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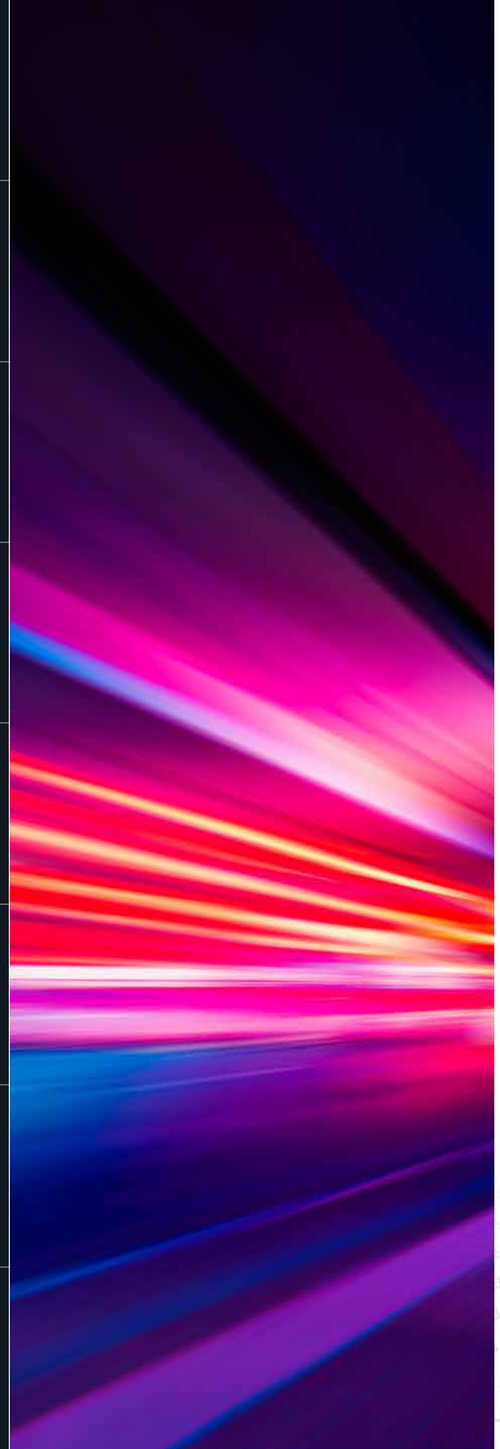
eBook

# Combat Money Laundering with Next-Gen AI





# Introduction

Detecting truly suspicious activity still poses a challenge to many financial institutions (FIs). It's estimated that up to two trillion USD is laundered annually,[1] with less than one percent of this being detected.[2] Attempts to identify suspicious activity remain challenging, with false positives remaining stubbornly high, often as high as 95%.[3] Artificial intelligence (AI) offers great potential for detecting and reducing noise.

With the right use of next-gen technology, FIs can work to increase efficiency and effectiveness within their AML programs. AI, especially the use of Machine Learning (ML), has proven effective when applied to fighting financial crime.

**Benefits of AI:**

- **Identify more truly suspicious activity**
- **Reduce false positives, and thus overall alert volumes**
- **Improve coverage and increase alert quality**
- **Faster and more efficient investigations**
- **Reduce overall risk**

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# The AI toolkit

AI's potential is unleashed when used across the entire AML program and used to augment proven systems. Adding AI solutions, especially those with advanced analytical capabilities, enhances an AML program and builds confidence in detecting suspicious activity.

- Advanced Segmentation and Tuning
- Identity Resolution
- Anomaly Detection
- Network Analytics
- Predictive Scoring
- Generative AI



# Advanced Segmentation and Tuning

FIs can attain more precise monitoring by dividing customers into more granular segments based on specific behaviors and attributes. Pre-existing segments can be further divided using unsupervised machine learning. Following advanced segmentation, the number of detection rules will increase, sometimes drastically. Tuning needs to be done following segmentation to optimize model thresholds, strengthening suspicious activity detection. To enhance this process FIs should implement AI driven automated tuning.

AI driven automated threshold tuning, with machine learning at its core, recommends optimal model thresholds to minimize false positives and maximize true positive detection. With more granular customer segments and ongoing automated tuning, FIs can achieve higher detection accuracy.

With intelligent segmentation and model optimization, FIs can **reduce alert volumes by up to 40%** and complete tuning cycles with full validation and simulation in **under 2 hours**.[4]

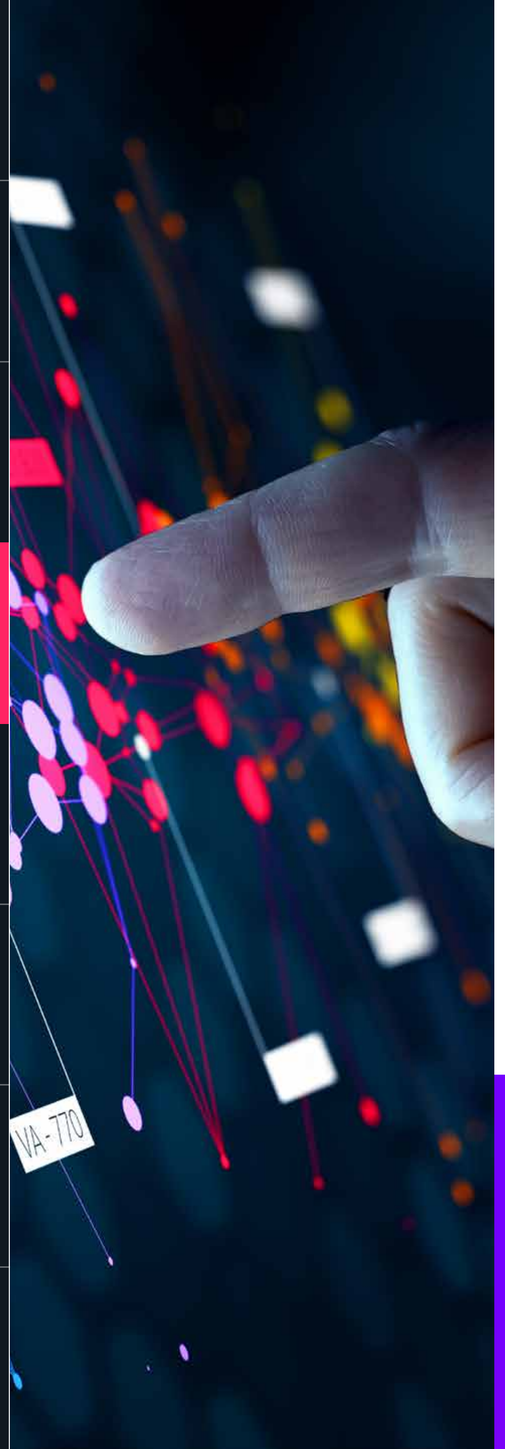


# Identity Resolution

In many FIs, disconnected systems and records lead to duplicated customer records. FIs can leverage identity resolution tools to deduplicate customer records. Identity resolution ensures any data, whether gathered from internal or external sources, is correctly associated with the right entity to which the data pertains. By identifying the same attributes across entity records, identity resolution is able to determine whether an entity is duplicated or if they are in fact separate entities. Identity resolution enables FIs to create a consolidated view of each entity.

**Identity resolution tools can help AML teams achieve**

**up to 81% higher productivity.[5]**



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# Advanced Anomaly Detection

Advanced anomaly detection enables FIs to identify suspicious activity which would have previously gone undetected. Advanced anomaly detection uses unsupervised machine learning to detect suspicious outliers, compared with historic or peer activity.

Anomaly detection increases coverage as it is able to detect suspicious activity beyond the limits of defined rules thresholds, which if increased beyond optimal levels would significantly increase false positive volumes. Using multi-variate machine learning models, anomaly detection is able to identify suspicious activity while eliminating 'normal' anomalies in behavior. Advanced anomaly detection, coupled with rules-based models, provides FIs with comprehensive coverage.

**Clustering and other analytic tools can reveal patterns and anomalies that elude rules-based approaches.[6]**

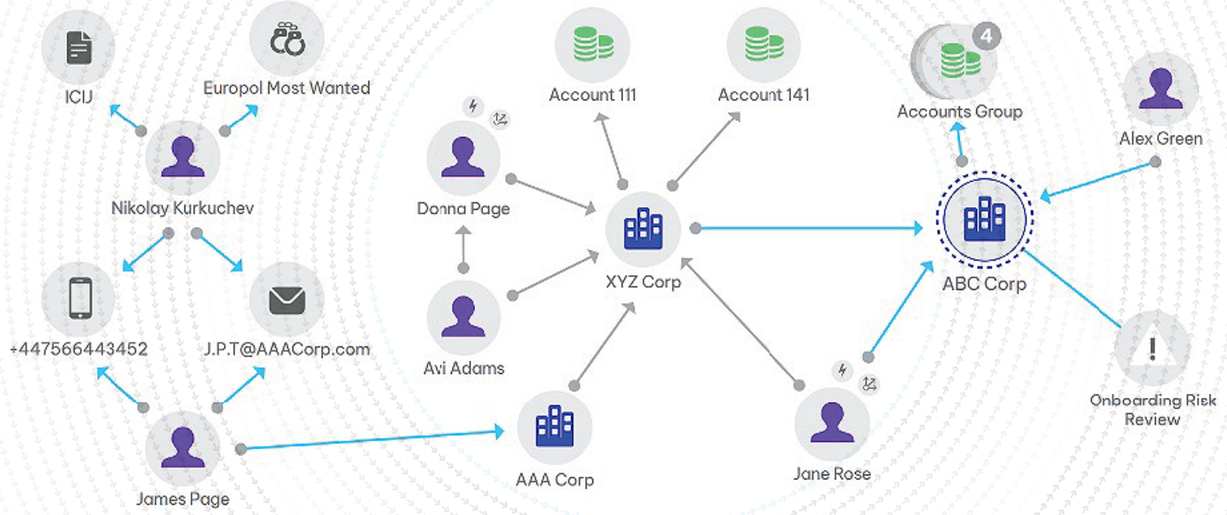


# Network Analytics

Network analytics helps FIs determine and understand the risks of customers' relationships, by identifying direct and indirect customer relationships using customer account information, transactional data, and third-party data intelligence.

Each network is made up of nodes that represent entities, such as parties, accounts, banks, and issued cards. Linked nodes represent connections, such as transactions between two accounts, beneficial ownership, relationships between parties, and other attributable similarities.

With rich network information, FIs are able to detect additional suspicious activity based on interactions between parties or high risk relationships. Network analytics also increases investigation quality with the ability to explore relationship networks for high risk relationships.





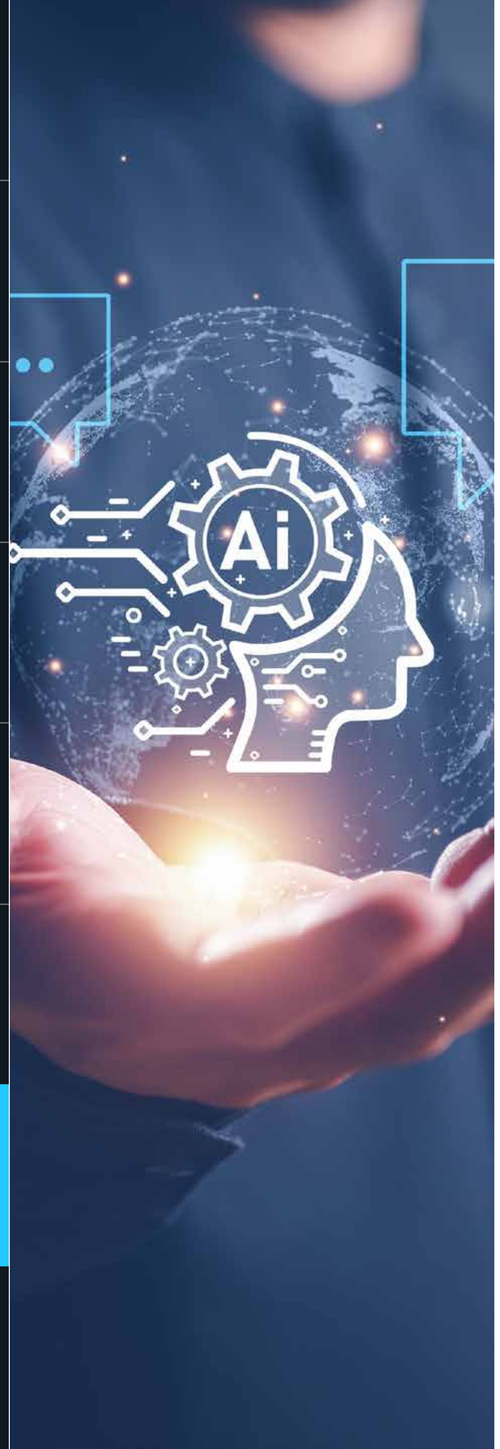

# Predictive Scoring

Predictive scoring enables FIs to better prioritize alerts that will likely result in a suspicious activity report (SAR) and hibernate those that won't. With prioritized alerts, FIs can allocate operations resources more effectively and focus on truly suspicious alerts.

Predictive scoring uses historical alert disposition data and supervised machine learning to determine the true risk level of an alert, improving the accuracy of alert scoring.

Features used to assess the level of risk associated with each alert include anything in the alert or entity profile, such as transaction patterns and profile attributes. These features are used by the predictive scoring model to determine the likelihood of an alert being suspicious or a false positive, applying a probability score to each alert to aid in automated workflow and speedy assessment of alert priority.

**With predictive scoring, FIs can cut down on unnecessary alert reviews and predict truly suspicious activity with up to 85% reduction in alert volumes.[7]**

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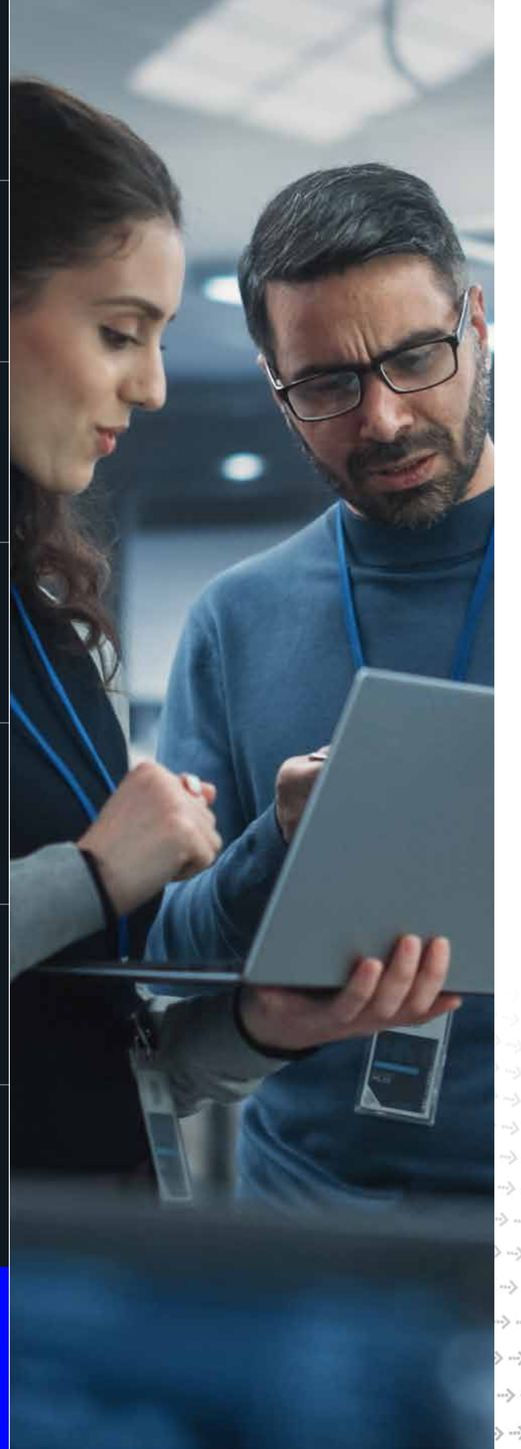
# Generative AI


The number of regulatory filings continue to increase while compliance budgets and resources continue to be strained. Investigations and suspicious activity report (SAR) filing processes still remain very manual, time consuming, and error prone. Generative AI changes the status quo by supporting investigators with concise summaries during investigations and fast and accurate SAR narrative creation.

Using Generative AI during investigations can drastically reduce the time investigators spend assessing information as it provides concise summaries of information, highlighting concerns. It also significantly improves SAR quality as generative AI auto-populates the free text narrative, based on information gathered from the investigation and format expectations from Financial Intelligence Units.

**Drastically reduce investigation time, increase team productivity, improve accuracy and consistency with generative AI.**



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# Explore the Value of AI for AML

With NICE Actimize's AI solutions, FIs can uncover the value these provide to enhance their AML programs. AI in AML from NICE Actimize can improve AML coverage, reduce false positives, and enhance investigation quality. Benefit from a highly effective and efficient AML program when using the latest proven AI technology developed by NICE Actimize.

Discover AI-powered AML →

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[1] United Nations: Money Laundering (2024)

[2] United Nations Office on Drugs and Crime: Estimating Illicit Financial Flows from Drug Trafficking and Other Transnational Organized Crimes Research Report

[3] McKinsey & Company: The New Frontier in AML

[4] NICE Actimize Client Results

[5] NICE Actimize Client Results

[6] Celent: Improving Outcomes with Entity-Centric AML (2022) Retrieved from https://info.nice.com/AML_ContentLP_AML-Celent-WhitePaper.html

[7] NICE Actimize Client Results

## About NICE Actimize

NICE Actimize is the largest and broadest provider of financial crime, risk and compliance solutions for regional and global financial institutions, as well as government regulators. Consistently ranked as number one in the space, NICE Actimize experts apply innovative technology to protect institutions and safeguard consumers and investors assets by identifying financial crime, preventing fraud and providing regulatory compliance. The company provides real-time, cross-channel fraud prevention, anti-money laundering detection, and trading surveillance solutions that address such concerns as payment fraud, cybercrime, sanctions monitoring, market abuse, customer due diligence and insider trading.



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