

Legalian: AI vs. money laundering

Innovative solution achieves up to 80 percent efficiency gains with respect to reporting obligations and risk analysis

Reference project:



“With the T-Systems Sovereign Cloud powered by Google Cloud, we can now take off on the market with an innovative, AI-based service for compliance with the Federal Money Laundering Act.”

Maximilian Reinhard, Founder and CPO Legalian.io

Money laundering – something that sounds like the big, international financial world. However, money laundering is an issue that many other occupational groups also regularly come into contact with. This is especially the case when they establish new business relationships or – as stated in the Federal Money Laundering Act says – “significant circumstances” change with current customers or clients. This is particularly relevant for notaries, lawyers, tax consultants, and independent auditors – as these occupational groups are among the “obligated parties” under the Federal Money Laundering Act.

The central task for “obligated parties” within the context of the Federal Money Laundering Act is to know who they are doing business with (“know your customer”). To this end, obligate parties must analyze and document the nature of the business relationship and clearly identify the persons involved in order to report any suspicious transactions to the supervisory authorities. The latter requires a risk analysis of the respective business relationship – this must be “thorough, complete, and appropriate.”

Money laundering has many aspects. The Federal Money Laundering Act not only comprises the fight against illegally acquired money from organized crime but also the prevention of money flows that support terrorism. In addition, business relationships with politically exposed persons (such as ministers or members of the Bundestag) or companies from high-risk third countries must be documented in accordance with the Federal Money Laundering Act.

As obligated parties, notaries, lawyers, tax consultants, and independent auditors must collect the necessary data, e.g., on the shareholder structure of their clients. They must gain transparency about who is the “beneficial owner” of the client company; in other words, who controls the company in question. This can be quite time-consuming when dealing with complicated, sometimes internationally intertwined shareholder structures.

Benedikt Reinhard, Constantin Wild, and Maximilian Reinhard from Munich have discovered the potential for optimization here and are now declaring war on time-consuming Federal Money Laundering Act verification processes with their start-up Legalian. Benedikt Reinhard sums up the situation in a nutshell: “Why should people waste their working time on tasks that algorithms can

perform much more easily, consistently, and quickly?” Maximilian Reinhard continues: “With the help of artificial intelligence (AI), necessary research tasks and their documentation can be greatly simplified and accelerated. Data gaps are recognized and consistently closed on the basis of the connected register data. Risk analyses are also created automatically with the help of an algorithm. A clear added value for the Federal Money Laundering Act compliance process.”

Legalian’s AI professionals are accredited partners of the public registries that hold relevant information. They relieve notaries, lawyers, tax consultants, and independent auditors (and their clients) of time-consuming administrative processes and achieve massive efficiency and quality gains with AI. This allows them to concentrate more on the client or the assignment itself and on maintaining the client relationship.

At a glance

- Research to fulfill the requirements of the Federal Money Laundering Act is time-consuming
- Research and risk analyses as separate, manual processes
- High susceptibility to errors, high time expenditure
- Legalian: AI-based all-in-one solution can be used as required (Federal Money Laundering Act compliance platform)
- Provided from the T-Systems Sovereign Cloud powered by Google Cloud
- Massive relief for notaries, lawyers, tax consultants, independent auditors and their clients
- Simplified process, up to 80 percent efficiency gain with simplified quality control
- Significantly faster, consistent reporting
- Compliance of data sovereignty requirements
- 100 percent compliant with the Federal Money Laundering Act and the Federal Financial Supervisory Authority
- Scalability for new business model

Reference in detail

The challenge

“We have intensively addressed the topic of Federal Money Laundering Act checks in our previous professions – as part of our professional experience in the FinTech and private equity environment, we have experienced first-hand how time-consuming and error-prone such research is. We decided to professionalize this process,” explains Constantin Wild.

The aim was for a solution to be developed for the specific requirements of the Federal Money Laundering Act that uses AI to perform the necessary searches in the registries, presents the results transparently and comprehensibly, and, on this basis, performs the risk analysis and the required documentation - an all-in-one platform that handles the Federal Money Laundering Act compliance process in a legally compliant and automated manner for notaries, lawyers, tax consultants, and independent auditors.

To achieve this, Legalian needed a scalable and modern platform that also had to ensure a high degree of data sovereignty. Ultimately, the analyses include confidential and personal data from various international sources that only the respective obligated party and its respective business partner/client are permitted to view.

The solution

Legalian decided to use Google Cloud for the development and operation of the solution. “We’d been using tools from the Google ecosystem for our algorithms for some time. Among other things, we use machine learning models and enhance them continually,” explains Constantin Wild. “Working with Google is straightforward.” Legalian uses the T-Systems Sovereign Cloud powered by Google Cloud to handle sensitive data in order to meet the high requirements for data protection, compliance, and data sovereignty.

Legalian, the Federal Money Laundering Act compliance platform, uses a state-of-the-art cloud architecture that customers can use as needed in a simple-as-a-service model. If a lawyer wants to create a Federal Money Laundering Act check for a client, they log in to Legalian.io via their account and enter their request directly. The relevant data is then compiled in the background, the shareholder structure is checked, the beneficial owners are identified, and all further aspects of the Federal Money Laundering Act requirements are ticked off step by step. Handwritten PDF scans, which are often the only original data source available to the registries, are not an obstacle but are read using specially trained, AI-based font recognition models, and provided in the relevant context. The platform also provides customized reporting, which, in addition to the general client and mandate documentation, also meets the requirements of the respective chamber in the context of a Federal Money Laundering Act audit.

Legalian accesses the data in the registries on site via APIs, meaning that Legalian uses the sources and data only for the specific purpose and stores the result in an individual repository for the respective user. This file can only be accessed by the client of the Federal Money Laundering Act profile, e.g., the lawyer. On this basis, they carry out an initial plausibility check and trigger the risk analysis. They release the completely pre-filled documents, including the risk analysis, to the client, who can easily check the information with the help of the original documents stored, adjust or supplement them if necessary, and finally confirm them.

Customer benefits

With the T-Systems Sovereign Cloud powered by Google Cloud, Legalian has found the ideal technical basis. “This means we can now hit the market with an innovative, AI-based solution for Federal Money Laundering Act compliance,” says Maximilian Reinhard. The start-up clearly demonstrates how an AI-based solution can also be implemented in a confidential environment and used with great added value.

Obligated parties such as notaries, lawyers, tax consultants, independent auditors, and their clients benefit equally from the service from the sovereign cloud. As a digital assistant, the all-in-one service assumes all data-based, research, and documentation tasks, so that people only have to supplement the content in exceptional cases. The time required to prepare analyses compliant with the Federal Money Laundering Act and Federal Financial Supervisory Authority is reduced by up to 80 percent and more – secure and GDPR-compliant document storage is also ensured with the sovereign cloud.

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Published by

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