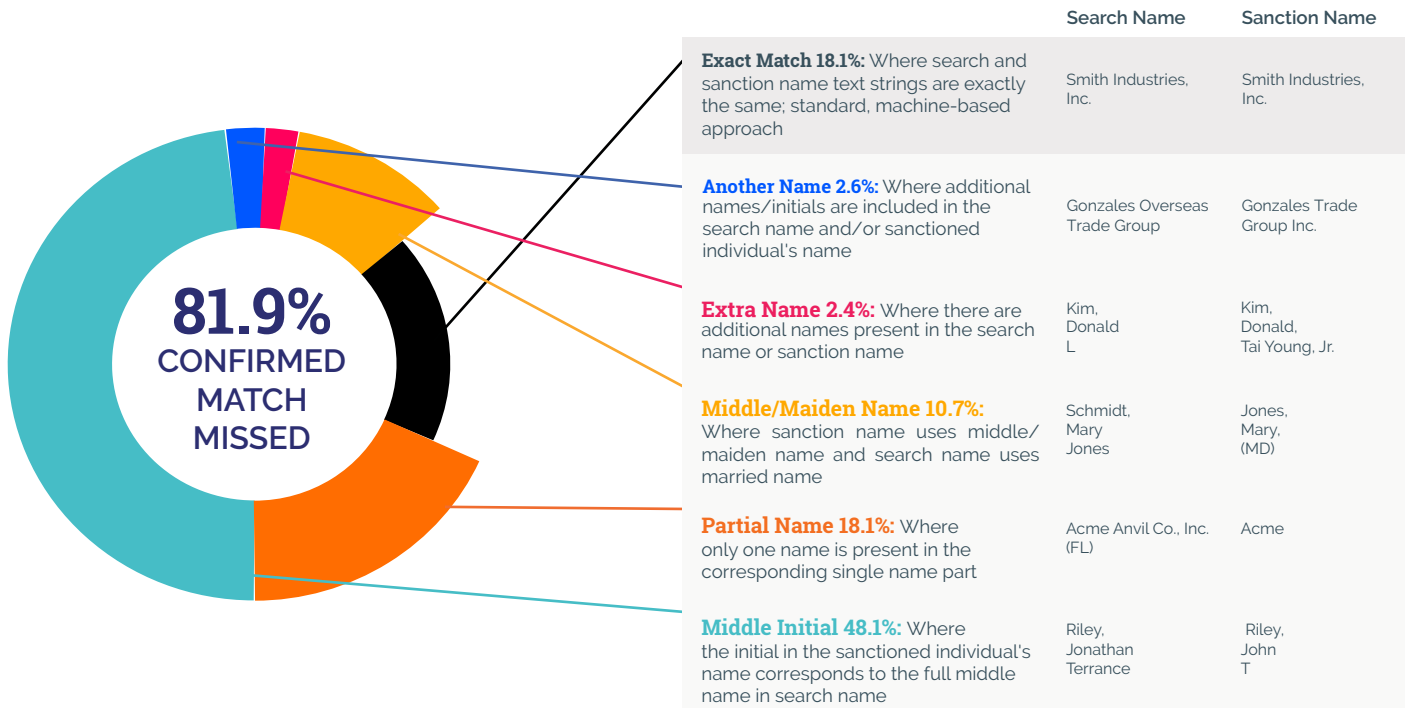


Is It Worth The Extra Effort? An Exact Match Sanction Analysis

Potential clients ask about whether the extra steps we take in our approach to exclusion and sanction screening — namely our focus on **Type II errors (false negatives) vs. Type I errors (false positives)*** unlike most of our competitors (exact vs. partial match approach) — is worth the extra effort. Taking the approach of a data scientist, we dug into our results over the last year and found some startling results. This analysis shows all the confirmed matches in

our system over the last year, with a reconciliation of each one into an aggregate bucket of match type. The startling conclusion is that <20% of confirmed matches over the last 12 months were found on an “exact match” basis (method most employ).

This means that >80% of the confirmed matches would have been missed with this standard approach. EXACT MATCH DOESN'T CUT IT.



*Type I vs Type II Errors Illustrated

In science and statistics, the *null hypothesis* is a general statement that there is no relationship between two things. The primary task of the scientist is to create tests to systematically reject or confirm the null hypothesis with the highest level of certainty possible. In hypothesis testing, a **Type I Error** is a “false positive” (rejecting the null hypothesis when it’s true), which is where a name is deemed a “Confirmed Match” in error. A **Type II Error** (failing to reject a false null hypothesis) represents a “false negative”, when a name is “Ruled Out” in error. It should be obvious a false negative is something you should be most worried about even though dealing with false positive is so much of the burden of screening. The temptation to screen by exact matches opens you to risk from false negatives.

Which scenario below is most concerning? Which poses a bigger net risk, I (Jane) , or II (Michael)?



I. Jane Smith (UBO)

Clean history, unblemished. Accidentally confirmed match. Deemed “not OK.” Business is not done with her company.



II. Michael Jones (UBO)

Prior close association with an authoritarian head of state, but accidentally deemed “OK.” Business is done with his company.

Answer: Obviously it's II Michael!

