Artificial Intelligence and Financial Integrity: The Case of Anti-Money Laundering

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Abstract

The Financial Action Task Force (FATF) is an independent intergovernmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. The FATF recommendations are recognised as the global anti-money laundering (AML) standard. However, more than 30 years after the inception of the FATF, it is not clear that the organisation's framework fully succeeds in realising its potential in mitigating the criminal abuse of financial institutions, even after it shifted its focus from rule-based methods that are on their own deficient to an approach that adopts holistic risk-based assessments. Artificial intelligence (AI) has the potential to optimise these risk-based assessments and make AML measures faster, cheaper and more effective. It can potentially help to identify risks and respond to, communicate, and monitor suspicious activity more effectively. This paper addresses the question of whether the use of AI represents a threat or an opportunity for the AML regime. It aims to shed light on key aspects of the benefits and challenges of adopting AI to mitigate the AML risks to the financial system and to protect its integrity.

Keywords: artificial intelligence; money laundering; Financial Action Task Force; FATF recommendations.

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