



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

False Hit Lists Guidance

U.S. persons are responsible for developing appropriate risk-based controls to enable compliance with the regulations administered by the Office of Foreign Assets Control (OFAC). Sanctions-related screening is often a valuable tool in enhancing compliance controls. U.S. persons, including financial institutions, frequently conduct sanctions screening of customer databases and/or transactions (e.g., funds transfers, trade finance, and other products) as part of their compliance program, which can assist in detecting individuals or entities on OFAC's List of Specially Designated Nationals and Blocked Persons (the "SDN List") or prohibited transactions involving countries, regions, or activities subject to OFAC sanctions. U.S. persons may choose to utilize sanctions screening to enhance existing controls as part of a risk-based program designed to comply with the rules and regulations OFAC administers.

In the course of developing or maintaining a sanctions screening program, U.S. persons sometimes develop a "false hit list" comprised of individuals and entities whose characteristics trigger a screening match to one or more entries on the SDN List or other sanctions criteria, but who, after a thorough review, are determined not to be SDNs, blocked persons, or affiliated with a country, region, or activity subject to OFAC-administered sanctions. In the case of software screening tools, once an individual or entity is added to the false hit list, the screening software typically will suppress an alert (or will otherwise bypass an alert) associated with the individual or entity, thereby eliminating any transaction hold on, or prompting further manual review of, such parties in the absence of other alerts.

While false hit lists represent a common and legitimate practice, and are generally designed to reduce the volume of OFAC-related matches that a U.S. person has determined are false, it is important that each U.S. person implement policies and procedures designed to review, evaluate, and reassess the parties that are included on such lists.

Given the dynamic and changing environment of U.S. economic sanctions programs, these measures could include:

1. Involving sanctions compliance personnel in developing guidelines for, and oversight of, the functioning of false hit lists, including periodic reviews;
2. In situations where additions or changes to an SDN List entry are similar to a false hit list entry, ensuring that alerts generated by screening hits in connection with the additions / changes to the SDN List are not automatically suppressed by the existing false hit list entry;
3. Amending the false hit list, as needed, in response to updates to OFAC's sanctions programs (including, for example, the revocation of general licenses, the implementation of new sanctions programs and/or prohibitions, or enhanced restrictions on certain categories of transactions); and
4. For direct customers who have an entry on a false hit list, ensuring that any meaningful changes to the customer's information (e.g., a change in ownership status, business activity, address, date of birth, place of business, etc.) trigger a review of the false hit list entry.