Adverse Media Monitoring and Client Risk Assessment System

**1. Project Overview:**

This project is focused on developing an automated system for adverse media monitoring and client risk assessment to support financial institutions in identifying potential risks associated with their clients. The system will search publicly available adverse information, such as news articles, regulatory filings, social media, and court records, to assess client transactions and categorize them based on risk levels.

By using techniques like keyword-based search, Natural Language Processing (NLP), and Artificial Intelligence (AI), the system will automate the identification of adverse media linked to financial crimes. This helps institutions comply with Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations, mitigating exposure to financial crimes while protecting their reputations.

**2. Project Focus:**

The project focuses on **adverse and public information search** to analyze client transactions and classify them into **low, medium, high risk**, or **prohibited categories**. For example:

* **Low Risk:** Transactions from well-established companies, such as those listed on regulated markets.
* **Medium Risk:** Clients who do not have high-risk or low-risk factors, typically publicly available but not listed companies.
* **High Risk:** Transactions from unknown or suspicious entities, or clients with significant negative media exposure.
* **Prohibited:** Clients involved in criminal activities, sanctioned individuals, or entities with ties to politically exposed persons (PEPs).

**3. Risk Classification Criteria:**

**3.1 Low Risk Clients:**

* **Clients Listed on a Regulated Market:**
  1. Perform a Google search using the client’s name and the keyword "stock" (e.g., “Name of customer + stock”).
  2. If the client is listed on a regulated market, they are classified as low risk.

**3.2 Medium Risk Clients:**

* Clients not listed on a regulated market but who have publicly available information. These clients generally do not have any high-risk or low-risk factors.

**3.3 High Risk Clients:**

* **Indicators of High Risk Include:**
  1. **Negative Media Exposure:** Reports linking the client to criminal activities, such as *crime, corruption, money laundering, or bribery*.
  2. **Prohibited Clients:** Customers from sanctioned countries or those directly associated with PEPs or individuals involved in criminal activities.
  3. **Shell Companies:** Clients with small share capital or exhibiting characteristics of a shell company, such as limited operations.

**3.4 Prohibited Clients:**

* These include clients with confirmed links to criminal activities, sanctioned individuals or entities, and clients with significant adverse media related to financial crimes or corruption.

**Risk-Increasing Factors:**

* **Transactions exceeding €10,000:** High-value transactions, particularly those from clients with limited public information or recently established companies (less than one year old), warrant increased scrutiny.
* **Limited public information:** Clients with minimal available public data, making it difficult to verify their legitimacy or business activities, present a higher risk.
* **Newly established companies:** Businesses operating for less than one year, especially if involved in large transactions, may require additional investigation due to their limited operational history.
* **Unusual or complex transaction patterns:** Any irregular transaction behavior, such as unexpected high volumes or unusual account activity, can signal potential risk.
* **Transactions from high-risk jurisdictions:** Transactions originating from or directed to countries with weak regulatory environments or known for money laundering activities increase the risk profile.

**4. Methodology and Techniques:**

**4.1 Keyword-Based Search:**

* The system will use predefined keywords (e.g., “crime OR corruption OR money laundering OR bribe”) to search for adverse media across public platforms, such as news articles, social media, regulatory filings, and other publicly available resources.
* For example, “Company XYZ + crime” or “John Doe + money laundering” will generate relevant results to assess the risk associated with the client.

**4.2 Natural Language Processing (NLP):**

* NLP will process large datasets and text, identifying patterns and context associated with adverse media mentions. This enables the system to flag potential risks even when explicit terms like “fraud” or “bribery” are not directly used.
* For instance, if a company is frequently mentioned alongside negative financial reports, the system will flag it as a high-risk entity.

**4.3 Data Aggregation:**

* The system will consolidate data from multiple sources, including news articles, social media, regulatory filings, and court records, to provide a comprehensive risk profile of the client.
* **Research public records:** The system will review court documents, criminal records, and business filings to gather insights into a person or entity’s background.
* **Look beyond news sources:** Social media platforms like Twitter and Facebook, as well as blogs and forums, will be included in the search to gather a wider range of information.
* **Use multiple keywords:** In addition to the client’s name, related keywords like “financial fraud” or “accounting irregularities” will be used to yield more comprehensive results.
* **Track your searches:** The system will record all search queries to enable easy reference and streamline any future investigations.

**4.4 Entity Resolution:**

* Algorithms will match and merge data related to the same client across multiple data sources to create an accurate risk profile.
* This ensures that slight variations in names (e.g., "John Doe" vs. "J. Doe") are recognized as the same individual or entity.

**4.5 Artificial Intelligence (AI):**

* AI will streamline the adverse media screening process by analyzing vast datasets to identify potential risks, making the system more accurate and efficient over time.
* AI will also help reveal hidden connections between clients and known high-risk individuals or entities, further improving risk detection.

**5. Screening Parties for Adverse Media:**

**5.1 Non-Personal Customers:**

* Corporate clients or organizations will be screened for any adverse media exposure.
* Example: Screening a company for links to financial crimes or involvement in corruption.

**5.2 Related Parties (Individuals):**

* Individuals related to the client, such as Ultimate Beneficial Owners (UBOs), executive directors, or guarantors, will be screened for adverse media.
* Example: Identifying any adverse media related to a company’s CEO or major shareholder.

**5.3 Related Parties (Entities):**

* Entities holding significant shareholding (25% for low risk; 10% for high-risk clients) will also be subject to adverse media screening.
* Example: Screening a company that owns 30% of another entity’s shares for any negative news or reports.

**5.4 Alias or AKA (Also Known As):**

* The system will search for aliases or shortened names used by individuals or entities. For instance, both “Kate” and “Kathryn” will be searched to capture all possible adverse media references.

**6. Document Collection for Risk Assessment:**

**6.1 Low Risk Clients:**

* For low-risk clients, especially those listed on regulated markets, only the basic documentation necessary for compliance will be required.

**6.2 Medium and High Risk Clients:**

* For medium- and high-risk clients, additional documents and verification will be collected to assess their risk levels. These documents will be uploaded and securely stored within the system for future reference.

**7. Expected Outcomes:**

This system will provide financial institutions with an efficient and automated solution to:

* **Mitigate risks** associated with onboarding clients linked to financial crimes by identifying adverse media during client onboarding and monitoring.
* **Enhance compliance** with AML and KYC regulations by thoroughly screening clients and related parties.
* **Avoid reputational damage** by flagging potentially high-risk transactions or clients before onboarding.
* **Improve operational efficiency** by automating the adverse media screening process and reducing manual workload.

**8. Project Importance:**

This system will combine human expertise with advanced AI, NLP, and data aggregation technologies, offering a robust framework for adverse media monitoring and client risk assessment. Financial institutions will be equipped to:

* **Identify and mitigate risks** related to financial crimes and adverse media exposure.
* **Comply with regulatory requirements** and maintain high standards of client due diligence.
* **Prevent financial crimes** by flagging suspicious transactions and clients early in the process.

By implementing this solution, institutions can protect themselves from the risks of financial crime, ensuring regulatory compliance and safeguarding their reputation.