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

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

principles and are thoroughly tested before

models are developed based on sound theoretical

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

new data are working properly

automation of trigger alerts to AWS).

are effective. Here are some of the ways we assure ourselves that:



new data are working properly Dedicated teams and processes are in place for source identification, mapping, research, and maintenance (including

The processes we have for cleaning and ingesting

data cleanup, entity type assignment, etc).



Following the previous step, our data acquisition specialists then:

The operations we have in place for processing

 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



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

The processes we have for surfacing new data are

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.

review our model risk approach in light of model risk statements and guidance issued by regulators worldwide, and continually monitor for new regulatory developments.

Regulatory review and alignment

working properly

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

Office of the Comptroller of the Currency (OCC)

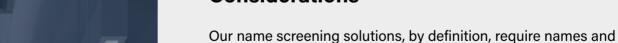
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We are committed to staying informed of regulatory changes that may have implications for our sanctions-screening solutions. We regularly

- General Data Protection Regulation (GDPR)
 Bank of England 'Model Risk Management Principles for Banks'

European Union AI Act

Considerations





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,

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.

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

therefore, naturally vary from one client to the next.

specific configuration and calibration decisions.

primary point of contact at ComplyAdvantage for more information.

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

fraud, and other financial crimes.

COMPLY

Open communication

ADVANTAGE

Leader in financial crime intelligence

ComplyAdvantage helps organizations make intelligent risk decisions, faster. Data, insights, and risk management tools

help firms detect and prevent money laundering, payment

Book a consultation