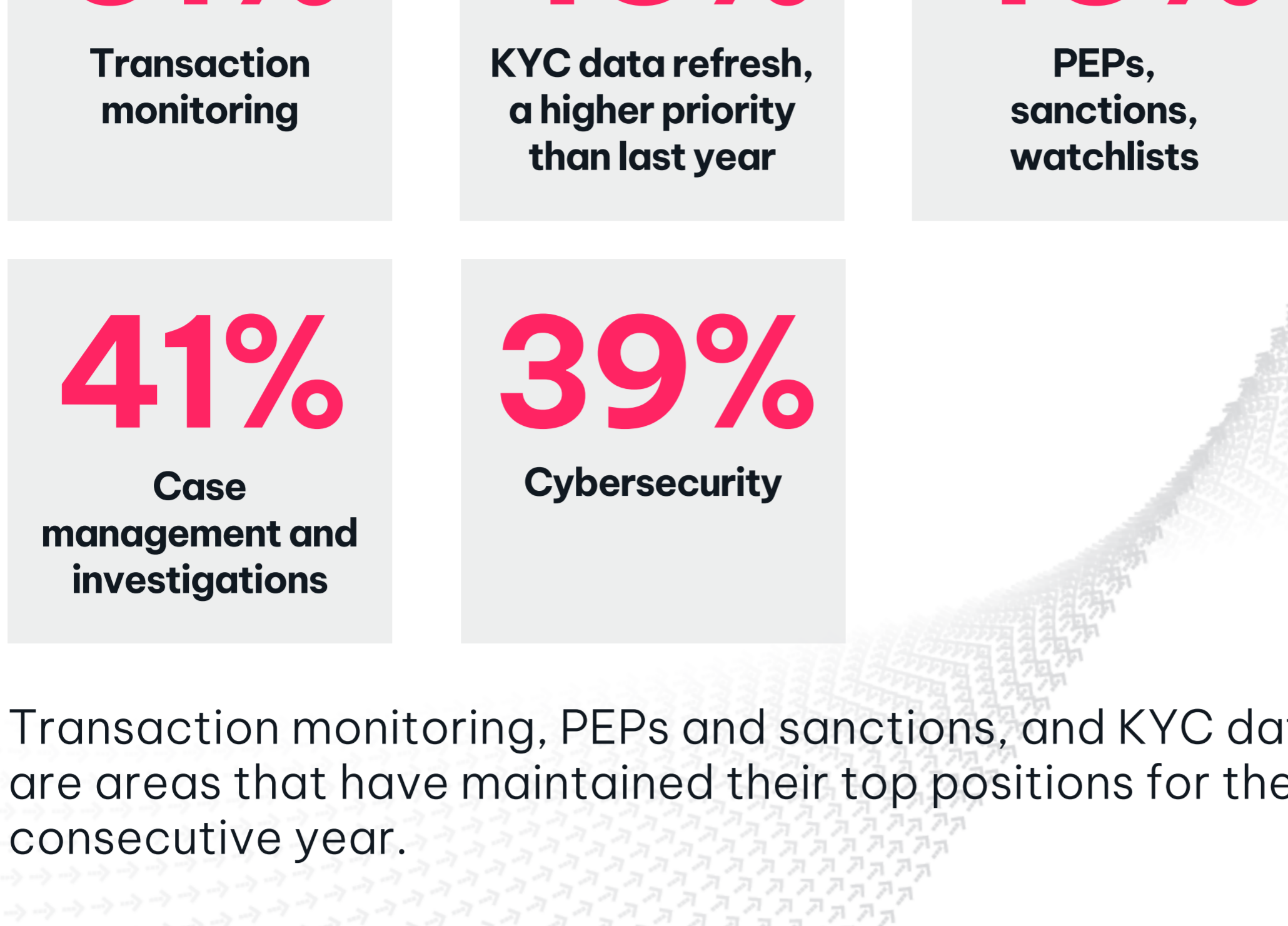


AML TECH BAROMETER 2024

Rise of the Machine: New Frontiers and Emerging Trends in Detection and Prevention

The latest research shows that priority areas reflect a desire for financial institutions (FIs) to detect risk quickly and efficiently. Over 144 anti-money laundering (AML) practitioners operating across the Asia-Pacific region ranked their top five financial crime priorities for the year ahead:

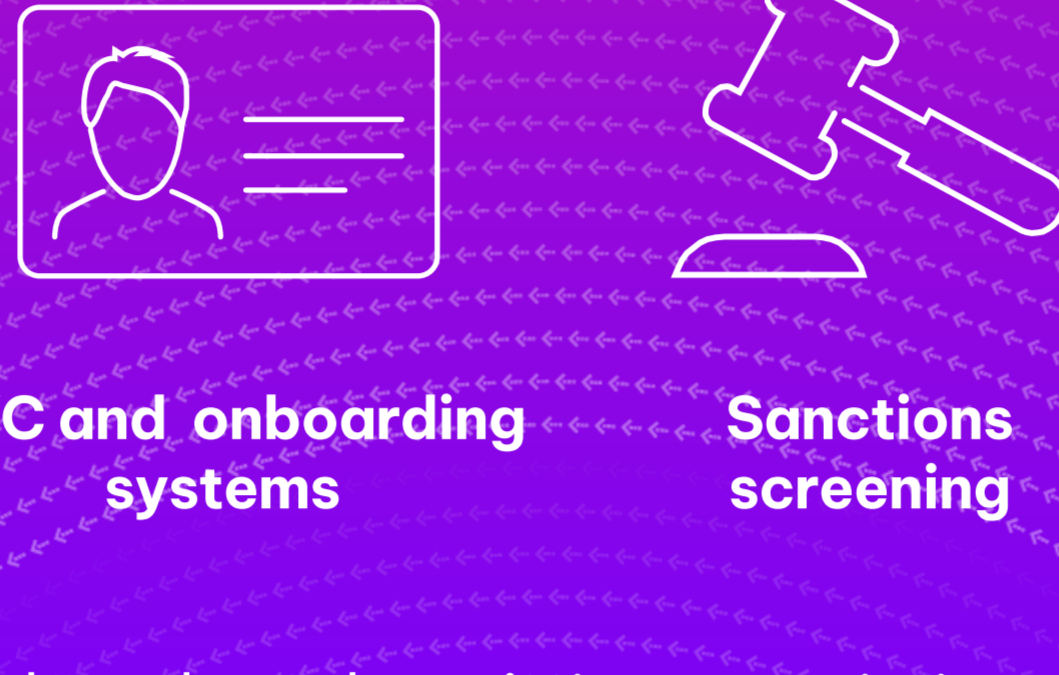


Transaction monitoring, PEPs and sanctions, and KYC data refresh are areas that have maintained their top positions for the third consecutive year.

According to the respondents, what technologies FIs are focusing on is related to business size. Larger firms with over USD 10 billion assets are prioritising:



Mid-market firms between USD 10-100 billion in assets focus on:

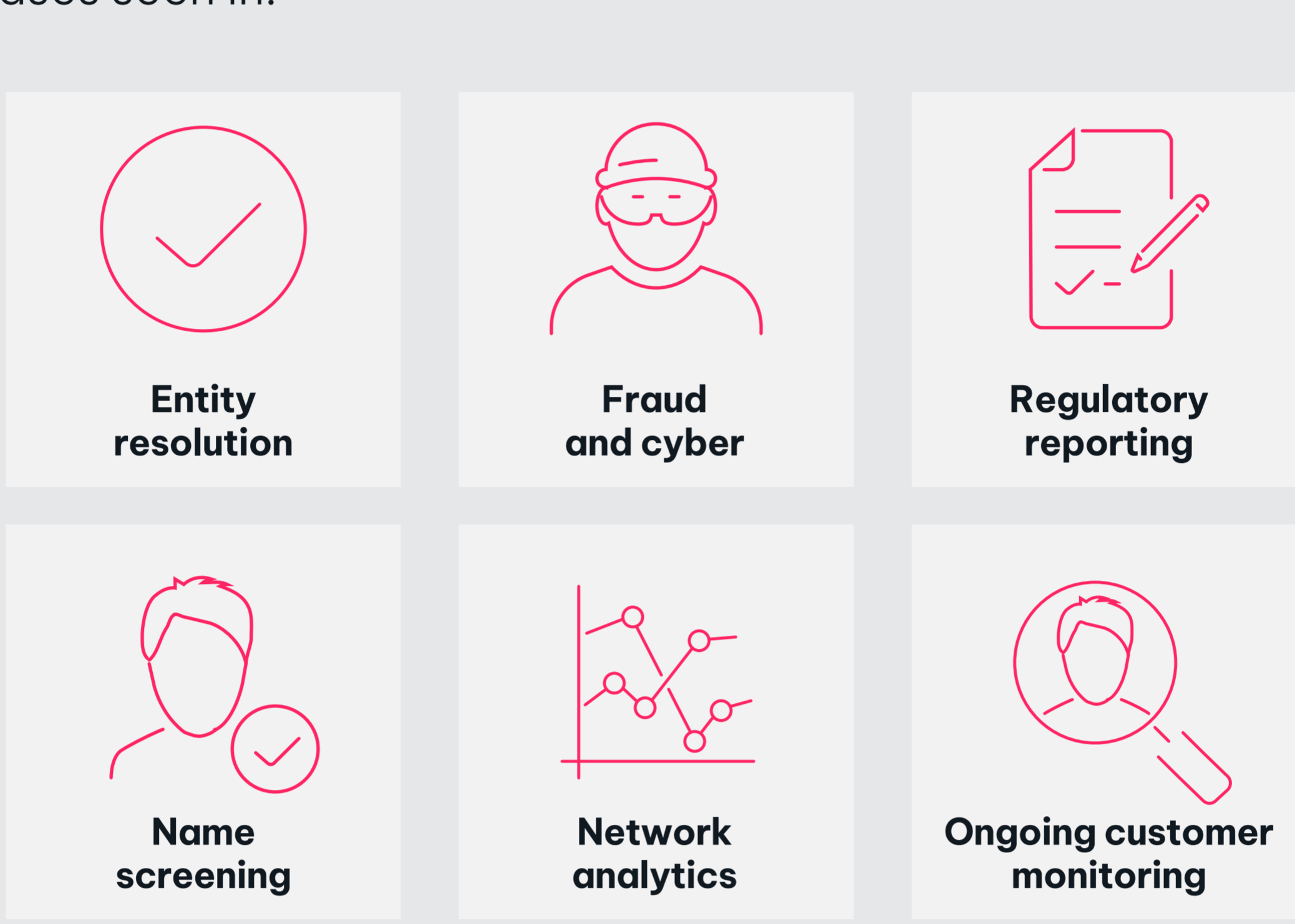


The research highlights that there's interest in integrating AML and anti-fraud teams, especially at larger FIs.

AI and ML in AML Functions

Findings overwhelmingly show that firms are turning to AI and machine learning in almost all AML functions where technology systems are typically deployed. This was most evident in **transaction monitoring**, **name screening** and **customer monitoring**.

This year, FIs have either implemented or plan to implement AI/ML across almost all functional areas, with the biggest increases seen in:



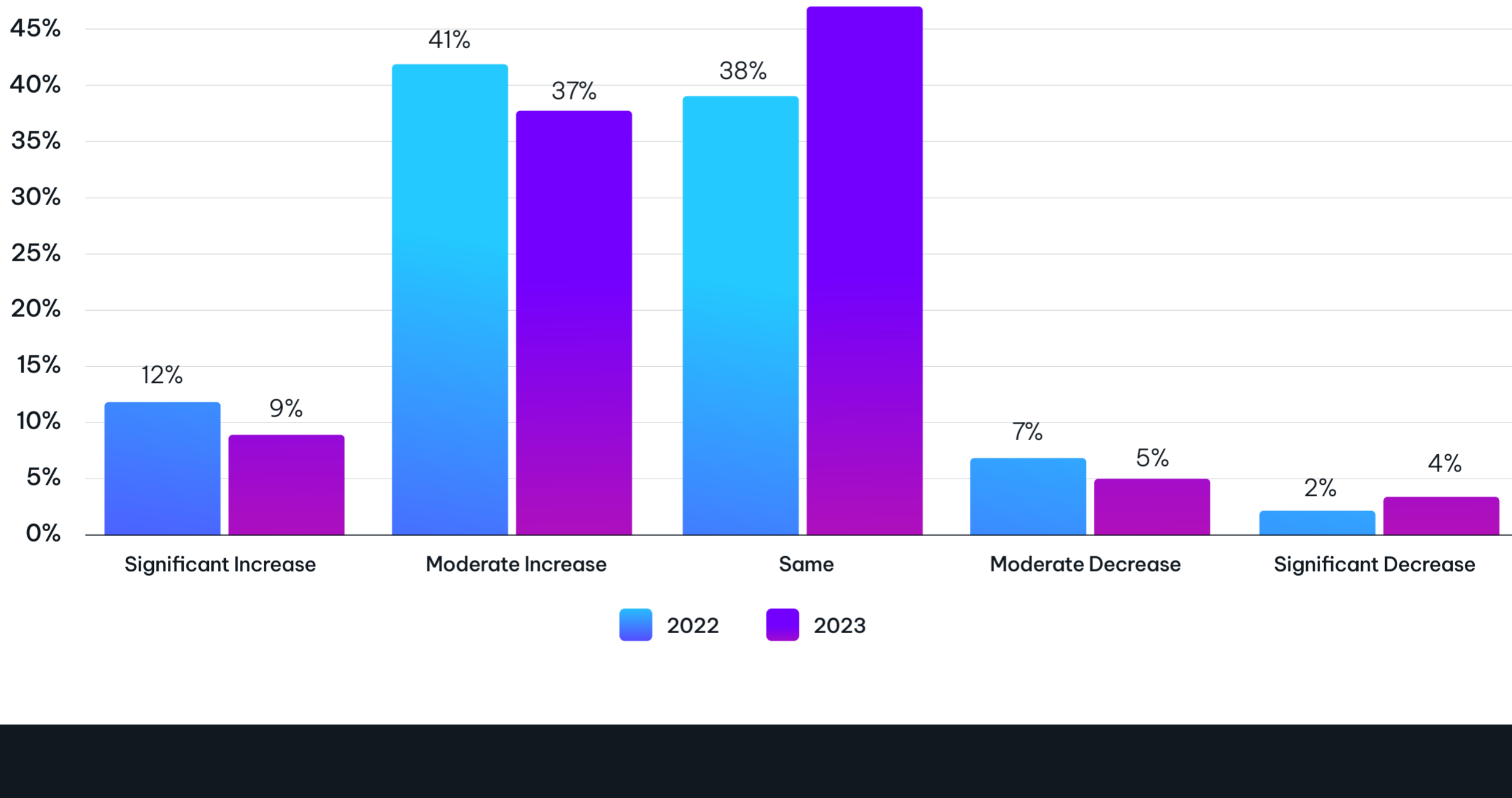
33% of respondents had already implemented AI/ML enabled entity resolution in 2023, compared to just **20%** a year earlier.

This signals a progressive shift from deterministic entity resolution (rules-based matching) to probabilistic entity resolution (fuzzy matching), which tends to more reliably resolve issues related to data quality, formatting differences and storage locations.

Fraud's Role in Money Laundering

Fraud is a leading challenge that reflects global trends; in Hong Kong, fraud is the predicate offence in over **70%** of money laundering investigations and convictions.

High false positive rates are a consistent pain point, with almost **46%** of respondents report an increase in their transaction monitoring alerts.



Top 5 Factors that Influence a Practitioner's Confidence in Transaction Monitoring and Screening Systems



Trends in Suspicious Activity Reporting

40% of respondents reported cryptocurrency-related activity was the area where they were seeing the biggest increase in suspicious activity compared to a year earlier, but only a quarter of them had integrated crypt-specific behaviours

30% of the respondents also said they were observing increased suspicious activity related to TBML, bribery and corruption, tax evasion, illegal gambling, and dark web activities

More specialised areas like nuclear proliferation, human trafficking, and illegal wildlife trade showed the least growth in terms of suspicious activity reporting

World events and geopolitical challenges are reshaping priorities in financial crime risk management. There's continued focus on sanctions screening, which has been a prominent theme since Russia's invasion of Ukraine, and a heightened focus on terrorist financing given the events in the Middle East.



The research also raises questions about the ability of FIs to measure and assess the performance of their AML systems and related improvements, indicating that more work is needed to enhance the feedback loop with FIUs, regulators, and law enforcement agencies.

More industry insights are in the latest AML Barometer report. Explore the current state of AML in Asia, efforts being made to enhance AML detection and prevention capabilities with technology, and the emerging trends and threats in the region.

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