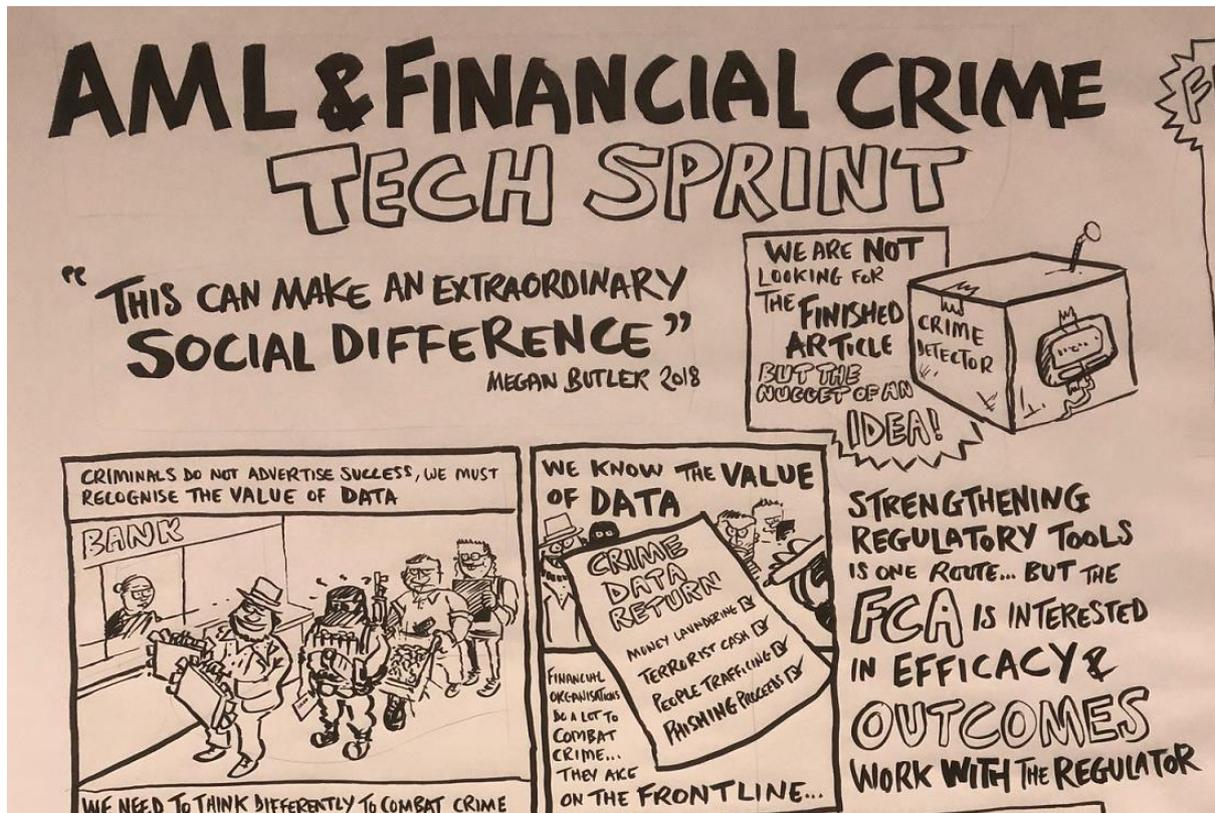


FCA TechSprint: Embracing new technologies for AML

By Denisse V. Rudich



Cartoon credited to Chris Shipton, 2018.

FireDrake Limited had the privilege of attending the FCA's AML and Financial Crime TechSprint held on May 22-24, 2018 in London, UK.

The event brought together developers, subject matter experts, regulators and senior executives to tackle the biggest social problem that is faced by financial institutions today: how to fight financial crime. Current UN estimates place the volume of financial crime at 3-4% of GDP, approximately USD\$1.6 trillion. The FCA also provided the following statistics, driving home the point that financial crime must be tackled in a new way:

- £90 billion is laundered in the UK (National Crime Agency)
- \$150 billion annual profits from forced labour/modern slavery; that is more than \$4,750 per second
- £320 billion estimated value of the drug trade
- Phishing and identity theft are now cited as the most widespread fraud risks faced by firm
- UK financial institutions currently spend £5 billion per year fighting financial crime. That is more than £1 billion that is spent by the UK government on prisons.

Given cost versus impact, this event was a clear nod by regulators that something needs to change.

Over 3 days, 200 individuals from over 100 organisations were asked to forget what organizations they represented, work in collaboration & build prototypes of new technology that could re-define how financial institutions fight financial crime. As teams formed together, there was a definite buzz and excitement about this unique opportunity. Representatives from institutions such as BNP Paribas, Credit Suisse, Harbr, IBM, ING, Lloyds, Microsoft, NatWest, Oracle, Santander, Sedicii, Square, UBS, Wells Fargo, (to name a few) worked with cutting edge technology and subject matter experts from industry bodies, big four consultancies and FireDrake to throw about creative ideas and tackle some of the challenging issues around AML Compliance. These issues ranged from developing efficient KYC/CDD processes while ensuring data protection, developing effective transaction monitoring, building risk assessments to enhancing suspicious activity reporting data and improving investigative capabilities to exploring the use of crypto and distributed ledger technology. On the last day, 15 teams had 4 minutes to pitch the solutions that they had built to over 400 individuals, including members from the C-suite & regulators. FireDrake provided support to a number of teams, helping them explore potential solutions and practical alternatives.

“...if there are methods, innovations, or technologies that help...combat crime...do not be afraid to move first.”

***- Margaret Megan Butler,
Director of Supervision (FCA)***

Some cutting edge technology that was shown includes:

- Using the “Zero Knowledge Proof” technology to maintaining data protection in KYC
- Improving SARs through the use of Natural Language Processing (NLP)
- Making banking safer through the use of digital identity certificates
- Improving data sharing through homomorphic encryption
- Enhancing transaction monitoring through the use of metadata & network analysis
- Developing solutions to make it harder for criminals to use crypto-assets
- Employing digital ledger technology carry out cross-border CDD/KYC
- Application of machine learning to develop self-sustaining blacklists

Effectively, over the course of 3 days a variety of new technology was developed that could help financial institutions save up to £35billion for financial institutions across Europe through automation while tackling crime.

During a speech delivered at the event, Margaret Megan Butler, Director of Supervision - Investment, Wholesale and Specialists at the FCA highlighted the phenomenal work carried out by financial institutions in the area of financial crime prevention but stressed “If there are methods, innovations, or technologies that help...combat crime, tell regulators about them – and do not be afraid to move first.”

FireDrake can support regulated financial institutions to “move first.” FireDrake offers a unique blend of advisory services tailored to the financial crime prevention / AML tech space. Services include:

- **Tech Assurance and Vendor Due Diligence**
Includes testing of code, assurance testing and vendor due diligence to evidence adequacy & effectiveness of solution
- **Training & awareness**
For financial institutions looking to gain a better understand FinTech and RegTech technology and Board training for emerging FinTech & RegTech firms
- **Regulatory & Risk Assessments**

- For RegTechs looking to improve their understanding of emerging legal & regulatory requirements
- For FinTechs looking to assess compliance with laws and regulations
- For Financial Institutions looking to ensure that RegTech solutions they are exploring are regulatory compliant against UK and EU regulation

For more information about FireDrake, please go to www.firedrakeconsulting.co.uk