WorkFusion | LexisNexis

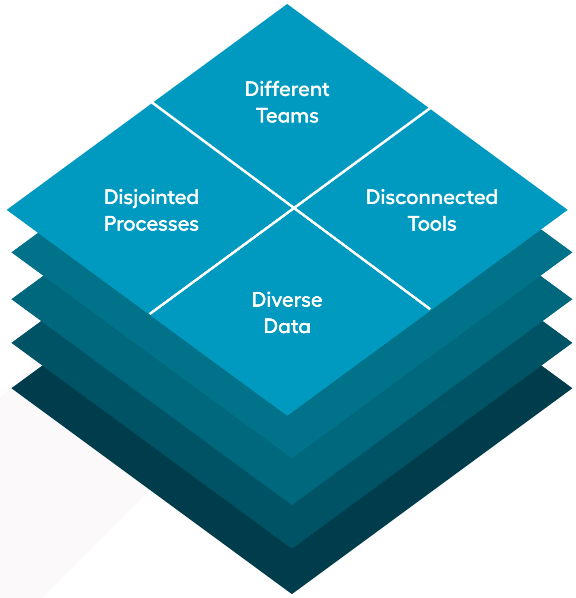
Fighting FinCrime — and Further

Extending into ESG with Adverse Media Screening

Achieve smart, scalable adverse media screening for Banking and Financial Services (BFS) to help address evolving risk concerns from anti–money laundering (AML) or anti–bribery and corruption compliance to the latest regulations addressing supply chain or other Environmental, Social and Governance (ESG) concerns.

Regulatory agencies worldwide mandate adverse media monitoring programs by financial institutions to counter financial crime. The combined power of enhanced data and Intelligent Automation can help. Rather than relying on inefficient, manual processes that yield a murky view of risk, smarter adverse media monitoring streamlines and solidifies the approach, with flexibility to scale as risk considerations evolve.

Four Foundational Deficiencies (4 Ds)
of a Manual Approach to Adverse Media Monitoring



A compounding effect when expanding to other areas

Foundational deficiencies for:

Financial Crime

Human Rights

Supply Chain

& more...

Foundational deficiencies of highly manual monitoring

In the borderless digital age, identifying regulatory, reputational, financial or strategic risk exposure is significantly more challenging than in the past. Regulatory authorities recognize the potential value of adverse news analysis to identify signals of financial crime and corruption. As a result, BFSI sector organizations must consider a variety of rules and regulations. The Financial Action Task Force (FATF) guidance,[1] for example, notes that part of an enhanced due diligence (EDD) process should include "verifiable adverse media searches to inform the individual customer risk assessment." Regulators, such as AUSTRAC,[2] go further, recommending adverse media screens as part of upfront and ongoing customer due diligence (CDD).

Filtering out the noise from a steady stream of news takes time, particularly when it's done through manual processes, which suffer from four foundational deficiencies:

1. ***Different teams:*** separate groups work in distanced parts of the organization
2. ***Disjointed processes:*** when siloed, work is often completed without cohesion
3. ***Disconnected tools:*** when added and evolved over time, they may not integrate well
4. ***Diverse data:*** open-source data challenges; multiple reporting formats

These issues are problematic even when the scope of adverse media is held to financial crime. Typically, operational analysts review publicly available news sources for 20–30 minutes per entity, reading through articles from search pages full of results — 95% of which are irrelevant, false positives — then manually authoring a report which details the investigation.[3] This is tedious even when the task is straightforward. With more complex, high-risk customers, the process can take significantly more time, even a full day's investigation is not uncommon. And, to be clear, it's exactly those customers that you want your team to be fresh and alert for, because they're actually the ones who represent risk to the bank.

And not all approaches are the same. Adverse media reviews for customer onboarding may have a completely different experience and final report than teams doing refresh or remediation activities, despite performing essentially the same work.

When the scope of adverse media monitoring expands to other areas of ESG, the challenge grows too. The different teams have more processes to define and execute, while unlikely collaborating first on process, tools, and data. Foundational deficiencies thus have a compounding effect.

ESG expands regulatory requirements

Regulators have begun stepping in with ESG reporting mandates and oversight. This raises the stakes: Not only do organizations need to worry about the reputational risks associated with ESG failures, but they face a growing threat of penalties assessed by regulators too.

Governments around the world are introducing reporting guidelines and regulations to encourage organizations to "identify, assess, prevent, cease, mitigate, monitor, report, address and remedy potential and/or actual adverse impacts on human rights, the environment and good governance in their value chain."[4] In fact, over 60 countries have established mandatory or voluntary instruments for ESG reporting, including over 280 regulations and guidelines across North America and Europe.[5] In a nod to ESG pressures, the 6th Anti–Money Laundering Directive (6AMLD) also expanded the covered crimes to include environmental crime.[6]

Since corporate governance is encompassed by ESG, expanding monitoring to ESG also addresses regulations spanning financial crime, fraud, and corruption. An ESG framework informing media monitoring, then, covers all the bases, including emerging and evolving concerns.

Foundational Deficiency	Issue	Opportunity
Different Teams	Separate groups work in distanced parts of the organization	**Supplement teams with consistent automation**
Disjointed Processes	When siloed, work is often completed without cohesion	**Establish protocols and reporting across teams**
Disconnected Tools	When added and evolved over time, they may not integrate well	**Unify systems and methods for storing and moving data**
Diverse Data	Open-source data challenges; multiples reporting formats	**Leverage enhanced data**

Current Laws and Regulations Requiring Adverse Media Monitoring

USA

Financial Crimes Enforcement Network (FinCen) Anti–Money Laundering Act of 2020[7,8]
FinCen requires AMM for CDD, as well as ongoing monitoring of adverse media to mitigate risk throughout the relationship.

The AMLA emphasizes the need for organizations to leverage technology to modernize existing risk management processes. "The passage of the US Anti–Money Laundering Act of 2020 (AMLA) (part of the National Defense Authorization Act for Fiscal Year 2021) will ring in a new era of anti–money laundering (AML) enforcement and regulatory exposure for financial institutions in the United States and by extension to their counterparties and affiliates across the globe." — International Banker9

National Law Review10 further reports that "Title LXII (sections 6201–6216) and title LXV (sections 6502–6508) of the AML Act collectively are intended to modernize the AML/CFT system by embracing technology and innovation, streamlining low-value processes, and eliminating obsolete regulations and guidance."

EU

6th Anti–Money Laundering Directive (6AMLD)[11]
Expanding on prior Directives, 6AMLD strengthens the adverse media monitoring requirement. It requires AMM as part of enhanced customer due diligence (EDD) for high-risk individuals or entities and encourages use of automated AMM. In a nod to ESG pressures, the law also expanded the covered crimes to include environmental crime.

2021 AML/CFT Proposal[12]
Intended to strengthen the EU's rules on combating money laundering and terrorist financing, the proposal encompasses six goals, three of which will require legislative action.

1. Ensuring effective implementation of the existing EU AML/CFT framework
2. Establishing an EU single rulebook on AML/CFT
3. Bringing about EU-level AML/CFT supervision
4. Establishing a support and cooperation mechanism for FIUs
5. Enforcing EU-level criminal law provisions and information exchange
6. Strengthening the international dimension of the EU AML/CFT framework

UK

Financial Conduct Authority (FCA)[13]
FCA recently warned that banks need to implement risk-aligned AMM to strengthen Know Your Customer (KYC) onboarding checks and CDD, noting that a review found "disappointing" evidence that many FIs' financial controls fall short of identifying potential red flags.

HK

Anti–Money Laundering and Counter-Terrorist Financing Ordinance (AMLO)[14]
Beyond conducting an adverse media check during CDD, AMLO requires that banks and FIs regularly screen adverse media to spot signs of a customer's involvement in money laundering.

Enhancing AML Operations Teams

Jennifer Sutton, of New York-based Sullivan & Cromwell LLP, said it well: "A less-than-effective program that does not adequately account for risks simply is not sustainable. New approaches, such as robotics, cognitive automation, artificial intelligence (AI), including machine learning (ML), and other new technologies have tremendous potential to improve [anti–money laundering] program effectiveness and the risk assessment process."[15]

Leveraging these capabilities will allow financial institutions to enhance their teams with an approach that addresses these foundational deficiencies.

How can organizations optimize adverse media monitoring to uncover actionable intelligence that mitigates risk?

Nexis® Entity Search API data is aggregated from:

60,000

global print, broadcast and web news media sources: including newspapers, newswires, press releases, magazines, trade publications, broadcast transcripts and social commentary

100+

countries

75

languages

4.5 million

articles added daily

40+

year archive

7x more topics & industry index terms > **more precise search and refined results**

Accelerate and strengthen risk awareness with an automated approach

Data from Nexis Solutions combined with AI-led Digital Workers from WorkFusion can help organizations overcome these challenges. Nexis Solutions powers the process with aggregated, normalized, and enriched data with LexisNexis® SmartIndexing Technology™. WorkFusion's Digital Workers put this data into action, automating with the data and existing tools for consistent, highly capable processing that augments existing teams.

Enhanced data delivered via the Nexis® Entity Search API

The Nexis® Entity Search API provides a new way to align adverse news monitoring with your organization's specific risk considerations. Access 60,000 global print, broadcast and web news sources with the same powerful pre- and post-search filters found in LexisNexis's due diligence research platform, Nexis Diligence™. The dataset spans 75 languages and 100+ countries and expands by an average of 4.5 million articles per day with a 40+ year archive.

The API allows quick capture of news mentions about customers, suppliers or other critical third parties to support compliance with regulatory requirements and enable smart data-driven decisions that protect organizational interests while empowering performance.

Additionally, it can expose risks identified in other types of content in Nexis Diligence, such as company sources, PEPs and Sanctions, Ultimate Beneficial Owner data, ESG Scorecards, biographical references and legal content.

The Nexis Entity Search API builds greater efficiency into risk management workflows by easing the creation and testing of queries — such as whether to scan the entire news archive or narrow the focus to a particular time period, geographic region, or publication. The API can accelerate news-related due diligence on entities, either on an ad-hoc basis or with scheduled calls.

Smarter processing with WorkFusion's AI-Enabled Digital Workforce

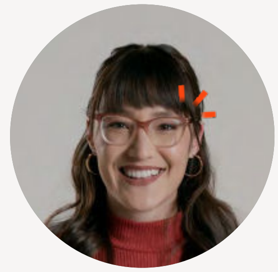
Leveraging extensive experience in automating complex operational functions, WorkFusion has released solutions in the form of digital knowledge workers that arrive on the job fully trained and immediately productive, working seamlessly side-by-side with traditional team members. Evelyn, a Sanctions and Adverse Media Screening Analyst, has pre-built skills that include searching and reviewing databases, such as LexisNexis, to determine relevance of alerts and whether mentions are potentially adverse, while compiling facts and recording evidence from investigations for compliance and creating an internal audit trail.

When Evelyn is implemented, she reduces over 80% of false-positive alerts and eliminates over 80% of manual review time. Evelyn provides consistent sourcing, auto-prioritization, review and reporting. She removes duplicates and reviews demographic information, focal entity, and material relevancy of the content itself. The 20–30 minutes that analysts had spent manually researching an entity is easily cut to 2–3 minutes as Evelyn collects, analyzes, and reports on her findings.

What's even better is that Evelyn's performance improves over time. Like all WorkFusion Digital Workers, her AI core continuously learns with every assignment and interaction — delivering powerful results for reducing costs, speeding compliance, and enhancing the customer experience. And, when Evelyn is fed data from LexisNexis, her performance accelerates.

More powerful together

Adverse media monitoring requires a solid, robust approach to extend beyond fincrime into emerging risk areas related to ESG drivers, including supply chain sustainability and human rights due diligence. However, operational deficiencies — different teams, disjointed processes, disconnected tools, and diverse data — can reduce the effectiveness of adverse media monitoring programs. Enriched data and AI-led digital workers establish a solid foundation for adverse media monitoring, permitting scaling to other ESG factors, while supporting increased throughput, enhanced quality, and improved risk mitigation.



Evelyn

Sanctions & Adverse Media Screening Analyst

DIGITAL WORKER

- Analyzes and investigates sanctions alerts for entities, individuals, and securities
- Searches and reviews media sources to determine relevance and if mentions are potentially adverse
- Conducts searches, gathers data and records evidence from internal systems, the internet and commercial databases
- Accumulates facts from investigations for compliance and internal audit to ensure adherence to regulatory policies for customers and transactions

[1]FATF: The Banking Sector: Guidance for a Risk-Based Approach

[2]AUSTRAC: Reliance under customer due diligence arrangements

[3]WorkFusion analysis

[4]European Parliament: Corporate Due Diligence and Corporate Accountability

[5]Carrots & Sticks: Sustainability Reporting Policy: Global trends in disclosure as the ESG agenda goes mainstream (July 2020)

[6]EU: 6th AML Directive

[7]FinCen: Guidance on CDD

[8]FinCen: Explainer

[9]International Banker: The Next Wave of Anti-Money Laundering Enforcement Globally is on the Horizon

[10]National Law Review: The Anti-Money Laundering Act of 2020: Congress Enacts the Most Sweeping AML Legislation Since Passage of the USA PATRIOT Act

[11]EU: 6th AML Directive

[12]European Commission: Proposal for a Regulation of the European Parliament and of the Council

[13] FCA guidance: Section 17.3.4

[14]Hong Kong Guidance: Section 12.6

[15]Financier Worldwide: Q&A: AML and sustainable compliance

Curious to learn how Digital Workers can help you? Connect with us to find out.

About WorkFusion
WorkFusion is the leading provider of Intelligent Automation solutions for Fortune 500 enterprises, banks, insurance, and financial services companies. The company's AI-enabled Digital Workers augment traditional teams through regular "human-in-the-loop" interactions and with support from the WorkFusion Network, a powerful AI cloud nexus. WorkFusion solutions help increase workforce capacity, enhance customer satisfaction, and ensure ongoing compliance. Learn more at **workfusion.com**.

About Nexis® Solutions
Empowering Performance: Where enhanced data and intelligent technologies converge, helping organizations make confident decisions.

Nexis Solutions, as part of LexisNexis® and the global RELX corporate family, connects organizations to market-leading data with a suite of scalable entity due diligence and risk monitoring solutions and datasets designed to help companies establish and maintain trusted third-party relationships.

WorkFusion

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