

An Introduction to Denied Party Screening

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An Introduction to Denied Party Screening

For export, trade, and financial (OFAC) compliance professionals, Denied Party Screening—also known as Restricted Party Screening, SDN screening, and sanctions screening, among others—is second nature.

However, unless you breathe, eat, and sleep export compliance, there is often confusion about even the most basic fundamentals of Denied Party Screening—including “why do we screen,” “who do we screen,” and “what’s our screening process.”

In this document, we’ll discuss some of the essentials of Denied Party Screening for those just getting started, and throw in some short tales from our own experiences in serving the good people involved in this mandatory area of export, trade, and financial compliance.



Why must an organization screen for denied parties?

To put it simply, there are people out there that the U.S. and international governments do not want you doing business with, for a variety of reasons. If you do business with these people, there’s a genuine likelihood that the government will come knocking on your door. If found to be non-compliant, an organization may be subject to fines, penalties, denial of export privileges, and even negative media coverage.

Denied Party, Restricted Party, or Sanctioned Party Screening: what is correct?

The honest answer is, “All of the above.” Some of these terms are context specific. When you see the word “Screening” you are reading about the process of reviewing watch lists to ensure you’re not engaging in unlawful business with an individual or organization facing trade restrictions.

The interchangeability of these terms has sometimes led to the belief that these are, in fact, different things. The truth is that these terms are subjective, and often depend on the preference of the speaker or organization.

The term “debarred party” is also common and is often used interchangeably when speaking about a restricted, denied, or sanctioned party. This refers to an individual or organization that appears on a list.



What are the sources of these lists?



The primary list sources for U.S. businesses are: The [Bureau of Industry and Security](#), or BIS (pronounced Be Eye Ess, not, “biss”), the [Office of Foreign Assets Control](#), or OFAC (you can pronounce this one as “Oh-Fak”), and the Department of State/[Directorate of Defense Trade Controls](#) (DDTC). Others common lists screened include (but are certainly not limited to) the General Services Administration (GSA, found on the System for Awards Management site; SAM.GOV), various Federal Law Enforcement lists (FBI, DEA, etc.), and those published by the United Nations or European Union. There are more available lists than one could possibly name, but that is a topic for another day.

Who should be screened?

In short, everyone, and every transaction—be it an exchange of tangible goods and services, or finances—should be screened. Generally, screening should be performed on any party to which a product or information is distributed, the final end user, and the chain of individuals and businesses in-between. Screening can also be used for contacts, visitors, and employees—though the lists screened may vary for each of these purposes. For example, the [General Services Administration](#) list may not be applicable for organizations that do not engage in business with the U.S. government.



Who should be doing the screening?

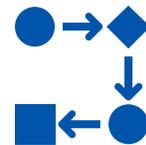


This really depends on the organization. Some have centralized trade compliance persons who review all information entered, such as at the order-entry level by Customer Service Reps, Sales, or Procurement persons. Some companies leverage existing business systems and have chosen to integrate screening at one or more points in their workflow.

One thing our experience has shown us is that companies with the most effective trade compliance programs emphasize the basic rules and regulations of compliance at all levels of their business. This sets a business standard and enforces best practices across the organization.

When should screening take place?

Again, this is subjective to the organization. Businesses may choose to screen potential customers or vendors at first contact. Some screen again when orders or finances change hands and repeat this process with each order. Other organizations will have automated rescreening take place instead of rescreening manually. Visitors may be screened when they sign up for a tour, or on the spot when they arrive. What is really important about when screening takes place is that it should fit the regulatory goals of the organization—ensuring that goods, technology, information, or finances are not transferred in violation of export regulations.



A cautionary tale: when screening comes too little, too late



While attending a conference on Export Control a few years back, the discussion—which included a representative from the Department of Homeland Security, and experienced trade compliance professionals from a Fortune 500 company—turned to an extreme case of export compliance negligence.

The attendees were told a tale of an organization that unwittingly committed violations in the mid-2000s. This organization had an automated screening system in place, including one that facilitated IP location searching.

This organization found itself in deep water, discovering only after having shipped its product that the recipient company was on a denied party watch list. How did this happen?

In an attempt at efficiency, individuals at the company chose to screen for denied parties at the point of shipment, i.e., when the warehouse personnel logged the daily shipments. At the time, management dismissed the idea that the timing would be too late. They then made a second critical error, which likely impacted the earlier decision to screen late in the shipping process: they assumed that their freight forwarder would screen and stop an order themselves if it violated any export laws. It's worth noting that the freight forwarder also lacked a robust export compliance program, though the responsibility ultimately lay with the shipper.

In the end, the violations were pled down to relatively minor fines, with the promise to improve the Trade Compliance program within the organization. The whole ordeal cost time and money—and the inconvenience of an Immigration and Customs Enforcement (ICE) raid on their offices.

A Glossary of Ideas in this document

Restricted / Denied / Sanctioned Party Screening: The process of [reviewing customers, vendors, visitors, and any other business partners and related parties](#) through a search engine designed to match those entities against restricted or denied parties. These are often referred to as; RPS, DPS, DPL, SPL and SDN Screening.

Restricted / Denied / Sanctioned Party List: The sources of the entity lists that screening will match against. There are often referred to as RPL, DPL, SDN or SPL.

Restricted / Denied / Sanctioned / Debarred Party: These terms describe the individuals or organizations that appears on the denied party lists.

Bureau of Industry and Security: A branch of the U.S. Department of Commerce, responsible for ensuring export control and compliance.

Office of Foreign Assets Control: A branch of the Department of the Treasury that administrates and polices financial and trade regulations.

Directorate of Defense Trade Control: An organization with the U.S. Department of State responsible for enforcing International Traffic and Arms Regulations.

About Descartes Visual Compliance

In today's changing global regulatory landscape, leveraging accurate sanctions content is more important than ever to help avoid fines, improve processes, and mitigate risk. Descartes Visual Compliance™ has a full suite of cloud-based denied and restricted party screening solutions to help navigate the ever-changing, complex world of trade compliance, and efficiently screen against a comprehensive database of official and unofficial sanctions lists. Offering advanced screening solutions that are used by companies globally to comply with international trade regulations, our solutions significantly reduce the risk of negative impacts to reputation and the bottom line.

Our comprehensive and continuously updated toolset can help ensure compliance with U.S. and E.U. 50 Percent ownership requirements. Descartes Visual Compliance solutions help organizations to conduct critical due diligence by identifying beneficial owners, tracking important changes of ownership over time, storing results, and continuously screening individual names.

Our Restricted Party Screening solutions are affordable and modular—from ad hoc, online solutions, to screening solutions that automate the process by integrating into any number of business systems. Regardless of which solutions best meet an organization's needs, they'll have the ability to get up-and-running quickly and add supplementary solutions should requirements change in future.

Learn more at www.visualcompliance.com, and connect with us on [LinkedIn](#) and [Twitter](#).

About Descartes

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance, and security of logistics-intensive businesses.

Customers use our modular, software-as-a-service solutions to route, schedule, track, and measure delivery resources; plan, allocate, and execute shipments; rate, audit, and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative, multimodal logistics community.

Our headquarters are in Waterloo, Ontario, Canada, and we have offices and partners around the world.

Learn more at www.descartes.com, and connect with us on [LinkedIn](#) and [Twitter](#).

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