

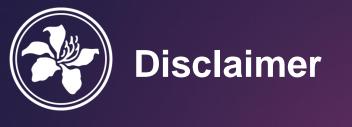
## Sanctions Screening - Feedback from Recent Thematic Reviews

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- Increasingly complex and dynamic sanction programs
- Regulations are rapidly evolving
- Significant risks for non-compliance
- Controls need to match developments



- Adequate Risk Assessment
- Good Quality of Data
- ► Integrity of Source Lists
- Effective sanctions screening system
  - Evaluation of parameters and thresholds on an on-going basis
  - Adequate and effective re-assurance processes



- ► Thematic review on a number of Als' sanction screening systems in June 2017
- Engaged a leading global service provider to assist in conducting review
- Purpose of the review:
  - Assess effectiveness and efficiency of Al's screening system
  - Where required, work with Als to ensure appropriate remedial plans implemented to address material deficiencies



## How the test was conducted

- Als selected based on risks, volume of payments processed etc.
- Workshop, guidance provided to participating banks
- Scope: customer and transaction screening systems
- Individual feedback provided to Als based on testing results
- Highlighting observations identified from the review



- Most Als' performances when screening against un-manipulated data were within expectations
- Results less consistent on manipulated data; a few Als performed below expectations
- Als must be able to demonstrate an adequate understanding of their systems
- System settings varied between Als



- Most Als monitoring / testing effectiveness, but less on efficiency
- Effectiveness issues
  - Low matching capability
  - Weaknesses in matching algorithms
- Efficiency issues
  - High volumes of returns → system is inefficient.
- Some Als may be subject to re-test



- Industry wide guidance to be issued subsequently
- ► Thematic review to be extended to cover more Als
- Improve understanding of risk and system operation
- Expectation is ongoing enhancement: screening systems should be subject to regular reviews and kept up-to-date



## Thank You