

Transforming financial crime  
challenges into opportunities



# Technology and the Effects of AI on Credit Unions

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# Today's presenter



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## **Profile**

Jillian is a Financial Crimes Manager serving the banking and financial services industries. She specializes in the Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) and Office of Foreign Assets Control (OFAC) screening areas, with key competency areas of compliance audits, model validations, and risk technology and analytics. Jillian is the leader of Crowe's BSA/AML and OFAC Internal Audit offering.

## **Professional & Industry Experience**

Jillian leverages her industry knowledge to help clients improve their compliance programs and align with peers and regulatory expectations. She has executed and managed BSA/AML Compliance Audits and Model Validations for clients ranging from domestic community banks, Money Service Businesses, FinTech's and global financial institutions. Her audit and validation testing includes assessment of each institution's policies, processes, and procedures surrounding their BSA/AML compliance programs and systems, as well as evaluation of data management and efficacy. Jillian also has experience with many different BSA/AML and OFAC systems, including NICE Actimize, Prime, BAM, BAM+, FCRM, Verafin, Yellow Hammer, ECS, and GVS Patriot Officer.

# Today's discussion

**1**

Introduction to AI

**2**

AI internal audit testing  
program and governance  
expectations

**3**

AI agent for AML compliance  
internal audit

# 1

## Introduction to AI



Polling question

## How familiar are you with AI?

- A** I use it at work and in my personal life every day
- B** I've played around with it, but never applied it to my job
- C** I've never tried it, but I am interested
- D** I'm staying away – it freaks me out!



# What is artificial intelligence?



Artificial intelligence refers to the capability of computational systems to perform tasks typically associated with human intelligence, such as learning, reasoning, problem-solving, perception, and decision-making.



Human intelligence is composed of countless experiences and sensory inputs.



AI can imitate intelligent human behavior when computers are exposed to millions of pieces of data.

# Categories and capabilities of AI

## **Machine learning**

- Learns and improves from experience
- Analyzes data, identifies patterns, and makes predictions

## **Natural language processing**

- Enables computers to understand, interpret, and generate human language



# AI and anti-money laundering



AI can leverage machine learning algorithms to continuously adapt to **evolving money laundering techniques**, improving the accuracy and efficiency of transaction monitoring.



AI algorithms can analyze **historical transaction data** and **member behavior** to detect deviations and raise alerts for further investigation. Such analysis can help identify potential money laundering activities that might go unnoticed through traditional rule-based systems.



AI can assist in thorough and efficient **member due diligence** by automating analysis of member data such as identification documents, transaction history, and risk profiles.



AI can assist in **automating regulatory compliance** and **reporting processes** by extracting relevant information from various sources, boosting adherence to AML regulations, and generating accurate and timely reports.



# AI and internal audit



AI can **automate data extraction, cleansing, and analysis**, providing auditors with insights and improving the efficiency of internal audit procedures.



AI can assist **risk assessments** by analyzing historical data, identifying risk factors, and predicting potential areas of concern. Leveraging predictive analytics can provide insights into emerging risks, enabling auditors to prioritize their efforts and effectively allocate resources.



AI algorithms can analyze **real-time data** for deviations, exceptions, and potential control weaknesses, allowing auditors to promptly address issues and mitigate risks.



AI can apply **natural language processing** to review documents, contracts, and policies to improve adherence to regulatory requirements, improving the accuracy and efficiency of compliance monitoring.

# 2

## AI internal audit testing program and governance expectations

# Compliance and governance

Here are three ways financial services organizations can prepare to meet expectations:



**Conduct thorough risk assessments  
to identify and mitigate potential risks**



**Establish robust governance frameworks  
to oversee the development, deployment,  
and monitoring of AI models**



**Improve transparency and  
accountability in AI-driven  
decision-making processes**

# Governance considerations

**1**

Ethics

**2**

Data quality and testing

**3**

Independent testing

**4**

Policies and procedures

**5**

Staffing and training

**6**

Vendor management

# Considerations for your AI testing program

## Strategy and purpose

- What is the purpose of the AI model?
- Is the AI strategy aligned with your organization's risk culture and values?
- What is the established strategy and vision for AI?

## Risk assessment

- Does your organization's AI risk assessment align with industry guidelines and procedures?
- What are the overall risks associated with AI?

## Monitoring and controls

- How does your organization monitor AI?
- Is board reporting in place?

## Governance

- Are there established procedures documenting governance, management, and oversight controls related to the use of the AI tool?

## Model validation

- What procedures are in place to validate the AI model in terms including frequency and timeliness?
- How does your organization ensure the completeness and integrity of the model?

## AI program

- Who oversees the AI program?
- What is the training program for AI?
- What are the contents of the training?  
Are there any exclusions?

## Third-party vendors

- What are the procedures for obtaining and reviewing third-party vendor reports?

3

Use case

# AI agent for AML compliance internal audit

# AI in Independent Testing



**Why We Developed the Tool:** The Financial Crimes Testing AI tool is poised to accelerate internal audit design assessment of internal audit policies and procedures (P&P) with automation using Gen AI.



**How the Tool Works:** The solution leverages the document interrogation capability of CroweMind and is designed to facilitate the upload of the policy and procedure documents through a MS Power app that pulls in optimized control testing questions as prompts. The document interrogation capability returns the responses (i.e., testing results) to each of the controls/prompts.



**Key Benefits:** The tool accelerates the testing process, improves consistency across engagements, and focuses our human capital on delivering SME experience to our clients.



# Executing the AI Agent for Optimal Performance

**1**

Prompt Engineering and Testing

**2**

AI Tool Engineering and Prompt Upload

**3**

AI-Generated Output & Review

**4**

Prompt Validation

**5**

Finalizing & Documenting Results

**6**

Continuous Improvement & Optimization





# Examples of AI Agent in Use



## FC Testing AI Tool


[Sign In](#)

# Examples of AI Agent in Use


 Financial Crime Testing | Document Upload 

Upload all documents you want to be referenced for answers. Ensure you include relevant documents for more accurate results. [← Back](#) [Next →](#)


Client Engagement Number \*

Select Engagement Number 

Client Name \*

Select Client Name 

Files you upload will be previewed here

 Attach Client files (.pdf, .docx, .pptx)

# Examples of AI Agent in Use

Process Area			
Customer Due Diligence			
			Select All Clear All
Control Step	Process Area	Query Prompt	System Prompt
BAFICDD-C02-DAP-TS01	Customer Due Diligence	What is the institution's process for restricting prohibited customers? Cite and list specific references.	System Prompt (optional)
BAFICDD-C01-DAP-TS01 (c)	Customer Due Diligence	Does the written BSA Program or separate policies include any restrictions for onboarding specific customer types or maintain specific accounts? Cite and list specific references	System Prompt (optional)
BAFICDD-C03-DAP-TS01 (a) (iii)	Customer Due Diligence	How does the customer due diligence information collected allow for the institution to identify customers using high risk services such as wire transfers, International Automated Clearing House Transactions (IAT), pouch activity, payable through accounts, virtual	System Prompt (optional)
BAFICDD-C03-DAP-TS01 (b) (ii)	Customer Due Diligence	Please confirm if the customer due diligence process at onboarding collects the source of funds and wealth for account for all entities and/or individual customers. Explain how the source of funds and/or wealth information is collected.	System Prompt (optional)

# Examples of AI Agent in Use

<p>Please confirm if the written Bank Secrecy Act (BSA) Program outlines any restrictions or prohibitions related to onboarding of certain customer types. State which section the customer onboarding, prohibitions, or restrictions are stated.</p>	<p>Based on the provided context, here is a summary of the institution's processes and procedures related to customer onboarding, beneficial ownership, and restrictions:</p> <ol style="list-style-type: none"> <li> <b>Processes for Collecting New Customer Information:</b> <ul style="list-style-type: none"> <li>The institution has a Customer Identification Program (CIP) that requires identifying and verifying the identity of beneficial owners of all legal entity customers at the time a new account is opened. This includes maintaining written policies and procedures to identify and verify beneficial owners (Context: "Under this rule, we must identify and verify the identity of beneficial owners of all legal entity customers at the time a new account is opened.").</li> <li>The onboarding process involves completing customer due diligence (CDD) and account due diligence (ADD), which includes questions about the customer's occupation, nature of business, purpose of the account, sources of funds and wealth, ownership control, domicile, and anticipated account activity (Context: "At the time of account opening, staff completes customer due diligence (CDD) and account due diligence (ADD).").</li> </ul> </li> <li> <b>System Reports for Missing or Incomplete Information:</b> <ul style="list-style-type: none"> <li>The BSA Department monitors due diligence answers for completion to mitigate risks associated with missing information. This ensures that the bank can determine transactions that are potentially suspicious by knowing the types of transactions a customer is likely to engage in (Context: "The BSA Department monitors the due diligence answers for completion.").</li> </ul> </li> <li> <b>Definition of Beneficial Owners:</b> <ul style="list-style-type: none"> <li>The institution defines beneficial owners to include individuals with 25% or more equity interest in a legal entity and a single individual with significant responsibility to control, manage, or direct a legal entity customer (Control Prong). This includes executive officers or senior managers such as a CEO, CFO, COO, Managing Member, General Partner, President, Vice President, or Treasurer (Context: "Control Prong: An individual with significant responsibility to control, manage, or direct a legal entity customer...").</li> </ul> </li> <li> <b>Definition of a "New Account":</b> <ul style="list-style-type: none"> <li>A "new account" is defined as an account opened by a person (individual, corporation, partnership, trust, estate, or any other entity recognized as a legal person) who opens a new account, an individual who opens a new account for another individual who lacks legal capacity, or an individual who opens a new account for any entity that is not a legal person (Context: "A customer is a person...who opens a new account...").</li> </ul> </li> <li> <b>Restrictions or Prohibitions in the BSA Program:</b> <ul style="list-style-type: none"> <li>The written Bank Secrecy Act (BSA) Program outlines restrictions or prohibitions related to the onboarding of certain customer types. It specifies that the bank should not open accounts for certain high-risk customers or entities, and places limitations on the use of an account while the bank attempts to verify the customer's identity (Context: "Specifies how the Bank determines when an account should not be opened. Places limitations on the use of an account while the Bank attempts to verify the customer's identity.").</li> </ul> </li> </ol>
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# Key Takeaways and Future Improvements

## Lessons Learned

- Ensuring high-quality data governance, maintaining human oversight
- Addressing concerns around AI transparency
- Continuously refining the tool through feedback

## What's Next?

- Enhancing AI capabilities, expanding its effectiveness across broader testing areas
- Strengthening collaboration between compliance and data science teams will drive future improvements
- Output quality improvement

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# Questions



# Thank you



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