



Hosted Sanctions Screening

The case for a cloud-based sanctions screening infrastructure

Looking to reduce the total cost of compliance at the same time as improving risk management and operational efficiency? Now is the time to consider moving elements of your compliance processing to the cloud.

“Our institution was one of the first clients of SWIFT’s Sanctions Screening service. From the beginning, I was very attracted to the idea of outsourcing the administrative workload related to the sanctions filtering of money transfers. The positive expectations that I had before subscribing to the service have since been exceeded. One of the main advantages compared to competing systems is that SWIFT assumes responsibility for a number of time-consuming and tedious – but critical – tasks, such as keeping the lists of sanctions up-to-date and configuring the various parameters in an optimal way.”

A major bank in Luxemburg

AML/CFT compliance is high on senior management’s agenda. Compliance costs are rising and regulatory pressure is increasing, with zero tolerance in the area of sanctions. Sanctions lists are growing in terms of number and complexity, making maintenance a difficult job for both IT and compliance teams.

At the same time, there is renewed interest in cloud services. As a mature technology, private clouds provide greater security and more control of data. Secure web-based browsing is now common.

Private clouds are also cost efficient. Their consumption-based business model means you only pay for what you consume, eliminating the need for high up-front investments – including hardware, license costs, staff and maintenance contracts. Choosing a hosted solution also helps you avoid complex projects where IT, project management, compliance and back office have to make a common move to install the software.

Value of SWIFT Sanctions Screening

SWIFT has operated a hosted Sanctions Screening service since 2012. Nearly 500 subscribers in over 130 countries are using this transaction screening solution – including 19 central banks. Many subscribers previously used their own local filtering tool but have decided to move to a private, secure, SWIFT-hosted cloud model.

SWIFT Sanctions Screening is easy to integrate into your compliance processes for real-time screening of all structured transaction formats, including SEPA and domestic formats. It checks incoming and outgoing messages against more than 30 of the most commonly used public sanctions lists, as well as additional research-based lists supporting compliance with requirements such as OFAC’s famous ‘50% rule’.

The service is centrally hosted and operated by SWIFT, removing the need for costly hardware and software installation and back-office integration. SWIFT is responsible for the timely upload and activation of the list updates.

Focus on sanctions compliance

The compliance bar keeps being raised. Screening international payments only is often no longer enough. Increasingly, financial institutions are checking new payment instruments and trade transactions.

Operating cost pressure

Many financial institutions are in capital preservation mode or looking for revenue-generating investments. Staffing costs around compliance are already very high, so any opportunity to move to a variable cost structure looks increasingly attractive.

Expertise and talent shortage

There is a shortage of compliance expertise and organisations with already large and growing staffing requirements must make the best use of their specialised staff. Implementing, configuring, operating, and maintaining a local screening infrastructure is resource intensive.

Cost of lists and maintenance

Lists are expensive and require a specific contract with the list vendor. They have to be integrated in the solution and must be updated on a nearly daily basis. This involves high costs and requires expertise.

In addition, existing technologies need to be refreshed, forcing banks to perform infrastructure upgrades that are costly, complex and resource intensive. These forced migrations come at a time when banks have many other compliance projects to implement and are therefore exposing banks to significant operational risks.

The Business case	Hosted infrastructure	Local infrastructure
Upfront technology investments	N/A	High
Operating costs	Low, transparent, based on actual usage	High, many hidden costs, sized for peak capacity
Ease of implementation & operation	Fast / Easy	Long / Complex
Training and talent dependency	Low	High
Simplified IT, Operations & Audit functions	Externalised	Internal
Technology renewal/upgrade costs	N/A	Expensive, recur every 3-5 years
List maintenance	Managed by provider	Resource intensive

▲ The criteria for building a business case vary from institution to institution. This table provides some of the most common factors that persuaded our clients to select SWIFT Sanctions Screening.

Benefits of cloud-based transaction screening

Hosted solutions generate significant benefits for IT, operations, and compliance functions. The largest gains come from:

- Low and transparent costs of operations
- Smaller fixed resource requirements: no more talent or platform dependencies
- Centralised visibility and control of processes
- Future-proof technologies
- Peace of mind on list management and implementation
- Turnkey solution: subscribe, get tokens and start screening

To unlock these benefits, you need a trusted provider who guarantees operational excellence, transparent and audited processes, a highly secure environment, strict data privacy rules, round the clock and multi-language support.

In addition, existing technologies need to be refreshed, forcing banks to perform infrastructure upgrades that are costly, complex and resource intensive. These forced migrations come at a time when banks have many other compliance projects to implement and are therefore exposing banks to significant operational risks.

Recommended approach

Once the decision has been made to move to a cloud service provider, the implementation process is a lot simpler and faster than a traditional IT software installation or system upgrade. In reality, the move to a cloud service is a business project rather than an IT project. Here are some tips to help facilitate and speed the work of your project team.

Explain to your project team the Sanctions lists to be implemented in the service, the types of transactions to be screened, and the roles and responsibilities of the different internal actors.

Explain to your project team the existing processes, the decision workflow and look at the core activities being migrated. The objective should not be to do a like-for-like migration but rather to look for service simplification, effectiveness and efficiency as described in your AML program.

Provide proper training to your operators and quickly establish internal best practices. Cloud solutions can easily be activated in parallel to existing systems without duplicating the screening process, which offers the advantage of enabling staff to learn the new system before making the switch.

Have a project coordinator but, more importantly, a service manager. The implementation will be very fast. After the set-up it is advisable for someone to be assigned the overall monitoring role.

Get advice and support from your provider during implementation; they will be able to assist with training and can share ideas on how best to leverage the features of the cloud service.

Conclusion

To the unfamiliar, hosting in the cloud such an important and sensitive process as the screening of transactions against most sanctions watch lists seems impossible. Many of the institutions we engage with ask questions about data privacy, information security, and the perceived lack of direct control on the underlying technology and operations.

However, following a detailed evaluation of our systems, processes and service proposition, those same factors turn out to be key benefits of the service. The benefits in terms of cost reduction, simplicity and peace of mind are significant.

For more information on Sanctions Screening, visit www.swift.com/sanctionsscreening