BIDBAX PEP & Sanctions screening service v. 1.0.

Section 1. Purpose and importance of PEP & Sanctions screening.

Customer relationships involving individuals with a prominent public function – a politically exposed person (PEP) - can be susceptible to bribery and corruption, which are a major problem on a global level, and common international standards have been introduced to combat this. The rules on identification of PEPs are of a preventive nature and should not be interpreted as stigmatizing PEPs as being involved in criminal activity.

Governments and international authorities publish lists to combat persons engaged in illegal activities. Sanction lists include sanctioned people, organizations, or governments. Firms control individuals, organizations, or governments on these lists as they may pose a high risk. Economic sanctions are an important part of the fight against financial crime for AML regulators.

Section 2. Description of the Service

The purpose of this document is to help our users better comprehend how the service is to be used, as well as in which cases other manual controls and confirmation of information must be carried out.

Scope and definitions

BIDBAX PEP screening tool extends its coverage to include **Norway**, **Sweden**, and **Denmark**. Politically exposed persons and relatives outside of those three jurisdictions are handled by a third-party vendor. The scoring algorithms are aligned, in order to present the end-user with harmonized results. Documentation from the vendor will be send on request. This document will not address the global PEP coverage.

PEP screening service is based on definitions of Politically exposed persons, family members and close associates defined with reference to the local AML Acts.

1. **Norway**: Act relating to Measures to Combat Money Laundering and Terrorist Financing (LOV-2018-06-01-23), Section 2 (f – h).
2. **Sweden**: The Money Laundering and Terrorist Financing (Prevention) Act (Lag 2017:630), Chapter 1, Section 8 no. 5, Sections 9 and 10.
3. **Denmark**: Act on Measures to Prevent Money Laundering and Financing of Terrorism (LBK nr 316 af 11/03/2022), Section 2, nos. 8, 6 and 7.

Sanction screening refers to the business's need to make sure that neither the transferees nor the customers are listed in any relevant sanction lists. Individuals, groups, organizations, businesses, etc. may be subject to financial sanctions.

Framework

How and where the data is presented

Information from the PEP register and sanction lists is available in following formats:

1. **Report (Person):** when performing a single search in order to retrieve person information, a PDF report is generated. Sections "Politically Exposed Person" and "Sanctions" contains detailed information about the result.
2. **Report (Organization):** when performing a single search in order to retrieve information about an entity, a PDF report is generated. Section "Sanctions" contains detailed information about the result.
3. **API & integration:** information from the PDF reports is also available in JSON format. This enables for integration directly into systems.

It is important to bear in mind that in order to obtain PEP results about relevant roles (e.g: board members, CEO, beneficial owners etc.) within an entity, a **person search** has to be performed on pre-selected roles. In other words, reports about entities have to be enriched with person reports.

For audit trail purposes, both PDF reports and API are containing confirmation and timestamp in case of "no-match".

After performing a single-search, it is possible to upload individual customers- and batch lists for continuous monitoring. The service will perform ongoing screening and notify in the event of changes.

Entity:

a) Single search: performed automatically towards a local trade registry (NO/SE/DK)

b) Monitor: Entity name

Person: *Full name* (first name(s), middle name(s) & last name(s)) + *date of birth* + *national social security number* (if available)

Remarks search parameters:

- Nordic characters are treated the same. The algorithm understands that Bjørg Aarø can be written as Björg **Årö.**

- It is highly recommended to use both the *date of birth* and *national social security number* (SSN) when screening a person.
    - SSN assigned from local tax authorities might not always reflect the correct date of birth of the person. The same applies to temporary SSNs (e.g: D-nummer/Samordningsnummer)
    - In those (rare) scenarios, the system is not able to create a correct date of birth.

Sourcing

The PEP screening solution draws its strength from a diverse array of sources, ensuring thorough and accurate screening results. It extensively leverages national websites, government- and population registries. These sources serve as foundational pillars in the data collection process, offering valuable insights into individuals holding prominent public positions. The unique combination of these sources is therefore labeled "BIDBAX", both in the report and API.

Sanction screening is performed towards following official lists:

EU sanction list	European Union Consolidated Financial Sanctions List	The EU Commission owns and updates this list. https://data.europa.eu/euodp/en/data/dataset/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions
UN sanction list	United Nations Security Council Consolidated List	The UN Security Council owns and updates this list. https://www.un.org/securitycouncil/content/un-sc-consolidated-list
OFAC sanction list	Office of Foreign Assets Control (OFAC) Sanctions List	The Office of Foreign Assets Control (OFAC) owns and updates the "OFAC" list. Many of the targets (individuals and companies) listed are set by the White House and as a result of investigations by OFAC`s Office of Global Targeting (OGT). Sanctions screening is performed both against Consolidated Sanctions List and the Specially Designated Nationals And Blocked Persons List (SDN). https://sanctionssearch.ofac.treas.gov/ https://ofac.treasury.gov/consolidated-sanctions-list-non-sdn-lists https://ofac.treasury.gov/specially-designated-nationals-and-blocked-persons-list-sdn-human-readable-lists

UK Sanctions List	HM Treasury's Office for Financial Sanctions	HM Treasury's Office for Financial Sanctions Implementation provides a consolidated list of persons and organisations under financial sanctions, including those under the Sanctions Act and other UK legislation. https://www.gov.uk/government/publications/the-uk-sanctions-list

Limitations

Current version of the service is providing sanction-results of individuals and organizations (any legal form) screened against official lists highlighted above. This means that other entities such as vessels, goods or airplanes will not appear in the results. Screening is not performed against any privately made lists.

Due to quality of data from sanction sources, current scoring model of entities (not persons) is calculated and based on the name score only. This will be highlighted by a text in the result.

Interpreting the results

Scoring system

PEP- and sanction results are assigned an overall score between 0.0 – 1.0, whereas 1.0 is the best possible score.

The overall score is a weighted average of scores on <u>names</u> and scores on <u>dates of birth</u>.

Default cutoff score in the service is **0.85**. This is the recommended cutoff giving an optimal balance between obtaining the correct results and reducing number of false positive results.

Quality of the name score:
1) If a match has multiple aliases, all aliases are matched against the monitored person.
2) In a full name, each individual name is matched with each name in the register. The order doesn't matter.
3) If there are several ways to match names, then the one that gives the highest score is chosen.
4) If the register has more names than are searched for, the name score will get a smaller deduction per name if matched on at least two names.
5) A single letter in will be considered a partial match if a name that is not otherwise matched starts with that letter. Provided it matches on at least two names.
   a. (For example, a search for "Jonas G Støre" will give a higher score than a search for "Jonas Støre", but lower than "Jonas Gahr Støre"

Quality of the date of birth (DoB) score:
1) If a sanction list provides multiple birth dates, the best match is used in the DoB score.
2) Match on exact date of birth gives a score of 1.0.
3) Match by year of birth and month gets a slight deduction. Match on just the birth year gets an even lower score.

4) Ranges in sanction lists (e.g. 01.1980 – 02.1982) and approximate dates (e.g. ca. 13.11.1972) get a deduction in the DoB score.

5) If the PEP/sanction source has no listed date of birth, no DoB score will be calculated. In these cases, the score will only be based on the name score only. This will also be highlighted by a text in the result.

PEP status

A match against the PEP register is always providing an overview of current and previous roles and functions triggering a PEP-status. Title of the role, organization and country are provided. Inactive roles are marked with an end date.

Close family members- and associates

Close family members

A close family member of a PEP can be, according to current legislation: parent, spouse, registered partner, co-habitant and child, as well as child's spouse, registered partner or co-habitant.

Clients with special permissions to national population registries in Norway and Sweden will be presented with relationship data after delegating the correct accesses.

- Norway: "Finansforetak" package, Folkeregister: https://www.skatteetaten.no/deling/folkeregisteret/intro/finne-data/
- Sweden: "Utökad behörighet – relationer", SPAR: https://www.statenspersonadressregister.se/master/start/teknisk-info/behoerigheter/#relationer-ut%C3%B6kad-beh%C3%B6righet-relationer
- Denmark: Due to the current legislation, it is not possible for any private actors to gain access to relationship information.

The logic of scoring relationships is according to "Scoring system" section above.

The solution also presents an alternative approach for Clients without the abovementioned access packages.

A) Relationship indicators through official and reliable public sources.
   a. As the name suggests, this is an indication of plausible relationship. It is important to always confirm with the KYC subject, based on the individual risk assessment.
B) Address cohabitant.
   a. Relationship presented based on a match with PEP`s residential address. Individual(s) with this entry are registered on the same address as the PEP and have the possibility to meet one- or more of the "close family" criteria.
   b. The solution does not suggest what the relationship might be presented (e.g: Spouse of PEP). Client needs to clarify that with the KYC subject.
   c. As per section b), the solution might present a high degree of false positive matches, outside of the "close family" definition scope, e.g., tenants.

      d. In the current V1 version of the service, "Address cohabitant" is only available in Norway.

Close associates
A close associate of a PEP is defined to be a (natural) person who:
1. have joint beneficial ownership, or/and-
2. have close business relations, or/and-
3. have sole beneficial ownership of a legal entity which has been set up for the de facto benefit of a PEP

Current version of the solution does not provide information about close associates. Update to come in V2.

Updates and maintenance
The PEP register and sanction lists are updated daily.