From Incoherent to Insightful – The Data Evolution in AML Compliance

This blog comments on the journey from raw and meaningless data to insightful knowledge, and actionable wisdom in the context of AML Compliance. Similar principles do apply to a wide range of financial crime compliance programs.

Overview

Anyone, who is familiar with the AML Compliance Program, can attest the importance of data to its successful outcome. In fact, many of us have first-hand experience with data related challenges plaguing the AML Compliance Programs at large:

- ✓ Excessive technology and human resources have been wasted on repetitive, time consuming and error-prone tasks, in an effort to collect, prepare and manage the data.
- ✓ Negative impact on suspicious activity detection and customer due diligence, as a result of missing or incorrect data.
- ✓ While vast amount of business records does exist, it is seldom relevant to the AML Compliance Program, as these records have not been translated into actionable business insights.

Since the dawn of the IT revolution, IT organizations have allocated most of their resources to infrastructure, network and solutions. For a long time, data has been relegated to a supporting role, and treated more as problem than solution.

In recent years, and in response to the sharp increase of business records generated daily, and the emergence of technology innovations, IT organizations have been gradually shifting their focus to data, and are beginning to see data not as an area of challenges, but source to derive insights and wisdoms to solve business problems.

At this point of the blog, it is important to elaborate on the data evolution, or the data maturity stages from mere records to actionable knowledge. In a nutshell, the data evolution goes through the following stages:

- ✓ (Raw) Data

    Merely records of facts and figures gathered from historical events, with little use to the business processes.

- ✓ Information

    Processed – calculated, corrected, standardized, linked, etc. – and contextual data that is available, but not necessarily meaningful, to the business.

- ✓ Knowledge:

    Organized, structured and synthesized information that has specific meaning to the business.

- ✓ Wisdom:

    Understood, insightful and actionable knowledge.

It goes without saying that it is the ultimate goal of IT organizations to provide useful information and knowledge to the AML compliance business, in order to achieve the balance of effective regulatory compliance and optimum operational efficiency of the AML Compliance programs. In other words, no IT organization, along with the AML Compliance Program and business it serves, can be successful if there isn't

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enough effort, focus and successful results in data processing, information organization and knowledge interpretation.

Take Away

Therefore, a robust AML Compliance Program is only possible if processed information and meaningful knowledge is available to the AML compliance business, and this can only be achieved with changes from both IT and AML compliance business:

- ✓ IT data management frameworks should go beyond the basic data collection and quality validation, in order to ensure relevant information is organized, interpreted and made available to AML compliance business.

  To that extend, IT organizations should ensure there is sufficient focus and subject matter expertise on information analysis and interpretation.

- ✓ Both IT and AML compliance business should collaborate with each other to ensure that the Case Management solutions are not merely a record keeping, information presentation and work flow tool.

  In fact, an effective AML Case Management solution should provide its users the ability to analyze and interpret the information, through analytical and visual tools, including data marts, charts, graphs and plots.

- ✓ AML compliance business should adjust its practices to incorporate the powerful analytics and visualization capabilities provided by IT and the next generation Case Management solutions.

  Effective AML Compliance business should acquire analytical skills beyond the traditional MIS reports and Metrics, in order to take the full advantage of these analytical and visual capabilities, to derive actionable insights from the collected business information.

- ✓ In order to maximize the benefits from the analytical and visual capabilities and business insights, both IT and business should work to shorten the gap between actionable business insights and their implementation by IT.

  IT and business should follow the Design Thinking Principles, in lieu of the lengthy waterfall methodology.

Conclusion

In this era of information revolution, the successful outcome of AML Compliance Programs has become increasingly dependent on the timely conversion of raw business records into actionable knowledge. In other words, the effectiveness of an AML Compliance Program is predicated on the availability of actionable business knowledge. IT and AML business must recognize this need and take the necessary steps towards this common objective.

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