LexisNexis®
RISK SOLUTIONS

Bringing Certainty to Cross-Border Payments Screening

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LexisNexis® Risk Solutions

Rohit leads financial crime compliance market planning for LexisNexis® Risk Solutions in South Asia, Southeast Asia, and ANZ. He collaborates with regulators, major customers, and internal teams to address financial crime and money laundering challenges.

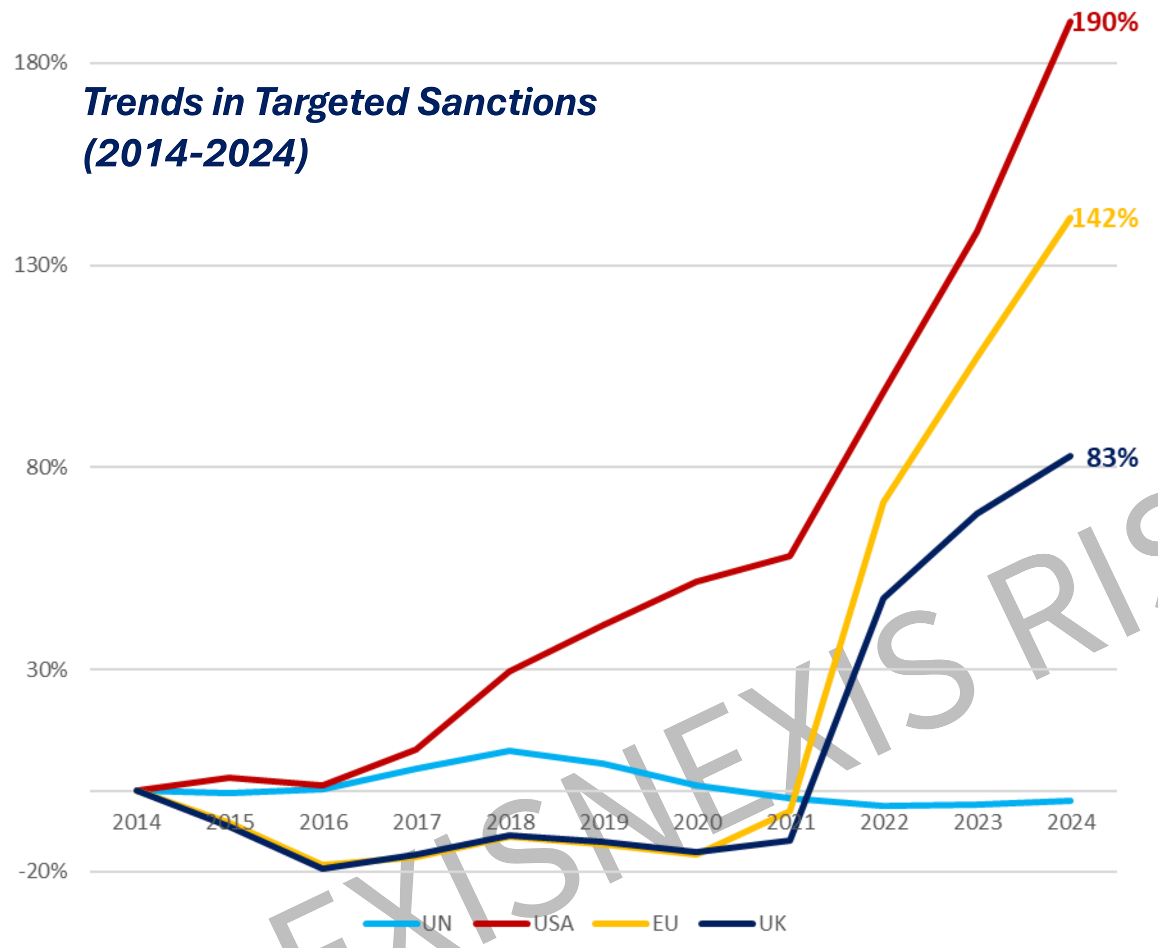
"I'm just waiting to see what you're making, so I can write some regulations for it."

Key Compliance Trends and Challenges

Geopolitics

Increasing Sanctions

The Ongoing Sanctions Storm

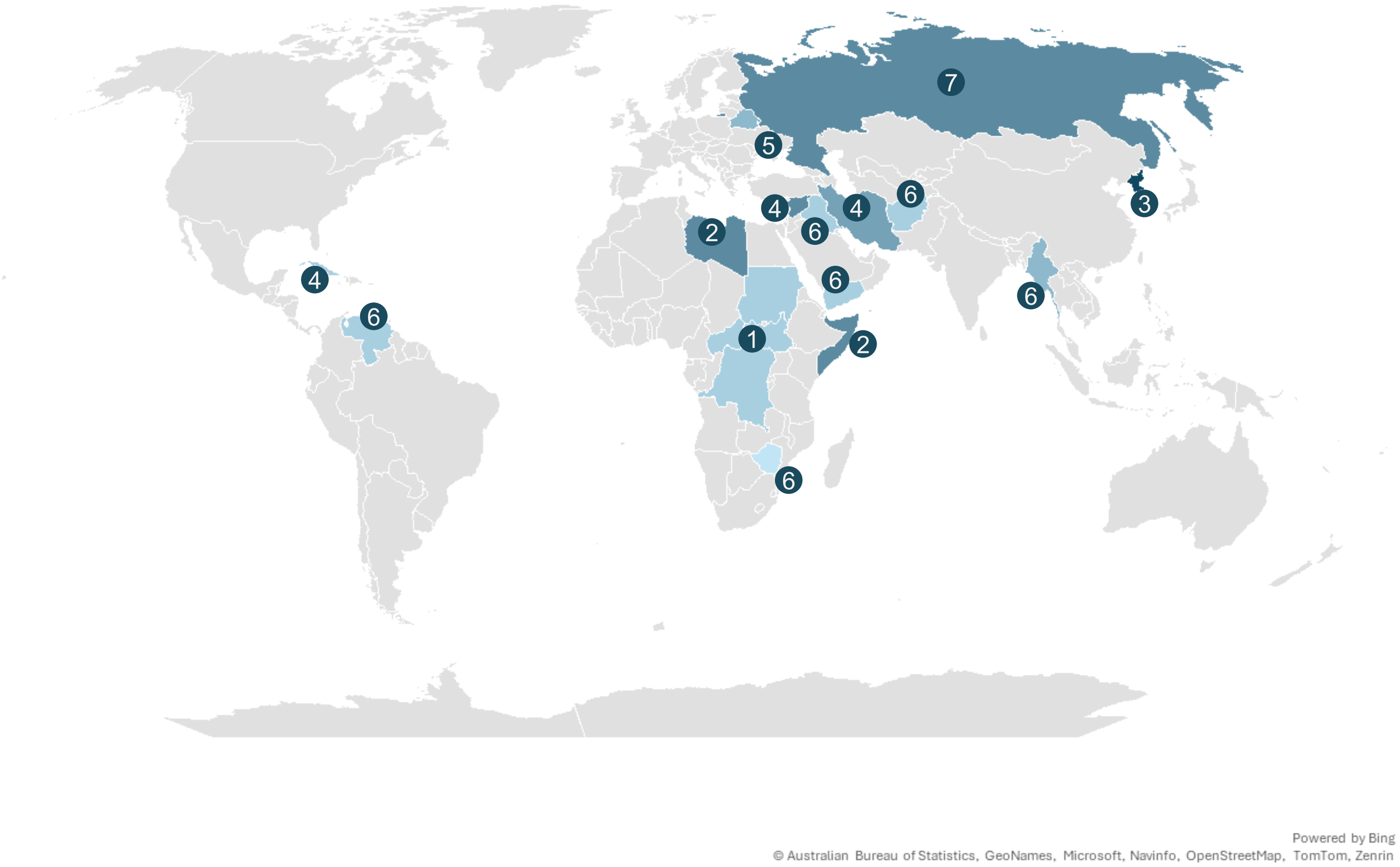


The trend is quite clear:

- Sanctions are popular for governments… less so for the UN!
- The U.S. stands out, with steady growth over the long term.
- For the UK & EU, sanctions growth was overwhelmingly driven by the war in Ukraine.
- Post Brexit, we are seeing substantial EU/UK sanctions divergence.

Sanctions Typologies

Geographic Sanctions (Embargoes)



Key takeaways

1. Several countries in Africa subject of UN arms embargo (Central African Republic, Congo DR, Sudan, South Sudan)
2. Other countries subject to broad UN sanctions include Libya and Somalia
3. North Korea is subject to comprehensive sanctions by the UN.
4. U.S. Comprehensively Sanctioned countries include: Cuba, North Korea, ~~Syria,~~ Iran
5. Certain Eastern provinces of Ukraine also comprehensively sanctioned by the U.S. and EU: Crimea, Donetsk, Luhansk
6. Various countries are subject to broad measures by either the EU or U.S; or both: Afghanistan, Iraq, Myanmar, Venezuela, Yemen, Zimbabwe
7. Russia subject to very broad sanctions by the EU and U.S.

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Key Compliance Trends and Challenges

Geopolitics

Increasing Volumes

Increasing Sanctions

Fintech Disruption

A market primed for change

Traditional payments can take days to settle. Instant payments are processed and settled in seconds, so funds are available immediately. These electronic transactions offer speed and convenience with complete flexibility to make or receive a payment 24 hours a day, 365 days a year.

By 2028, the instant payment market is estimated to reach **$82.4 billion**[1] and generate additional GDP growth of more than **$285 billion.**[2]

48 hours

How long it can take a standard credit transfer to reach a payee's account

Within 10 seconds

Execution time for an instant payment in the EU

Key characteristics of instant payments

(AKA “real-time payments”)

Fast

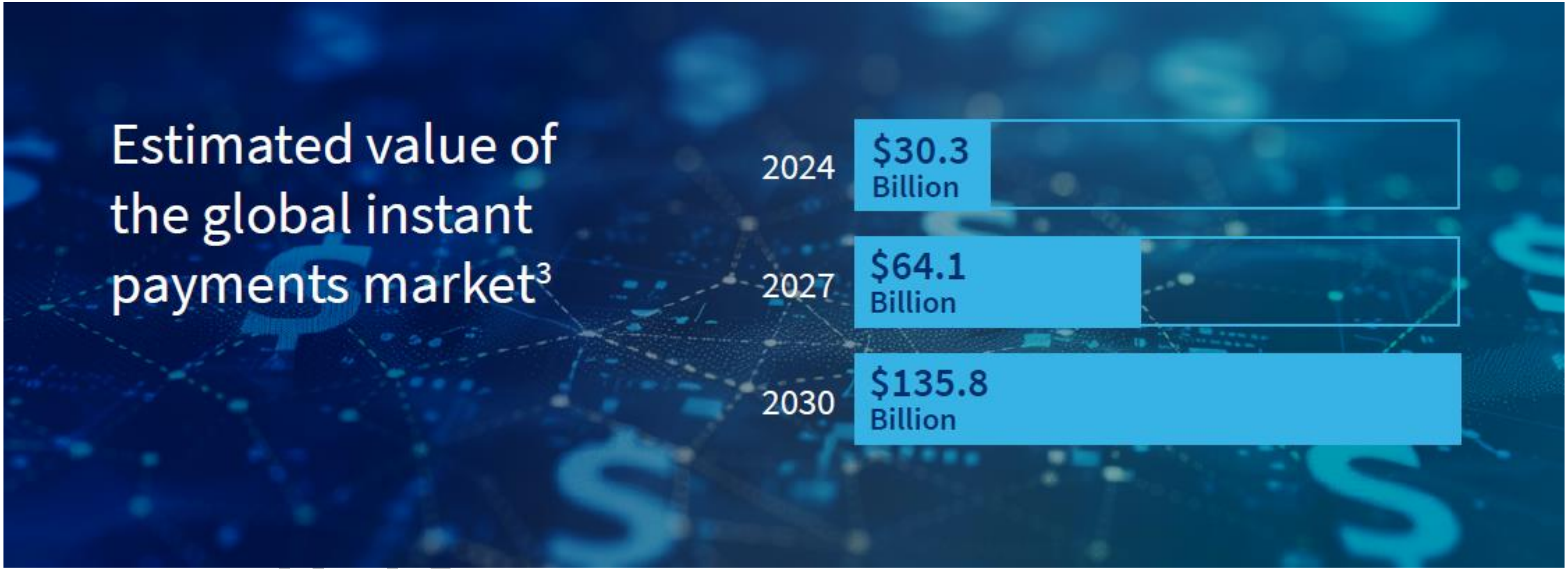
Funds are transferred in real/near-real time.

Irrevocable

Settled in seconds, so cannot be reversed.

Available 24/7/365

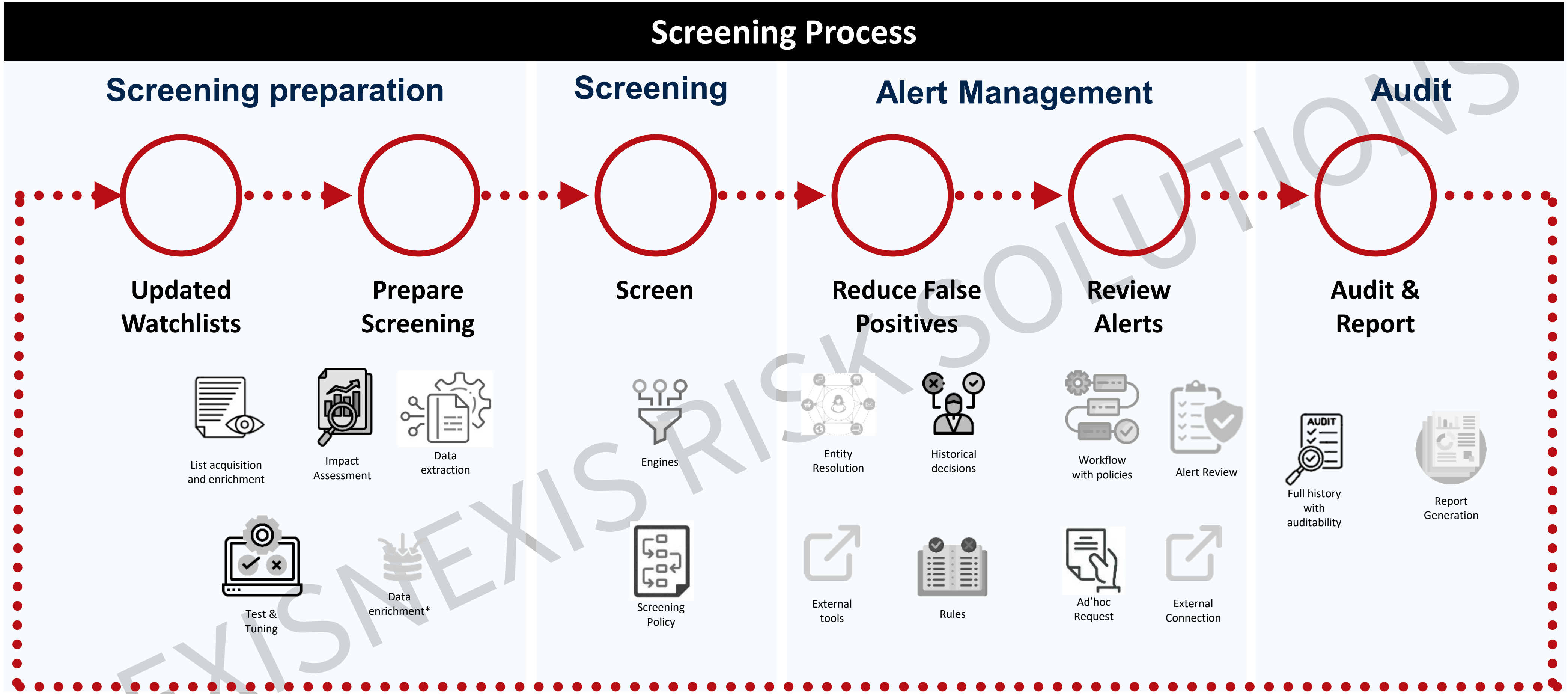
Transactions are not restricted to business hours.


Estimated value of the global instant payments market[3]
2024
$30.3 Billion
2027
$64.1 Billion
2030
$135.8 Billion

Key Compliance Trends and Challenges

- Geopolitics
- Increasing Volumes
- Increasing Regulation
- Increasing Sanctions
- Fintech Disruption
- Focus on Customer Experience

Typical Screening Process for AML/ CFT



1. Effectiveness

Precise method of risk identification, catching true hits that may otherwise have been missed.

Inform your risk-based approach with specialized risk data

Quality data in the context of financial crime compliance means **accurate**, **complete** and **timely** data that allows the organization to quickly and accurately identify situations of risk.

Dimensions of Data

Sanctions

Corruption/ Bribery

General AML/ CFT Risks

Filter that goes beyond string matching

- **Multi-alphabets**
  - Supports any language or alphabet which can be filtered against itself (native vs native) without applying any fuzzy matching logic

안병엽 / 안병엽 (Korean / Korean)
采取恐怖行动 / 采取恐怖行动 (Chinese / Chinese)
م حمد صلاح عبير / محمد صلاح عبير(Arabic / Arabic)

- **Transliteration**
  - Matching a non-latin alphabet against Latin with fuzzy matching applied.
  - Cyrillic (Russia, Belarus, Bulgaria, Ukraine, Serbia, etc.), Japanese Katakana, Japanese Hiragana, Arabic, Greek, Chinese (Simplified Chinese, Traditional Chinese, CTC)

/ زبيدي محمد حمزة / AL ZUBAIDI, MUHAMMAD HAMZA
ОСОЛС, Игорь / IGOR OSOLS
ムラー・シャフィク / MULA SHAFIQ

Filter that goes beyond string matching

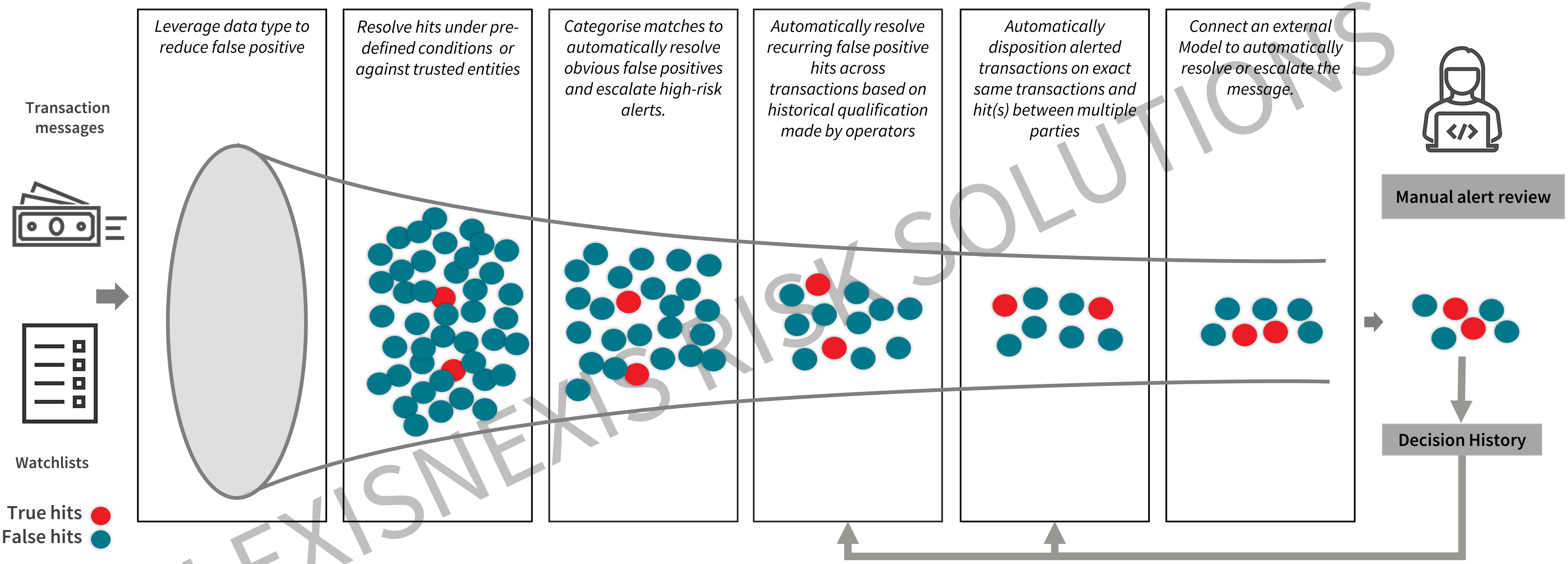
- **Internal dictionaries used to enhance the filter performance**
  - Abbreviations, acronyms, etc.: **LTD > LIMITED, etc.**
  - First name translation: **Peter/Pierre/Pedro/Pietro**
  - Professional or honorific titles: **Dr, Shri, Sheik, etc.**

- **Country Embargoes**
  - Country names translation and synonyms: **Iran / Islamic Republic of Iran / Persia / etc.**
  - Main cities: **Teheran, Kashan, Karaj, etc.**
  - ISO country codes for BIC string: XXXX**IR**XXXXX
  - ISO currency code: **IRR**

2. Efficiency

Minimal number of false positives, with an automated option of closing alerts generated

Combined strategies to automatically handle false positives



Score to evaluate the likelihood that two records refer to the same entity

NFQ	MNI	LOC	QAL	IDM	BP	ADD
Name Frequency Score	Middle Name/ Initial	Location	Quality	Identity Match	Burden of Proof	Additional Evidence

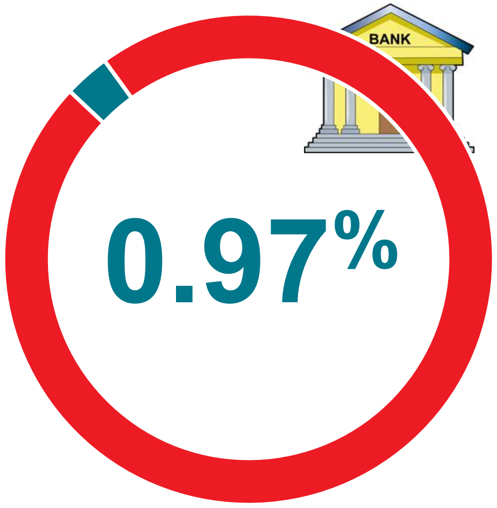
Answers the question:

How likely
is this to be
a true match?

Highly Unlikely | Likely | Highly Likely

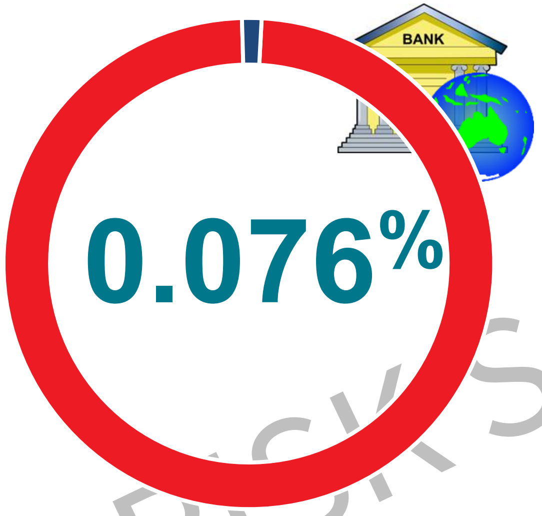
Strength Index (likelihood of being a true match)

Score to evaluate the likelihood that two records refer to the same entity



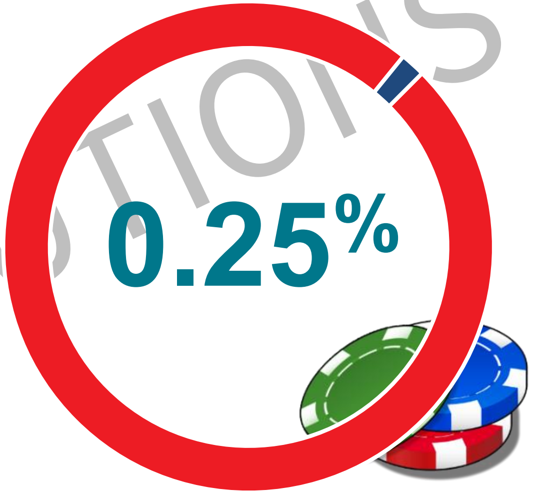
Large Regional Bank
Sanctions Screening

- 1,800,000 customer records
- 396 Highly Likely hits – 0.02%
- 17,109 Review hits – 0.95%
- Combined hit rate – 0.97%



Global T1 Bank
PEP Screening

- 70,000,000 customer records
- ~4,500 Highly Likely hits – 0.006%
- ~50,000 Review hits – 0.07%
- Combined hit rate – 0.076%



Gaming Company
Adverse Media Screening

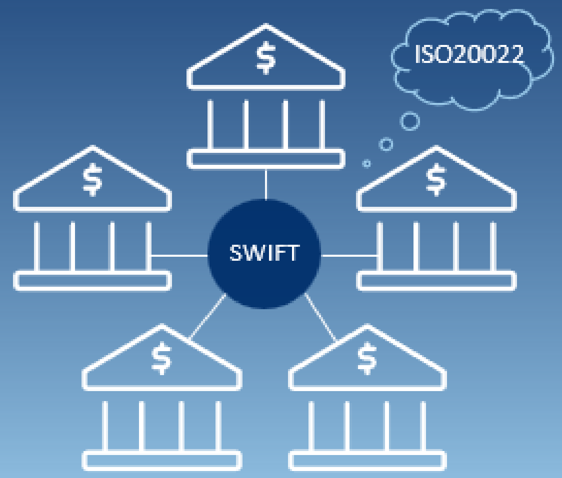
- 2,500,000 customer records
- 2,047 Highly Likely hits – 0.08%
- 4,368 Review hits – 0.17%
- Combined hit rate – 0.25%

Using AI for Efficiency: Entity Extractor

Based on client feedback, despite the ISO20022 industry-wide migration, there is a clear need for a solution to handle poor quality, inconsistent data.

COMPLIANCE RISK:

Payment networks moving towards more standardization & structure…

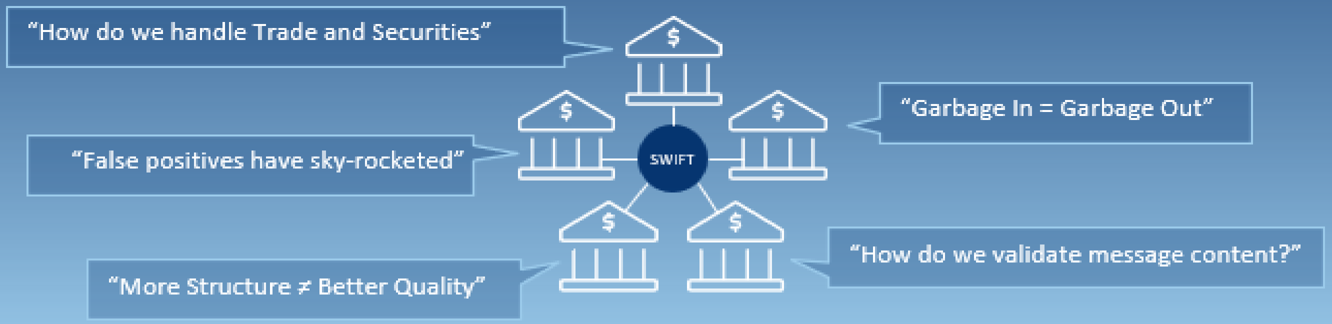


BUT IN REALITY…

"Hybrid" & "free format text" fields limiting advantages of ISO2022:

"Address can include **both structured and unstructured** elements" — Swift

Poor quality data is creating compliance risks & technical inefficiencies in screening:



Using AI for Efficiency: Entity Extractor

Hypothesis: Large Language Models (LLMs) can accurately label Fields 50/59 in MT 103 messages by identifying and categorizing components such as name, address and zip code."

PROPOSED CONCEPT:

Leverage LLMs to identify entity types, language/script used, geographical information from semi-structured payment transaction data to produce metadata that will allow the screening engine to match the relevant entities together and apply the most optimal matching algorithms and configurations.

APPROACH:

Present state:

SWIFT MT103 field 50

50K:/098735711000
GALLMAN COMPANY GMBH
RAEMISTRASSE, 71
8006 ZURICH
SWITZERLAND

Expected output:

Identify entities, location, script etc.

50K:/098735711000
GALLMAN COMPANY GMBH COMPANY
RAEMISTRASSE STREET NAME,
71 BUILDING NUM
8006 POSTAL CODE ZURICH CITY
SWITZERLAND COUNTRY
Latin Character

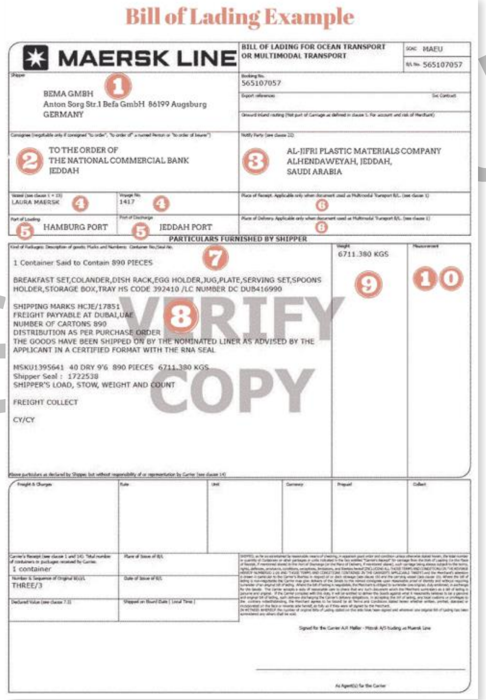
GOAL: Improved transactions screening efficiency by matching relevant entities, reduce false positive for scenarios (e.g. company name hit against a name)

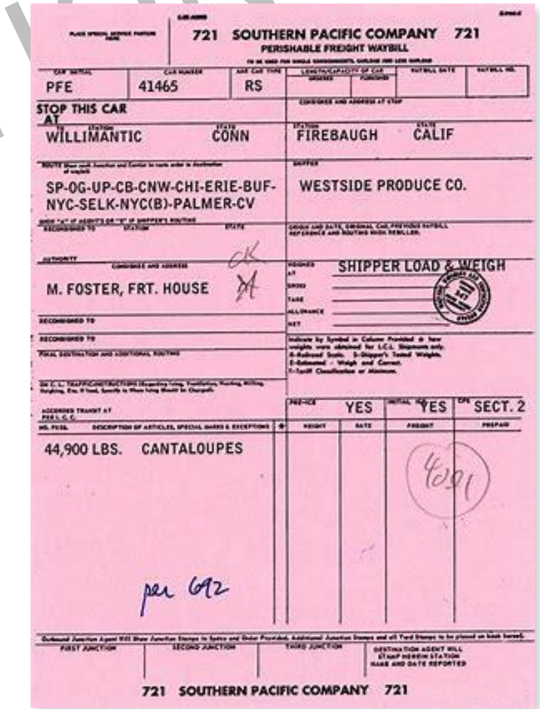
Using AI for Efficiency: Trade Documentation

Depending on the type of transportation and customer, various documents are used and generally are paper-based.

Key challenges with identifying potentially controlled goods:

- Lack of standardized product descriptions often provided by the buyer or seller
- Free form text on both the shipping document and controlled goods regulations
- No standardized document formats
- Controlled goods regulations are very technical, and banks finance, shippers ship, and insurers insure all types of goods





Using AI for Efficiency: Trade Documentation

2A001 ANTI-FRICTION BEARINGS, BEARING SYSTEMS AND "COMPONENTS," AS FOLLOWS

MT applies to radial ball bearings having all tolerances specified in accordance with ISO 492 Tolerance Class 2 (or ANSI/ABMA Std 20 Tolerance Class ABEC-9, or other national equivalents) or better and having all the following characteristics: *an inner ring bore diameter between 12 and 50mm; an outer ring outside diameter between 25 and 100mm; and a width between 10 and 20mm*

A shipments showing "ball bearings" on the House Airway Bill or Bill of Lading could:

- Contain standard ball bearings for use in consumer goods such as skateboards
- Contain high-precision ball bearings suitable for missile guidance systems

Using AI for Efficiency: Trade Documentation

USER INPUT:

Ball Bearing out diameter of 110mm

AI OUTPUT:

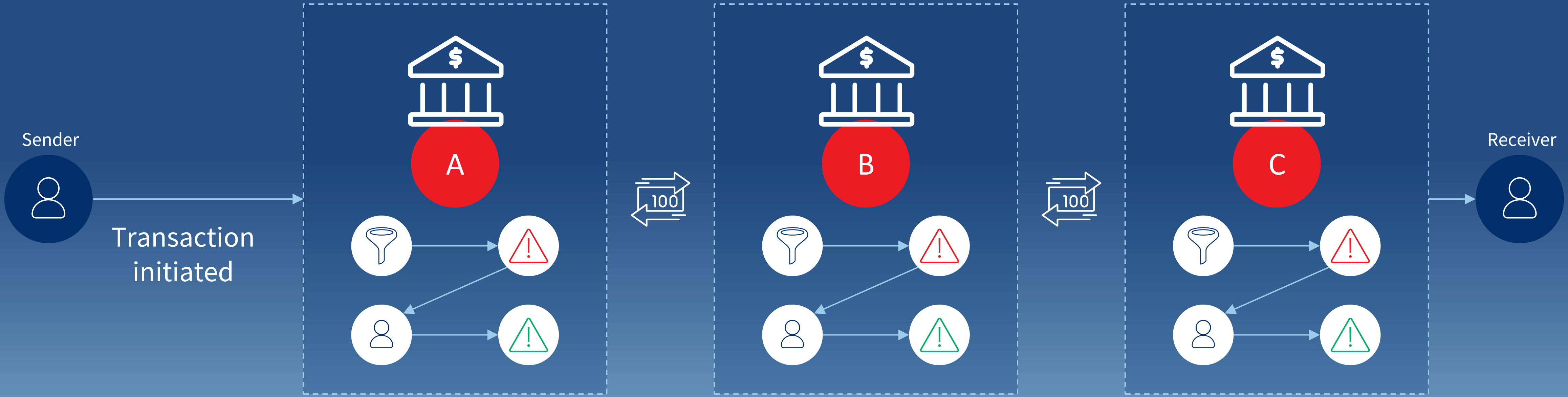
Regulation ID: HKD-2A101

Regulation Text:
Radial ball bearings, other than those specified in 2A001, having all tolerances specified in accordance with ISO 492 Tolerance Class 2 (or ANSI/ABMA Std 20 Tolerance Class ABEC-9 or other national equivalents), or better, and having all of the following characteristics: (L.N. 85 of 2023) An inner ring bore diameter between 12 mm and 50 mm; An outer ring outside diameter between 25 mm and 100 mm; (L.N. 42 of 2017) A width between 10 mm and 20 mm; (L.N. 89 of 2013)

Explanation:
The product described as 'Ball Bearing' with an outer diameter of 110mm does not meet the specified criteria in the regulation HKD-2A101, which states that the outer ring outside diameter must be between 25 mm and 100 mm. Therefore, it does not fall under the import/export sanctions as per the provided regulations.

Efficiency: Shared Memory and AI

Each bank gets similar alerts, remediates them as false alerts and processes the transactions.



Alert Reviewer Screening Solution Hits False Hits Process Payment

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Efficiency: Shared Memory and AI

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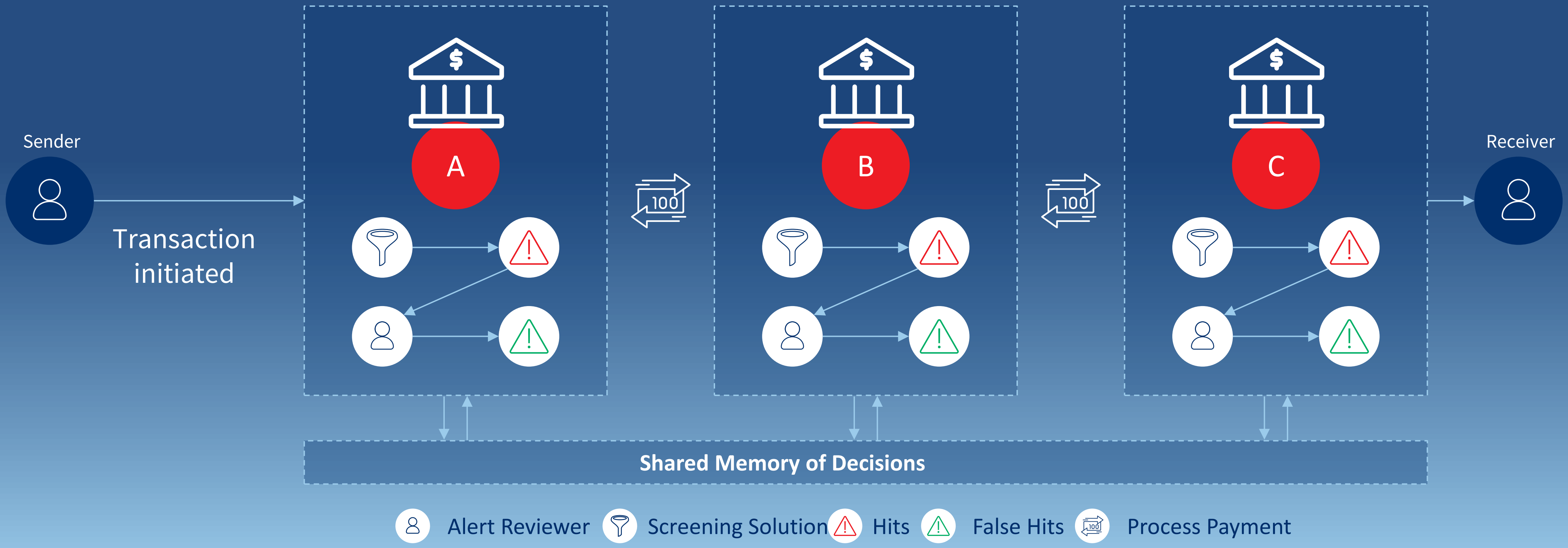

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Efficiency: Shared Memory and AI

CASE

Name:
ROBERT JOHNSON

Hit:
JOHNSON,
Roberto Carlos
(DOB: 11/28/1965,
Nationality: Venezuela)

ID: 67890

OPERATOR NOTES FROM THE CONSORTIUM:

2025-01-24 08:23 –
Bank A – Decision:
False Positive:
False positive on JOHNSON, Robert (CIF #67890). Name is similar 'JOHNSON, Roberto Carlos' *but customer DOB (03/15/1989) differs significantly from list (11/28/1965)*. Canadian citizenship confirmed via passport. *No ties to Venezuela or sanctioned regions*. Transaction history shows normal domestic activity only. Case cleared.

2025-01-25 10:22 –
Bank B – Decision:
False Positive:
Customer ROBERT JOHNSON (ID #45678) reviewed against hit 'JOHNSON, Roberto C.' Not a match. Additional information requested from account owner. Verification shows *different birth year (1989 vs 1965)*, different nationality (CA not Venezuela). Alert closed as false positive.

2025-01-26 09:11 –
Bank C – Decision:
False Positive:
Alert ID #TR-2025-089: Name match (JOHNSON) to list and determined false positive. Issued an RFI - *Client has different birth date (confirmed 1989)*. *No suspicious transactions or connections to Venezuela or sanctioned entities identified.* Client risk rating remains low. No further action required."

Efficiency: Shared Memory and AI

CASE

Name:
ROBERT JOHNSON

Hit:
JOHNSON, Roberto Carlos (DOB: 11/28/1965, Nationality: Venezuela)

ID: 67890

False Postive Reasons:
DOB Mismatch;
No Venezuela relations;

GENERATIVE AI SUMMARY FROM CONSORTIUM NOTES

Always double check before taking an action

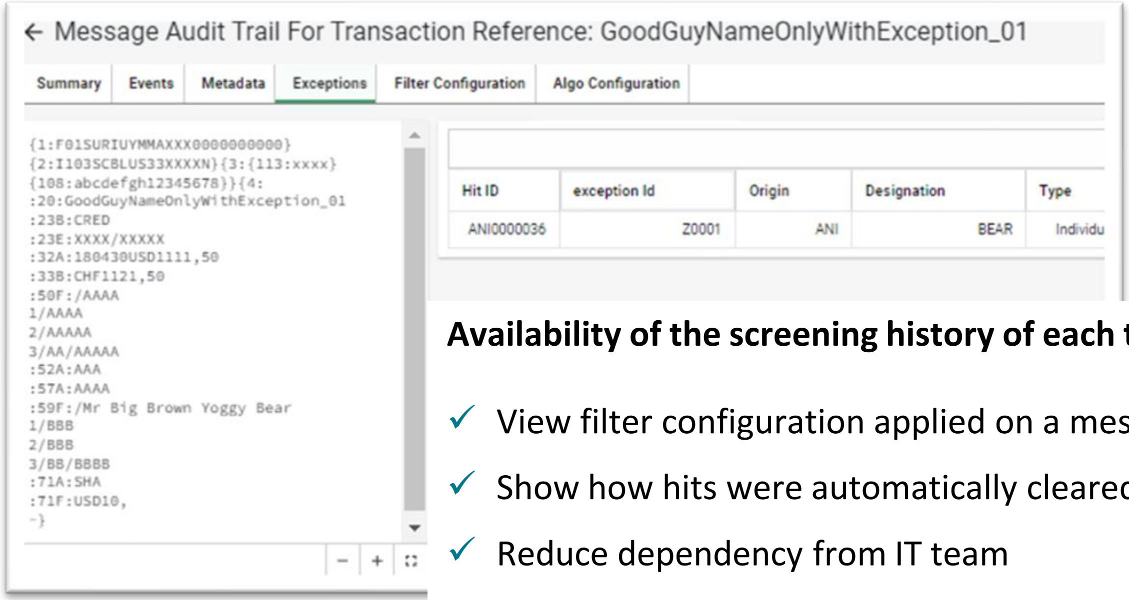
3 Banks Confirmed False Positives:

Birth year 1989 vs 1965, normal domestic transaction patterns.
No Venezuela/sanctioned region connections.

3. Explainability

Actions that are explainable and backed by data, available in an easily shareable format with the regulators and auditors

End to end transaction screening process explainability



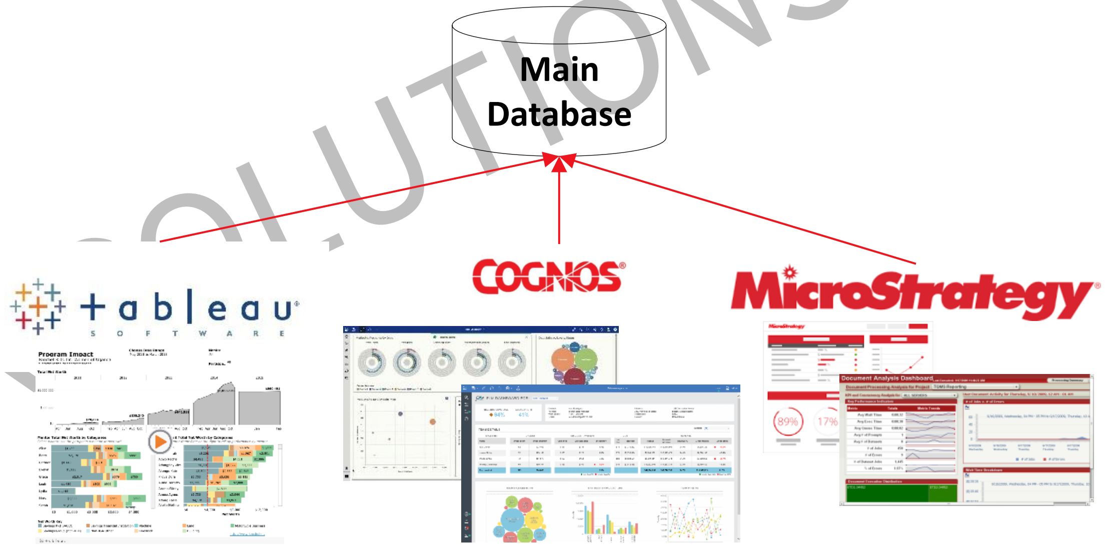
Availability of the screening history of each transaction

- ✓ View filter configuration applied on a message
- ✓ Show how hits were automatically cleared
- ✓ Reduce dependency from IT team
- ✓ Accelerate answer to Regulators and Auditors

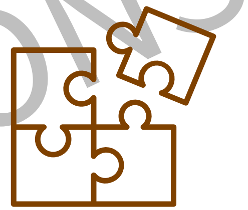
- ✓ **Watchlist records history and audit**
- ✓ **Access to configuration history files in one click**
- ✓ **Remember all transactions screened**
- ✓ **Remember all hits, including the ones cleared automatically**
- ✓ **Reduce dependency to IT team, accelerate answers to Regulators**

Ability to create reports on screening including for regulators and management

- ✓All messages are exported
- ✓All hits are exported including ignored hits
- ✓Rules and Context of filtering are exported
- ✓Ability to plug an external reporting tool to generate reports



4. Ease of Integration



Modern technologies with an API first approach

Plug and Play capabilities for simpler implementation and testing

Integrates easily with various systems

Direct Connectivity to External ecosystems

- SAA
- PEP+
- AMH
- GTS
- MTS
- Fedlink
- Dovetail Payment Services Hub
- GTExchange
- FCKYC
- BankFusion Universal Banking
- BankFusion Equation
- BankFusion Midas
- BankMaster
- Monetis
- TurboSWIFT

Compliance Programs

Key Dimensions

1	Management Commitment	A “tone from the top”: communication & resources for sanctions compliance. Critical to foster a culture of compliance.
2	Risk Assessment	A thorough, up to date assessment of Financial Crime Risks: central for informing policies, controls and training needs for risk mitigation.
3	Internal Controls	A set of procedures & controls to manage sanctions risks: implemented through screening controls, enforced through ongoing reviews and periodic audits.
4	Testing & Auditing	A testing or audit function is necessary to assess the effectiveness of current processes, to identify weaknesses and deficiencies calling for remediation & enhancements.
5	Training	Employees & stakeholders should receive adequate information and instructions to support the organization’s Sanctions Compliance Program.

Screening controls are a key component of Compliance Programs

The 4Es: Critical Components of a Comprehensive Compliance Program

EFFECTIVENESS

EFFICIENCY

EXPLAINABILITY

EASE OF INTEGRATION

The 4Es: Critical Components of a Comprehensive Compliance Program

1. Customer community

8/10

top banks in the world use Fircosoft

38/50

top banks in the world use Fircosoft

2. Best in class screening

Proven efficiency

Hit rate in APAC:
2% - name screening,
3.5%-12% - transaction screening

Proven effectiveness

Successfully passing effectiveness tests around the world

Trusted by regulators

The most well-known solution by regulators globally

3. Confidence we can deliver on the promise

30+ years

Of continuous innovation in collaboration with customers; a pioneer in Stripping detection

200+ people

The largest product development team in the world focussed on watchlist filtering

In APAC since 2010

Regional expertise of our Professional Services team

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Thank You