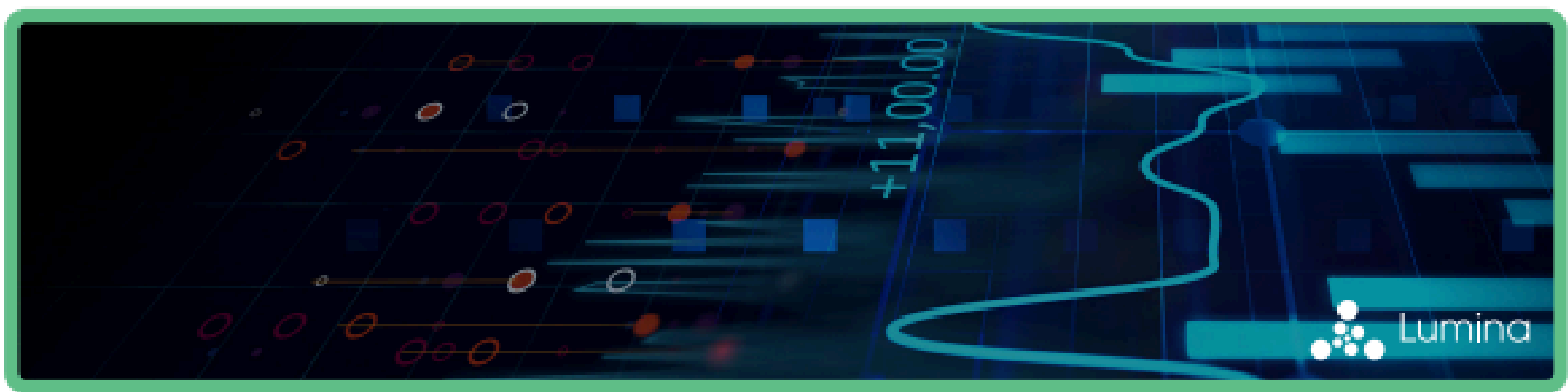




AI and Stanching the \$800 Billion – \$2 Trillion Laundered Annually

Dec 5, 2019

In November, Westpac, Australia's second largest bank was accused of breaking the country's anti-money laundering laws 23 million times, with each breach potentially worth a fine of up to \$21 million dollars.

The Australian agency filing the charges said the infractions, which occurred between 2013 and 2019, resulted because "Westpac adopted an ad-hoc approach to money laundering and terrorism financing risk management and compliance."

Westpac is not alone in challenges related to anti-money laundering (AML) and know your customer (KYC) sanctions.

Financial Institutions Fined \$26 Billion Globally and U.S. Regulators Most Punitive

In fact, global regulators have fined financial institutions \$26 billion for AML/KYC violations between 2008 and 2018, with more than \$11 billion fined in 2015 alone.

Here in the United States, regulators are the most punitive with the U.S. Department of Justice imposing half of the sanctions – \$14 billion – followed by the New York Department of Financial Services at \$3.6 billion.

Compliance Costs Expected to Reach 10% of Revenue in 2021

Compliance costs related to AML/KYC compliance are equally illuminating, with approximately \$25 billion spent annually by U.S. financial services firms. The smallest institutions are the hardest hit.

Firms with \$10 billion in total assets paid a total of \$12.3 billion in AML costs and those with more than \$10 billion in assets spent \$13 billion.

And, experts predict that those regulatory costs will only go up, with some estimating 10 percent of total revenue by 2021 – up from 4 percent last year.

Data Validation Greatest Challenge

The inability to validate data is the greatest challenge when it comes to compliance, according to more than 50 percent of banks surveyed in a 2017 report on anti-money laundering.

The study found that almost 90 percent of financial institutions verify information directly with the customer, and 62 percent said improving data management and data quality was their top priority in the next 12 months.

Based on those statistics, it's not surprising that nearly 50 percent said they will invest in technology solutions and process automation in the next year.

World Economic Forum Cites AI as Key to Combating Bad Actors

And that is where AI and machine learning come into play.

The World Economic Forum, in a report looking at the future of financial services and how AI will transform the financial ecosystem, noted:

"AI creates new opportunities to more efficiently and effectively combat bad actors through collective action...."

That sentiment is echoed by some of the world's leading business management and consulting firms.

EY notes that AI can drive significant efficiencies in hotspots like screening and transaction monitoring, saying the technology will reduce operational workloads and is "being increasingly applied to customer due diligence and screening controls using natural language processing and text mining techniques."

AI Could Generate \$250 billion in Value to Banking Industry

And, McKinsey & Company says that machine learning and AI will transform the banking industry, using "vast amounts of data to build models that improve decision making...and improve risk management."

The firm further expects that AI will generate more than \$250 billion in value.

The Radiance Solution

AI-powered Radiance is designed to help financial institutions make the customer due diligence process more substantive and streamlined.

Radiance ingests and analyzes massive amounts of unstructured data across the open web, as well as internal data sets, providing actionable results within minutes.

And, Radiance can help with ongoing customer monitoring with its one-of-a-kind continuous monitoring capabilities.