Key Issues for Discussion

• Risks vs Operation Effectiveness
• Compliance Challenges and False Positives
• How to Build a Functional e-KYC Program
• Determining Efficiency and Effectiveness
• Dealing with Implementation Challenges and Knowledge Building
• Practical Advice for Screening and List Management
Vijay Gopaladesikan
Head – FCC Screening Product & List Management
Group Financial Crime Compliance
Standard Chartered Bank

Vijay has spent almost two decades in the financial services industry and has been based in Singapore since 2015. In his current role, he is responsible for all filter configurations, algorithms, rules, advanced modules setup such as stripping detection, decision reapplication, etc., and its data analysis. Prior to joining Standard Chartered Bank, he headed the Transaction Surveillance Operations team in ABN AMRO and then Royal Bank of Scotland, covering TS, NS, TM, FATF, Data Mining and List Management, based out of India. Vijay holds a double Masters, in Business Administration and Computer Applications.
Douglas Wolfson
Director - Financial Crime Compliance - Asia, LexisNexis Risk Solutions

Headquartered out of Hong Kong, Douglas drives the strategy and product development of the leading risk tools used by the biggest banks in the world that help to mitigate financial crime compliance issues. Douglas has 18 years of financial services, risk management and international business experience. His deep experience includes leading risk management departments at the world’s most recognizable financial institutions. He received a Bachelor of Arts degree in International relations from Colgate University. He also is the co-founder and organizing committee member of the Blue Tie Ball in Hong Kong, an event created to raise awareness about and reduce the stigma around mental illness.
Dayanand is a compliance professional predominantly having extensive experience in the field of Anti Money Laundering Compliance both for Banking and Stock Broking Industry. He also has exposure in various facets of Risk Management and Compliance in Stock Broking Industry including investigation, monitoring and reporting of manipulations and Fraud activities in Capital Market. His specialties have been Anti Money laundering, Risk Management, Regulatory Compliance, Development of Fraud Monitoring Tools.
Optimizing AML Screening

9th September 2020
1:30pm HKT

Douglas Wolfson
Director Financial Crime Compliance
LexisNexis® Risk Solutions
Risk Vs Operational Effectiveness

- Compliance Challenges
- The False Positive Problem

Building an Effective e-KYC Program

- Straight Through Processing

Efficiency and Effectiveness are not Mutually Exclusive
Risk vs Operational Effectiveness

The approach that a company takes should be based on:
- AML Enterprise Risk Assessment
- Risk Based Approach
- Technology Assessment

Once the Business Risks are understood, constant analysis and improvement should be made
- Similar to the way Machine Learning works
- Use the best data and models to ensure that alerts are only generated for real risk
- Refine models to ensure False Positives are reduced while True Positives are still captured
- Use Machine Learning and Artificial Intelligence where appropriate
  - Most importantly use data analytics

Ensure that the workflow of the systems is efficient and appropriate for the business
- Where at all possible, systems should speak directly to each other
- This reduces manual work for good business and alerts alike
Straight Through Processing vs Manual Labor

Adding Compliance Staff Seems like the Right Solution
• It is easy to throw more people at a problem
  • As Business, and thus compliance departments, grow, it is easy to add more bodies
  • New hires and contract hires, especially at a junior investigation level, is straightforward

But it is not a Long Term Solution
• Adding people often papers over a problem instead of solving it
  • It hides the inefficiencies in a process
  • It creates further inefficiencies and workarounds
  • It slows down approval processes
  • It increases costs
  • It creates employee and client dissatisfaction

People can not process as much data and information as efficiently as technology
Efficiency does Improve Results…

AML Compliance Impact on . . .

**Productivity**

- Use 1 or no technologies: 15% No Impact, 46% Positive Impact, 39% Negative Impact
- Use 2-3 technologies: 16% No Impact, 56% Positive Impact, 29% Negative Impact
- Use 4 or more technologies: 7% No Impact, 69% Positive Impact, 24% Negative Impact

**Customer Acquisition**

- Use 1 or no technologies: 16% No Impact, 46% Positive Impact, 38% Negative Impact
- Use 2-3 technologies: 17% No Impact, 46% Positive Impact, 37% Negative Impact
- Use 4 or more technologies: 10% No Impact, 60% Positive Impact, 30% Negative Impact
The False Positive Dilemma

**Compliance Risk**
- Rising expectations of level of effectiveness
- Risk capacity must correspond to risk profile and obligations

**Operational Efficiency**
- Risks must be managed in a sustainable manner
- Need to avoid loss of focus on true risks
But How to Solve the False Positive Dilemma

Data, Data, Data
• Client Data
• Reference Data

Analysis of Alerts
• Why are you Rejecting Alerts as False Positive?
• Program Automatic False Positive Rules to Reject these Alerts

Implement AI/ML Automation
• AI/ML Can Help Automate this Process
• Re-Check Algorithms to ensure that True Positives aren’t Missed
• White Box Machine Learning
Traditional KYC Approaches Can Be a Mess
Building an Effective e-KYC Approach

- **Digital KYC** at the time of Account Opening
- **ID Card & Passport Verification**
- **Full Identity Verification**
- **Sanctions, Adverse Media, & PEP Checks**
- **Continuing Periodic Checks**
- **Ongoing Real-time Digital Monitoring**
You Can Be Efficient and Effective!

**Straight Through Processing is Essential**

**Less Human Touch Means:**
- Faster Onboarding
- Less Opportunity for Human Error
- Happier Clients / Happier Staff

**White Box ML/AI Allows for Better Monitoring**
- Reduction in False Positives
- But Continuous Checking Means No Corresponding Increase in False Negatives

**Staff Can Then Focus on Real Risk**
- Reducing Busy Work Allows for a Focus on Actual Risk
Key Takeaways

**Focus on the Risk**
- Understand the Business Risks Up Front
- Build Processes that Allow for a Focus on Risk
- Use Technology to Reduce Strain on Team Members

**Focus on Efficiency**
- How Can it Streamline Your Business?
- Where Can You Implement Straight Through Processing?

**Focus on Technology**
- Deploy Tools that Reduce False Positives
- Increase Your Ability to Focus on Risk
Let’s Connect

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About LexisNexis Risk Solutions

LexisNexis Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX Group (LSE: REL/NYSE: RELX), a global provider of information and analytics for professional and business customers across industries. RELX is a FTSE 100 company and is based in London. For more information, please visit www.risk.lexisnexis.com and www.relx.com.
OVERVIEW AML Screening – Touch Points

LIST Sources:
REGULATORS/ LEAs/ SANCTIONS/
INTERNAL LISTS/ FIU/ Others

ON-BOARDING CUSTOMERS: PRE or POST
ON – GOING SCREENING OF CUSTOMERS
TRANSACTION SCREENING
AML TRANSACTION MONITORING
AML Screening - Efficiency and effectiveness

- DATA PROFILING & QUALITY
- MODEL VALIDATION & THRESHOLD ANALYSIS
- IMPACT ANALYSIS (IN CASE OF CHANGES)
- ROBUST LIST MANAGEMENT PROCESS
- WORKFLOW BASIS TYPE OF HITS/ MIS and REPORTING
AML Screening - Efficiency and effectiveness

OPTIMUM AUTOMATION OF LIST MANAGEMENT PROCESS

- Centralized Internal/ 3rd Party Lists Management.
- Automation of Internal list Management process – OCR capabilities process/ Standard Format for list mgt.
- Workflow based Internal list Management process for optimum control and organizational overview of lists and its impact.

REVIEW OF FALSE POSITIVE HITS PROCESS

- Product/ Customers demographic/ Constitution review based screening.
- Low Threshold based negative name i.e. without any additional attributes like address/ IDs etc.
- Assignment of hits/ alerts based on risk of tagged to the hits mostly for on-going/onboarding level of hits.
- Periodic review of logic of Algo, customer data quality viz list data quality.
THANK YOU
Thank you for attending!

Next Steps:

• Participants who attend the webinar or listen to the recording will be invited to complete a multiple-choice assessment. The link to the assessment will be sent by ABA.

• Participants who pass the assessment will be eligible to purchase Fintelekt-ABA Participation Certificates at the following price:
  • Standard Issuance Fees: US$ 50 per participant.
  • Discounted Issuance Fees for participants from Asian Bankers Association Member Banks: US$ 25 per participant.

• Participants who pass the assessment will be notified via email and sent a secure online payment link to purchase the certificate if they so desire.

• The certificate will be sent to participants in .PDF format via email within two working days on receipt of payment.