FISA Glossary

This Glossary is continuously refined as understanding of the nature of corruption grows.

Abuse of position is a form of bribery, corruption or fraud where a person in a position of authority or trust abuses their position for personal or financial gain, or so that someone else loses money or status. The abuse can be through action or inaction.

Anti-money laundering(AML) refers to a set of procedures, laws or regulations designed to stop the practice of generating income through illegal actions. Section 5 of the New Zealand AML/CFT Act 2009 contains definitions relevant to this glossary. (Source investopedia.com/terms/a/aml.asp.)

Assurance engagement is an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or the measurement of a subject matter against criteria. (Source www.iaasb.org/.)

Basel Committee on Banking Supervision(BCBS) is a group of international banking authorities who work to strengthen the regulation, supervision and practices of banks and improve financial stability worldwide. (Source searchcompliance.techtarget.com.)

Beneficial ownership refers to the natural person(s) who ultimately own(s) or control(s) a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. (Source Financial Action Task Force)

Base Erosion Profit Sharing (BEPS) refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. Under the inclusive framework, over 100 countries and jurisdictions are collaborating to implement the BEPS measures and tackle BEPS.

Bid-rigging is where bidders for a contract collude on deciding which company should win a bid. This is achieved by agreeing on pricing and other components of the bid. Bid-rigging can include bid rotation, complementary bidding and cover pricing. Bid-rigging can be an offence under cartel or antitrust law if this exists.

Bid rotation is where tenders are a continuing opportunity and companies collude to rotate winning bids among themselves so that all the companies benefit over time. Bid rotation is a form of collusion.

Bribery is the offering, soliciting, giving or receiving of a financial or other advantage to influence the actions of a person in charge of a public or organisational duty. For an action which is a breach of trust in the business context, this is usually in order to obtain or retain business or to secure an improper advantage. See below for the specific term “foreign bribery”.

Business Principles for Countering Bribery is a good practice model for corporate anti-bribery policies and programmes developed through a multi-stakeholder process

initiated and led by Transparency International. The Business Principlesfor Countering Bribery were first published in 2002. A third edition was published in 2013.

Civil Society Organisations (CSOs) are non-market, non-government entities formed by people with a common interest. They are defined by the OECD as “the multitude of associations around which society voluntarily organizes itself and which represent a wide range of interests and ties. These can include community-based organisations, indigenous peoples’ organisations and non-government organisations.” (OECD, 2006, DAC Guidelines and Reference Series Applying Strategic Environmental Assessment: Good Practice Guidance for Development Co-operation, OECD Paris.)

Code of conduct is a policy statement of principles and standards that all company personnel, board members and third parties must follow. It can be applied to or adapted to cover third parties.

Conflict of interest is a situation where an individual, or the entity for which they work, whether a government, business, media outlet or civil society organisation, is confronted with choosing between the duties and demands of their position and their own private interests.

Corruption is the abuse of entrusted power for private gain. International conventions, such as the United Nationals Convention Against Corruption, have avoided defining corruption, choosing instead to address specific forms of corruption. Sustainable Development Goals 16.5.1 and 16.5.2 aim to implement a universal measure of corruption in the public and private sectors.

Cronyism is the favouring of friends. Related to this are clientelism and patronage.

Cross-selling is the practice of selling an additional product or service to an existing customer. It is important to ensure that the additional product or service being sold enhances thevalueto the customer and that this is transparent to them.

Due diligence is an investigation or audit of a potential business, investment or individual prior to entering into a business agreement or transaction or recruitment or appointment of individuals. Due diligence is an essential part of the anti-corruption programme.

Distributed Denial-of-Services Attacks are internet events in which multiple compromised computers or systems are made to attack a single targeted system. By flooding it with incoming messages in order to overload it, the compromised computers cause the target system to shut down. The shutdown results in legitimate users receiving “denial of service” messages when trying to access the targeted site or system.

Extortion is a criminal offence of obtaining money, property or services from a person or an entity by coercion.

Facilitation Payment is a financial payment that is made with the intention of expediting an administrative process. It is made to smooth the progress of a service to which the payer is legally entitled, even without making such a payment. In some countries, these payments are considered normal, whereas in other countries, facilitation payments are prohibited by law and considered bribes.

Financial Action Task Force(FATF),is an intergovernmental organisation founded in 1989 on the initiative of the G7 to develop policies to combat money laundering. In 2001, the purpose of FATF was expanded to include acting on terrorism financing.

Foreign bribery is defined in accordance with Article 1 of the OECD Anti-Bribery Convention, as “to offer, promise or give away any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of international business”.

Foreign Corrupt Practices Act 1977 (FCPA) is a United States federal law generally prohibiting US companies and citizens and foreign companies listed on a US stock exchange from bribing foreign public officials to obtain or retain business. The FCPA also requires “issuers” (any company including foreign companies) with securities traded on a US exchange to file periodic reports with the Securities and Exchange Commission, to keep books and records that accurately reflect business transactions, and to maintain effective internal controls.

Fraud is intentional deception made for personal gain or to damage another individual or organisation.

Gift is money, goods, services or loans given ostensibly as a mark of friendship or appreciation. A gift is professedly given without expectation of consideration or value in return. A gift may be used to express a common purpose and the hope of future business success and prosperity. It may be given in appreciation of a favour done or a favour to be carried out in the future.

Grand Corruption is a Transparency International working definition of a public official or other person who deprives a particular social group or substantial part of the population of a state of a fundamental right, or causes the state or any of its people a loss greater than 100 times the annual minimum subsistence income of its people, as a result of bribery, embezzlement or other corruption offence.

Impunity is exemption from punishment when using power or self-appointed authority to take resources intended for another purpose.

Integrity pact is a tool developed by Transparency International for preventing corruption in public contracting, comprising an agreement between the government agency offering a contract and the enterprises bidding for it that they will abstain from bribery, collusion and other corruption. (See Integrity Pacts.)

Integrity system refers to the features of an entity’s structure that contribute to transparency and accountability. This system is more effective in preventing corruption when those features are across policy, governance, financial performance, information and communication, human capital, customers, operations, monitoring and procurement.

Kickback is a payment or in-kind bribe given in return for facilitating a commercial transaction such as a contract or a loan. The term kickback describes its most common form where a portion of a contract fee from an awarded contract is kicked back to the person approving the contract.

Know Your Customer (KYC) refers to a policy followed by responsible organisations to ensure their customers are trustworthy. It entails the collection of background information about customers.

Know Your Supplier (KYS) refers to a policy followed by responsible organisations to ensure their suppliers, distribution channels and sources of raw materials are trustworthy and observe international human rights. It entails the collection of background information about suppliers.

Libor is the London Inter-bank Offered Rate.

Libor/price fixing involved a scheme by bankers at many major financial institutions to manipulate the Libor for the purposes of profit.

New Zealand Story (see www.nzstory.govt.nz) is a government initiative to help New Zealand companies gain a competitive advantage in overseas markets by building a strong, consistent profile for New Zealand exporters in international markets. Its launch was funded in Budget 2013. The lead agencies for the New Zealand Story are Tourism NZ, NZ Trade and Enterprise, and Education NZ.

Passive bribery is the request or receipt, directly or indirectly, by a person of any undue advantage or the promise thereof for themselves or for anyone else, or the acceptance of an offer or a promise of such an advantage, to act or refrain from acting in breach of their duties.

Politically exposed person (PEP) is a term describing someone who has been entrusted with a prominent public function which presents a higher risk for potential involvement in bribery and corruption by virtue of their position and the influence that they may hold. The term PEP is typically used referring to customers in the financial services industry, while the term “foreign official” is used to refer to the risks of third-party relationships in all industries.

Related-party transaction is a business transaction or arrangement between two parties who were associated in a relationship before the transaction.

Responsible lending code is a set of guidelines being increasingly refined which focus financial organisations on the integrity attributes of their borrowers (“know your customers”).

Risk assessment is a systematic and continuing process for identifying and analysing inherent bribery and corruption risks to enable an assessment of their likelihood and impact on an enterprise’s ability to achieve its commitments and objectives. Within the framework of the risk approach of the enterprise, the results of risks assessments are used to decide the controls to be implemented to mitigate the risks.

Stakeholders are those groups that affect and/or could be affected by an organisation’s activities, products or services and associated performance. This does not include all those who may have knowledge of or views about an organisation. Organisations will have many stakeholders, each with distinct types and levels of involvement, and often with diverse and sometimes conflicting interests and concerns. (Source accountability.org/standards)

Subsidiary is a separate legal entity in which a company (the parent or holding company) has a controlling equity interest or exercises a de facto controlling interest, such as the right to nominate members of the board of directors and thereby control the board, founder/priority shares, preferred shares, a controlling foundation or other devices.

Theft is dishonestly appropriating the property of another with the intention of permanently depriving them of it. This may include the removal or misuse of funds, assets or cash.

Tone from the top is the way the top leadership – the chair and CEO as well as board members and senior management – communicate and support by their actions, the enterprise's commitment to values including openness, honesty, integrity, and ethical behaviour and in particular the anti-corruption programme.

Trading in influence, also called "influence peddling", occurs when a person who has real or apparent influence on the decision-making of a person exchanges this influence for an undue advantage. The person with influence has the intent of persuading the decision-maker to act in a desired manner. The emphasis here is on "undue" to distinguish it from legitimate influence seeking such as lobbying or advocacy. The decision-maker may be unaware of the undue influence.

Transparency refers to the openness of an organisation about its values and policies reflected in monitoring, recording and publishing relevant information about performance that has an impact on its customers, staff and stakeholders. Transparency is regarded as a key part of a strong integrity system as it is a valuable tool for preventing corruption.

Undue advantage is an improper or unfair benefit whether promised, given or received.

Whistleblowing is the sounding of an alarm by an employee, director, or external person, with the aim of revealing neglect or abuses within the activities of an enterprise (or one of its third parties) or other organisation that threaten the public interest or the entity's integrity and reputation.

Abbreviations not covered in glossary

CFT – Countering the Financing of Terrorism

FISA – Financial Integrity System Assessment

IMF – International Monetary Fund

NBDT – Non-bank deposit takers

NIS – National Integrity System