

Sanctions risk management is a complex and multifaceted process due to various factors and challenges, such as a constantly evolving regulatory framework, diverse array of bi-lateral and unilateral sanctions regimes, extraterritorial reach, customer and payments screening against watchlists, supply chain complexity and regulatory expectations of a tailored sanctions risk assessment.

What is sanctions risk?

Violating sanctions can have serious legal, financial, and reputational consequences for individuals, businesses, and organisations. These risks can vary depending on the jurisdiction and the nature and severity of the sanctions being violated, but they generally include:

Legal consequences

- Criminal and civil penalties
- Regulatory enforcement
- Exposure to litigation

Financial consequences

- Asset freezes
- Loss of business opportunities
- Loss of licences
- Loss of government contracts

Reputational risks

- Damage to reputation
- Loss of customers and partners

Operational disruption

- Operational challenges
- Global reach
- Increased regulatory scrutiny
- Restricted access to banking services

It's important to note that sanctions enforcement varies by jurisdiction, and the consequences can differ depending on the specific sanctions programs involved. Additionally, the severity of penalties may depend on factors such as the level of intent, the scale of the violation, and whether the violator cooperates with authorities.

To avoid the risks associated with violating sanctions, individuals, businesses and organisations must adhere to sanctions laws and regulations, implement robust compliance programs, conduct due diligence on partners and customers, and stay informed about evolving sanctions regimes. Consulting with legal and compliance experts can also help ensure compliance with sanctions requirements.

What is a sanctions risk assessment?

A sanctions risk assessment is a comprehensive evaluation of an individual, organisation's, or entity's exposure to sanctions-related risks. The primary purpose of a sanctions risk assessment is to identify, evaluate, and mitigate the potential risks associated with violating sanctions laws and regulations imposed by governments or international organisations. This assessment is a crucial component of a robust sanctions compliance program and is typically conducted by businesses, financial institutions, and organisations engaged in international trade or financial transactions.

A well-executed sanctions risk assessment helps organisations identify vulnerabilities, minimise the risk of sanctions violations, and demonstrate a commitment to compliance. It is an essential part of maintaining the integrity of international business operations and financial transactions while adhering to sanctions laws and regulations.



Who should consider conducting a sanctions risk assessment?

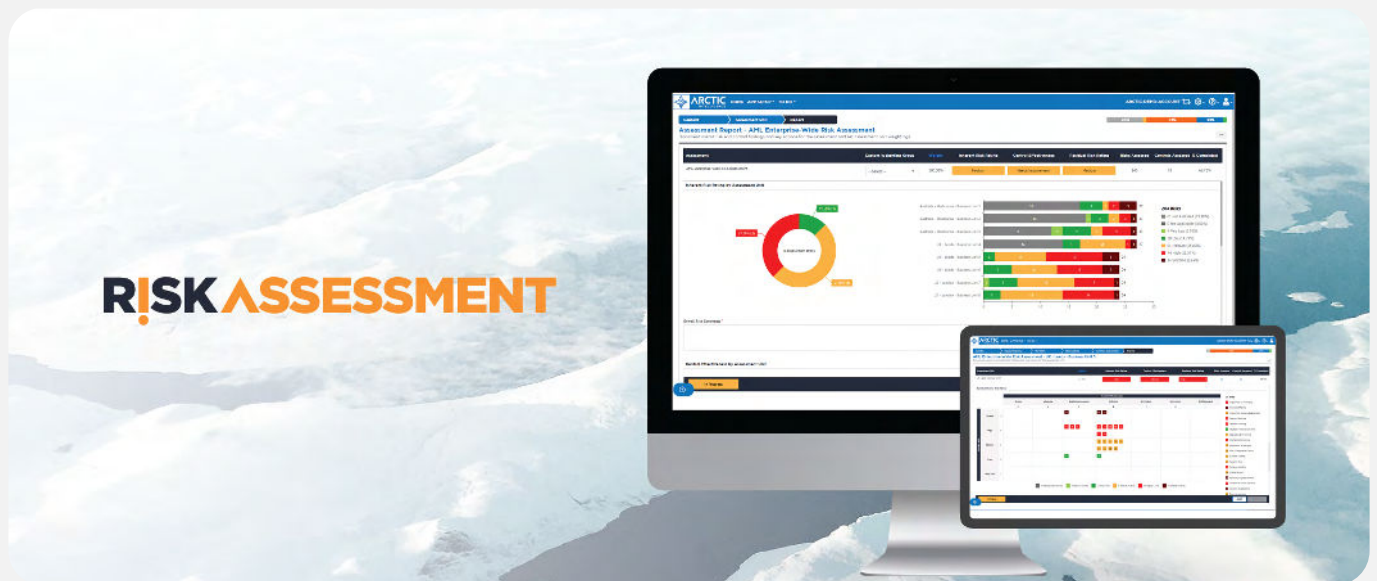
A sanctions risk assessment is typically conducted by individuals, businesses, and organisations engaged in international activities or financial transactions. While it may not be mandatory for everyone, certain entities and sectors are more likely to be legally obligated or strongly advised to perform sanctions risk assessments. Here are some groups that must or should consider conducting a sanctions risk assessment:

- Financial institutions
- International businesses
- Exporters and importers
- Financial service providers
- Professional services providers
- Nonprofit organisations
- Government contractors
- Shipping and logistics companies
- Investors and investment funds
- Individuals and sole proprietors

About Arctic Intelligence's Risk Assessment Platform

Arctic Intelligence's Risk Assessment Platform has been designed for larger companies to conduct risk assessments for financial crime and other risk domains. The platform is highly-configurable and can be tailored to your organisation's risk assessment methodology, risk and control libraries relevant to your business and execute these across multiple countries, operating groups or business units. This process produces real-time dashboards and reports aggregated across the organisation.

The Risk Assessment Platform is commonly used to digitise manual spreadsheet-based models and also to automate the inherent risk assessment process by ingesting data from file uploads or API feeds.



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Key Features

To help manage your enterprise-wide risks, whatever the risk domain you're assessing



Highly configurable so you can tailor the platform to suit your needs



Import your own risk and controls or use our expert-built risk domains



Flexible risk methodology, tailored to your risk-based approach



Auditable workflow process for conducting risk analysis and controls assessment



Digitise and automate by ingesting data via API or file upload



Track, monitor and report on actions, issues and incidents



Real-time dashboards and analytics, with exportable reports



Fully hosted in a secure cloud with dedicated support

Why choose the Risk Assessment Platform?



Fully configurable risk analysis and controls assessment platform



Automate risk assessments by ingesting data, improving efficiency



Expert-built content modules with hundreds of risks and controls



Real-time analytics, approval workflows and fully auditable



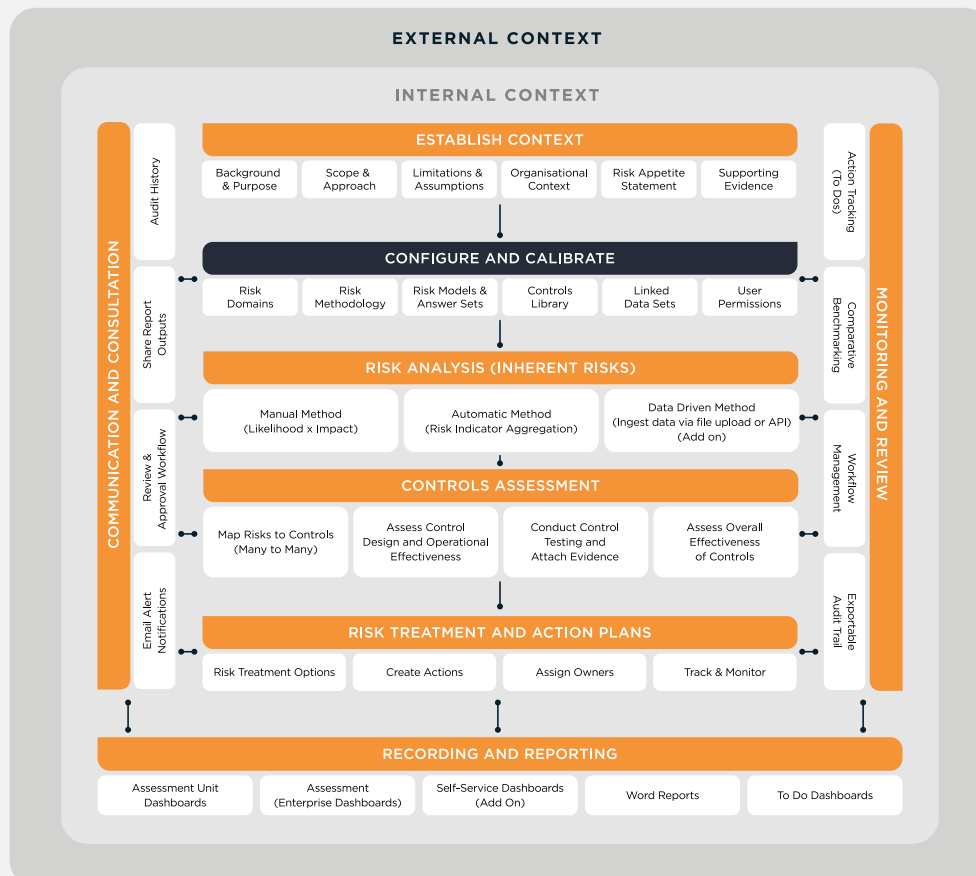
Digitise spreadsheet-based approaches, improving quality



Save time and money, reducing compliance costs

How it works

The diagram below visualises recognised industry best risk assessment practices overlaid against the features within the Risk Assessment Platform that supports these processes.



What is the structure of the sanctions risk and control module?

We've developed a sanctions risk and control module. The main risk groups, risk categories and risk factors (noting there are around 450 risk indicators) contained in the sanctions risk modules are detailed below. It can also be fully tailored to suit your organisation by modifying content, applying weightings, determining answer set values and calibrating risk thresholds.

1. Environmental Risks

Environment risk is the vulnerability of your organisation to sanctions risks because of the external environment your business operates in and internal environment within your business. The types of Environmental Risks include higher risk external environments and internal ML/TF & Sanctions Program/Policy.

2. Business Risks

Business risk is the ML/TF risk resulting from your organisation's business operations including exposure to higher operational risks.

3. Customer Risks

Customer risk is the risk that your customers may be involved in sanctions based on an assessment of the customer base profile, the customer due diligence program and the organisations exposure to higher risk customer types.

4. Product and Services Risks

Product and Services risk relates to attributes that can increase the vulnerability of a product or service being used for sanctions. The types of sanctions risks include higher risk product and services usage by customers and introduction of new products or services or changes to existing products and services.

5. Channel Risks

Channel Risk relates to the way that your customers access or buy your products and services may increase the Sanctions Risk. The types of Channel Risks are further broken down into the expansion of direct distribution channels, non-face-to-face risk and reliance on third-party intermediaries.

6. Transaction Risks

Transaction Risk relates to the types of transactions that your customers are engaged in based on the customer type (i.e. peer group profile), volume of transactions, value of transactions, frequency & patterns of transactions, transaction counterparties, beneficiaries and intermediaries and the effectiveness of transaction monitoring controls.

7. Sanctions Risks

Sanctions laws and regulations require reporting entities to consider if the countries where business is conducted are subject to sanctions, embargoes or similar measures; or identified as lacking adequate sanctions controls.

About Arctic Intelligence

Arctic Intelligence is a multi-award winning, RegTech firm that specialises in audit, risk and compliance software related to financial crime compliance and risk management.

We've helped hundreds of clients in over 20 industry sectors and multiple countries strengthen their defences against financial crime.

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