

# BAFT-IFSA

## Welcome to BAFT-IFSA Presentation Series

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## The BAFT-IFSA Supplier Committee

Today's Webinar

FALSE POSITIVE REDUCTION:

Simple Steps to Improved Caution List Screening

Presented by: HENRY BALANI

**\*\* Will begin Shortly \*\***

Remember to turn your PC sound ON to hear this webinar

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## BAFT-IFSA EDUCATIONAL SERIES TODAY'S TOPIC

FALSE POSITIVE REDUCTION:

Simple Steps to Improved Caution List Screening

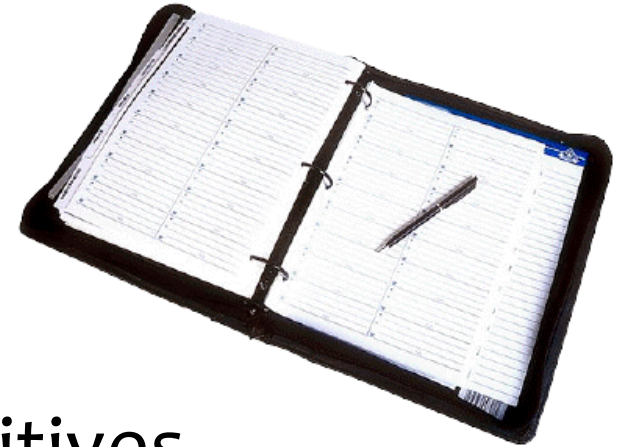
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## AGENDA



- Purpose
- Terminology
- Steps to Reducing False Positives
- Conclusion
- Your Questions

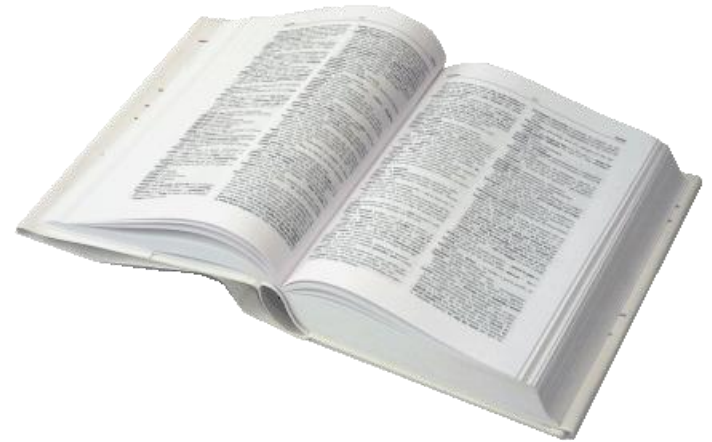
- Because compliance is *expensive* and *time consuming*
- Because fines are *expensive*
- Because reputation damage can be *fatal*
- *Because there is a solution:*

**Data has patterns you can exploit**

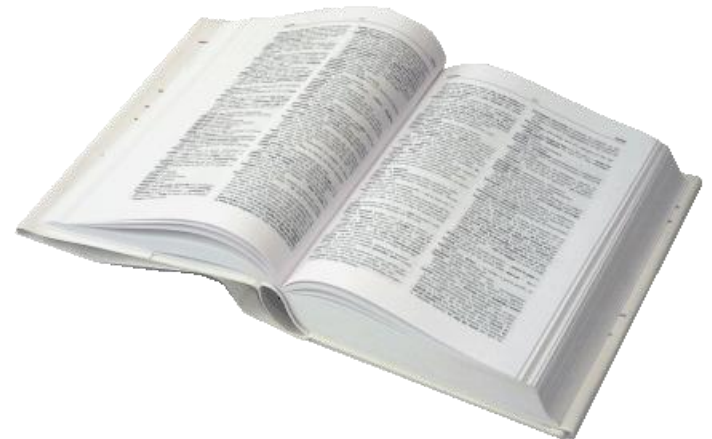
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## TERMINOLOGY

- Caution List
- Entity
- Entity Type and Source
- Token
- Matching Phrase



- Synonym
- False Negatives and False Positives
- Rules and White List
- Fields, Distance and Relative Position



- Even “obvious” false positives take time to clear
- Good match rates vary:
  - By type of institution
  - By type of customer base
  - By type of screening
    - Sanctions list transaction screening
      - ½ % to 1 % is good; 10% is not unheard of
    - PEP screening
      - 10% - 20% is typical

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# COST SAVINGS CALCULATOR



- Text Matching
  - Exact, Fuzzy and Phonetic Matching
  - Handling Misspelling/Alternate Spellings
  - Order and Distance
- Punctuation
- Multiple Field Screening

- One rule can eliminate many matches
- Matches ignored when:
  - Text matches specified pattern
  - Matched entity is specified type
- Only option for transactions or messages
  - Can be used for static data
- Reevaluation needed for new entities

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## RULES PROCESSING

- Occurs after matching
- Rules Considerations
  - Field Names
  - Complexity:
    - Number of words
    - Distance and Order
    - OR and AND
- Punctuation Handling

- Separate names from addresses, from cities, from...
  - *ANDY GROVE* in *NEW YORK*
  - *ESPERANZA GOMEZ* in *PUERTO PLATA*
- Separate corporate accounts from personal accounts
  - *ANA MARIA*
  - *SRA. LUPE GOMEZ RODRIGUEZ*
  - *KIMO BEAN COFFEE COMPANY*
- ***Data preparation is an investment, not an expense***

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## STEP #2: Screen Only What You Must

- Systems match on:
  - Names
  - SWIFT BICs
  - Passport numbers
  - Address components (sanctioned place names)
- Exclude:
  - Street addresses
  - States, Provinces, Territories, etc.
  - Zip codes, Postal codes (could match passport numbers)

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## ADDRESSES THAT MATCH OFAC ENTITIES

- *CUBA*, NY
- AVENIDA *PONCE* DE LEON
- *HUNTSVILLE*, AL
- CALLE *SAN VICENTE*
- *BUTTE*, MT

- Place Names are not on the SDN list
- Place Names required for country programs only
  - Why not MONROVIA?
- No local place names are sanctioned

- Date of Birth
- Passport Number
- Nationality or Address
- Record Type (Personal/Business)
- On-File Account Names/Addresses

- Remove/Ignore standard codewords
  - Field 72, 70
  - Field 30, 23B, 23E, 26T, etc.
- Separate Field 72 data by codeword
- Remove/Ignore ID prefixes
  - /D/, /C/
  - //FW, //CH, etc.

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## AVOIDABLE MATCHES

- :59:/D/123456  
HYUNDAI MOTOR **COMPANY**
- :72:/BNF/FFC ACCT 123456 **LEHMAN**  
/BNF/**BROTHERS** NEW YORK

- Eliminate common name matches
  - **MARIA RAMIREZ**
- Eliminate abbreviation matches
  - **SL, SRA**
- Leverage known customer/repeated information
  - Fund names like **GLG**
  - **CASABLANCA**, MOROCCO or **HUNTSVILLE**, AL
- Different rules for accounts and transactions
  - Ignoring vessels

- No silver bullets
  - Series of incremental steps
  - Review your current compliance processes to identify areas for improvement
- Leverage experts in the industry with practical experience

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Questions??

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## BAFT-IFSA Educational Series

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## Supplier Committee

The goal of the Supplier Committee is to broaden the industry point of view regarding issues confronting the financial community. The Services Partners Committee will add its knowledge and expertise to offer solutions in partnership with the financial community



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## **About Your Presenter – Henry Balani:**

- Responsible for managing the Professional Services practice for Accuity
- Prior to joining Accuity, managed consulting practices with some of the largest professional services organizations in the world, including Accenture and IBM
- Active member of ACAMS, CAMS certified and has spoken at various conferences on topics related to Compliance and Payments Efficiency

## **About Accuity:**

- 17,000+ customers worldwide
- Leading provider of OFAC, USA PATRIOT Act, Bank Secrecy Act and global KYC compliance solutions
- Leading provider of payment and financial institution reference information worldwide
- Official registrar of ABA routing numbers since 1911

BAFT-IFSA is the premier global financial services association formed by the merger of the Bankers' Association for Finance and Trade (BAFT) and the International Financial Services Association (IFSA). It provides advocacy, education and community-building opportunities for financial services institutions around the globe as well as suppliers to the financial services industry. BAFT-IFSA is the leading forum for analysis, discussion and action among international financial professionals on a wide range of topics affecting transaction banking, including trade finance, payments, compliance and asset servicing. For additional information log on to our website [www.BAFT-IFSA.com](http://www.BAFT-IFSA.com) or contact the BAFT-IFSA at [Info@BAFT-IFSA.com](mailto:Info@BAFT-IFSA.com).

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Our next webinar will be held on  
Thursday, July 8<sup>th</sup> at 11:00am  
presented by  
BAFT-IFSA Supplier Member

## **SURECOMP**

Invitations will be forthcoming.