

The Compliance Singularity

Agentic AI and the End of 'Check-the-Box' Compliance

● AI/ML Technical Documentation ● Production Systems ● Fintech Innovation ●

Technical Documentation Series

December 2024

Executive Summary

The financial industry spends \$200 billion annually on compliance, yet intercepts less than 1% of illicit flows. Agentic AI is transforming compliance from passive detection to active investigation, moving beyond 'check-the-box' to cognitive understanding.

\$200B Annual Compliance Spend	<1% Illicit Flows Intercepted	95%+ False Positive Rate
ThetaRay Unsupervised Learning	ComplyAdvantage Knowledge Graph	Verano.AI Agentic Compliance

The Compliance Crisis

Traditional compliance systems face an asymmetric war: sophisticated criminals using modern techniques versus banks using 1990s rules-based systems.

• The Cost of Broken Systems

- **False Positives:** 95%+ of alerts are noise, burying real crimes
- **Structuring & Smurfing:** Criminals exploit static thresholds
- **Global Impact:** \$2+ trillion in illicit flows annually
- **Bank De-Risking:** Entire countries cut off from banking

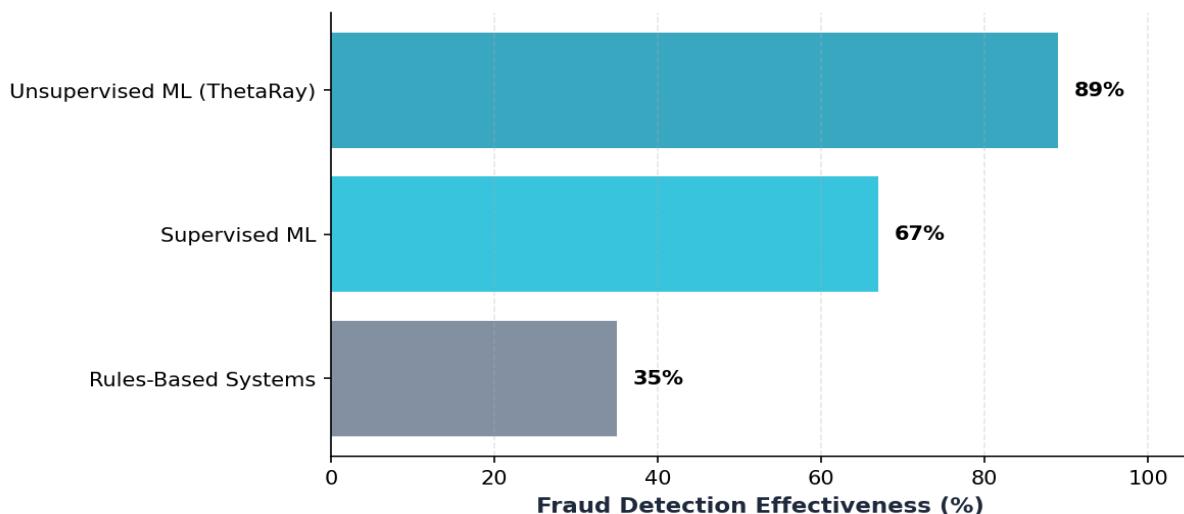
ThetaRay: Unsupervised Learning Revolution



- **Solving 'Unknown Unknowns'**

Traditional supervised ML only catches known fraud patterns. ThetaRay's unsupervised learning detects anomalies without labeled training data.

- **Dynamic Baselines:** Learns 'normalcy' for every entity
- **High-Dimensional Analysis:** Transaction velocity, IP, device, counterparty
- **Statistical Deviation:** Catches new typologies automatically
- **Correspondent Banking:** 'See through the fog' of nested transactions



Breakthrough Impact: ThetaRay enables 'surgical risk management' - identifying specific bad actors within nested flows without severing entire correspondent banking relationships. This restores financial inclusion to developing nations.

ComplyAdvantage: The Live Risk Graph

- Entity Resolution at Scale

- **Knowledge Graph:** Dynamic connections between people, companies, assets
- **Real-Time Ingestion:** Millions of data points daily from global sources
- **NLP Structuring:** Converts unstructured data to structured graphs
- **Transitive Risk:** Propagates sanctions through ownership chains

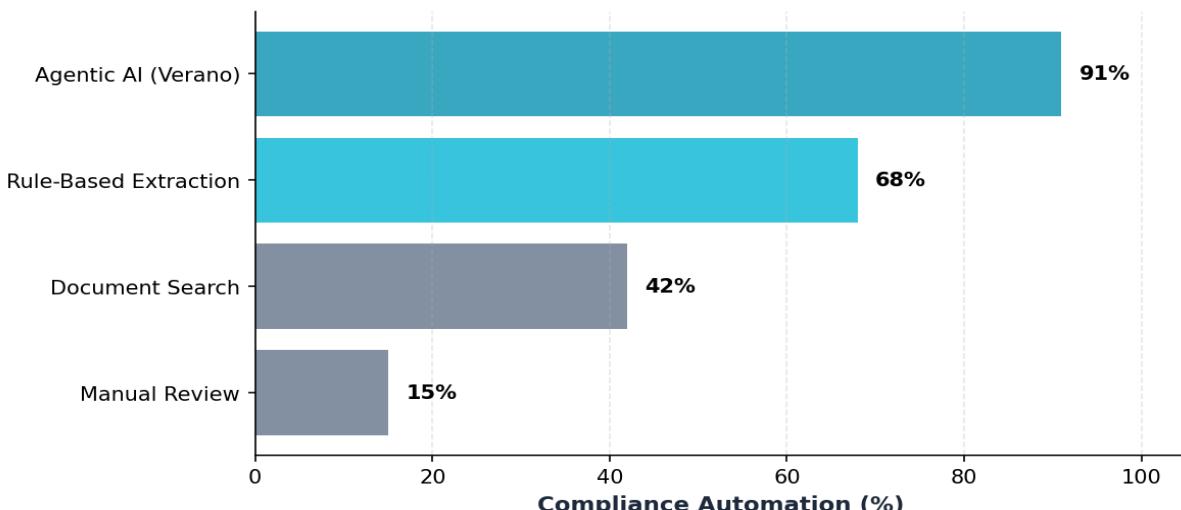
• From KYC to KYT

Know Your Customer (one-time check) evolves to Know Your Transaction (continuous monitoring). Block payments based on hidden entity relationships.

Verano.AI: The Agentic Compliance Officer

• Regulatory Intelligence

- **Horizon Scanning:** LLMs continuously ingest regulatory updates
- **Law Reading:** Extracts specific obligations from dense legal text
- **Policy Mapping:** Links regulations to internal controls
- **Gap Analysis:** Autonomous comparison of requirements vs procedures



Time-to-Compliance: Verano.AI reduces regulatory gap analysis from months of consulting work to hours of compute time. Creates traceable audit trails linking every control to specific legal requirements.

Strategic Impact

- **Cost Center → Competitive Moat:** Compliance becomes strategic advantage
- **False Positives → Zero:** AI-driven precision reduces noise

- **Risk Markets:** Scale into high-growth markets others avoid
- **Trust Operationalization:** Automated law interpretation enables scale