

WHITE PAPER

# Six Best Practices

to Improve Compliance  
With a Restricted Party  
Screening Solution





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Failure to comply with these mandates could result in **fin**es, **denied payments**, **termination from federal programs**, **withdrawn funding** or **jail time** for responsible parties.

## EXECUTIVE SUMMARY

Screening for sanctioned parties is the foundation of many compliance and security programs. Knowing who you trade with is a fundamental component of an export management program and other compliance initiatives. Failure to screen has resulted in sanctions or fines for many small and large companies across various industries. Demonstrating reasonable care is an important way for companies to mitigate their risk and exposure.

Organizations face several challenges when it comes to restricted party screening (RPS):

- Accurate and current content – Organizations frequently don't know which lists to consult, nor do they know when those lists change. Many do not have someone within the organization who monitors and manages the updates.
- Advanced screening methods – If screening is done manually, it may be unclear how a compliance professional should compare names and addresses of trade parties to entities on the lists. There is also the problem of data entry mistakes and screening of partial names.
- Real-time screening as lists change – Organizations with many thousands of trade partners must continuously re-screen them against changing lists.
- Workflow – It may not be clearly defined how a compliance professional handles situations where a trade partner matches an entity on the list. How are matches resolved or cleared if they are in error?

Many companies have acquired a technology solution to help them manage screening. Given the sheer number of restricted party entities, coupled with the need for fast paced logistics processes, screening a customer base manually is inefficient and may be impossible. This paper explores six best practices and provides insight into selecting an RPS solution.

1. Expand screening scope with additional sanctioned party lists.
2. Fully automate the screening process.
3. Support multiple integration methods.
4. Use advanced word matching technologies.
5. Use an on-demand solution.
6. Manage your resolution process with workflow and escalations.

There are numerous continuously changing global lists which must be referenced regularly by exporters when conducting international business.

## BEST PRACTICE 1

# Expand Screening Scope With Additional Sanctioned Party Lists

The single most important function of an RPS program is to effectively screen trade parties against current denied party lists. The lists must be complete, accurate and updated regularly for the best possible identification of a potential restricted entity. The United States has eight different agencies and departments which issue lists, and other countries and entities, such as the EU, Russia, India, China, Hong Kong and Japan, are similar. There are over 570 global lists used regularly by companies for restricted party screening.

With the proliferation of these lists and the frequency with which they are updated, companies can experience a significant productivity drain if their compliance team attempts to manage this process manually. It could take many days to incorporate changes to the list, and this does not support the rapid pace of today's transactions.

There are many RPS providers that aggregate and maintain list content within their screening software. Look for a vendor that provides accurate and complete content with frequent updates, preferably on a subscription basis. Your vendor should employ multi-lingual trade specialists to ensure the quality of the lists.

And, while performing screening against multiple lists ensures a higher level of compliance, adding more lists can slow the screening process. An automated RPS solution that allows variable list selection gives an organization flexibility when more in-depth screening is required.

- Minimize integration issues by using a solution that offers both software for screening and the trade content (sanctioned party lists) that you require.
- Realize productivity gains by outsourcing the manual, data intensive tasks of collecting information and maintaining restricted party lists.
- Use a subscription-based information service that provides highly accurate and current trade content managed by trade specialists
- Select a vendor that provides the scope of content needed to adequately support your business.

## BEST PRACTICE 2

# Fully Automate the Screening Process

Ask these key questions to effectively design your new screening process:

- How many trading partners do you need to screen?
- How often will you need to screen them?
- Are your processes consistent?

Volume, timing and control are important factors to consider when developing requirements for an RPS solution. Most RPS solutions provide the option to manually enter trade party details through a web-based form. The user enters trade partner details, clicks the screening button and then views the results. This process is manageable for exporters who have a relatively low volume of screenings to perform.

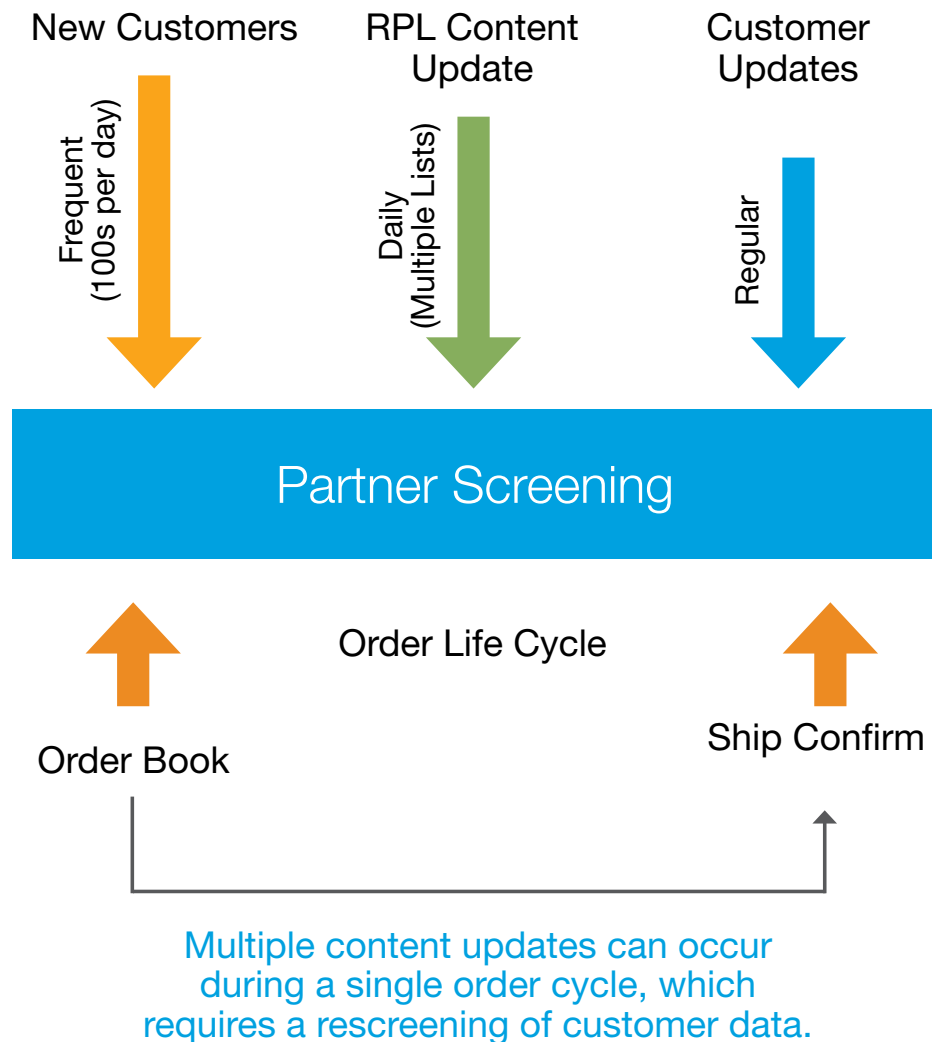
However, for exporters with anticipated volumes of over 4,000 screenings per year, this process can become quite tedious. Best-of-breed solutions provide a manual screening method as well as the option to batch screen hundreds, or even thousands, of partners at one time. This ability is critical, especially if you subscribe to multiple sanctioned party lists or if you have an extensive and changing partner or customer base.

Another key factor is the flexibility of the system to set the screening frequency. Look for solutions that support screening at four different points:

1. When the party to the transaction is known
2. Anytime there is a material change in a party to the transaction (i.e., a new freight forwarder or intermediate consignee)
3. Prior to each shipment of goods or provision of services
4. When the restricted party content is updated by the government
5. The rules for when to perform a screening should be automated and not require any user interaction unless a match occurs.

Any additions or changes to trade parties should initiate a rescreening of that customer, while any change to the restricted party lists should automatically induce a rescreening of all partners against the net change of the list. This level of screening automation takes the burden off of your team while keeping the customer database current and compliant for efficient order processing.



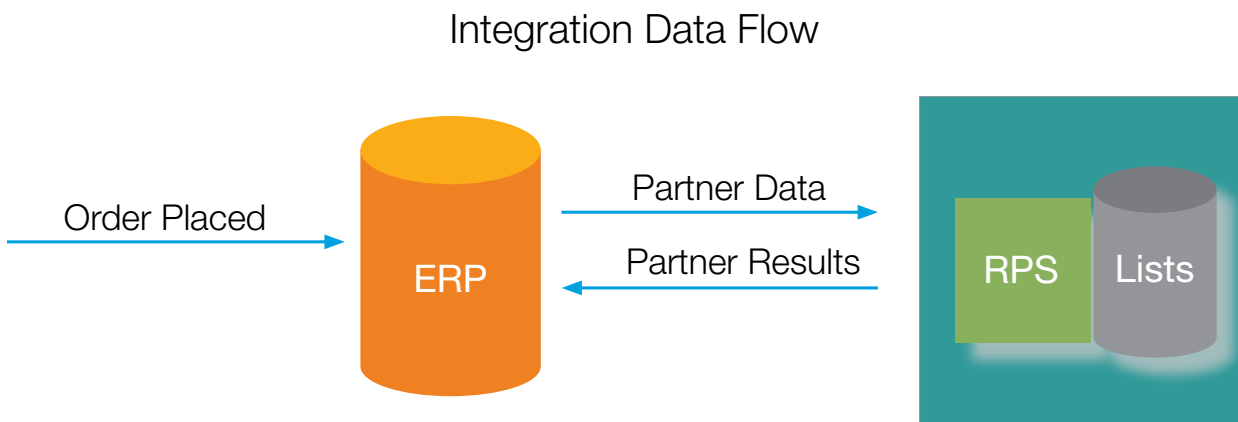


- Fully automate the screening process based on changes to trade parties or lists.
- Use technology that efficiently screens based on net changes to the sanctioned party lists, especially if you process high volumes.
- Have control over the screening rules for special cases, like related parties or one-time customers.
- Look for a solution that supports bidirectional XML integration with your ERP system; in particular, automating the hold process is critical to an export compliance program.
- If real-time integration is not available, look for the option to batch upload trade parties via spreadsheet.
- Make sure that your solution can be deployed across the enterprise to support ad hoc screening in organizations that interact with customers, prospects, contractors, employees and visitors to your corporate site.

## BEST PRACTICE 3

# Support Multiple Integration Methods

Look for an RPS solution that provides multiple ways to integrate and return status to any enterprise resource planning (ERP) systems and key users. Many RPS solutions today provide the capability to electronically interface data from an ERP system via XML. This real-time integration eliminates the re-keying of data and associated errors.



A key element of electronic integration is that it should be bidirectional. Many RPS solutions do not send status messages back to an ERP system. For example, a flagged trade party must be communicated back to an order management system so that the order is put on hold. If you have low screening volumes, or limited technical resources for integration with your ERP, look for a solution that supports a batch data transfer using a spreadsheet.

Finally, users should be able to screen from any web browser. Look for solutions that provide simple, ad hoc screening capabilities that allow you to distribute this feature to your human resources, shipping and receiving, reception and sales organizations.



- Avoid the cost and time to deploy a solution by using your own IT staff.
- Get up and running quickly with a rapid implementation methodology.
- Achieve faster time-to-benefit than any other deployment option.

## BEST PRACTICE 4

# Use Advanced Word Matching Technologies

In rare cases, screening results will give an exact match on a name, for example when “John Smith” matches “John Smith.” In reality, sanctioned parties aren’t this easy to catch. They will try to avoid detection by ordering goods or services using an alias or by changing the spelling of their name or address. If your screening solution relies on exact matching, one transposed character could potentially allow a transaction with a sanctioned trade party.

Look for a screening solution that provides both single word and phrase-matching functionality, ranking and scoring trade party names and addresses based on how similar they are to a sanctioned party. By evaluating each word in a phrase, you can develop strategies to exclude common words, apply synonyms or give additional weight to special industry-related terms. This leads to a much more compliant and accurate screening solution.

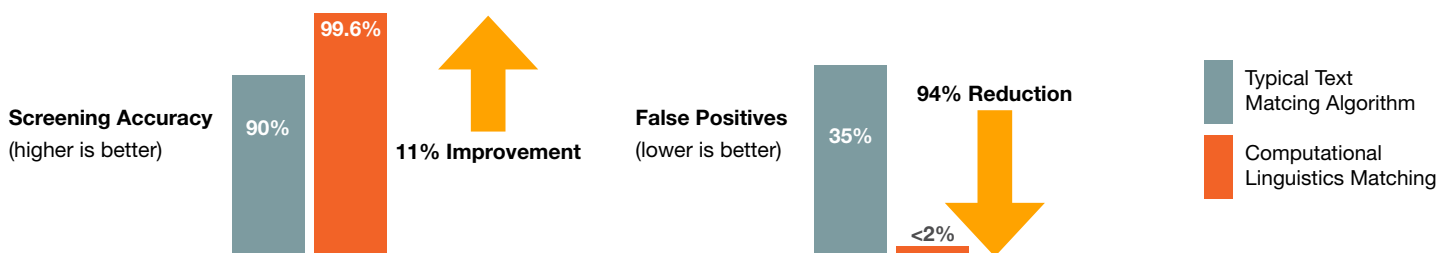
Leading solutions have the ability to tune the screening engine to achieve the highest levels of accuracy with the lowest number of false positive matches. In the absence of advanced word-matching technologies and tuning algorithms, many organizations must increase their tolerance for false positives to achieve greater accuracy. Unfortunately, best practices research shows that productivity and the ability to make accurate decisions are inversely related to the percentage of false positive matches. Clearly, more false positive matches mean more work and lower productivity. But another consideration is that an overloaded user clearing false positives may miss an actual denied party match.

Technology is the key determinant here, and only those screening solutions that use advanced word and phrase matching can deliver high accuracy with low false positive match rates – often less than 1%. Many lower-end solutions have false positive rates between 5% and 25%, which can significantly increase the cost of resolution. Investing in the right screening technology can make the difference between hours or days of work and can ensure the highest level of compliance.

- **Exact word matching is not sufficient to demonstrate reasonable care; instead, look for a solution that compares how similar a trade party is to a sanctioned party.**
- **Look for screening algorithms that can deliver high accuracy with false positive rates of less than 1%.**
- **Investing in technology to reduce false positive rates can result in productivity gains and keep your staff “fresh” to accurately identify true sanctioned parties.**

RPS On-Demand offers the highest levels of accuracy with the lowest false positive rate.

Source: Amber Road Testing



## BEST PRACTICE 5

# Use an On-Demand Solution

With shrinking IT budgets, total cost of ownership (TCO) is a critical consideration. Look for a screening solution that is delivered on demand via a subscription model and that employs a rapid implementation methodology for the best value.

Software as a Service (SaaS) on-demand applications can virtually eliminate new investments in hardware, software and data centers. They also reduce the burden on IT and allow for more strategic investments in technology infrastructure and resources.

*“Many companies using SaaS for supply chain report that they typically can get the system operational in months and achieve ROI in less than a year — many times faster than with ordinary ‘license and install’ software or homegrown projects.”*

AberdeenGroup

A solution with a rapid implementation methodology will lead to faster time to value and productivity for users. A focus on configurations rather than customizations makes it possible to quickly roll out, and eventually upgrade, the system. Integration points that rely on XML and open standards also make it easier to connect with your critical systems.

- Use event notifications to keep your team apprised of any potential issues.
- Ensure the presence of workflow tools that allocate tasks and provide users with the visibility they need to efficiently resolve potential matches.
- Look for exception management tools that support escalations to experts by business unit, geographic region or product line.
- Leveraging Automation to Support an Export Compliance Program

## BEST PRACTICE 6

# Manage the Resolution Process With Workflow and Escalations

You have a potential match — now you must manage the resolution process. Look for screening solutions with workflow tools that provide event-driven notifications, task visibility and hierarchical exception management. Workflow helps users efficiently manage processes, assign tasks and escalate screening issues as required.

Event-driven notifications are triggered when certain events occur or could potentially occur. These proactive alerts help organizations and compliance officers improve planning and response time for significant events, such as when many lists are updated on the same day.

Task visibility gives insight into work volumes, with features such as task monitors, dashboards and team-based work queues. The most flexible solutions automate the resolution process as much as possible and then rely on exception handling workflows for outlying cases. Global companies will often have more than one compliance expert for different business units or product lines. By properly allocating and escalating tasks, these experts are able to manage on an exception basis, improve overall accuracy and enhance compliance.

## SUMMARY

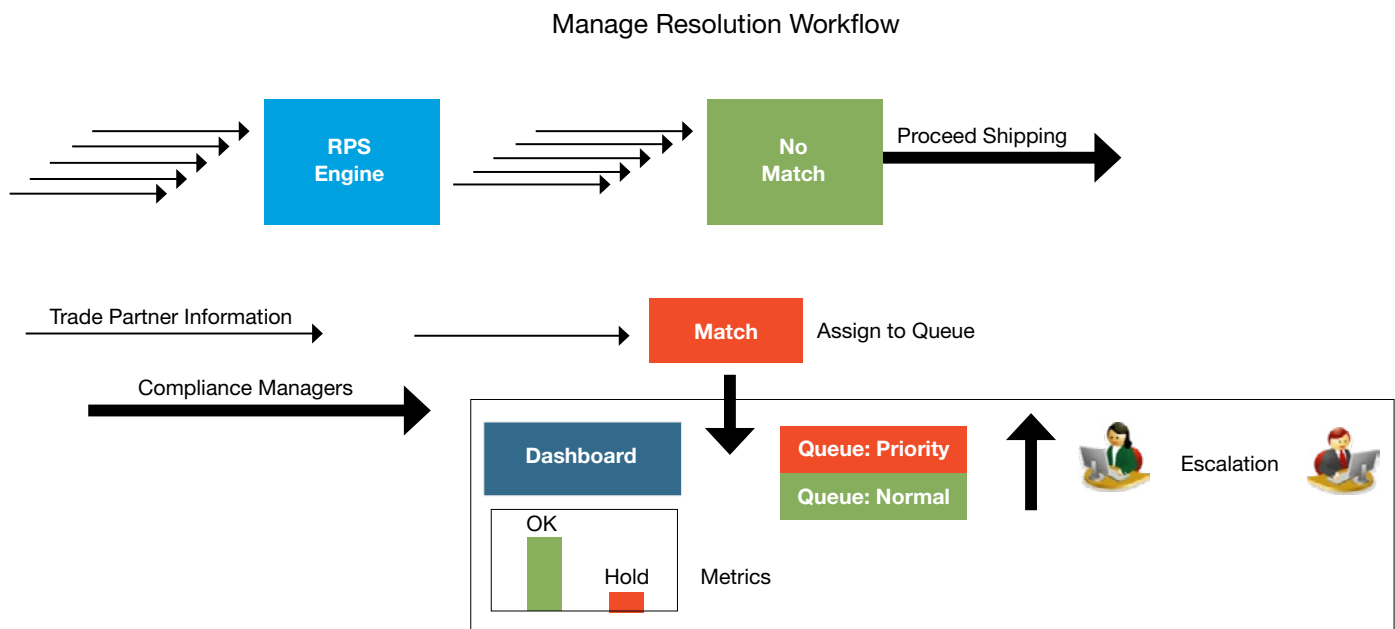
Restricted party screening is a must-have procedure for any organization engaging in global trade. The risks associated with not having a system in place are becoming increasingly great when you consider the possible sanctions, fines and penalties associated with doing business with a denied party. The first step in assuring compliance is implementing software that automatically performs restricted party screening.

Best of breed solutions will:

- Manage multiple restricted party lists from different sources.
- Automate the screening process with scheduled and event-driven screening procedures.
- Support multiple integrations with back-end systems, such as order management.
- Utilize matching techniques that ensure 100% accuracy while minimizing false positives.
- Be delivered via a subscription-based SaaS model.
- Enable users to quickly perform their work with dashboards and workflow tools.

*“In the current economic climate, SaaS technologies will allow budget-conscious exporters to access all of the tools they need to establish a strong compliance program.”*

Gartner, Inc.



# About Cloud Logistics by E2open

Cloud Logistics by E2open (Cloud Logistics) delivers digital innovation and easy-to-use technology that powers logistics and trade compliance solutions for the global supply chain market. Cloud Logistics simplifies complexity, mitigates risk, and increases visibility to drive value for our worldwide customer base. Our scalable solutions deploy rapidly and are purpose-built to adapt at the speed of business.

