FACT SHEET

Artificial Intelligence

Future-proof AML processes by leveraging AI and machine learning

"An AI engine is the perfect complement to the compliance officer. It can look at the transactional activities of customers through a completely independent set of lenses, analysing billions of transactions across multiple dimensions to detect anomalies. This would take humans many years to complete alone, at great cost."

**Luca Primerano,
Chief AI Officer, Napier**

AI provides banks and financial institutions with a faster, smarter way to clamp down on criminals, while meeting regulatory requirements, and driving business efficiency.

AI-powered insights enhance rule-based approaches as machine learning and advanced analytics offer automatic pattern identification and risk assessment to help teams focus on high-risk red flags.

Why we need AI in AML compliance

- ✓ Money laundering techniques have evolved significantly as criminals leverage technological advances.

- ✓ Multiple global regulations increase the risk of fines and reputational damage for financial institutions.

- ✓ The increasing cost of compliance is no longer manageable.

Simultaneously reduce risk and create operational efficiency with Napier

Taking an intelligent approach to compliance with Napier's AI-enhanced solutions such as Transaction Monitoring, Client Screening or Client Activity Review has benefits:

- ✓ Frees up the time of compliance analysts.

- ✓ Reduces the risk related to undetected unusual behaviours.

- ✓ Creates operational efficiencies by supplying analytical insights rapidly.

How can AI deliver business value?

1. Automate ongoing client activity reviews

Customers' activities have to be reviewed on an ongoing basis to ensure risk is assessed and monitored properly. Current approaches are met with several challenges:

Data overload

Increased volumes of transactions make it difficult to review activities efficiently over a period of time.

Data siloes

It is difficult to consolidate customer information into a single view if data is held in different systems.

Lack of context

A customer's transactions alone are not representative of the client's real behaviour. Do the transactions tally with the information supplied when the client was onboarded?

Prioritisation and reviews

It is not always clear to the analyst which data point is the priority to investigate first.

How does AI solve these challenges?

- AI consolidates all transactional and activity data, then compares it across all dimensions with expected behaviours gathered at onboarding. The machine is capable of sifting through reams of data and highlights those behaviours that seem unusual based on previous activities and compared to peers' behaviours.

- AI facilitates intelligent prioritisation to help the analyst understand where to focus the most urgent actions.

Benefits of AI

- Automates client activity reviews by processing historical data and highlighting risks

- Rapidly identifies key risk indicators based on discrepancies between real and expected behaviours

- Supplies AI-driven explanation of the most unusual behaviours in natural language

2. Reduces false positives in client screening

Screening customers against sanction lists, politically exposed persons (PEPs) or adverse media is a critical task that is not only a regulatory requirement but also reduces the organisation's exposure to risk.

The key challenges in screening are:

False positives

The significant number of false positives generated by screening processes and technology (often higher than 5% in the industry) make the process inefficient.

Lack of clarity

Lack of clarity from the outcomes of screening algorithms make it difficult to explain decisions.

Policies and procedures

High numbers of organisational policies and procedures required to assess risks levels add additional complexity to the task.

Static thresholds

In legacy solutions based on static thresholds, data that should be considered can often be overlooked.

How can AI solve screening challenges?

- Increases accuracy of risk detection through use of machine models which learn from historical data and policies what risk looks like for the organisation.

- Minimizes the number of false positives through easily managing multiple types of screening and risk profiles.

- Continuously improves the efficiency of processes via dynamic feedback.

- Provides machine learning explanations to understand the risk.

Benefits of AI

- Increases efficiency by automating a four-eyes check process using machine learning

- Automates screening of PEPs / adverse media

- Increases efficiency in matching by reducing time to review hits and through better prioritisation of alerts

3. Detect unusual and unknown patterns

In legacy solutions where transaction monitoring is based on static rules, there are significant limitations in capturing complex and unusual behaviours.

Thresholds limit detection

Rules comprise criteria and thresholds to detect anomalies. These have to be defined upfront. In contrast, criminals introduce new anomalous behaviours constantly which are often not known and therefore go undetected by rules.

How can AI support?

- ✓ Through the use of machine learning models, unusual patterns can be detected in transactions that wouldn't typically be flagged by typical rules.

- ✓ All output from the machine is presented to the analyst in simple, easy-to-read language that explains the root cause of the anomalies.

- ✓ Helps the analyst focus on key transactions by analysing multiple datapoints at the same time.

Benefits of AI

- ✓ Improves the quality of alerts by creating a challenger score to be used in conjunction with rule-based scoring thus reducing overall risk

- ✓ Decreases risk by detecting unusual data correlations

- ✓ Increases efficiency by providing additional insights and pointing analyst towards clients with higher risk

Discover how Napier can transform your compliance processes

For more information on Napier's award-winning AML solutions, please contact us at info@napier.ai or book a demo online at www.napier.ai

Email us   **Book a demo**

NAPIER   Trusted by 200 Financial Institutions and FinTechs globally.