

# Fighting Financial Crimes with Artificial Intelligence

# Fighting financial crime with AI

The latest research shows that an epidemic of financial crime is costing society \$4.2 trillion globally. As new digital channels emerge for financial transactions, financial crime just keeps growing worse. Whole communities of fraudsters and criminals are continuously innovating new ways to steal, and they collaborate with one another and sell their tactics and techniques in a seemingly insatiable, world- wide black market. Legacy practices and traditional rules engines can't keep up. We need new approaches.

Artificial Intelligence (AI) offers a way forward. AI techniques, although new, have already been proven to thwart a variety of financial crimes. This report provides the following.

- Insights from executives who share their experiences in applying AI in the fight against financial crimes. Unlike many strategic technology areas in which methods and outcomes are closely guarded secrets to protect competitive differentiation, this report spreads ideas and best practices from real-world implementations.
- Visibility into successful outcomes, and thought leadership on challenges, countermeasures, and the problems that still need to be solved to turn the tide in the fight against financial crimes.

AI conjures different reactions ranging from scepticism to irrational exuberance, and this report aspires to leave you with a practical understanding of the exciting current capabilities as well as current limitations of applying AI in the fight against financial crimes.

## Financial Crime Continues to Increase

Recent research finds that global financial crime is massive in scale and accelerating in pace. One study put the current global cost at \$4.2 trillion. Another estimated that the typical organization loses as much as 5% of revenue to fraud each year. And every \$1 of crime costs businesses between \$2.48 and \$2.82 in total—that's about two and a half times the direct loss itself. Extra costs include regulatory fines for noncompliance, operational expenses for dealing with the aftermath of crimes, notifying and compensating the victims, and the financial fallout from reputational hits. Unfortunately, financial crime is only accelerating. In 2017, two-thirds of businesses experienced financial criminal activity first hand sharp 58% increase since 2016. In a recent interview with Bank Info Security, Daniel Cohen, head of RSA's fraud and risk intelligence product suite, said this:

*If we are predicting that transaction volumes are going to grow, then, obviously, fraud cases, and I'm talking in real numbers, are also going to grow significantly. And then there's the whole operational question of, 'How do we manage and mitigate the fraud that the bank is suffering?'*

## Different Types of Financial Crime