

# Sanctions Screening Model Risk Statement

ComplyAdvantage is committed to providing our clients with reliable and effective screening solutions that help them better understand their sanctions risks. This document outlines our approach to managing the model risks associated with our product.

## Definition of model risk

Model risk arises from potential inaccuracies, failures, errors, or the misuse of models used in our sanctions screening solutions.

## Managing model risk in our sanctions screening solution

This statement describes the principles adhered to by ComplyAdvantage to employ a robust model risk management (MRM) framework, as follows:

- 1. Model development and implementation:** Our models are developed based on sound theoretical principles and are thoroughly tested before implementation. We ensure that our models are fit for purpose and can effectively screen names and identify matches against government-issued lists of sanctioned companies and individuals.
- 2. Model validation and monitoring:** Our models undergo periodic internal and external validation and monitoring to ensure they continue to perform as expected.
- 3. Model governance:** We have clear lines of responsibility and accountability for model risk management. ComplyAdvantage's executive committee has ultimate oversight accountability for MRM across the company, including setting strategic direction, prioritizing, approving risk appetites, and signing off on policies.
- 4. User training:** We provide comprehensive training and supporting documentation to users of our sanctions screening solutions to ensure a full understanding of how the models work, the implications of the variable parameters, and how to interpret the results.

## Our end-to-end sanctions screening process

ComplyAdvantage has various ways of ensuring that our data processes are effective. Here are some of the ways we assure ourselves that:



### The processes we have for cleaning and ingesting new data are working properly

Dedicated teams and processes are in place for source identification, mapping, research, and maintenance (including data cleanup, entity type assignment, etc).



### The operations we have in place for processing new data are working properly

Following the previous step, our data acquisition specialists then:

- **Build:** Relevant data agent processes for both structured and unstructured data sources.
- **Review:** Ensure the quality of the agents.
- **QA:** Ensure the quality of the extracted data.
- **Release:** Data into production, along with automated scheduling protocols and publishing settings (i.e., the automation of trigger alerts to AWS).



### The processes we have for surfacing new data are working properly

We run end-to-end tests on our matching algorithms each time a merge request is completed. These tests interrogate the recall level on various sanctions data tests, as well as the hit rate on obfuscated production searches. Significant unexplained recalls or hit rate drops lead to flags being raised and the cause being investigated and resolved prior to any client-facing release.

## Regulatory review and alignment

We are committed to staying informed of regulatory changes that may have implications for our sanctions-screening solutions. We regularly review our model risk approach in light of model risk statements and guidance issued by regulators worldwide, and continually monitor for new regulatory developments.

The following regulatory bodies, regulations, and acts inform our approach to model risk:

- Office of the Comptroller of the Currency (OCC)
- **NYDFS 504**
- **European Union AI Act**
- **General Data Protection Regulation (GDPR)**

Bank of England '[Model Risk Management Principles for Banks](#)'

## Considerations

Our name screening solutions, by definition, require names and other identifying information to be inputted by our clients for the matching process to be performed. The outputs of our solutions are, therefore, always partially dependent on the quality of the inputs.

Furthermore, some of the data points that our clients consider in assessing the inherent risk of their customers or prospects may not be visible to ComplyAdvantage (e.g., occupations, expected salary, turnover, geographical location, device-based data, etc.)

ComplyAdvantage serves a wide range of different business types worldwide. The relative risks of the various products, customers, territories, and transactions within their business framework will, therefore, naturally vary from one client to the next.

ComplyAdvantage's sanctions screening solution provides an array of configuration options to accommodate differing client business models and requirements. Clients are assumed to have internal sensitivity analysis and benchmarking procedures in place. Clients should retain an appropriately documented rationale for their specific configuration and calibration decisions.

## Open communication

We believe in open communication with our clients. We are transparent about our model risk management approach and are always available to discuss any potential issues or concerns.

**If you have specific questions not covered by this statement, please reach out to your primary point of contact at ComplyAdvantage for more information.**