THE FUTURE OF INNOVATION IN AML PROGRAMS

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Innovation is a hot topic in many markets and industries. Financial services leaders are seeking to transform their outdated, manual processes through innovation in order to streamline processes and make more strategic decisions for the future. While innovation is certainly top of mind, most organization leaders want to know what they can do in the near term to make innovative improvements in their processes. They also want to understand their long-term, strategic goal for innovation. This infographic explores long-term innovative concepts – the hot topics in the AML world – as well as short-term, reasonable steps for introducing innovation into AML programs.

CUSTOMER DUE DILIGENCE (CDD)

CDD can help institutions better understand customers, their activities, and their relationships to other entities.

SHORT TERM

Data analytics and big data for identifying customers requiring enhanced due diligence (EDD)

- Data stored in information systems across multiple sources can be used to gain knowledge and information that was not requested or not addressed until after the close of a deal.
- User-friendly systems and dashboards can help facilitate the creation of a risk rating methodology using parameters, attributes, and rules. Dashboards can display a more accurate picture of how a customer interacts with an institution, combining elements found in multiple departments and databases.
- Event-based scoring can enable users to monitor for risk changes in real time and review customer events as they happen rather than waiting for longer review periods. Automatic alerts can be sent if changes occur in a customer's attributes.
- Highly configurable workflow tools with investigator and manager views can contain visual diagrams of workflow statuses and transitions to monitor the entire customer relationship.

LONG TERM

Blockchain for EDD and information sharing

- Every financial institution has to perform the know your customer (KYC) process individually and upload the validated information and documents to a central registry that stores digitized data tagged to a unique identification number for each customer. A blockchain-based registry could remove the duplication of effort in carrying out KYC checks.
- A blockchain ledger can enable encrypted updates to client details to be distributed to all financial institutions in near real-time. The KYC ledger could also provide a historical record of all documents shared and compliance activities undertaken for each client. This will form the evidence to be provided to the regulators.

CONTEXTUAL ACTIVITY MONITORING

Contextual activity monitoring can identify meaningful alerts of potentially suspicious activity and potential sanctions matches while producing as few false positive alerts as possible.

SHORT TERM

Enhancing customer peer group profiling through big data

- Third-party data can be used to supplement additional data fields for analysis.
- Techniques such as behavior classification or customer segmentation can group customer bases to provide targeted and personalized communications.
- Information provided by higher-risk profile customers and their transactions can be reviewed more closely at account opening and more frequently throughout the term of their relationship with the institution.

LONG TERM

Impact of machine learning (ML) on activity monitoring and need for tuning

- ML can teach computers to detect and recognize suspicious behavior and to classify alerts as being high, medium, or low risk. Applying rules to these alert classifications can facilitate the automatic closing of alerts, allowing humans to supervise the machines that triage these alerts rather than reviewing the alerts manually, and it can make better use of experts' time.
- ML algorithms are parameterized, and modification of those parameters can influence the outcome of the learning process. The more tuned the parameters of an algorithm, the more biased the algorithm will be to the training data and test harness.

INVESTIGATIONS AND REPORTING

Regulations require financial institutions to establish appropriate policies, procedures, and controls in order to monitor, identify, and report suspicious activity.

SHORT TERM

Automated information collection

- The use of an automated information system can greatly benefit financial institutions. Quickly disseminating information through an automated system can save many hours of tedious labor and provide a cost savings for the entity needing to distribute that information.
- Rather than completing paperwork by hand, customers can use a computer or tablet to complete forms. Known data on a customer can be pulled from multiple databases and then used to autopopulate data fields further down the line. This process can prevent data quality issues caused by manually retyping information.
- Case management systems can use autopopulated forms to move cases along in the review process. Investigative reports and government-filed reports can use autopopulated forms to improve efficiency and improve accuracy in data submitted.

LONG TERM

Automated investigations, reporting, and filing through artificial intelligence (AI)

- Firms need to be able to explain how and why particular decisions – such as why money laundering might or might not be suspected – are made. This reporting is important for internal systems and controls and might also be necessary in the context of regulatory enforcement action.
- AI decisions can automate reporting features so that rather than gathering and typing research into forms, analysts can focus on reviewing AI results.
- AI can also assist with alert triages by helping determine which alerts are worth investigating or escalating.

SINGLE CUSTOMER VIEW AND DATA ANALYTICS

Information from all available sources on a customer is extracted, cleansed, and made available through a common user interface.

SHORT TERM

Implementation of data analytics programs and personnel

- Data stored in information systems across multiple sources can be used to gain knowledge and information to build a complete profile on a customer.
- Dashboards within a common interface can link multiple sources and display visualizations summarizing details on a customer.

LONG TERM

AI and predictive analytics to link customer data, profiling, monitoring, and reporting

- Firms want to better understand and monitor their customers. AI can help create summaries of individuals and provide predictions on future customer activity.

GOVERNANCE

Governance provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined.

SHORT TERM

Automated tools for completing risk assessment and coverage assessment

- Software tools exist to allow business risk monitoring. A risk management system can help a financial institution streamline risk processes by creating custom assessment forms, tracking methodology, and process documentation.
- A centralized tool can help all relevant parties access the most up-to-date information. Risks can be evaluated based on impact, likelihood of occurrence, or potential cost.

LONG TERM

Planning for risks related to augmented reality and non-face-to-face interaction of financial services

- As new technologies affect financial services, institutions will need to find ways to monitor the potential impact of these risks, including augmented reality, advanced hacking techniques, and the further development of technology in non-face-to-face services.
- Forecasting models and artificial intelligence can begin to predict how changes to objectives might affect performance over time.

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