



**SAFE BANKING
SYSTEMS**

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CASE STUDY

SANCTIONS FOR PAYMENTS

Bringing Transaction-Based List Management to the Next Level

BACKGROUND

To thwart financial crime, institutions must scan all transactions against various compiled lists of sanctioned entities—or risk regulatory fines and actions. Downloading these “sanction lists” individually from each government web site (e.g., US Treasury, HMT) on a regular basis is a labor-intensive and tedious process that becomes costly if not fully automated. Furthermore, the dynamic nature of regulatory requirements presents challenges that go beyond list consolidation. Filtering in real-time against accurate data that is properly formatted and optimized to return a high-quality result set enables institutions to manage risk more effectively.

Our Client, a respected global bank with operations in North America and over 50 other countries, needed to streamline its list update process, better manage the multiple sources used for sanction lists, and mitigate payment risk.

SBS’ specialized solutions and unique capabilities for identifying and managing risk had already provided proven results for this Client on two separate projects. As a result, the Client once again turned to SBS for a solution.

THE CHALLENGE

The Client’s current sanction list update process was cumbersome and inefficient. It required manually downloading multiple sanction lists from official government web sites on an ongoing basis as well as receiving lists from a third-party data provider. Once downloaded, the data had to be formatted and consolidated for filtering against the Client’s real-time payments and transactions.

Although this process had served the Client well in the past, the real-time nature and increasing volume of the Client’s cash and trade transactions made managing sanction lists a costly and time-consuming endeavor. This was further compounded by the difficulty in handling multiple lists, which were in different formats and all updated at different times.

A black and white photograph of classical architectural columns, likely from a government building, showing the fluted shafts and the bases.

With Sanctions for Payments, implementing new lists can be achieved in weeks, not months.

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When the Client switched to a third-party database of consolidated sanction lists to address these issues, the update process became somewhat more efficient, but led to another problem. The "hit rate" for matches jumped fourfold, with alerts coming from sanction lists that were of no interest to the Client. This elevated hit rate of false positives was caused by two factors: alias contamination and sanctions from Asia Pacific, which were not ideally formatted for download.

Cross contamination of aliases resulted from consolidating lists. Since each set of sanction lists had a different set of aliases and alternate spellings, the number of false positives increased when the lists were combined and the thread of which alias came from which sanction list was lost. Data that was not available in a downloadable format (as with the Asia Pacific sanction lists) required time-consuming manual work to sift through and format the information for optimized filtering.

THE SOLUTION

Safe Banking Systems introduced the Client to Sanctions for Payments, SBS's new transaction-based list management service. Sanctions for Payments automatically monitors, retrieves and consolidates sanction lists from government web sites, data providers and internal bank sources. The client estimated it would take them six months to implement a new list. With Sanctions for Payments, SBS' estimate was a few weeks.

As a hybrid solution, Sanctions for Payments initially accesses government sources for the sanction lists. If lists are not available from government web sites in a downloadable, computer readable format, then SBS' system reconstructs the sanction lists from third-party data providers. Once the lists are consolidated, Sanctions for Payments formats the data for filtering against payments, cash and trade transactions in real time.

Since Sanctions for Payments automatically prepares and delivers each list separately before consolidating the information for filtering, it eliminates the possibility of cross-contamination of aliases. This approach decreases the number of false positives and ensures that matches with the highest relevance and highest probability of being true are quickly identified.

Sanctions for Payments includes SAFE List Archive, a repository of all SBS managed sanction lists; including downloadable reports, original source files and full record history for the past several years. OFAC, for example, is archived back to the year 2000.

THE BENEFITS

Implementing Sanctions for Payments as a single-source, real-time solution provides the Client with the following benefits:

- Reduces manual effort by automatically sourcing, consolidating, formatting and optimizing sanction lists.
- Ensures adequate controls are in place to meet regulatory requirements.

- Reduces cross contamination, minimizes alerts and mitigates the risk otherwise present when using multiple list sources.
- Archives changes so that lists can be reconstructed, providing an audit trail for compliance.
- Establishes a framework that will allow future sanction and other lists to be employed more readily.
- Facilitates day-to-day responsibility and compliance for payment filtering and sanction screening.
- Provides the flexibility to request individual files or consolidated files, configured in the appropriate format, from only the sanction list(s) required.
- Offers compatibility with any filtering software.

NEXT STEPS

Based on the success of this project, the Client anticipates further expanding Sanctions for Payments as they introduce additional lists into their screening process.