EMEA Compliance Assurance

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EMEA Compliance Testing – AML, AB&C, Sanctions

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Europe, Middle-East and Africa ("EMEA") is the most **geographically and economically diverse** of Citi's six regions.

The Assessment Units (AU) which the 2016 Enterprise-wide Risk Assessments for EMEA were conducted on represents approximately 46% of all Global AUs.

**Main Business Lines:**

**ICG**
- Citi Private Bank
- CitiTrust
- Corporate & Investment Banking
- Markets & Securities Services
- Capital Markets Origination
- Investor Services and DCC
- Treasury and Trade Solutions

**GCB**
- Citi Branded Cards
- Commercial Bank
- International Personal Banking
- Retail Banking

The EMEA region is divided into clusters:
- Middle East & Northern Africa (MENA)
- Sub-Saharan Africa (SSA)
- Central & Eastern Europe (CEE)
- Western Europe (WE)

Each cluster has a Compliance Cluster Head which reports to the EMEA Chief Compliance Officer and an AML Cluster Head which reports to the EMEA Head of AML, Sanctions & AB&C.

**Regulatory Landscape**
Presence in EMEA means dealing with 50+ local regulatory bodies, and for AML Compliance Testing - assessing a number of local regulatory requirements for each review.
## Country Presence - World Map

### Global Breakdown

<table>
<thead>
<tr>
<th>Region/No of countries</th>
<th>Presence</th>
<th>Limited Presence</th>
<th>Approved Non-Presence</th>
<th>Inactive NPC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td>16</td>
<td>2</td>
<td>6</td>
<td>25</td>
<td>49</td>
</tr>
<tr>
<td>EMEA</td>
<td>51</td>
<td>3</td>
<td>63</td>
<td>22</td>
<td>139</td>
</tr>
<tr>
<td>LATAM</td>
<td>21</td>
<td>2</td>
<td>6</td>
<td>12</td>
<td>41</td>
</tr>
<tr>
<td>North America</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>7</strong></td>
<td><strong>76</strong></td>
<td><strong>59</strong></td>
<td><strong>232</strong></td>
</tr>
</tbody>
</table>

- **EMEA**
  - 54 Presence
  - 63 NPC
  - 31 FTE

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**What** we do...

- **Execute Reviews** designed to test the effectiveness of controls that ensure adherence to regulatory requirements.
- **Identify and escalate** material control weaknesses to Senior Management.
- **Engage** with Senior Compliance and Business management to develop corrective actions for control weaknesses identified in our testing.
- **Validate** that corrective actions associated with our findings have been properly implemented.

**Why** we do what we do...

*Protect* the Citi franchise by testing the effectiveness of controls designed to ensure adherence to key regulatory requirements and corresponding Citi polices, and to mitigate conduct-related risks.

**How** we do it...

*Work in partnership* with Compliance Officers and Business management during the development and execution of testing reviews using consistent global standards.
The processes established for managing compliance risk on a firm-wide basis should be formalized in a compliance program that establishes the framework for identifying, assessing, controlling, measuring, monitoring, and reporting compliance risks across the organization, and for providing compliance training throughout the organization.

Robust compliance monitoring and testing play a key role in identifying weaknesses in existing compliance risk management controls and are, therefore, critical components of an effective firm-wide compliance risk management program.

Source: Federal Reserve Letter 08-8
Citi utilizes the three-lines-of-defence framework to manage compliance risk and the firm’s adherence to its compliance risk appetite. The assurance functions that exist in the first, second, and third lines of defence are a critical component of this framework. In connection with its ownership of compliance risk, the first line (business) monitors and evaluates the effectiveness of its controls on an ongoing basis.

The second-line Compliance function utilizes a risk-based approach to evaluate the effectiveness of compliance controls through ongoing monitoring and planned testing. Finally, the third-line Internal Audit function employs a systematic approach to evaluate and improve the effectiveness of risk management, controls, and governance processes, including those related to compliance risk management.

## Three Lines of Defence

<table>
<thead>
<tr>
<th>Businesses</th>
<th>Compliance Monitoring and Testing</th>
<th>Internal Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsibilities:</strong> Own and manage their compliance risks, and implement and maintain internal control frameworks and quality assurance mechanisms to prevent and detect control or conduct breaks, with appropriate consideration of the business’s characteristics, Citi’s risk appetite, legal and regulatory requirements, and Citi’s obligations to its customers and clients</td>
<td><strong>Responsibilities:</strong> Develops risk-based Compliance Monitoring and Testing plans to assess businesses and other functions’ adherence to Citi’s compliance risk appetite</td>
<td><strong>Responsibilities:</strong> Develops independent audit plans to test controls across the entire enterprise, providing independent assurance that the firm’s risk management and internal control processes are operating effectively</td>
</tr>
<tr>
<td><strong>Controls validation:</strong> Utilize in-business risk control functions, quality assurance processes, or both to verify the effectiveness of controls, including through the Manager’s Control Assessment process</td>
<td><strong>Controls validation:</strong> Utilizes ongoing Compliance Monitoring, periodic Compliance Testing, and other quality controls to provide reasonable assurance that Citi is complying with applicable key laws, regulations, and standards</td>
<td><strong>Controls validation:</strong> Executes audits, which may include assessments of controls in Citi’s businesses and other functions and of Compliance’s oversight activities to mitigate compliance risk, to provide independent assurance on the design and operating effectiveness of controls</td>
</tr>
<tr>
<td><strong>Escalation practices:</strong> Adopt and follow reporting and escalation protocols that generate appropriate key risk and performance indicators for management’s review, report issues to management committees (e.g., the Business Risk Compliance and Control Committees), and design and implement corrective actions to remediate issues and deficiencies in controls</td>
<td><strong>Escalation practices:</strong> Escalates monitoring exceptions, issues Compliance Testing reports, and tracks remedial actions, which are monitored and reported on through management committees, boards, and committees of boards</td>
<td><strong>Escalation practices:</strong> Issues Internal Audit reports and tracks remedial actions, which are monitored and reported on through management committees, boards, and committees of boards</td>
</tr>
</tbody>
</table>
Compliance Assurance has three inter-related disciplines to evaluate compliance with applicable internal policies and external laws and regulations.

<table>
<thead>
<tr>
<th>Compliance Testing</th>
<th>Compliance Monitoring</th>
<th>Compliance Surveillance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviews are conducted by independent, dedicated Compliance Testing teams.</td>
<td>May be conducted by any Product, Country, AMLCO or Corporate Compliance officer and be consistent with Global Monitoring Standards.</td>
<td>Surveillance is typically performed by dedicated specialist Compliance teams.</td>
</tr>
<tr>
<td>Reviews are scheduled in the EMEA Regional Compliance Annual Test plan – approved by regional Compliance Head.</td>
<td>Monitoring routines may be recorded in a Monitoring plan.</td>
<td>It is a form of monitoring that deploys systems and tools to check trades, transactions, voice and e-comms based on pre-defined criteria and lexicons.</td>
</tr>
<tr>
<td>The Compliance Test plan may be adjusted (up or down) during the year depending on priorities, particular triggers or identified risks.</td>
<td>Monitoring routines may take place daily, weekly, monthly quarterly etc. and frequency may be increased or decreased.</td>
<td>Alerts raised are either disposed, or escalated for investigation, with reporting made to the relevant internal parties or external governmental or regulatory bodies.</td>
</tr>
<tr>
<td>Reviews are based on a defined script (Standard or Tailored).</td>
<td>Monitoring should remain dynamic; routines may be paused for a period of time if no issues are found, in favour of higher priority focus areas.</td>
<td></td>
</tr>
<tr>
<td>Reviews are ‘point in time’ and retrospective for a given period e.g. 6 months, and may take several weeks or months to conduct and conclude.</td>
<td>Methods could range from selecting samples to check, interviewing, reviewing data, reliance on metrics or MI, re-performance, etc..</td>
<td></td>
</tr>
<tr>
<td>Global Testing Standards and Sampling Guidelines are mandatory.</td>
<td>Exceptional issues should be escalated on a timely basis as and when identified.</td>
<td></td>
</tr>
<tr>
<td>Compliance Testing reviews have published reports that are assigned a formal conclusion rating, and any issues and CAPS are reported in iCAPS.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Importance in the eyes of regulators of Compliance evolving from a purely advisory activity into a risk management function. Compliance Testing is the independent testing arm of the Citi Compliance function. Our mission is to:

- Evaluate the effectiveness of key controls and processes designed to adhere to requirements of relevant regulations and corresponding Citi policies.
- Provide management with independent assessments of the regulatory control environment.
- Report identified control exceptions to Senior Management, ensuring corrective action plans are developed and subsequently validated upon closure.

Compliance Testing plans are created using a risk-based approach, focusing on themes identified through the Compliance annual risk assessments. Compliance Testing teams work in partnership with Compliance Officers during the development and execution of testing reviews using consistent global standards.
### Development of the Annual Compliance Testing Plan

**Develop a Draft M&T Plan**

Each Region/Sector prepares M&T Plan, based on the following considerations:

- **Quantitative Inputs** – Linkage to the Risk Assessments (Revised Coverage Methodology)
- **Qualitative Inputs** - Input from Region Heads and Product Compliance Officers and the Global Compliance Testing teams

**Regional Review of Draft**

Regional/Sector M&T Plans are discussed and agreed locally with the Region/Sector Heads and with input from local Product Compliance officers.

**Global Review of Draft** M&T Plans are discussed and agreed with Global Head of Compliance Monitoring & Testing and shared with the Compliance EXCO

**Plan Approval**

Final M&T Plans are approved by the Regional/Sector Heads and the Global Head of Compliance Monitoring & Testing

**Plan Socialization**

Final M&T Plan is shared with the Global Compliance Executive Committee.

**Audit Committee**

Final M&T Plan is shared with the Citi Audit Committee Chair
The Monitoring and Testing (M&T) Planning Methodology links the M&T plans to the Risk assessment at the most granular level (CHANGES TO METHODOLOGY AND PLAN YEAR)

**Quantitative - Coverage Methodology**

<table>
<thead>
<tr>
<th>Inherent Risk 1</th>
<th>Control Rating</th>
<th>Coverage</th>
<th>Frequency of Testing Compliance Risk 2</th>
<th>Frequency of Testing AML Risk 2, 3</th>
<th>Frequency of Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong></td>
<td>Weak</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 18 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Fair</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 18 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Satisfactory</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 18 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Strong</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 18 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Medium-High</strong></td>
<td>Weak</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 24 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Fair</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 24 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Satisfactory</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 24 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Strong</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 24 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>Weak</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 30 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Fair</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 30 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Satisfactory</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 30 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Strong</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 30 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td>Weak</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 36 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Fair</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 36 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Satisfactory</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 36 Months</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td>Strong</td>
<td>Test</td>
<td>Monitor</td>
<td>Within 36 Months</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>

**Overall Rationale**

- **Testing** is driven by **Inherent Risk** and focused on validating the effectiveness of controls and providing a feedback loop to the Compliance Risk Assessments.
- **Monitoring** is focused on those areas where we believe controls are Fair or Weak. In those instances, Compliance should be working with the Business to strengthen controls through active engagement or as part of the MCA challenge sessions.
- **Overlap** – Some overlap is provided in instances where there are Weak and Fair Controls.
- **Plan Year** – In 2017 we will also be moving to a Calendar Year and therefore, the 2017 Testing Plan will be developed for a 9 month testing cycle.

**75 % Plan Composition Target**

Demonstrate that a minimum 75% of the 2017 Test Plan is driven by the Risk Assessments.

After applying the coverage rules for Testing, no category would be excluded from coverage over a 36 month period.
Planning of EMEA Monitoring and Testing routines in EMEA will involve the consideration of various elements which are set out below:

**Markets Country Profile**
Countries where markets business is carried out are grouped into quadrants based on risk and size of activities. A methodology is applied to exclude or include specific countries for testing reviews during the year based on this matrix.

**Global Testing approach**
A number of testing programmes will be carried out on a global basis, i.e. reviews that are identified as applicable for all relevant regions, as a result of the risk assessment or other qualitative assessments. The following areas are currently being considered for planning global reviews:

<table>
<thead>
<tr>
<th>Markets</th>
<th>Corporate Compliance</th>
<th>Citi Private Bank</th>
<th>AML</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific programmes are currently being reviewed for coverage as well as a potential integrated approach for implementation:</td>
<td>The approach to cover this area is currently being developed based on qualitative assessments given it was not subjected to CARA this year</td>
<td>Consideration is being given to the development of globally-driven plans for CPB.</td>
<td>Global lead for horizontal reviews is considered.</td>
</tr>
<tr>
<td>• <strong>Desk Review Program</strong> (‘DRP’) – a review focused on conduct risks inherent in the markets business.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• <strong>Benchmarks Review Program</strong> – a review focused on the governance and control activities related to the identification, inventory contributions and submissions of benchmarks.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• <strong>Algorithmic/ Low Touch Trading</strong> – a review focused on the governance and control activities over algorithmic trading.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Regional Testing approach**
The scope of the global reviews will need to be taken in to account when determining the scope of regional reviews.

For example: *If a business is selected to be in-scope for the Global Desk Review Program, and the same business is selected for a Market Abuse Regulation (MAR), then both reviews would likely cover Insider Trading. Therefore, when planning the reviews, the scope of each review should be taken into account to avoid duplication of work.*

In addition, EMEA is developing specific regulatory testing programmes for the following regulations:

<table>
<thead>
<tr>
<th>Depositor protection</th>
<th>Transaction reporting</th>
<th>Licensing and Registration</th>
<th>CASS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulations that ensure the rights of eligible deposit customers to compensation in case of bank default are appropriately disclosed and protected; this regulation also requires single customer view reporting.</td>
<td>Regulations imposing reporting requirements for specific type of transactions.</td>
<td>Regulations underpinning individual certification and senior management regime as well as legal vehicle licensing.</td>
<td>CASS is already an established programme that will continue to be implemented to ensure the firm has systems and controls to enable compliance with client asset protection rules.</td>
</tr>
</tbody>
</table>

Finally, specific **country requirements** also need to be considered after determining scoping of global and regional reviews.
EMEA Compliance Testing
Review Team Alignment

EMEA Compliance Testing – breakdown of teams by product / program / legal vehicle coverage

<table>
<thead>
<tr>
<th>Markets</th>
<th>Non-Markets</th>
<th>Prudential</th>
<th>CEP</th>
<th>Regional AML</th>
<th>Bank Handlowy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>Group 2</td>
<td></td>
<td></td>
<td></td>
<td>Local Polish</td>
</tr>
<tr>
<td>Equities</td>
<td>Equities</td>
<td>Private Bank</td>
<td>Central Bank of Ireland / ECB regulated entity</td>
<td>AML</td>
<td>legal vehicle</td>
</tr>
<tr>
<td>Prime Finance</td>
<td>Futures</td>
<td>Capital Markets</td>
<td></td>
<td>AB&amp;C</td>
<td></td>
</tr>
<tr>
<td>Securities</td>
<td>Commodities</td>
<td>Issuer Services</td>
<td></td>
<td>Sanctions</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>Rates</td>
<td>Research</td>
<td></td>
<td>All Business</td>
<td></td>
</tr>
<tr>
<td>Multi-Asset Group</td>
<td>FXLM</td>
<td>Trade Services</td>
<td></td>
<td>Lines</td>
<td></td>
</tr>
<tr>
<td>Fiduciary Services</td>
<td>Derivatives</td>
<td>Commercial Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Structured Product</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bank Handlowy
Lead Polish legal vehicle

Central Bank of Ireland / ECB regulated entity
AML
AB&C
Sanctions
All Business Lines
**Background**

To ensure appropriate coverage by Compliance Testing of the risks to Citi’s engagement in benchmark, a Benchmark Review Program has been instigated to provide a framework for CT’s work in this area. Similar to desk reviews this comprises a risk-based coverage approach, development of an operating model and annual plan, and a Standard Review Program. With a global inventory of circa 1,500 benchmarks (active and passive submissions, IBORs, proprietary indices, and consensus pricings), consideration will also need to be given to other forms of assurance such as monitoring routines, as well as Audit coverage to avoid duplication.

**Current Status**

- Standard Review Program developed, mapped against Compliance Risk Taxonomy themes and considering key conduct risks from the Global Financial Benchmark Submissions, Contributions and Conflicts Of Interest Policy
- Benchmark Review Program methodology document created
- Risk-based identification (using CARA and the benchmark inventory risk assessment) grouping the inventory into four groups for prioritisation by CT
- Provisional list of priority benchmarks selected for consideration in CT planning – full rollout is dependent on completion of remediation activities being addressed by the Markets Conduct Initiative (MCI)
**Background**

Also known as Low Touch Electronic Trading Activity (LTA) Trading in financial instruments where a computer algorithm performs the role of a trader by automatically determining individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention. Citi describes its electronic trading activities using two main terms LTA Platforms/Applications and LTA Strategies.

<table>
<thead>
<tr>
<th>TERM</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTA Application / Platform</td>
<td>System which provides the technical framework and operational risk controls for a trading strategy. May also be referred to as a “container”</td>
</tr>
<tr>
<td>LTA Strategy</td>
<td>Algorithm which provides logic for trading decisions, including order entry and exit, and interacts with market via the LTA Application.</td>
</tr>
</tbody>
</table>

**Current Status**

Recent episodes of market volatility have heightened the regulatory focus on Compliance oversight in this area, with expectation that testing of platforms and strategies should be appropriately embedded in firms’ risk management and control frameworks. Increased demands on Compliance staff to have sufficient technical expertise to identify and challenge the associated risks.

Compliance Testing is therefore developing a program to review Citi Markets low touch / algorithmic activities, initially through its desk review program.
Background
To comply with CAPs from the FX Consent Order, in 2015 Compliance Testing initiated a global Desk Review program focused on conduct risk in the Markets business. Having developed a methodology, Standard Review Program and risk-based approach utilising CARA and the MCP (Markets Conduct Profile), this is now a multi-year program with determination on desk selection made as part of the annual Compliance Test Plan process and progress tracked in weekly global working group calls. Delivery against all CAPs is also validated by Internal Audit.

EMEA Desk Reviews
Starting with a pilot review on G10 FX in partnership with NAM ICG Testing, to date EMEA has in total conducted 6 desk reviews published as follows:

<table>
<thead>
<tr>
<th>Desk Review</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>G10 FX</td>
<td>August 2015</td>
</tr>
<tr>
<td>CGMD Equity Sales and Equity Derivatives Sales</td>
<td>April 2016</td>
</tr>
<tr>
<td>Exotic Equity Derivatives</td>
<td>May 2016</td>
</tr>
<tr>
<td>CMO (Pitch Books)</td>
<td>August 2016</td>
</tr>
<tr>
<td>G10 Rates Finance Desk</td>
<td>October 2016</td>
</tr>
<tr>
<td>MAG Trading</td>
<td>due December 2016</td>
</tr>
</tbody>
</table>

These have resulted in the raising of 25 reportable issues (4 x level 3, 10 x level 4, 11 x level 5) with 30 associated corrective actions put in place.

A further 8 Compliance Testing desk reviews are planned for EMEA in the 2017 plan.
## Compliance Testing Lifecycle

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create Test Plan</td>
<td>Develop annual test plans using a risk-based approach incorporating a number of important inputs.</td>
</tr>
<tr>
<td>Conduct Testing</td>
<td>Determine if business adheres to applicable laws, regulations, and/or policies. Verify that controls are properly designed and operating effectively to mitigate risks. Leverage Standard Review Programs (SRP) &amp; Testing Standards to conduct testing.</td>
</tr>
<tr>
<td>Review and Report Results</td>
<td>Issue standard reports for completed reviews. Report aggregate test plan status and issues to Compliance management monthly and to other internal and external audiences on a regular basis.</td>
</tr>
<tr>
<td>Track Issues to Conclusion</td>
<td>Identify issues, create and assign corrective action plans, validate successful completion of issues. Specify interim compensating controls for long-term CAPs. Track issues in iCAPs. Inform senior management through MIS, committees, and key metrics of incomplete and late issues. Escalate overdue CAPs.</td>
</tr>
<tr>
<td>Conduct QA</td>
<td>Evaluate Compliance Testing Reviews on a sample basis to ensure adherence to Testing Standards.</td>
</tr>
<tr>
<td>Review and Revise Plan</td>
<td>Adapt Test Plan in response to testing results and changes in business and regulatory environment.</td>
</tr>
</tbody>
</table>

### Feedback Loop, Report Issues, Close Gaps

- Identify issues, create and assign corrective action plans, validate successful completion of issues.
- Specify interim compensating controls for long-term CAPs.
- Track issues in iCAPs.
- Inform senior management through MIS, committees, and key metrics of incomplete and late issues.
- Escalate overdue CAPs.

## Governance & Enterprise-wide Controls

### Standard Review Program

The Standard Review Program (SRP) ensures global consistency in testing plans.

### Testing Standards

Testing Standards are in place to establish consistent minimum requirements for planning, executing, and reporting within the Global Compliance organization in support of the Compliance Program Policy.

### Reporting

Minimum reporting standards are in place to provide management with accurate, timely and transparent information on global Compliance Testing efforts.

### Data Mining

Compliance Testing may utilize Data Mining techniques to integrate and enhance compliance reviews with quantitative techniques.

### Quality Control

The Quality Control (QC) process is in place to periodically evaluate Compliance Testing reviews to ensure adherence to Testing Standards.
Reports utilise one of three satisfactory/unsatisfactory conclusion types – “Controls are reasonably designed and are generally effective”, “Controls require management’s attention”, or “Controls are not effective to mitigate the risks”

Issue severity is assessed and reported according to ‘Impact’ and ‘Probability’ criteria:
Implementing the Monitoring Program Structure

In order to implement a Monitoring Program, the following 4 components must be established:

1. **Annual Monitoring Plan**
   - Detailed description of monitored business processes, regions, countries, and businesses included in scope, risk attributes, relevant laws and regulations, Compliance Risk taxonomy, and legal entity.

2. **Monitoring Execution**
   - High-level description of the monitoring objectives, responsible individuals, methods and practices employed, frequency, source of data, and time periods covered.

3. **Monitoring Results**
   - Record of monitoring activity, including conclusions, location of supporting evidence, dates, and number of exceptions.

4. **Monitoring Exceptions**
   - Details behind any indications of ineffective business processes or controls, including any remedial activities, escalations, associated issues and CAPs.
Types of Monitoring Activities

- Monitoring activities can be on-going or targeted.

**On-going monitoring** activities are recurring and scheduled at a frequency determined by qualitative risk factors or the availability of data (e.g. daily, weekly, monthly, quarterly or annually).

**Targeted monitoring** activities are typically event driven. For example, targeted monitoring may be conducted in response to an identified emerging risk or current trend.
Governance Structure

The Governance Committee oversees the integrated program coverage by Monitoring and Testing. Drivers to Monitoring Plan Changes as well as adequacy of the coverage of risk areas, is discussed.

The committee is responsible for the oversight of coverage of compliance risks in Monitoring and Testing Plans for their respective region or business.

The committee is made up of the Region / Sector Compliance Heads, the Global Compliance Monitoring and Testing Head, the Region / Sector Compliance Testing Heads, and designated representative Compliance Officers from each region/sector, who will act as coordinators across the Forum members (Governance Coordinators).
1. Quantitative Inputs - Linkage to the Risk Assessments:
   - Enterprise-Wide AML Risk Assessment;
   - Enterprise-Wide OFAC/Sanctions Risk Assessment;
   - Enterprise-Wide Anti-Bribery & Corruption Risk Assessment; and
   - Horizontal Risk Assessments

2. Qualitative Inputs - Feedback from:
   - Country AML Compliance Officers;
   - Cluster AML Compliance Heads;
   - Regional Advisory Leads by Product (all Business Lines);
   - Regional Heads of Programs (AML, Sanctions, AB&C);
   - Heads of Regional Functions (Financial Intelligence Unit, Global Investigation Unit, Transaction Monitoring, KYC, Program Governance);
   - EMEA Head of AML, AB&C and Sanctions; and
   - Global Compliance Testing Teams

3. Global AML CT Plan Coordinators compare Regional Plans and discuss them with each Region to understand coverage and consistency

4. Other items taken into consideration:
   - Emerging Risk Reports;
   - Internal Audit Activities; and
   - Open Corrective Action Plans
Scope of EMEA AML, AB&C and Sanctions Reviews

- EMEA Countries
- EMEA Lines of Business
- Global, EMEA Regional and Country Laws and Regulations
- EMEA Legal Vehicles
- EMEA Business Support Units
- EMEA Regional and In-Country Transaction Monitoring Hubs
- EMEA AML, AB&C, Sanctions related systems and applications
- Employees, non-employees and third parties
EMEA Compliance Testing
AML, AB&C and Sanctions Reviews – Testing Areas*

AML
- Customer Identification Program and Customer Due Diligence
- Monitoring
- Investigations and Suspicious Activity Reporting
- Law Enforcement Requests
- Negative Name Screening

AB&C
- Pre-Approval for Gifts, Entertainment, Meals, Travel, Lodging, or Roadshows
- AB&C Due Diligence for Business Transactions/Deals
  - Suppliers
  - Hiring

Sanctions
- Sanctions Screening
- Compliance with Sanctions List Management
- Disposition of Sanctions Matches and Escalation
- HR and Third Party Management Sanctions Screening Controls

*This is just an example and not an exhaustive list
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