Taking hosted transaction screening to the next level

Sanctions Screening Connector option provides greater flexibility, screens all message types against key sanctions list

Financial crime is a global threat to the banking industry and all those who benefit from the industry's efficient function. Every business line is regulated; every bank must act in compliance with regulation, or risk penalties, reputational risk and possible isolation within the financial industry.

Payments and correspondent banking relationships, which are at the very core of banking, are no exception. The increasing scrutiny to which these areas are subject from governments and regulatory bodies has resulted in dynamic and constantly evolving obligations in a number of key areas – including sanctions.

Successful sanctions compliance requires a combination of processes, systems and human expertise. To support its community in tackling this challenge, SWIFT developed Sanctions Screening for institutions that value a hosted solution to support real-time message screening against international sanctions lists.

The service combines a highly sophisticated screening engine and sanctions list management with SWIFT's security, reliability and resilience, enabling simple, cost-effective compliance with sanctions regulations.

Transactions are screened against more than 30 of the most important sanctions lists, including the U.S. Office of Foreign Asset Control, (OFAC), the UK's HM Treasury and European Union lists. SWIFT performs sanctions list updates at no additional charge, eliminating a major source of cost and risk for customers.

Any format, any network, easy integration

Sanctions Screening is a community-based solution that makes transaction screening simple and affordable, even for the smallest institutions. SWIFT has extended the service to address the needs of mid-size institutions and other users requiring multiple message formats and direct integration with their back-office systems.

Users can now screen all structured transaction formats, including SEPA and Fedwire, and transactions sent over networks other than SWIFT. In addition, the extended service supports greater flexibility and back-office integration in line with customers' specific operational and business requirements. It is more adapted to the needs of corporates and other institutions that need to screen the ISO 20022 formatted payments used in SEPA.

There are several drivers for implementing the extended Sanctions Screening service. One is that the introduction of SEPA has resulted in the need for institutions to screen more transactions than previously.

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Moreover, screening has typically been seen as something done on single payments. SEPA by contrast is primarily oriented toward payments in batch format. This brings a new challenge to screening as each transaction in the batch needs to be screened individually, requiring integration into the back office.

Another driver is that as their risk appetites evolve, banks are taking a broader view on the transactions that need to be screened. Screening has typically focused on transactions that transfer assets from one party to another, but as the interpretation of what this means develops, and their risk appetites evolve, a number of banks have started to screen other messages beyond the usual payments and trade areas.

There is also a growing interest from some banks to apply more granularity to what is sent to the filter for review in order to allow for more focused screening. For example, an institution might decide not to screen specific fields within a transaction as they can only contain structured information that is not subject to sanctions.

Last but not least, many institutions need to screen payments that are being sent over a local payments network rather than SWIFT.

Implementing Connector

Following the extension of Sanctions Screening, there are now two ways to implement SWIFT's fully hosted solution. The "Copy-based" approach enables users to directly screen incoming and outgoing SWIFT FIN messages, but no other message formats than Category 1, 2, 4 and 7.

The "Connector-based" approach allows the screening of all message formats (such as SWIFT FIN, ISO 20022 and SEPA), including non-SWIFT messages. It also enables users to customise their workflow in order to meet more specific requirements. This approach requires a piece of software to be implemented within the customer's SWIFT Alliance Access interface. This software 'talks' to the screening filter. When the back office system drops messages into Alliance Access, Access checks the messages to see whether they meet pre-set screening criteria. If they do, they will be screened by the Sanctions Screening filter before being transmitted. Connector is also available to non-Alliance Access users.

Connector addresses the requirements outlined above. For example, to support SEPA transaction screening, SWIFT has developed a number of integration packages that enable banks to screen each individual SEPA transaction before it is added to the batch file. These integration packages are delivered as consultancy as part of the Connector implementation. SWIFT can advise customers on the optimal process in terms of when to screen the transaction in the payments sequence.

In addition, with Connector customers can decide by message type which SWIFT FIN messages they want to screen.

If a customer needs to screen payments that are being sent over a local payments network rather than SWIFT, Connector works like an API service, screening such messages before they are transmitted.

Overall, the Connector option for Sanctions Screening is a more relevant solution for medium-sized institutions that require more flexibility, a higher level of integration and to be able to implement more complex screening rules. In addition, for institutions screening more than 2,000 messages per day, Connector is the more cost-effective solution.

Copy option

Screening is seamlessly integrated into SWIFT's central FIN message flow

Timeframe	Few weeks
Installation	Zero
Granularity	Limited
Scope	FIN Cat 1, 2, 4, 7

Connector option

Query/response screening of all transaction types

Timeframe	Few months
Installation	Simple
Granularity	Unlimited
Scope	All transaction types
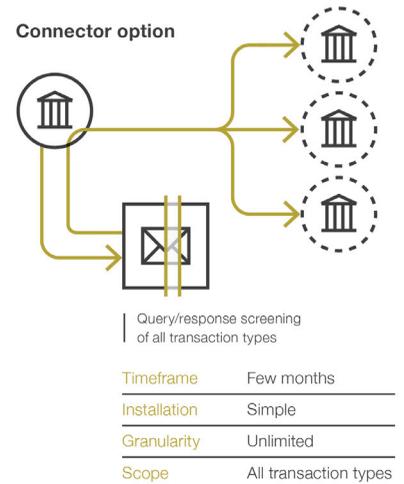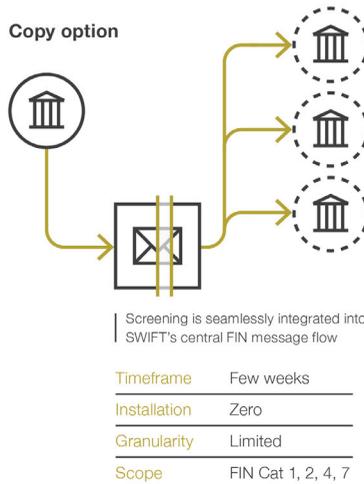
There are two ways to implement SWIFT's fully hosted Sanctions Screening solution: the "Copy" option and the "Connector" option. Customers can choose the best implementation for their business and operational needs.

Solutions to meet evolving needs

Since the global sanctions landscape is ever-changing, it is appropriate that solutions designed to support banks in achieving sanctions compliance also develop in response. Sanctions Screening is just one of the financial crime compliance solutions SWIFT has created in support of its community, and in response to customer demand, in this area where collaborative, industry-driven solutions can play a key role. Banks gain no competitive advantage by developing proprietary compliance solutions, and duplication of effort is inefficient and expensive.

Plus, to be truly effective, measures to achieve sanctions compliance depend on mutual transparency between institutions and a ready exchange of information. There is therefore a clear need for standardisation and the development of common practices. As its functionality evolves, Sanctions Screening has an ever-growing role to play in helping the community minimise costs and maximise effectiveness and efficiency in this crucial areas of financial crime compliance.

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About SWIFT

SWIFT is a member-owned cooperative through which the financial world conducts its business operations with speed, certainty and confidence. More than 10,800 banking organisations, securities institutions and corporate customers in more than 200 countries and territories trust us to exchange millions of standardised financial messages every day.

We offer a growing portfolio of financial crime compliance services in the areas of sanctions, Know Your Customer (KYC) and Anti-Money Laundering (AML). For more information contact your SWIFT account manager or visit www.swift.com/complianceservices.

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