Building Resilient Compliance Programs in the Age of AI

The use of artificial intelligence (AI) in modern business operations has the potential to significantly enhance efficiencies and decision-making processes. However, the risks associated with AI, particularly in compliance functions, are gaining increased attention from regulators such as the U.S. Department of Justice (DOJ) which recently underscored the need for companies, not just FIs , to ensure that their compliance programs can effectively manage these emerging risks .

In the DOJ's updated Evaluation of Corporate Compliance Programs, companies must now assess how AI impacts their compliance frameworks, particularly in mitigating risks related to fraud, corruption, and regulatory breaches. While there is no requirement for non-US entities to adopt these recommendations, we see strategic benefits in considering four (4) ways an organizations can mitigate AI risks while boosting their compliance performance:

1. Stay Informed About AI Regulations

One of the primary recommendations from the DOJ's guidance is that companies must remain vigilant about the evolving regulatory landscape around AI. Compliance officers need to consider how AI could be misused, whether through the unintentional facilitation of illicit activity or by enhancing the capabilities of malicious actors.

To address this, companies should actively monitor new laws and regulations related to AI and ensure that legal, compliance, and technology teams work together. This cross-functional collaboration will help businesses stay ahead of regulatory concerns and avoid compliance pitfalls that may arise from AI implementation.

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2. Build a Robust AI Governance Framework

Governance is a crucial element in managing the risks posed by AI systems. It's essential for companies to establish comprehensive AI governance frameworks that guide the development, use, and monitoring of AI technologies. Policies should be put in place to ensure transparency in AI algorithms, responsible data use, and accountability in decision-making influenced by AI.

These governance structures should include regular audits of AI processes, the formation of ethics committees, and a clear designation of roles and responsibilities within the organization. Moreover, companies must ensure that AI tools used in compliance match the sophistication of tools used in other departments to prevent disparities that could raise red flags during audits.

3. Harness Data Analytics for Compliance

With AI, companies have even greater potential to leverage data for identifying suspicious patterns, monitoring transactions, and enhancing overall compliance efforts. Notably, the DOJ's recent guidance cautions against inconsistencies in data usage across departments. A company that excels in data-driven operations in one area but lags in its compliance function may draw regulatory scrutiny.

Therefore, it's important for compliance teams to embrace AI-driven tools at the same pace as other departments to maintain a balanced and proactive compliance approach. AI can help detect early signs of misconduct or inefficiencies that would otherwise go unnoticed.

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4. Foster a Culture of Transparency and Reporting

While AI can automate and enhance many aspects of compliance, it's equally important to focus on building a strong internal culture. The DOJ's updated guidelines stress the importance of encouraging employees to report misconduct without fear of retaliation. Companies need to assess how effectively their whistleblower systems work and whether employees feel safe raising concerns.

AI tools can also assist in this area by analyzing employee sentiment, providing insights into potential gaps in the company's speak-up culture. By leveraging AI for sentiment analysis, businesses can proactively identify areas where improvements are needed in fostering transparency and accountability.

Conclusion

As AI continues to revolutionize industries, businesses must align their compliance programs to address both the opportunities and challenges that AI presents. Effective governance, the use of data analytics, and a strong commitment to ethical culture will be critical in mitigating AI risks. By following the DOJ's updated guidance and adopting these strategies, companies can enhance their compliance performance while leveraging AI's potential to drive growth and innovation.

Contact us to discover how you can enhance your risk dashboards and integrate smarter compliance solutions.