

Changing filters

AML solution vendors help to automate the due diligence process

There's the OFAC list, the Bank of England (BoE) list and World-Check's database of heightened risk individuals and entities comprising more than 100 sanctioned lists – some of the myriad anti-money laundering (AML) initiatives banks are being asked to comply with. From what was once a largely manual task, post-September 11 and the introduction of the Patriot Act in the US, the banking industry is being forced to implement highly automated processes for the detection and prevention of money laundering. "In the past, banks may have done this on a semi-manual or totally manual basis," explains **Paul Gdanski** of GIFTS Software, which will be exhibiting its AML solution, GIFTSWEB EDD, a browser-based enterprise due diligence solution at Sibos in Atlanta. "But what regulators are essentially saying to the banks is that given the resources required to do this, they cannot do this manually anymore. They need an automated tool."

Various AML solutions including transaction monitoring and database profiling will be on display at Sibos. Transaction monitoring or message filtering solutions generally rely on business process rules, which are defined by the

end-user to monitor transactions against sanctioned lists (OFAC, BoE) or artificial intelligence (AI), which looks for names that match or are similar to those on sanctioned lists. AML vendors stress that the quality of data contained in lists or databases is important in determining the accuracy of the filter and its ability to sort the 'good' from the 'bad'. "The quality of the data is uppermost," says **Florence Vicentini**, SWIFTAlliance manager for French AML vendor Fircosoft, which will be exhibiting its OFAC-Agent Suite at Sibos, "If your lists are wrong, filtering is not going to work."

Fircosoft's AML solution enables banks to conduct a 'fuzzy' search, which finds names similar to those on sanctioned lists. "The challenge for us and for the banks is to ensure that we stop any illegal messages," Vicentini continues, "but it is important not to stop too many transactions." With most large banks handling in the region of 200,000 messages a day, AML filters need to detect any suspicious transactions without holding up transactions unnecessarily. Some solutions such as Belgian-based Viveo Cognitive Solution's Scan-IT, uses

AI to find synonyms, abbreviations or financial identifiers such as BICs and IBANs. It can also be programmed to do what general manager **Laurent Colombant** describes as 'skip entries'. "That means if you have someone with a name similar to Osama Bin Laden but it is not the terrorist, you can program it to skip that profile so it only catches the bad guys."

GIFTS' EDD solution also uses 'stop descriptors', which Gdanski says mitigate fails from re-occurring in the future. For OFAC purposes, transaction monitoring is done in real time, but for general AML prevention, Gdanski says most banks do this on an end-of-day process. The next morning they are alerted to any suspicious trades via email. Monitoring parameters are defined using business process rules. "The biggest challenge is the data," says Gdanski. "We act as a data repository, with banks various legacy systems feeding into our database."

Whilst a number of authorities publish sanctioned lists of high-risk individuals and entities, ensuring these lists are kept up to date is a major undertaking in itself. **Brendan Cohen**

of World-Check, which provides a structured database incorporating 100 sanctioned lists as well as research of its own, is designed to take the headache out of maintaining AML databases. World-Check updates the database twice a day and conducts research of its own including de-listed attorneys, SEC violations and terrorist organisations. "Banks may currently have a team of researchers sitting around all day, but they cannot research each and every customer that comes across their desk. So they end up conducting due diligence on less than 1% of their customer base because it's time consuming. Instead of them looking for a needle in a haystack, we identify the needle for them. They don't need to train researchers or support a large team of analysts."

Viveo Cognitive Systems' Scan-IT also allows banks to incorporate lists they have compiled themselves of high-risk individuals/entities. "If you want to be OFAC compliant and also have your own internal list, it is rather complex," says Colombant. "Banks need to upgrade these lists regularly, without linking them together. You have to be able to upgrade these lists on the fly." <<