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AI, FINANCIAL COMPATIBILITY AND DATING

Could financial compatibility and AI mould a revolutionary model for the future of dating in the UK?

SURVIVAL OF THE SAVVY

How FSI incumbents can stay relevant through the GCC's payments revolution

THE FUTURE OF FINANCE IS DIGITAL

The future for financial services is digital, and the time to transform is now

BANKING TECH AND TRADITION

In an exclusive interview, Silvia Benzi, CFO of illimity Bank, discusses pivotal moments, her passion for revolutionising financial services and how illimity Bank leverages technology to enhance decision-making, balance innovation with traditional practices and navigate the evolving regulatory landscape.

THE IMPORTANCE OF POLITICALLY EXPOSED PERSONS SCREENING AMID GLOBAL EVENTS AND REGULATORY SHIFTS

In 2024, several significant developments in the realm of politically exposed persons (PEPs) and money laundering have made headlines. These include a series of high-profile cases and regulatory changes aimed at enhancing transparency and accountability. Greg Pinn, Babel Street's Director of Name Screening, dives into the importance of screening PEPs, and how technology such as AI, holds the key to advancing the process.

About half of the world's population will be going to the polls in elections this year, and a number of these elections will have a considerable impact on global stability. The possible elevation of so many people to positions of power raises the risk of bribery and corruption, dramatically elevating the need for Politically Exposed Persons (PEP) screening and mitigation.

PEPs are individuals who are or have been entrusted with prominent public functions. As such, they have a higher likelihood of being involved with bribery, corruption and/or money laundering due to their potential influence on laws, contract awards and political outcomes.

Changes in PEP regulations

PEP regulations around the world are changing, with stricter requirements for due diligence and the costs of non-compliance violations increasing every year. Financial institutions (FIs) must conduct PEP screening to assess the level of risk associated with each individual and determine the extent of due diligence required to understand and mitigate risk.

In a risk-based approach to PEP screening, FIs and other regulated entities evaluate various factors to determine the level of risk posed by a particular PEP.

There are four key areas to consider:

1. Country risk: Whether using a commercial country risk ranking tool or one provided by a non-governmental organisation, understanding comparative risks for countries, including their level of election integrity and freedom of the press, is essential to assessing PEP risk.

Limitations in press freedom can often obscure corruption research, making it nearly impossible to bring such crimes to light. While country risk is an important part of PEP screening, some institutions are too reliant on this single point. No PEP should be dismissed outright solely based on location.

2. Event timelines: Elections are highly correlated with corruption, both immediately before and after they take place. Buying influence before a candidate

Greg Pinn, Babel Street's Director of
Name Screening

is elected or illegally funnelling money to
their campaign are key corruption events.

3. Position level and locale: The type of
position is also an important measure of
PEP risk. It is common practice to consider
PEPs with greater influence (presidents,
prime ministers, national legislators) as
being at a higher risk than local leaders.
However, not all local politicians are equal.
The mayor of Paris, London, Mexico City or
Tokyo will have a higher risk profile than
the mayor of a smaller city. Exceptions
must be made to increase the risk profiles
of PEPs when their jurisdictions elevate
their power potential.

Legislation around the world differs for
how domestic versus foreign PEPs should
be treated. For example, in the UK, new
rules went into effect in January 2024
classifying domestic PEPs as lower risk
than foreign PEPs.

They still require enhanced due diligence,
but less than that applied to foreign PEPs.

4. Relationships: Bribery schemes may go
beyond direct cash payments, to involve
remuneration such as paid tuition for
children, trips, cars or luxury goods for
spouses or close associates or purchasing
homes for parents.

AI and PEP risk mitigation

Newer technologies using AI – such as
automated workflows, AI-based screening,
and advanced name-matching technologies

– can enhance efficiency and effectiveness in PEP risk management. Regulators encourage the use of newer technologies in risk identification and screening processes. At the same time, the use of Artificial Intelligence (AI) in regulation technology has increased substantially.

These solutions help address some common problems in traditional PEP screening approaches.

Often, having more data to screen against means more false positives, which can lead to compliance gaps. As a result, some PEP screening processes are simply turned off, especially when teams are too small to remediate high numbers of false positives. In other cases, teams use large 'If-then' spreadsheets to assess PEP risk based on organisational policy, which creates large files that require actively managed, manual updates – again, likely leaving gaps. A best

practice approach is using software to automate PEP identification and ongoing monitoring. Advanced solutions enable risk scoring of PEPs, enabling users to allow them to configure workflows based on identified risks, while also allowing for more auto-resolve options without increasing risk. By improving efficiency and freeing up human resources for other tasks, FIs can achieve strong returns on investment by including scoring methodology in the technology workflows.

Mitigating PEP risk with name-matching

Prioritising the reduction of false positives by enhancing record-matching practices is key to streamlining PEP risk assessment. By leveraging statistical modelling, name databases and Artificial Intelligence, it is possible to reduce the repetitive, manual tasks of Level 1 remediation.

This eliminates the need for FIs to spend resources and time remediating matches that could reliably be resolved through an advanced name matcher.

Implementing such name-matching technology can be done via a replacement of software solutions or by integrating a post-processing engine, which refines the matches produced by an existing system to a more manageable number.

Technology holds the promise to stem the tide of corruption

Elections are not the only situations associated with bribery and corruption risk. Forceful takeovers and coup d'états are happening routinely around the globe. FIs should move now to review their PEP screening measures to ensure teams are operating for the best efficiency and optimal impact. ◢