

SMARAGD IAC

The solution that keeps even unexpected spikes in alert volumes in check

The dynamic environment of financial sanctions changes daily and constantly poses challenges to banks' compliance departments. In response to the war in Ukraine alone, about 6,000 new entries were added to global sanctions lists. For banks, this becomes noticeable in the daily alert processing in SMARAGD TCM.

The teams in the transactions monitoring departments can hardly keep up with processing the alerts: compared to normal load, the number of alerts has increased by a factor of three to four. Being a critical bank process, transactions monitoring cannot be neglected despite this additional volume of alerts; important projects must be stopped temporarily or cancelled altogether in order to use the required resources in operations. If you do not reallocate your resources, the risk for a sanctions breach increases. A breach can lead to substantial fines and even serious legal consequences (OFAC Enforcement Actions).

targens' experience as an advantage

targens has been advising financial service providers on all compliance-related issues for more than 30 years. Thanks to their practical experience, the consultants hence understand the challenges of dramatically increased alert volumes in the day-to-day business of alert processing. Even with proper proactive planning, it is difficult to handle these volumes by only relying on human alert processing. The immediate response to larger alert volumes in day-to-day business often provides a basis for improvement:

- » The compliance team must deal with significantly larger amounts of alerts in the same amount of time. Simultaneously, the resulting higher number of false positives subjects the employees to routine-blindness and, thus, increases the susceptibility to errors that may result in sanctions violations. These violations require an immediate operational effort to recall the affected payments. In the event of an unsuccessful recall, this leads to voluntary self-disclosure with the relevant authorities.

- » Unfortunately, the consequences of a massively increased alert volumes due to changes in the sanctions lists are not limited to the number of alerts and potential sanctions violations. It also harbors the risk of a backlog in day-to-day business; false positives (and supposedly unsuspecting) customer payments are stuck in the system and are not executed until they are released by the employees.



At one glance – SMARAGD IAC

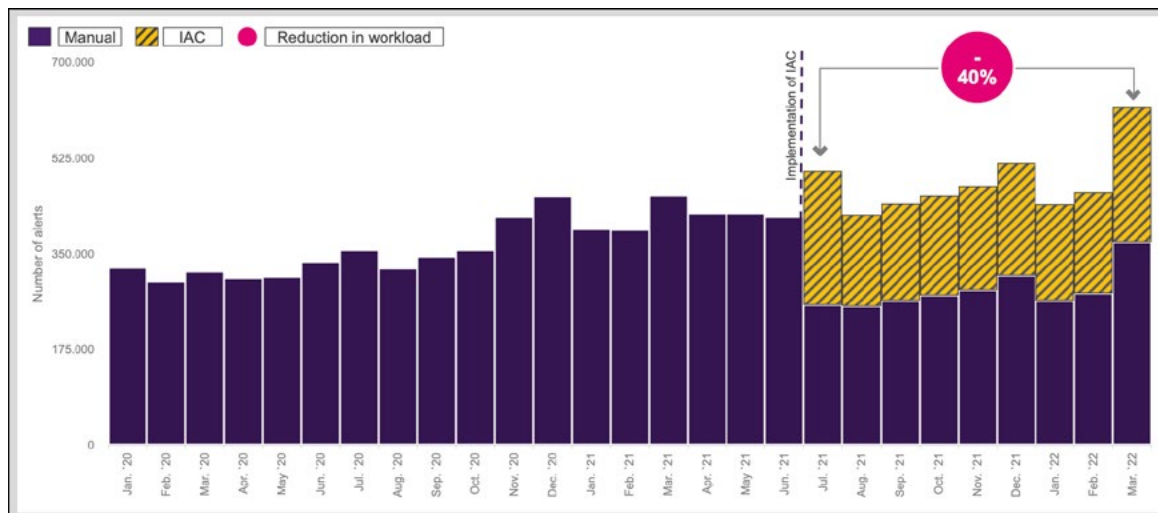
- » Intelligent covering of regulatory financial embargo requirements

- » Cost saving by machine analyses

- » Fast adaptation with changed framework

targens offers a practical and easy-to-implement solution using artificial intelligence that supports companies in processing alerts.

This is where targens' Intelligent Alert Classifier (IAC) comes into play. SMARAGD IAC can serve as an extension of SMARAGD TCM by an artificial intelligence and processes alerts in advance. Therefore, a large portion of the alerts can be handled automatically: SMARAGD IAC increases the productivity of your compliance department through intelligent (pre-)decisions on the payment that are on hold in the system. The analysis of data of one of our customers shows that IAC takes up to 40 per cent of the workload (see figure).



Until July 2021, alerts are handled only manually by the compliance staff. After the introduction of SMARAGD IAC, it bears up to 40 per cent of the workload by intelligently reviewing false positives. The substantially higher number of alerts in March 2022 is a direct result of the new entries on sanctions lists and a rule change in connection with the war in Ukraine. Even in this extreme case, SMARAGD IAC handles the new alerts with ease.

The decision-making process of SMARAGD IAC is easy to understand and audit-proof and meets highest quality standards.

With SMARAGD IAC, targens offers a software solution that ensures high model accuracy and processing quality. The model used by the customer is supposed to recognize all STOPS correctly while determining as many GOs as possible. Our analysis of the sample customer data (see figure) shows that the model accuracy is over 80 per cent. This means that more than 80 out of 100 alerts were determined correctly and 99 per cent of all STOPS were identified correctly.

To ensure maximum transparency, we have developed SMARAGD IAC in such a way that the decisions are easily traceable and documented in an audit-proof manner. Although the alerts are automatically (pre-) processed in advance, both compliance staff and auditors can clearly see how SMARAGD IAC reached its decision.

When SMARAGD IAC is used for reviewing, it acts as a silent and highly effective tool and takes on a significant part of the workload for the employees in your compliance department. Tailor made to address any need, to all needs, companies save valuable resources by using SMARAGD IAC and can use their employees much more efficiently. SMARAGD IAC increases security for banks for two reasons. Firstly, it allows human operators to focus on transactions that pose a threat. Secondly, SMARAGD IAC makes the same decisions irrespective of the time of day and workload. The system relieves the bank's critical process and ensures that banks can focus on their core business – even with alert numbers that are at best difficult to manage by human labor.

targens

As an expert consultancy for banking, compliance and digital innovation, targens is the leading provider of consulting and software solutions. Based in Germany, Austria and Switzerland, the company has 30 years of experience in the development of internationally proven compliance services for financial institutions with futuristic and disruptive technologies. Using artificial intelligence and blockchain technology to create innovative products that provide the highest possible value to our clients. With its consulting portfolio, targens supports clients in their banking and corporate management, trading activities and the safeguarding of business processes.

You have questions or want more information? Then get in touch with us!

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