CONDUCTING **ESSENTIAL** THIRD PARTY DUE DILIGENCE IN THE **MIDDLE EAST**

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ONE HOUR OF YOUR TIME…..

- The **importance** of a robust third party due diligence program in the Middle East
- Strategies for educating, engaging and enrolling key **stakeholder buy-in**
- **Efficiently structure** your third party due diligence program
- Tried & tested methods to overcome practical obstacles in **identifying** third party compliance **risk**
- **Mitigating** common, region specific **red flags**
- Conducting **cost-effective**, **commercially relevant** third party **reviews**

THE **THEORY**

- **Why** should any company based in the Middle East **spend** it’s hard earned Dirhams on conducting third party due diligence?
- **What** is **risk-based** third party due diligence?

WHAT IS RISK-BASED THIRD PARTY DUE DILIGENCE? & **WHY** DO IT?

The **What**:

- Individual **third parties are categorized** in terms of their vulnerability/exposure to potential corruption

The **Why**:

- Allows an organization to **focus** due diligence **resources** on third parties which may pose a greater risk to the business
- **Cost-effective**
- **Sustainable**

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- **Corruption and Bribery** are deemed criminal in every corner of the globe including the UAE:

1. United Kingdom Bribery Act 2010 – "Adequate Procedures Can Be An Absolute Defense".
2. United States Foreign Corrupt Practices Act 1977 – "Take All Necessary Precautions To Ensure They Have Formed A Business Relationship With Reputable, Qualified Partners and Representatives".
3. United Nations Convention Against Corruption 2003 – (UAE ratified under Federal Decree no. 06 in 2006)
4. **United Arab Emirates Articles 234 to 239 of the Penal Code (Federal Law 3) 1987**
5. **Federal Decree-Law No. 11 of 2008 (also known as the 'Federal Human Resources Law')**
6. **Dubai Law No. 37 of 2009 on the Procedures for the Recovery of Illegally Obtained Public and Private Funds (Financial Fraud Law**)

STAKEHOLDER **BUY**-IN

- How to **facilitate internal stakeholder** buy-in for your third party due diligence program?

1. Relate e.g. commercial benefits, positive business differentiator

2. Educate

3. Demonstrate

RISK-BASED THIRD PARTY DUE DILIGENCE **PROGRAM STRUCTURE**

Risk Assess & Organize third parties universe into five distinct risk ranked 'buckets':

Out of Scope

e.g. Customers

- **Low**

- **Medium**

- **High**

- e.g. Joint Venture Partner/ Customs Agents/ Sales Agents

RISK BASED THIRD PARTY **APPROVAL CHAIN**

- **Low –** Relationship Owner & Line Manager
- **Medium –** Relationship Owner & Line Manager & **Compliance Officer**
- **High –** Relationship Owner & Line Manager & **Compliance Officer** & Management

[redacted]

- **Payment**
- **Structure**
- **Conflicts of Interest**
- **Legal**
- **Information**
- **Service/Product provision**

Ongoing **Monitoring**

What is **Ongoing Monitoring ?**

How **Often should you conduct ongoing monitoring?**

Is it really **necessary?**

AUDITING THIRD PARTY DUE DILIGENCE PROGRAM **EFFECTIVENESS**

Utilizing **Spot-checks**
Identifying a meaningful batch of third parties to sample

HOW TO MITIGATE/REMEDIATE THIRD PARTY RELATED RISKS

- Contract **Clauses**
- Third Party **Audit** Rights
- **Training**
- **Third Party** Compliance Program Investment