

TRANSACTION MONITORING

DIGITISED AML EXPERTISE

Optimising Risk Management through Digital Expertise - AML / PEP / Sanctions screening

The regulatory obligation for banks to monitor and report on suspicious transactions presents a challenge to optimally manage human resources in a volatile risk environment without compromising risk.

Automating Complex Risk Spaces

Attempting to automate complex risk environments, particularly those displaying uncertainty, high frequency and high severity spaces – such as financial crime, should be approached with caution.

Technology capabilities (and limitations) must be understood in order to select and stack risk appropriate technology in order to optimise the process without compromising risk

Evolving Risk - Uncertainty

Uncertainty is an evolved version of risk. Uncertainty involves situations with unknown, complex and/or evolving variables and issues outside of the organisations control. Financial crime factors are not only outside of the organisations control but actively working and evolving to circumvent controls

Outcomes are unknown, unpredictable and cannot be guaranteed, the problem space is undefined, potentially infinite, therefore uncertainty cannot be accurately measured or calculated.

Rules will never be able to adjust and keep up with an evolving risk environment, hence the continued reliance on human expertise to manage this exposure, as uncertainty increases reliance on human expertise also increases.

Human Experts are able to very quickly analyze a scenario and make consequential decisions which mitigate risk. This ability is fostered through years of experience where they develop a deep instinctual understanding of the risk. They are able to anticipate and see risk and consequence beyond what is evident in data, they therefore often exercise judgement to make decisions which they simply describe as gut-instinct. This experiential, or tacit knowledge, resides in the subconscious.

TOM™

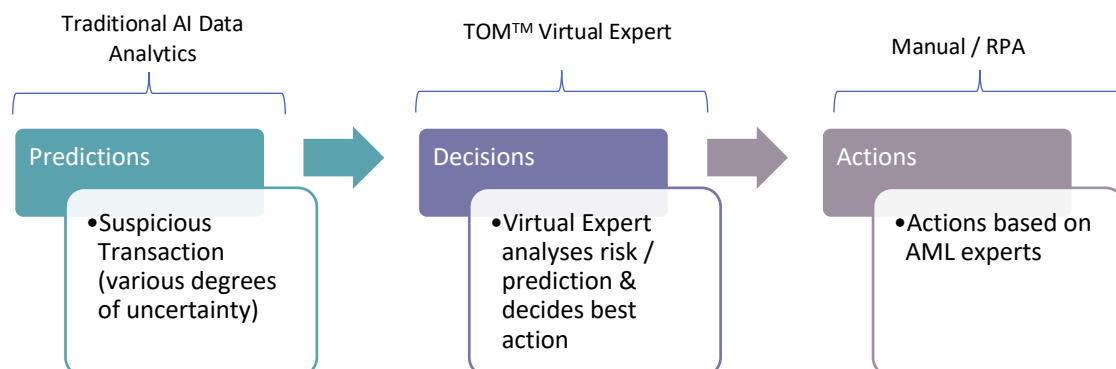
Merlynn's Tacit Object modeler TOM™ is the only Artificial Intelligence technology able to embrace tacit knowledge, and digitise expertise enabling organisations to scale their AML expertise. Enabling automation without compromising risk.

Leveraging unique AI capabilities, the technology learns directly from the expert. TOM™ captures both explicit as well as intuitive or instinctual (tacit) knowledge which represents that gut-feel in decisions which cannot be explained through data. The model is trained (without requiring any historical data) within hours by the subject matter expert to make decisions exactly as the human analyst would.

Decision & Decision Support (Predictive technology)

TOM™ Decision technology is used adjacent to “decision support” technologies and alert monitoring systems enables organisations to optimally manage their financial crime risk.

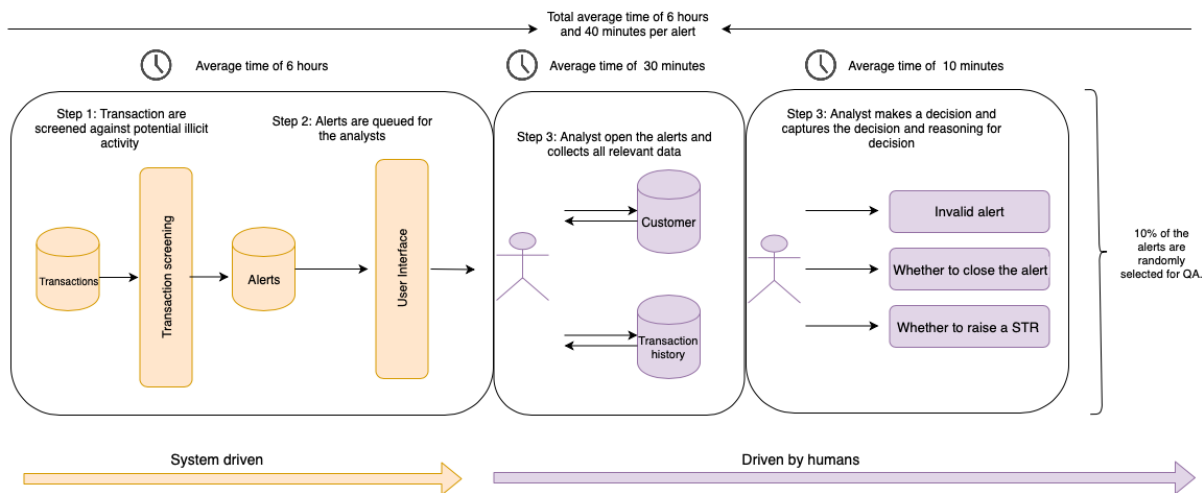
Decision support (Predictive technologies) those that monitor watch lists, PEP's and adverse media, etc. provide valuable information and predictions which complement TOM™ in optimally managing financial crime and complying with relevant regulation.



Current Process:

Existing systems generate large volumes of alerts, which human analysts work through to make critical decisions around the clearing or escalation of flagged transactions.

Transaction Monitoring prior to TOM



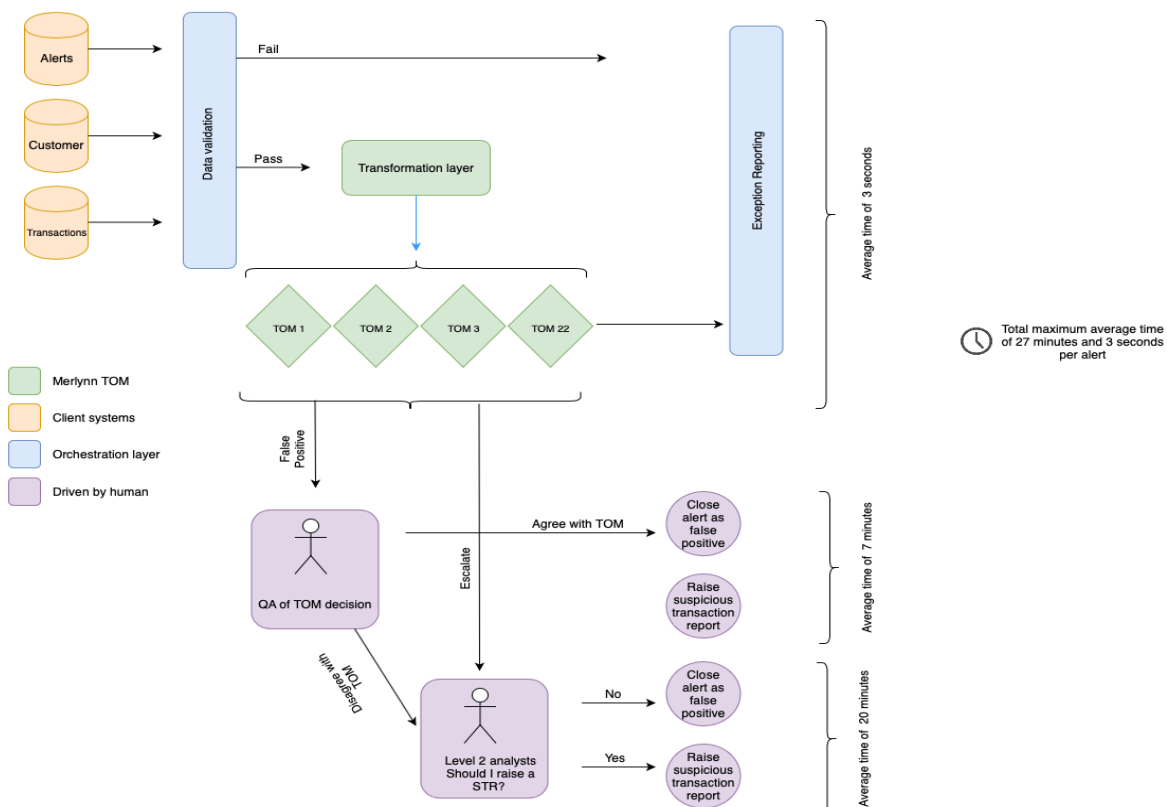
The Problem:

Humans are constrained by the number of transactions they can analyse and process each day. Occasionally alert volumes spike creating unmanageable workloads and pressure which increases risk and negatively affects turnaround times. Consistency and fatigue are further concerns.

The Solution:

By leveraging next generation AI Merlynn's Tacit Object Modeler (TOM™) TOM creates a "Virtual Expert" a digitised version of the expert which emulates the decisions of the human analyst, only infinitely faster. These "Virtual Experts" are introduced into the banks operational risk environments to analyse and clear alerts in real time, 24 hours a day without any limitation to access, transforming the raw data and providing a decision in a maximum of 3 seconds per alert, revolutionising alert management. With unlimited access to Virtual Expertise managing an ever increasing volume of flagged transactions or spike volatility is no longer a challenge.

Process map for TOM project within transaction monitoring



Business benefits include:

- Reduced risk through optimal alert decisions which emulate the organisations best expert insights.
- Consistent decisions with zero fatigue
- Real time alert management enhancing process efficiencies and optimising risk management
- Spike volatility management capabilities - scalable transaction handling capacity when required.
- Reduced operational cost.
- Improved levels of regulatory compliance with decision transparency.
- Fast learning and model adaptation cater for evolving risk universe.