



*Identify and apply
sanctions compliance
best practices*

Benefits

- Compare your sanctions filter performance with equivalent institutions
- Easy-to-read, standard, actionable reporting
- Exact and fuzzy matching performance
- Third-party testing and evaluation
- Community-driven, standardised approach

Sanctions Testing Peer Assessment

*Understand, compare and optimise your
sanctions compliance programme*

Compliance with sanctions regulations is a top priority for financial institutions and a major part of their overall compliance strategy and investment.

SWIFT's Sanctions Testing Peer Assessment service helps financial institutions understand and compare the performance of their sanctions compliance systems and practices to those of equivalent institutions with similar business and risk profiles. The Peer Assessment report allows compliance and operational teams to understand their filter performance in relation to industry best practice, compare and quantify their risk appetite, and identify areas to optimise effectiveness and efficiency.

Financial institutions have invested heavily in sanctions compliance systems, processes and personnel in response to intense regulatory pressure. The common objective is to put programmes in place that are robust enough to prevent illicit transactions, while mitigating risk and allowing legitimate business to continue without interruption.

Compliance teams face the constant challenge of maximising effectiveness and efficiency, while managing cost and risk – and addressing constantly evolving regulatory requirements.

If you are responsible for sanctions compliance, you have probably asked yourself some of the following questions:

- How well would my sanctions filters and related systems and processes perform when subjected to stringent third-party testing?

- How would this performance compare to that of other institutions with similar business and risk profiles?
- What gains in effectiveness and efficiency could I achieve by tuning my sanctions filters and related systems and applying best practices?

SWIFT developed Sanctions Testing Peer Assessment to help you answer these questions. The service starts by thoroughly testing the performance of your sanctions filter(s), and puts this performance into context by comparing it to results from peer institutions. It provides a framework for comparison based on the size of your institution, the type of sanctions filter you are using, and your business and risk models.

This combination of third-party testing, comparison and analysis gives you assurance about what you are doing well. It also identifies opportunities to optimise performance by implementing industry best practices.

You learn whether your filter, sanctions lists, configuration and rules are operating as expected, whether the filter setup and your risk appetite is similar to peers, where the filter may be performing too strongly, or where there may be areas for improvement. This allows you to decide how your filter environment might be improved for increased effectiveness, improved efficiency and better risk mitigation.

SWIFT provides Peer Assessment on a consultancy basis, using a performance baseline of aggregated, anonymous data from participating Sanctions Testing users.

You must agree to contribute to this baseline in order to participate in a Peer Assessment. Results of your own performance remain confidential.

Improving transparency

The Peer Assessment report provides the insight and understanding that is key to a strong compliance programme. It provides transparency in terms of your filter's coverage and configuration, and allows you to understand your risk profile and how risk models are operating in the filter.

Sanctions compliance starts with understanding the effectiveness of your filter and whether transactions and customer details are correctly screened against target names. Getting the configuration right to ensure coverage of the correct sanctions lists, the correct list elements, and the fields and data types to be screened is not straightforward, however.

The Peer Assessment enables you to assess your filter's matching performance across key indicators that allow the coverage and configuration to be understood and compared to your peers. Key indicators include exact match performance, derived indicators including short names, algorithmic strength and fuzzy matching.

Fuzzy matching refers to how well your filter detects names that are similar to, but not exactly the same as, the names on sanctions lists. Performance is measured across multiple variations of the names on sanctions lists for both payments and customer screening.

By capturing common misses and applying a standard assessment approach to measuring filter fuzzy matching performance, the Peer Assessment helps you to quantify the level of risk that your institution is prepared to tolerate and to understand your institution's risk profile in relation to matching performance. Your Peer Assessment report indicates whether your results and filter settings are in the mid-range, compared to industry norms.

Easy-to-read, actionable reporting

Peer Assessment reports are easy to read and understand, with clear, actionable information. The report provides key indicators of your filter's performance and allows straightforward comparison to peer institutions.

Key indicators consider core and supplemental filter screening behaviour. Core sections highlight areas of key importance whilst supplemental sections provide insight into and understanding of your screening environment. You can see how your filter behaves compared to your peers and understand if you are following common filtering practice.

The approach allows you to focus on areas of importance to your compliance policy whilst providing additional details to inform your implementation and policy decisions for optimal performance.

Understanding the way your institution's risk appetite and screening policies are similar to and different from similar institutions can help you fine-tune your approach for greater efficiency and effectiveness. Understanding how your filter models operate and how they compare to your peers helps to support compliance decisions.

For example, you might learn you are screening for information that other institutions choose not to. Standardising your approach provides insight and allows you to focus on areas of real concern.

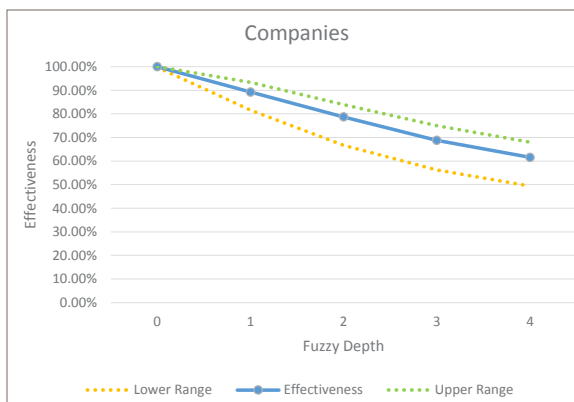
Industry best practices and standardisation

SWIFT developed Sanctions Testing in collaboration with many of the world's largest banks, who use it to better understand and fine-tune their sanctions compliance systems and processes. The resulting baseline is the foundation for the Peer Assessment service and enables financial institutions to apply best practices within their own organisations.

The test details section of the Peer Assessment report provides feedback based on your results and how they compare to our overall knowledge of industry best practices. It also allows you to see the test details and file formats, and provides a percentage hit rate analysis of your baseline performance.

List	Details	Records	Misses	Effectiveness	Peer Analysis	Narrative
Regulatory list	Company Primes & Strong Aliases	5926	0	100%		xx% of peers miss some entries

Peer Assessment reporting compares the effectiveness of your filter to peer institutions and shows whether you are screening for the same criteria as they are. This user's filter had no misses, meaning it outperformed the majority of peer institutions. All peer institutions screen for this criterion, indicating best practice.



Peer Assessment reporting also measures fuzzy matching performance. In this example, the institution's fuzzy matching performance sits in the mid-range in comparison to its peers.

For more information, please contact your SWIFT account manager or visit www.swift.com/sanctionstesting.