

ALESSA

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

Wednesday, July 26, 2023

## Meet The Presenters



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Public Records Product Specialist  
Thomson Reuters



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Alessa Inc.

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# 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

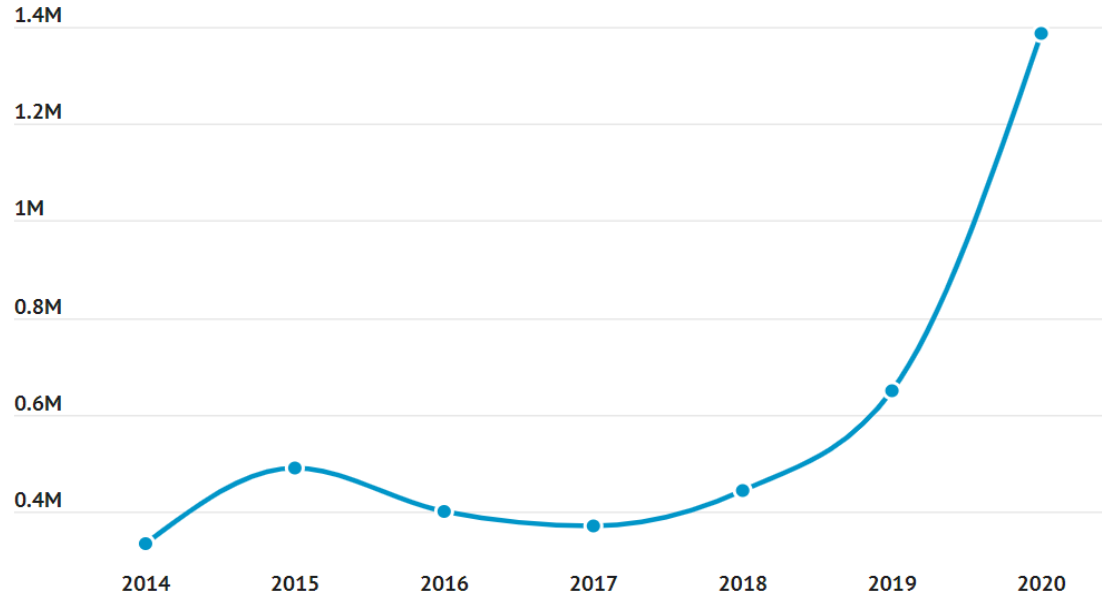
1. Client ID verification
2. Sanctions/Government lists
3. Political exposure
4. Transaction monitoring
5. Regulatory reporting
6. Client provided data
7. Adverse media

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:** Brandon Barber, Type: Individual, ID Document: Driver License, ID No.: 92195-534, 287 Noble Ln, San Antonio TX, United States, 78201, (874) 471-7565, brandon@barber-engineers.com. Occupation: Industrial Engineer, DOB: 8/6/1960, Gender: Male, Marital Status: Divorced, Client since: 1/16/2012.
- Customer Overview:**
  - TM Alerts: 5
  - Related Cases: 1
  - Adverse Media Hits: 13
  - CIP Alerts: 1
  - Infraction List Alerts: 1
  - Regulatory Reports: 3
  - Current Risk Score: 85
  - Previous Risk Score: 40
  - Risk Score Change: +45
- Alerts and Lists:** Account Profile, Recent Transactions, CIP Alerts, Infraction List Alerts, Adverse Media, Transaction Monitoring Alerts (1), Regulatory Reports Alerts, Related Cases.
- History:**
  - 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

**CYBERFRAUD**  
88% OVERALL INCREASE    57% SIGNIFICANT INCREASE

**PAYMENT FRAUD**  
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

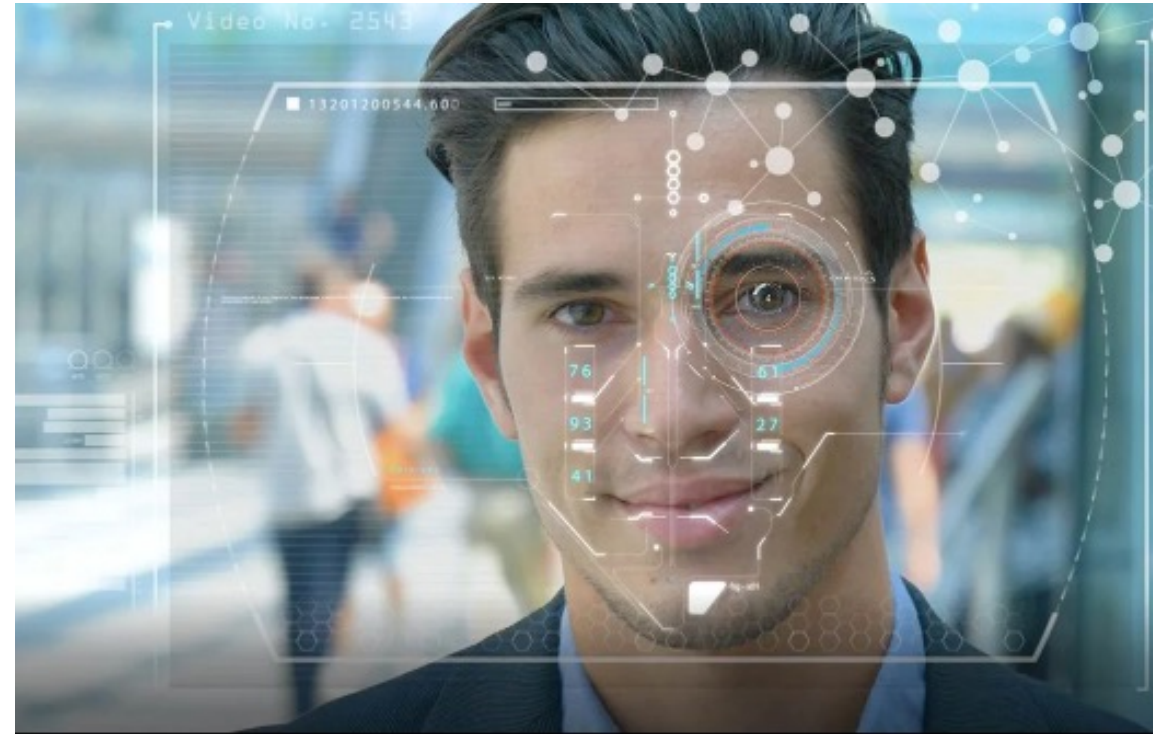
THE ECONOMIST NOTES COVID-19 HAS LED TO A 75% INCREASE IN DAILY DIGITAL CRIME, WHILE THE FBI REPORTS A 300% INCREASE

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

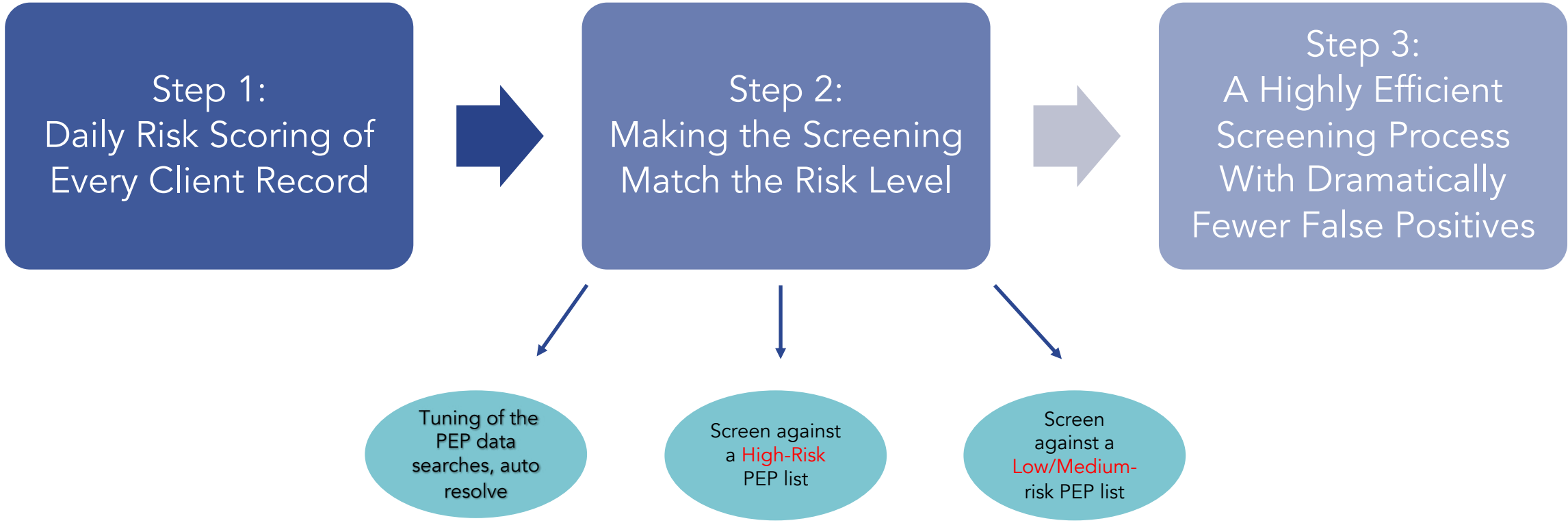
THE PRICE TAG FOR CHARGE-OFFS RESULTING FROM SUCCESSFUL SYNTHETIC ID ATTACKS HOVERS AROUND \$15,000 PER INCIDENT

## Three Common Approaches to PEP Screening

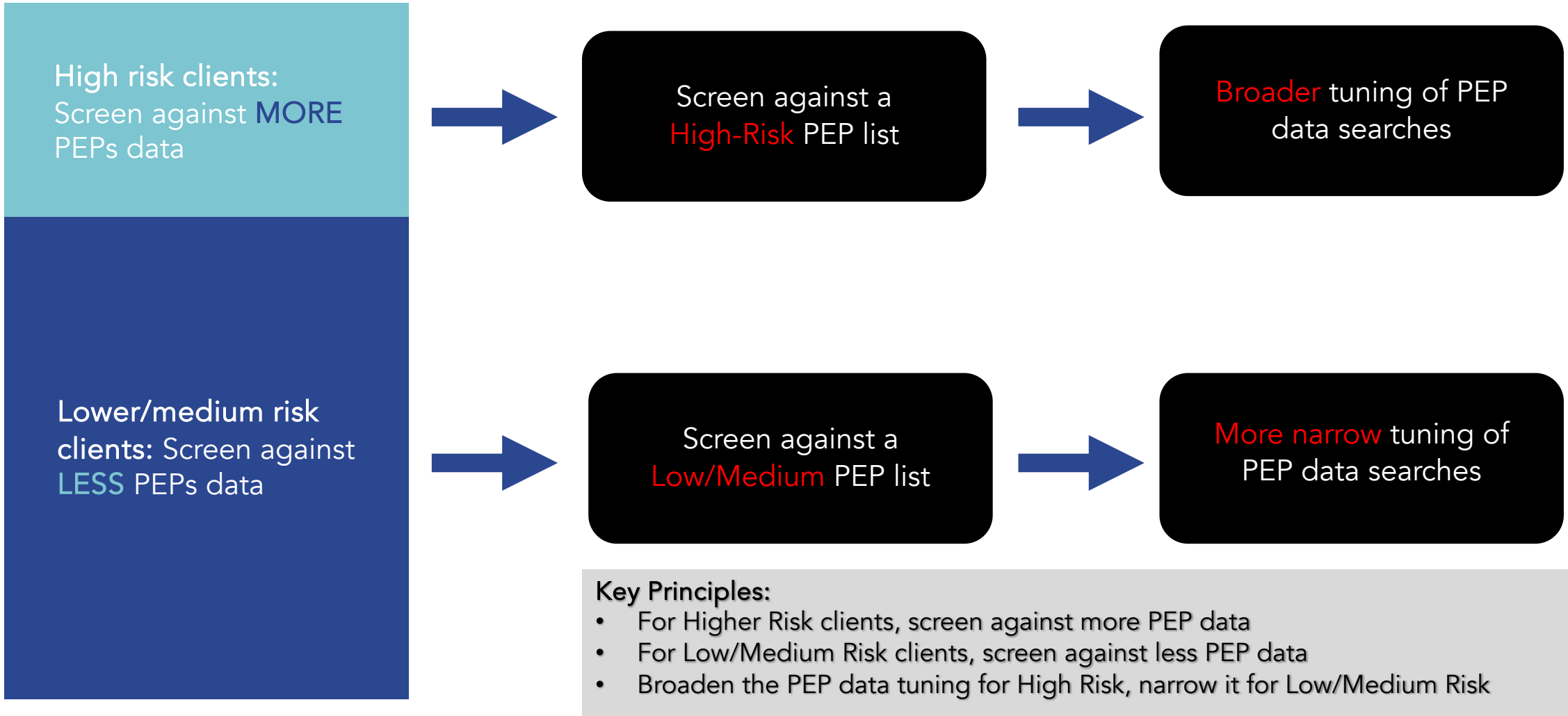
1. Screen against all PEPs
2. Screen against a segment of PEPs in a third-party database
3. Turn all PEP screening off



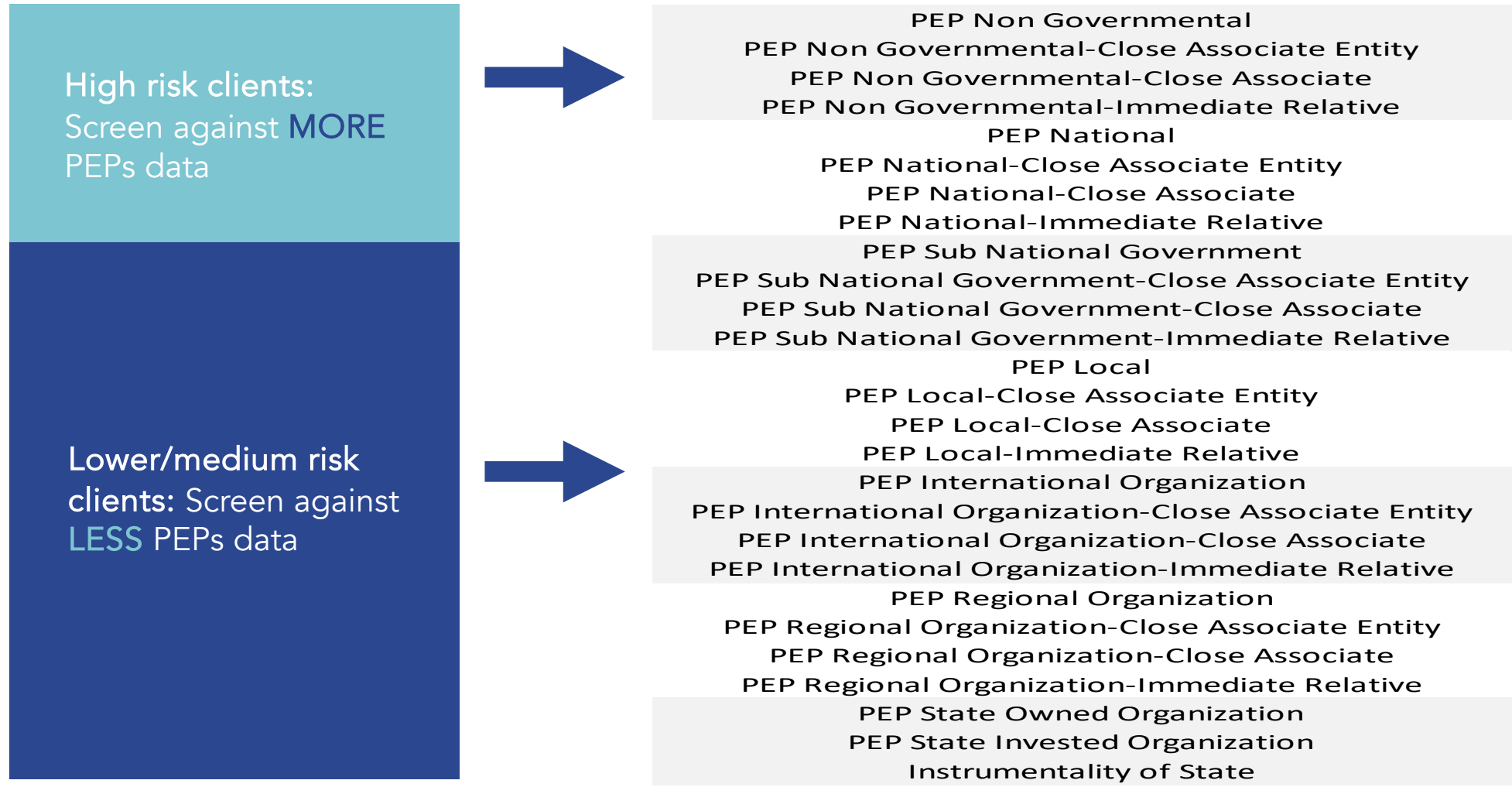
# Risk Scoring for a Better PEP Screening Experience



# 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 <b>High Risk</b> Clients	<b>12.00%</b>	36,000
Number of <b>Medium Risk</b> Clients	<b>22.00%</b>	66,000
Number of <b>Low Risk</b> Clients	<b>66.00%</b>	198,000

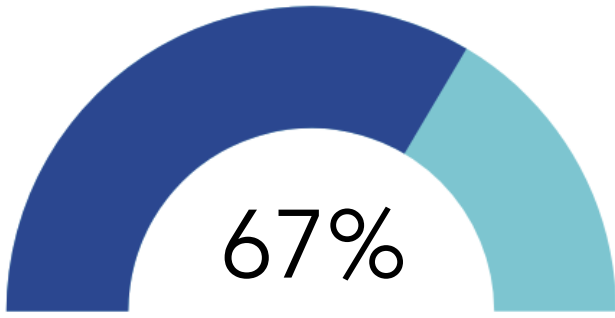
100.00%



# 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



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