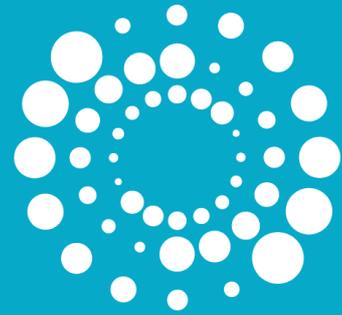


# FARADAY™

AT AC AML  
Solutions for  
Financial Institutions



# T3M Innovation



in partnership with

## THE COMPANY

T3M Innovation was founded in 2016 and is registered as an innovative start-up in the Milan Chamber of Commerce. In 2017, the company formed a partnership with SICIS, which brings additional technological know-how and expertise after over 25 years of IT experience.

T3M Innovation's mission is to create risk assessment software solutions, based on predictive and probabilistic models, to be integrated and tailored to customer needs.



## THE OFFER

T3M Innovation's offer comprises a set of solutions for the assessment of risk of **money laundering, terrorist financing and corruption**, and aims to meet the needs of financial institutions and intermediaries, insurance companies, public administration, and anyone who is subject to European and national legislation in this area.

Designed per client type and related activity, each solution is based on a

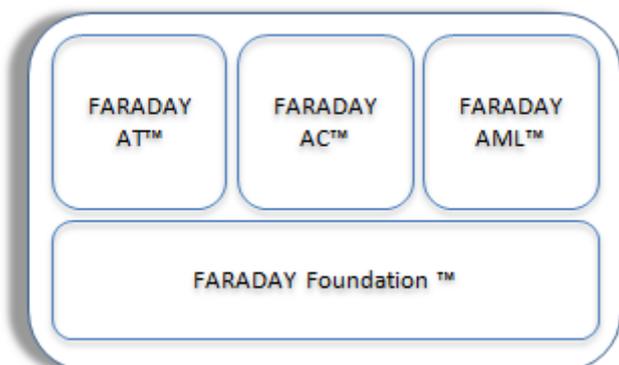
highly flexible shared platform called FARADAY™ which allows the management of different data types and supports risk calculation across various areas.

## OUR SOLUTION FOR FINANCIAL INTERMEDIARIES

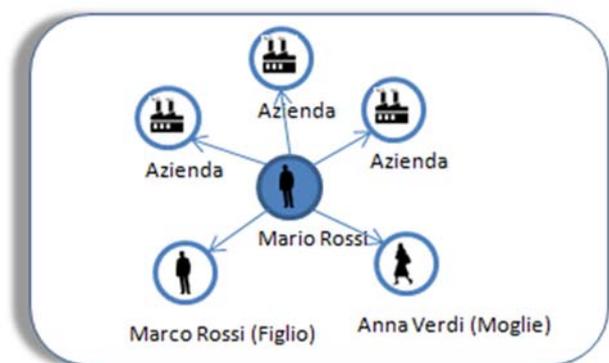
The FARADAY™ Solution for Banks and Financial Intermediaries consists of:

FARADAY Foundation™

- FARADAY AT™ (anti-terrorist financing)
- FARADAY AC™ (anti-corruption)
- FARADAY AML™ (anti-money laundering)



**FARADAY Foundation™** is the module that processes, aggregates and integrates the Bank's data with information retrieved from external sources (e.g. lists of terrorists, PEPs and local Italian politicians, P.A. tenders directly extracted from the ANAC site, etc). Data is aggregated in sets



of subjects, called “clusters”, which are either internal or external to the Bank, and are directly or indirectly linked to a “root-subject” through various types of relationships. The rules for identifying these root-subjects and for building clusters around them can be parameterized to adapt the behaviour of the system to the organisational model and to the specific clients of the Bank. Furthermore, it is possible to analyse

clusters through an advanced graphical interface that provides information about the subjects, and their financial transactions. It is also possible to build clusters by selecting a given root-subject, so as to analyse abnormal situations reported by other sources, or simply to expand the knowledge of that customer.

#### **FARADAY AT™**

is the module that answers the need to check indications of anomalies, as requested by the Bank of Italy as part of their activities to countering the financing of terrorism. In recent years, most intermediaries have interpreted these indicators as checks against lists of terrorists issued by institutional bodies. This module follows a broader approach, that also investigates the creation of a "consensus" to support these phenomena and fully responds the indications issued by the Bank of Italy.

#### **FARADAY AC™**

is the module that addresses the interception of corruption activities since the National Risk Assessment has reported Italy as at a high level. By identifying those entities, both physical and legal, that show a high risk of corruption, the FARADAY Foundation™ can analyse their ties, both static and dynamic, and thus detect any abnormal behaviours.

#### **FARADAY AML™**

is the component that manages all patterns of anomalies identified by the Bank of Italy, UIF and other regulatory bodies. By analysing the relationships of each customer, abnormalities in behaviour with respect to these indicators, both in terms of monetization and usury, are highlighted. The module includes the management of Adequate Verification (in line with the 4<sup>th</sup> EU Anti-Money Laundering Directive) where a modular and customised questionnaire is calibrated according to the customer's characteristics, and the risk attributed to it.

## THE CALCULATION OF THE RISK

T3M Innovation's model for risk calculation and group profiling is a solution based on a probabilistic predictive type, with self-learning functions. Based on established or supposed situations of risk, algorithms calculate and compare risks within each cluster. The system also re-assesses probabilistic models taken from previous cases (self-learning). Where a sufficiently large data story is built, predictive and probabilistic algorithms demonstrate a greater statistical consistency and therefore can satisfy the needs for a holistic approach to the risk, as required by law.

## INNOVATION

The novelty and innovation of the FARADAY™ solution is that it shows a shift towards a focus on clusters and their behaviours. While continuing to consider the objective and subjective characteristics of customers, their internal and external relationships with the Bank and other financial activities are also taken into account, and the system concentrates on abnormal events rather than on customer transactions. Of importance to note is that the analysis of clusters is influenced by all the subjects therein, including those individuals who, if analysed singularly, might not raise suspicion.



All financial institutions differ widely, also by type and number of customer base. The flexibility of T3M's solution allows each also to consider the results of self-assessment of risks which the Bank of Italy demands of all financial intermediaries and thus also the risks for the country as published the Italian Ministry of Economics & Finance (MEF).

## ADVANTAGES

The main advantages of the solution are:

- A small number of abnormal situations of interest can be analysed, thus containing the overall compliance costs and obtaining a higher quality of anomalies reported.
- Risk-based calculation based on an overview: the various phenomena (terrorism, corruption, money laundering) require a thorough analysis based on an overview. Terrorism risk analysis cannot be confined to matching clients against official terrorist listings or other checks on individuals. In addition, the 2010 rulings by Bank of Italy for financial intermediaries define specific indicators and sub-indicators for



countering the financing of terrorism; these are often not applied but can now be adhered to through T3M's proposed solution. Corruption is specifically indicated by MEF as one of the largest threats to the country and represents a particularly destabilizing effect on the free market and the quality of services provided by the public administration. It requires automated analysis of the behaviour of groups, as otherwise it is challenging to implement specific risk models for intercepting corruption activities.

- Reduction of the risk of sanctions: the 4<sup>th</sup> EU Anti-Money Laundering Directive, approved by the European Parliament and soon to be introduced formally in Italy, places



particular emphasis on the risk of terrorism financing and corruption. The Directive requires the implementation of "active collaboration" as regulated by law and subjected to supervision by regulatory bodies. Among the many important changes, is that sanctions will now become administrative and will no longer be penal. While this may seem an odd move, it will imply a more effective investigative process. In fact the major of sanctions to

date have not generated a legal trial while administrative sanctions, particularly of large proportions, as applied by the governing body, represent a strong lever for those subjects responsible for reporting and will mean they will need to pay particular attention to areas previously overlooked or underestimated until now.

- Automation of processes: Complexity in every area of a company (including the financial system) creates a push to increasingly automated, sophisticated and selective control systems to highlight those situations that help evaluate suspicion of money-laundering, terrorist financing and corruption.

FARADAY™ is a strong and effective tool that supports and aligns a client's approach to risk in line with European rules and regulations.

## ADOPTION OF THE SOLUTION

FARADAY™ is a web-based solution and is designed to be installed as a plug-in, for cluster building and risk assessment, to be included in existing systems. FARADAY™ provides customers with a complete suite of Web APIs to integrate the solution into their systems.

At the same, FARADAY™ can be installed as a stand-alone and be used with a variety of available application features and interfaces.

In both cases, FARADAY™ is powered by data from the Bank's information systems.



# T3M

## Innovation

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