

ALESSA

Show Me the Risk: Going Beyond Sanctions Lists to Detect Risk

Wednesday, July 26, 2023

Meet The Presenters



Amanda DuPont

Public Records Product Specialist
Thomson Reuters



Jeff Woods

Senior Vice President of Sales
Alessa Inc.

Disclaimer

This webinar is intended solely to provide information to viewers. The views and opinions expressed as part of this webinar do not necessarily state or reflect those of the of the presenter's employer or sponsors of the webinar. It is not intended, nor can it be relied upon, to create any rights enforceable by any party in litigation, or to endorse the use of products or services provided by specific vendors.

With respect to this webinar, the presenter makes any warranty, express or implied, including the warranties of merchantability and fitness for a particular purpose, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights.

Agenda

1. How risk scoring can impact your AML/KYC organization
2. Using a holistic risk score to drive your PEP screening strategy
3. Tailoring your adverse media process so it isn't an open firehose
4. The financial and **human impact** of these strategy changes



What Clients Are Saying

1. We are being asked to do more with less
2. We need to automate our processes
3. It is difficult to hire and retain AML/KYC/fraud team members



What's Driving These Trends – Financial Side

According to Deloitte's CFO Signals Pulse Survey for Q2 2023:

1. Cost optimization is their top near term priority
2. 54% say their CEO tasked them with launching an overall cost cutting initiative
3. Only 50% say they are confident that they can control their overall costs, given the uncertainty with labor costs and inflation
4. 34% don't see the current North American economic outlook as favorable, up 5% from the end of Q1

What's Driving These Trends – The Human Side

Countless summaries that highlight why people leave their jobs, here are 4 re-occurring themes:

1. Too much workload
2. Feeling burned out
3. Role feels monotonous, needing a change
4. **No connection** to a higher company purpose



How Can Risk Scoring Help With These Trends?

Financial Side:

Do more with less

Human Side:

Make the work more meaningful

A triage nurse examining the patient



What Can Drive An Overall Risk Score?

7 elements that can drive a risk score

1. Client ID verification
2. Sanctions/Government lists
3. Political exposure
4. Transaction monitoring
5. Regulatory reporting
6. Client provided data
7. Adverse media

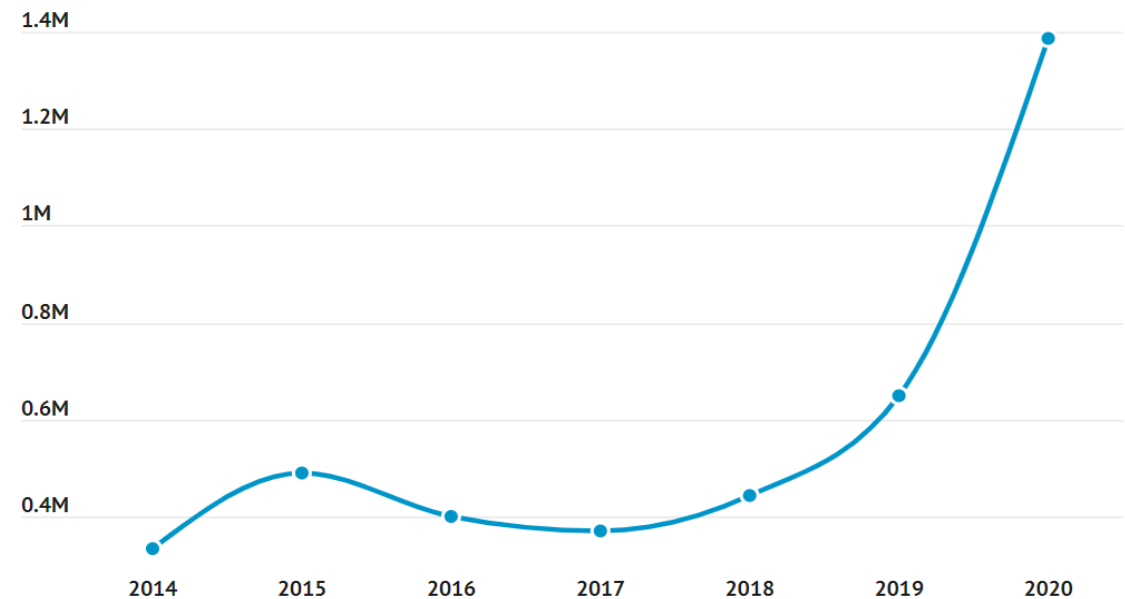
The screenshot displays a 'Customer 360 View for Brandon Barber'. At the top, it shows the 'Avg. Transaction Amount' as \$12,737.82 and the 'Current Risk Level' as 85 (HIGH). The interface is divided into several sections:

- Personal Information:** Includes name (Brandon Barber), type (Individual), ID document (Driver License), address (287 Noble Ln, San Antonio, TX, United States, 78201), phone number ((874) 471-7565), email (brandon@barber-engineers.com), occupation (Industrial Engineer), DOB (8/6/1960), gender (Male), marital status (Divorced), and client since date (1/16/2012). A photo of Brandon Barber is also shown.
- Customer Overview:** A table summarizing key risk indicators:

Indicator	Value
TM Alerts	5
CIP Alerts	1
Current Risk Score	85
Related Cases	1
Infraction List Alerts	1
Previous Risk Score	40
Adverse Media Hits	13
Regulatory Reports	3
Risk Score Change	45
- Account Profile:** A section for account details.
- Recent Transactions:** A section for transaction history.
- CIP Alerts:** A section for Customer Identification Program alerts.
- Infraction List Alerts:** A section for infraction list alerts.
- Adverse Media:** A section for adverse media alerts.
- Transaction Monitoring Alerts:** A section for transaction monitoring alerts, currently showing 1 alert.
- Regulatory Reports Alerts:** A section for regulatory reports alerts.
- Related Cases:** A section for related cases.
- History:** A log of actions performed on the customer, including:
 - 3/8/2023 10:08:26 AM: System added comment(s): System associated case 13821 with this work item.
 - 2/9/2022 10:21:35 AM: Ronny performed the Assign action. The work item transitioned to the Assigned state and is now assigned to AML Compliance Team.
 - 2/9/2022 10:07:50 AM: Ronny performed the Assign to me action. The work item is now assigned to Ronny.
 - 11/5/2020 8:29:23 AM: Benjamin performed the Assign action. The work item transitioned to the Assigned state and is now assigned to AML Compliance Team.

Fraud Trends

Identity theft reports in the United States



Data source: Federal Trade Commission (2018–2020).

85% of fraudsters displayed **BEHAVIORAL RED FLAGS** of fraud



DURING AND POST CORONAVIRUS

	88% OVERALL INCREASE	57% SIGNIFICANT INCREASE
	82% OVERALL INCREASE	43% SIGNIFICANT INCREASE

The presence of anti-fraud controls is associated with



LOWER fraud losses

AND



QUICKER fraud detection

<25%

Over half of respondents recover less than a quarter of fraud losses.

>50%

Over half of respondents globally experienced an increase in fraud value.

>60%

Over 60 percent of respondents globally experienced an Increase in fraud volume.

Synthetic Fraud By The Numbers



SYNTHETIC FRAUD IS THE FASTEST GROWING TYPE OF FRAUD

Cybercriminals have become more skilled and have greater opportunity with the proliferation of online interactions

THE ECONOMIST NOTES COVID-19 HAS LED TO A 75% INCREASE IN DAILY DIGITAL CRIME, WHILE THE FBI REPORTS A 300% INCREASE

A SINGLE CYBERCRIME ATTACK MAY USE THE SAME IDENTITY DOCUMENT, MODIFYING THE FACE OR PERSONAL INFORMATION UPWARDS OF 5,000 TIMES

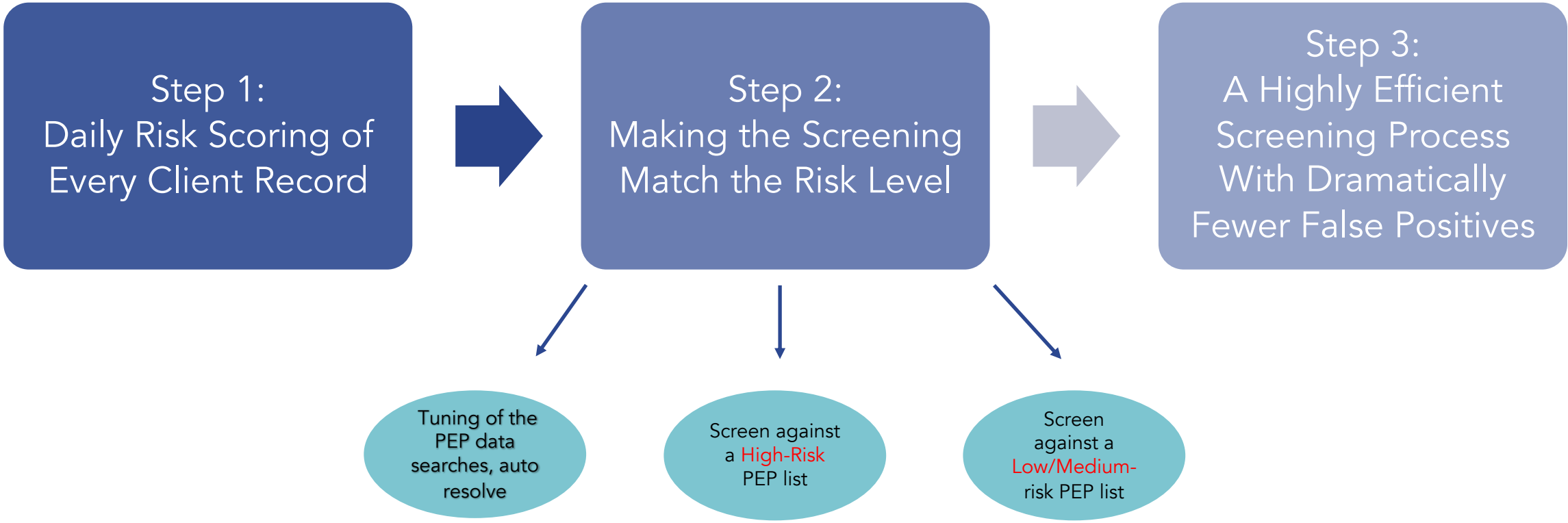
THE PRICE TAG FOR CHARGE-OFFS RESULTING FROM SUCCESSFUL SYNTHETIC ID ATTACKS HOVERS AROUND \$15,000 PER INCIDENT

Three Common Approaches to PEP Screening

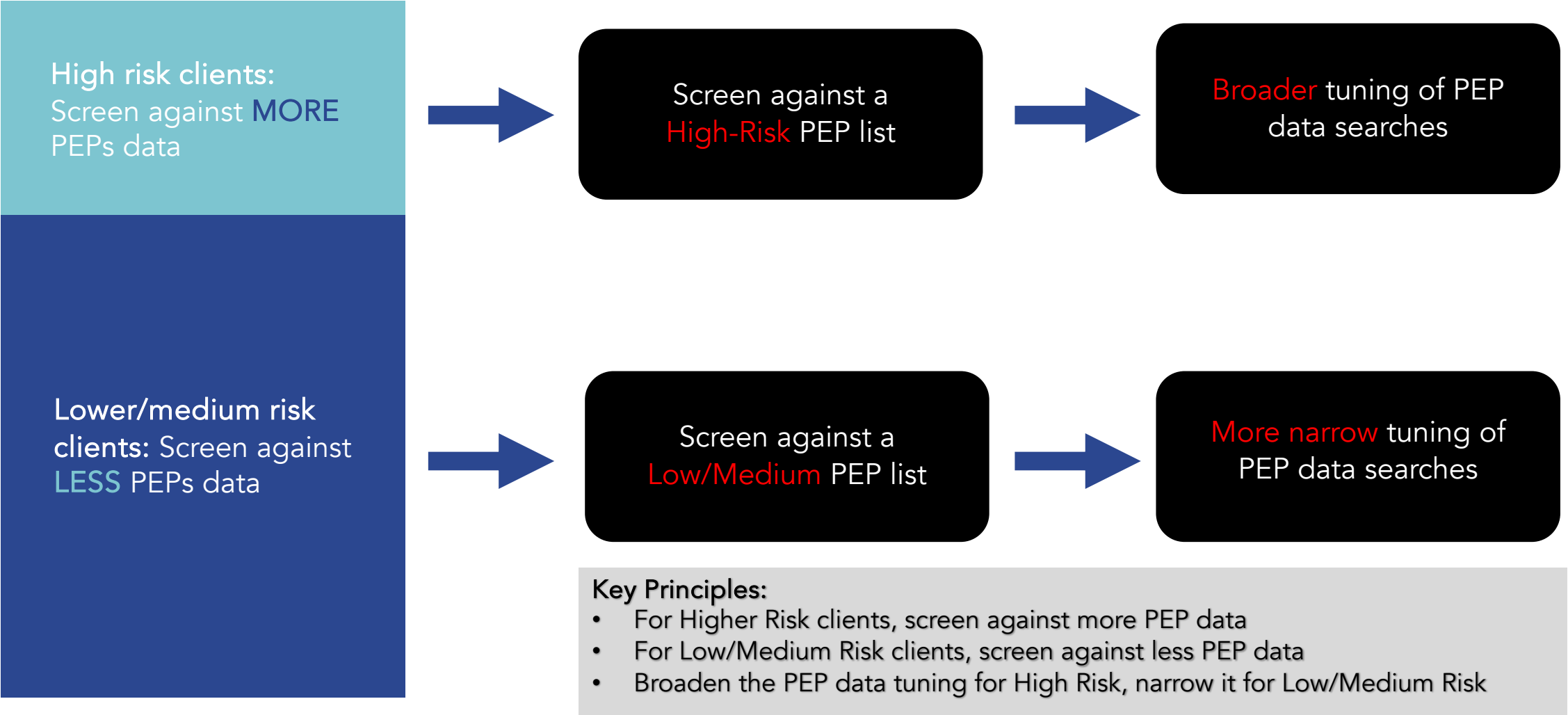
1. Screen against all PEPs
2. Screen against a segment of PEPs in a third-party database
3. Turn all PEP screening off



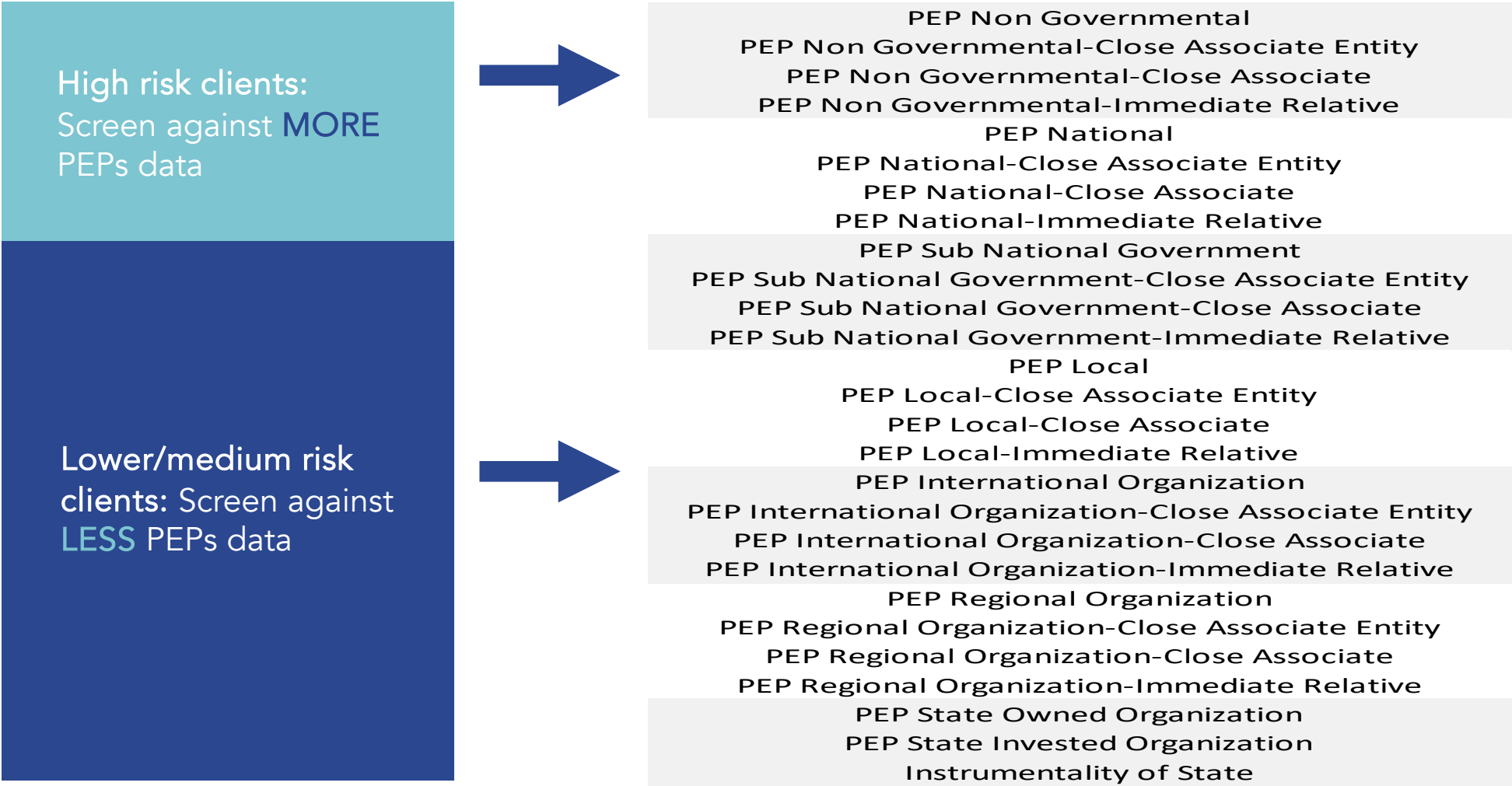
Risk Scoring for a Better PEP Screening Experience



Risk Scoring Drives What Kind of PEPs You Do Ongoing Screening On



Risk Scoring and Structured PEP Data to Aggressively Reduce False Positives During Ongoing Screening



Modeling the Potential Impact on PEP Workload

Using Risk Scoring to Build a Highly Efficient PEP Screening Process

Number of PEP Records in Your
3rd Party Database

1,800,000

Number of Client Records to
Screen Annually

300,000

Alessa Risk Scoring	% of Clients	Number of Clients by Risk Category
Number of High Risk Clients	12.00%	36,000
Number of Medium Risk Clients	22.00%	66,000
Number of Low Risk Clients	66.00%	198,000

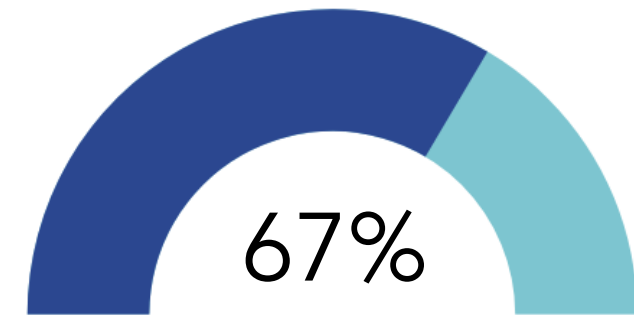
100.00%



How Prevalent is Adverse Media Searching Today?

A 2021 survey of the Association of Certified Financial Specialists found that 67% of its members rely on adverse media screening for negative news as part of a comprehensive program to determine the level of risk that customers, prospects, and business partners may pose to their organizations.

Investigation, fraud prevention, and compliance teams use adverse media information to reduce risks to the organization, evaluate clients, and/or protect the reputation of their brand.



rely on adverse media screening
for negative news as part of a
complete risk program

Source: Thomson Reuters, "Adverse Media Screening: Harness the power of artificial intelligence to mitigate risks"

<https://legal.thomsonreuters.com/en/insights/white-papers/adverse-media-screening-harness-the-power-of-ai-to-mitigate-risk>

Top Reasons Users Struggle With Adverse Media Searches

- What does the term even mean and when should you use it?
- Hard to discern truly adverse events in search results
- Difficult to identify and evaluate high-quality, relevant content
- Challenge to remove multiple hits from same content
- Different users have different approaches and reach results

Source: Thomson Reuters, "Adverse Media Screening: Harness the power of artificial intelligence to mitigate risks"

<https://legal.thomsonreuters.com/en/insights/white-papers/adverse-media-screening-harness-the-power-of-ai-to-mitigate-risk>

Summary

Three Trends We Are Hearing From Our Clients Today

1. We are being asked to do more with less
2. We need to automate our processes
3. It is difficult to hire and retain AML/KYC/fraud team members

Two Winners From What We Discussed

1. **Finance-** Efficiency, automation, protecting the company
2. **The Human Side-** More engaged employees doing very meaningful, challenging work

A woman in a white shirt and dark pants stands next to a whiteboard, pointing at it with a pen. A man in a blue blazer sits at a round table with a laptop, looking towards the whiteboard. The office has large windows overlooking a city street with brick buildings. A green plant is visible in the foreground on the right.

ALESSA

Contact Us

www.alessa.com/contact-us | connect@alessa.com

