

A man in a grey suit and pink tie is walking up a set of stone steps in front of a grand building with large white columns. He is looking upwards and to the left. The scene is brightly lit, suggesting a sunny day.

Transforming Regulatory Compliance

Using cognitive computing
to streamline and reduce the
cost of compliance

Annual Spending on Regulatory Compliance



Opportunities to Enhance Risk Management and Regulatory Compliance Business Processes



Challenges in Understanding and Managing Obligations

OVERWHELMING AMOUNT

of regulatory content and constant change



300 million pages

of regulations by 2020,
20,000+ new regulations last year

MANUAL PROCESS

error prone and costly



\$8 billion spent annually

analyzing regulations, identifying obligations
and determining control requirements

Regulation and Control Management

Cognitive Applications

Initial
Phase

Second
Phase

On-
going

Capture and
Ingest
Regulatory
Content



Identify
Potential
Obligations



Manage
Obligations &
Applicability



Identify & Map
Controls



Manage
Controls &
Assess Risks

Track, Analyze and Benchmark Regulatory Requirements

Challenges with AML and KYC

**EXTREMELY
MANUAL
PROCESSES**
highly FTE-intensive



1,000s
of compliance FTEs

**AML
COSTS
INCREASING**
on average rate of
53%



\$10 billion
is the expected global
spend in future periods

**ALERT
OVERLOAD**
from current systems
and processes



33%
of financial services
respondents cite challenges
with data quality

**FINES &
SANCTIONS**
from failures to adhere to
compliance programs
and practices



1 in 5
have experienced
enforcement actions



Know Your Customer

Cognitive Applications

Initial
Phase

Second
Phase

On-
going

Collect
Customer
Information



Customer
Due
Diligence



Customer
Risk
Assessment



Onboarding
Decision



Review &
Refresh
Customer
Information



Anti-Money Laundering

Cognitive Applications

Initial
Phase

Second
Phase

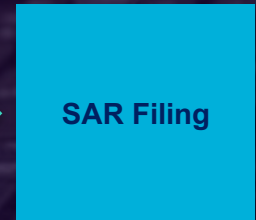
On-
going



Transaction
Monitoring

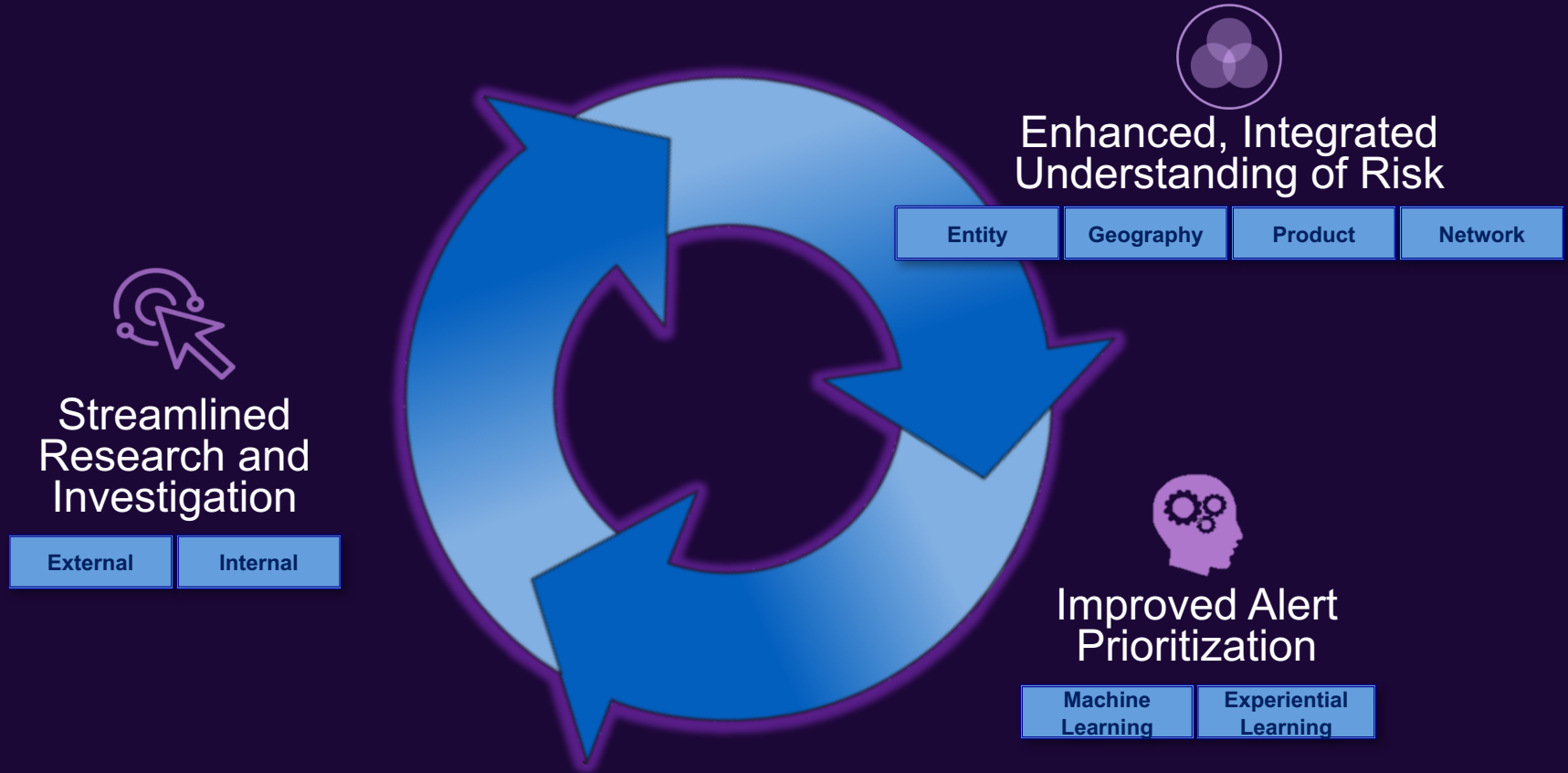


AML Investigation

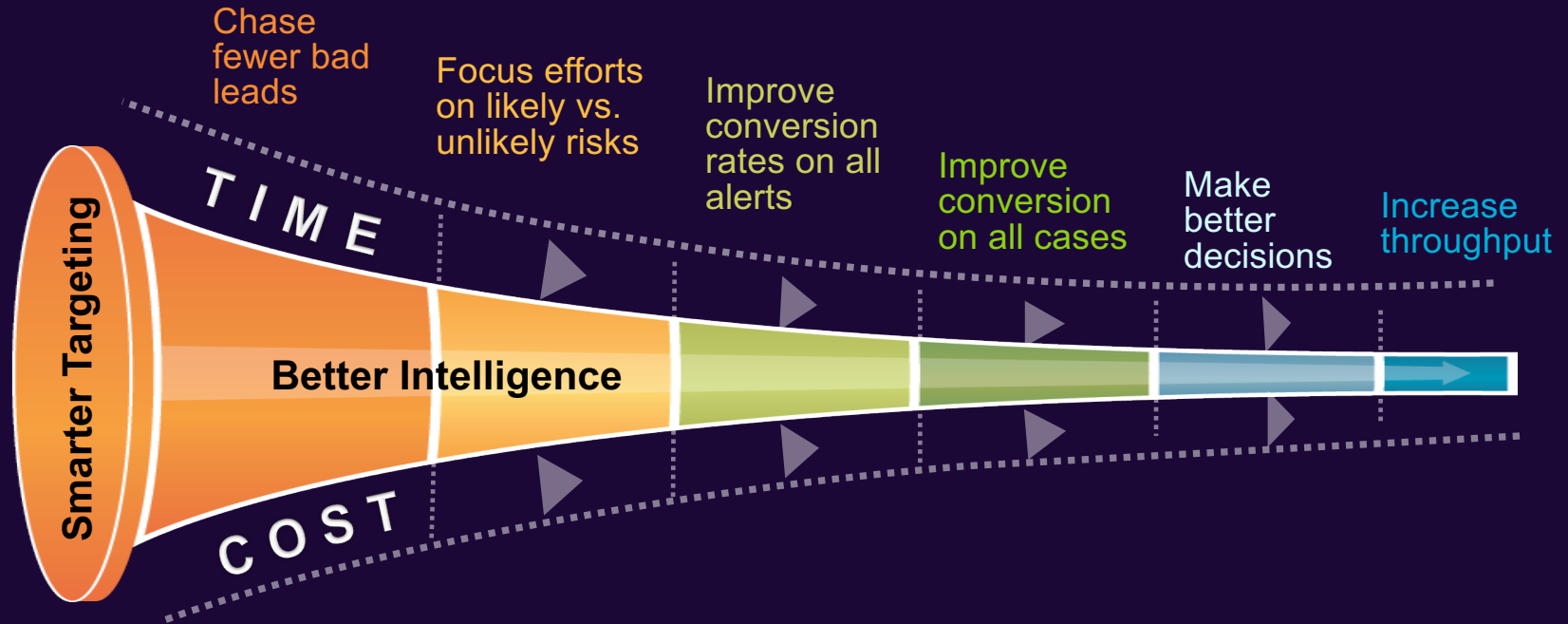


Regulatory
Reporting

AML and KYC Cognitive Applications



Improving effectiveness and efficiency with alert prioritization and automation



Challenges with Surveillance



CONSTANTLY CHANGING

market manipulation
techniques

100+

scenarios identified,
growing in complexity
across assets and venues



SILOED APPROACH not effective

80%

false positives, but still
missing some misconduct



INCREASING EXPECTATIONS set by regulators

72

hours to
respond to
investigations

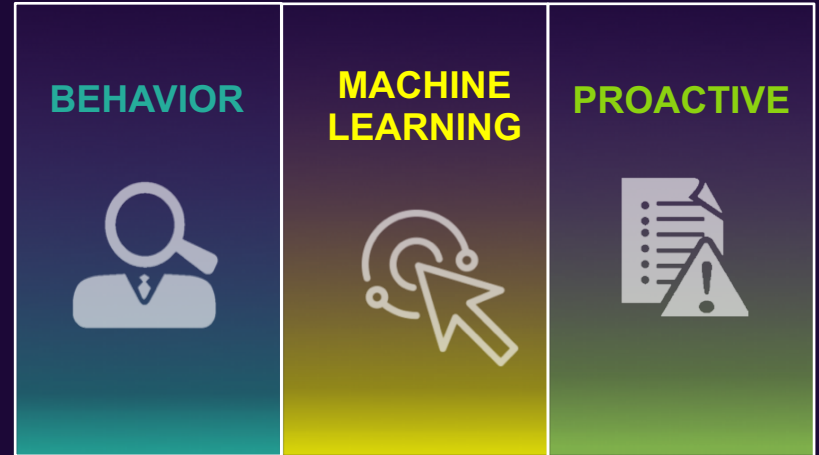
Opportunity to Transform Surveillance

Take Holistic Approach



Integrated analytics, focused on total conduct across activities and channels

Go Beyond Rules



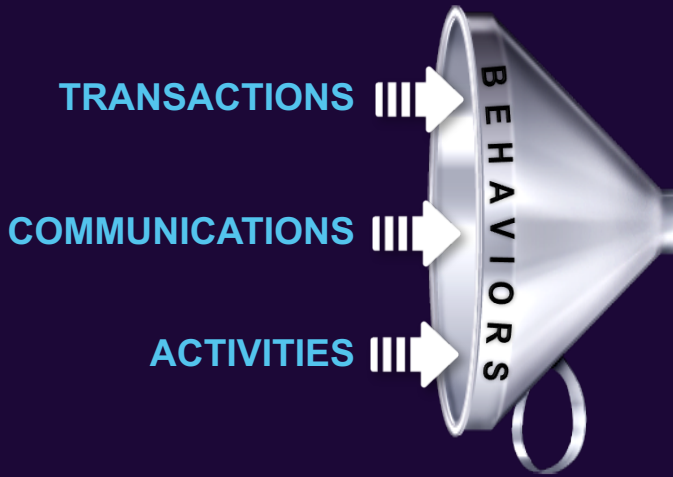
Leverage behaviors and machine learning to proactively identify abnormalities and potential misconduct without pre-defined rules



Surveillance

Opportunities to Apply Cognitive

Identify behavioral, trading and communication patterns associated with misconduct



Apply machine learning to predict potential misconduct

Faster detection, with reduced false positives



Opportunity to Transform Risk Management and Regulatory Compliance with Cognitive

Leverage an integrated approach



IDENTIFY, UNDERSTAND
regulatory requirements
more effectively



IMPROVE EFFICIENCIES
of addressing regulatory
compliance



REDUCE RISK
related to compliance,
misconduct, and financial
activities