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The Future of Financial Crime-Fighting: Autonomous Financial Crime Management

White Paper

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Where We Are: Disruption in Financial Services

The financial services industry is transforming at a rapid pace. Financial technology, or FinTech, is disrupting the way we move money, buy goods and services, invest, and more, all with the goal of responding to customer needs to conduct transactions instantly and seamlessly over a growing number of channels. According to the World FinTech Report, 50 percent of surveyed customers said they do business with at least one non-traditional financial firm.[2] Users want to access and send money from their phones and digital wallets instantaneously, in new types of currency we could not have imagined years ago.

With this new reality comes a need to innovate. As transactions change and increase in number, so do the threats. **Fifty-one percent of recently surveyed financial services organizations cite cyber risk as a top three challenge** to manage over the next three years.[5] To keep pace, the financial industry must disrupt its current ways of doing things. All areas of financial services, from anti-money laundering and fraud prevention to risk and compliance, deal with too much information in too many siloed places. The World Payments report estimates that more than 700 billion global non-cash transactions will take place in 2020, compared to 433 billion in 2015.[1]

With this growth comes increased alerts and more work for risk and compliance teams. At the same time, regulatory complexity and threat sophistication are constantly increasing, leading to more work for already short-staffed teams. This one-two punch has triggered a strong response from risk and compliance teams. Headcounts have increased significantly since 2012, with some teams growing by up to tenfold. With this comes an increase in costs. According to WealthInsight, global anti-money laundering compliance spending alone is set to grow by more than $8 billion in 2017 – but there's more to the story.[3]

Where We're Going: The State of Play Has Changed

High recurring costs, spikes in headcount and the growing sophistication of financial crime are presenting big – but not insurmountable – challenges for risk and compliance teams. While the financial industry has transformed, so has the available technology to help organizations keep up.

In the early days, analysts needed to do it all. Typically working with siloed and disparate systems, teams lacked a unified view of risk, as well as the necessary process transparency and standardization. Once individual analysts decided what to investigate and how they would do it, they had to manually pull all necessary data and analysis into one place. This made for slower investigations, increased risk and higher costs – and bad guys getting away with financial crimes.

Luckily, the industry and technology adapted. Today, many financial services organizations have an integrated financial crime risk management function. Moreover, many teams rely on specialized technology for a unified view of risk. They are beginning to use machine learning and artificial intelligence, big data stacks, and even robotic process automation. Despite these changes, challenges abound. Integrating a variety of channels and data types is still costly and slow. Analysts create models and analytics for specific situations, constantly tuning them as new threats and regulations emerge. Although investigations are faster than ever, teams have not yet realized their full potential.

What's Next?

It's time for the industry to move beyond today's iteration of unified financial crime risk management to something faster, smarter and more efficient. To take the next step, teams should focus on three technology categories: **data, analytics** and **automation**.

Data - Teams must leverage any type of data, from any source, in any format, and at increasingly high volumes. This means access to data both inside and outside the organization walls, as well as a place to hold it all. The key is to make data access easy and seamless. Data is of no use if you cannot manipulate it when you need to.

What does it look like today?

Compliance IT spends weeks parsing and mapping data. IT cycles are arduous already, and only get longer to integrate new fields. When data comes in, segmentation becomes a resource drain. Teams must map the incoming data and provide rationale and statistics behind their decisions.

Analytics - Once the data is available, you need to quickly understand it and extract insights. Analytics come into every part of the process, from detection and decisioning to investigations. This helps keep key performance indicators (KPIs) in line with specific goals, such as lowering false positives, helping managers find workflow bottlenecks and improve tuning.

What does it look like today?

General analysis and look backs cost time and money. Detecting anomalies is challenging with so much data in so many places. Workflows are not always optimized, which can slow down the investigation process. Creating new models for pattern detection throughout an investigation can be time consuming.

Automation - The final piece of the puzzle is **intelligent automation**. This combines **robotic process automation** with capabilities such as **machine learning** and **artificial intelligence** to extract the utmost value from automation. The combination of analytics and intelligent automation can significantly improve efficiency and decision-making.

What does it look like today?

During investigations, analysts must review entities and look for relationships. Visualizing the data leaves room for error and missed information. Necessary tasks become repetitive and are not always high value. A recent study showed that compliance staff spend only 20 percent of their time on critical high-risk issues.[4]

Bringing It Together: Autonomous Financial Crime Management

Consider this: In an autonomous world, instead of machines assisting humans to complete work, humans will assist the machines.

This paradigm shift to seamlessly manage and merge technology and data by applying advanced analytics and automation is called **Autonomous Financial Crime Management**.

Autonomous Financial Crime Management brings together innovative technologies to seamlessly connect data from anywhere. By applying machine learning, advanced analytics and automation, raw data becomes actionable intelligence. This intelligence detects, decides, investigates and resolves alerts and cases with limited human intervention, enabling financial services organizations to better mitigate and control risks, while significantly reducing costs.

Just like an autonomous vehicle, financial crime technology includes elements that will "drive" themselves when it makes sense for the business.

This will be achieved by leveraging machine learning and automation to choose which models to use and when, and ultimately to create their own unsupervised models.

Autonomous financial crime technology creates and automates optimized workflows, identifies necessary data and seamlessly connects to crucial channels. The systems continually improve based on the output and oversight from the team – **meaning correct decisions, faster than ever**.

This leaves analysts to focus where they are needed most: high value, complex work that requires human judgement. For detection, analysts have the power to make critical decisions based on data-driven advice and automated processes and models. During investigations, autonomous work supports critical human judgements with analytically derived advice and automation to triage, support and strengthen investigator decisions.

The answer is not **fully autonomous**, but **autonomous where it counts the most**.

Teams shift from repetitive, low-value tasks, to work that moves the business forward.

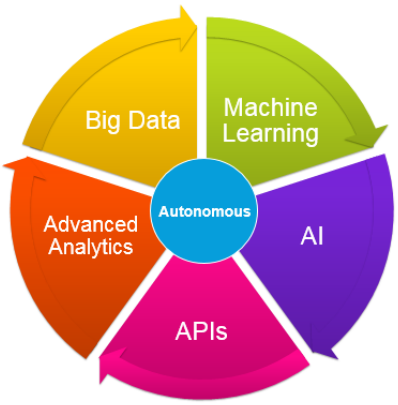
Months to Days

Financial crime fighting has come a long way. In the past, analysts lived in spreadsheets, pouring through data to understand relationships and connections. Later, partial autonomy took over and teams ran investigations using rules, models and intelligent routing. Today, organizations reap the benefits of advanced analytics and intelligent workflow, increasing productivity and detection. Even with these improvements, processes such as data management and model creation and tuning are resource heavy and can take months. **With increased innovation comes a need to balance.** As with the changes we are witnessing in the automotive industry, layering on new features in cars achieves incremental benefits, but does not lead to a breakthrough. With a shift to an autonomous work environment in the financial crime prevention industry, the breakthrough will be similarly jarring initially.

The way the industry achieves appropriate data management much faster than ever before, the way we think of model creation and tuning will change, and the concept of robot + human interaction will also increase to greatly improve productivity.

The Way Forward

The financial crime landscape shows no sign of slowing down. Compliance requirements get more complex by the day; 18 percent of banks in a recent survey experienced regulator enforcement actions.[3] Customers demand better user experiences, faster transactions, and more ways to access and manage their finances than ever before. To keep pace, financial services organizations must stay one-step ahead of not only changing customer needs, but also financial crime threats. A shift to an autonomous work environment means your valuable human resources will focus on work that pushes the business forward, rather than being stuck in time-consuming processes. Your organization will have less reputational risk. Your customers benefit as well, with faster transactions and improved experiences.



Working in the way we always have will produce the same results: too much work, not enough resources, and little return on financial tool investment. The power of autonomous will change the financial crime prevention landscape. Are you ready?

The future is autonomous.

Ready to learn more?

See how far we've come in the financial crime revolution – get the infographic.

Learn about the autonomous paradigm shift in our new eBook.

Citations

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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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