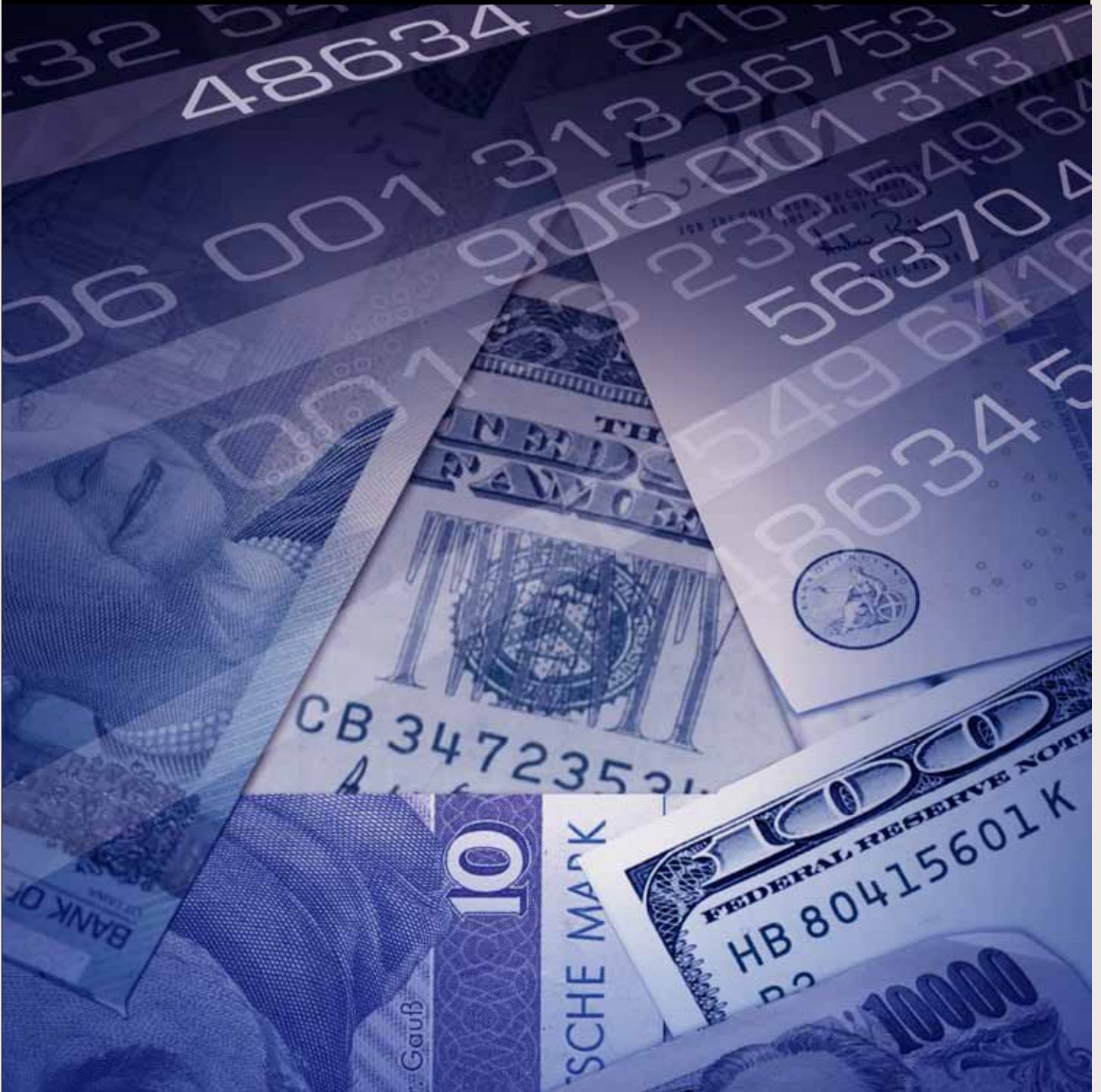


Dow Jones Risk & Compliance

MT202 COV: A Year in Review





One Year After Inception, Swift Message Format Brings New Challenges to Light

Prior to the introduction of MT202 COV one year ago, opaque messaging practices for cover payments made complete sanctions compliance nearly impossible, leaving the global payments system at risk from criminals and terrorists seeking to launder illicit funds. While the global payments system has undeniably advanced with MT202 COV's transparency, rigorous due diligence by each institution – originator, intermediary and beneficiary – continues to challenge the international financial community as members endeavor to achieve exacting mandatory compliance with local regulations and global economic sanctions requirements.

A Brief History: MT202 COV Goes Live 21 November 2009

SWIFT introduced a new message standard for cover payments, the MT202 COV. The updated format, designed to increase transparency in how bank-to-bank payments are processed worldwide, includes mandatory fields for originator and beneficiary details. This additional information enables banks to increase the effectiveness of their anti-money laundering and sanctions compliance programs.

As the implementation phase for the MT202 COV subsides, its after-effects have clearly emerged. The substantial increase in alert volume that was anticipated is now a reality – making complex sanctions compliance processes even more complicated, as financial institutions find ways to:

- Efficiently manage false positives and false negatives
- Eliminate duplicate alerts
- Address sanctions data quality issues

As a follow-up to our initial study, which assessed perceptions of the potential impact of MT202 COV prior to its November 2009 release, Dow Jones has now completed a survey of compliance and payments industry executives, to measure the realized impact of the new regulation.

“The substantial increase in alert volume that was anticipated is now a reality.”

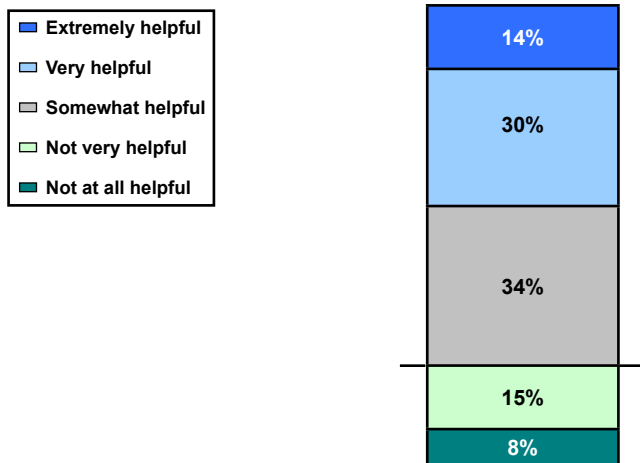


MT202 COV Reduces Exposure to Anti-Money Laundering and Counter-Terrorist Financing Activities

It is clear that MT202 COV addressed a universally recognized gap in global payment transparency, thereby allowing payments to pass readily across international borders. Survey respondents, when asked about the helpfulness of MT202 COV in providing sanctions compliance, largely agreed, with 78% saying the introduction of the new SWIFT Cover Payments Message format has been “somewhat”, “very” or “extremely” helpful.

Helpfulness of MT202 COV in Providing Sanctions Compliance -2010-

“Somewhat/Extremely/Very” helpful: 78%

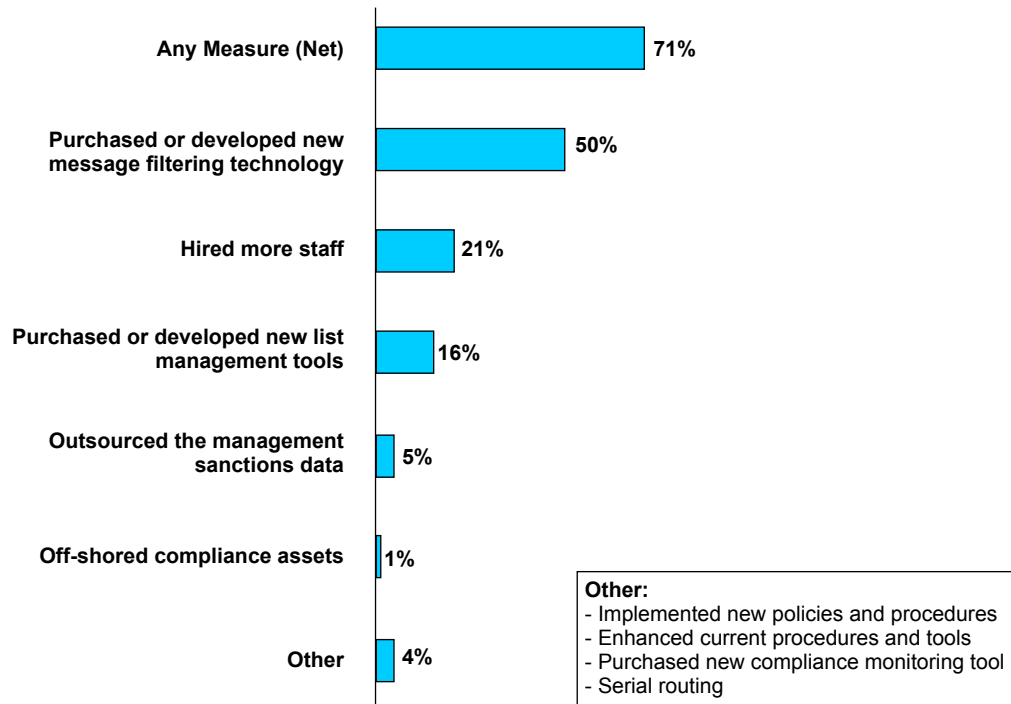


Now one year after the introduction of MT202 COV, financial institutions are utilizing a variety of methods to effectively develop SWIFT message protocol. Seventy-one percent of surveyed organizations have taken some type of measure to deal with the new regulations, with 50% purchasing or developing new message-filtering technology to address MT202 COV.



Measures Organization has taken to Deal with MT 202 COV

-Among those reporting impacts to their organization-



Effectively Managing the Consequences of MT202 COV

As illustrated in our survey, many organizations have implemented operational and/or technological measures to safeguard against new challenges associated with MT202 COV. While leveraging the right technology solution is a critical initial step, few have reviewed sanctions data for increased operational efficiency.

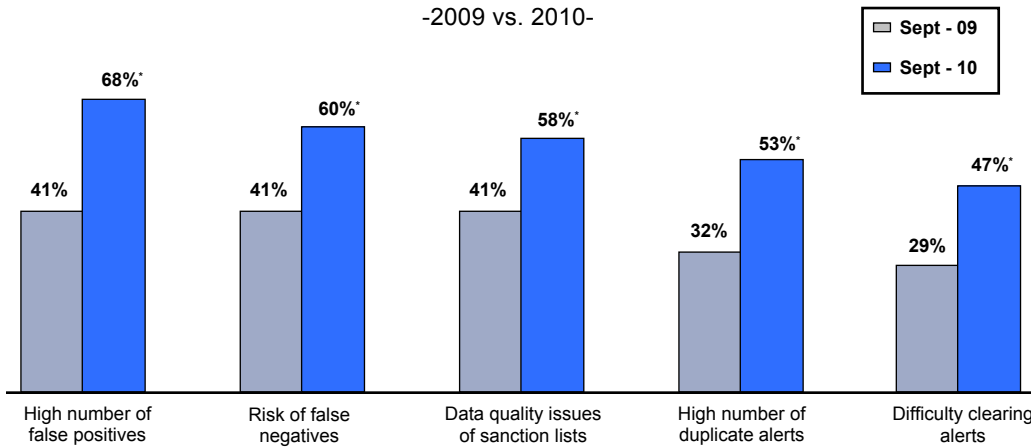
New challenges such as heavier compliance workloads and increased false positives stemming from MT202 COV can be effectively reduced with enhancements to an organization's data quality. An assessment of the organization's current sanctions data can help it to increase efficiency while safely mitigating high-level sanctions risks. Dow Jones Sanction Alert provides the highest quality sanctions data, specifically built and formatted for payment screening.



Concerns when Screening Wire Transfer Messages

-Those saying "Extremely/Very" concerned-

-2009 vs. 2010-

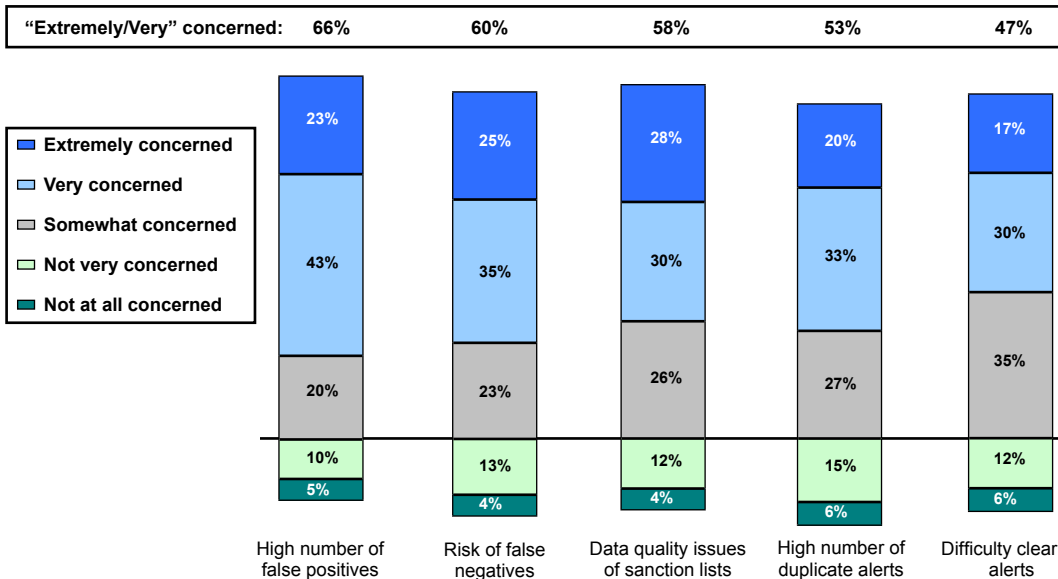


Anxiety regarding the high number of false positives experienced the largest increase, as 41% were "very" or "extremely" concerned prior to the introduction of the MT202 COV while 66% said the same a year after the rule took effect.

*Indicates statistically significant difference at 95% confidence level

Concerns when Screening Wire Transfer Messages

-2010-



Financial professionals have serious concerns when screening wire transfer messages against sanctions lists. Two-thirds say they are "very" or "extremely" concerned about a high number of false positives and nearly that number are also concerned about false negatives and data quality.



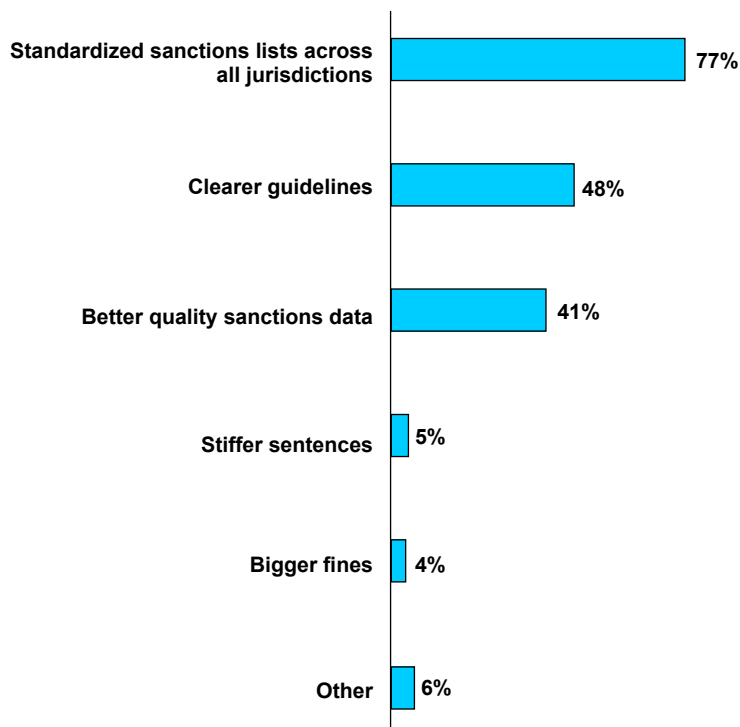
Taking a 'business as usual' approach to maintaining your sanctions data translates into a huge missed opportunity to efficiently manage the volume and frequency of false positive alerts. As sanctions lists are constantly being changed and updated, the level of resources required to monitor and collate information from a wide range of sources is burdensome. The risk of missing updates and using out-of-date information can result in hefty financial penalties and prison terms.

While most sanctions data services boast about their research qualifications, Dow Jones Sanction Alert provides a real competitive advantage. Our experts compile, closely monitor and continuously update our data from five locations around the world using follow-the-sun methodology. With automated feeds available every eight hours and proactive alert options, you get timely and accurate information, every time.

Actions to Improve Future Sanctions Screening Programs and Regulation

-Among those rating helpfulness as "Somewhat", "Not very" or "Not at all" helpful-

-2010-



Among respondents who thought MT202 COV was only "somewhat", "not very" or "not at all" helpful in providing sanctions compliance, standardized sanctions lists across all jurisdictions, clearer guidelines and better-quality sanctions data topped the list of actions to improve future sanctions screening programs and regulation.

"Headline-hitting record fines for sanctions compliance breaches and the transparency requirements of the new SWIFT cover payments rule MT202 COV have had a considerable impact on SWIFT's participants."



Conclusion

As financial institutions revert to 'normal' transaction activity following the introduction of MT202 COV, it is clear that payment screening efficiencies can facilitate your global payment flow. However, successfully managing the increase in new information, as it gives rise to more hits and duplicate alerts, demands the right resources to:

- Minimize false positives
- Clear alerts faster and with confidence
- Reduce compliance workload
- Achieve maximum protection from regulatory scrutiny and serious risk
- Ensure straight-through processing of payments

“Headline-hitting record fines for sanctions compliance breaches and the transparency requirements of the new SWIFT cover payments rule MT202 COV have had a considerable impact on SWIFT’s participants.”

“With 50% updating their IT infrastructure to be able to send and receive MT202 COV messages, it’s clear that banks are embracing and adapting to the new regime. However, with concerns increasing over duplicate alerts, the number of false positives and data quality, it is equally clear that banks now need to focus on ensuring they are optimizing the performance of these tools. Ensuring the quality, accuracy and completeness of sanctions lists and removing the duplication they contain is an operational imperative to ensuring screening effectiveness and improving STP rates.”

–Rupert de Ruig, managing director of Risk & Compliance at Dow Jones



Proactive Update Monitoring, Every Time

Two new Iranian programs with global significance were introduced and made effective on 16 August 2010. An email alert from the issuing government body was not released until the following day – leaving regulated firms unaware and at risk.

Our customers accessed the updated lists more than three hours prior to the email alert – due to continuous checks and immediate processing performed by our Sanctions Research Experts.

About Dow Jones Sanction Alert

Specifically optimized for transaction monitoring, Dow Jones Sanction Alert ensures the highest levels of compliance to quickly clear alerts from continuously updated data. Dow Jones Sanction Alert is unlike any sanctions data solution currently available on the market, offering:

- Customized sanctions data according to a client's risk profile
- A unique consolidation platform that aggregates the client's data set to eliminate duplicate alerts
- Enhanced alert investigation using our industry-leading set of secondary identifiers
- Robust data structure and flexible format for easy integration into screening software and maximum screening efficiency

Now is the time to evaluate your sanctions data. To learn more about Dow Jones Sanction Alert, contact:

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+44.203.217.5100 (Europe)
+61.2.8272.4600 (Australia and Asia)

Visit the website:

www.dowjones.com/riskandcompliance/sanctionalert.asp

About Dow Jones Risk & Compliance

Dow Jones's Risk & Compliance includes Dow Jones Sanction Alert, the only sanctions data feed optimized for international payments regulations; Dow Jones Watchlist, which supports Know Your Customer programs; and Dow Jones Anti-Corruption, a due diligence tool for earlier and easier identification of corruption risk.

To learn more about Dow Jones Risk & Compliance, visit:

www.dowjones.com/riskandcompliance