Transaction Monitoring
Whitepaper

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Forward

Implementing or upgrading Anti-Money Laundering (AML) defences with Transaction Monitoring is an important milestone for any regulated financial institution irrespective of its size.

Compliance and Risk professionals have a duty to protect their organization from Financial Crime and adopt a risk-based approach whilst using the latest and best Technology to meet their needs and mitigate this risk. This is not only important to comply with regulation and to avoid substantial fines, but it can also save the organization's reputation, time, and money. It prevents throwing bodies at the problem.

Transaction Monitoring is understandably a top priority for the Leadership Team of any financial organisation.

Nevertheless, from the youngest and most dynamic FinTechs, to the more mature and established private banks it remains a challenge. Traditional systems which had been previously been sufficient may no longer be enough to keep pace with changing technology, and as a result many organizations are now shifting towards younger more dynamic RegTech Vendors who offer an enhanced level of innovation.

More established systems have a limited suite of scenarios with parameters, which often can only be changed with intervention by the vendor. This is neither risk-based nor effective at mitigating financial crime. Moreover, traditional transaction monitoring systems have been poorly focused, and rarely represent the findings of the AML & CFT Business Wide Risk Assessments, leading to false positives, ill-informed investigations, and a systematic failure to mitigate the risks posed.

Traditional, rule-based systems have struggled with the rapid change that is happening in Financial Crime, unable to easily integrate new data points or adapt the models they work with.

One key factor is that the majority of Transaction Monitoring solutions have not been designed by finance professionals who have experienced the challenges first hand.

As a previous Head of AML and MLRO, when I reviewed the market for potential vendors, I was unable to find a solution that would help eliminate the problems we were encountering.

After countless attempts to procure a solution, and endless discussions on the data I'd like to see integrated, I realised that what was missing was a Transaction Monitoring solution that addresses the specific pain points faced by those working within the AML system.

As a result, DX Compliance was born, and we started building the innovative and comprehensive transaction and behavioural monitoring solution we have today. As Founder of the business, I have made it my mission to ensure that our products could help companies implement a truly risk-based regime and mitigate the risks that they were finding in their assessments.

Our clients have shown me that I was right to embark on this journey. DX Compliance now has clients and partners across the globe, in Europe, UK, US and the Middle East. They can confidently grow with us, launching into new markets and launching new products.

In many of our client conversations we have seen a tremendous need for organizations to future-proof their AML Tech Stacks. The focus is on making the lives of the MLROs and their teams easier. Our Solutions use state of the art technology and a deep understanding of human behaviour to help make this a reality. This is why, at DX, we put the client in the driver's seat, investing time and energy into our partnerships.

The purpose of this White Paper is to provide you with information and insights about Transaction Monitoring and to assist you in assessing the effectiveness of your current solution. I hope you find it useful.
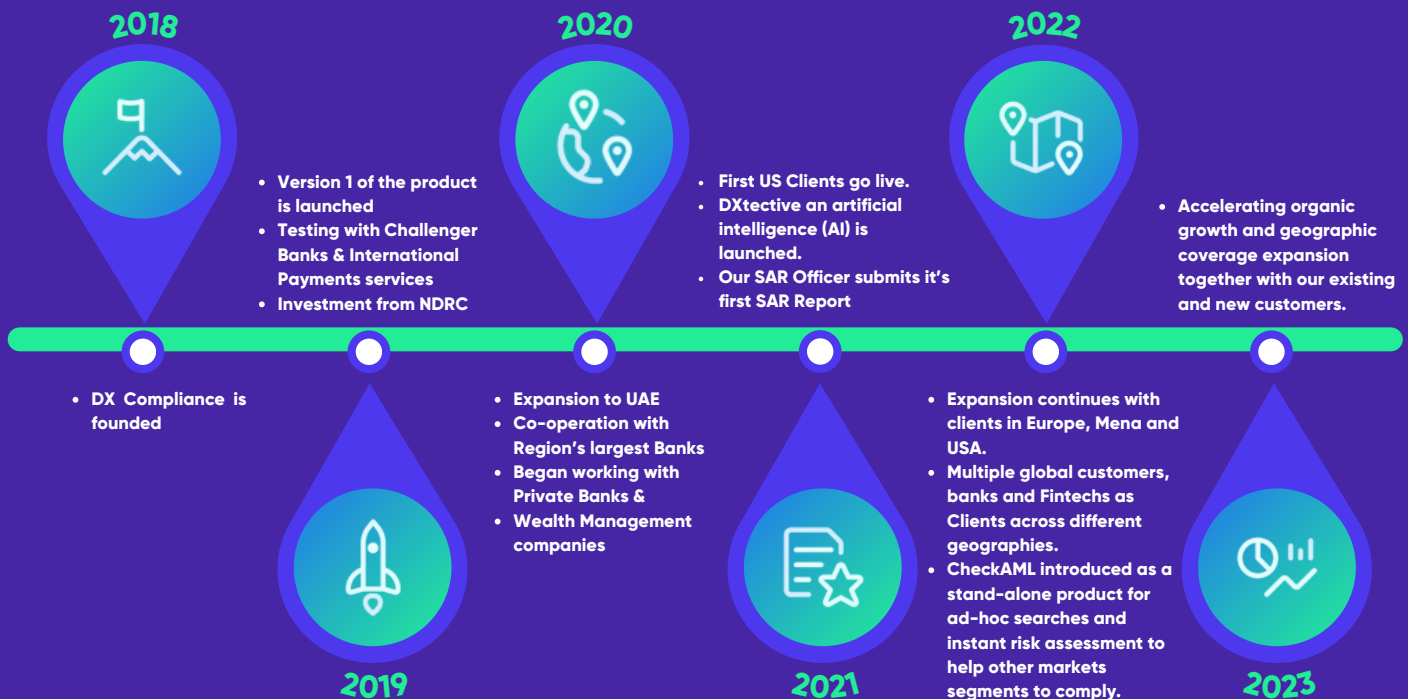
Simon Dix

**Founder of
DX Compliance**

About DX Compliance

DX Compliance is an AML and Compliance Regtechfirm helping our clients identify, prevent and report financial crime.

DX Compliance helps Banks, FinTechs and Payments Providers to continually monitor their risk and detect the threat of money laundering to ensure compliance and reduce fines. We do this by significantly improving the status quo in the alerts generated, data collected and the workflows to investigate and report to the relevant authorities.

Our solution promotes adaptability and agility, ensuring that our partners stay at the forefront of AML compliance as they continue to grow. Leveraging AI and machine learning capabilities to provide the gold standard in AML mitigation.

Combining our enterprise grade solution with our team's years of compliance mitigation experience, we provide our clients with all the tools they need to future proof their AML processes.

2018

- Version 1 of the product is launched
- Testing with Challenger Banks & International Payments services
- Investment from NDRC

- DX Compliance is founded

2019

- Expansion to UAE
- Co-operation with Region's largest Banks
- Began working with Private Banks &
- Wealth Management companies

2020

- First US Clients go live.
- DXtective an artificial intelligence (AI) is launched.
- Our SAR Officer submits it's first SAR Report

2021

- Expansion continues with clients in Europe, Mena and USA.
- Multiple global customers, banks and Fintechs as Clients across different geographies.
- CheckAML introduced as a stand-alone product for ad-hoc searches and instant risk assessment to help other markets segments to comply.

2022

- Accelerating organic growth and geographic coverage expansion together with our existing and new customers.

2023

Industry Challenges

Money laundering is a global risk, and every nation state has a different response to it. Regulations can vary across borders and so it can be a challenge to ensure the transaction monitoring system is aligned to what is needed.

The IT architecture required for Real-Time Transaction Monitoring work effectively is becoming more complex. This complex AI and Machine Learning can be difficult to engineer.

Traditional Transaction Monitoring systems have been 'retail' focused, are made up of a binary set of scenarios and due to the amount of false positives are neither cost effective or efficient. It can be difficult to migrate to legacy technologies and there are manual STR reporting processes.

Limited in their coverage and scope

Ineffective and costly

Reliant on large compliance teams instead of improving processes

Manual and strictly rule-based

Prone to backlogs of cases

Traditional Compliance Systems

- 4 months average time needed to change system settings
- Up to 65% of work is wasted due to false positives
- 1 hour average time to file a suspicious activity report
- Average 9 month integration process
- Anti-money laundering activities recover only 0.1% of criminal funds

The finance industry now finds itself in a new era of financial crime, dominated by complex interconnections and undefined geographies.
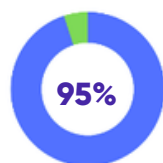
95% of generated alerts of traditional AML systems resulted in false positives.

The estimated amount of total money laundered annually around the world is about 5% of the global GDP (USD 2 trillion)
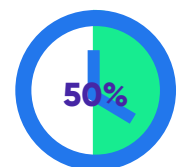
50% of workday, Compliance Professionals spend with repetitive tasks due to the lack of flexibility of AML systems.
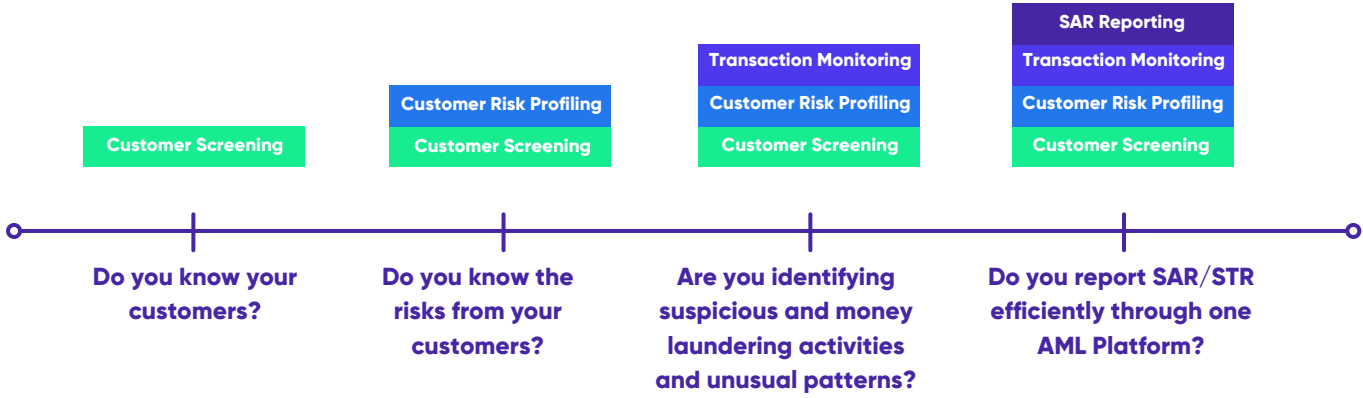
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Transaction Monitoring

Transaction monitoring is the monitoring of customer transactions, including assessing historical/current customer information and interactions to provide a complete picture of customer activity. This can include transfers, deposits, and withdrawals.

The aim of the process is to detect suspicious activities. It begins with a company's rules engine. This is where a compliance team creates the rules that actively look for suspicious behaviour amongst your clients.
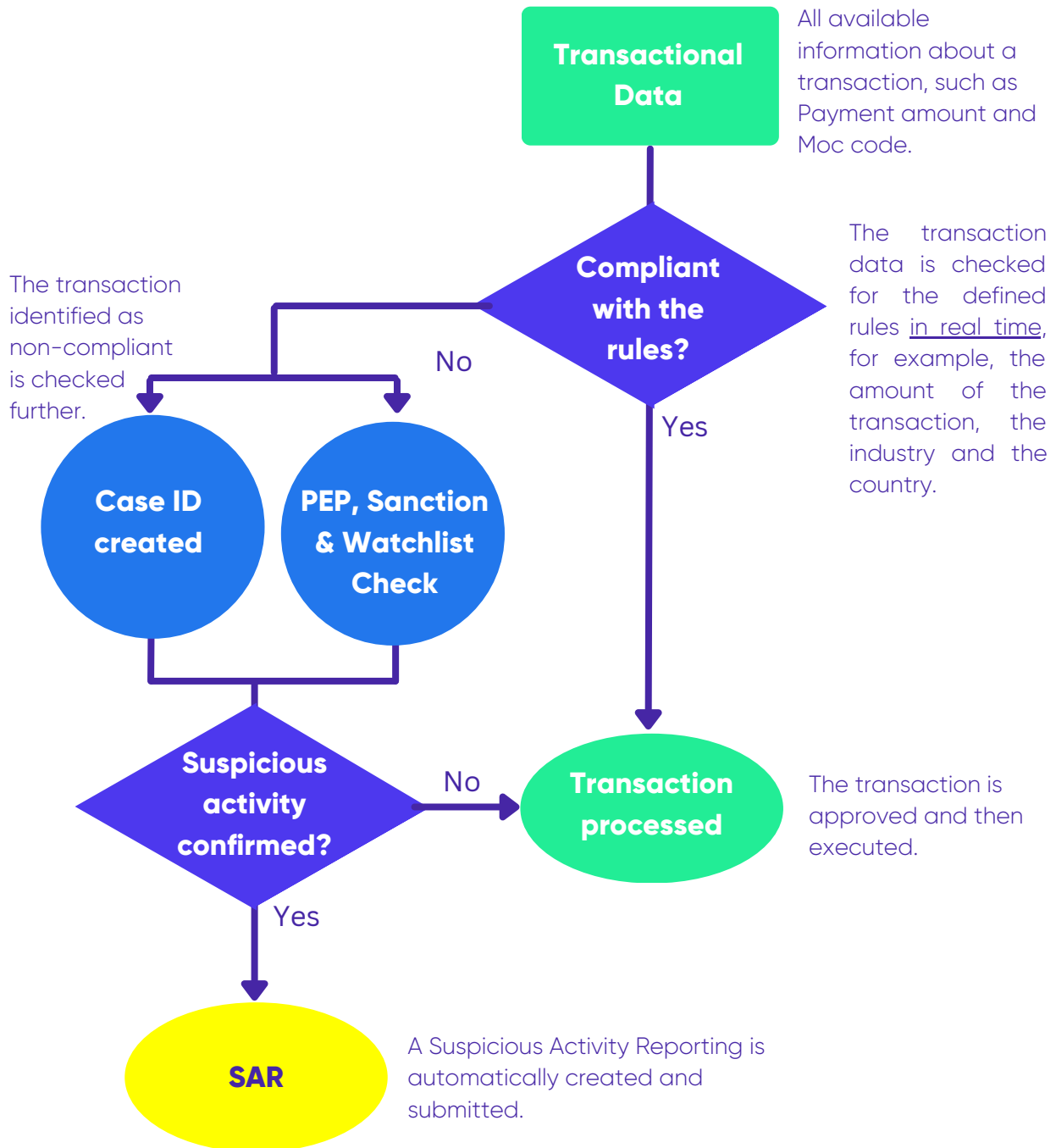Our systems allow you full control and will be constantly

updated by us to ensure they are using technology at the leading edge and that reflects advanced best practice.

Roughly speaking, transaction data is checked in real time to see if it complies with defined rules (for example, if the transaction is below a set threshold).

If it matches the rule, the transaction is processed. If a rule is violated, a warning is issued. This transaction is then further reviewed by an investigation team or compliance analyst.

			SAR Reporting
		Transaction Monitoring	Transaction Monitoring
	Customer Risk Profiling	Customer Risk Profiling	Customer Risk Profiling
Customer Screening	Customer Screening	Customer Screening	Customer Screening

Do you know your customers?

Do you know the risks from your customers?

Are you identifying suspicious and money laundering activities and unusual patterns?

Do you report SAR/STR efficiently through one AML Platform?

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Transaction Monitoring Workflow

Transactional Data

All available information about a transaction, such as Payment amount and Moc code.

Compliant with the rules?

The transaction data is checked for the defined rules <u>in real time</u>, for example, the amount of the transaction, the industry and the country.

The transaction identified as non-compliant is checked further.

No

Yes

Case ID created

PEP, Sanction & Watchlist Check

Suspicious activity confirmed?

No

Transaction processed

The transaction is approved and then executed.

Yes

SAR

A Suspicious Activity Reporting is automatically created and submitted.

Your Advantages

True Positives

More accurate than ever. Ensuring you're seeing more of what you need to, and less of what you don't.

Real-Time

Multiple servers and high speed result ensure you don't leave anything behind.

Keep up with the criminals

High tech configuration and test modes allow you to quickly try out new scenarios and rules, allowing you get ahead.

Efficiency

Increase your efficiency to allow you to spend your resources where they are actually needed.

Reduced Fines

Overall risk minimization from financial crime can result in cost savings.

DX Values

Our Adaptable Risk-based Approach

Identify Risks → Evaluate Risks → Develop Measures

Here at DX Compliance we...

Understand the risks your organization faces and create controls for these risks based on prioritizing the damage they can do

Collect 200% more data than competitors from our findings and from trends we recognise

Reduce the potential for false positives with our existing knowledge base

Ensure control remains within the hands of the internal compliance team

Help with test instance and production instance:
- Use the rules for your clients after you have found out in the testing that they work
- Less risk that you are responsible for false results based on wrongly defined rules

Advise on Transactions Monitoring including what to look for and how to look for it

Provide Risk Assessment and Support:
- Decide for yourself which criteria imply a higher or lower risk: Risk scoring can be chosen based on your risk appetite

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Case Studies

RemotePass

Mena based Fintech

Challenge

- Customer Screening
- Customer Risk Profiling
- Pep & Sanctions Screening
- Ongoing Customer Monitoring
- Limited resources internally
- Manual compliance processes
- Manual monitoring of clients

Benefits

- Monitor risk more effectively
- All-in-1 AML Solution
- Use of frontier technologies (AI and ML)
- Cost-effective solution
- Reduce false positives
- Fulfilment of regulatory requirement

Challenges

Our client is a Mena based Fintech in Abu Dhabi who needed a scalable AML Customer Screening & Transactions Monitoring Solution to reduce manual workload in a cost-effective and efficient way. RemotePass also wanted to ensure they fulfil their global and local regulatory requirements while also being able to reduce false positives and receive relevant and actionable alerts.

Solution

Our AML screening solution, integrated in under 10 days, provides a single, centralised platform, allowing the RemotePass compliance team to better focus their analysis and reduce the number of necessary searches. In addition, the tool includes an automatically updated audit log, serving as evidenced due diligence for the regulators. The company chose our Customer Screening and real-time Transaction Monitoring as the optimal solution to meet their business needs, mainly due to its user friendly interface and various other time saving features. With regards to implementation we used our long adopted approach of carefully tailoring the solution to the customer's business model and its needs. Then, after stringent security testing, the platform was ready to go live.

Results

- Deployment in under 10 days.
- Reduced Customer onboarding time by 95 %.
- Reduced manual workload by over 90 %.
- Increased performance of compliance team.
- 100% true positive rate.

> DX Compliance had provided us with the advice and guidance that we needed from the start of our collaboration. They understood our unique business needs and the team has strong experience with the local regulatory authorities.
>
> Working with DX Compliance has exceeded our expectations and has uncovered risks we had not previously identified. The Integration was smooth and transparent and the approach to data and machine learning within the product influenced our decision to collaborate with DX.
>
> We are saving countless hours per hit and have seen massive reduction in false positives. The fact that DX Compliance is the only provider to have automated the SAR generation for the UAE's FIU was a key deciding factor in our decision. Overall the DX Compliance Platform has increased our efficiency by 90 %.
>
> **Kamal Reggad, Founder**
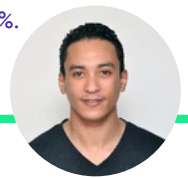
Case Studies

Challenges

Our client is a German privat Bank who needed a scalable AML Transaction Monitoring Solution to fulfil their regulatory requirements as well as also being able to refine searches and receive relevant and actionable alerts.

Solution

The DX Compliance AML Transactions Monitoring Platform provides a single, centralised AML platform. Our AML Transactions Monitoring and Customer Screening solution has been smoothly integrated, allowing the compliance team to better focus their analysis and Monitor Customer behaviour in real-time as well as Customer Screening against daily updates, Sanctions- and Pep data sources. In addition, the tool includes an automatically updated audit log, serving as evidenced due diligence for the regulators. The company chose our Customer Screening and real-time Transaction Monitoring as the optimal solution to meet their business needs, mainly due to its user friendly interface and various other important time saving features. With regards to implementation we used our long adopted Client focused approach of carefully tailoring the solution to the customer's business model and its needs.

Results

- Increased performance of the compliance team
- 100% true positive rate
- 85% time saved by efficient automation
- Easier handling of internal and external audits

VON DER HEYDT

German Privat Bank

Challenge

- Unique risk profiles
- Ongoing Customer Monitoring
- SAR Reporting
- Operational Efficiency
- Ongoing Transaction Screening and Monitoring
- Uncover Hidden Risks

Benefits

- Monitor risk more effectively
- Smooth interface experience
- Use of frontier technologies (AI and ML)
- Highly configurable No-Code Rule builder
- Increase operational efficiency
- Reduce false positives

> I have worked with a wide range of systems and providers of AML compliance software, during my time at large Tier 1 Banks, but also Private Banks and FinTechs.
>
> My experience with DX Compliance has been fantastic, the system is easy to use, intuitive and allows me to adapt scenarios at ease.
>
> I particularly like the insights and analytics into client behaviour and risk which are very useful in helping with my reporting duties and risk assessments.

Sophie Haertel, Chief Compliance Officer

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Case Studies

Al Mal Capital

UAE based Finance Company

Challenge

- Unique risk profiles
- Trade Compliance
- Manual checks and Spreadsheets
- Limited resources internally
- Manual compliance processes
- Manual monitoring of clients
- Regtech adoption
- Digital Transformation

Benefits

- Monitor risk more effectively
- Workflow and clear audit trail
- Use of frontier technologies (AI and ML)
- Fulfilment of regulatory requirements

Challenges

Our client is a well-established Dubai based financial company who needed a scalable AML Transaction Monitoring and Trade Transaction Screening Solution to reduce manual work in an effective way as well as adopt the latest Technology. Regtech adoption and digital Transformation was key to our client. More than that, the client needed to ensure they fulfil their local and global regulatory requirements while selecting a local UAE based provider.

Solution

Our AML screening solution hosted on a regional Cloud, provides a single, centralised AML platform. The platform includes an automatically updated audit log, serving as evidenced due diligence for the regulators. The company chose our Transaction Monitoring as the optimal solution to meet their business needs. In addition the customer also chose the DX Trade Transactions Module to monitor their Trade Transactions. With regards to implementation, we used our long-adopted approach in the UAE with a dedicated Customer delivery and Success Team.

Results

- Identify risks more effectively.
- Reduced manual workload.
- Improve operational efficiency.
- Flexible, user-friendly platform.

Case Studies

Challenges

Our client is a Multinational pan-African Bank headquartered in Lagos and known as Africa's Global Bank. It has subsidiaries in 20 African countries and offices in London, Paris, Dubai and New York The Bank needed for it's London Branch a scalable AML Customer Screening & Transaction Monitoring Solution to upgrade their Transactions Monitoring from a Legacy Provider.

Solution

Our configurable approach to AML Transactions Monitoring provides UBA with a single centralised AML platform. The tool includes an automatically updated audit log, enabling them to demonstrate and prove the enhanced due diligence that has been conducted. The ability to integrate a wider selection of data, which in turns feeds into a configurable customer risk assessment engine has proved critical. The unique, in-depth insights within the MLRO view, have been a huge help in providing feedback to the 1st line of the business and helping to continually improve efficiencies, they have also been used to prepare for audits and board meetings to ensure everyone is on the same page.

Results

- Flexible, user-friendly platform.
- Reduced manual workload.
- Increased performance of compliance team.

UBA
United Bank for Africa

Pan African Bank

Challenge

- Upgrading their transactions
- Monitoring capabilities
- Regtech adoption
- Ongoing automated customer risk profiling

Benefits

- Flexible Rule creation
- Monitoring risk more effectively
- Reduce false positives
- Use of frontier technologies (AI and ML)
- Integrated SAR Reporting
- Fulfillment of regulatory requirement
- MLRO Insights

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DX Compliance™