

**Transport and Telecommunication Institute**

**Faculty of Engineering Science**

**Artificial Intelligence Group Project**

**Project proposal**

***“ADVERSE MEDIA MONITORING AND CLIENT RISK ASSESSMENT SYSTEM”***

Students: Natalija Krjuckova, Sergejs Kopils, Agita Ferstere, Diāna Koržaviha

Student’s IDs: ###, ###, ###, ST58392

Study Group: 4303MDA

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# Main Problem

*The goal of this project is to create an automated system for monitoring negative media and assessing client risk so that financial institutions can better identify any issues related to their clients. The technology will evaluate clients and classify them according to risk categories by searching publicly accessible adverse material, including news stories, regulatory filings, social media, and court records.*

*The system will identify negative media associated with financial crimes automatically by utilizing methods such as loading company data, gathering media content through web scraping, performing unsupervised analysis, and classifying media articles. The unsupervised analysis will generate labelled data, which will then be used to train a supervised model to determine client risk. This approach will help safeguard the reputations of institutions and lessen vulnerability to financial crimes by ensuring compliance with Know Your Customer (KYC) and Anti-Money Laundering (AML) requirements.*

# Initial Research on the Problem Domain

*Previous research on adverse media monitoring and client risk assessment highlights the importance of Natural Language Processing (NLP) and Artificial Intelligence (AI) to improve efficiency and accuracy (Smith & Johnson, 2021). Literature on AML and KYC compliance underscores the need for automated tools capable of handling large datasets from diverse public sources, such as news articles, regulatory filings, social media, and court records (Brown & White, 2022). Existing products often lack the ability to provide dynamic risk classification across different levels (low, medium, high) and generally do not integrate well with financial institutions' varied needs (Taylor & Green, 2020).*

# Project Objectives and Scope

**The objectives of this project are:**

* To implement data aggregation techniques to assess client risks by analyzing adverse media content;
* To implement machine learning models for identification of adverse media related to financial crimes for client risk classification;
* To assess the ability of chosen algorithms, classify clients into different risk categories;
* To evaluate algorithm performance in terms of accuracy for client’s classification into different risk categories;

**Out of Scope:**

* Transaction monitoring of client
* Closed-source private databases or proprietary client information

# Proposed Work Activities

It is expected that tools, frameworks and libraries will be chosen depending on test results of each method.

1. Automatic collection of customer references in media (Web Scraping) – it is planned to use such tools, frameworks and libraries: Selenium, BeautifulSoup, Scrapy, Airflow and API for sources, that provide API for accessing publications. The following list of subtasks should be completed in this part:
   1. Defining of list of web resources for data collecting.
   2. Keywords list creation for content filtering based on company names.
   3. Automatic scripts developing and configuring, that includes requesting, parsing HTML and extracting data, keyword filtering, saving data and scheduling regular data collections.
2. Classification of collected data for risk assessment:
   1. Collected data preprocessing – converting text into a clean sequence of keywords, ready for vectorization.
   2. Converting Text to Vector data – converting data into a numerical representation using TF-IDF, Word2Vec or GloVe so that clustering algorithms can process them.
   3. Clustering using K-means or DBSCAN algorithms.
   4. Analysis and cluster interpretation - to determine which groups of articles may be associated with risk. Cluster interpretation can be conducted by analysis of keywords and topics in each cluster, manual verification of articles and assignment of risk levels.
   5. Cluster evaluation and improvement – that includes checking the clustering results and anomalies, number of clusters increasing or decreasing will be performed if necessary.
   6. Final Evaluation and Report - after clustering and interpreting the clusters, a descriptive report should be prepared with describing of each cluster and its risk level (high, medium, low).
   7. Assigning a risk level to each client - identifying the appropriate risk level to each client based on client association with clusters.
3. Model training based on the results
   1. Building and training a model that will automatically identify risky customers based collected data – will be used one of these models: Logistic regression, random forest or gradient boosting (XGBoost). Clusters will be used as a labelled data, data will be split into training (80%) and testing (20%) datasets.
4. Model evaluation and testing
   1. Evaluation metrics (Precision, Recall, F1-score) will be used for a comprehensive assessment of the model, for model accuracy evaluation.
   2. Model can be reconfigured based on the evaluation results.
5. Applying the model and generating a risk report
   1. Model will be applied to a new data – new articles mentioning clients, as a result of modelling will be a report for each client, that includes - Number and content of articles associated with the client, risk level (high, medium, low).

# Project Management Methodology

*This project will use an Agile project management approach to enable continuous feedback and adaptability throughout the development process. The work will be broken into iterative sprints, with specific goals for each sprint, such as data gathering, model development, and testing. Frequent check-ins with stakeholders will ensure that the project aligns with their expectations and address any issues promptly.*

# Implementation Plan and Timeline

*The general implementation plan is divided into the following key phases, each spanning approximately 2-3 weeks, to ensure completion by the end of December:*

1. ***Project Initialization and Data Gathering (Weeks 1-3)****:*
   * *Define data sources and requirements.*
   * *Gather company data and relevant adverse media using web scraping.*
2. ***Unsupervised Analysis and Feature Selection (Weeks 4-6)****:*
   * *Conduct NLP analysis and clustering to identify key risk factors.*
3. ***Model Development and Training (Weeks 7-9)****:*
   * *Train supervised and unsupervised models (Adams & Cooper, 2021).*
4. ***Risk Scoring and Evaluation (Weeks 10-12)****:*
   * *Assign risk scores to clients and assess accuracy.*
   * *Identify clients needing further analysis.*
5. ***System Integration and Testing (Weeks 13-15)****:*
   * *Integrate models into a prototype system.*
   * *Test the system with real-world scenarios.*
6. ***Final Evaluation and Reporting (Weeks 16-17)****:*
   * *Conduct final testing and evaluation.*
   * *Generate a comprehensive risk report for clients.*

**Workflow Diagram**

*The diagram below visually represents the project's key processes, from data collection to risk report generation. The workflow starts with loading company data, gathering media content, performing unsupervised analysis, and classifying media articles. After identifying clients requiring further investigation, risk scores are assigned, and the final supervised model is applied to generate a risk report.*

**Conclusion**

*This project aims to create a robust automated risk assessment system that helps financial institutions mitigate the risks associated with financial crimes by providing a comprehensive analysis of adverse media (Lee & Garcia, 2023).*

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