Client Case Study

Matching Threshold

Introduction

A large bank's Anti Money Laundering Compliance department is required by an internal audit action to seek Independent Assurance from an external company to validate its matching threshold settings for Sanctions.

Seeking Independent Assurance for AML programmes is recommended / mandated by OFAC, FCA, and JMLSG. In this instance Independent Assurance was required specifically for the Fuzzy Matching Threshold setting used in both Customer, and Payments matching.

The Bank quickly identified SQA Consulting as having the pre-requisites necessary to perform Independent Assurance:

❑ Experience in Peer Banks
❑ Recognised AML Experts
❑ Existing Assurance Programme

The Bank asked SQA Consulting for Assurance that its Matching Threshold was appropriate to its business requirements; a question that many Banks find difficult to answer.

There is no definitive answer as to what level of fuzzy matching a Bank should apply to its Sanctions Screening, the fuzzy matching should address the risk of a specific business. However it is comforting for a Bank to know that its settings do not significantly deviate from its peers.

SQA Consulting were able to use their own Industry Bench Marking, alongside specific scenario testing to determine what Business Risk the fuzzy matching was giving cover for,

If you would like to discuss this case study please email jason.storey@sqa-consulting.com

More Detail

SQA Consulting have an enviable position of being actively involved in the AML Programmes of many large Banks, because of this they understand the differences and commonalities of Banks' approach to AML issues. This knowledge allows SQA Consulting to advise its customers of trends through the AML industry.

The settings for matching thresholds are specific to the matching engines involved, a setting on one matching engine will not necessary equate to the same setting on a different suppliers' matching engine. So finding an industry norm matching engine setting is not possible.

The SQA Consulting strategy for determining if a matching engine fuzzy matching setting is appropriate is based on the following points:

❑ The Bank's false positive rate, compared to their peers
❑ Executing a test file to determine the matching systems ability against business scenarios
❑ Other known settings for the matching engine concerned

By comparing the settings on the matching engine and the Bank's false positive rate SQA Consulting can advise on the strength of the setting in comparison to industry benchmarks. There is no commonly accepted right number for a false positive rate, but comfort in knowing that you do not have the highest or lowest.

By running SQA Consulting's test file through their matching engine SQA Consulting can help a Bank understand which scenarios are matched, and which are not. SQA Consulting's scenarios cover a wide range practical business related situations that a Bank can directly relate to its business activity.

SQA Consulting were able to give advice on the setting that has been used in other Banks for the matching system involved.

There is a tendency for Banks to push their fuzzy matching levels higher and higher in a better safe than sorry attitude. For this Bank SQA Consulting was able to advise the Bank that their fuzzy matching level was already comparable to their peer group. Analysis of the business scenarios gave them cause for concern for certain scenarios, and SQA Consulting assisted with making improvements that did not affect their false positive rate.