

EY SEQA

Current techniques used to test screening engines are ineffective. Despite best efforts to test and tune engines with current technology, screening engines still present 99% false positives, while missed alerts are an increasing risk to a bank's reputation and bottom line.

EY Screening Engine Quality Assessment (SEQA) tool performs more than 70 unique variations of tests for regulatory compliance and internal audit. EY SEQA gives financial institutions vital insights into the efficiency of their screening process and the effectiveness of their tuning efforts. It provides robust benchmarking against industry peers and can allow a firm to build an internal benchmark across geographies. Global banks are using the tool to improve/help optimize and test screening engines, and to validate effectiveness and efficiency ahead of regulator reviews.

Get your system tested to avoid potential regulatory actions and reputational risk.

With emerging regulatory expectations and risks of fines resulting from regulatory and compliance breaches, financial institutions need to ensure that their customer and transaction sanctions screening systems are configured appropriately to mirror their risk exposure and risk appetite.

It is likely that you already undertake some level of independent testing; however, EY professionals have found that this testing is often lacking quality or completeness when compared to emerging regulatory expectations for a number of reasons.

Challenges in testing

- ▶ There is a lack of quality benchmarking data to enable insightful comparison to peers.
- ▶ Generic reports have no consideration of an institution's risk exposure, risk appetite or post-screening process.
- ▶ Testing only focuses on effectiveness, and does not cover screening efficiency and screening coverage.
- ▶ Test typologies are limited and are at a high level. This will not provide targeted, actionable insights.
- ▶ The existing process is manual, ad hoc and labour-intensive. Testing can take weeks or months.
- ▶ There is a lack of experienced post-testing local support to help resolve any issues that are identified.

How does EY SEQA help?

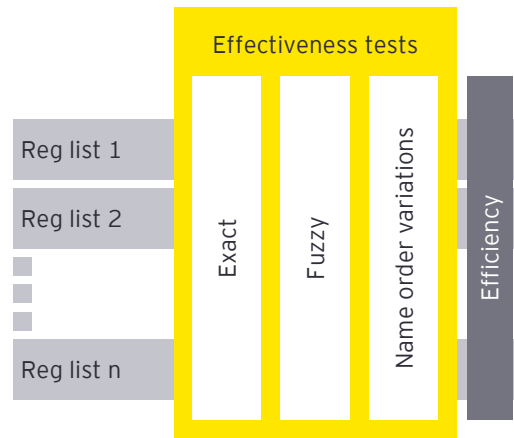
- ▶ EY SEQA has significant benchmarks and can provide comparisons with peer groups in various categories (such as size, line of business, geography and vendor).
- ▶ EY SEQA reports are tailored for each institution with consideration for the institution's screening setup.
- ▶ EY SEQA test typologies include efficiency and coverage, allowing you to identify gaps in screening and opportunities for cost reduction.
- ▶ EY SEQA's broad range of test typologies combined with EY's insight provide detailed, documented and targeted actionable understanding.
- ▶ EY SEQA can be executed in days, with testing performed remotely and no access required to your customer data.
- ▶ The EY teams have wide range of deep subject matter knowledge in screening and have professional former senior regulators including Meena Datwani, (former Executive Director of Enforcement & AML at the HKMA) to support you.

EY SEQA provides actionable insights to highlight areas of strength and weakness



The EY SEQA process

- ▶ You will receive a tailor-made test pack of records to run through your existing screening engine configuration.
- ▶ Test packs are constructed using more than 70 effectiveness and efficiency tests, across regulatory lists that have been previously agreed with you.
- ▶ The EY team will perform detailed analysis on the results received, providing actionable insights to highlight areas of strength and weakness. Our global benchmark data helps enable EY to provide an understanding of potential issues and appropriate remedial actions.
- ▶ Your performance will be plotted against your peers, giving insights into how your screening engine might compare with others in the market and why.



Key capabilities of EY SEQA

- ▶ EY SEQA allows you to understand and optimize the performance of screening systems and processes. In addition, the EY team has locally skilled resources (including ex-regulators) to support you throughout the process.

Additional bespoke testing

- ▶ Additional testing available, including against Chinese name variations and Chinese Commercial Codes list entries

Sanctions and PEPS

Assessment of screening system performance for both Sanctions and Politically exposed person (PEP) screening systems

More than 70 test typologies

More than 70 test typologies, which provide targeted results that enable you to pinpoint areas for improvement in your screening controls

Proven solution

SEQA solutions tested against leading solutions, which can be used to assess any system

No access to customer data required

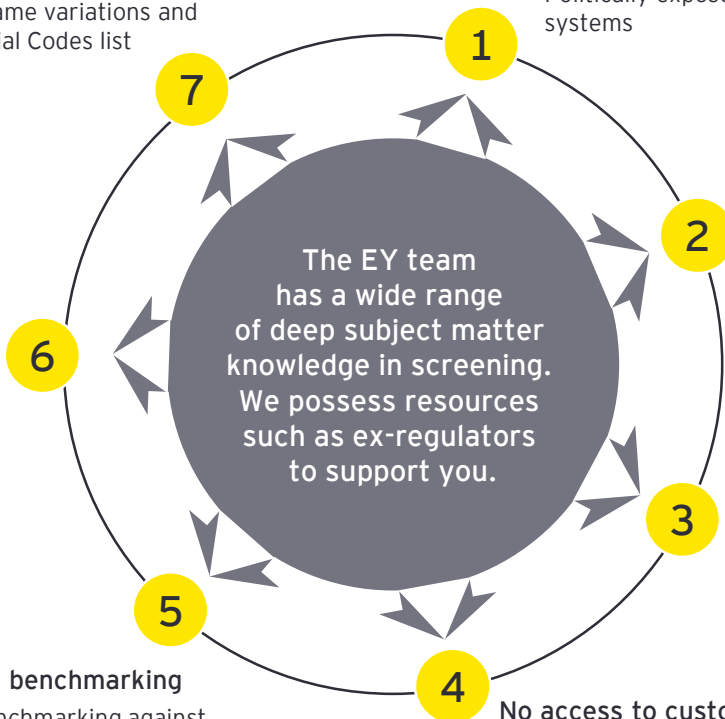
Automatically generated synthetic test pack with no access to bank data or customer data

Formal bespoke report

A formal bespoke report, based on your risk exposure and risk appetite with actionable recommendations by the EY team

Performance tracking and benchmarking

Performance tracking and benchmarking against global industry peers: peer groups targeted based on factors such as geography and institution type



Undertake broad testing with minimal impact upon your existing operations



What can you expect?

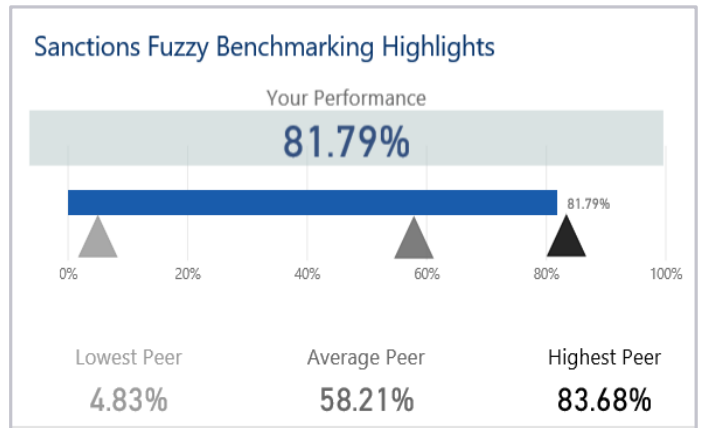
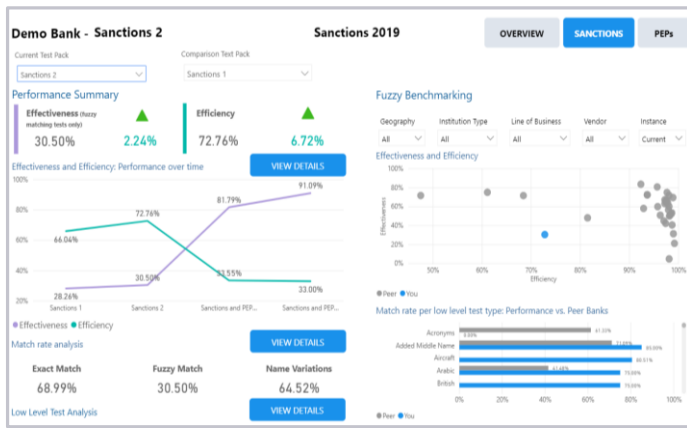
The well-developed approach allows us to undertake broad testing with minimal impact upon your existing operations

EY have worked with regulators, vendors and financial institutions globally over the past five years, to conduct screening effectiveness testing, benchmarking, and subsequent tuning exercises.

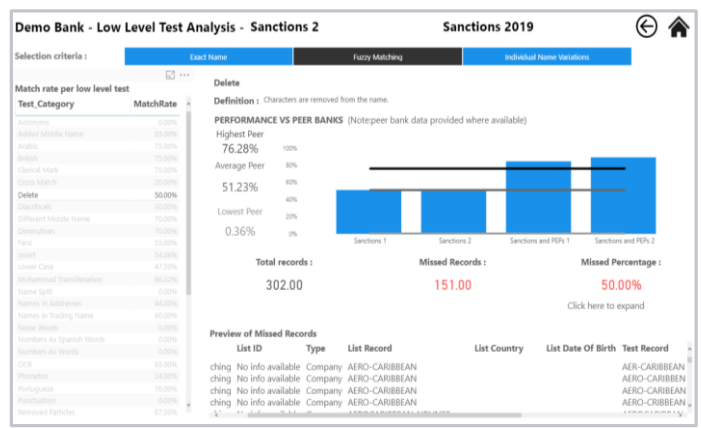
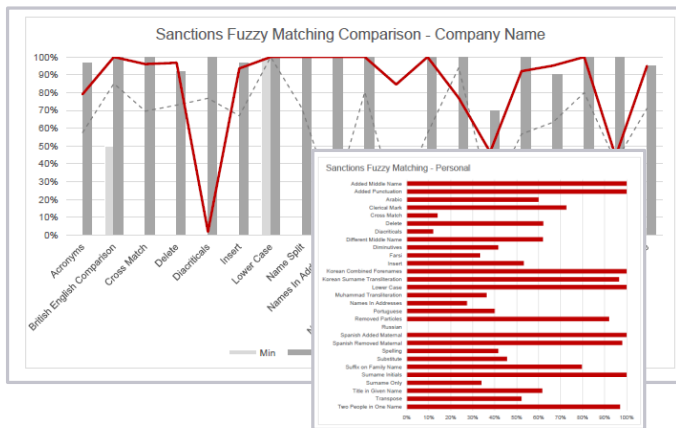
- ▶ You will receive a tailor-made test pack of records to run through your existing screening engine configuration.
- ▶ The EY team will perform detailed analysis on the results received, providing actionable insights to highlight areas of strength and weakness.
- ▶ Your performance will be plotted against your peers, giving insights into how your screening engine might compare to others in the market and why. Our global benchmark provides an understanding of potential issues and appropriate remedial actions.

Post testing, EY professionals are also happy to provide you with additional support with configuration tuning exercises that may be required, utilizing our extensive industry-wide and vendor-specific knowledge.

Insight through visualization



Source: Screenshot of interactive dashboard with performance tracking and detailed benchmarking for comparison against peers



Source: Screenshot of analysis of each specific matching test, including breakdown of the records that have been missed

Ongoing, proactive model monitoring allows you to stay ahead of an evolving regulatory landscape



Five ways EY SEQA can help you

- 1 One-off snapshot in time** Conduct regulatory reviews to assess system screening performance and comparison with peers
- 2 System tuning** Assess screening model performance across a number of proposed engine configurations
- 3 System go-live model validation** Help Enable an institution to be confident in their engine's matching ability relative to peers, prior to go-live
- 4 Ongoing internal audit testing** Embed SEQA into third-line architecture to provide ongoing assurance of model performance
- 5 Vendor assessment and benchmarking** Allow an institution to take a quantitative-based approach to selecting a new screening solution



The EY difference

- ▶ Worldwide leader and trusted partner in Financial Crimes compliance
- ▶ Global regulatory network
- ▶ Local highly-skilled regulatory, technology and operations resources, including former senior regulators from the Hong Kong Monetary Authority and the Securities and Futures Commission
- ▶ Technology-enabled innovation

EY | Assurance | Tax | Transactions | Consulting

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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CAMS = Certified Anti-money laundering specialist, it is an internationally recognized title in the financial crime compliance industry such as CPA, CFA.
CAMLP = Certified Anti-money laundering professional, it is awarded by the Hong Kong Institute of Bankers and it was the first batch granted/awarded in 2017 by the HKIB and HKMA. It is a recognized title in the Hong Kong banking industry and it is a recognized title by the HKMA.