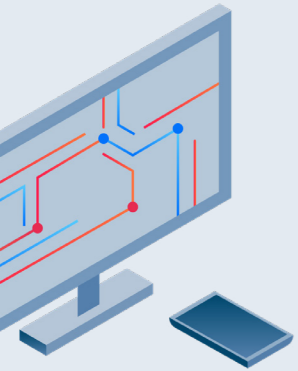


PILLAR 5

# Responsible use of models



When monitoring potentially unusual transactions TMNL makes use of models. These models are used efficiently and responsibly and all risk of for example discrimination is eliminated. A special committee of external independent experts and representatives from the participating banks will be supervising this.



## Why does TMNL use models to monitor unusual transactions?

TMNL's core task is to combine transaction data from different banks and use them to make meaningful connections. These connections provide new insights and signals with regard to potential money laundering or terrorism financing activities. This requires the use of models for data analysis, because they are an effective tool for differentiating possible criminal cash flows from normal transactions.

## Banks have been monitoring transactions for many years. What is TMNL doing differently?

As gatekeepers of the financial system, banks are required by law to monitor all of their customers' payment transactions. To do that, banks have long used models to detect potential signals of money laundering or terrorism financing.

But criminals often use multiple banks to spread out their transaction flows. TMNL utilises the best practices from the participating banks while combining their transaction data for joint monitoring, and in so doing gains a comprehensive insight into possible unusual transaction patterns. This allows TMNL to reveal potential criminal



cash flows that aren't visible for individual banks.

## TMNL uses models to detect potentially unusual transactions. Does it also use automated decision-making?

The final decision-making process is always human controlled. When TMNL makes a model, first, experts in the field of money laundering detection and data science determine which data and accounting rules need to be utilised. A model is then made to differentiate between normal transactions and those that may be unusual by combining relevant statistics, technology and data. When TMNL identifies a potentially unusual

transaction, it sends an alert to the relevant bank. An alert handling expert at that bank then manually investigates the alert for potential criminal activity.

## What does the bank do with an alert for a potentially unusual transaction?

When a bank receives an alert from TMNL, it uses the customer information available to investigate whether the transactions display the characteristics of potential money laundering or terrorism financing. If necessary, the bank then contacts the customer. Depending on the results of the investigation, the bank may report the transaction to the Netherlands Financial Intelligence Unit.

## The media frequently reports on examples of models that can lead to discrimination. How does TMNL safeguard against that?

TMNL uses a Model Risk Framework based on De Nederlandsche Bank's SAFEST principles. This framework provides a context for the responsible use of Artificial Intelligence and models. An external auditor also regularly reviews the structure, existence and function of the models, and a special committee including independent experts and representatives of the participating banks will be involved.

TMNL has five main pillars that form the basis for everything it says and does.

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