AI-supported transaction monitoring By Cornelia Stengel

Personal Account by Olivier Atangana

12-13 December 2023

Author's Note

This report is a personal account of the presentation by Cornelia Stengel, as interpreted and compiled by Olivier Atangana. It reflects my understanding and perspective on the topics discussed during the Ai and Central Banking event.

1 Introduction

In the introduction of Cornelia Stengel's presentation on AI-supported transaction monitoring, she sets the stage by discussing the significant role AI has begun to play in transforming traditional transaction monitoring systems. Stengel focuses on the Swiss banking sector, where she has contributed her legal expertise by preparing a detailed legal opinion for a prominent Swiss bank. She elaborates on the key motivation behind integrating AI into monitoring systems—to streamline the monitoring process, reduce reliance on manual reviews, and improve the accuracy and efficiency of detecting anomalous transactions. The introduction likely establishes the context of the current state of transaction monitoring and positions AI as a pivotal tool in combating financial crimes and ensuring regulatory compliance.

2 Goals and Definitions

Cornelia Stengel would elaborate on the specific objectives sought by integrating AI into transaction monitoring systems. The goals are centered around augmenting the capacity of banks to oversee transactions more effectively, aiming to reduce the manual workload traditionally associated with this task. By defining the role of AI in this context, she would clarify that the technology is intended to complement and enhance existing rule-based systems rather than replace them. AI's utility in this scenario is to sift through vast amounts of data, identify patterns, and flag transactions that deviate from the norm, which are then subject to further human analysis. This approach aims to strike a balance between leveraging technological advances and maintaining the necessary human judgment critical in nuanced decision-making processes.

3 Risks and Biases of AI

Cornelia would delve into the challenges of implementing AI in transaction monitoring. These challenges include the potential for AI to make errors due to issues like data inaccuracy, biases in training data, improper algorithm parameter settings, or the AI's tendency to find false correlations in data. She would discuss the importance of addressing these biases by adjusting

algorithms and setting up rigorous review processes. Stengel would also address the "black box" problem, which refers to the often opaque nature of AI decision-making processes, making it difficult for users to understand how the AI arrived at its conclusions. The potential for biases and lack of transparency in AI necessitates careful consideration and mitigation strategies to ensure that AI systems operate fairly and are accountable.

4 Legal and Regulatory Framework

Cornelia Stengel would address how Swiss banks can deploy AI within the bounds of existing laws, emphasizing the need for compliance with stringent data governance and environmental standards. She would outline the new European Union regulations concerning AI, stressing the importance of adhering to these regulations to ensure the ethical use of AI in financial settings. This section would also likely cover the technology-neutral nature of current Swiss laws, allowing for the adoption of AI without the need for significant legal overhauls, provided that the use of such technology aligns with the principles of existing regulatory measures.

5 Admissibility and Use Cases

AI-supported transaction monitoring is mandatory for detecting high-risk transactions. There are two variants of auto-closing alerts—manual review is still essential for complex cases. Cornelia Stengel would explore how AI systems are not only legally permissible but also crucial for identifying high-risk transactions efficiently. She would elaborate on the mandatory nature of AI-supported transaction monitoring in detecting complex financial activities that may pose risks, such as money laundering or financing of terrorism. Stengel would likely explain how AI systems analyze patterns and anomalies that human analysts may overlook. The use cases would demonstrate the practical applications of AI in monitoring transactions, and how these align with legal standards and contribute to a robust compliance environment.

6 Conclusion

In the conclusion of her presentation, Cornelia Stengel would likely emphasize that despite the challenges presented by AI, such as biases and a lack of transparency, AI-supported systems for transaction monitoring present an effective tool for compliance teams. They significantly enhance the precision and efficiency of identifying compliance-relevant cases. She would affirm that within the Swiss legal framework, banks are equipped to deploy AI responsibly, addressing the technology's specific challenges. The conclusive note would stress that while AI systems are an asset, the necessity for human oversight cannot be understated, especially to manage the complexities of real-world financial transactions and compliance requirements.

7 Q&A Session

In the Q&A session of her presentation, Cornelia Stengel would likely address questions regarding the practical aspects of implementing AI in transaction monitoring, focusing on issues of liability, the role of human oversight, data management, and the process of integrating AI with existing systems. She would clarify who holds responsibility when AI systems err and the importance of maintaining a balanced approach when feeding data into these systems. This part of the session would offer insights into best practices for deploying AI in transaction monitoring, emphasizing the collaboration between technology and human expertise.

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