



# 7 Steps to Automate and Accelerate Your AML Compliance Process





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# Introduction: The Continued Rise of Money Laundering



The United Nations' Office of Drugs and Crimes estimated worldwide money-laundering at **USD\$2 - \$4 trillion**. As with many estimates of financial crimes, this amount is **likely understated**.



Of survey respondents filed more SARs in 2020 than 2019

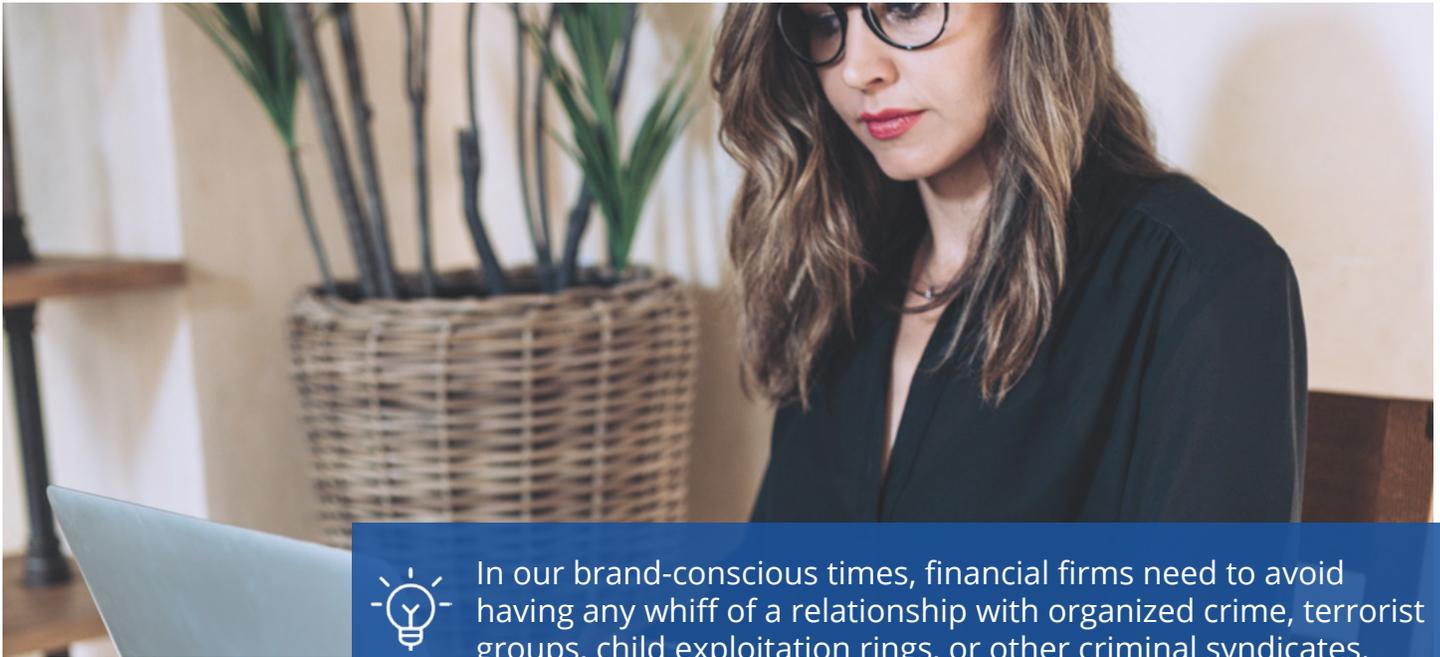
**\$10B**

Global AML penalties in 2020

Automating your anti-money laundering (AML) processes with an AI-based solution reduces your cost of compliance and false positives, and improves your effectiveness in preventing money laundering. Financial institutions need to take decisive actions against the growth in money laundering to strengthen and accelerate the process through upgraded technology, enhanced processes, and better utilization of internal and third-party data. Fraud.net's AML solution helps financial institutions prevent financial crime and money laundering with automated screening, risk management, and continuous monitoring.

Globally money laundering is on the rise; while COVID has exacerbated, it was surging before the pandemic. Money launderers are increasingly global in their reach, better organized, and technically savvy. They count on a lack of communication between banks both in-country and across borders.

Money laundering's cancerous effect on financial networks and society can not be overstated. Governments continue to try and address the threat with increasingly strict, multi-layered AML regulations.



In our brand-conscious times, financial firms need to avoid having any whiff of a relationship with organized crime, terrorist groups, child exploitation rings, or other criminal syndicates.

A perception of explicitly or implicitly helping these perpetrators of financial crime will stain an organization’s brand, reputation, and impact their entire operations.

According to a survey by Fraud.net’s partner, ComplyAdvantage, 74% of the respondents questioned filed more SARs in 2020 than in 2019. Governments and their regulatory authorities have continued issuing significant fines for institutions not in compliance. Last year, penalties related to AML exceeded USD\$10 billion globally, an 80% increase over the prior year.

If AML compliance is not adequately monitored, a financial institution’s reputational risk can be severely impacted, along with their bottom line. Below is a sampling of recent hefty fines issued by US federal and state regulators:

Goldman Sachs had fines of **\$3 billion** related to bribery schemes involving Malaysia’s 1MDB corporation.



Bank Hapoalim was fined **\$900 million** by US authorities for their involvement in a tax-evasion conspiracy and a money-laundering scheme involving bribes and kickbacks with FIFA.



Capital One was hit with fines of **\$390 million** for failure to report thousands of suspect transactions.

# Challenges of Current AML Technology and Processes

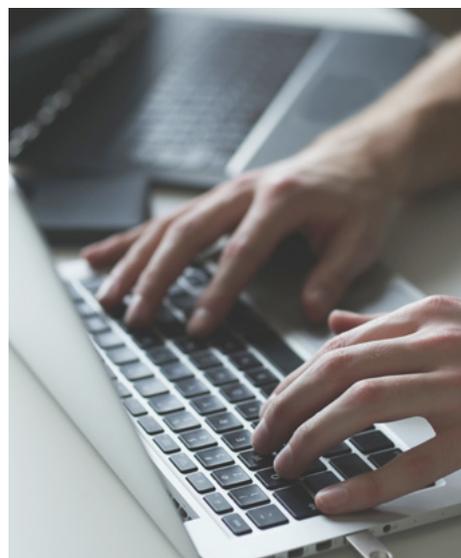
For North American financial institutions, the cost of managing AML and related compliance activity rose 33% in 2020 to over USD\$40 billion. AML processes are often homegrown, frequently “cobbled together” with manual activities and outdated technology. Too often, AML activities are only performed periodically due to inefficiencies in processes and competing priorities.

Traditional organized crime groups continue to utilize layering and advanced bookkeeping maneuvers through “shell” businesses. However, money launderers are increasingly becoming more diverse, including:

- Organized money laundering networks that act as an outsourcer for other criminals
- Cyber-criminals
- Human, drug, and arms traffickers
- Terrorism financiers

Though their crimes of choice may have evolved over the years, the launderer’s tactics have had seismic shifts. They are increasingly:

 Large global criminal syndicates working across countries and continents.	 Setting up e-commerce sites to pose as legitimate online stores or payment providers.	 Taking advantage of advanced technologies such as AI.	 Deploying trade-based laundering.	 Utilizing virtual currencies.
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ComplyAdvantage’s recent survey of financial institutions revealed some interesting findings regarding AML processes:

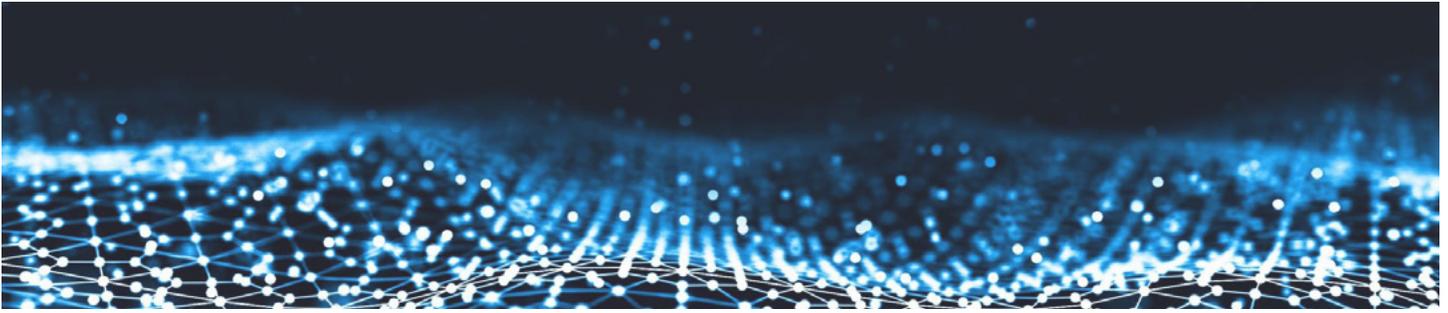
**93%**

of surveyed respondents felt real-time AML risk data would improve their compliance effectiveness.

**69%**

stated improving fraud detection was the highest priority involving AML compliance.

Improving technology, and the management and utilization of AML related data were the top focus areas for 2021.



The core issues faced by many financial institutions regarding their AML compliance process include:

- 01. Outdated IT infrastructure**  
 As large banks are inevitably part of multiple mergers, it results in a myriad of systems, many of which are often outdated. The legacy systems become difficult to upgrade and integrate with new technology.
- 02. Legacy systems and processes are unable to keep up with new forms of money laundering**  
 Criminals are going to keep moving away from the light of scrutiny. With their technological sophistication, complex operating structure, and knowledge of the schemes most scrutinized by banks and authorities, they constantly seek new tactics.
- 03. Siloed and difficult to access data**  
 Outdated systems create another major issue for institutions - data that is difficult to access. Analysts often must resort to manually compiling data to perform analysis. The siloed data makes it difficult for comprehensive analysis and utilization of AI and other advanced methodologies.
- 04. Senior leadership not providing effective risk management and oversight**  
 The tone set at the top regarding risk management and oversight is cascaded throughout the organization. Management failing to place the necessary stewardship of risk management and instilling a culture of control is often the root of problems related to AML, data breaches, and other fraudulent activities.
- 05. Lack of collaboration**  
 A defining change in money laundering plots is the increasingly global nature of fund movement. Criminal networks utilize intricate laundering schemes to move money across countries. But banks are often hamstrung by not sharing AML-related data.
- 06. Over-reliance on bank's compliance and risk personnel**  
 While the compliance and risk teams are crucial in detecting money laundering, they should not be the only personnel watching for signs of money laundering. When front-line employees and others outside of the compliance and risk teams are not providing support in highlighting potential cases, a knowledgeable and available resource is wasted.

WHAT ARE THE BIGGEST FINANCIAL CRIME PAIN POINTS?

The ComplyAdvantage survey found:



of organizations have combined their AML, cyber, and fraud areas.

Their most significant pain points involving financial crime data were:



Compiling Global Data



Relevancy and Correct Categorization



Out of Date Data

# Creating a Competitive Advantage through Improved AML Technology and Processes

**Increasingly sophisticated and organized money laundering schemes are requiring more robust detection and monitoring capabilities.**

Your financial institution needs to transform its perspective on AML compliance. Mindsets need to change from a compliance and task orientation to creating opportunities for competitive advantage.

An AI-powered AML platform can improve your team’s efficiency, lower the cost of compliance, reduce false positives, and enhance the customer experience.

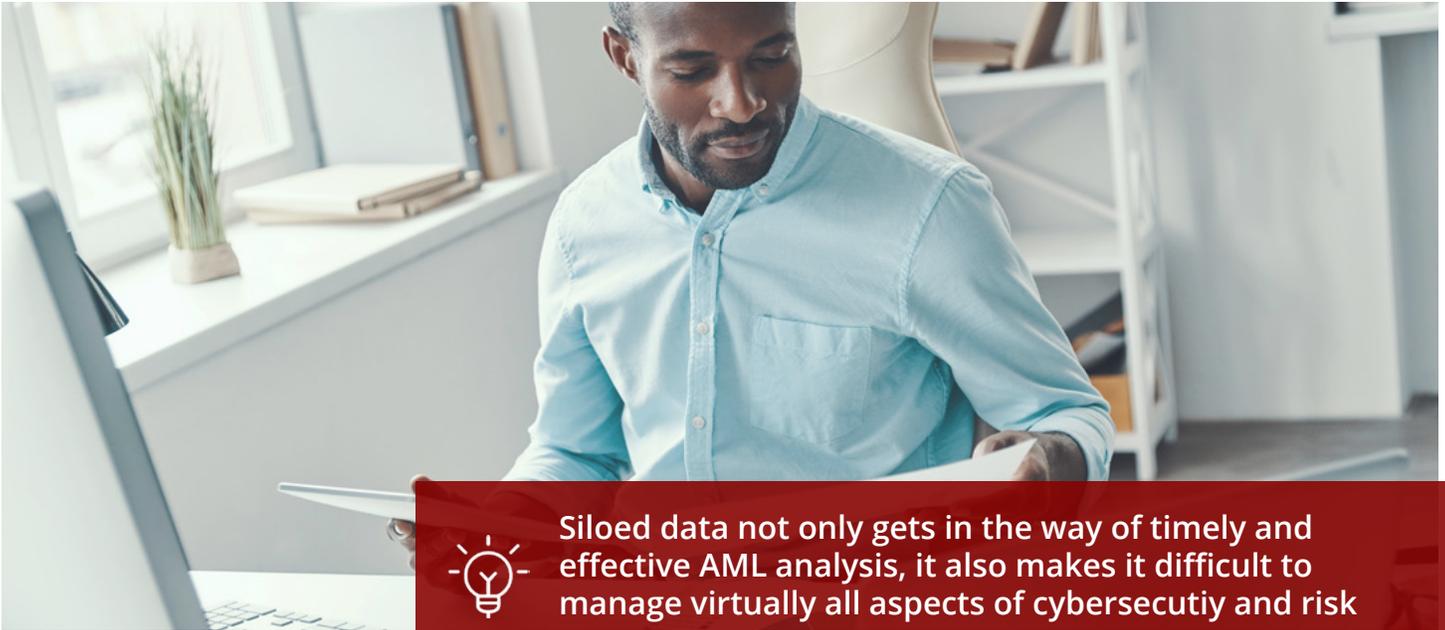
The following are **seven decisive actions** your financial institution needs to take to improve, automate, and accelerate your AML compliance process.

## 1. CREATE A STRONG GOVERNANCE FRAMEWORK

The core of a KYC/AML program is a formal and strong governance structure. Your leadership team needs to take an active involvement in AML risk management, and to ensure the compliance, risk, and audit teams are carrying out the necessary reviews and providing on-going updates on status.

The governance framework needs to include:

- Quantification of your institution’s risk exposure.
- Ensure the control environment around AML policies and procedures is sufficient and being followed.
- Oversight of the monitoring systems and guidelines to efficiently and timely alert teams to anomalies.
- A control feedback loop to continually corroborate the AML algorithms are working as required, cases are properly expedited, and false positive levels are closely watched.
- The on-going alignment of investment and resources based on risk levels.



Siloed data not only gets in the way of timely and effective AML analysis, it also makes it difficult to manage virtually all aspects of cybersecurity and risk management.

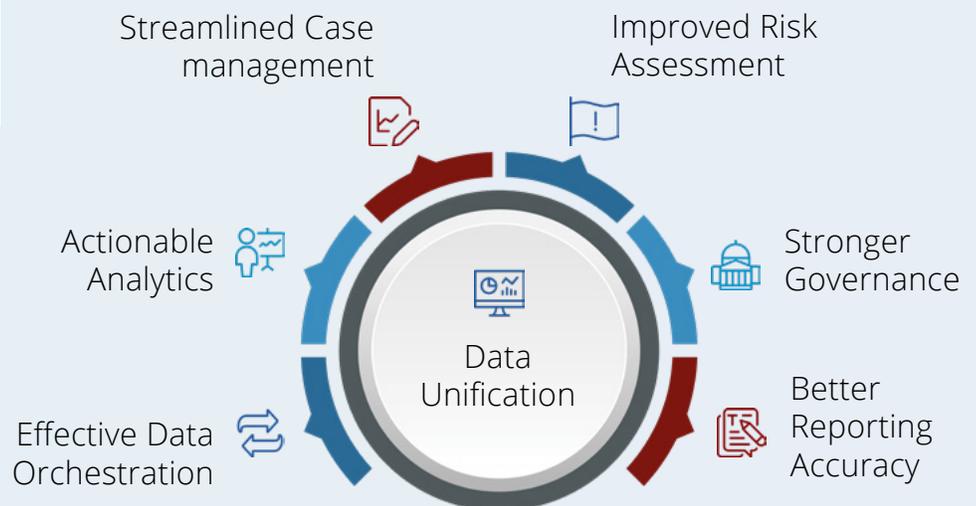
## 2. CONSOLIDATE FINANCIAL CRIME-RELATED SYSTEMS, DATA, AND PROCESSES

Coinciding with the need for AI/ML in your AML compliance process is the requirement to consolidate your financial crime data. Siloed data is the bane of timely and effective AML analysis. Amalgamating your financial crime data brings benefits beyond AML - including fraud prevention, cybersecurity, credit risk, and other areas.

Consolidating and augmenting your data provides a 360-degree view of potential financial crime transactions, customers, and counterparties. Removing data silos also provides you with the opportunity to consolidate people, processes and technologies, and realize the inherent cost and time savings.

### WHAT IS THE IMPACT OF EFFECTIVE DATA CONSOLIDATION?

Unifying your systems results in a cascade of improvements:





Estimates are that about 95% of rules-based flagged transactions are **false positives** in the first review stage. The direct cost alone of reviewing false positives is in the billions; adding the indirect and opportunity cost of the wasted resources and time is staggering.

### 3. DEPLOY AI/ML TO QUICKLY DETECT ANOMALIES

For a more efficient, automated, and highly effective AML compliance process, utilizing AI/ML models is a necessity. With machine learning, a model can offer forward-looking detection of anomalies. No longer are you relying on individuals to analyze reams of data to detect a possible issue. Your analysts can now focus on the alerts driven by the system to reduce backlogs, errors, and creating more timely identification of potential money laundering.

Additionally, AI models can provide your organization the ability to perform entity analysis to discover relationships across entities, including counterparties and beneficial owners. Analysts can then look further into the connections to better understand the laundering schemes and entities involved. AI models can also provide your teams with visualization of elaborate ownership assemblages.

### 4. REDUCE FALSE POSITIVES WITHOUT INCREASING FALSE NEGATIVES

In traditional rule-based AML models, the simplicity leads to large volumes of false positives. Whereas AI/ML models are proven to reduce these numbers dramatically as they are much better equipped to detect anomalous behaviors and transactions.

AI-based models can support your financial institution through the entire cycle, from the KYC processes to monitoring of transactions and entity relationships.

### 5. DYNAMIC UPDATING OF CUSTOMER PROFILES

Data is the spotlight required to detect and visualize money laundering conspiracies. With the need to perform near-continuous reviewing, all applicable internal and external data is necessary to employ dynamic updating.

Complementing AML, a perpetual KYC program is becoming the norm to stay ahead of the money launders. Your AI-driven system needs to be capable of updating customer profiles every time there is a material change based on internal and external sources.

## 6. SECURELY AND ANONYMOUSLY SHARE DATA

The continued global growth and complexity of money laundering requires new approaches.

One of these approaches is the trend of financial institutions to share applicable information, including:

- Entity information, across banks and jurisdictions.
- Anonymized AML model performance for new insights on criminal behaviors and their patterns.
- Collaborating throughout the compliance value chain - KYC, sanctions screening, adverse media, PEP, and other elements.

This collaboration is critical as the criminals continually maneuver money across banks and countries. Whether it is global financial institutions or large government agencies, none have complete visibility to money laundering structure. Sharing information offers your firm the ability to better understand the structure of the schemes to help detect and stop money laundering.

## 7. DEVELOP A RISK-AWARE CULTURE

Creating a risk-aware culture that involves all relevant employees, not just the compliance, risk, and audit teams, provides your company a more formidable first line of defense. Leadership must create an environment that encourages raising possible issues and asking questions.

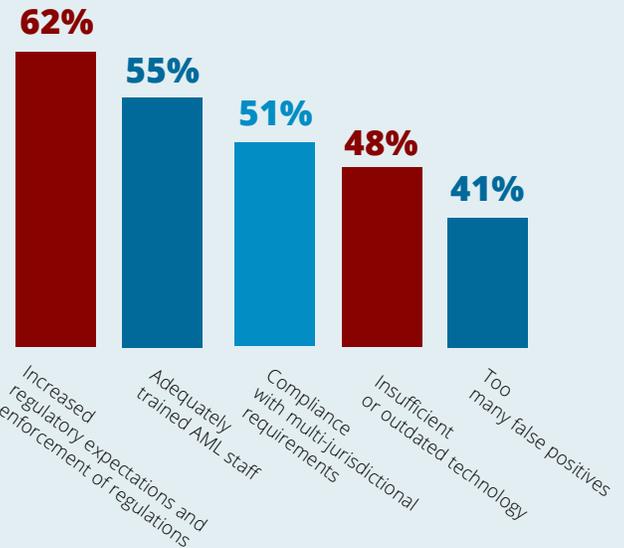
Improved technology, increased collaboration, and more involved governance are the way forward to help your financial institution enhance AML compliance and stem money laundering. AI/ML technology and other improvements will automate and accelerate the process, thereby lowering the cost of compliance and improving the program's overall effectiveness.

Building a risk-aware culture also requires keeping your employees aware and updated regarding AML on a regular cadence:

- Management needs to lead and ensure employees take part in tailored AML training.
- Training needs to be scheduled regularly to aid in retention. Too many financial institutions only provide employees with the training as part of onboarding.
- Providing regular compliance training not only helps cover ever-changing updates to tactics and regulations but instills the importance of AML compliance.

### WHAT ARE THE BIGGEST AML COMPLIANCE PAIN POINTS?

A Deloitte survey in 2020 revealed the following regarding respondent's primary AML compliance challenges (multiple choice question):



# Fraud.net's End-to-End AML Solution

We support dozens of bank's KYC/AML compliance processes, including identity screening and monitoring, and transaction monitoring. Our solution offers clients automated screening, risk management, and continual monitoring in their detection and prevention of financial crime and money laundering.

Fraud.net's software provides seamless onboarding, and automated AML screening and monitoring, including:



**Customizable Risk Screening** - Screen against global sanction, adverse media, PEPs, and other lists.



**Automated Customer Onboarding** - Spot more risks and reduce false positives.



**On-going Monitoring** - Receive tailored, proactive alerts to rapidly spot suspicious behaviors.

The Fraud.net solution delivers integrated screening and monitoring capabilities across the customer lifecycle from onboarding to reporting. Plus, you have the flexibility to write rules that match your institution's requirements for checking if the applicant, customer, or counterparty's name appears on any sanctions or watchlists.

Your organization can also customize queries to include specific lists, fuzziness, and match types, including sanctions, PEPs, and adverse media. Additionally, you can achieve a more robust fraud data set by being part of a large data consortium through our Collective Intelligence Network. Lastly, our solution is strengthened by our partnerships with ComplyAdvantage and Jumio.

AML Customer Search Results

Powered by **ComplyAdvantage**

Mugabe Robert Gabriel

adverse-media

adverse-media-financial-crime

adverse-media-fraud

adverse-media-general

adverse-media-narcotics

adverse-media-sexual-crime

adverse-media-terrorism

adverse-media-violent-crime

pep

pep-class-1

pep-class-2

pep-class-4

sanction

Entity Type	Person
Relevance	name_exact
Countries	Egypt, Kenya, Nigeria, South Africa, Spain, United Kingdom, United States, Venezuela, Zambia, Zimbabwe
Date Of Birth	1914 (Age: 107)

With Fraud.net's AML solution, your financial institution gains the following benefits:

- Reduced False Positives
- Fully Automated Monitoring
- Global Coverage
- On-demand Screening
- Flexible Search Options
- Seamless Integration

Our AML solution offers your financial institution a comprehensive, flexible tool that delivers intelligent automation to make your AML process more efficient and cost-effective. Contact us today for a free demo.

**LEARN MORE**