Sanctions Screening webinar

September, 2020

Agenda

1. How to reduce false positives
2. Community practices
3. Frequently Asked Questions

Sanctions Screening Today

8
years of market experience

900+
customers subscribed

169
countries covered

56
sanctions lists updated daily

250,000+
messages screened daily

99.99%
availability in 2019

How to contact us

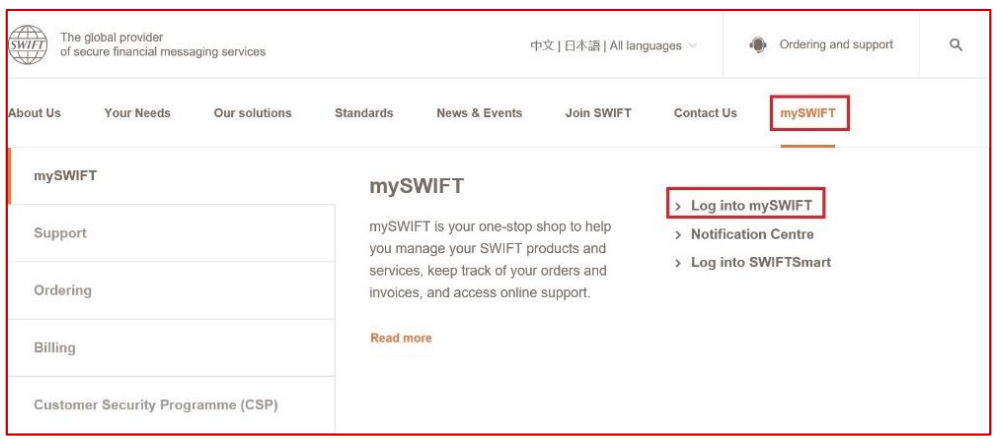
Sanctions Screening | Where can I find help?

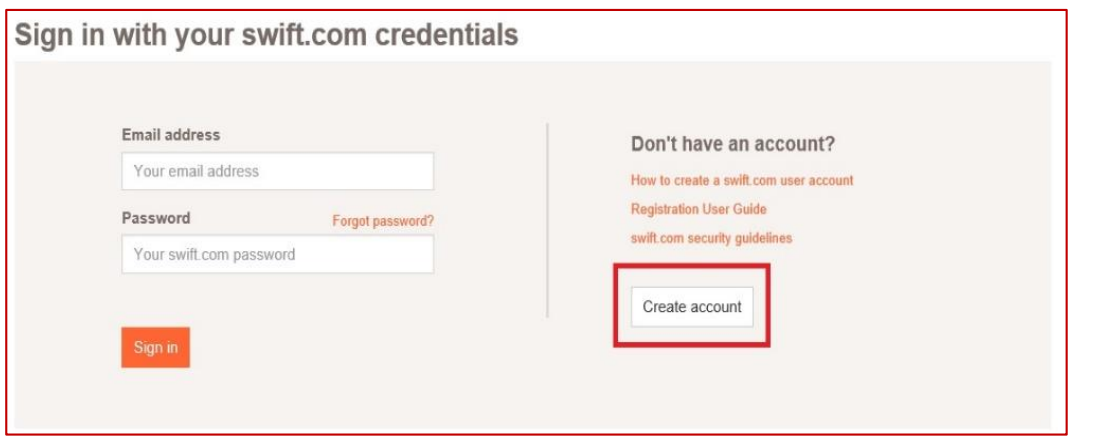
- Register on swift.com
- Profile with Access to support via Case Manager, phone.

Note: This is free of charge, all the customers can register on swift.com

How to register?

- Go to https://www.swift.com/myswift | mySWIFT | Log into mySWIFT | Create account

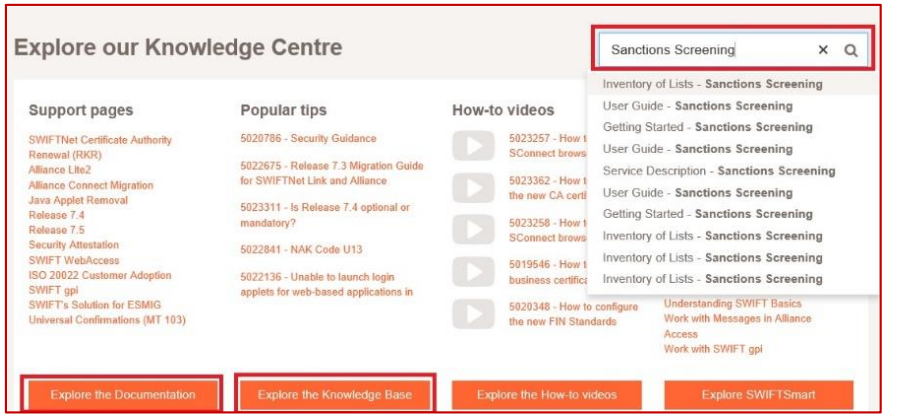




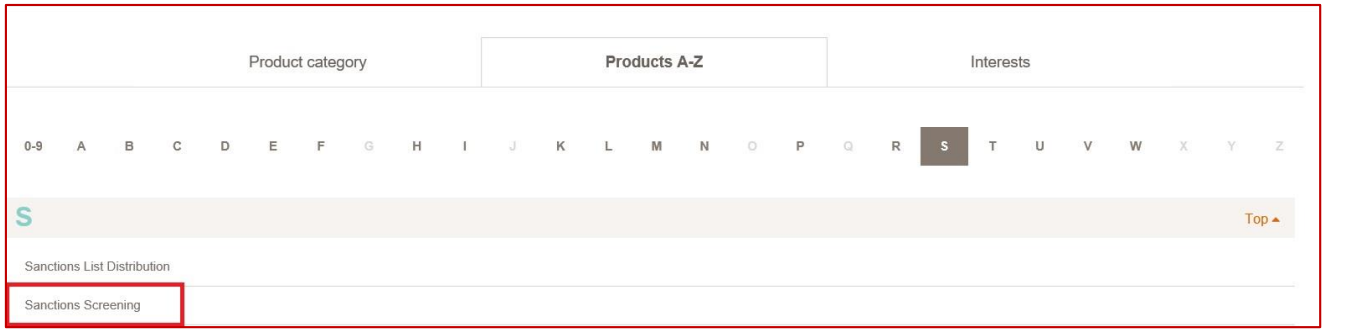
Sanctions Screening | Where can I find help?

Self – Service: Sanctions Screening Documentation and Tips

- Log into Myswift : https://www2.swift.com/myswift
- Explore our Knowledge Centre | Explore the Documentation or Explore the Knowledge Base



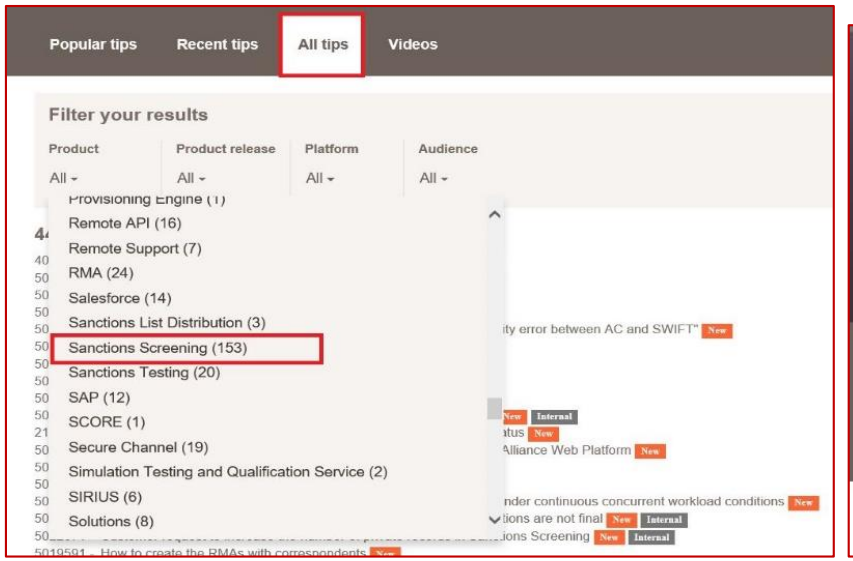
- The Sanctions Screening Service Documentation or Search all support content



Sanctions Screening | Where can I find help?

Self – Service: Sanctions Screening Documentation and Tips

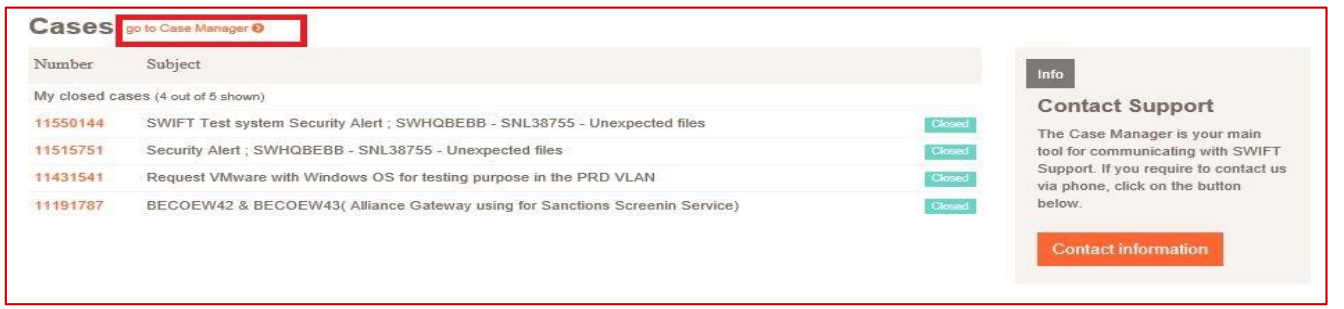
- Select Sanctions Screening Tips (the Knowledge Base) or Search keyword/error word

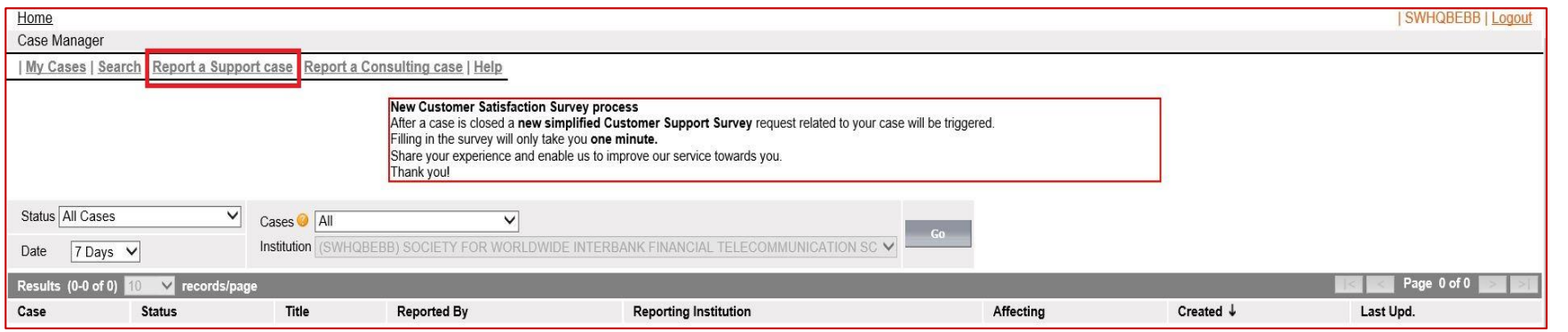


Sanctions Screening | Where can I find help?

Contact SWIFT Support via Case Manager (create a case):

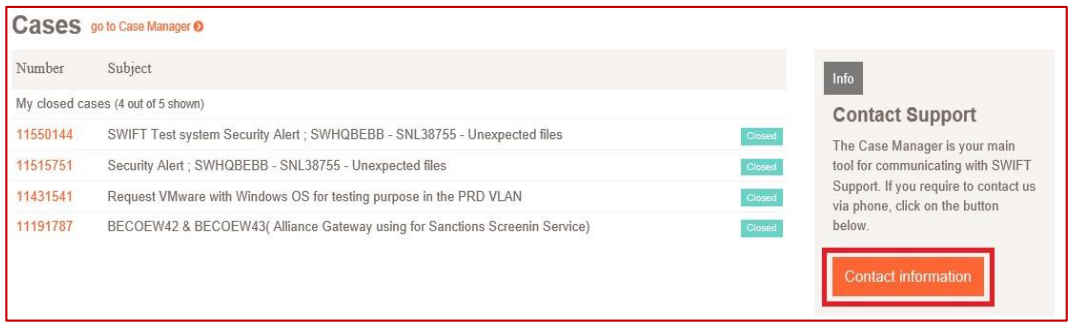
- Log into myswift: https://www2.swift.com/myswift/
- Case Manager | Report a Support case

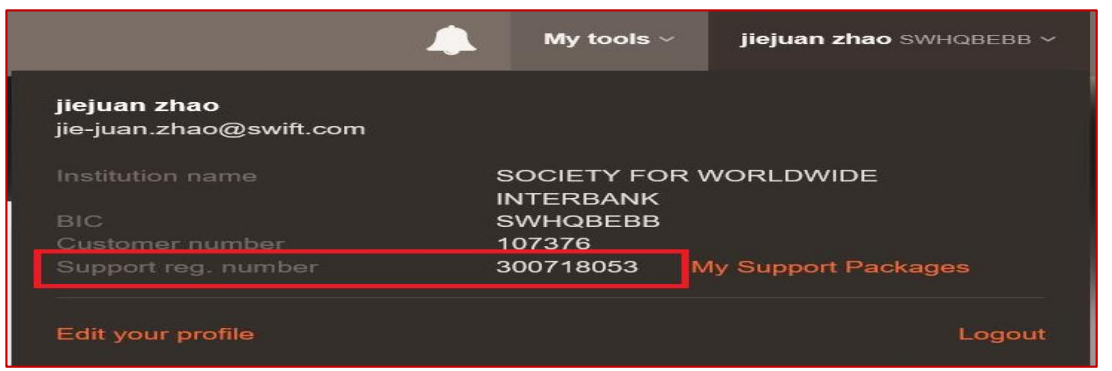


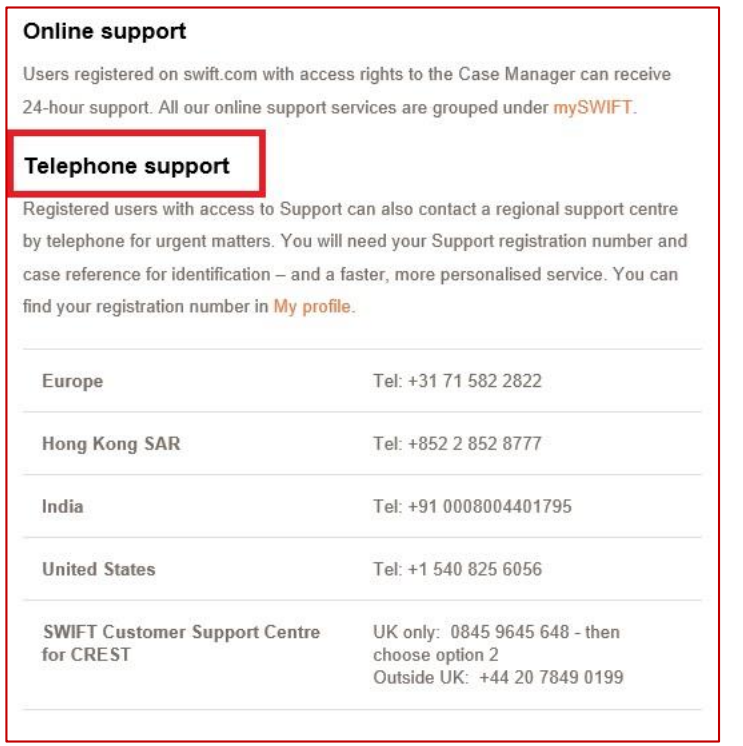


Sanctions Screening | Where can I find help?
Contact SWIFT Support by Phone

- Log into myswift: https://www2.swift.com/myswift/
- Contact Information | Telephone support



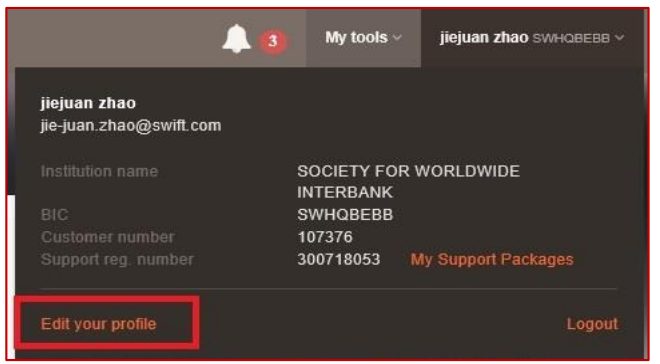


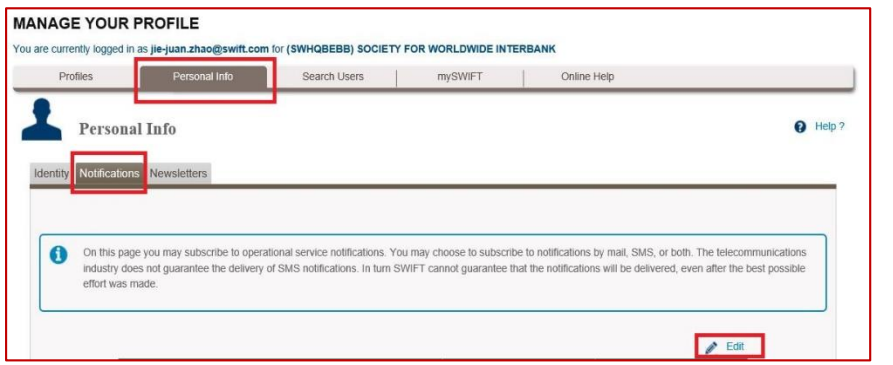


Sanctions Screening | How to stay up to date?

How to receive Sanctions Screening Operational status Notifications

- Log into myswift: https://www2.swift.com/myswift/
- User profile | Edit your profile | Notifications | Edit | Sanctions Screening





How to reduce false positives

Sanctions Screening | False positive reduction

An **Alert** is made of one or more **Hits.**

Each **Hit** means there was a relevant similarity between a **listed entity** and a word or phrase in your message.

The **Hits** can be generated on similar listed entities as list like UN list are propagated in many country lists.

To reduce your false positive you may act

- Accurately at the level of an entity => Exception record
- Globally with rules => Hit reducing rule

Sanctions Screening | Exception Record

What is Exception Record?

The creation of a exception record should remain exceptional.
Create exception records only when the overhead caused by recurring false positive hits is important.

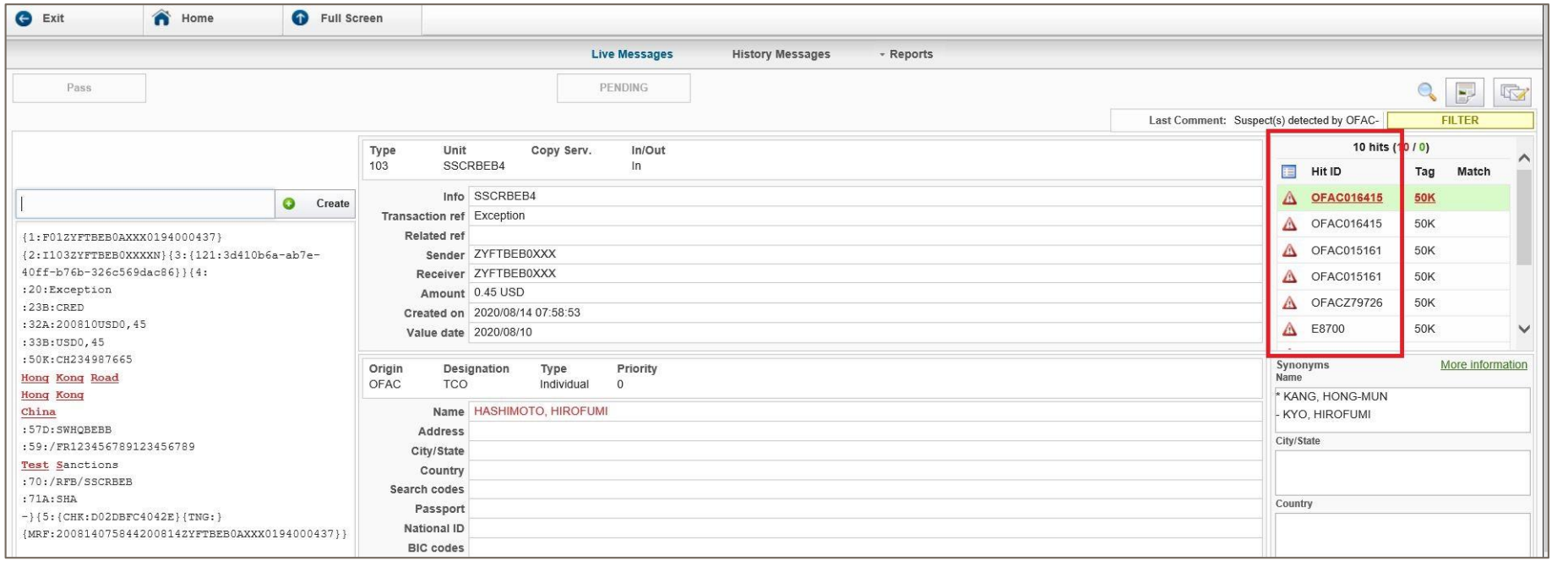
Sanctions Screening | Exception Record

Useful and Effective Records

- *An exception record must match an entry in a sanctions list based on Scope ID*
- *An exception record must match the message text with greater accuracy than the sanctions list entity does*

Sanctions Screening | Exception Record

How to Create a useful Exception Record?



Note: Exception record must include in its scope all hit IDs against which a hit suppression is requested.

Sanctions Screening | Exception Record

How to Create a useful Exception Record?

- Most exception records using the Name field
- The Search Code can be used

Name	Search Code
• Fuzzy Matching • Useful to add city and country	• Exact Matching • At least 5 characters • must not contain any punctuation character • Allows to use wildcards

- Tip 5017682: Exception List usage guidelines

Exceptions – Name field

Case 1

The company "MELON LTDA." is matching several times per day on "BANK OF NEW YORK **MELLON**".

Create an exception with the following info:

Reference: MELON
Name: BANK OF NEW YORK MELLON
Eliminate only IDs: OFAC010097

Case 2

Holborn Europa Raffinerie (AKA HER) is matching on all free text tags that contains "FAMILY SUPPORT FOR **HER** MOTHER".

Create an exception for each string that raises a hit with the following info:

Reference: Her
Name: HER MOTHER
Eliminate only IDs: OFEO09875F EUEO09875F

Sanctions Screening | Exception Record | Search Code field

Generals

Applies string matching logic

Used when a code is involved

Can be used to discard a hit on an specific string

Do not add space character within the string

Advanced usage

Wildcards can be used within exceptions

- _ to replace a letter
- # to replace a digit
- ? to replace any character [A-Z] & [0-9]

Do not use a wildcard character as first character of a string and **never** use the * character as wildcard

Exceptions – Search code

Case 3

:59F:/GB12BARC34567890 matches against BARC (DEPARTMENT OF ATOMIC ENERGY)

Create an exception with the following info:

Reference: BARC
Search Code: GB##BARC##
Eliminate only IDs: BIS0000129

Case 4

:50K:/RO12SOGE12728890 matches against 7-28 (North Korean vessel)

Create an exception with the following info:

Reference: 728
Search Code: 728?
Eliminate only IDs: OFAC023156

Exceptions – Search code

Case 5

:72:PAY BY SEP 2020-09-30 matches against SEP SAFETY EQUIPMENT PROCUREMENT

Create an exception with the following info:

Reference: SEP

Search Code: SEP2#

Eliminate only IDs: SECO002046 UN00003573 DFAT001048 THUN000405 SFMS000966 NOR0000405 MOSF000405 BOE010451 MFIR200045 NOR0002449 HKMA000405 F0501 E5226

Case 6

:72:SWIFT MESSAGE matches against صافتا "saafitaa" (SAIran Cyberspace Security Industries Private Joint Stock Company)

Create an exception with the following info:

Reference: SWIFT

Search Code: SWIFT_

Eliminate only IDs: EUEO4A0A41 OFEO4A0A41

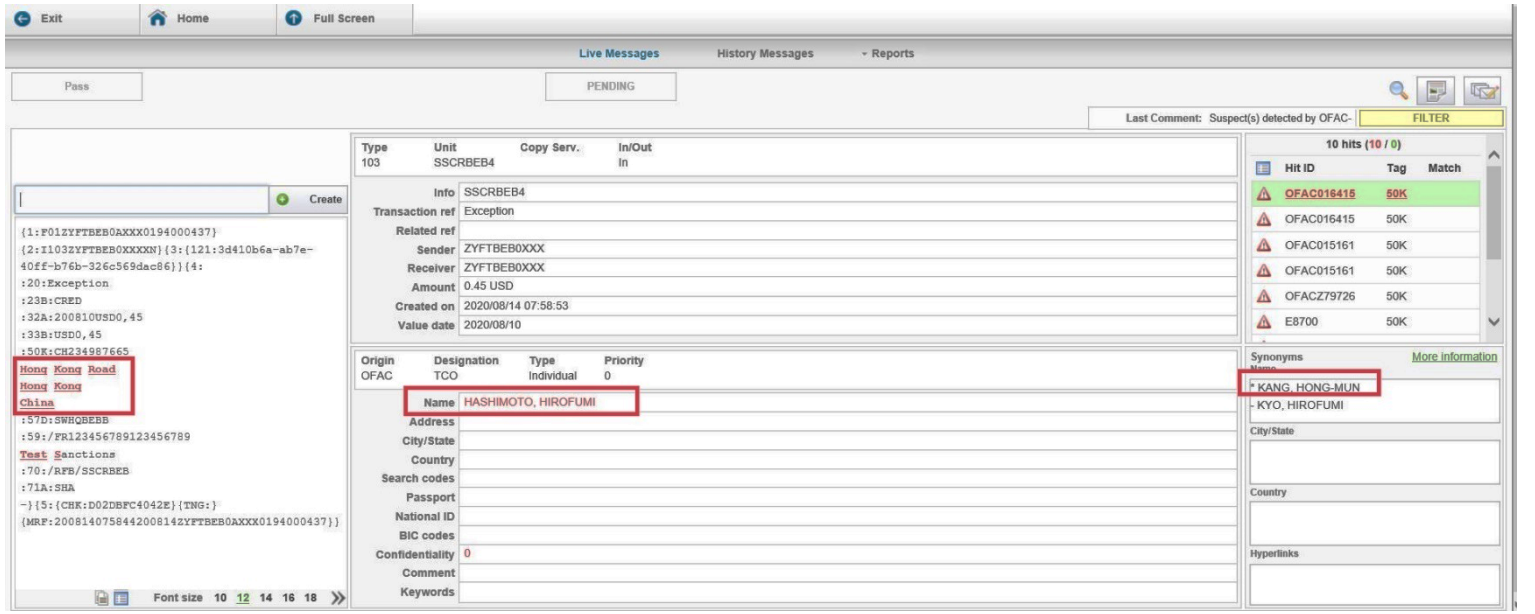
Exceptions – Name

Case 7

:59F:/GB12HSBC34567890
HONG KONG FINANCIAL CENTER
matches against HONG, YONG CHIL
Create an exception with the following info:

Reference: HONG KONG
Name: HONG KONG
CITY: HONG KONG
COUNTRY: HONG KONG
Eliminate only IDs: E8700 NOR0003988 F1237 BOE013372 OFAC009340 OFAC016415

Sanctions Screening | How to create exception Records



Hong Kong raises hits as Hong Kong matches on the synonym ”KANG, HONG-MUN” which is an OFAC listed entity OFAC016415

Exception Record: Name = Hong Kong doesn’t work to suppress those hits

Name = HONG KONG

City = HONG KONG

Country = CHN

AND Scope = E8700 NOR0003988 F1237 BOE013372 OFAC009340 OFAC016415

Sanctions Screening | Exception Records

Useful Tips :

- Tip 5017682: Exception List usage guidelines
- Tip 5020492: Creation of exception records for the Dow Jones lists
- Tip 5022533: Creation of exception records for the Dow Jones lists related to Joint Stock or Limited Liability Companies
- Tip 5020332 : Chinese transliteration principles in Sanctions Screening
- Tip 5020829 : How to avoid embargo hits on my own country
- Tip 5024229 : Most Common Exception Records for the Public sanctions lists

Sanctions Screening | Exception Records

- To determine the names or strings are causing many hits, you can download Weekly Screening Report in xml format to analyze.
- TIP 5020966 : How to export the report into an Excel file
- Tuning Service of Sanctions Screening, an onsite service for existing Sanctions Screening clients with high false positive rate.

Don’t forget to publish Exception List !

Sanctions Screening | Hit Reducing Rules (HRR)

What are the Hit Reducing Rules (HRR)?

The Hit Reducing Rules → *reduce* → *The number of false positive hits*
The number of blocking hits

- Before opting to activate one or more hit reducing rules, the customer must carefully assess whether such rule(s) fit its own regulatory and compliance requirements.
- The hit reducing rules are an optional feature, and the customer remains solely responsible for its decision to use it or not.

Sanctions Screening | Hit Reducing Rules (HRR)

What are the Hit Reducing Rules (HRR)?

Each rule comes in two versions for the “effect”:

Suppress or Non-blocking:

- Suppress: when a “suppress” version of a rule is selected hits matching the rule condition will be completely suppressed*.
- Non-blocking: when a “Non-blocking” version of a rule is selected hits matching the rule condition will be flagged as “non-blocking”.

Sanctions Screening | Hit Reducing Rules (HRR)

What are the Hit Reducing Rules (HRR)?

There are two versions for the “Sanctions Screening Option”:

Copy vs Connector:

- **Copy**: applies to traffic from customers using Sanctions Screening copy option. This was the only option available until Jan 2015.
- **Connector**: applies to traffic from customers using Sanctions Screening connector.

Sanctions Screening | Hit Reducing Rules (HRR)

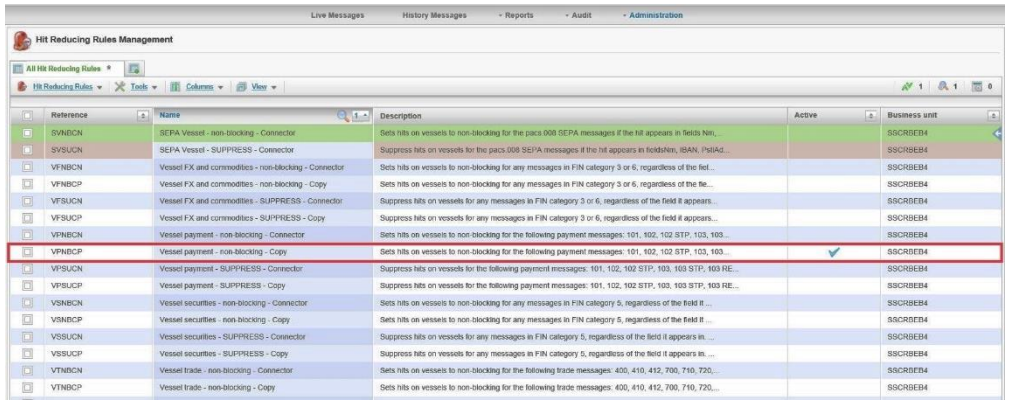
What are the Hit Reducing Rules (HRR)?

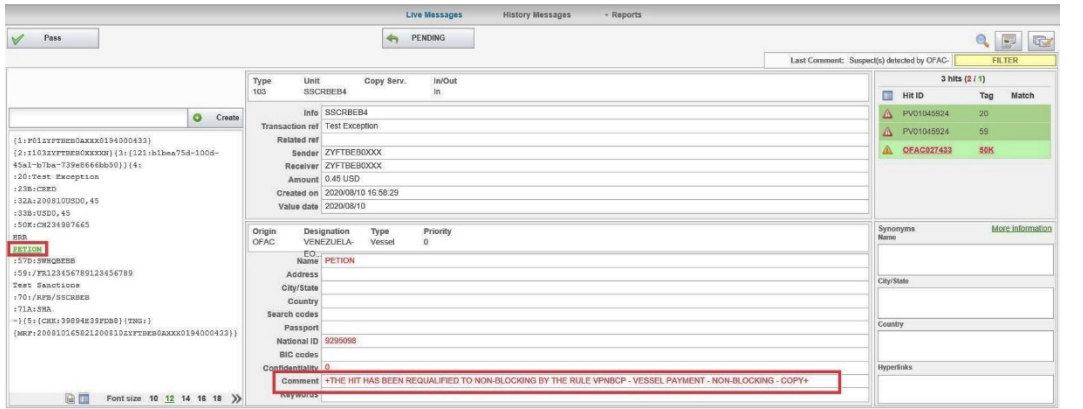
Two Examples of Vessels rules:

Many vessels names are also common names or first names (Maria, Christina, Salim…) and generate a large number of false positives.

- **Vessel – Payments**: This rule affects hits against vessels in most payments messages if the hit appears in any field except 70 or 72.
- **Vessel – Trade**: This rule affects hits against vessels in many trade messages, if the hit appears in any field except 46A, 77J and 72.

Sanctions Screening | How to activate Hit Reducing Rules (HRR)





PETION raises a hit against OFAC027433 type Vessel.

The name PETION is a Vessel which raises a hit against OFAC027433 type Vessel. the HRR VPNBCP change this blocking hit to non-blocking (green color) because PETION :

- is a Vessel
- appears in the Message Type 103
- Does not appears in the field 70 and 72

In the comment field, it mentions the details as “+THE HIT HAS BEEN REQUALIFIED TO NON-BLOCKING BY THE RULE VPNBCP - VESSEL PAYMENT - NON-BLOCKING - COPY+”

Sanctions Screening | Exception List and Hit Reducing Rules (HRR)

- Always **Test** the Exception record in the Test & Training environment
- Always **Test** the Reducing Rules in the Test & Training environment
- Use the **“Non-blocking”** version of the Hit Reducing Rules to see the hits that are affected
- Hit Reducing Rules User Guide
- Sanctions Screening User Guide

Screening & community practices

Screening & community practices

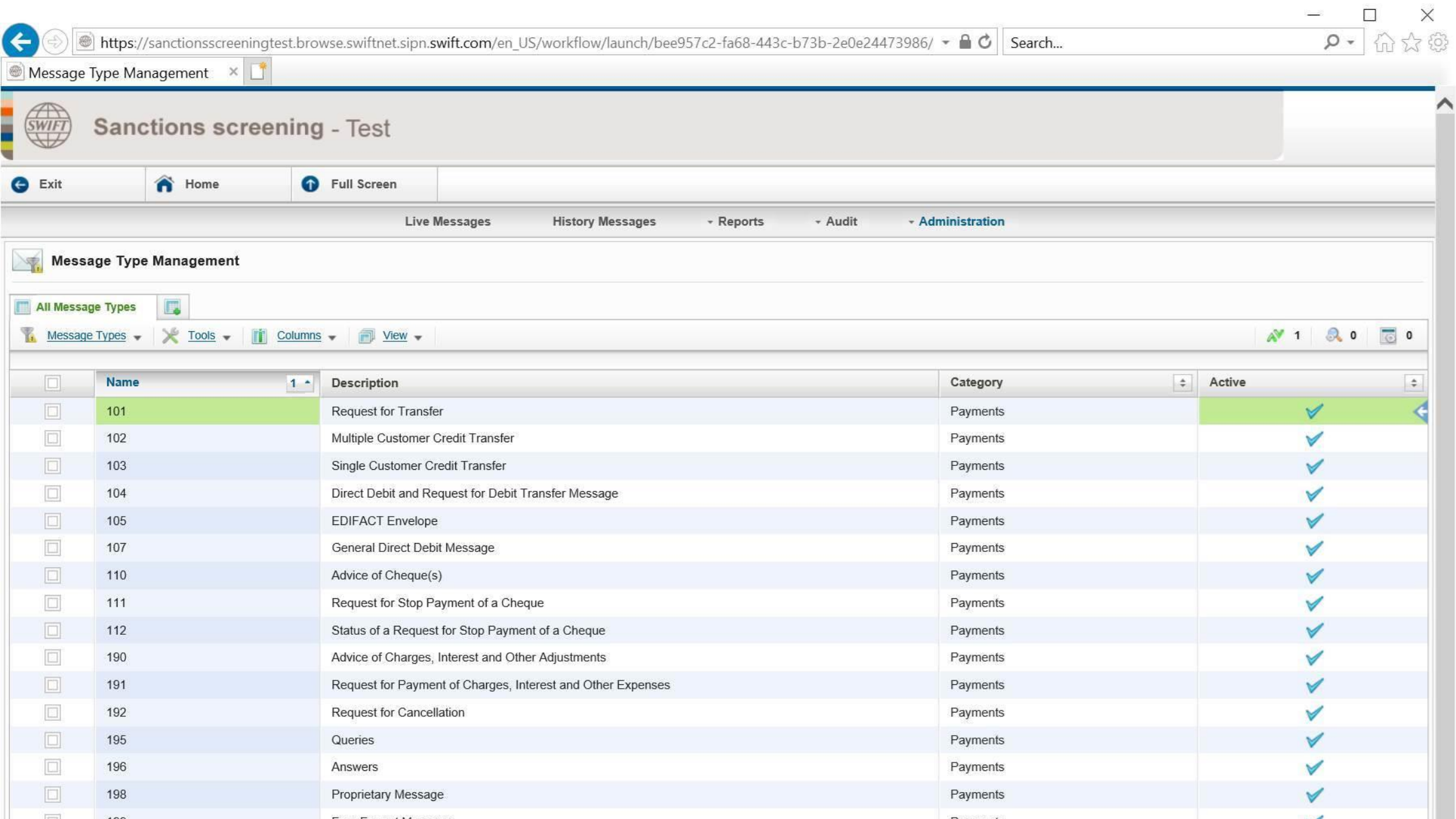
SWIFT has launched a financial crime initiative across our community of users to collect feedback and improve customer experience.

The focus was primarily on:

- ***Sanctions List selection***: Determine which sanctions related lists are relevant for screening. This includes regulatory lists, for example OFAC, EU as well as other lists to comply with regulatory requirements.

- ***Message selection***: Understanding more around cross border transactions or trade related products.

This will provide guidance to FIs as they assess the effectiveness of their sanctions screening controls, whether automated, manual or both.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Search...
Message Type Management
Sanctions screening - Test
Exit
Home
Full Screen
Live Messages
History Messages
Reports
Audit
Administration
Message Type Management
All Message Types
Message Types
Tools
Columns
View
1
0
0
Name
Description
Category
Active
101 Request for Transfer Payments
102 Multiple Customer Credit Transfer Payments
103 Single Customer Credit Transfer Payments
104 Direct Debit and Request for Debit Transfer Message Payments
105 EDIFACT Envelope Payments
107 General Direct Debit Message Payments
110 Advice of Cheque(s) Payments
111 Request for Stop Payment of a Cheque Payments
112 Status of a Request for Stop Payment of a Cheque Payments
190 Advice of Charges, Interest and Other Adjustments Payments
191 Request for Payment of Charges, Interest and Other Expenses Payments
192 Request for Cancellation Payments
195 Queries Payments
196 Answers Payments
198 Proprietary Message Payments

Current sanction list configuration

Name	Active	Mode
Australia - Australian National Security - Terrorist Organizations list	☑	Non-Blocking / Blocking
Australia - Department of Foreign Affairs and Trade	☑	Non-Blocking / Blocking
Australia - DFAT Autonomous Sanctions Specification List	☑	Non-Blocking / Blocking
Australia - DFAT Countries Embargoes	☑	Non-Blocking / Blocking
Belgium - Belgian National Terrorism	☑	Blocking
Canada - FAIT Countries Embargoes	☑	Non-Blocking / Blocking
Canada - Foreign Affairs and International Trade	☑	Non-Blocking / Blocking
Canada - Office of the Superintendent of Financial Institutions	☑	Non-Blocking / Blocking
EU - EUROPE Countries Embargoes	☑	Non-Blocking / Blocking
EU - EUROPE others (non-Ukraine) Enrichments	☑	Non-Blocking / Blocking
EU - EUROPE Ukraine Restrictive measures	☑	Blocking
EU - EUROPE Ukraine-related Enrichments	☑	Blocking
EU - European Official Journal	☑	Blocking
France - Journal Officiel français	☑	Non-Blocking / Blocking
Hong Kong - HKMA Countries Embargoes	☑	Non-Blocking / Blocking
Hong Kong - Hong Kong Monetary Authority	☑	Non-Blocking / Blocking
India - Indian Ministry of Home Affairs list	☑	Non-Blocking / Blocking
Japan - Ministry of Finance	☑	Non-Blocking / Blocking
JAPAN - MOF special measures	☑	Non-Blocking / Blocking
Netherlands - Frozen Assets List - Dutch Government	☑	Non-Blocking / Blocking
New Zealand - New Zealand Police	☑	Non-Blocking / Blocking
New Zealand - New Zealand Police TSA	☑	Non-Blocking / Blocking
Norway - Ministry of Foreign Affairs (NO:UD) Countries Embargoes	☑	Non-Blocking / Blocking
Norway - Ministry of Foreign Affairs (NO:UD) Sanctions List	☑	Non-Blocking / Blocking
Norway - Ministry of Foreign Affairs (NO:UD) UN List	☑	Non-Blocking / Blocking

SSS community best practice- Top 10 Lists screened

SWIFT has analysed the lists selected by Sanctions Screening customers and the TOP 10 Lists are shown below:

Lists	Institutions
OFAC	777
UN	773
OFAC Embargoed Country	768
OFAC non SDN	749
UN Embargoed	721
EU Embargoed	680
EUROPE	675
FINCEN	674
OFAC Ukraine Restrictive measures	658
EU- Ukraine Restrictive measures	569

SSS community best practice- Top Messages types screened (Part1)

SWIFT has analysed the message types selected by Sanctions Screening customers and the most selected under each category are shown below:

Customer Payments and Cheques types	Financial Institution Transfers	Treasury Markets - Foreign Exchange, Money Markets and Derivatives	Collections and Cash Letters
• MT103 Single Customer Credit Transfer • MT 199 Free Format Message • MT 198 Proprietary Message • MT 191 Request for Payment of Charges, Interest and Other Expenses • MT 101 Request for Transfer • MT 190 Advice of Charges, Interest and Other Adjustments • MT 196 Answers • MT 195 Queries	• MT202COV General Financial Institution Transfer • MT 210 Notice to Receive • MT 202 General Financial Institution Transfer • MT 200 Financial Institution Transfer for its Own Account • MT 298 Proprietary Message • MT 299 Free Format Message • MT 204 Financial Markets Direct Debit Message • MT 292 Request for Cancellation	• MT 300 Foreign Exchange Confirmation • MT 320 Fixed Loan/Deposit Confirmation • MT 306 Foreign Currency Option Confirmation • MT 362 Interest Rate Reset/Advice of Payment • MT 304 Advice/Instruction of a Third Party Deal • MT 305 Foreign Currency Option Confirmation • MT 360 Single Currency Interest Rate Derivative Confirmation	• MT 420 Tracer • MT 410 Acknowledgement • MT 412 Advice of Acceptance • MT 416 Advice of Non-Payment/Non-Acceptance • MT 420 Tracer • MT 422 Advice of Fate and Request for Instructions • MT 430 Amendment of Instructions

SSS community best practice- Top Messages types screened (Part2)

SWIFT has analysed the message types selected by Sanctions Screening customers and the most selected under each category are shown below:

Securities Markets	Treasury Markets - Commodities	Documentary Credits and Guarantees/Standby Letters of Credit	Cash Management and Customer Status
• MT 543 Deliver Against Payment • MT 541 Receive Against Payment • MT 542 Deliver Free • MT 544 Receive Free Confirmation • MT 599 Free Format Message • MT 548 Settlement Status and Processing Advice • MT 519 Modification of Client Details	• MT 600 Commodity Trade Confirmation • MT 600 Commodity Trade Confirmation • MT 607 Commodity Credit Advice • MT 699 Free Format Message	• MT 799 Free Format Message • MT 700 Issue of a Documentary Credit • MT 730 Acknowledgement • MT 754 Advice of Payment/Acceptance/Negotiation • MT 734 Advice of Refusal • MT 756 Advice of Reimbursement or Payment • MT 752 Authorisation to Pay, Accept or Negotiate • MT 760 Guarantee/Standby Letter of Credit • MT 740 Authorisation to Reimburse	• MT 910 Confirmation of Credit • MT 999 Free Format Message • MT 900 Confirmation of Debit • MT 950 Statement Message • MT 940 Customer Statement Message • MT 998 Proprietary Message • MT 996 Answers

Key takeaways

List selection	Message types
• SWIFT provides 56 Sanctions lists, institutions DO NOT have to select all of them. • List selection depends on the institution policy and risk appetite. So you only need to screen those lists relevant to your business and your key regulatory area of concerns. • List selection varies, depends on the type of data being screened or if transactions are domestic or cross-border. • FIs should consider the impact that the introduction of new lists and terms, as it could generate significant alert volumes, or spikes, or operational risk.	• SWIFT provides all message types for screening (excepting CAT 5) • Institutions DO NOT have to select them all • Message types selection depends on institution policy and risk appetite. So you need to select those messages relevant to your business. • Changes to your business model eg: taking on trade finance business will require you to assess the CAT 4 & 7 messages. • FIs should consider the impact that the introduction of new messages terms, as it could generate significant alert volumes, or spikes, or operational risk.

Note: For information on reducing false positives using Hit reducing rules and exceptions will be covered on a separate webinar.

Conclusion

In summary, financial institutions should have a comprehensive sanctions screening control framework as part of their risk based approach to comply with regulatory requirements and legal obligations in the jurisdiction they operate in.

To do this, FIs usually conduct an annual review to assess the effectiveness of Sanctions Screening Controls, this includes items as :

- Review of the messages selected to align with their risk appetite and business model.
- Review of regulatory lists to determine if anything has changed with the jurisdiction they operate with, to see if they need to change their selection accordingly.
- Determine a mechanism to document systematic approach to screening, that aligns with their risk appetite.
- Ensure regular end-to-end risk event management trainings.
- Review effectiveness and efficiency of the sanctions screening framework to ensure it still complies to your policy.

It is essential that, this is implemented and maintained as part of a wider set of financial crime compliance controls and within the risk appetite of the FI.

Q&A

www.swift.com