



Removing The False-Positives Noise From Adverse Media Screening

The benefits of AI-driven adverse media alert
adjudication

Introduction

N Contrary to the popular misconception, Adverse Media Monitoring alert adjudication is not the same thing as adverse media monitoring or adverse media screening (also known as negative news screening). Adverse media alert adjudication is a distinct activity that takes place immediately after a bank or other financial institution's adverse media screening tool identifies potentially adverse/negative news surrounding a customer.

In the pre-AI world, the adverse media screening tool would send all its alerts directly to a team of compliance analysts. The analysts would then make decisions on whether each alert was

a true match or not, as well as the materiality and relevancy of each alert, and then classify them as either false positives or true positives, escalating the true positives as needed. Though seemingly straightforward, this process poses a large operational challenge. Depending on the size of the institution, the need for frequent and ongoing searches of enormous volumes of content (the bulk of which is irrelevant) can cost millions annually.

This paper describes AI-driven adverse media alert adjudication and how your financial institution can apply it to dramatically reduce the volume of false positive alerts that reach your financial crime compliance team each day.



“ AI delivers tremendous value for adverse media monitoring – streamlining and improving results of the alert adjudication process.

The power of adverse media monitoring

Adverse media monitoring is one of the most effective tools that banks and other financial institutions (FIs) have for helping to manage and mitigate risk, particularly financial crime risk. It can protect an FI's brand, profitability and stakeholder relationships.

The goal of adverse media monitoring is to monitor and then review negative media about a person or company to determine if conducting business with them would incur a reputational risk or potential involvement with criminal activity. Whether from the news, international organizations, legal reporting, or other sources, it allows FIs to determine customers'

intended account usage and context of transactions flows, and to evaluate a range of reputational considerations.

Regulatory authorities recognize the importance of adverse media monitoring to identify signals of financial crime and corruption. For example, guidance from The Financial Action Task Force (FATF) notes that part of an enhanced due diligence (EDD) process should include "verifiable adverse media searches to inform the individual customer risk assessment." Similarly, the European Union's 6th Anti-Money Laundering Directive (6AMLD) recommends that companies perform EDD processes for high-risk customers,

which includes carrying out open source or adverse media/negative news searches.

Today, many FIs apply adverse media monitoring to minimize risk when performing multiple customer-related activities, including customer onboarding, KYC (know your customer) refresh, transaction monitoring, and ongoing/ continuous (batch) screening activities.

Something is missing in adverse media monitoring

While the stated goal of adverse media monitoring is to screen for, and then review, negative media about a person or company to determine the risk of conducting business with them, standard screening tools do not make that type of risk determination. These tools merely alert compliance teams that potential risk exists. That is not decision-making around risk, nor is that alert adjudication.

Unfortunately, the status quo leaves the decision-making and adjudication steps for people to perform. Routinely, operational analysts review publicly available news sources for 5-20 minutes per entity, reading through articles from search pages full of results — 95+% of which are irrelevant, false positives. Then, they manually capture the media for supporting documentation and must author a report that details the investigation. That is tedious work, even when the task is straightforward.

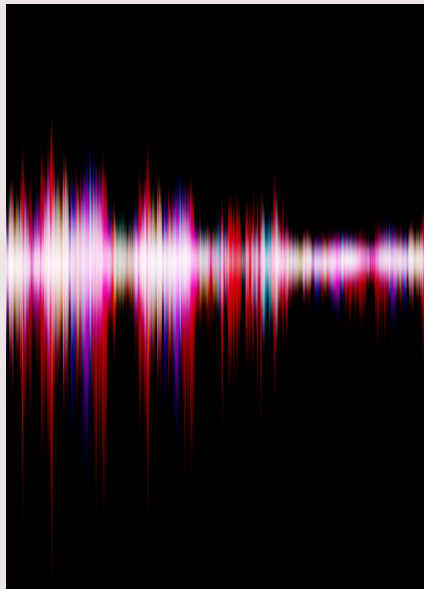
Add in more complex, high-risk customers, and the process can take significantly longer. Those complex, high-risk customers should be the focus of operational/compliance analysts. Yet, when analysts are drained of energy from reviewing false-positive alerts for hours, the situation can lead to errors and missed escalations of material and relevant adverse news.



Removing false-positives noise in adverse media screening

This is where AI delivers tremendous value for adverse media monitoring – streamlining and improving results of the alert adjudication process.

Taking information or alerts from a standard adverse media screening tool like Thomson Reuters® Adverse Media and Sanctions, an AI-driven alert adjudication tool automatically reviews adverse media information and alerts about customers and potential customers, whether they are individuals or companies. During the review, the AI within the adjudication tool prioritizes and adjudicates articles (and other information) based on demographic data and other attributes, the most prominent being materiality and focality. Materiality represents the relevance of an article's content to any bad activity that may have occurred or is occurring. Focality determines whether the person under review is actually the subject of the article.



An example of such a tool is the WorkFusion AI Agent named Evan. Evan can fully investigate an entity with as little information as just a name. 'He' consults third-party sources such as internal systems, internet search engines, commercial databases and research organizations to support his decisions. Then, he highlights articles that indicate high risk for a human analyst to review and provides detailed justification whenever he determines an alert to be a false positive.

With AI-driven alert adjudication, approaches vary based on an FI's processes for various activities. For example, adverse media reviews and alert adjudication for customer onboarding may have a completely different experience and final report than those for teams performing refresh or transaction monitoring activities, despite performing essentially the same work. Yet, to the AI within the tool, that makes no difference, and it adjusts to whatever the process may be.

Common News/Information Sources for AI-driven Digital Workers: Dow Jones Factiva, Google API, LexisNexis, RDC, Refinitiv World Check One, Thomson Reuters Adverse Media and Sanctions.

An increasingly important use case for AI adverse media alert adjudication — reducing risk introduced by counterparties

Customers, both knowingly and unknowingly, where they may be the victim of a financial crime, can become involved in transactions with potentially nefarious actors. This underscores the importance of performing due diligence on both the client and the counterparty.

In the context of financial institutions, a counterparty is either a business or an individual that is the sender or receiver of a transaction involving the FI's customer. In many instances, the counterparty is not a customer of the FI.

Counterparty risk, while already significant, grows even greater when transactions involve foreign financial institutions (FFIs) and cross-border payments. Financial crime risks including sanctions evasion, money laundering, and fraud are increased where FFIs may be involved. Screening counterparties for adverse media

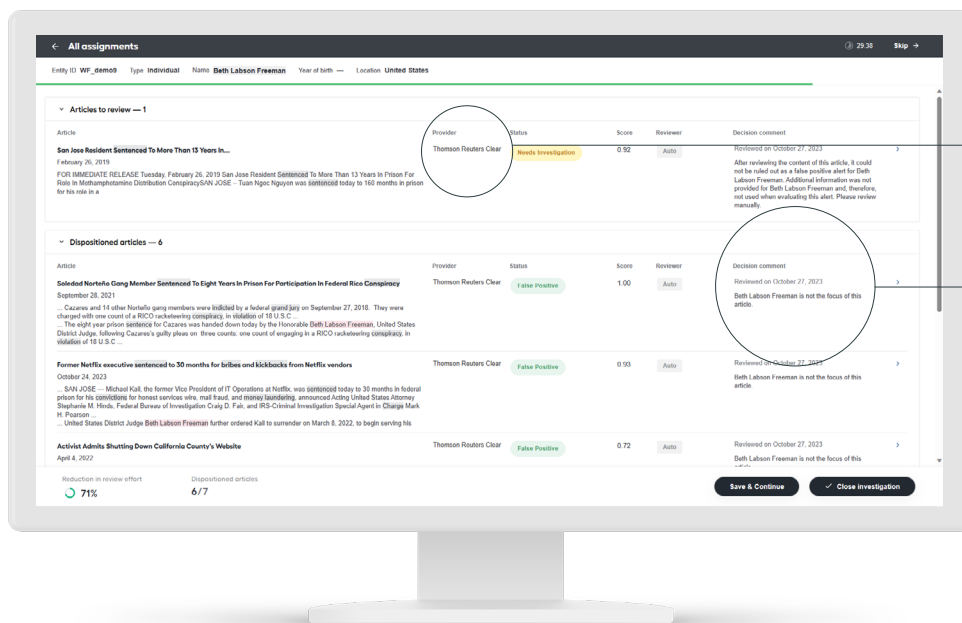
may identify risks and connections not clearly discernable in a payment message or by explanations from an FI's own client. By conducting adverse media screening on higher risk transactional counterparties, a financial institution is more effectively managing and mitigating the financial crime risk to their institution and to/by their clients.

How adverse media monitoring and AI-based alert adjudication reduce counterparty risk

Just as an AI-driven alert adjudication tool automatically reviews adverse media returned for customers, it provides the same type of alert adjudication for counterparties. Once again, as an example, consider how the WorkFusion AI Agent Evan applies his skillset to evaluating alerts focused on counterparties and can investigate a counterparty with as little information as just a name.

The potential time savings using Evan are even greater in this scenario because the time it takes for a person to review an alert for a foreign counterparty is typically longer than for standard, domestic customer alerts. By contrast, the AI Agent Evan can rapidly adjudicate adverse media alerts around counterparties. When leveraging enhanced large language models (LLMs), Evan may enable a bank to reach 95% straight-through processing (STP) while identifying those counterparties that truly present material and relevant risk. As with customer onboarding and refresh, Evan adjudicates alerts and provides a narrative and audit report for his findings around counterparties. Human-in-the-loop features within Evan ensure that he calls on human support when uncertain about a final adjudication decision.

Evan Integrated into Thomson Reuters Adverse Media and Sanctions



Evan integrates with screening and case management systems to update cases.

Evan's decisioning is fully auditable and explainable.



Finding needles in the haystack faster and automatically

60-80%

Manual Effort Reduction
(Ensemble ML version)



Identifying the risk associated with both parties in a transaction allows an FI to take appropriate risk mitigation measures. Adverse media monitoring, together with intelligent, automated alert adjudication, enables risk mitigation at a scale that would be impossible to achieve manually. This is critical because alert volumes are set to grow substantially in the coming years as real-time payments and other cross-border transaction types proliferate in an increasingly global business environment.

95%

STP
Automation Rate
(LLM version)



The cascading benefits of AI adverse media alert adjudication

As shown above, an AI-driven alert adjudication tool can handle nearly all alerts emanating from an adverse media screening tool. Moreover, AI tools like Evan are ready – out of the box – to be deployed within an institution's existing adverse media screening workflows with expert-level accuracy. While already impressively high, their automation rates for alert adjudication continue to improve over time, thanks to their built-in machine learning capabilities.

3-10x

Faster Processing



The result is that financial institutions dramatically reduce their volumes of false-positive alerts, lessen the burden on their human analysts, and process far more alerts than ever thought possible. There is also a trickle-down effect from these efficiency gains. FIs can continuously drive down risk, because their higher efficiency translates into more reviews of customers, counterparties and transactions – more often.

For a demo or more information on how AI Agent Evan can help your team automate Adverse Media Monitoring alert adjudication and reduce the noise around false positives, please visit workfusion.com.





WorkFusion provides AI Agents that automate many of the manual and repetitive tasks that Financial Crime Compliance operations teams have suffered through for decades. AI Agents substantially reduce the work time needed to resolve the endless flow of low-value KYC screening and transaction monitoring alerts. With open models that are easy for financial crime executives and regulators to understand, this digital workforce reduces errors, ensures consistency, eliminates backlogs and frees up millions of hours a year for investigators to focus on actual risky activity and enables financial crime compliance executives to better allocate people and budgets.

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