



the payments association



The Payments Association's Guide to Artificial Intelligence

Use Case: KYC and AML



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Read The Payment Association's Using AI Intelligently Guidebook [here](#)



Humans need to move away from repetitive and data-driven tasks to using AI to make faster and more reliable decisions.

What is AI and what are the different types?

AI is a very broad term; it makes sense to delve deeper into its various component parts. Machine Learning (often used as a synonym for AI) is used to analyse the past to inform and predict the future. Reasoning makes automatic inferences, and it is used to model sets of rules that (as often the case with regulations) are too complex to be 'machine learned' and require rigorous audit trails with respect to their usage. Lastly, Natural Language Processing is used to look at masses of unstructured data to build profiles and extract critical information: this can help with profiling and alerting clients (from both a sales and compliance point of view).

Why is AI so suited to KYC and AML- what problems does it solve? What are the drivers?

AI can help with three elements. Firstly, the ability to understand clients in terms of the compliance and reputational risk they might bring along. What is their exposure to things that are not desirable or acceptable? Has there been any adverse coverage? Are they close associates of unsavoury parties? Do they engage in sensitive activities in risky jurisdictions?

From a payments point of view, AI can run a similar due diligence on the counterparties of a transaction, to identify if the money transfer might be associated with nefarious activities.

Thirdly, AI can look at payment patterns (amounts, frequency, destinations) and identify behaviours and flows that are suspicious in their own right, or point to deviations with respect to the payment activities that were indicated by the client when opening the account.

Why is it well worth doing/ What are the drivers?

AI can reduce cost and risk by eliminating many manual tasks that are performed by compliance and financial crime specialists. The time saved can be used by those professionals to make more thorough assessments and probing of risks.

The automation of the basic analytical tasks can be done at scale by machines. This guarantees completeness and speed of analysis, even in the face of millions of data points and tens of thousands of documents in multiple languages. This performance helps uncover risks that human analysts might miss, but it is important that automated systems are configured to reflect the firm's policy in terms of processes and type of information that should trigger a red flag.

Where else can this be extended out to? Where else is the natural fit within FS industry?

What we have started with is AI being applied to distinct siloed processes, but useful synergies and precision can be obtained by linking different areas of analysis. For example, by linking KYC and AML you get a bigger picture and a larger data set with more inter-relationships / connectivity. This can help get a more complete understanding of the client's behaviour.

What is uptake on AI like and why?

Smaller firms are more agile and can often be faster in adopting new technology. This drive is often slowed down by smaller budgets and the lack of experts in the organisation that can adequately support requirement gathering and professional implementation.

Larger firms have more resources and could get more benefit from scalable solutions, but often move much slower. While a few financial institutions deployed AI systems globally, many others are still limited to point solutions or proof of concept type of efforts.

How best to address the barriers to adoption?

The biggest barrier to the effective use of AI is understanding what the issue is that needs solving in the first place. There needs to be a consciousness of the issue, its definition and limits. There also needs to be an understanding of the hows and whys of what the AI is doing; not so much on a granular programming level, but more on the level of the theory of it. There also needs to be vigorous testing, decisions made around how and why to avoid unconscious bias and a thorough methodology that is tracked and auditable. A framework to limit what the AI can and cannot do is also important.

Future outlook/ uptake?

The maturing of technology and business use cases is continuous and in the future we will see AI within everyday processes in most segments and regions.

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