AI & Data management and reporting for compliance

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Compliance requirements have increased significantly the past years and the expectations on doing it correctly have increased even more

The combination of those circumstances makes traditional rule based engines inadequate at a very fast pace

- The amount of transactions is very, very vast and between embargo's, AML… the count of false positives is so high staffing levels in just the operational compliance investigation teams have more than quadrupled
- The number above does not even take into account the extra effort spent on compliance related activities in the front office
- It requires literally hundreds of FTE at this point to process the inflow
- Staffing those in today's labour markets still is very, very cumbersome
- Not to mention the fact that when humans do the work, they do what humans do: make mistakes every now and again
- Meaning that on top of investigation there are dual controls, quality review processes…

Technology to the rescue, AI models have the potential to significantly reduce the false positives but there are some drawbacks

AI models have been targeted as the go to solution but AI on its own will not be able to solve the problem

- AI models show a big potential to do this more efficiently and generate less alerts while discovering a far higher number of the actual transactions to be reported
- AI models need time to learn, the fast pace at which embargos were launched/changed in 2022 was too high to confidently handle with an AI solution alone
- During the period the AI solution is learning, a rule based engine is still useful to implement a rough but correct first solution
- And for some organisations, the cost to develop an own AI model is far too high

As a result of this the final solution will be a hybrid one, making use of the best of both worlds

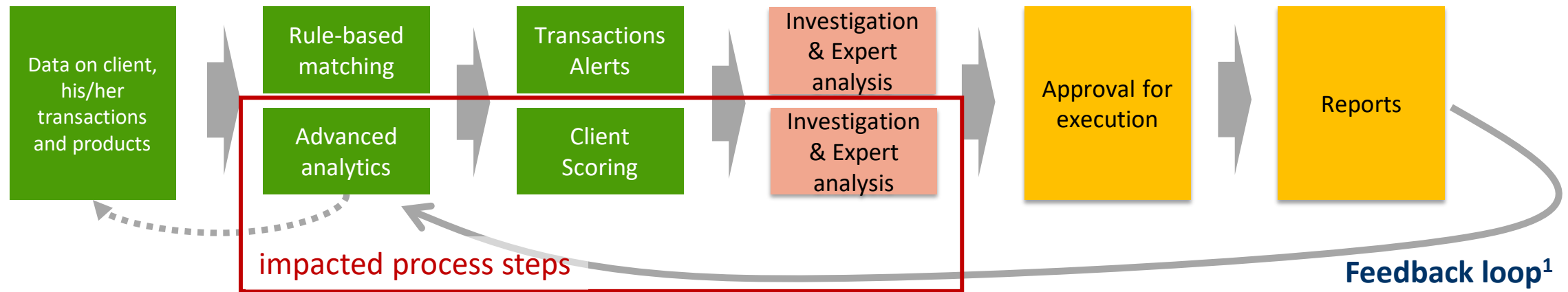The end result is a combined solution using both AI and rule based engines

- Rule based engines to handle a first, fast delivery with potentially a high amount of false positives but making sure the compliance checks get done
- An AI solution that is deployed later but has a much lower count of false positives

Data-driven end-to-end platforms are becoming the core of AML for multiple business activities

Today

- Typically rule-based and limited to known money laundering types
- Less to no combining of transaction types and reacting mostly point-in-time to 'events'
- Not profiling the client (at least not in a hollistic way)
- Not scalable, i.e. # alerts tracks # transactions
- High % of non relevant investigations, diverting the valuable time of investigators

General AML Process

Data on client, his/her transactions and products		Rule-based matching		Transactions Alerts		Investigation & Expert analysis		Approval for execution		Reports
		Advanced analytics		Client Scoring		Investigation & Expert analysis				

impacted process steps

Feedback loop[1]

Tomorrow

- More holistic review combining transactions over a longer period of time for a client
- No need for thresholds in transactions and fully scalable
- No alerts, but profiling/scoring according to overall riskiness for money laundering
- Aims to significantly increase % of investigations resulting in reporting to the FIU
- Adaptive detection, once model is fed back the outcome

■ **Automatic**
■ **Semi-automated**
■ **Manual**

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1 – decisions taken by compliance officers will be fed as input to models so that it learns from their decisions

Using AI solutions comes with a number of prerequisites that should be in place before the AI model works at its best

Even more than with a rule based engine, high quality data is the key to success

- Transactional and client data is very clearly important data that needs to be complete and up to date
- The most important set of data, is the feedback on false positive cases so the model can keep on learning