Keeping an Eye on Suspicious Activity

The Importance of Maintaining Human Analytics
# Table of Contents

**EXECUTIVE SUMMARY** .................................................................................................................. 2

**CONCERNS WITH AUTOMATION WITHIN THE AML PROGRAM** ............................................. 3
  - Budgets Constraints ......................................................................................................................... 3
  - The Need to be More Cost Effective ............................................................................................... 3
  - Potential Issues ............................................................................................................................... 4
  - What does the future have to hold? ............................................................................................... 4
  - A Sense of Assuredness and Reliance on the Vendor. ................................................................. 4
  - Automated Systems and the Typologies of Money Laundering .................................................... 6
  - Risks .............................................................................................................................................. 6
  - Regulatory ..................................................................................................................................... 6
  - Legal ............................................................................................................................................. 8
  - Operational .................................................................................................................................... 9
  - Reputational ................................................................................................................................... 9

**BENEFITS OF MAINTAINING HUMAN ANALYTICS** ................................................................. 10
  - Organizational ............................................................................................................................... 10
  - Human Eye vs Automation ........................................................................................................... 10
  - Training and Development .......................................................................................................... 11
  - AML Culture .................................................................................................................................. 12
  - Regulatory ..................................................................................................................................... 12
  - FINTRAC ....................................................................................................................................... 13
  - Industry ......................................................................................................................................... 13
  - Career Path .................................................................................................................................... 13
  - Law Enforcement ............................................................................................................................ 14
  - Relationship Building ..................................................................................................................... 14

**CONCLUSION** ............................................................................................................................... 15

**REFERENCES** ............................................................................................................................... 16
Keeping an Eye on Suspicious Activity

THE IMPORTANCE OF MAINTAINING HUMAN ANALYTICS

Executive Summary

An increased emphasis by regulators across the globe to enforce high standards, not only in the world of financial institutions (FIs), but also in a wide range of industries, has impacted anti-money laundering (AML) and counter-terrorist financing (CTF) compliance programs. The Financial Action Task Force (FATF), the Egmont Group and the Wolfsberg Group work to continuously improve applicable regulations. This topic is one of top priority as demonstrated by national regulatory audits and the subsequent increase in both the amount and frequency of fines. The media has captured the growing presence of industry noncompliance, as exhibited by the billions of dollars in fines imposed yearly. As these international regulatory expectations continue to mature, FIs are tasked with determining an appropriate investment in transaction monitoring. In essence, this balancing act distills to determining a right-sized approach to human analytics supplemented by automated transaction monitoring. Regardless of how FIs choose to proportion automated monitoring, the human component must remain prominent.

The importance of maintaining human analytics to identify unusual or suspicious activity has a far-reaching impact. This includes the pressure to be cost effective and to adopt automated monitoring systems while being cognizant of the impact it has on employee morale as well as profits. Other areas that influence this balancing act include the inherent problems that come with automated monitoring, the limitations of third-party solutions, unstable industry confidence and the dominant concern that automated solutions are not sophisticated enough to detect advanced AML typologies. Automated monitoring has risks: regulatory, reputation, legal and operational, which are significant concerns. These countered by the benefits of quality reports, recognition from law enforcement, team morale, and most important, regulatory compliance for reporting suspicious or unusual transaction.

Although quite useful, the automated system cannot capture the abilities of the human investigator as they play a key role in the fight against money laundering and terrorist financing. Data and alerts are often only as useful as the investigator/analyst that pulls the suspicious activity together. Regulators as well as law enforcement are counting on the quality and quantity of these reports. Computerized systems for detection of money laundering and terrorist financing are useful alongside the knowledge and experience of the AML analyst. The key is to ensure FIs, as well as other organizations, have an AML program that recognizes the important role the human analyst plays.

1 http://www.fatf-gafi.org/
2 http://www.egmontgroup.org/
CONCERNS WITH AUTOMATION WITHIN THE AML PROGRAM

Budgets Constraints

The Need to be More Cost Effective

The growing need to be cost effective has increased the burden on cost centers to become more efficient, innovative, or automated, including AML compliance. Automated transaction monitoring is an industry necessity due to the volumes and international reach of FIs. FIs simply cannot entirely rely upon manual reviews to effectively implement and manage their risk-based AML program. That said, the need to look to automation has increased with the hopes that a transaction monitoring system will provide reassurance to the organization. This includes such confidence that regulatory requirements would be more easily met, compliance less stressful and that suspicious activity would be captured—for the most part—through fine-tuned alerts. Shrinking budgets have impacted almost every department in organizations and the non-revenue generating areas are often the first to see “efficiency projects” underway to identify where cuts can be made. If an automated system can replace a number of individuals, then the benefit of the initial cost of that system outweights the long-term cost of an individual, which all companies know includes benefits, vacation, pension, sick days and potential salary increases. Industries have made cut backs to the human component of the business only to experience both the short-term and long-term negative impact with remaining team members.

“Layoffs can be perceived as a violation of the psychological contract between an organization and its employees, resulting in decreased trust and greater stress in the workplace...The negative effects on the survivors of a layoff — decreased commitment and productivity — are “more costly for high-involvement workplaces, as these workplaces rely expressly on employee involvement and motivation.” Not only are top-performing employees more likely to leave, but the employees that remain may exhibit less effort and involvement.”

Christopher Zatzick and Roderick Iverson of Simon Fraser University

The impact of downsizing not only affects employees, but also impacts the bottom line. When there is a decrease in staffing in compliance, there is a potential increased risk of regulatory fines, which negatively impacts profit and loss as well as potential stock price. Companies that do not downsize perform significantly better than those who chose a hefty number of layoffs. As illustrated in the following chart “Businesses that laid off 3 [percent] or less of their workforces did just as well as companies with no layoffs at all: Both groups posted 9 [percent] share price increases, on average. By contrast, share prices remained flat in companies that let go 3 [percent] to 10 [percent] of their employees...prices plunged 38 [percent] among those...that fired more than 10 [percent] of their workforce.” Harvard Business Review
### Potential Issues

**What does the future have to hold?**

Many industries utilize innovation and technically savvy options to increase identifying, reporting and mitigating criminality—including AML, CTF, and complying with regulatory requirements. Automation has replaced numerous jobs in history and will continue to do so, understandably in certain sectors, but not the industries counting on human analytics to identify suspicious or unusual transactions. The human knowledge and experience of a tenured employee cannot be replicated by an automated system.

> “We have to figure out how to best balance the responsibilities between the human expert or professional and computer. I think we’re going down the wrong path right now. **We’re too quick to hand over too much responsibility to the computer and what that ends up doing is leaving the expert or professional in a kind of a passive role…. At the practical level, we can be smarter and wiser about how we go about automating and make sure that we keep the human engaged.**” The Glass Cage, Nicholas Carr

### A Sense of Assuredness and Reliance on the Vendor

Third-party transaction monitoring technology vendors commit to offering products capable of monitoring customers’ transactional behavior automatically, by utilizing pertinent parameters or rules that analyze the basic customer transactions and then generate automated alerts on activity that may be unusual and indicative of suspicious activity. The efficiency of these automated solutions, however, is limited by design, maintenance and upkeep. There are identified decision points with regards to automated systems, as the cost of making a system perfect is prohibitive, including but not limited to:

1. Systematic limitation to accurately reflect organization specific needs
2. Timely tuning of vendor set parameters
3. Effectiveness testing and validation time
4. Upgrades (included or at a cost)
5. Information availability (data streams from organization in-house systems)
6. Post-implementation support from the vendor

An automated system’s concept includes algorithms, rules and parameters designed to measure “expected activity” or “normal activity” by focusing on the customer’s details and activities and comparing them to “expected.” Then the unexplained changes in “expected activity” or unusual patterns and a jump in relationships between accounts and customers are captured. However, automated solutions require vigilant monitoring for effectiveness, accuracy in results, validation based on operational boundaries, profiles, risk ratings and rules. If the system is not initially set up to reflect the specifics of the institution including products/services, geographies, channels and risk-rating customers—all while being regularly maintained—then the resulting alerts are potentially unusable to an analyst or auditor because they do not accurately reflect unusual activity. This lends itself again to the need for an appropriate balance between fine-tuned and maintained automated system and human analytics to best identify and report suspicious activity.

The lack of timely and recurring updates and maintenance of algorithms and parameters that were designed to measure “expected activity” can often also result in an abundance of false positives, this can then impact and even delay the investigation of alerts. The end result would be alert staleness, which may lead to prolonged instances of criminality. Supporting the need once again to ensure the maintenance of fine-tuned algorithms, would in turn limit the number of false positives and impact timely investigation by analysts. Suspicious activity/transaction reporting is a crucial function of an effective AML program and timely preparation and filing of such reports is equally important as regulators and law enforcement rely heavily on them. The report requires a concise and thorough narrative of evidence indicating suspicious activity/transactions. Automated reporting systems can often be limited to returning dates, times and transactions from alerts and cannot auto generate narratives of suspicious activity from the assigned algorithms, rules and parameters.

“The proportion of companies that don’t test data because they trust their vendor decreased in 2013.” ACAMS Anti-Money Laundering Survey Final Report Consumer Insights
Automated Systems and the Typologies of Money Laundering

There are many typologies and methodologies to identify potential money laundering and terrorist financing activity. Extensive lists of red flags exist internally and externally, yet unlike other fraudulent activity that is identified with automated systems set to detect irregularities, money laundering transactions are often deliberately done to closely copycat “normal” customer behaviors and hence are less likely to be “abnormal.” Regulatory thresholds used by automated systems are known, so individuals wanting to hide the source of their ill-gotten gains can have little trouble strategically placing their funds or layering their transactions so as to be largely unnoticeable. Hence automated systems must be developed and fine-tuned to identify the signals of possible money laundering to provide the analyst with useful alerts not simply an excess of false positives.

“We found that we had so much data that we had no time to perform analysis. So we changed our program to one that would allow us to see the linkages we were missing and then hired more Tactical Analysts to analyze the linkages. For us, linkages are not necessarily negative which is why you need the human brain to perform the last stage of analysis. The program we used is very powerful but it is no good without the Analyst. I feel that they go hand in hand as you need the program to do the heavy lifting and the Analyst to make sense of the product.”
Anne-Marie Lambert former Chief Edmonton District Canadian Security Intelligence Service (CSIS)

Risks

Regulatory
There is a growing focus on regulatory requirements and this is evident in the audits that are taking place, the noted deficiencies and the documented fines. Whether it be an internal/external auditor or a national regulator conducting audits, their findings of deficiencies in the automated system or the maintenance is reflective of the AML program. Auditors and regulators are not going to bypass a deficiency because of an inadequate, unmaintained, or an outdated automated system thought to be all encompassing. The responsibility of identifying suspicious or unusual transactions/activity still lies with the AML analyst with support from an automated system. Regulators may allow for some time to remediate and address identified deficiencies but will re-review to ensure the “system” issues were dealt with, upgraded, or staffing concerns are appropriately balanced to handle all mandatory requirements. Regulatory expectations cannot be met simply by having a transaction monitoring system alone. AML departments need to maintain staff with experience and knowledge complimented with an efficient automated systems.
The chart below from ACAMS 2013 Anti-Money Laundering Report illustrates a number one concern for companies is the increased regulatory requirements or expectations.

Increased regulations continue to represent the greatest AML compliance challenge, cited by over half of companies. Staffing shortages and inadequate staff training are more widespread in 2013 compared with 2012. Technology concerns and too many false-positive results are also mentioned by over a third of companies.

<table>
<thead>
<tr>
<th>AML Compliance Challenges Currently Faced by Organization (2012 – 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased regulatory expectations</td>
</tr>
<tr>
<td>Not enough staff in AML departments</td>
</tr>
<tr>
<td>Having enough properly trained AML staff</td>
</tr>
<tr>
<td>Insufficient/outdated technology</td>
</tr>
<tr>
<td>Too many false positive screening results</td>
</tr>
<tr>
<td>Increased enforcement of current regulations</td>
</tr>
<tr>
<td>Additional regulations</td>
</tr>
<tr>
<td>Understanding regs outside home country</td>
</tr>
<tr>
<td>Lack of senior management engagement</td>
</tr>
<tr>
<td>Formal regulatory criticism</td>
</tr>
<tr>
<td>Avoiding sanctions</td>
</tr>
<tr>
<td>Understanding regulations in home country</td>
</tr>
<tr>
<td>A regulatory fine</td>
</tr>
</tbody>
</table>

Main Current Challenge 2012 2013
| 27% | 26% |
| 12% | 14% |
| 10% | 10% |
| 11% | 11% |
| 8% | 8% |
| 5% | 5% |
| 4% | 4% |
| 3% | 4% |
| 2% | 2% |
| 2% | 2% |
| 1% | 1% |

Legal

No company wants to experience legal action for lack of complying with requirements, which were publicly available, documented and discussed during every audit. Over reliance on an automated system or missed identification of suspicious activity may contribute to such potential legal action or the fallout from such fines. This is not to say that any AML program that is not conducted properly would not be exposed to legal action. It is merely to state if there is too much reliance on a system to do all the work and a lack of good balance of human analytics and automation the possibility could be inevitable. Recently, the media has exposure of HSBC, as the following article covers the impact of a severely understaffed compliance department:

The Guardian reported on December 11, 2012 HSBC’s record $1.9bn fine preferable to prosecution, US authorities insist “In Mexico the bank “severely understaffed” its compliance department and failed to implement an anti-money laundering programme despite evidence of serious risks. A complex scheme known as the black market peso exchange (BMPE) was used to launder the cash.”…”In order to handle the “staggering amounts of cash”, the bank even widened the windows at some branches to allow tellers to accept larger boxes of money.”
Operational

Most vendors sell the ability to have productive alerts generated from their systems. There are many alerts that can be generated once certain criteria, profiles and algorithms are compiled. Just because there are numerous alerts, it does not make them useful. An alert also does not necessarily always capture what is considered suspicious or unusual. The reason for this is simple: Alone an activity may not be suspicious, but if it were compiled with other “red flags,” the whole “story” becomes unreasonable. So, if human analytics are not present to compile the “story,” then alerts are generated which, as they stand alone, are not deemed suspicious. Most often a system can alert on activity such as: cash in/wires out, cash deposits, international transfers, product-service alerts, high-risk accounts, and so on and yes these can result in a suspicious activity/transaction report after human analytics have deemed it to be. The concern lies in the transactional activities that just miss the assigned monitoring threshold or, for example, transaction that intentionally fall outside a 24-hour rule, which without the experienced eye of the analyst, would be such activity that requires reporting. Hence, there is operational risk present in over reliance on or failure to manage automated transaction monitoring systems.

Reputational

When it comes to reputation, a company often holds this in the highest regards as it takes enormous time and effort to gain a positive reputation with customers. This is prominent in not only the retail world but in almost all organizations these days. Customers trust the company—from top executives to front-line team members—to all tow the company line of transparency, honesty and identified standards of ethical behavior. Once customers are made aware of inappropriate conduct or activity, they are quite willing to move their business elsewhere, use different service providers or buy different products. This is true of the financial industry as well. Customers want to know “who is watching out for my money?” and what kind of protection the FI has to mitigate money laundering or other fraudulent activity. Reputation also plays a part from the regulator’s point of view. A solid AML regime instills confidence in regulators; however, as the one example below illustrates, they are just as willing to shut down institutions that do not have adequate regimes. The compliance history of the entity will usually play a role: “Citigroup has been the subject of government money-laundering investigations before…”

The media is more than eager to cover any wrong doing by a company and FIs are not immune to this. Consider the following:

“HSBC money-laundering procedures ‘have flaws too bad to be revealed’... US justice department says if problems with bank’s prevention systems were made public they could be exploited for serious criminal activity. “It comes after HSBC Suisse was fined £27.8m ($30.9m) by Swiss authorities on Thursday, the largest fine in the country’s history, for “organisational deficiencies” that had enabled money laundering by its clients.” James Ball and Harry Davies of the Guardian reported June 5 2015.

“Citigroup Said to Ignore E-Mails on Lax Controls at Banamex Unit “e-mails from lower-level employees at the unit who raised concerns about lax anti-money-laundering practices, said two people who asked not to be identified because the matter is confidential. Among issues raised in the e-mails: employees’ concerns that they didn’t know enough about the recipients of large cash transfers; requests for more resources for compliance staff; and complaints, spanning years.” “Citigroup has been the subject of government money-laundering investigations before. Its private bank in Japan was shut down by regulators there over breaches in money-laundering controls” Alan Katz, Keri Geigerand Dakin Campbell of BloombergBusiness reported June 16, 2015.
BENEFITS OF MAINTAINING HUMAN ANALYTICS

Organizational

Human Eye vs. Automation

The human ability to capture suspicious activity is irreplaceable by an automated system. This is supported by not only AML program designs, but from an industry perspective. From law enforcement to government agencies, and private to public industries, the need for human analytics is crucial to the success of identifying unusual or suspicious activity. The human investigative mind is not going to be replaced by an automated system that requires thresholds and irregularities to trigger an alert. Unusual activity and the ever common statement “something just didn’t seem right” have often been proven correct. This is the case in many investigations, not only in money laundering but in criminal activity as a whole. Transaction monitoring systems often cannot catch what the human investigator can. Although good at filtering large volumes of data, it is the human analyst that actually captures the details and pulls the whole story together of unusual and suspicious activity.

“The data collected by financial industries as a result of the Bank Secrecy Act are extremely useful in identifying target subjects and making connections between criminal or terrorist organizations. The reports collect an abundant amount of data. Never the less, it can be burdensome for investigators to efficiently address each report. When conducting a large-scale racketeering or terrorist investigation, the reports can be extremely beneficial when combined with human intelligence. Criminal and terrorist organizations use various methods to conceal their illicit activity by utilizing shell companies and front men. For example, when a piece of information from a confidential human source is applied to a database search of the data collected from financial institutions, it could be critical to uncovering a money laundering scheme or a terrorist financing organization. Automated systems are great for collecting large amounts of data. However, unless human analytics are applied to decipher what is suspicious, criminal and terrorist organizations could continue to operate undetected.”

Special Agent Rob Hanratty
Eurasian Organized Crime Task Force
FBI New York Office
The Association of Certified Fraud Examiners (AFCE) reports annually regarding the key role human senses play in identifying fraudulent activity. The chart below, Report to the Nations on Occupational Fraud and Abuse 2014 Global Fraud Study, shows that “tip” and “management review” were the top two contributors. While also noting the low percentage automated systems played, “IT controls” were around the 1 percent contributor compared to the 37 percent to 55 percent that “tips” did:

“It is well known that employees are a valuable source of information for discovering potential fraud . . .”

![Figure 16: Detection Method by Region](image)

**Training and Development**

Years of experience and training cannot be replaced by an automated system. Yes, the system can process large volumes of data/transactions, however, the human investigator is not replicated. Feedback from audits, investigations, reporting and law enforcement indicate human knowledge and experience is often the most valuable asset. This is evident in many organizations including FIs and law enforcement by the tenured staff they retain. The best training is often that which is gained through the knowledge of coworkers. Law enforcement officers have readily commented that the best information they receive for cases is provided by an individual and not from an automated system/manual. They need the human analytics to identify that something just “wasn’t right,” or something just seemed off about that customer and their activity. In addition, within an FI, the best reports for identifying suspicious or unusual activity can come from the front line where they have been trained by an AML team member to identify suspicious activity. Conferences, webinars, books, courses and day seminars often ensure that there is the story component from a great case, such as a speaker walking the audience through complex typologies. Training and development ensure the growth of experience and knowledge for all team members, coupled with meeting the regulatory expectation.
“Humans certainly are able to provide a greater story of the AML investigation and are able to tailor this story to their audience. Rather than giving just the facts, a story can be told to put the evidence or details into perspective.” Former FINTRAC employee

AML Culture

The security of a career path that is reliable and offers interest to those who are passionate about investigations is key to any retention program within a company. To employ team members who are competent, knowledgeable, and enthusiastic about their job is irreplaceable; making them more inclined to do the right thing, go above and beyond and lead by example. The passion for the field of AML/CTF is no different than that of any other field where team members stay employed until retirement. Many law enforcement officers have commented that they entered back into the industry after retiring from 25 or more years of service because of the love of the field—investigations of suspicious activity. New team members enter the field of AML with the belief that their knowledge and continued progression of experience will keep them employed as subject-matter experts in the field. They will be sought after by all areas of the company to ensure regulatory requirements are met and risks are mitigated. Team members who are engaged in their field of AML keep up-to-date on emerging trends, the latest red flags and potential new indicators. They attend conferences, training sessions and network with industry co-workers to fulfill their interests.

Forbes reported in 2014 easy ways to create passionate employees:

“Build purpose and meaning. Companies with a mission that people are proud of allow employees to become truly passionate about fulfilling it. This gives them a sense of purpose, as they are able to connect what they love to do to the objectives of the company.”

The industry and those who train and provide educational tools to further team member’s knowledge also count on the human analytics side of AML. Many vendors and organizations provide conferences, webinars, day sessions, books, downloads, designations, and so on—these are usually all geared towards the advancement of the human analyst. Team members benefit from the continued learning so as to increase their promotability and ensure their own job security, which in turn is ensuring the job security of many others. Job security of the human analyst has a far-reaching ripple effect on the industry of AML/CTF as a whole.

Regulatory

As mentioned earlier, no company wants to be on the receiving end of regulatory deficiencies, siting, or worst of all, penalties and reputational disgrace. The human analyst often has the best impact on mitigating this concern. Their ability to ensure regulatory requirements are met span from front line team members that know what to ask and how to ensure it is documented, to the identification of suspicious activity and the timely reporting of such. When regulators audit the AML program they will undoubtable interview team members for processes, training, as well as policies. They too will review the suspicious activity/transaction reports as well as the alerts from the automated systems to query for adequate results. This is a key process in an AML program whereby the flow of alert to adjudication to case
Keeping an Eye on Suspicious Activity

creation or closed not suspicious will need to be clearly defined. Any deficiencies in this area will be noted and require further attention and follow-up.

FINTRAC

The Financial Transaction and Reports Analysis Center (FINTRAC)\(^4\) is Canada’s financial intelligence unit (FIU) and was established and operates within the ambit of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its Regulations. There is continued reiteration of the importance of human analytics within their guidance and regulatory requirements. Specifically noted in their March 4, 2015 Suspicious Transactions Reporting Workshop the importance of the narratives within suspicious transaction reports (STRs):

1. STRs are the key output of any reporting entity’s compliance regime
2. STRs add value to tactical and strategic analysis by providing objective context to the transaction(s) being reported
3. An adequate compliance regime and governance is necessary for fulfilling suspicious transaction detection and reporting obligations.

The workshop continued to address the topic of Reasonable Grounds to Suspect, which often requires human analytics when using the “reasonable person” standard, with additional reconfirming in the second bullet point to converse with a colleague:

- Reasonable grounds to suspect is evaluated using the ‘reasonable person’ standard, in which a reasonable person is injected into the scenario to determine the reasonable outcome of the scenario.
- To ensure that the ‘reasonable person’ test is met, the rationale to report or not could be shared with a colleague.

Many AML programs ensure the four-eyes principle is part of their processes and communicate this secondary checking policy to regulators when questioned on objectivity and assurance of impartiality regarding suspicious activity and the need to report.

Industry

Career Path

Additional support for maintenance of human analytics in the field of AML includes the industry of post-secondary education as it too has increased its attention on the topic. To date, media has picked up on university and college courses and programs which encompass AML/CTF:

“Banks, facing increased pressure from regulators to stop drug lords, corrupt officials or terrorists from moving money illicitly, will soon have a new source of talent to help in their fight. The University of South Florida is launching a graduate certificate program in Compliance, Risk and Anti-Money Laundering that it says will provide skills to students seeking careers in business risk assessment, including in the growing anti-money

\(^4\) FINTRAC http://www.fintrac.gc.ca/intro-eng.asp
Certifications are world renowned and recognized, the most prominent one being the Certified Anti-Money Laundering Specialists (CAMS)\(^5\) designation. ACAMS is the largest international membership organization dedicated to enhancing the knowledge, skills and expertise of AML/CTF and financial crime detection and prevention professionals. Additional designations and certifications vary around the world, all with the common goal of mitigating money laundering and terrorist financing.

**Law Enforcement**

The relationship built with law enforcement is dually beneficial. In certain countries the access to suspicious activity/transaction reports are different based on the laws within that country; that said, the information obtained (details) from the reports— either with direct access, as they have in the U.S. or through request as they do in Canada—are what is most important. Law enforcement needs the information in the STR/SAR for evidence, and as mentioned earlier, they find the best details in the narrative; whereby the analyst tells the “story” of why it is suspicious and includes the how, what, when, where and who.

They are continuously communicating the importance and appreciation for well-articulated narratives as often this documentation is provided as evidence in court. The raw data can often mean nothing if there is no correlation, context, previous activity, behavior changes, etc. Without compiled SARs, criminal activity may go undetected for an unknown length of time as the activity is structured so as not to raise any alerts.

> “While computers are able to catch some irregularities in the system, it takes a human to put that in perspective and then decide the proper course of action to move the situation forward. Computers do not do that and with different systems used by everybody, we need the human element to connect the dots. This increases the importance of the network side of the equation to set up the automatic recognition of the person on the other end of the phone and to assist in the passing of valuable information that moves files forward.”
> Detective William Allen, Edmonton Police Service, Economic Crimes Section, Coordinated Counterfeit Unit, Counterfeit Currency Coordinator.

**Relationship Building**

Within an organization and externally, the team members of an AML department provide guidance, assuredness and support to all areas of the business. They actively yield questions from the field as well as that of junior team members, they provide training and onboarding guidance. Their experience and knowledge is readily shared with team members, management and executives regarding the goings-on of the AML department. They communicate edited stories of potential money laundering cases identified and deterred from the organization. Business units within an FI rely on the AML analysts to guide them and be the subject-matter experts on projects that require AML input. They play a key role in the risk mitigation plan of the organization. This relationship extends beyond the walls of the organization and reaches out

\(^5\) ACAMS [http://www.acams.org/join-acams/#tabbed-nav=what-is-acams](http://www.acams.org/join-acams/#tabbed-nav=what-is-acams)
to other colleagues within the AML field to share stories, best practices and learnings from regulators. All beneficial to the growth and success of deterrence of money laundering and terrorist financing globally.

**CONCLUSION**

Throughout this paper, points have been made and supporting documentation has been provided for the maintenance of human analytics in the AML/CTF field. The abilities and investigation experience the human analyst possess are irreplaceable with automation and need to be imbedded in all AML programs. From potential over reliance on systems to capture suspicious activity, to the growing regulatory expectations and the need for qualified analysts, the underlying point remains: Human analytics are mandatory in reporting suspicious activity.

Regulatory guidelines require the need for assurance of objectivity and the four-eye principle, while law enforcement count on the narratives, human analytics is the prerequisite for effective mitigation of money laundering and terrorist financing. The benefits extend both internal and external: business units within an organization count on the analysts for up-to-date knowledge and guidance while external industry rely on them for shared best practices. Knowledge is irreplaceable and tenured analysts are crucial to an AML program; their experience for training is sought after and their reputation precedes them.

Automation has proven to be quite useful for initial filtering of transactions and has its place in an AML program. That said, automation and human analytics must work together to have the most effective and efficient compliance program. Human analysis cannot be replicated or significantly downsized without detrimental effects on an organization. The argument stands quite strong: If AML/CTF programs are to keep a watchful eye on suspicious activity, then regardless of how FIs choose to proportion automated monitoring, human analytics must remain the top priority.
REFERENCES


Keeping an Eye on Suspicious Activity


Report to the Nations on Occupational Fraud and Abuse 2014 Global Fraud Study Association of Certified Fraud Examiners (ACFE)

