

A trustworthy partner

“ The Bank’s reputation for being a trustworthy partner depends on its exemplary governance and ethical standards. A tough stance on tackling financial crime (money laundering, terrorist financing, fraud and corruption) is essential in maintaining strong partnerships. ”

Vis Shankar, Group Head, Origination and Client Coverage

i For more information on Standard Chartered’s code of conduct on this issue, visit: www.standardchartered.com/sustainability/tackling-financial-crime

2007 Highlights

Improved governance through the new Group Financial Crime Risk Committee

Renewed and relaunched all financial crime risk policies

Implemented new, risk-based, Customer Due Diligence procedures

Automated transaction monitoring system live in eight more countries

Enhanced ‘thought leadership’ through local and international forums

Criminal activity related to financial services not only affects the Bank’s business, but also hurts our customers and the communities where we do business. It can undermine the sustainability of our own growth and, by fuelling poverty and inequality, that of the economies we operate in.

International Monetary Fund (IMF) estimates suggest that money laundering globally accounts for between two and five per cent of the world’s GDP annually,¹ so tackling the threat is a major challenge for the entire financial sector. The banking industry needs to respond to this threat through industry-wide cooperation and constructive partnership with governments.

Standard Chartered monitors financial crime risk management through the Audit and Risk Committee and specialist Group and business committees at various levels including on-the-ground Country Operational Risk Groups.

Anti-money laundering (AML) and terrorist financing

Money laundering is the process through which the proceeds from crime are disguised and concealed. At each stage of our operations, Standard Chartered

strives to minimise the risk of our products and services being used by money launderers. During 2007, we launched revised, more risk-based, ‘Customer Due Diligence’ (CDD) standards across Consumer Banking.

Once an account is opened, the Bank uses sophisticated systems to detect suspicious transactions. The Norkom transaction monitoring system went ‘live’ across eight more countries in 2007, with enhanced reporting procedures for exceptional transactions implemented in more than 25 other countries.

Despite such automated systems, the vigilance of our staff remains critical. Our employee induction programmes make these responsibilities clear to new recruits. The Bank now passes several thousand suspicious activity reports to the relevant authorities every year.

In 2007, the Bank completed a programme to enhance payments screening in all processing centres and to improve its ability to identify transactions that may be linked to a terrorist suspect.

The Bank works closely with regulators, other banks and industry bodies, such as the Wolfsberg Group, to ensure that its

¹ Financial Action Task Force (FATF), Money Laundering FAQ, January 2008



Monitoring systems

Over the last three years, Standard Chartered has invested over \$55 million in improved AML monitoring systems and automated surveillance for terrorist finance-related transactions.



Hong Kong Monetary Authority (HKMA)

Standard Chartered Bank Hong Kong led a group of 20 financial institutions under the chairmanship of the HKMA to study specific AML and terrorist financing issues. The group will monitor regulatory changes and their effect on business. It has issued a guidance paper on the handling of public officials.

AML control framework continues to reflect international best practice.

The Bank has also contributed to the development of new laws and industry guidelines in several countries, such as 'Know Your Customer' and transaction disclosure requirements issued by the South Korean authorities and the new Hong Kong industry guidance. In early 2007, the Bank joined representatives of the Basle Committee to train regulators from across Africa, who are in the process of implementing their own AML standards.

We recognise, however, that AML is a fast-evolving field. In late 2007, we engaged the services of the Promontory Financial Group, a leading consultancy, to ensure we keep pace with developments, continue to meet the expectations of our regulators and stay at the forefront of international best practice. We plan to refine our AML operating model based on their recommendations in 2008.

Fraud and corruption

Aside from the obvious financial impact on the Bank itself, we have a wider responsibility to protect customers from fraud and to contribute to the security and stability of the financial sector.

While fraud levels in the Bank have remained stable in recent years (indeed, they have fallen relative to the size of our business), we remain on our guard against new methods of attack and strive to reduce our losses. Like the Bank's AML regime, our approach to fraud reduction uses a series of preventive barriers from front-line controls to a risk-focused internal audit programme.




To reduce the risk of employee fraud, in early 2007, the Group rolled out new procedures for staff screening and vetting at the point of recruitment. The Bank also reviewed its 'Speaking Up' programme,

which provides employees with a confidential channel to raise concerns they may have about possible malpractice, with an aim to combat corruption. In 2007, over 25 reports were made, which helped the Bank to improve controls and reduce fraud.

 **More information is available on our website on the following topics:**

- Group code of conduct.

Our goals and achievements in 2007

Our goals for 2007	Status	What we have done
Migrate Norkom monitoring system to other major centres, including Singapore and Hong Kong	 Completed	Implemented in Hong Kong, Singapore and six other countries
Deliver an anti-fraud action plan across Africa	 Completed	Achieved a measurable impact on the incidence of serious fraud
Complete roll out of improved sanctions screening systems to all payments centres	 Completed	All payments centres now 'live'

Our priorities in 2008

- Norkom roll out across additional countries, products and services
- Identify and address other areas of fraud vulnerability across the Group
- Review application of sanctions screening systems to other banking services
- Implement consultancy recommendations on anti-money laundering
- Launch new Financial Crime Risk training programme

“The automated transaction monitoring system, employed in the UK since April 2007, has proved to be an invaluable tool in assisting us in the fight against money laundering, and in helping us to meet our related regulatory and legal obligations.”

Dave Alonzo, Head of compliance, Private and International Banking UK