

# How ACTICO is pioneering automation to transform compliance

*As companies are faced with increasing levels of legislation, agile technology and automation will be the key to coping, ACTICO's Hans Jürgen Rieder explained.*



Hans Jürgen Rieder, CEO at ACTICO



Much of the rules and processes behind the procedures of companies are hard-coded, making adaptations time-consuming and expensive. To rid the market of this problem, ACTICO enables business users and IT departments to make fast and intelligent decisions based on a low-code business rules management software and AI.

Hans Jürgen Rieder – CEO at ACTICO – explained that companies need to process large amounts of data as quickly as possible, whilst making the highest quality of decisions. This is a tall order and requires a high level of automation and flexibility, for example, when procedures and rules need to be modified.

There is a consistent regulatory pressure on firms. Regulators are regularly publishing new laws and legislation that calls for greater transparency and auditability. Meanwhile, financial institutions and insurers are generating more and more data, all of which needs to be effectively managed and analysed. The only way to overcome these increasingly monumental challenges is with the support of technology and automation. ACTICO fills this need perfectly.

ACTICO offers intelligent technologies to optimise and automate decision making processes at scale. Its cloud-based SaaS platform provides a client with all the tools they need from capturing and designing decision models, to testing and monitoring automated decision-making across all systems, workflows and channels. It supports rule and decision modelling, predictive models, model management, decision execution, integration, flexible deployment and much more.

Rieder said, "Financial firms and insurers require a scalable and cost-effective software solution to analyse data, identify suspicious activity, and improve and accelerate risk detection and remediation. Our regulatory compliance software slashes the time required for complex analyses and checks. In fact, it's a game-changer – allowing productivity and efficiency gains, cutting costs, and delivering better and more accurate data results."

He offered an example to prove how ACTICO is revolutionising compliance. VP Bank Group is an international private bank and is one of the biggest in Liechtenstein. Its screening system looks at incoming and outgoing payments and checks the data against sanctions lists. ACTICO was able to come in and deploy its machine learning-powered models to significantly improve the quality of the payment screening, as well as half the workload of payments staff.

Rieder added, "Operational decisions are omnipresent – whether it is evaluating credit risks, monitoring financial transactions, or ensuring capital market transparency. Decisions need to be clear, accurate and adaptable." This is why the ACTICO Platform has a drag-and-drop editor to create decision models, define business rules and embed machine learning models where needed. Through this low-code interface, clients have more control and can quickly make the changes they need, without being bogged down by code or lengthy development cycles.

## Beating the challenges

While ACTICO has made significant progress on its mission to become the regulatory champion, there have been a couple of challenges it has had to overcome in the process.

One of these, Rieder explained, was how its customers were previously operating the ACTICO products in their own data centres. This required them to manage a lot of hardware, set up cabinets and racks, load them up with servers, hook up wiring, install operating systems and finally the software. Following this, they would need to set up monitoring and alarms for the operators to ensure it was always running.

However, with the proliferation of cloud and SaaS solutions, many of the customers are moving away from managing all the software from their own systems. This means that can focus on their core business, rather than having to worry about technical issues. To meet this demand, ACTICO started to offer its products as SaaS. This required them to build up competences in providing a stable, scalable and secure multitenant platform as well as going through various certifications needed in the market.

“ACTICO overcame these challenges by carefully selecting only the best and proven components in modern cloud technology, building on mature Amazon Kubernetes cloud infrastructure and highly scalable, multitenant capable and robust components.”

He continued, “Starting with internal systems only, ACTICO could ensure expected behaviour before setting up the first SaaS solution for a customer. With a strong focus on automation, quality was always kept high, satisfying customer's expectations while at the same time decreasing operational complexity to scale the business. Based on that ACTICO nowadays provides SaaS solutions to a remarkable growing number of customers relieving them from operational burden.”

## The power of automation

There is an unprecedented level of regulations entering the market. As a response to the 2008 financial crisis, regulators have tried to ensure a similar scenario doesn't happen again. This means increasing the regulatory pressures. As a result, financial institutions and financial services providers have a consistent stream of legislation to adhere to and updates to prepare for. There are two ways to cope with this pressure, bloat compliance teams with hundreds of staff each new regulation or adopt technology.

Rieder said, “With the regulatory environment constantly evolving, the compliance target is always moving. Therefore, banks and insurers need to be able to adapt. Usually, compliance IT systems decide whether a person or transaction constitutes a compliance risk by applying rules, which include a checking algorithm. This approach is ideal for clear specifications, e.g., where regulatory requirements impose cash limits, or flag risky countries or sanctioned or politically exposed persons (PEPs). However, the rule-based approach is not ideal.”



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Dr. Michael Sendker - Head of the compliance digitalisation project at Hamburg Commercial Bank/Germany

He explained that the greater the number of influencing factors that need to be considered, the more challenging it is to weigh them evenly. It will also take longer to implement and adapt the rules. This is where machine learning and automation can run alongside the rule-based system. The use of machine learning can reduce false positives of anti-money laundering processes by up to 40% as it is better at spotting risky transactions compared to humans, he said.

Whenever people talk about automation, there is often an essence of fear. “Talk of automation brings fears over the loss of jobs. These worries are not unfounded. However, machine learning need not be a threat, rather it could improve the capabilities of staff members.” For example, ACTICO's experience with machine learning has shown automation can only be successful when combined with input from compliance specialists. While the technology removes some tasks, the technology is based on human decisions and so the demand for experts is actually growing.

Rieder offered advice to companies looking to implement automation. He said, “The perception of compliance as a labour-intensive cost driver underlines the crucial need to automate the compliance processes. A compliance system should be intelligent enough to flag only risky persons or transactions (true positives) and keep false positives to a minimum to avoid unnecessary clarification costs.

“One viable solution is to combine rules with machine learning procedures, which is done at various points: Firstly, machine learning methods based on customer behaviour can segment customers more effectively. Secondly, scope to identify and flag genuine anomalies automatically results in fewer false positives.”

## Looking ahead

The RegTech company has had a busy 2022. One of its most recent developments was the launch of a new sales office in Geneva, which will better place it to serve banks, financial services providers and insurance companies in French-speaking Switzerland and France.

Another recent development was the extension of its credit risk platform through a partnership with Scope Credit Scorecards, a European credit rating agency that specialises in the analysis and ratings of financial institutions, corporates, structured finance, project finance and public finance. Through their deal, the Scope Credit Scorecards are fully integrated within ACTICO's solution and can be combined with other internal rating models and workflows where needed.

ACTICO is not ready to take its foot off the gas and is preparing for another year of strong growth. “We are building ourselves into a regulatory champion. To achieve this, we are specifically looking for additional suitable companies.” The company is in the process of acquiring high-growth and profitable RegTech companies with a suitable profile. One company that was a perfect match for its desires was Fact, a provider of software for the digitalization of capital asset management.

With the RegTech company firmly in the line for growth, there are many reasons as to why a firm should work with it. For example, it has helped Hamburg Commercial Bank digitise its compliance software to cope with existing and new regulations. It also empowered Volkswagen Financial Services to reduce its manual checks for forgery and fraud by 80%.

Rieder pointed to one of the many happy clients to express why ACTICO is so special. Dr. Michael Sendker - head of the compliance digitalisation project at Hamburg Commercial Bank - said, “It's not every day that we get exceptional cooperation from software providers of the kind that ACTICO showed, day in day out. Our contacts with the company not only went above and beyond with in-depth expertise, their integrity and a real hands-on mentality are what stood out most for me.” ●