of 2004*“
- Minimierung von Lücken bezüglich Erwartungshaltung von Aufsichtsbehörden und Regulatoren und der Marktpraxis
- Entwicklung von Business spezifischen Standards für Custodians welche im Vergleich zum Korrespondenzbanking fehlen.

FCCP naming convention for stakeholders of the securities custody chain



Glossary of Terms used in the Principles

Custodian: The upstream account holding institution which may be a bank acting as global custodian and sub-custodian, fund distributor, trustee/depository bank, broker, prime broker, International Central Securities Depository and Central Securities Depository, to the extent that cross-border operations are involved.

Client: The underlying investor or holder

Account Holder: The regulated financial institution Account Holder or Customer of the Custodian including fund distributors.

Client Account: Any account containing securities interests that are beneficially owned by any party other than the Account Holder.

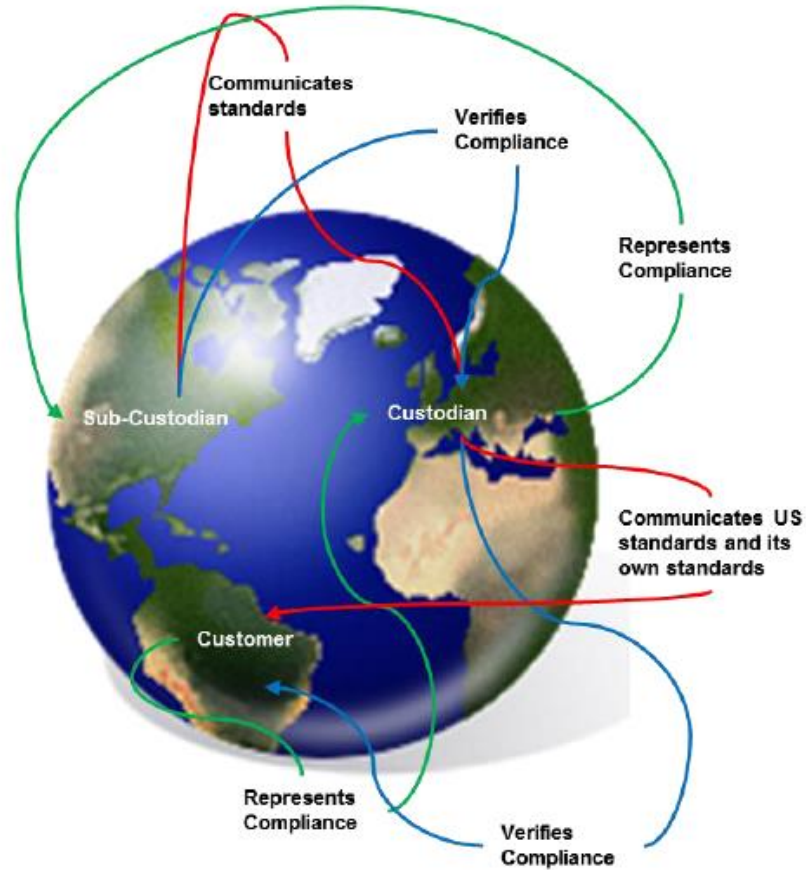
Segregated Account: Any Client Account containing securities interests that are legally owned by a single party other than the Account Holder.

Omnibus Account: Any account containing securities interests that are beneficially owned by multiple parties.

Upstream: Parties in the intermediary chain in the direction from the ultimate beneficial owner or investor towards the issuer or investment fund.

Downstream: Parties in the intermediary chain in the direction from the issuer or investment fund towards the ultimate beneficial owner or investor.

Contractual Compliance Framework



Mechanism of the Financial Crime Compliance Principles

- Custodian communicates its KYC standards to Account Holder
- Account Holder has to comply with the Custodian's requirements
- In the case the Account Holder has clients which deposit third party securities – Account Holder ensures compliance with the jurisdictions where the securities are held plus the requirement of the Custodian.
- Account Holder ensures that on beneficial owner level has been made an appropriate Due Diligence.

Financial Crime Compliance Principles

A) Governance and Control

B) Due Diligence

B1) The Account Holder's Ownership and Management Structure

B2) The Account Holder's Geographic Risk

B3) The Account Holder's Business Franchise

B4) The Account Holder's Anti-Money Laundering and Compliance Control

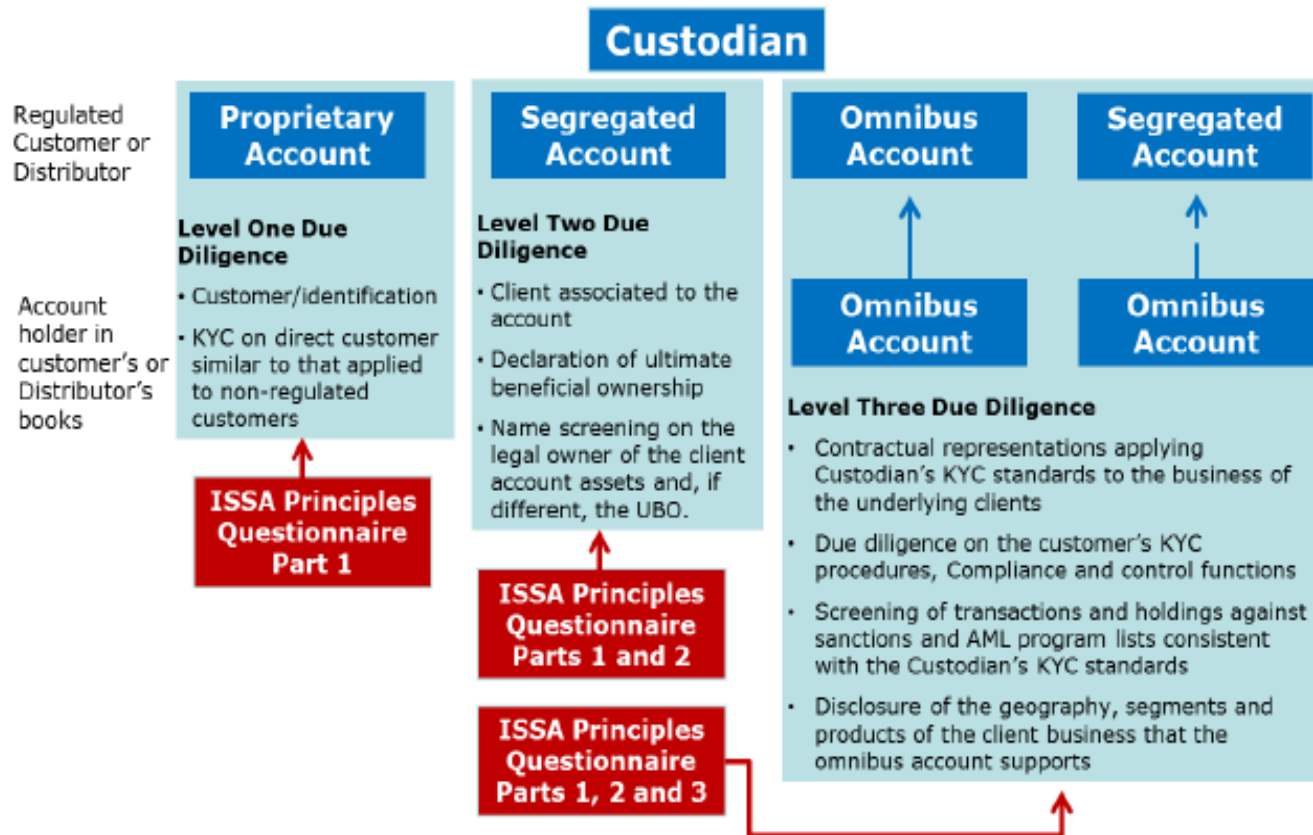
C) Third Party Client Business

- Policy and Standards
- Account Holder's Assets – Segregated versus Omnibus Accounts
- Segregated Client Accounts
- Omnibus Client Accounts
- Disclosure of Buyer and Seller
- Management and Conflict of Laws



Partly revised in 2017 - complete revision planned for 2018

Due Diligence Framework



Financial Crime Compliance Sample Questionnaire

- Aims to provide guidance and information for performing Due Diligence
- Free accessible via homepage of ISSA
- Available on Swift's KYC registry with September 2017 release

- Adoption of the Principles in cross-market should be achievable by end of 2019
- For supporting the Members ISSA is about to organize operational support group for best practice guidance on deploying a securities compliance due diligence program

Questionnaire - Structure

- 2 Versions: Simplified Version for Account Holders with Wolfsberg Questionnaire, full Version
- Introduction: All Account Holders
- Part 1: Client Accounts
- Part 2 Omnibus and pooled account

Extract of the Questionnaire

- 14 Does the Account Holder intermediate third party securities or funds in the ordinary course of its business?
- 15 Does the Account Holder have policies reasonably designed to ensure that it opens omnibus or pooled accounts only for custodians that possess licenses to operate in their countries of origin (or to validate the asset protection arrangements of custodians in jurisdictions where safekeeping is not regulated)?
- 16 Does the Account Holder take steps that are reasonably designed to determine that the ultimate ownership of assets deposited in omnibus form has been identified by itself or by its own Account Holder customers in compliance with the ISSA FCC Principles?
- 17 Does the Account Holder have a program in place to identify and to record the ultimate ownership of any assets deposited by its non-AML regulated clients?
- 18 Does the Account Holder have customers who are persons and entities sanctioned by competent authorities as well as against countries/regions subject to comprehensive jurisdiction-based sanctions administered by government/competent authorities of G7 member countries identified in question 52)
- 19 Does the Account Holder deposit assets with the Custodian on behalf of persons and entities sanctioned by competent authorities as well as against countries/regions subject to comprehensive jurisdiction-based sanctions administered by government/competent authorities of G7 member countries identified in question 52)
- 19.1 If so, are those assets blocked?
- 20 Does the Account Holder have policies and procedures in place to exclude and to block, or to ensure that its customers can block, securities interests deposited with the Custodian that are ultimately owned by persons and entities sanctioned by competent authorities as well as against countries/regions subject to comprehensive jurisdiction-based sanctions administered by government/competent authorities of G7 member countries?
- 21 Does the Account Holder have policies and procedure in place to notify the Custodian of securities interests sub-deposited by persons and entities sanctioned by competent authorities as well as against countries/regions subject to comprehensive jurisdiction-based sanctions administered by government/competent authorities of G7 member countries?



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