



Alvarez & Marsal: The importance of Sanctions Screening at a Time of Escalating Global Tensions

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Alvarez & Marsal (“A&M”), a leading global consulting firm, participated in the C5 Group's European Forum on Global Economic Sanctions, held recently in Berlin, focusing on the rapidly changing global sanctions landscape.

The Forum was attended by high-ranking executives of Alvarez & Marsal's Disputes and Investigations Department from Greece and Germany and senior executives of European organizations and bodies specializing in regulatory compliance, risk management, and legal support.

The main conclusion of the Forum was that compliance with the particularly complex international sanctions regime presents increasing challenges for companies and organizations.

In addition, companies that do not comply with the emerging requirements face, in addition to the imposition of significant fines, extensive risks regarding their reputation and operation at an international level.

As Alvarez & Marsal points out, important parameters for the effective compliance of companies and organizations with the ever-changing international sanctions regime are the improvement of internal governance, the implementation of strict internal control mechanisms, as well as the utilization of modern high-tech solutions in accordance with the regulatory instructions but also the corporate needs.

More specifically, the critical and constant challenges in sanctions risk management include:

1. Multitude of Sanctioning Bodies and Conflicting Sanctions Regimes: Firms need to exercise extra care in monitoring developments as the number of sanctioning bodies and nature of sanctions continues to expand resulting in them being subject to multiple - and sometimes conflicting - sanctions regimes.

2. Expanded regulatory focus on organizations and industries beyond the financial sector: Regulators are now targeting a wide range of industries, including charities and non-governmental organizations.

3. Need for ongoing sanctions screening: As the lists of sanctions on legal and natural persons are constantly updated with successive additions or removals of references to legal and natural persons, the necessity of continuous internal audits on the part of the companies regarding the internal databases of the customers that they keep in accordance with the constantly updated lists.

4. The nature of sanctions is becoming more complex: In recent years, sanctions have been introduced that do not only concern specific legal or natural persons but also specific sectors (sectoral sanctions) and activities (narrative sanctions).

5. Complexity in ownership and control structures is a critical parameter in sanctions monitoring: The investigation and analysis of complex corporate and ownership structures – with the aim of identifying the ultimate beneficial owners of the legal entities (Ultimate Beneficial Owners “UBOs”) for the sanctioning – emerges as critical.

6. Avoiding business disruptions: Companies must strike a balance between implementing an effective sanction screening program and ensuring smooth business operations and maintaining a good business relationship with customers.

7. Optimizing control processes is the critical first step: In order to ensure the completeness and effectiveness of the control procedures for compliance with the applicable sanctions’ framework, companies should focus on key measures such as:

- Establishing adequate control mechanisms to assess and limit potential risks in relation to high-risk customers, corporate products and services, the supply chain, intermediaries, counterparties, transactions and also the geographical areas of business activity since the competent enforcement authorities can levy fines also for an organization’s failure to implement adequate control mechanisms.
- Improving data governance. Firms must evaluate the overall quality of source data and data completeness. In addition, companies should determine the level of parsing, data cleansing and enrichment performed for effective screening as well as systematically validate related processes to ensure they are operating as intended.
- Recalibrating matching engine models. Solutions such as Optical Character Recognition, Native Language Processing, Robotic Process Automation, Artificial Intelligence and machine learning models are some from the technologies that help companies speed up data processing and optimize the matching engine underpinning their sanctions screening process. Understanding what solution and automation opportunities are the most suitable for your needs and vetting technology vendors are a key condition of the process.
- Support remediation teams. Organizations must have specialized departments to ensure ownership of the sanction compliance process but also work hard to ensure collaboration with other departments across the firm.

You may read the full article entitled “[Managing the growing complexity of sanctions screening in an era of rising global tensions](#)” signed by Dr. [Kallia Gavela](#), Senior Director of Disputes and Investigations Department of A&M in Greece and Mr. [Raphael Kiess](#), Managing Director of Disputes and Investigations Department of A&M in Munich and Frankfurt, Germany.

About Alvarez & Marsal

Businesses, investors and government agencies around the world look to Alvarez & Marsal (A&M) for leadership, action and results. Founded in 1983, A&M is a leading private international professional services firm with a focus on consulting, efficiency improvement and business turnaround. When conventional approaches are insufficient to bring about business transformation and drive change, clients look to our exceptional expertise and ability to provide practical solutions to their unique problems.

With more than 6,000 employees on five continents, we deliver tangible results for businesses, boards, creditors, investment firms, law firms and government organizations facing complex challenges. Our senior executives and their teams leverage A&M’s experience helping companies to restructure their operations, grow and maximize their results. We have executives with significant international experience and experience in supervisory authorities and relevant bodies of various industries, who act on the basis of what is really required to turn change into a significant strategic business advantage, achieve business risk management and bring out value at every stage development.

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