

Digital Transformation Alert

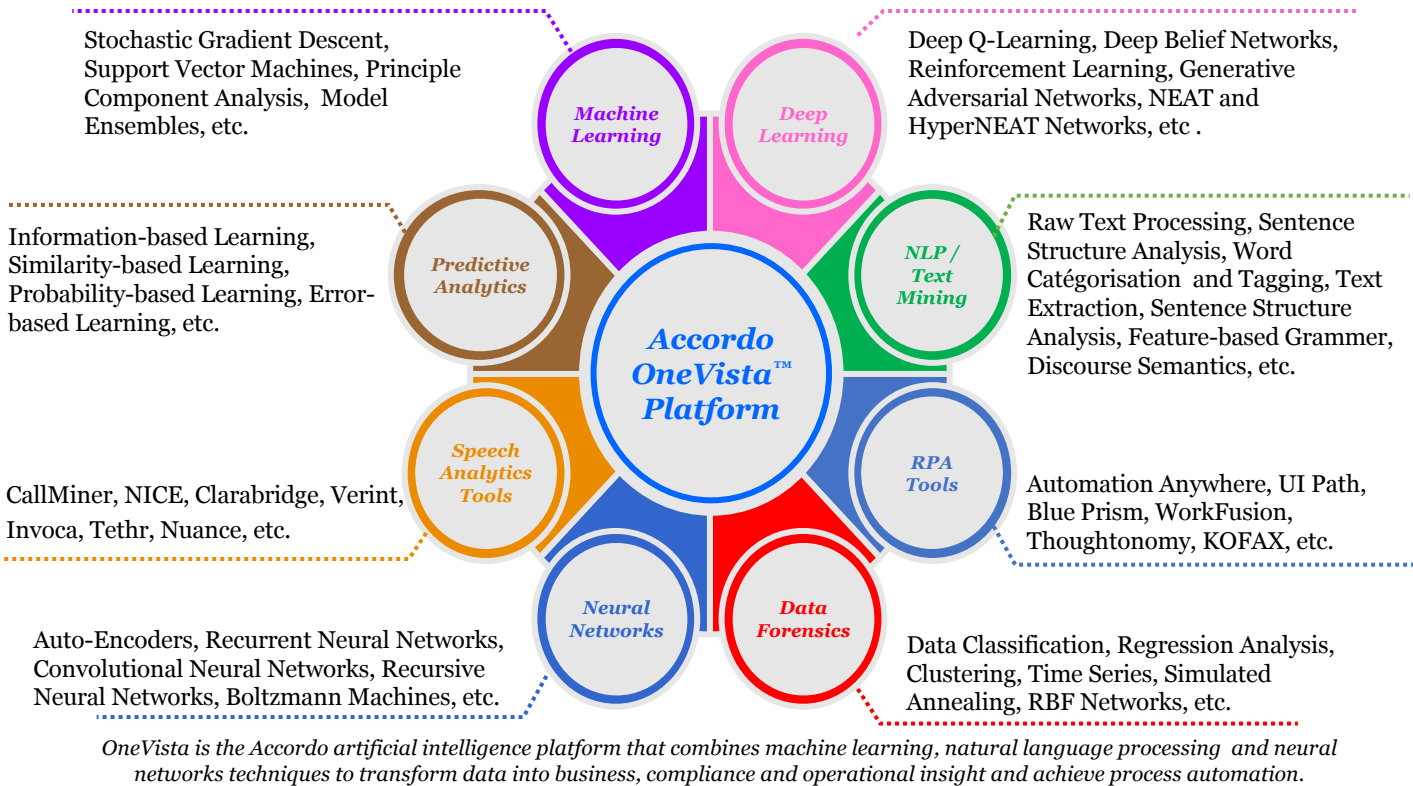
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Leveraging Artificial Intelligence (AI) for Financial Crimes Compliance

With rising regulatory costs and exploding amounts of data to analyze for detecting and preventing financial crimes, financial services firms should plan to leverage artificial intelligence (AI) tools to augment operations, compliance, and audit functions to make the three lines of defense more efficient and effective.

Artificial Intelligence is the emerging technology that can effectively improve financial crime investigations, scale to the volume and velocity of the modern financial system, and counter the continuously evolving approaches to money laundering, terrorist financing, corruption and fraud. AI and two of its key components - machine learning and deep learning - hold the key to reducing risk related to financial crimes. Further, AI is instrumental in addressing regulation and driving out operational cost through improved efficiency.



Illustrative Artificial Intelligence applications for Supervision and Monitoring:

- **Collaborative Filtering:** Detect transactions with missing, matching and/or unusual information
- **Feature Matching:** Identify transactions that breach specific scenario thresholds tailored to high-risk individuals, geographies, and sanctioned entities
- **Fuzzy Logic:** Find hidden data patterns and links with minor variations in names or addresses
- **Cluster Analysis:** Detect abnormalities in transactions benefiting a single person, party or entity
- **Time Series Analysis:** detect transactions benefiting a person or entity over an extended period
- **Focused Keyword Searches:** ability to dynamically monitor, screen and filter transactions based on keywords from high-risk AML, CTF and financial crimes typologies
- **Anomalous Activity Detection:** Ability to learn from any AI-identified suspicious activity to enhance transaction monitoring and KYC platforms
- **Model Validation & Threshold Tuning:** Supervised and Semi-Supervised algorithms can learn and optimize risk-based scoring for compliance alerts, reducing false positives