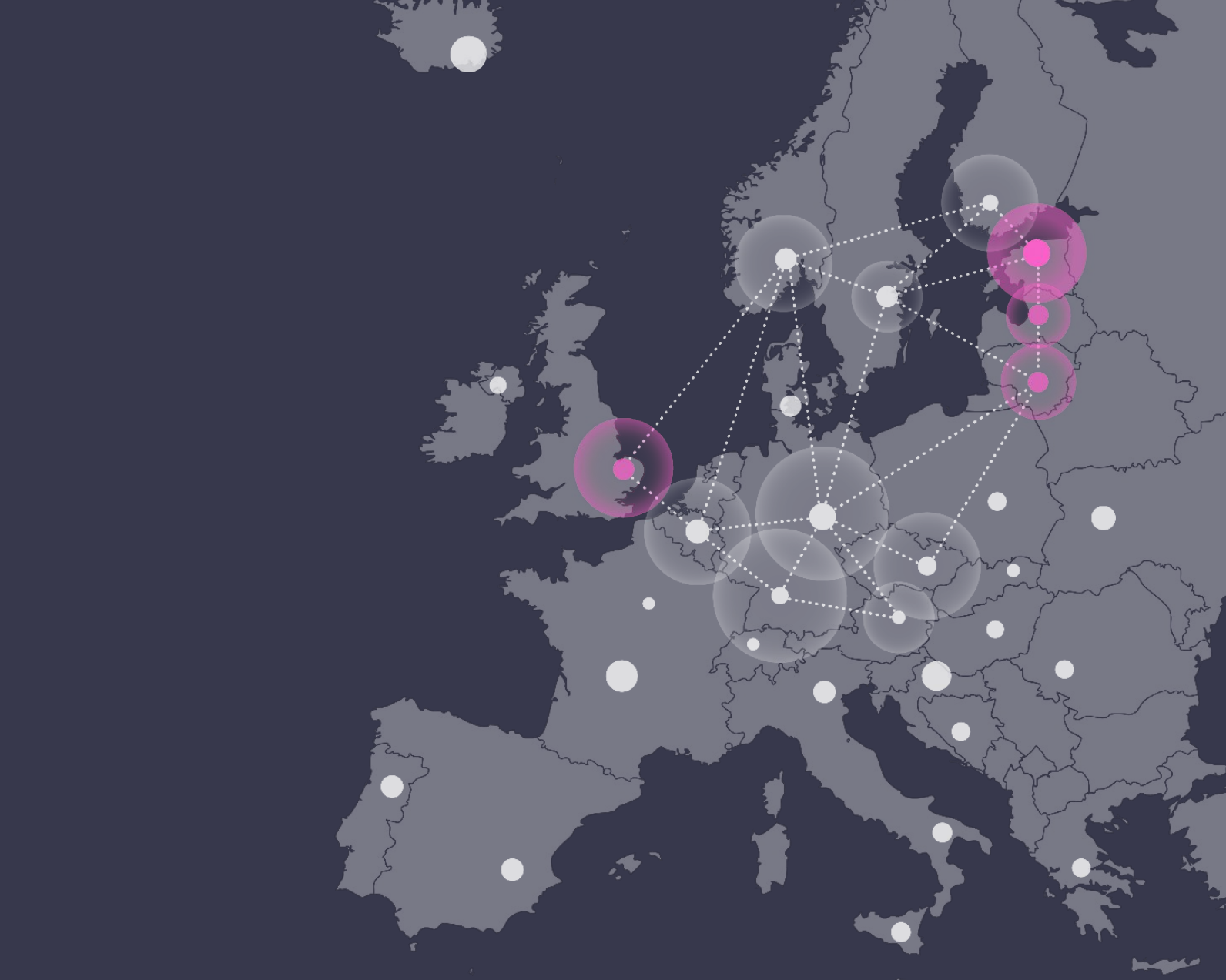


AML Bridge – building the new standard in AML/CTF.

A demonstration of FinCrime intelligence sharing – findings and figures from the AML Bridge Estonia pilot.

March 2022

Introduction

A few months ago, I gave a presentation in Lithuania titled "From concept to proof: AML Bridge, the first year". Looking back, it's been a whirlwind journey. The pathway from theory to practice is one built of hundreds of tiny steps; it is my immense pleasure in this paper to detail the findings from six months of live, real-world crime-fighting data, enabled by AML Bridge.

In our Spring 2021 white paper I outlined three criteria by which to evaluate the success of the Estonia pilot:

- Legal: is AML intelligence sharing between banks possible within the Estonian regulatory framework?
- Technical: can an AML intelligence sharing platform provide the necessary security and privacy safeguards for Estonian banks?
- Business: does AML intelligence sharing help to solve a key problem for Estonian banks?

With ten Estonian banks having initiated almost 1,200 collaborative investigations (Jul-Feb) – legally, securely, and efficiently across three different use cases (AML, fraud and sanctions) – and preventing millions from reaching criminal-controlled accounts, I am delighted to confirm that the pilot has been a success. But as we all know, these numbers are only a fraction of the volumes of financial crime that avoid detection or prosecution on a daily basis.

At a recent event at Mansion's House co-hosted by Salv, LHV and the Lord Mayor of London we heard how authorised push payment fraud had driven a 30% increase in losses in the past year. A recent survey from PricewaterhouseCoopers also found that nearly 50% of companies interviewed had been rocked by major fraud waves in the past 24 months, with one-in-six of these suffering losses in excess of US$50m.

The need for new FinCrime intelligence sharing solutions to combat not just fraud but money laundering as well remains critical. Which is why in this white paper – which officially marks the conclusion of the AML Bridge Estonia pilot – we will also offer a sneak peak at our vision for the next evolution of intelligence sharing via AML Bridge.

The figures and findings in this white paper refer to what was effectively a one-nation project. In coming months Salv will announce not just the first non-bank joiners, but also the expansion of AML Bridge across three new European markets.

As Europol's Serious Organised Crime and Threat Assessment (SOCTA 2021) reminds us, seven out of ten major criminal networks operate across at least three countries – the need for cross-border AML intelligence sharing solutions remains imperative.

Great innovations are happening – in the Baltic States, across Europe and beyond, as detailed by initiatives such as RUSI's Future of Financial Intelligence Sharing, and the Financial Action TaskForce's own forthcoming research.

Criminals have had the upper hand for decades through successful collaboration. Now is the time for the crime-fighters. I hope this paper offers some inspiration for you to step up the fight in your country.

Taavi Tamkivi
Salv CEO
& co-founder

AML Bridge Estonia: evaluation

Pilot overview

In October 2020, Estonia's financial leaders initiated a countrywide AML intelligence sharing project. Representatives from the four largest banks – Swedbank Estonia, SEB Estonia, Luminor and LHV (representing a 90% share of the domestic market) – joined forces with RegTech company Salv to create a platform for secure FinCrime intelligence sharing. The pilot was initiated with the full support of Estonia's Financial Supervision and Resolution Authority (FSA), Data Protection Inspectorate (DPI), and Financial Intelligence Unit (FIU). Both the pilot initiative and the platform built for this came to be known as: AML Bridge.

For a full outline as to how the pilot was planned and structured please see our Spring 2021 white paper. In this summary we shall present the key facts & findings from the past eight months since the AML Bridge Estonia pilot went live (July '21 to February '22) – growing from seven collaborative investigations in the first month as AML teams set up their internal processes, to 250+ per month.

Why is AML Bridge needed?

Criminals launder an estimated €4tn, every year. Under current compliance practices, around 1-2% of this is successfully confiscated by law enforcement, despite banks spending €100-150bn annually on compliance staff and technology. Simply put: better solutions are needed, and fast. AML Bridge is part of this new AML future.

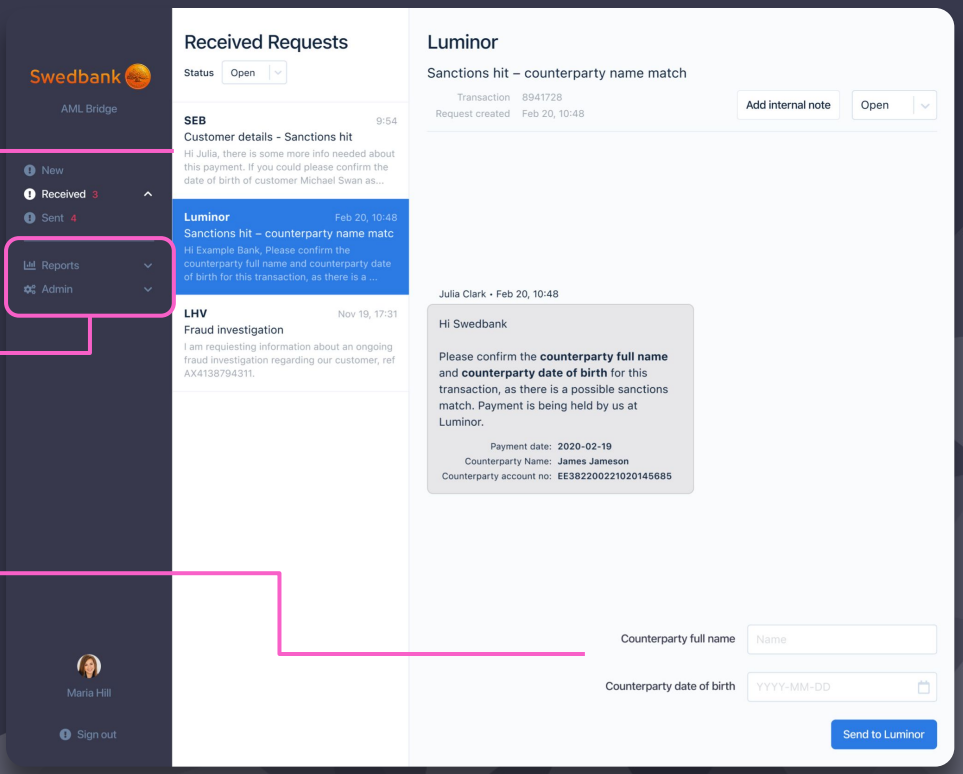
AML Bridge: the platform

AML Bridge is an information and data exchange platform that enables financial institutions to fight financial crime more effectively. The secure web-based platform helps banks to exchange and enrich data on bad actors, enabling one another to strengthen their respective AML efforts. It is encrypted and fully-compliant with the latest data protection regulations. As a result, AML Bridge can help financial institutions proactively co-operate across borders, across legal jurisdictions, and against transnational criminal networks.

connects banks via a secure and privacy-protected platform

provides alert case management for teams & regulator-friendly audit trails

enables automation of messaging by standardising data inputs



AML Bridge Estonia: the first year

Before a single message could be securely exchanged via AML Bridge a long list of prerequisites needed to be satisfactorily met.

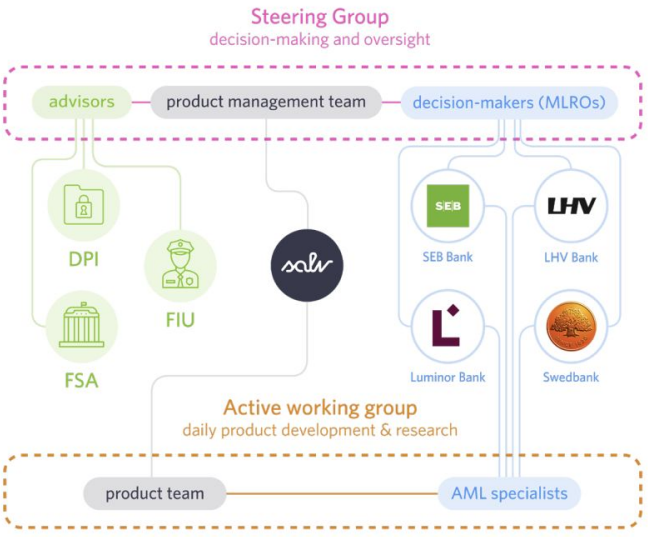
First, Salv conducted a full regulatory assessment, secured IT, DPO and legal approvals from pilot participants through on ongoing process of stakeholder consultation and key input from regulators/supervisors.

A governance model (see below), devised of an active working group (of AML specialists and product users/designers) and a steering group (regulatory advisors and key decision makers) was established, facilitating the smooth, and swift, progress of the project.

Salv's product team then vetted 15+ potential information exchange use cases against criteria such as: business need, legality & feasibility, deciding upon an initial sanctions use case, before eventually expanding this to include AML & fraud prevention use cases.

The technology was built, tested by banks with synthetic data to improve UI/UX functionality, and then both Salv and banks commissioned penetration testing to guarantee the security of the AML Bridge platform.

Finally, after 9-12 months of preliminary groundwork, on 13 July 2021, AML Bridge facilitated its first collaborative investigation.



I am really proud of this project, AML Bridge. It shows not just our community's theoretical understanding of the need to cooperate to tackle money laundering and terrorist finance, but also the practical steps to make it happen

Allan Parik, Chairman of the Estonian Banking Association & SEB Estonia CEO

Case study: A real Estonian scam story

Rauno at Bank A identifies a wave of incidents where fraudsters are tricking customers into handing over their SmartID codes, giving them access to customers' bank accounts.

The criminals have already set up sleeper accounts at Bank B using stolen IDs, where they send amounts just below a €10K threshold, designed not to trigger in-build alerts.

Bank B doesn't have real-time monitoring in place, but via AML Bridge, Rauno sends a warning about the pattern he's identified.

An agent at Bank B receives this within minutes and investigates accounts that fit the profile, identifying seven such cases, with a cumulative volume of €55,000.

He straight away freezes the accounts, and issues recalls to Bank A. €10,000 has cleared Bank B to a third overseas account, but the prompt action of the two agents prevents another €45,000 of customers' money ending up in the hands of criminals.

AML Bridge Estonia: in numbers

Over the first eight months AML Bridge has been operationality (Jul '21-Feb '22), ten banks have initiated 1133 collaborative investigations across three different use cases – anti-money laundering, fraud/scam, and sanctions.

61 crime-fighters (across multiple teams) were able to access up to 511 potential collaboration routes, with banks reporting to Salv that they were preventing up to €500,000 / month of customers' money from reaching criminal-controlled accounts, thanks to AML Bridge.

Partway through the pilot period Salv rolled out an improved case prioritisation functionality, allowing network members to mark particular cases as urgent. This saw median first response times drop to 18 minutes, with 75% of cases receiving responses inside an hour, and 90% inside two hours – a major improvement on the 24-48hr delays that are commonplace in the industry using other interbank messaging tools.

With speed especially important in fraud cases – often a swift response being the difference between a successful recall or not – Salv worked closely with banks on case management and prioritisation improvements. For three of the most active network members over 50% of fraud cases were worked in under 10 minutes, with "best practice" processes then shared with other members via workshops.

61 crime-fighters active in the network

511 potential collaboration routes

1130+ total collaborative investigations enabled (Jul '21-Feb '22)

€3mn estimated total fraud losses prevented / money laundering identified

18 min median first response time, cases being resolved in as little as 3 min

With instant payments and the rise of phishing attacks it really becomes a question of reacting within minutes – and I can say that thanks to this system, across the past three months we've been able to stop at least 70 such cases, successfully freezing the money and returning this to customers

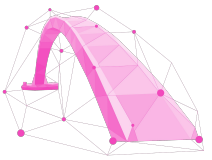
Raul Vahtra,
Head of AML, Swedbank

Building from experiences learned while helping build first Skype's fraud tools and then Wise's AML teams, Salv has adopted the working practice of building fast, and improving constantly and incrementally.

AML Bridge was initially proposed therefore with the limited use case of clarifying sanctions hits – something that had been identified by banks as especially time-consuming and morale-sapping for their agents.

As the numbers above suggest though, around 85% of investigative collaborations conducted via AML Bridge pertain either to fraud or money laundering; with the speed of the tooling proving a major factor in successful fraud recalls, and the ease with which multi-format data (such as source of wealth, or proof of ID) could be exchanged proving a major benefit in more complex, multi-institutional AML investigations.

AML Bridge pilot: key findings



- inter-institutional AML tactical data exchange is legally, operationally and technically possible: it is taking place today, swiftly, with live customer information
- a clear legal basis exists for sharing AML intelligence between institutions across Europe – some member state's implementation of the EU's General Data Protection Regulation (GDPR) may involve nuanced differences pertaining to exact use cases & data fields involved
- encryption technology improvements have enabled AML Bridge to meet required security and data protection standards – providing set data fields helps ensures data minimisation (i.e. that data exchanged is proportional and necessary); no third parties, including Salv, have access to exchanged information, which is encrypted and key-protected
- AML Bridge was designed with multiple use cases in mind, and first tested a sanctions use case. It was however in preventing scam/fraud cases and helping compile more complex AML investigations that banks confirmed the tooling had provided greatest benefit
- there were two clear prerequisites to the volume of collaborative investigations increasing dramatically: confidence gained via a) regulatory confirmation and b) increased trust between network members, grown during face-to-face workshops and best practice discussions
- network benefits are experienced relatively evenly across institution size – market-leading banks are not responding to disproportionately more inquiries than they are sending: by institution, members are responding to between 0.6 and 1.4 inquiries for every 1 they send
- smaller members have brought network benefits to market-leading banks: one member told Salv that a single inquiry from the latest network joiner gave them a two-day headstart into a fraud wave that ultimately led to customer savings of around €80K
- based on figures provided by network members, Salv estimates €2-3m of customers' money has been prevented from reaching criminal-controlled accounts. In the post-pilot use of AML Bridge, banks have called for in-built accounting, as some believe this number conservative
- Salv's expectation was that the majority of benefit from network participation would come with cross-border intelligence exchange, but banks have reported sufficient gains at a national basis alone to justify full commercial contracts on an ongoing basis
- Network members in Estonia are already inviting financial institutions from overseas to join the network, based on where they see high-volume trends of suspicious behaviour occurring. Expansion of AML Bridge to three new European markets is expected in H1 2022.

"Banks know what the problems are, but Salv worked out how to really solve them. And it's not just in money laundering and terrorist financing, it's also been useful in fraud prevention."
– Olavi Lepp, Swedbank Estonia, CEO

"We've seen some really good results in a very short period of time. In the area of fraud prevention, speed is a key aspect – and this tool really helps us communicate with each other and find the necessary information we need to stop these actions from completing."
– Kadri Kiisel, LHV, CEO

AML Bridge Estonia: user feedback

A key driver of AML Bridge's expanding functionality has been the close working relationship between Salv's product team and network members. Banks have been pivotal in identifying UI/UX improvements, missing features, even potential next use cases.

"From the user's perspective AML Bridge is really working. The interface is easy to use and intuitive. AML Bridge has helped us develop a daily working process of exchanging information between our partners."
– Allan Parik, SEB Estonia, CEO

"It's a very good tool to receive perhaps the most useful information we can from other banks. The level of suspicion can be different between institutions, but the information is very valuable – perhaps more so than that which we can find from public sources."
– Aivar Paul, Head of AML, LHV

"Historically private companies have been a little tentative with us, but this project helped change that. It gave the private sector confidence to work together closely with the Data Protection Inspectorate."
– Pille Lehis, Director General, Estonian Data Protection Inspectorate

Network users find real value in AML Bridge – this is what they've told us matters the most:

- speed: cases are being resolved in as little as 3 minutes; in fraud cases marked "urgent" the median response time is 11 minutes. A massive improvement on 24-48 hours – and the difference in most cases between a successful/unsuccessful recall.
- reduced customer friction: there is no risk of tipping off potential fraudsters with B2B correspondence; there's far less hassle for good customers, and the accuracy/reliability of the information received B2B is much higher.
- better SARs: higher quality data means a better likelihood of an effective SAR. And helping financial intelligence units build better cases means a higher likelihood of prosecutions.
- crime-fighting impact: even with a small network, individual banks are preventing €50-100K/week in scam use cases; in AML, while the feedback loops are not immediate, more confidence in investigative data leads to better staff morale, which also means more confidence that their work can be effective / have an impact fighting FinCrime.

AML Bridge: post-pilot innovation

Currently the messaging mechanism in AML Bridge is bilateral (team-to-team), manual, reactive (i.e. post-crime), and built to facilitate low-volume FinCrime data exchange.

Necessity requires that what comes next is a system that's multilateral, largely automated, proactive (i.e. sharing warnings that anticipate the future spread of existing crime patterns), and able to handle large-scale FinCrime data exchange – in real time, and integrated with members' transaction processing flows.

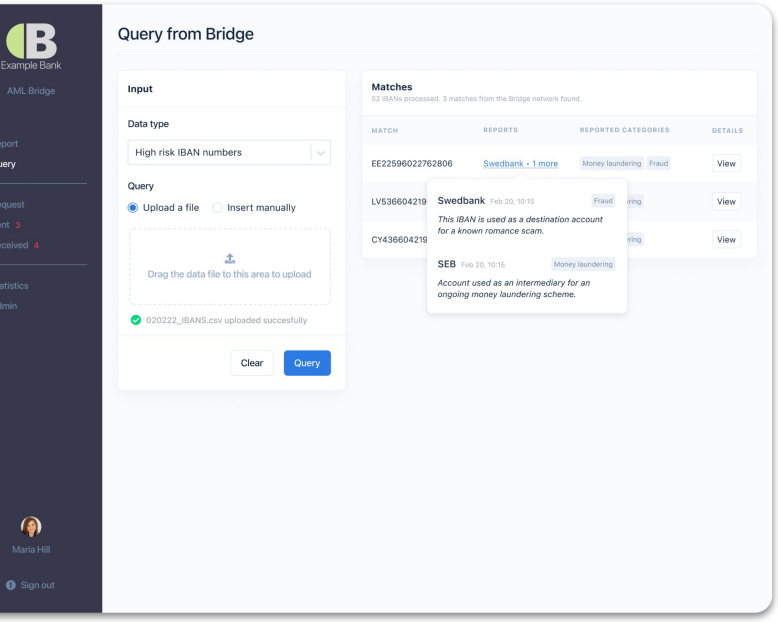


Illustration: *UI vision for the next phase of AML Bridge*

In phase 2 of AML Bridge, network members will enjoy expanded functionalities – the ability to:

a) share suspicious account numbers with other institutions, and

b) query, either periodically or in real time, any account number via AML Bridge

No institution can view the full list of reported suspicious account numbers – it is not Salv's intent to create a centralised 'blacklist' – for the reasons a) of data security and b) concerns over potential wrongful financial exclusion for good customers.

But by enabling members to run real-time checks on suspicious accounts during their transaction processing flow, it is anticipated that AML Bridge Phase 2 will help proactively catch significantly more financial crime.

> *One of the biggest challenges in AML is that consumer behaviour has changed so much from ten years ago. How do you get the full picture now that everybody has two or three bank or neobank accounts? For this we need a tool, one that is standardised for all market participants, at least starting in the Eurozone.*

Aivar Paul,
Head of AML, LHV

	Initially	Soon	Eventually
Automation & integration	Fully manual, no integration	Partially automated, fully integrated	Fully automated, fully integrated
Geographic coverage	Estonia	Add Baltics + UK	Add rest of Europe and beyond
AML signals	3x negative signals	Add 5-10 positive and negative signals	Add 30+ positive, negative and informative signals
Institution types	Only banks	Add FinTechs, PSPs, MSBs and FIUs	Add DNFBPs
Collaborative crime-fighting impact	*tens of investigations per week*		*millions of investigations per week*

Roadmap: *expansion schema for AML Bridge*

Salv at a glance / about us

Salv's co-founders have decades of experience fighting financial crime at some of Europe's hottest startups, first building fraud, KYC and AML teams at Skype and then TransferWise (now Wise). At Skype they learned the challenges of managing and analysing massive data sets, at Wise, the value of building iterative, fast-scaling tooling, to meet the needs of an ever-changing FinCrime landscape.

Based in Estonia, and founded in 2018, Salv has grown to a staff of 50+, helping customers across ten European countries (and beyond) meet their AML screening, monitoring and customer risk assessment needs, via two core products: AML Platform and AML Bridge.

A member of UK Finance and the UK Payment Associations network, Salv also plays a leading role in Finance Estonia & the European Fintech Association, where CEO Taavi Tamkivi is the AML working group lead. Tamkivi has also helped advise FATF's financial intelligence sharing working group, directing industry best practice in data exchange. In 2021, UK think tank, RUSI's Future of Financial Intelligence Sharing project identifying AML Bridge as one of the world's leading initiatives in the area of FinCrime intelligence sharing.

Salv has two offices, in Tallinn and Tartu, but is delighted to announce in H1, 2022 its first hires in three new markets across Europe (and beyond).

Built by the experts from

wise formerly TransferWise

skype

AML Bridge network members

Swedbank · SEB · LHV · Luminor · Citadele · coop · Bigbank · inbank

Salv AML Platform customers

TRUELAYER · Taptap Send · Sun Finance · Swile · rewire · KR

and many more.. supervised across 10 European countries

Get in touch:

Financial institutions: want to join the AML Bridge network / find out more? please contact bridge@salv.com

Regulators/supervisors: want to learn how to establish an AML Bridge network in your country? please contact bridge@salv.com

Media: want to find out more about AML Bridge and Salv? contact press@salv.com

AML Bridge Estonia: Q&A

Is AML Bridge legal in my country?

If you are in the European Union (or UK), then it is legal to exchange customer data via AML Bridge, providing you adhere to the appropriate data protection and data minimisation standards outlined in the EU's General Data Protection Regulation (GDPR). A recent opinion statement by the European Data Protection Supervisor supports this interpretation; for countries outside the EU please contact us to discuss your circumstances.

Who can use AML Bridge?

Financial institutions (FIs) who need to securely communicate about financial crime topics relating to high-risk customers, transactions or counterparties. This includes banks, fintechs, MSBs, PSPs, but also law enforcement agencies or financial intelligence units (FIUs) who need to liaise with FIs to resolve complex money laundering investigations.

How is data protection / privacy ensured via AML Bridge?

AML Bridge uses end-to-end encryption as well as a password-protected key system, in addition to 2nd-factor-authentication (2FA), IP whitelisting and additional security measures. Furthermore, Salv has no access to data exchanged via the AML Bridge network, but helps financial institutions ensure data-minimisation practices by using closed/set fields, and meeting data deletion/collection standards outlined in the EU's General Data Protection Regulation (GDPR).

How do regulators benefit from AML Bridge?

Salv has received very positive feedback from national and regional regulators, mainly due to the audit function within the platform. Many FIs are required to submit annual audits detailing the measures they've taken to prevent money laundering within their institution. As every action taken within the AML Bridge platform environment is logged, regulatory reports are pain-free, while team leads have full oversight over metrics like rates of false or true positives, & volume of suspicious activity reports filed.

What does AML Bridge cost? How can I get started?

Financial institutions are welcome to test and explore the free demo environment of AML Bridge, after which a monthly (or annual) subscription charge applies. Salv will send all infosec, privacy, and technical documentation necessary for internal approvals before contracts are exchanged.

What impact does AML Bridge have for bank & fintech customers?

Every year, customers lose millions – according to PWC, even billions – through scams, or fraudsters impersonating banks or businesses and tricking customers into transferring away their money. Speed is the most important factor in successfully recalling scam payments – if it takes hours or days, the money is gone, if it takes minutes, the money can more often than not be successfully reclaimed.