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Financial Crime Modernization: Accelerate Programs With Augmented Analytics

Annegret Funke, Head of Financial Crime, Featurespace
Mark Gregory, Director, PwC

Wednesday, 09 March 2022, 11:00 GMT

A Word From Today's Chairman

Hugh Morris

Senior Research Partner

Z/Yen Group

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Today's Agenda

- 11:00 – 11:05   Chairman's Introduction
- 11:05 – 11:35   Panel Discussion – Annegret Funke & Mark Gregory
- 11:35 – 11:45   Question & Answer

Annegret Funke

Head of Financial Crime

Featurespace

Mark Gregory

Director

PwC

If tier 1 banks, with all their resources, can't manage to avoid the massive fines for AML non-compliance, how can smaller institutions avoid the pitfalls?

FT FINANCIAL TIMES

Anti-money laundering fines surge as watchdogs impose tougher penalties

Authorities levied $1bn in the first half of 2021, on track to hit last year's total of $2.2bn

REUTERS

Court says Credit Suisse faces $45.5 million claim in money-laundering case

GOV.UK
Press release

HMRC issues record £23.8m fine for money laundering breaches

Money services business fined for flouting money laundering regulations.

Finextra

AML penalties hit $2.2 billion in 2020 as regulators crack down on financial crimes

HSBC fined £64m for anti-money laundering failings

BBC NEWS

COMPLIANCE WEEK
FOR THE WELL-INFORMED CHIEF COMPLIANCE OFFICER AND AUDIT EXECUTIVE
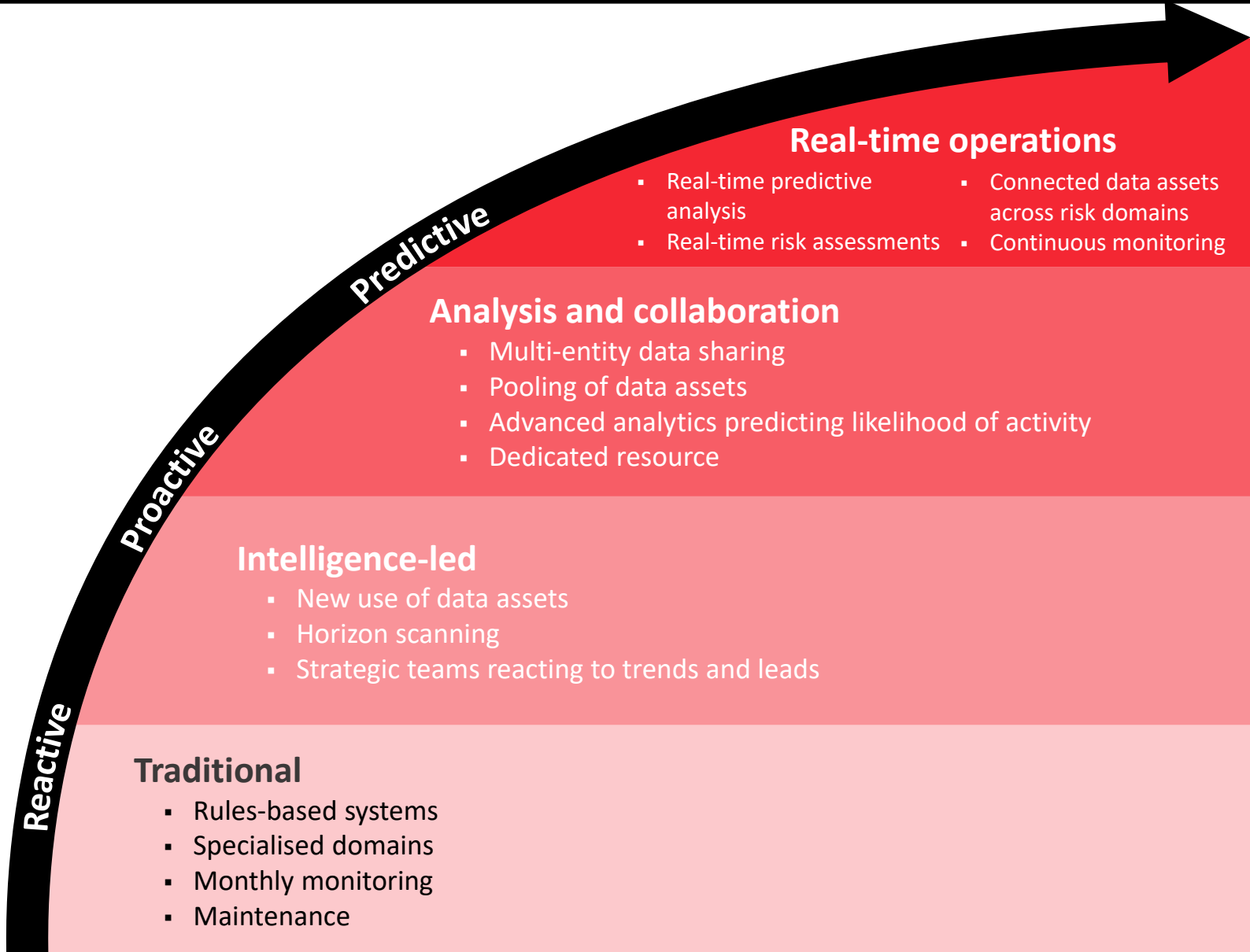
SURVEYS & BENCHMARKING

Pandemic not slowing rising AML fine totals, report says

14

Most banks will already have invested in AML systems, is the only solution for them to rip and replace? Or is there a way to extract more value from those investments?

Financial Crime Analysis of the Future

Real-time operations
- Real-time predictive analysis
- Real-time risk assessments
- Connected data assets across risk domains
- Continuous monitoring

Analysis and collaboration
- Multi-entity data sharing
- Pooling of data assets
- Advanced analytics predicting likelihood of activity
- Dedicated resource

Intelligence-led
- New use of data assets
- Horizon scanning
- Strategic teams reacting to trends and leads

Traditional
- Rules-based systems
- Specialised domains
- Monthly monitoring
- Maintenance

Predictive

Proactive

Reactive

Is there a way to get ahead of the pace of change and be more strategic than tactical in response to mandates?
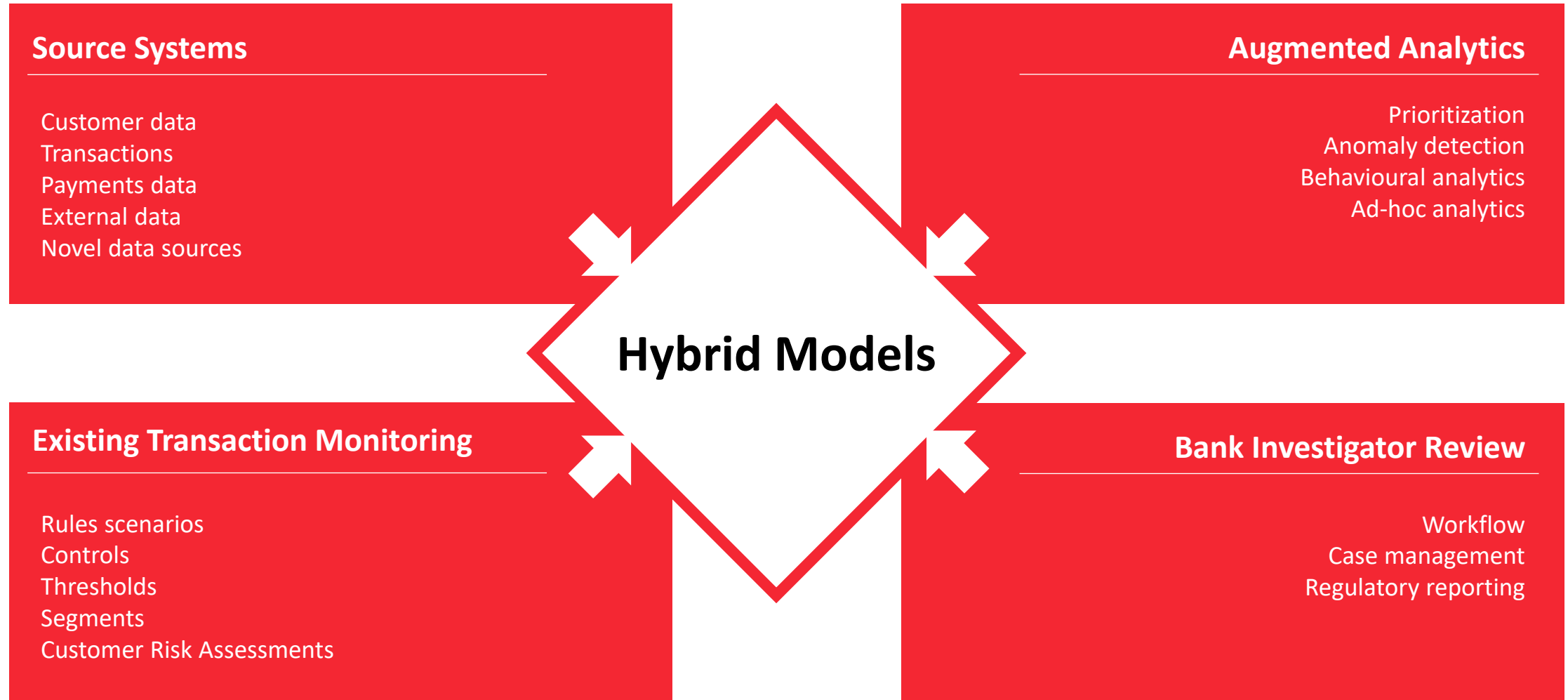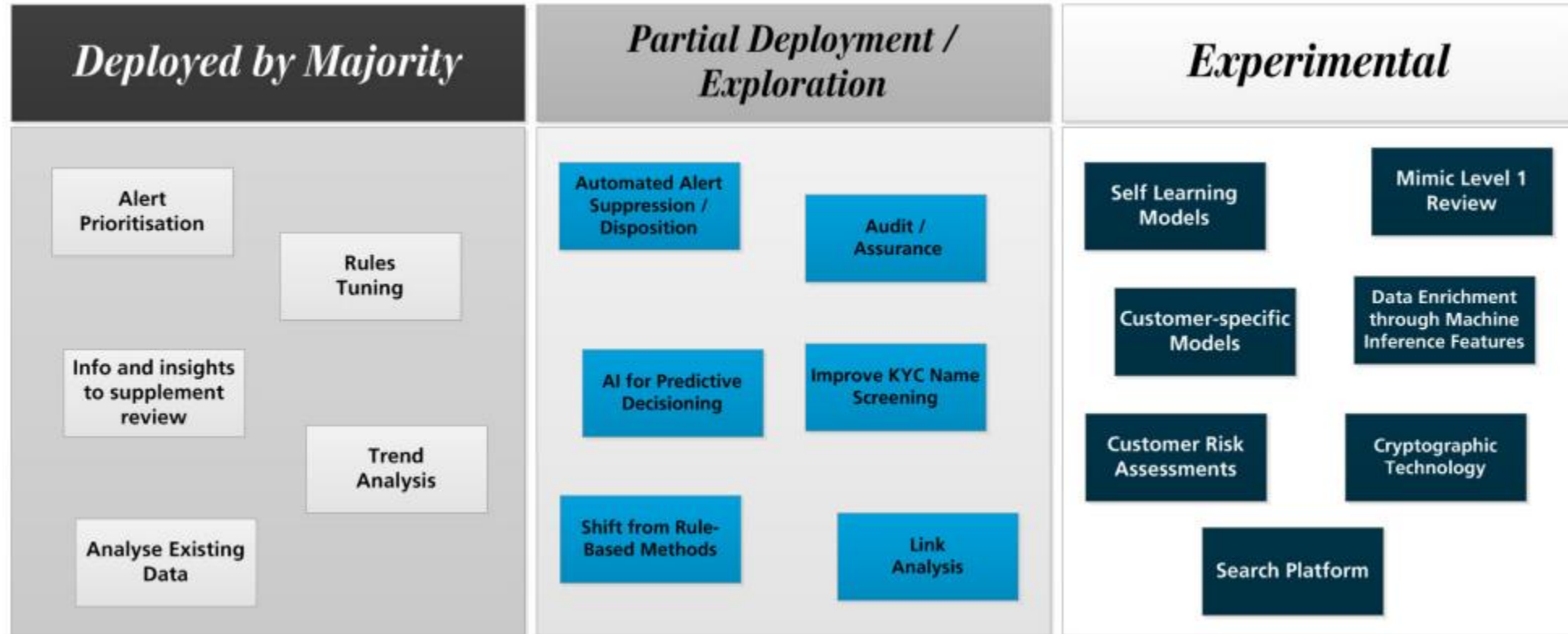
As much as Financial Institutions want to look to the future, the pressure of compliance is keenly felt today.
For institutions with urgent needs to ensure compliance, how should they proceed?

Data analytics for AML

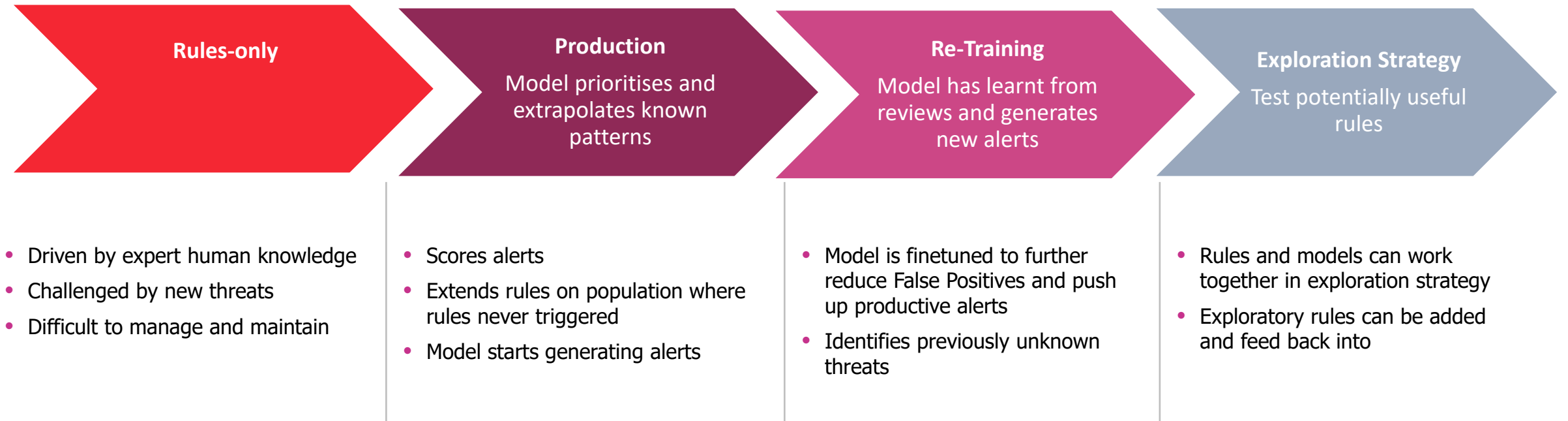| Deployed by Majority	Partial Deployment / Exploration	Experimental
Alert Prioritisation	Automated Alert Suppression / Disposition	Self Learning Models
Rules Tuning	Audit / Assurance	Mimic Level 1 Review
Info and insights to supplement review	AI for Predictive Decisioning	Customer-specific Models
Trend Analysis	Improve KYC Name Screening	Data Enrichment through Machine Inference Features
Analyse Existing Data	Shift from Rule-Based Methods	Customer Risk Assessments
	Link Analysis	Cryptographic Technology
		Search Platform

Source: Anti-Money Laundering and Countering the Financing of Terrorism Industry Partnership, Monetary Authority of Singapore

The industry is clearly aware of the potential benefits of machine learning for AML, but for many FIs the data science resources may not be in place right now.
Is there a way forward for them?

A Hybrid Rule-Model System

Rules-only

Production
Model prioritises and extrapolates known patterns

Re-Training
Model has learnt from reviews and generates new alerts

Exploration Strategy
Test potentially useful rules

- Driven by expert human knowledge
- Challenged by new threats
- Difficult to manage and maintain

- Scores alerts
- Extends rules on population where rules never triggered
- Model starts generating alerts

- Model is finetuned to further reduce False Positives and push up productive alerts
- Identifies previously unknown threats

- Rules and models can work together in exploration strategy
- Exploratory rules can be added and feed back into

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Thank You for Listening

Forthcoming Events

- Mon, 14 Mar (15:00-15:45)   Leading Beyond The Ego – It's What Future Stakeholders Will Expect

- Wed, 16 Mar (16:00-16:45)   Crypto Scams & What You Can Do About Them

- Thu, 17 Mar (10:00-10:45)   A Shining Light On A Naughtie World

- Tue, 22 Mar (10:00-10:45)   Difficult Questions: Saving Management Consultancy From Itself

Visit https://fsclub.zyen.com/events/forthcoming-events/

Watch past webinars https://www.youtube.com/zyengroup