



proudly presents...

Customer Name Filtering

Challenges, Mistakes and Best Practices

Agenda

- What is filtering
- How does filtering software work
- Best practices for success

What is Filtering?

Term refers to two related concepts

Specific - Filtering is a process implemented by software that “decides” if the name you input matches against a set of candidate profiles (Master File) based on name match and other potential criteria (aka Screening)

Generic – End to end repeatable, reoccurring, screening process - often includes extracting all data to filter, running and automated process and re-screening or monitoring at some set interval

Why is Filtering Important?

- Basis of many AML Regulations
 - Know Your Customer (KYC)
 - FATF, 3rd EU Directive, Patriot Act
 - Local Legislation and Regulatory requirements
- Improper filtering can leave you subject to legal, reputational and operational risk
- Without filtering you can not screen a large number of customer records and therefore can not comply with the above requirements
- Customer Monitoring

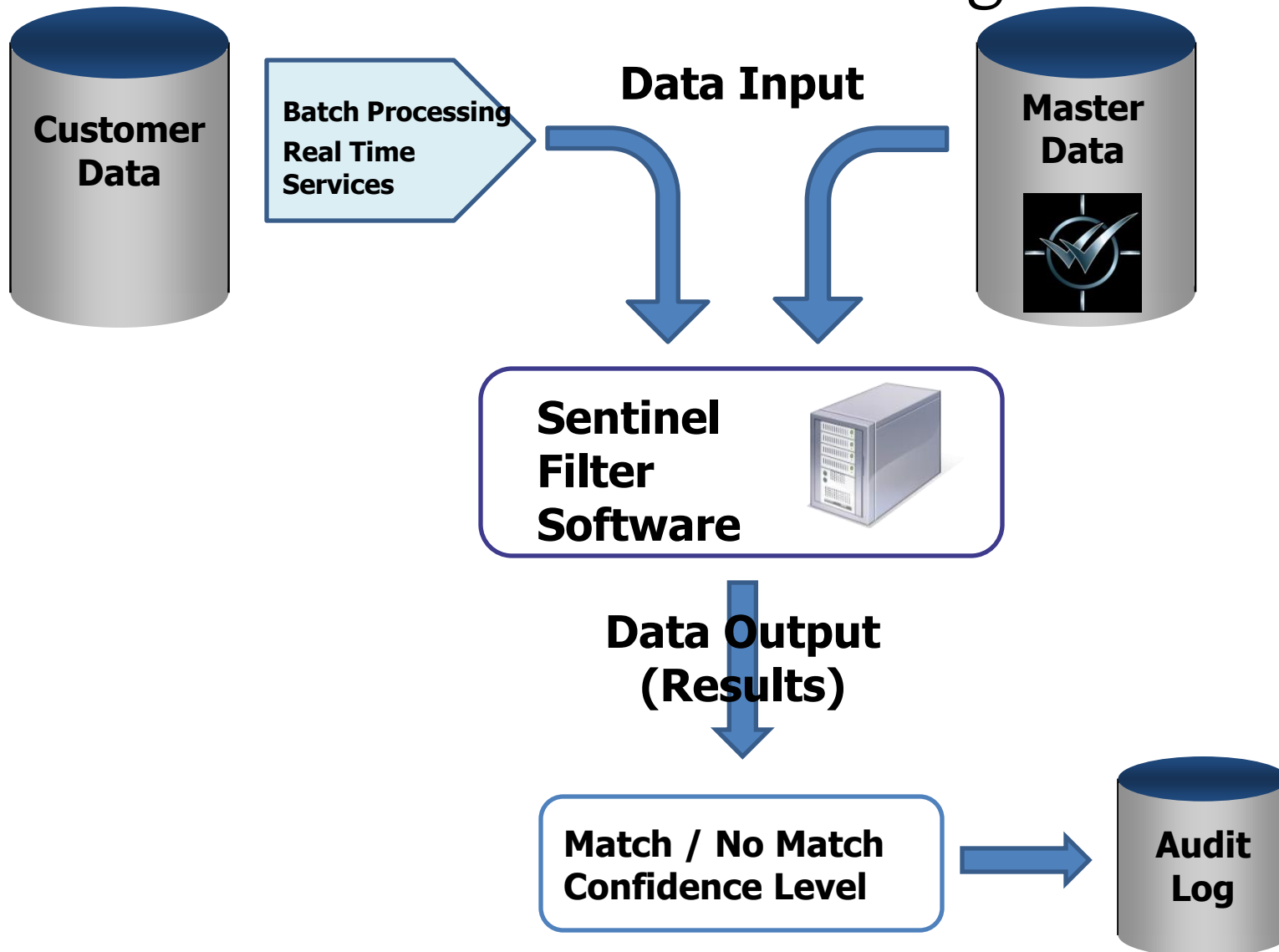
Filtering Process Components

- Three overlapping components
 - Your Customer Data (Input Data)
 - Master File List – Sanction or Profile Data list you are matching against (Input Data)
 - Filter Software – Matching Algorithms

“A chain is only as strong as its weakest link.”



What is Filtering



Result Types

- False Positives - Creates additional work
- False Negatives - Exposes your organization to legal, operational and reputational risk

	Correct	Error
Match	True Positive	False Positive (Type I error)
No Match	True Negative	False Negative (Type II error)

The art is a solution that strikes the right balance between too many matches and not enough.

Monitoring and Automation

- **Re-screening / Monitoring**
 - Re-screening checks to see if customer status has changed
 - Monitoring frequency based of customer, product, geographic and organizational risk
 - Review matches with new information - Compare previous results to current results
 - Don't need to monitor non-clients and one-time transactions/events (Payments, Claims, etc.)
- **Automation**
 - Controlled, repeatable, auditable process
 - Automation reduces human error and ensures the process is run regularly

How Does Filtering Work?

- Name Matching Components

- Exact match Robert Miller = Robert Miller
- Partial Match Robert Miller = John Miller (P)
- Like Search (substring) Robert = Bert (L)
- Phonetic Matching Robert Miller = Robert Milar (F)
- Synonym Robert = Bob (S)
- Abbreviation (Ab)
- Noise Word (deceased) (NW)
- Honorifics Mr., Mrs., Dr., etc. (H)
- Cultural Variation (Cultural)
- Word Order (WO)

- Secondary Filter Criteria – identifying dimensions other than name used to reduce result set

Name Constructs

- **FAMILY NAME** – Surname or last name
- **Given Name** – Forename, first name and middle names

N. America

James Henry WEBB (First Middle Family) US – Virginia Senator

Latin America

José Luis ABARCA CABRERA (first middle paternal family maternal family) Mexico -
Member of Chiapas State Legislature

Asia

KIM Moon Soo (family given name) South Korea - Governor of Gyeonggi Province

Sample Matches

Legal Name	Customer Name	Type
James Henry WEBB	James Webb	P
	Senator Jim Web	H, F, S
Robert Douglas NICHOLSON	Robert Nickelson	P, F
	Rob Nicholson	L, P, F
	Bob Nicholson	S, P, F
José Luis ABARCA CABRERA	Jose Luis Abarca	CV
	Joseph Abarca Cabrera	S
	Joe L. Abarca	Ab, S
KIM Moon Soo	Moon-Soo Kim	WO
	Kim Moonsoo	CV
	Kim Moon	P

KEY: Partial (P); Like Search (L); Phonetic Match (F); Synonym (S); Abbreviation (Ab); Noise Word (NW); Honorific (H); Cultural Variations (CV); Word Order (WO)

Note: Upper case portion of Legal Name is the Family Name

Items That Affect Matching Rate

- **Customer Data**
 - Input quality - complete vs. partial
 - Name frequency
 - Individual vs. Corporate Entity
- **Master File Data**
 - Location affects matching %
 - Number of profile records screened against
- **Filter Software**
 - Matching algorithm used
 - Secondary filter criteria (Date of Birth, Location, Citizenship, Gender, Entity Type)
 - Tuning

Common Problems and Pitfalls

- Lack of Planning
- Lack of quality data
 - No ones data is perfect
 - Need enough data to make educated decisions
 - Master file data needs to support decision making
- Lack of Training & Resources
 - people still need to remediate potential matches
- Matching is too tight – False Negatives
- System is not configurable – False Positives
- Lack of Monitoring (Infrequent or None)
- Arbitrary Decision Making

Roles & Responsibilities

- Organizational Involvement
 - Compliance
 - IT
- Compliance
 - Must determine requirements (Regulatory & Organizationally)
 - Needs to provide guidance on what needs to be done
 - Responsible for making decision (don't dump on IT)
- IT
 - Provide input and feedback on options
 - Implement based on Compliance Needs

Road to Success



- **Your Client Data**
 - Full Names, addresses , date of birth
- **Master File Data**
 - Consolidated profiles
 - Provides aliases and alternate spelling
 - Contains multiple identity dimensions (dob, location, gender, citizenship, etc)
- **Filter Software**
 - Hybrid approach (Phonetic, Word Order, Synonyms, Cultural Variation)
 - Tunable
 - Separate individuals from companies
 - Easy to use
 - Reporting and Auditing

Keys to Success

- Plan
 - Look at business purposes and requirements
- Data cleanup
- Multiple process – data segmentation
 - Multiple customer input data sets
 - Separate by risk
 - Legal vs. Reputational Risk
 - Separate by “purpose” – new customers vs. existing customers, payments and transfers
 - Segment master file data
 - Segment by “type” – OFAC, Terrorism, PEP, PEFP, SEC, etc
- Test and Tune
 - Create a seeded baseline of test data – run annually
 - Run initial set of data then “tune”



Summary

- Planning is key
- Focus on all three components: customer data, master file data and filter software
- The best solution and tuning settings will vary from company to company
- You need to test and monitor your results
- The right filtering solution can save you time, money, and embarrassment

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