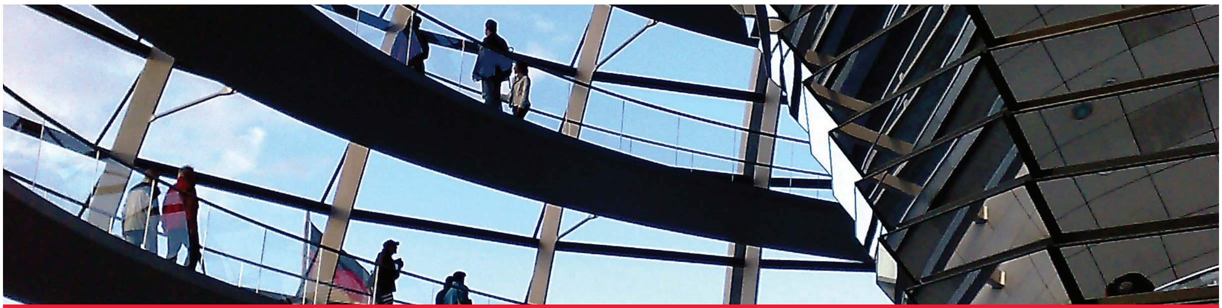
Elements of Sanctions Screening Programme

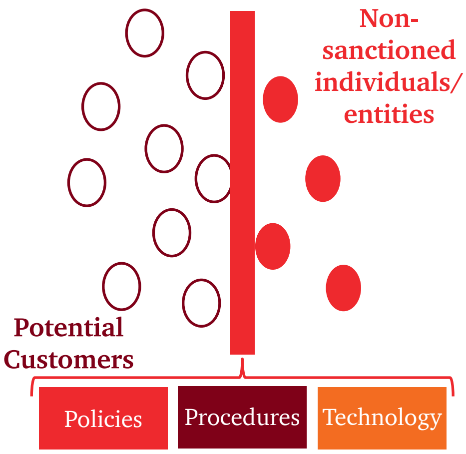


What are Financial Sanctions?

- Financial Sanctions are economic and trade restrictions imposed by governments and multinational organisations against targeted countries, regimes, individuals and entities with the aim of effecting a change in behaviour. These emanate from reasons related to national and international security, economy, or foreign policy of the imposing nation or international body.
- All financial institutions have to fully understand their responsibilities and obligations from sanctions perspective, not only towards their local jurisdiction regulator(s) but also the regulators/agencies in other jurisdictions where they conduct business.

What is a Sanctions Screening Programme and why do you need it?

- A Sanctions Screening Programme is a combination of policies, procedures and technologies that enable a financial institution to ensure that it does not provide any form of services to sanctioned parties, directly or indirectly.
- Although the regulatory bodies provide guidelines over the Sanctions Programme as part of the AML / CTF procedures, the recommendations are broad and at times, open to interpretation.
- A Sanctions Screening Programme is devised to carefully align the Financial Institution's policies, systems and controls to regulatory guidelines and also combine them with contemporary industry-wide best practices.
- The programme assists the Financial Institution ("FI") in assessing, enhancing and optimising its Sanctions Screening Programme, thereby, enabling the FI to be compliant with the measures imposed by relevant regulatory bodies.



- Sanctions screening is applied at various stages of customer lifecycle:
  - ***KYC and Customer Due Diligence checks*** – Information pertaining to the primary customer and associated parties are captured and screened.
  - ***Transaction screening*** – Transactions such as overseas remittances, trade finance, etc. are monitored for screening beneficiary information.
  - ***Periodic name screening*** – A change to either the customer information or watchlists[1] provided by regulators would trigger a delta screening process[2].
  - ***Adhoc name screening*** – Such screening is triggered to cater to a specific business need or for complying with a request by the regulator/agency.

[1] Watchlists are the lists of sanctioned individuals and entities that are periodically provided by the regulators
[2] Delta Screening is the process of screening customer accounts whenever a change occurs in either the customer accounts or the watchlists used in the screening process

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Key components of a Sanctions Screening Programme

An efficient Sanctions Screening Programme contains various components involving processes, people and technology. At the center of these is the people aspect related to trainings and awareness.

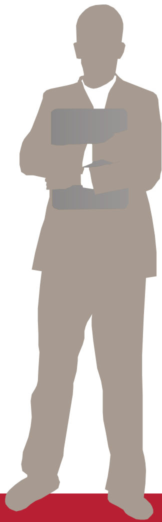
The following diagram depicts these key components:

How to ensure that your technology supports an effective Sanctions Screening Programme?

One of the key components of a successful Sanctions Screening Program is a strong technology framework that can process data quickly and efficiently, employ an efficient and effective matching algorithm, and possess a clear audit trail of observations and resolutions.

Setting up the technology platform

- **Identify applicable Sanctions lists**
- **Identify data sources** – Identify various data sources of customer information, relevant transaction information, and sanctions list.
- **Build CDM** – Common Data Model should comprise all the attributes that would be used in the screening process.
- **Define roles, responsibilities, interfaces and access** – Map users and departments with roles and access rights to the platform. Map interfacing applications and the type of access they should have to the screening platform.
- **Configure Sanctions screening engine** – Optimise matching quality by setting thresholds, use of right fuzzy match technique, transliteration options, etc.
- **Test the platform**
- **Feedback and Go Live** – Resolve the issues identified in the testing phase. Go Live and monitor the performance regularly.

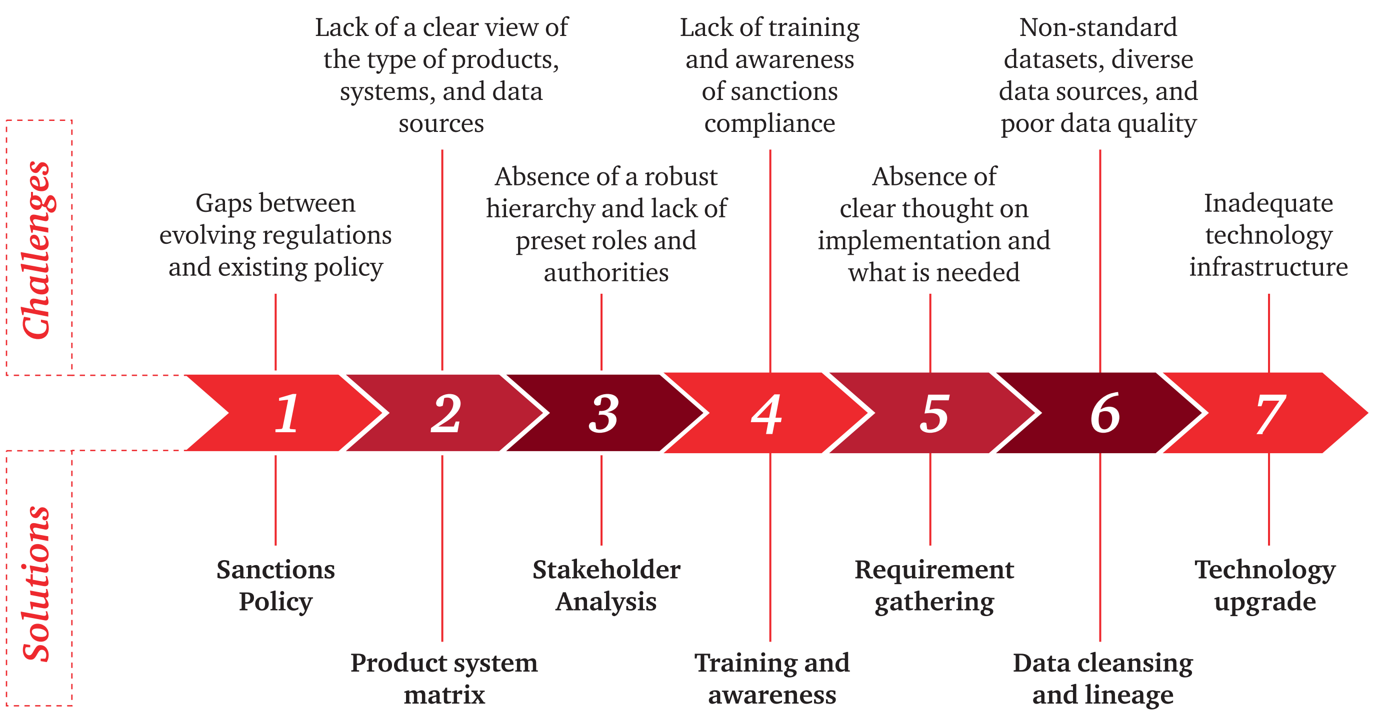


Key success factors

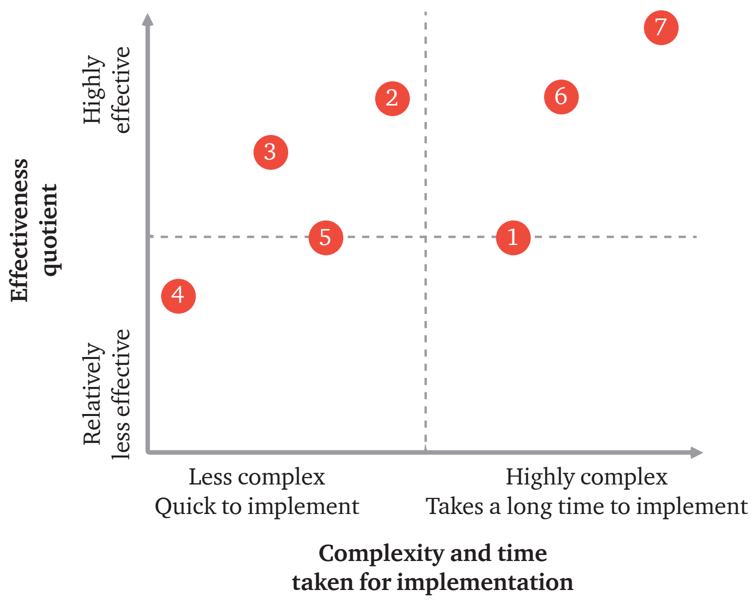
- **Appropriate data should be collected and consistent data formats maintained**
- **Multiple versions of customer and related party records should be maintained**
- **Applicable watch lists should be kept current**
- **All indicia in the watch lists should be utilised in the Sanctions Screening process**
- **Matching algorithms should consider multiple parameters**
- **Alerts should be risk rated or prioritised**
- **Methodology for alert escalation and disposal should be clearly defined**
- **Case management feature**
- **Ability for ad hoc screening**
- **Customisable KPI reports**
- **A strong Business Continuity Plan**

What to do before initiating the programme?

Financial Institutions across the world face several challenges in implementing a robust Sanctions Screening Programme. These challenges range from technological / systemic to organisational / cultural. Hence, prior to initiating the programme, a Financial Institution can choose to perform certain activities to understand the current state of affairs; this would also help the organisation in chalking out a comprehensive roadmap for a full-scale Sanctions Screening Programme.



The FI may choose to address these challenges in a number of ways. One way is to create a priority matrix and implementation parameterisation to decide on which aspects of the above challenges can be tackled first:



Milestone	Priority
Sanctions Policy	1
Product System Matrix	2
Stakeholder Analysis	3
Requirements Gathering	3
Data Cleaning and Lineage	1
Technology Upgrade	4
Training and Awareness	5

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