

# 4 Risky AML Screening Mistakes

That can cost you  
big time!



# Introduction

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## You Can't Afford to be out of Compliance

Even if you think you're screening correctly or frequently enough. You won't know of a risk until the damage is done unless you get it right. In our experience with AML, sanction, or denied party screening, there are common mistakes that can be avoided to make sure you don't end up on the wrong side of a violation.

Name screening can be a hard, manual job with potentially disastrous ramifications for an individual mistake (fines and reputational damage). But with the right planning (or vendor) you can rest easy knowing transactions are being made free of sanctioned parties.

### Who this eBook is for?

- CEOs, General counsels
- Chief Compliance Officers
- AML Compliance Officers
- Screening Professionals

# The 4 Top Mistakes

In our experience, these are the top 4 mistakes that cause an organization to lose time & money and sometimes land themselves into some legal trouble as they try to get this process right:

- Searching TOO MANY lists
- Searching TOO FEW lists
- Focusing on false positives
- Irregular screening times



# Risk #1: Searching Too Few Lists

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## Problem:

Simply screening the OFAC's Specially Designated Nationals (SDN) List will not cut it. If this is the only thing you are screening then you are vulnerable.

Reputational damage brought about by negligent screening could easily have been avoided.

## Solution:

Depending on your risk assessment and risk appetite, additional lists should be considered without overburdening yourself (see Risk #2).



For example, exporters will want to search for denied parties in the BIS list. Businesses purchasing Chinese securities might need to screen against the the NS-CMIC List. Or businesses with transactions in the UK will need to screen against the HMT List

# Risk #2: Searching Too Many Lists

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## Problem:

If you indiscriminately search every list available, you're at risk of:

- Spending too much effort on the wrong focus
- Burning out your team
- Wasting your budget

Doing extra work is not just a waste of your team's effort and budget, it may lead to missing other more damaging risks without providing any meaningful risk reduction.

## Solution:

Take an intelligent, balanced, and contextualized look at which lists are going to hit that sweet spot of having a high potential (not just some vague remote chance) of identifying a sanctioned party that is putting your company at risk.

# Risk #3:

## Focusing on False Positives

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### Problem:

False positive reduction can be a major operational ordeal and if not addressed, clearing these false positives can become a black hole consuming your team's time and energy. In this context it is easy to forget there is something called a **false negative** and one of these is worse than a flood of false positives.

A false negative will be a person or legal entity which is sanctioned, but for one reason or another, most likely in the haste to clear false positives, manages to slip through your screening process.



### Solution:

Reduce any manual clearing of false positives either through use of an automated post-screening tool or by fine tuning the initial intake to collect and screen more identifying data.

# Risk #4: Irregular Screening Times

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## Problem:

Ongoing screening is essential to making sure no existing customers or vendors have been placed on a watchlist in the time since they were last screened.

Everyone wants to know how often they should conduct customer name screening, but no one can provide an absolute answer. Not when regulators like OFAC or FinCEN update their lists when there is something to add rather than on a set schedule.



## Solution:

Your risk assessment should define when your ongoing screening occurs as it should be based on how likely are customers/vendors are in your market are to end up on a list. But it's important this cycle runs regularly on a set schedule, rather than waiting for your team to clear their schedules

## What should you expect from a screening vendor?

- Robust technology and automation with configuration sufficient to fit your team, budget, and risk tolerance
- Provide clear advice, and facilitate your screening choices based on your risk assessment and risk appetite
- Educate and collaborate on how to handle data gaps and unclear comparisons
- Update you on changes and improvements that can reduce your work and improve your risk coverage
- Flexibly enable your team to collaborate, report, and share responsibility across departments and geography
- Answer questions, advise on challenges, help your team and make good decisions
- Request, gather, and act on feedback about how tools can be improved.
- Actually CARE, as evidenced by responsiveness, thoughtfulness, and willingness to say 'Yes' when you need something (even out of scope, off-contract)



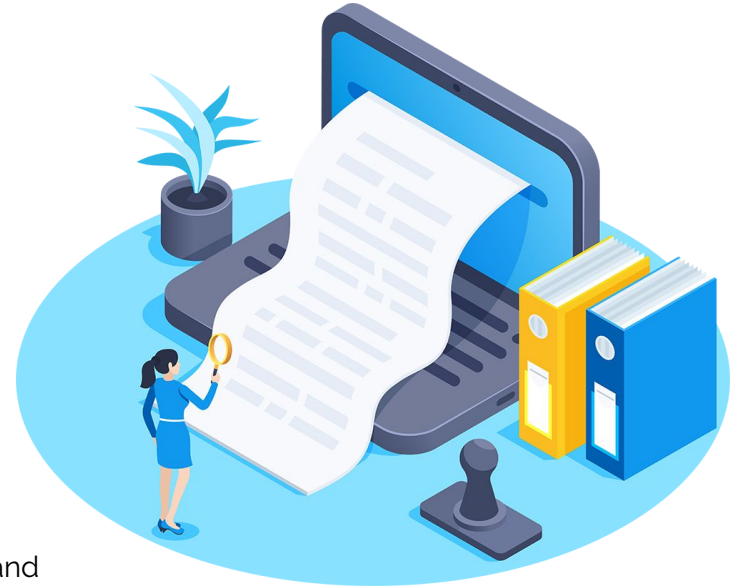
# Conclusion

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At the end of the day, you must approach customer screening in one of two ways: either as a grudging price to be paid to play in the world marketplace. Or as a necessary partnership with governments and regulators in stomping out terrorism and penalizing authoritarian regimes. Organizations with the latter mindset have been known to weather the scrutiny of regulators and the public better than those with the former mindset.

If you want to continue to do business in the coming decades you will have to accept that transparency will only become greater and any negligence will earn you the ire of an increasingly interconnected and punitive public.

Sanction screening can be simplified with better automation and more structured data. It is the lowest hanging fruit in filtering out bad actors and although mistakes cannot always be avoided they can be minimized.



# About ComplianceLine

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For more than 20 years, ComplianceLine has put our customers and the quality of our work before profits to become the leading provider of ethics and compliance (E&C) solutions and second-largest player in the space. Our clients trust us to listen to their employees and empower us to assist in the identification of unethical, illegal, and questionable behavior.

In building this trust, we have provided compliance solutions in 50,000 locations to more than 6 million employees in 100+ countries through our highly-trained, caring, and compliance-minded professionals. We have helped E&C leaders investigate nearly 10 million reports, offering employees the industry's leading-edge tools to report unethical or illegal behavior free from retaliation.



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