

Asian Briefings: Artificial Intelligence and Regulatory Compliance

Compliance and Ethics



Artificial intelligence (AI) has become entwined in business processes across a range of industries. Increasingly, we see corporate leaders and innovation teams proactively exploring how they can harness AI in their workflows to increase efficiencies, attain time savings, and better manage risk. When people speak of AI, they are typically referring to a set of technologies that include machine learning — the ability of a platform to automatically learn and improve from experience without being explicitly programmed. With AI already routinely deployed in certain repetitive tasks, it is apt to explore how AI can be harnessed in the area of regulatory compliance.

The pain points of regulatory compliance

Corporate governance professionals face the formidable task of ensuring that their organisations are managed according to proper governance standards and processes. This involves instituting mechanisms and policies to govern decision-making processes and staying on top of changing regulatory requirements in order to ensure that their organisation remains compliant with the rules and standards of the business and political environment in which it operates. The sheer volume of data and documentation within an organisation can make it a challenge to locate potential risk and ensure that the organisation’s processes and documentation keep pace with regulatory changes.

It is against such a backdrop that corporate governance professionals are increasingly turning to AI to meet the demands of regulatory compliance. At their core, advanced AI platforms rely on pattern recognition technology to comb through vast volumes of documentation and identify repeated patterns, thereby reducing hundreds of variations into manageable clusters based on their similarities and differences. Such AI platforms can locate key information within a body of data, identify standards and deviations, and therefore flag anomalies, which are potential risks for the organisation.

Responding to changes in legislation

AI platforms have been helping corporations respond to changes in legislation. For instance, when the EU General Data Protection Regulation (GDPR) was first introduced in May 2018, many organisations struggled to determine how their processes for collecting and managing personal data had to change in order to comply with the regulations. Furthermore, legal teams also had to review existing contractual relationships with suppliers and other key stakeholders to ensure that data privacy provisions were compliant. Even when time is spent trawling through thousands of contracts in the hope of identifying every relevant data privacy clause, this process cannot provide absolute certainty that all exposure has been identified.

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Prior to the introduction of the GDPR, a law firm and an AI solution provider worked together with one of the law firm's financial services clients to harness the power of AI to review thousands of contracts that might need to be amended before the new regulations came into force. The AI platform's pattern recognition algorithms quickly grouped documents based on their conceptual similarities. As a result, those conducting the review could easily identify groups of contracts that had similar drafting and therefore review just a handful of documents within that cluster, applying the analysis to the documents that shared the same characteristics. This allowed the team to quickly identify the documents that required amendment and those that did not. Once those documents that required amendment had been identified, a more detailed review of the relevant clauses could be carried out. Without AI, this would have been a daunting, time-consuming process. With the help of the AI platform, the review time per document was reduced from 40 minutes to six minutes on average.

The benefits of deploying AI in regulatory compliance

As described in the previous article, deploying AI in regulatory compliance would enable corporate governance professionals to overcome some of the difficulties of managing an organisation's documentation and processes. Instead of reviewing 100 different contracts that look somewhat similar, with the help of an AI platform you can instantly determine that there are, for example, only five main clusters of documents and focus on the meat of the review. Beyond the time savings brought about by the removal of repetitive work, effectively harnessing AI removes the need for risky sampling methods and gives corporate governance professionals renewed confidence that they have conducted a rigorous review and attained a more holistic understanding of the business.

Shameek Kundu, chief data officer at Standard Chartered Bank, has been quoted in the Financial Times stating that using AI is "about improving our risk appetite, reducing the risk but also increasing our ability to take risk." With risk management being a central aspect of corporate governance, effectively harnessing AI allows corporate governance professionals not just to identify risks more astutely, but to strengthen the organisation's overall capacity for risk management.

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