

# Two-Pronged Approach to Financial Crime Mitigation

Driving Effectiveness  
and Efficiency



**Financial Services**

# Two-Pronged Approach to Financial Crime Mitigation:

## Driving Effectiveness and Efficiency

Financial services firms strive to make compliance functions more effective and efficient with respect to transaction monitoring, Know Your Customer/Customer Due Diligence/Enhanced Due Diligence (KYC/CDD/EDD), and sanctions. Guidehouse offers a two-pronged approach to drive down the cost of compliance and reduce headcount.



**Machine learning can reduce the output of unproductive alerts, and identify new productive alerts, enabling investigators to be both more effective and efficient.**



**Managed services empower companies to reduce headcount while maintaining or increasing the quality of the existing functions.**

### Machine Learning

A well-implemented machine-learning program can bolster the effectiveness and efficiency of transaction monitoring (TM), enhancing the alerts by systematically reducing false positives and increasing the comprehensiveness and quality of alert dispositions by introducing entity resolution capabilities.

Machine learning can be particularly effective when applied to the proper use cases. We have helped clients bolster programs in key areas, including:



#### Alert scoring using supervised learning

##### Benefits

- Leverages historical data to teach a model how to automatically categorize new data, utilizing prior manual reviews to **identify unproductive alerts** that may require sampling only, or no further action (NFA).
- Enables compliance functions to use resources more effectively and efficiently by **assigning lower-risk alerts to lower-cost investigators** and the ability to confidently **review low-risk alerts on a sample basis**.
- Systematically **identifies common features in productive alerts** by detecting false negatives that the current system didn't capture.

##### Impact points

- Accurately predicted that 40% of the alerts could be classified as NFA, without missing any potentially escalated alerts
- Reduced false positives by 60% while Level 3 escalations increased by 150%, demonstrating both improved efficiency and effectiveness.



## Entity resolution and network analysis

### Benefits

- Adapting traditional rules-based approach to a behavioral network approach can **identify with high probability potentially false-positive alerts** and enable the detection of undiscovered suspicious activities.
- Enables investigators to **review alerts through a more comprehensive lens** using relevant available data points from both internal and external sources.
- Financial Institutions (FIs) can build virtual networks detailing how customers transact and interact with each other and/or noncustomer counterparties, **often revealing otherwise hidden connections and relationships**.

### Impact points

- With entity resolution and network analysis, staff can potentially interrogate 10-50 transactions at a time as part of a network of related entities and transactions (efficiency), rather than reviewing each individually as is. In addition, many of the aggregated transactions would not alert on an individual basis, resulting in more effective monitoring.
- This also means that where referrals are made with this approach, the aggregate transaction amount is likely to be much higher.



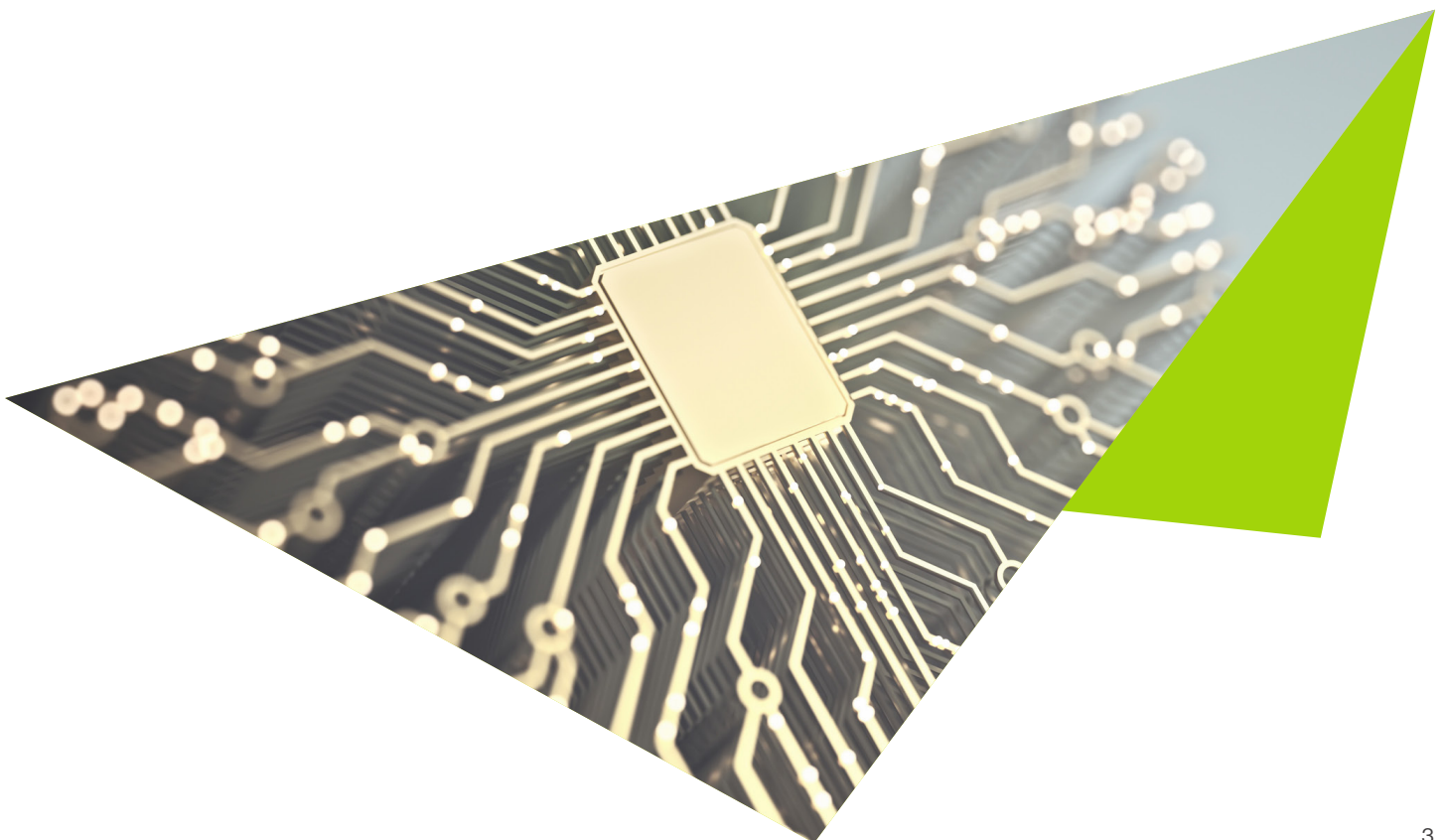
## Intelligent segmentation

### Benefits

- Leverages behavioral analytics, including biographical and transactional information about customers, to segment transactions and entities into similarly behaving groups, making it easier to **identify truly anomalous behavior**.
- Enables FIs to **identify suspicious activities that previously went undetected**.

### Impact points

- 45% reduction of alert population, leveraging behavior-based segmentation and segment-specific tuning.
- Generated alerts for a sample of rules that were ~15% more productive and deemed worthy of follow-up.



## Managed Services

Compliance functions, seeking to reduce headcount while driving effectiveness and efficiency, are leveraging managed service providers. Financial institutions turn to Guidehouse to identify compliance and business processes ripe for outsourcing, including Anti-Money Laundering (AML) Transaction Monitoring, KYC/CDD/EDD, and Sanctions Screening and provide those services. Guidehouse's vast industry and financial crimes expertise can help enable financial institutions to outsource such work while maintaining or increasing productivity and quality, decreasing costs, and enhancing efficiency and effectiveness.

Whether outsourcing backlogs, lookbacks, or other remediation initiatives on a short- or long-term basis, our breadth of experience in every aspect of financial crime consulting instills accuracy and quality of work product and regulatory reporting. Key benefits include:



Guidehouse is a proven managed services partner:

 <p><b>Proven methodology to continuously measure effectiveness and efficiency</b></p>	<ul style="list-style-type: none"><li>• Optimize compliance or investigative protocols and technology and refine end-to-end processes across multiple functions, including TM/KYC/CDD/EDD/Sanctions.</li><li>• Maintain accuracy and rigor of reports/results.</li></ul>
 <p><b>Seasoned professionals + specific expertise = effective and efficient solutions</b></p>	<ul style="list-style-type: none"><li>• Provide compliance functions with the bandwidth to be more strategic by handing off important, though commoditized, activities.</li><li>• Seamless integration with current compliance staff, serving as an extension of your existing compliance functions.</li><li>• Mitigation of processing bottlenecks when surges in activity overwhelm current staff capacity.</li></ul>
 <p><b>Ability to serve locally with a global mindset.</b></p>	<ul style="list-style-type: none"><li>• Facilitation of onshore, nearshore, and offshore business functions to generate cost savings.</li><li>• Serve clients from sites around the world, including various US locations, Lithuania, and India. We serve near your primary operating regions, grasp the nuances of cross-border businesses, and can work through conflicting mandates and fragmented policy environments.</li></ul>



## Case studies



### **Onshore:**

Guidehouse was engaged by a leading technology-focused Money Services Business (MSB) to outsource its AML and fraud transaction-monitoring operations.



Guidehouse recruited, trained, and deployed more than 120 resources over a period of about four months to seamlessly function within the organization. The deployed team closely mirrored the MSB's other transaction-monitoring teams in structure and operations, working within defined protocols and Service Level Agreements to investigate and disposition transaction-monitoring alerts and referrals in a timely manner.



### **Onshore:**

Large regional bank with US and offshore locations required part of their AML alert reviews and investigations to be outsourced due to a lack of resources in locations where they were doing business and to increase productivity and quality.



Guidehouse was able to effectively replicate the alert review process of the bank while making efficiency and quality improvements that the bank incorporated. The task included learning the bank's procedures and training more than 50 resources to perform the reviews while simultaneously identifying items for improvement.



### **Onshore/Offshore:**

Guidehouse was engaged by a large regional bank to assist with a cost-saving measure relative to CDD/EDD.



Guidehouse leveraged a combination of offshore and onshore resources with approximately 40 analysts in India working with a 15-person management team in the US. Utilizing this approach, Guidehouse was able to perform effective and efficient CDD/EDD reviews while keeping costs down.

## Why Guidehouse

The growing sophistication of money laundering techniques and escalating compliance demands has elevated the need for a well-integrated compliance technology platform. Specifically, banks and other financial institutions generally must balance subject matter expertise and technical acumen to effectively leverage technology as a key component of their proactive compliance program to efficiently and effectively monitor and respond to ever-changing financial crimes, money laundering, sanctions, bribery, and fraud risks.

Guidehouse leverages industry-focused consulting experts who examine and help re-imagine your existing processes to unlock growth, efficiency, and scalability. Our seasoned compliance and business process outsourcing professionals integrate leading-edge technologies (including artificial intelligence and robotic process automation) when adopting the newly optimized processes to drive quality, tighten accuracy, and maximize efficiency.

## Named professionals



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### About Guidehouse

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in management, technology, and risk consulting. We help clients address their toughest challenges and navigate significant regulatory pressures with a focus on transformational change, business resiliency, and technology-driven innovation. Across a range of advisory, consulting, outsourcing, and digital services, we create scalable, innovative solutions that prepare our clients for future growth and success. Headquartered in McLean, VA., the company has more than 8,000 professionals in over 50 locations globally. Guidehouse is a Veritas Capital portfolio company, led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets, and agenda-setting issues driving national and global economies. For more information, please visit: [www.guidehouse.com](http://www.guidehouse.com).

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