

ANTI-MONEY LAUNDERING (AML) MODELS

Given the clandestine, illicit nature of **money laundering**, it is impossible to know how much “dirty money” enters the international banking system each year. As a point of reference, the United Nations Office of Drugs and Crime (UNODC) estimates the total amount of money laundered is somewhere between 2 and 5% of global GDP, or \$800 billion to \$2 trillion in US dollars, annually.

In the US, banks are required by law to comply with regulations aimed to cut down on money laundering. The highest profile example is the [Bank Secrecy Act \(BSA\)](#) of 1970, which requires financial institutions to assist the government in the detection and prevention of money laundering. Despite investing more than \$25 billion per year to fight financial crime through the deployment of **anti-money laundering (AML)** models and related know your customer (KYC) programs, US banks are likely still missing more money laundering activity than they are catching 50 years later.

Over time, the models that screen for money laundering activity have grown to become more sophisticated, with advances in artificial intelligence and machine learning promising to further improve detection and prevention. This Blog takes a look at a few common and some not so common types of **AML models** and their pros and cons, then consider some overall best practices for AML model validation that will ensure each model performs as intended.

