

Tips For Sanctions Screening Of Non-Latin Language Entities

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With the ever-increasing use of sanctions as a foreign policy tool — or weapon — sanctions compliance has taken on greater importance than ever. Moreover, as countries increase extraterritorial applications of their sanctions, even companies outside the implementing countries may be affected by these actions.

Similarly, anti-money laundering and counterterrorism financing, is now a fully global effort, with every country implementing some level of AML prohibitions. As a result, companies must exercise increasingly greater care with respect to their commercial activities. More than ever before, parties are expected and need to know and understand who their customers are, both direct and indirect.

Both AML and sanctions programs operate on a risk-based approach.

Although AML regulations sometimes mandate written programs that include sanctions screening as part of the know-your-customer process, sanctions regimes generally do not mandate specific written policies or procedures. Nonetheless, sanctions screening is the only realistic way for a company to meet minimum know-your-customer standards, whether for sanctions or AML purposes.

Yet, when engaging in screening of companies from countries that do not use a Latin alphabet, screening can be particularly challenging, as many screening systems rely on Latin alphabet-based spellings when identifying sanctioned persons.

For purposes of this discussion, we divide the multiple types of language into Latin alphabet and non-Latin alphabet writing. The latter includes, for example, character-based systems such as Chinese, Japanese, and Korean; Cyrillic languages, such as those used in eastern European nations; and Middle Eastern languages such as Arabic and Hebrew.

The need to translate to or from languages that do not use the Latin alphabet creates inherent difficulties, arising from the potential for numerous, varying translations.

For example, many have written of the challenges of translating former Libyan leader Moammar Qaddafi's name. While Westword suggests there are "at least 112 recognized spellings" of his name,^[1] the problem stems from the fact that "there's no universally accepted authority for transliterating Arabic names."^[2] The challenge is no less daunting when translating otherwise routine names for



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searching sanctions lists.

Violating U.S. sanctions can subject a party to significant penalties, both civil and criminal, or result in them being sanctioned. Given the challenges with name matching between those that are in English — a Latin-alphabet language — and those languages using a non-Latin alphabet, there are significant legal risks if sanctions review is based only on a single English name of a company.

When conducting sanctions screening of Chinese entities, for example, using only the English name can dramatically increase the possibility that matches will not be identified and dealings with sanctioned parties will occur. For screening of Chinese persons and entities, a correct and complete legal name is required to be effective.

The challenges parties face include not only language differences, but phonetic transcriptions and transliteration from one alphabet or writing system to another. These act to complicate the seemingly straightforward task of name-checking and due diligence.

In this article, we provide useful approaches and methods to facilitate the otherwise knotty process of conducting due diligence and screening where these language hurdles are present. We focus on examples based on logographic languages, but that are applicable to other non-Latin alphabet languages.

Logographic Languages

A number of Asian languages employ logographic characters. Chinese *hànzì*, Japanese *kanji* and Korean *ganja*, or the CJK languages, are perhaps the most widely discussed and used logographic languages today. While not all of these languages are technically logograms, most have logographic characters.

Compared to the English language, which is based on a phonogram system, logographic languages break words down into characters, and pronunciation modeling often requires decomposing logographs into subunits that carry pronunciation hints.

As such, even if CJK languages may be converted to English names to facilitate pronunciation, they do not always directly translate to the legal names that can be used for sanctions screening purposes.

In the context of screening or due diligence, therefore, relying on the English names of CJK entities can lead to vetting the wrong entity, ineffective sanctions screening and ultimately violations.

Approaches To Consider

Fortunately, there are various avenues available to verify a counterparty's legal entity name, including names in CJK languages. While automation software is available to conduct due diligence, it is crucial to perform independent research to gather additional information to reveal potential risk factors.

Taking sanctions programs maintained by the Office of Foreign Assets Control as an example, while OFAC designations may sometimes include the native languages, the native languages often are not included when the designated entities appear on the sanctions list search tool developed by OFAC.

As a result, automation software that relies on the data feed provided by OFAC's sanctions list search tool will not be able to capture the entities displayed in their native languages.

Practices that can be employed to address these screening and diligence challenges include the following:

- Obtaining an official record that provides the name. This could be a business license or certificate, which will often contain a legal name, or a company's official seal or stamp, also known as a "chop," which is used in lieu of a signature on documents. Some official licenses or certificates also include English text. These can be found, for example, in China, in the "Financial Registration for Enterprises with Foreign Investment Certificate" and "Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China."
- Using other official documents that may include both the English name and CJK names — such as customs clearance documents, e.g., a bill of lading or certificate of origin, or management and product certifications issued by, for example, the International Organization for Standardization.
- Collecting information such as the Social Credit Code used in China, legal representative names, company status, business type, and address information.
- Reviewing transactional documents to identify any potential red flags, including inconsistent use of individual and entity names.
- Examining CJK language usage in transaction receipts.
- Using social media. In China, the popular app WeChat has an official account feature, similar to Twitter's verified account status. In order to obtain the official account, applicants must submit, among other things, an 18-digit company registration number — or 15 digits, if registered before 2015 — and legal representative names. As such, if a company has an official account, chances are the entity is legitimate, and the business name associated with the official account can be used for verification purposes.
- Compiling news articles discussing the entity.
- Reviewing business and transactional documents that may include ultimate beneficial ownership information or other objective evidence of the complete, correct name or names.
- Checking the original designations — e.g., news release, public statement, public notice, etc. — published by the government agencies for native languages entries.
- Understanding a company's shareholders, directors, supervisors and affiliated companies, if sufficient information cannot be obtained to ascertain the identity of the concerning entity.

In addition, sanctions screening must continue to include practices that ensure that full and complete reviews are conducted by third parties with whom a company intends to do business.

These practices include:

- Using third-party resources to research corporate structure, in order to identify entities that are, directly or indirectly, 50% or more owned by sanctioned parties under OFAC's 50% rule;

- Ensuring that the data collected for screening purposes comes from reliable third-party resources, which can improve and supplement the process as well as minimize false negatives and positives; and
- Conducting name-based screening both fully and in chunks. This can include searching individual sections of the entity's name in addition to the full name to ensure that all results concerning the specific entity, as well as its parents, subsidiaries, and affiliates are captured.

When dealing with entities spelled using a non-English language, it is imperative not to rely solely or heavily on search engines, as the most relevant results may not be crawled or captured by search engines. Ultimately, it is imperative to employ native-language resources as much as possible to ensure you have identified alternative potential translations of names of parties.

Sanctions List

There are additional resources established and maintained by various government entities that can be used to conduct due diligence on non-English entities.

For example, some sanctions list entries may identify multiple name expressions for sanctioned individuals or business entities, as well as other potentially useful identifying information. It is important to ensure that screening software and services include those alternate expressions when they are part of the sanctions entry.

These lists, which may be updated on occasion as well, sometimes include useful information relevant to ensuring that screening is thorough and useful. This can include stock tickers for publicly traded companies, digital currency addresses or other objective information that could be used to cross-check legal names.

While the majority of sanctions lists maintained by the U.S. government provide at least some identifying information, not all sanctions lists provide the entity names in their native languages, such as Chinese, on the list.

The table below summarizes the various U.S. sanctions program lists that include companies with operations in China, Japan and Korea. As noted, these U.S. lists generally do not include the alternative language information needed for thorough screening. Occasionally, however, specific entries may include alternative language formats.

Final Thoughts

Complete and accurate sanctions screening is a critical component of any successful sanctions compliance program. While many entities focus on the capabilities of a sanctions screening program, it is important to remember that a successful program also requires complete information.

It is essential to understand clearly the relationship between relevant sanctions risks and the sanctions screening configuration to ensure that results are complete, accurate and efficient. When screening parties in countries with non-Latin alphabet languages, extra vigilance may be needed to ensure that translational challenges are adequately addressed, and that the actual sanctioned entity is the one that has been screened.

Sanctions Program	Agency	Identifying Information	Regular Inclusion of CJK Language?
Specially Designated Nationals and Blocked Persons (SDN) List	Department of Treasury's Office of Foreign Assets Control	Name, Email, Alias (including aka and fka), Affiliates, Country, Address, Website, Date of Birth (for individual), Equity Ticker (for publicly traded companies), Tax ID, Organization Established Date, Registration Number, and Digital Currency Address	No
Non-SDN Chinese Military-Industrial Complex Companies (NS-CMIC List) List	Department of Treasury's Office of Foreign Assets Control	Name, Alias, Affiliates (including aka and fka), Address, Unified Social Credit Code, Target Type (i.e., public company, state-owned enterprise, private company), Equity Ticker, International Securities Identification Number, and Issuer Name for publicly traded companies	No
Entity List	Department of Commerce's Bureau of Industry and Security	Name, Alias, Affiliates (including aka and fka), and Address (including alternate addresses under different countries)	No
Unverified List (UVL)	Department of Commerce's Bureau of Industry and Security	Name and Address	No
Denied Persons List (DPL)	Department of Commerce's Bureau of Industry and Security	Name and Address	No
Military End-User (MEU) List	Department of Commerce's Bureau of Industry and Security	Name, Affiliates (including aka and subordinate institution), and Address	No
Chinese Military Companies List	Department of Defense	Name and Alias	No

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[1] Roberts, Michael. "Top 112 spellings of Moammar Gadhafi (or Gaddafi) (or Qaddafi) (or Kadafi)."

Westword. March 9, 2011, <https://www.westword.com/news/top-112-spellings-of-moammar-gadhafi-or-gaddafi-or-qaddafi-or-kadafi-5875642>.

[2] O'Carroll, Eoin. "Gaddafi? Kadafi? Qaddafi? What's the correct spelling?" The Christian Science Monitor. February 22, 2011, <https://www.csmonitor.com/World/2011/0222/Gaddafi-Kadafi-Qaddafi-What-s-the-correct-spelling>.