

Infospectrum's

5 Steps To Robust KYC

For the shipping, energy and commodities trading sectors

KYC in today's trading environment

In today's shipping, energy, and commodity trading environments, navigating the complexities of obscured ownership structures, sanctions, and dark/shadow fleet activities presents a daily challenge; just one wrong trade could spell disaster, and risk professionals must be prepared.

In recent months, we have seen instances of reputable companies becoming embroiled in dark/shadow fleet scandals and we ask – how can this happen?

Below we set out the 5 steps that a robust KYC process must have:

- 1. Establish Identity**
- 2. Secure KYC documentation**
- 3. Stress Test**
- 4. Widen Coverage**
- 5. Subcontract and Protect**

How do these work in practice?

1. Establish Identity

Confirm the precise registered details (full legal name, registered number, domicile, etc.) of your proposed counterparty; this must take place at outset to establish legitimacy and ensure ensuing KYC and due diligence work will be correctly focused.

2. Secure KYC Documentation

Increasingly, counterparties are willing to provide KYC documentation, such as....

- i. Trade licenses/incorporation documents**
- ii. Passports details of the principals/promoters**
- iii. Documentation on sources of capital, financial accounts, etc.**
- iv. Company profiles**

Request KYC documentation from your proposed counterparty as early as possible in the pre-fixture process; where disclosure is not forthcoming, engage a trusted, impartial third party specialist to seek/source documentation on your behalf.

3. Stress Test

- The information included in any KYC documentation you receive should be "stress tested"; documentation may be legitimate and appear to contain the required details, but it may well be necessary to look beyond this (not least in terms of true ultimate beneficial ownership and the source(s) of funding, which can be obscured behind the use of nominee shareholders and other measures designed to shift focus away from the actual interests involved).
- Engage a specialist third party with direct experience in piercing the documentary veil and mapping the track records of involved parties.
- Performing a sanctions check against names within the KYC data you receive is only part of the solution; precision and insight is called for, to ensure that all relevant parties linked to your counterparty are checked.

4. Widen Coverage

- If the stress test of KYC information reveals no apparent issues, don't stop there; consider widening your search parameters to cover vessels involved in the transaction (Know Your Vessel - KYV), and the trading partners of your counterparty (Know your Counterparty's Counterparty - KYCC).
- Such expanded research can include the exploration of the port call history of any relevant vessel (through examination of AIS vessel positioning data), details of relevant vessel ownership (immediate and ultimate), and the identification of likely end users of the commodities or vessels traded.

5. Subcontract and Protect

We know very well that our clients are under significant pressure to make viable, risk-managed commercial decisions to tight deadlines.

- If resource or time constraints limit conducting the vital KYC steps in-house, engage a trusted third-party specialist to handle this for you; such partners will be primed to conduct thorough, highly targeted and efficient searches, and may already have vital intelligence to-hand, accumulated through the course of many years' of executing focused due diligence work.
- Ensure you maintain a well-structured and accessible audit-trail of all KYC work undertaken and delivered against every transaction (and the resulting decisions taken); you never know when you may need to prove that appropriate steps were taken to arrive at a given commercial decision, with such proof potentially sought by internal compliance or external regulatory/official bodies, financiers, etc.

How We Can Help

Infospectrum's highly valued KYC solutions have been developed and refined over the course of 25 years, drawing upon our execution of vital credit and counterparty risk, KYC, due diligence and compliance intelligence for over 1,000 clients in the shipping, energy and commodity trading sectors.

Discover how we can help you mitigate your risk, today:

- » Establish corporate identity, ownership structures, operational and historical insights, fleet details, financial profiles, and risk ratings with [Counterparty Risk Appraisal Reports & Ratings](#)
- » Conduct search on entities, vessels and individuals across global sanctions lists, have up to 500 companies monitored, and receive proactive email alerts with [Sirius Sanctions Search Platform](#)
- » View current positions, historical vessel movements, port events, vessel identity information, and relevant Counterparty Risk Appraisal Reports & Ratings with [Infospectrum Voyager](#)
- » Manage your counterparty portfolio, vetting, onboarding, and share information with authorised colleagues centrally with [Infospectrum's Counterparty Management System \(ICMS\)](#)

Have an urgent enquiry?

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