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Empowering compliance and controls: The next-generation AI takes the lead

By Frank Orlowski

Although not new, artificial intelligence (AI) is reaching a turning point, with wider adoption and usefulness in day-to-day business activities. Most recently, the private and public sectors realized that AI could enhance financial compliance and controls by automating processes, identifying anomalies, and improving overall risk management. Some areas where AI can help are obvious. Others are less so, but none less valuable to chief compliance officers and regulators. Here are several ways AI is being employed.

Fraud detection

AI can analyze large volumes of financial data in real time to detect unusual patterns or suspicious transactions that may indicate fraudulent activities. Using machine learning algorithms, AI can also continuously learn from and improve its ability to identify new fraud patterns. This will prove a valuable tool in identifying new trends in fraud or noncompliant activity to stay one step ahead of the violators. For example: “Fraudsters may use stolen identities to open multiple accounts across different banks and use these accounts to launder money through various transactions. With big data analysis, AI-powered fraud detection systems can identify these patterns and flag potential fraudulent activities in real time.”^[1]

Anti-money laundering compliance

AI can assist financial institutions in complying with anti-money laundering regulations by scrutinizing customer transactions, monitoring suspicious activities, and generating alerts for further investigation. This can be done in all languages—including unique/special characters that were previously difficult to translate into readable data. According to Sanction Scanner, “AI algorithms can analyze vast amounts of data in real-time and identify patterns that may not be detectable by humans. This allows financial institutions to identify suspicious transactions and behaviors better and reduce false positives.”^[2]

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