Optimise your sanctions compliance systems and processes with SWIFT

Sanctions Testing provides major bank with sanctions filter quality assurance and enables automation and best practice implementation

Like many larger financial institutions, SWIFT's customer – a large banking group – operated its own sanctions filter for screening financial transactions. The bank outsourced its filter assurance process to a third-party consultancy.

This approach was no longer working, however. The consultancy's tests were purely reactive, limited in scope, and lacked valuable or actionable insights. Test results were received with a six-week time lag, meaning they were outdated before the bank could make changes. Follow-up testing was time-consuming, disruptive, costly and manually intensive.

Ultimately, the outsourced approach failed to detect potential flaws that could have led to expensive and reputationally damaging sanctions infractions. The bank asked SWIFT to help set the situation straight.

"Our customer needed to ensure sanctions compliance while bringing oversight and control back in house," says Tony Wicks, Head of AML Initiatives, SWIFT. "The bank's compliance team needed to be able to test and validate the effectiveness of the compliance processes, as well as demonstrate the effectiveness of those processes to the bank's regulators. And all of this had to happen without disrupting day to day operations. Sanctions Testing addresses each of these requirements."

Three of the top four US banks, and eight of the top 10 European banks use Sanctions Testing from SWIFT to help them better understand and improve their sanctions filters and processes.

"Speed to compliance has improved very significantly; from weeks to hours. The entire test-review process has been transformed from a six-week sequence of meetings with the external partner to immediate, controlled, on-demand testing. The bank now has a two-hour SLA for implementing new sanctions lists."

"Sanctions Testing enables financial institutions to maintain state of the art compliance in real time by a process of continuous improvement, and to demonstrate that compliance to their regulators.

Tony Wicks
Head of AML Initiatives, SWIFT

Advantages

Independent assurance that your sanctions filters work

Rapid validation cycle – much faster than current methods

Filter model validation, fuzzy matching performance and sanctions list coverage

Greater control over systems and processes, enabling continuous improvement

Standardised, community-based approach

Peer comparison of filter logic and matching performance

Features	Benefits
Secure, web-based tool that can be deployed rapidly	**Greater transparency, enabling you to satisfy evolving compliance requirements easily and rapidly**
Automated, end-to-end filter assurance testing	**Cost savings, due to reduced manual processes**
Immediate, controlled, on-demand testing, bringing faster operational capabilities to banks	**Proof points, evidence and insights to make better-informed decisions and implement tighter compliance timeframes**
Testing of customer, PEP and payments filters	**Enables fine-tuning of client onboarding and customer service processes**
Faster assessment of proposed changes to filter parameters	**Facilitates immediate and ongoing improvements in operational capabilities in reducing false positives**
Measurement of fuzzy matching	**Enhanced assurance that filters will catch variations of names on sanctions lists**
Full audit trail of filter tests and adjustments	**Ability to demonstrate effectiveness of compliance processes to Policy and Compliance Directors and regulators**

The solution: Sanctions Testing

Sanctions Testing from SWIFT enables banks to have continuous assurance that their filters are effective, and lets them test, fine-tune and optimise their transaction, customer and PEP screening filters.

SWIFT's customer was keen to begin testing its systems as quickly as possible, and Sanctions Testing provided the ideal solution. As a secure, web-based tool it can be deployed rapidly, and SWIFT provides all of the necessary onboarding and training support.

Once in place, Sanctions Testing immediately delivered a number of benefits. These included cost savings, reduced manual processing, greater transparency, improved knowledge for making informed compliance decisions, and necessary evidence to support audit and regulatory audit purposes. Sanctions Testing's on-demand model has dramatically enhanced the speed and turnaround time of assurance tests, enabling immediate and ongoing improvements.

In addition to providing independent assurance of sanctions compliance, Sanctions Testing also delivers the necessary proof points and appropriate evidence and insight for the bank's compliance team to make better-informed decisions. Filter changes and improvements can now be made on the basis of this evidence, with the necessary audit trail for governance purposes.

Testing and tuning for effectiveness and efficiency

Successful sanctions compliance requires a combination of processes, systems and human expertise. Sanctions Testing provides the bank with the insight and understanding that is key to maintaining a strong sanctions compliance programme. It affords transparency around sanction list and filter coverage and configuration, along with a deeper understanding of how risk models are operating in the filter.

Sanctions Testing enables the customer to quickly adapt and test their filter settings whenever sanctions lists change, helping to ensure compliance on an ongoing basis in a highly dynamic environment. As part of the testing process, the bank runs a set of test messages through its filters multiple times, making minor adjustments to different parameters.

This iterative approach enables fine-tuning for optimal effectiveness, efficiency and sanctions list coverage. Since sanctions lists are automatically monitored and updated by the service, the bank can respond rapidly to regulatory change, without interrupting its day-to-day activities.

The bank also uses the tool for model validation and to measure fuzzy matching – how well its filters detect names that are similar to, but not exactly the same as the names on sanctions lists. Performance is measured across literally thousands of variations of the names on sanctions lists.

Sustainable approach to sanctions compliance

SWIFT developed Sanctions Testing in collaboration with its customers, and this collaborative approach enables the creation of best practices around sanctions compliance.

"The benefits experienced by this customer are similar to those enjoyed by the more than 30 major institutions that use Sanctions Testing," Tony Wicks says. "Speed to compliance has improved very significantly; from weeks to hours. The entire test-review process has been transformed from a six-week sequence of meetings with the external partner to immediate, controlled, on-demand testing, with a two-hour SLA for implementing new sanctions lists."

Testing automation has also improved productivity and visibility. Where analysis is required, Sanctions Testing helps to highlight the necessary fix, eliminating guesswork and enabling faster resolution. A continuous audit trail demonstrates sanctions assurance and filter operation.

In addition, although the bank's initial focus was on its payments filter, it now uses Sanctions Testing for customer and PEP filter testing as well, enabling it to fine-tune its client onboarding and customer service processes.