

# Restricted Party Screening

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# Restricted Party Screening

## **EXECUTIVE OVERVIEW**

Oracle is committed to enabling your enterprise to meet its regulatory obligations so you can enforce compliance, reduce risk, and implement due diligent best practices.

Ensuring your company's transactions are not directly or indirectly associated with individuals, entities, or locations on myriad and ever-changing restricted party or embargoed country lists, also known as interdiction lists, is a key component of that compliance process. While restricted party screening is an essential part of your global trade management strategy you must also consider screening requirements for operational and financial compliance. The focus of this white paper is on Oracle's solutions for restricted party screening throughout your enterprise, both today and tomorrow.

## **INTRODUCTION**

U.S. and other regional, unilateral, and multilateral regulations restrict individuals and entities from conducting transactions with specific foreign entities (individuals, companies, countries). These entities are referred to as Denied, Debarred, and/or Restricted Parties ("Restricted Parties"), and checking your transactions against these restricted party lists is called a Restricted Party Screening process.

Examples of these entities include but are not limited to known terrorists, organizations that fund terrorists, and/or parties guilty of trade violations. Typically, these restricted parties are countries subject to embargoes, and persons, businesses, and organizations subject to financial sanctions. Key countries and organizations that maintain consolidated lists of financial sanctions targets include, but are not limited to:

- The European Union
- The U.S. Department of the Treasury Office of Foreign Assets Control (OFAC)
- The U.S. Commerce Department's Bureau of Industry and Security (BIS)
- The U.S. State Department

- The United Nations
- The Bank of England
- Canada
- Japan
- The U.S. Customs Service
- The U.S. Department of Defense
- The U.S. National Security Agency

Companies engaged in domestic and international trade are encouraged to implement due diligent compliance practices that enable screening of their employees, customers, suppliers, vendors, agents and other business associates, including all parties in each transaction such as banks, insurance companies, shipping lines, and freight forwarders to ensure they are not a listed entity or conducting business with a listed entity.

Expanding your global trade can mean increased restricted party screening obligations. Depending on your business, you likely want to screen against lists of restricted parties for export compliance purposes. Or if your business manages financial transactions for other parties, you are obligated to prevent money laundering and therefore screen your customers against lists including politically exposed person lists.

Screening against restricted party lists can be automated, but potential matches require manual review. Your company must resolve potential matches in accordance with applicable governing body regulations. Failure to comply with restricted party restrictions may cause your company to incur significant civil, administrative, and criminal penalties including a loss of export privileges, incurred legal fees, and negative publicity.

Fortunately, integrated business systems can help alleviate the pressure placed on your business by restricted party screening. The right system can screen your transactions and parties against all relevant lists, use optimized algorithms to minimize false-positive matches, provide online training for your staff to guide them through management of potential matches, and retain an audit trail that demonstrates your compliance.

The choice and implementation of your business systems have an enormous impact on your company's ability to meet the reporting and internal control requirements of various regulations such as restricted party screening. In addition to addressing your compliance demands, the right business system can help you run a more efficient compliance operation, make more informed decisions, and reduce or eliminate associated risks.

**Integrated business systems meet these regulatory challenges while improving your business operations.**

**OFAC enforces regulations of many statutory authorities including UN embargoes, the money laundering section of the USA PATRIOT Act, and the Trading with the Enemy Act.**

## **EXAMPLE: OFAC**

To illustrate your company's obligations to screen against financially sanctioned entities, let's examine in more detail one agency that maintains a restricted party list, the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury.

OFAC administers and enforces economic and trade sanctions against internationally embargoed countries, individuals, and entities. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments. The USA PATRIOT Act has particularly underscored the need for business to comply with OFAC regulations.

These laws:

- Prohibit doing business with any persons, businesses, or governments that are on the "Specially Designated Nationals and Blocked Persons (SDN) List". This list includes terrorists, organizations that fund terrorists, international narcotics traffickers, weapons traffickers, other targeted individuals, and embargoed countries.
- Restrict transactions with nationals of certain countries.
- Prohibit commerce with, and strictly regulate import and export from embargoed countries.
- Include the Anti-Money Laundering section of the USA PATRIOT Act. OFAC investigates money laundering and fraud when it involves the property of a sanctioned individual or entity.
- Require companies in certain industries to block transactions with parties identified by the U.S. government. Included in these industries are: Financial Institutions, Exporters and Importers, and Travel.

## **How Do Companies Comply With OFAC Regulations?**

OFAC does not direct how companies should comply with the regulations. If your company is subject to OFAC regulations, you need to determine what processes to implement to ensure your transactions are not directly or indirectly associated with entities on the SDN List. Once you define your company policy for restricted party screening, you can configure your business system to enforce compliance.

Enabling restricted party screening starts with complete and consistent global data. Data for individuals on the SDN list includes physical address, nationality, passport, tax ID or cedula number, place of birth, date of birth, former names, and aliases. If you already maintain these types of data in your regular course of business for parties you do business with, then your system can screen against the SDN List with fewer false-positive matches. The SDN List also contains the names of banks, insurance companies, shipping lines, and freight forwarders

throughout the world, so you may also want to screen these types of parties in a trade transaction.

An effective system will achieve a high degree of screening accuracy and automatically eliminate most false matches. However, when your system does identify a high-probability match, your system should assist in efficient resolutions. For example, suppose your business system screens a pay run against the SDN List. If the system identifies a supplier as a possible match against the SDN List, the system should immediately pause the pay run and notify the appropriate compliance employee(s). The notification shows both the supplier record and the SDN List record, and a workflow guides the employee through your company's step-by-step SDN compliance checklist. After performing appropriate due diligence in comparing the possible match of your party record to the SDN record, if a likely match to the SDN List is found the employee may terminate the transaction, seek confirmation from the party in question, or consult OFAC for an advisory opinion or license approval. Your system should also maintain a complete audit trail of all compliance activity.

Each regulatory agency has its own recommendations and requirements for handling possible matches. To minimize the impact of this added complexity, you can implement centralized training and workflows to guide your employees through their due diligence steps for each list, in compliance with your policy and processes, and the policy of the regulatory agency.

## **HOW ORACLE HELPS YOU COMPLY WITH RESTRICTED PARTY RESTRICTIONS TODAY**

Oracle provides your enterprise with tools to ensure rigorous restricted party compliance:

- Partnerships with expert vendors who maintain up-to-date data and compliance logic for international regulations including international restricted party list screening.
- An integrated business system to ensure accurate, comprehensive data and processes across your enterprise so you can ensure compliance.
- Tools for effective employee training for compliance activities.

**Since no custom programming is necessary, implementations of Kewill's trade compliance for the Oracle E-Business Suite 11i are typically completed in less than 2 weeks, with the system optimized and users fully trained. Customers realize a ROI in less than 6 months, with measurable cost savings."**

**—Cara Fascione,  
Executive Vice President, Sales and  
Marketing, Kewill**

**Our ability to quickly integrate Kewill's software with Oracle 11i has resulted in significant efficiency and quality gains which directly benefit our customers, our business users of the system and ultimately the bottom line for National Instruments. Kewill has been a great integration partner, and we look forward to continued innovation and success.**

**—Kelly O'Rourke,  
IT Section Manager, National Instruments**

## **Partnerships with Expert Global Trade Management Vendors**

For most companies, maintaining comprehensive compliance content for restricted party screening in-house, even for an expert and well-resourced staff, is very difficult and prohibitively expensive. Inexperienced or under-resourced staff can expose your company to financial and reputation risk. Therefore, Oracle recommends outsourcing this critical task to drastically reduce compliance costs and minimize risks.

Oracle integrates with best of breed global trade management vendors, including JP Morgan Chase Vastera, Kewill (formerly TradePoint Systems), Management Dynamics (formerly NextLinx), Precision Software, and MSR, Inc., whose core competency is expertise in trade management services. Their in-house experts maintain hosted and up-to-date international restricted party lists such as the OFAC SDN list, the EU Consolidated List, the UN Consolidated List, the Bank of England Consolidated List, and Canada's OSFI List. The combination of lists you screen against can be customized to your business' requirements.

These vendors additionally offer extensive international trade management functionality such as export management, import management, document generation, duty/tax calculation, customs clearance, and regulatory compliance. They specialize in tracking and interpreting constantly changing international import and export regulations and so that you don't need to maintain a large expert trade compliance staff in-house.

These vendors maintain the up-to-date data and logic to provide regulatory compliance checking of your parties and transactions as a service that can be invoked from any application. Oracle applications leverage this service in the appropriate points in your business flows, such as screening customers when they are entered in the system, or re-screening customers at order entry and/or shipping. With demands of immediate fulfillment cycles – for example with real-time electronic product delivery– at times you need rapid compliance checking while your customer is online. Web services with partners enable your Oracle application to screen these transactions with no noticeable delay to your customers.

By outsourcing maintenance of this data to world-class experts, you can drastically reduce your trade compliance costs, and focus on your business, confident the most experienced specialists in the world are ensuring your trade compliance and protecting your reputation.

For more information on our partners, please visit the Oracle Partner Network at [oraclepartnernetnetwork.oracle.com](http://oraclepartnernetnetwork.oracle.com).

**Oracle's internal use of our automated restricted party screening functionality has resulted in hyper-efficiency and maximum effectiveness toward meeting recommended U.S. and multilateral export compliance best practices. Automation of these processes enables unparalleled due diligence, permitting greater concentration on management of critical global export compliance operations.**

**—Justin Pearlman,  
Senior Manager, Global Trade Compliance,  
Oracle Corporation**

## **Oracle International Trade Management**

Oracle International Trade Management (ITM) integrates with Oracle E-Business Suite applications to manage all your import and export activities while ensuring adherence to international regulations. This functionality integrates seamlessly with the partner applications described above to leverage their expertly maintained data to ensure not only that that entities you buy or sell from are not on international restricted party lists, but that you have all necessary import and export licenses and documentation.

With Release 11i, Family Pack H, ITM introduced the ITM “Adapter,” which provides additional support for restricted party screening through an open framework. The ITM Adapter now integrates with any ITM partner application supporting the Oracle ITM Adapter XML messaging strategy, such as JP Morgan Chase Vastera. The infrastructure provides a set of forms, a processing engine, XML DTDs, reports, and a configurable, JAVA based middle-tier.

## **Oracle Transportation Management**

Oracle is investing in providing your business with trade management solutions. Oracle now offers Oracle Transportation Management, a new brand based upon the industry leading transportation management offering Oracle obtained through its acquisition of G-Log. Oracle Transportation Management expands Oracle's supply chain footprint and delivers functionality that enables reduced cycle times and lower transportation costs.

Oracle Transportation Management has a denied party screening engine that can check parties in a trade transaction either by calling a third party screening service (much like ITM's Adapter), or by screening against denied party lists that you upload and maintain in your system. The denied party screening engine can be called at any point in your order or export process.

Companies can purchase Oracle Transportation Management as a stand-alone product. Oracle Transportation Management can integrate with Oracle, PeopleSoft, JD Edwards, and other ERP systems.

## **Integrated Business System**

Compliance is achieved through managing all relevant information in a single, global source where business systems and technology are wholly integrated.

**Fact: Only 25 percent of large companies have standardized on a global ERP system. The rest have fragmented systems, multiple general ledgers, and transaction-system interfaces that constitute some of the biggest barriers to meeting governance and compliance mandates.**

**(AMR Research, "The Enterprise Resource Planning Report, 2003-2008")**

### **Global Single Instance**

Storing your information in a single global instance ensures not only a consolidated view of your data, but enables you to take quick action across the enterprise to stop trading activities with any restricted party.

### **Oracle Fusion Middleware**

Oracle offers applications based on a service-oriented architecture (SOA), so your company can build the business processes it needs and you can adapt them when your business requirements change. Oracle Fusion Middleware—a family of products that includes Oracle Application Server and its related products and options, Oracle Data Hubs, and Oracle Collaboration Suite—automates human and system workflows across applications and IT systems, eliminating costly, error-prone data reentry and manual approval procedures.

While good governance is a by-product of complying with government regulations, it is difficult to attain without complete control over your information and the processes that create and use information. Compliance efforts such as restricted party screening, Sarbanes-Oxley, Basel II, and HIPAA bring these issues to the forefront since these initiatives often require you to add new business processes or modify existing processes—in some cases across application or organizational boundaries.

Oracle Fusion Middleware can help you meet regulatory mandates in a sustained, repeatable way so you can minimize risk, control spending, and enforce better financial and IT discipline.

Important components of Fusion Middleware that enable and simplify your regulatory compliance are Oracle Data Hubs and Oracle BPEL Process Manager.

### **Oracle Data Hubs**

Oracle helps you maintain complete and accurate data that can be centralized throughout your enterprise. This is key to enforcing rigorous compliance at minimized cost and minimal disruption of your business.

Oracle's applications are engineered to work together by using a single information repository that provides an accurate picture of every trading partner, every employee, every product and service, and every transaction. Oracle's centralized data model helps break down information silos by cleansing and enhancing consolidated central data. Companies can eliminate data complexities and inconsistencies by using this single source of high quality information. Because it is common for organizations to manage dozens of applications, Oracle offers enterprise data hubs that are built upon Oracle's integration technology.

Oracle Data Hubs synchronize information centrally from all systems throughout the enterprise to deliver an accurate, consistent, 360-degree view of company data—whether it resides in packaged, legacy, or custom applications. Using this middleware technology, customer or product information from any data source or

application is centralized, updated, and cleansed to provide an enterprise-wide, master identity.

### **Oracle BPEL Process Manager**

To help organizations manage change and prepare for the future, Oracle Fusion Middleware includes Oracle BPEL Process Manager. This solution can help you model, deploy, and optimize business processes that span multiple applications, data sources, and organizations. It is based on industry standards and features logging, auditing, and version control. With minimal configuration, you can deploy reusable restricted party screening Web services in any business processes you choose. If the Web service finds exceptions, Oracle BPEL Process Manager can then guide your employees through the appropriate steps and route the transactions as needed. And Oracle's service-oriented architecture ensures that if you upgrade, you can continue to use the composite business processes you have built. For more information on the Oracle's SOA suite, please see <http://www.oracle.com/technologies/soa/soa-suite.html>

### **Tools for Effective Employee Training**

Creating an environment for effective process management requires a set of tools that both educates your employees and monitors their knowledge and awareness of corporate policies and processes. These tools can be used to deliver consistent information and training across the enterprise, as well as to develop and manage process and procedural documentation. Having a central point from which to implement both policy and process controls ensures users across the enterprise remain compliant. By eliminating multiple instances of the same process, you also avoid confusion caused by conflicting business rules. What's more, maintaining centralized processes fosters the flow of consistent information, eliminates duplication of efforts, and provides a foundation for cohesive process control from any geographic location.

### **Oracle Tutor**

Because compliance should be an enterprise-wide initiative, keeping your employees "in the loop" is critical for achieving all your compliance goals. But how can you streamline training and keep it up to date without devoting intensive, ongoing corporate resources to the effort? Oracle Tutor offers a selection of tools and an integrated set of procedures to help you and your employees quickly document, deploy, and maintain critical business procedures that support regulatory compliance. Even as your business processes change, Oracle Tutor keeps your documentation current— automatically updating the process diagram any time you change the procedure narrative.

More than 1,000 Oracle Tutor customers worldwide use it to create, distribute, and maintain their business procedures, thanks to the familiar Microsoft Word-based

format, play-script format, Web-enabled remote access, and streamlined implementation.

### **Oracle Learning Management**

Ensuring compliance requires active engagement across the organization, with employees and managers following appropriate procedures and business practices. To address the human side of compliance, companies are turning to online learning and survey tools to keep their workforce up to date on their corporate governance and compliance programs and to make employees aware of the penalties for noncompliance. Using Oracle Learning Management for online education and training, senior management can institutionalize policies and procedures and demonstrate employee knowledge of the company's business-ethics program.

## **HOW ORACLE WILL HELP YOU COMPLY WITH RESTRICTED PARTY REGULATIONS TOMORROW**

First, because of Oracle's SOA-based architecture, all automated compliance processes you build today will be reusable tomorrow.

Oracle's future releases will expand your out-of-the box capabilities for restricted party compliance within your system.

### **PeopleSoft Applications Release 9**

PeopleSoft Applications Release 9 will provide a predefined yet configurable Web service to screen trading partners against restricted party lists. The Web service can screen against lists you maintain in the PeopleSoft application architecture, or it can check against lists hosted by a vendor such as Kewill. This Web service is implemented out-of-the-box:

For new or existing vendors:

- During vendor entry, the system will perform a real-time check of the vendor name against restricted party lists.
- You can also run a batch process to check all existing vendors against the restricted party lists.

At payment time:

- The pay cycle will confirm that the vendor is not on a restricted party list before creating the payment.

The technology platform delivered with PeopleSoft Applications 9 will include the BPEL Process Manager, which allows you to adapt this Web service for use in your other business processes, with minimal effort. For example, you could adapt it to screen employee records when they are entered into your system. The system

will use a Verity search engine and allows you to configure match thresholds to reduce false-positive matches.

## **Project Fusion**

Oracle's next-generation applications, codenamed "Project Fusion," will further extend Oracle's restricted party screening capabilities. For Fusion, Oracle is currently designing more out-of-the-box compliance capabilities within core applications.

Preconfigured Web services will provide regular batch checks against restricted party lists of existing records throughout your enterprise such as employees, banks, and trading partners. Additionally, real-time Web services provided by Oracle throughout the application suite will check against restricted-party lists at key compliance points such as employee hiring, entering a new trading partner record, payment issue, external party bank setup, and so on.

In the Fusion release, you can choose to outsource the maintenance of restricted party lists that are relevant to your business, or you can maintain them in-house. Using Fusion Middleware, the Web services can check transactions and parties against restricted party list data your compliance staff maintains internally, data available on free Web sites, or data expertly maintained by our third party trade management partners.

The Web services and BPEL processes are configurable and reusable. To meet your particular business needs you can reconfigure the restricted party list screening Web service. Or you can update the BPEL workflow process to guide your staff through procedures to handle potential matches against specific lists. You can then reuse the same service or process anywhere else in your application suite, and continue using them after any subsequent upgrades.

Oracle International Trade Management will continue to expand its capabilities to support updated trade regulations in transactions throughout your enterprise.

And Oracle Applications will provide additional out-of-the-box configurability with Oracle's Fusion Middleware to meet any of your specific compliance needs.

## **CONCLUSION**

A vital part of your company's global operations is the establishment of mechanisms within the company that provide compliance checks and safeguards at key steps in your business process. Such checks and safeguards ensure the right questions are being asked at the right times in your business process to preclude facilitating shipments or providing services that are contrary to myriad restricted party restrictions and therefore inconsistent with the company's best interests and continued ability to conduct business in the international marketplace.

Expanding your business globally brings greater demands and risk. Restricted party screening is an essential and often required part of your overall corporate governance and internal control improvement strategy. Implementing effective restricted party screening requires business systems with centralized data, automated screening, adaptable and reusable processes, documented procedures, and online employee training. Oracle is committed to delivering the fundamental features your company needs to screen your parties and transactions and raise alerts for potential restricted party list matching. Further, Oracle's Fusion middleware is a key component of Oracle's strategy for meeting your compliance needs. For more advanced needs, Oracle has developed partnerships with the strongest trade compliance providers in this area. Please call us to discuss how we can help you meet your restricted party screening requirements.



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