

The missing ingredient to effective financial investigations

Muthmainur Rahman of FTI Consulting examines the issues that will be impacting business for years to come

While the deteriorating relationship between Iran and the West may not be front of mind for most business leaders, these tensions are impacting global business and adding strain to many organisations. In the coming year, leaders should expect political tension and sanctions imposed by various governments to have an increasing impact on trade and operations.

Alongside these developments, governments and regulators are taking a tougher line on money laundering. In 2012, one of Europe's biggest lenders was forced by US regulators to pay an almost \$2bn fine for assisting drug cartels with money laundering in Mexico and contravening sanctions against Iran.

This summer, the French banking watchdog ACPR fined an international banking group €10m for inadequate anti-money laundering controls. This was on top of the near \$9bn fines US authorities imposed on the bank in 2014 over accusations that it violated US sanctions against Sudan, Cuba and Iran.

As the global political and regulatory climate continues to add pressure to multinational corporations, legal and compliance teams – particularly at financial services institutions – need to prepare for an increase in sanctions risks, internal investigations and regulatory inquiries.

Data analytics can help offset the burden of this increased activity and enable organisations to proactively detect and flag evidence of possible fraud, money laundering, illegal payments and other wrongdoing. Utilising advanced data analytics systems, investigators can compare vast quantities of data with rules and risk indicators to identify anomalies and clusters, as well as trends that might indicate suspect behaviour. This insight makes it possible for business leaders and their legal teams to thwart and prevent illicit activity before it does irreparable damage to the organisation, from both a financial and reputational perspective.

Organisations looking to streamline discovery processes and protect their business against fraud and regulatory penalties can apply data analytics in a number of ways, including the following:

- Uncover critical insights into transactions, processes and the movement of funds within and between organisations. The tools can identify key patterns within datasets and pinpoint suspicious activity much more quickly

than manual processes and identify outliers among transactions that may suggest that certain regulations are not being applied or that rules are being broken.

- Algorithms can be set up by legal and compliance teams to prioritise action – identifying cases that are most likely to include fraud or wrongdoing for urgent investigation while assessing the degree of risk presented by these cases. Doing this helps the team get ahead, enabling them to carry out further investigatory work and action in instances in which a strong chance of wrongdoing exists.
- As technology is immune to preconceptions, assumptions and personal prejudices, analytics tools can replace human influence and minimise errors in the early stages, ensuring the accuracy and integrity of investigation findings. This allows organisations to better use the human skills and capabilities of their team, as a complement to the system's automated work.
- Analysis of politically-exposed persons (PEPs) and matching of high-risk individuals against suppliers, customers, agents and employees and sanction lists. With this information, the legal team can conduct interviews with individuals who have been identified as suspect. The data findings provide investigators with relevant, compelling evidence to help them conduct interviews and achieve results with speed and precision.

To leverage data analysis effectively in financial investigations it is essential for the system to be able to compare all critical information, even when stored in disparate locations in a variety of formats. This can be done by linking data relationships across different locations, though it is important for the legal team to work with internal compliance and records management stakeholders to ensure that compliance with data protection regulations is built into these processes.

It is also essential to enable access to both the underlying data and the algorithms being used for the analytics, so interviewers and investigators can inspect the data with flexibility. This also ensures the team can provide feedback on automated results, monitor quality control, make necessary adjustments to algorithm parameters and re-run the analytics.



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Used correctly, analytics have the potential to reduce the risks of money laundering, provide essential insights to complement the work of investigators and save precious resources by reducing reliance on time-intensive manual processes. This can strengthen the organisation's posture against sanctions and fines and minimise the financial and reputational risks inherent in today's business landscape.

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