REPRINT

THE IMPACT OF FINANCIAL TECHNOLOGY

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MINI-ROUNDTABLE

THE IMPACT OF FINANCIAL TECHNOLOGY

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Salvatore LaScala is a managing director and the co-head of Navigant's Global Investigations and Compliance Practice in New York, NY. Possessing a broad range of subject matter knowledge and expertise, Mr LaScala applies his 20-plus years of hands-on experience to conduct investigations and compliance reviews on behalf of financial institution clients responding to regulatory or law enforcement matters concerning anti-money laundering, Bank Secrecy Act, USA PATRIOT Act and Office of Foreign Assets Control.

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Tim Mueller is a managing director in Navigant's Global Investigations and Compliance practice. He has delivered business advisory and operations improvement services in financial services for over 20 years. His project experience includes anti-money laundering (AML) compliance system evaluation, AML transaction monitoring and case management system selection and implementation, information management and process improvement. Mr Mueller has served as a trusted adviser to senior management teams of some of the world's largest financial institutions. Prior to joining Navigant Consulting, Mr Mueller was a managing director/partner at KPMG Consulting.

R&C: To what extent are compliance departments turning to new technologies to help manage financial crime risks? Compared to legacy compliance systems, what kind of opportunities does the latest financial technology offer financial institutions (FIs) in identifying and responding to suspicious activities?

LaScala: We have seen an increase in compliance departments leveraging new technologies to manage financial crime risks. Tools, such as machine learning (ML), artificial intelligence (AI) and robotic process automation can increase effectiveness and efficiency of anti-money laundering (AML) programmes. Specifically, they can help automate repetitive tasks and produce more valuable alerts so that compliance departments can better identify risk and spend more time investigating potentially suspicious activity.

R&C: How are regulatory authorities responding to FIs' use of technology tools? What guidance are they providing on how FIs should deploy their compliance resources?

Mueller: The Financial Crimes Enforcement Network (FinCEN) and Federal Banking Agencies issued a Joint Statement in which they make clear that they welcome, among other methods, the use of AI or ML to enhance a bank's capabilities to detect suspicious activity. Importantly, the Joint Statement notes that the deployment of innovative techniques in anti-money laundering (AML) compliance should be used to enhance a bank's AML programme to better detect financial crime and not solely as a means to cut costs.

> "We have seen an increase in compliance departments leveraging new technologies to manage financial crime risks."
>
> *Salvatore LaScala, Navigant*

R&C: What essential advice would you offer to FIs considering financial technology to enhance their capabilities to detect suspicious financial activity?

LaScala: It is essential that financial institutions (FIs) understand and manage the risks associated with new technologies. FIs should review controls related to vendor management, data management and comprehensive testing to ensure that they align with the adoption of a new technology. In addition, FIs should perform a staffing assessment to identify any additional resourcing requirements.

R&C: What essential advice would you offer to financial technology companies looking to offer their services to FIs?

Mueller: Financial technology companies must work to understand the regulatory requirements of FIs. FIs should be confident that their vendor understands, and to the extent possible accepts, responsibility for ensuring that the FI remains compliant. It is imperative that financial technology companies proactively identify and engage subject matter experts (SMEs) when designing and implementing a new technology intended to manage financial crime risk. Sometimes, technology vendors without SMEs do not really understand the problem they are trying to solve.

R&C: What are your predictions for the future of financial technology to help monitor financial crime? What trends do you believe will shape this space?

> "Sometimes, technology vendors without SMEs do not really understand the problem they are trying to solve."
>
> *Tim Mueller, Navigant*

LaScala: FIs will continue to embrace new technology to monitor financial crime. Regulators will continue to remain vigilant in monitoring the use of these technologies, but ultimately the use of advanced technology will be a regulatory expectation. The future of financial technology in AML compliance will depend on several factors. First, the ability of FIs to provide appropriate oversight of their technology vendors. Second, the ability of technology vendors to build solutions that include SME input. And third, how well FIs and technology vendors can communicate their approach to new technologies with regulators. R&C