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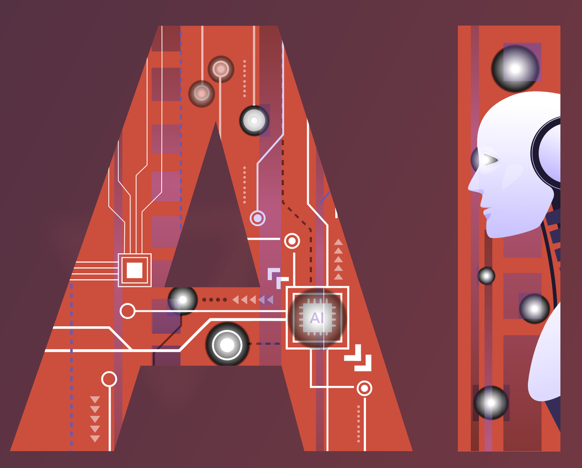
Regulate and Automate

How AI and ML Are Simplifying Regtech



- Increased regulations are expected to streamline financial processes and modernize fintech businesses in 2023 and beyond.
- Regtech (regulatory technology) is a new disruptor in the fintech sector that uses technology to manage regulatory procedures.
- Regtech can decrease the cost of compliance and enable quick implementation of regulatory-driven transformations.
- The global regtech market is predicted to reach $19.5 billion by 2026 at a CAGR of 20.8%.[1]

5 Ways AI and ML Help Tackle Challenges in Regtech

Client Reviews

AI and machine learning (ML) can analyze historical data to discover recurring trends that best represent a customer's typical activity for initial client onboardings, KYC checks, customer due diligence, and detecting suspicious activity in real-time.

Based on any anomalies in data, it can provide specific information on the unusual nature of the data and help combat money laundering and suspicious financing.

Transaction Monitoring

By observing real-time transactions and reviewing historical data, AI can monitor customer activities and spot behavior patterns that could indicate fraud.

With a scoring system in place and by setting up a threshold limit to generate alerts, AI can produce a score indicating whether the likelihood of a set of transactions is inconsistent with previous activity patterns.

Regulatory Change Management

Successful AI implementation can help fintech firms overcome problems like hefty fines for non-compliance and other issues.

Natural language processing (NLP) can analyze and categorize documents, gathering important details like client information, products, and procedures that can be affected by regulatory changes.

Intelligent process automation (IPA) automates the regulatory change management process and breaks down silos.

Risk Assessment

AI-powered credit scoring models use big data that is unrelated to creditworthiness (like social media data, digital footprints, and transactional data available through open banking initiatives), along with traditional credit information when available.

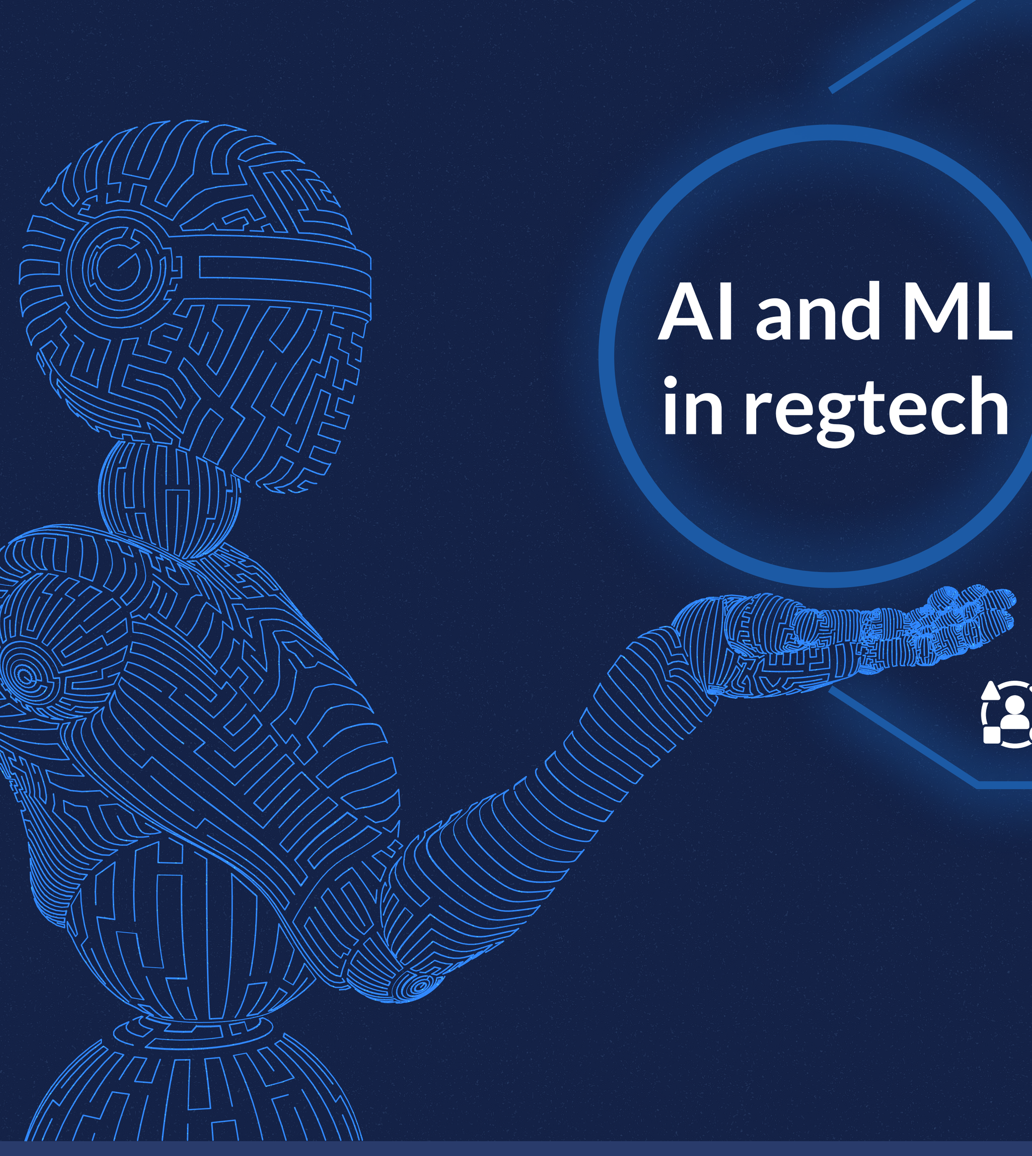
This enables fintech companies to decide whether they should extend credit to businesses that do not have sufficient past financial data or tangible assets as collateral.

Reduction of False Positives in Client Screening

Anti-money laundering (AML) compliance measures require screening, and false positives are usually high during client screening processes that use legacy technology.

ML can be incorporated into this process to cross-check the customer's name and identity against sanction lists and watchlists. Analysts can then use historical data to verify whether a risk should be considered.

Using all the data points it can gather from the false positives, the machine can train itself to predict similar false positives in the future and automatically discount them.



AI and ML in regtech

- Automation of compliance processes
- Increased efficiency
- Improved data accuracy
- Efficient risk management
- Simplified processes and improved customer experience

Data Analytics and AI Are Transforming the Fintech Industry

Data-driven insights and AI enable fintech organizations to address emerging challenges and optimize operations. LatentView Analytics is a global pure-play analytics firm that partners with enterprises to harness the power of data and technology for business transformation and growth.

www.latentview.com

References: 1, 2, 3, 4, 5