



Unlocking potential:

How can financial service organizations leverage (Gen)AI to enhance their sanctions frameworks?

May 2025



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INTRODUCTION

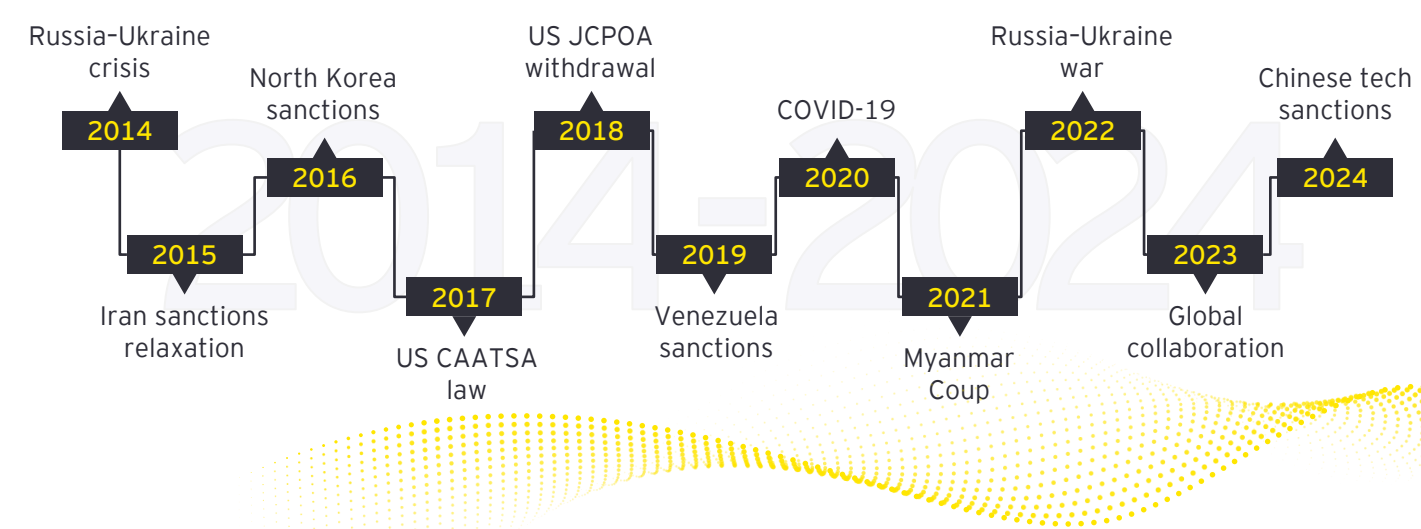
In today's rapidly evolving geopolitical landscape, sanctions have become a pivotal tool for nations and organizations to exert influence and enforce international norms. As global focus shifts, the global sanctions environment is undergoing significant transformations, impacting financial institutions worldwide.

The dynamic nature of sanctions regimes means that financial institutions must constantly adapt to new regulations and compliance requirements. Organizations strive to balance the need for stringent oversight with the demands and expectations of the financial industry. Severe penalties for non-compliance and the risk of reputational damage are key points of attention for every financial institution.



Overview of sanctions developments 2014-2024

Over the past decade, sanctions regimes have evolved significantly in response to geopolitical tensions, human rights violations, and security threats. The below timeline highlights key milestone events which have given rise to our current sanctions landscape.



How have financial institutions experienced these developments?

Financial institutions have faced several key challenges when it comes to sanctions compliance. These challenges stem from the complexity and ever-changing nature of sanctions regimes, as well as the need to balance compliance with operational efficiency. Furthermore, sanctions carry strict liability, meaning that financial institutions (including individual employees) can be held accountable for violations, regardless of intent or negligence. We identify six key global challenges...



What is the next generation of sanctions handling going to look like?

The future of sanctions management demands a more sophisticated and adaptive approach. By leveraging advanced technologies and collaborative frameworks, financial institutions can effectively navigate the growing complexity of global sanctions regimes. The diverse types of sanctions and their wide-ranging applicability will guide the essential adaptations needed in financial institution target operating models.

How will sanctions target operating models adapt?

The next generation of sanctions management will necessitate a comprehensive yet flexible approach to compliance, risk management, and operational resilience.

As sanctions become more intricate and pervasive, organizations must adapt their operating models to effectively address challenges and leverage opportunities in an ever-evolving geopolitical environment.

By investing in advanced technologies, encouraging collaboration, and emphasizing compliance, businesses can successfully navigate sanctions risks and preserve their competitive edge.

People

Invest in training to equip employees with future-proof sanctions knowledge and skills. Attract specialized talent in compliance and data analytics, fostering a diverse workforce to tackle complex challenges.

Policies

Develop clear, comprehensive sanctions policies that reflect current regulations, with agile and responsive procedures to incorporate new developments rapidly.

Processes

Enhance sanctions screening with use of advanced analytics in transaction monitoring and integration with customer due diligence.

Governance

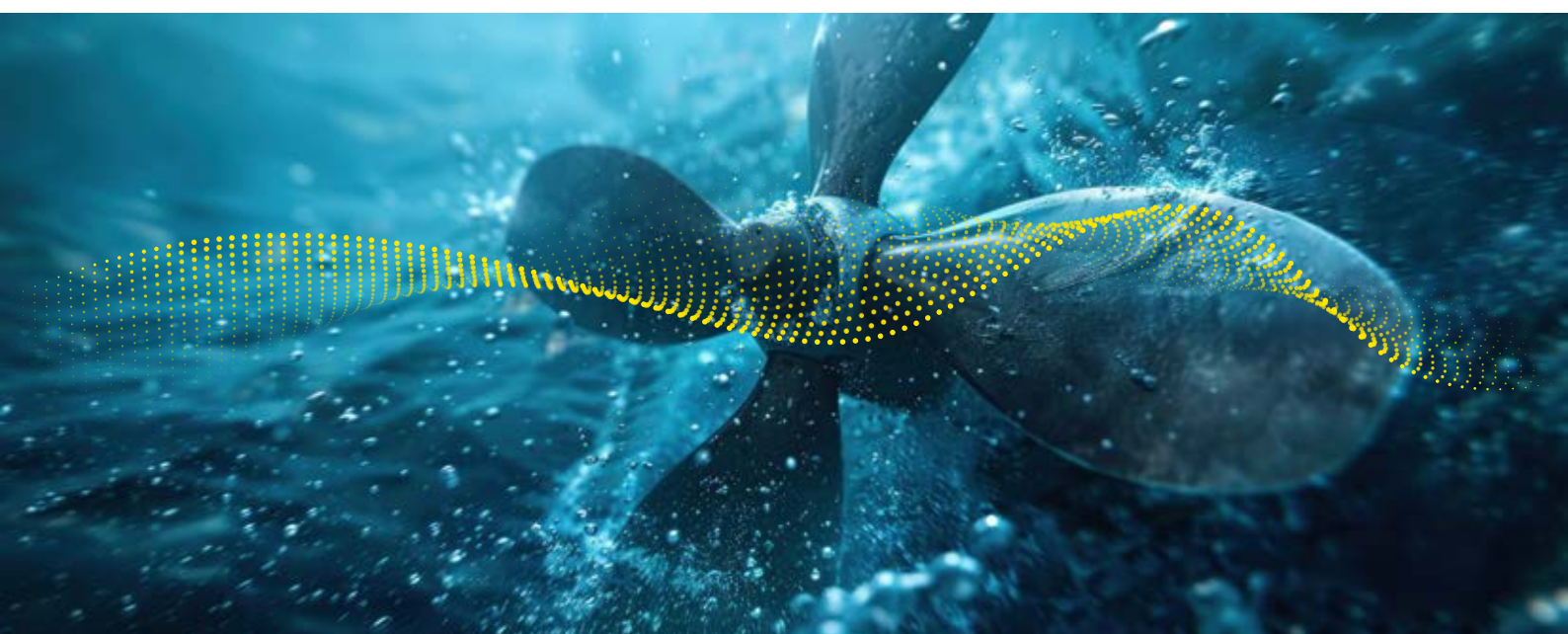
Promote a culture of compliance through active senior management involvement and regular training to keep staff informed and engaged.

Operations

Build operational resilience with flexible frameworks that respond quickly to sanctions changes. Collaborate with external partners for information sharing and continuously monitor performance for agility.

Technology & Data

Leverage advanced technologies such as artificial intelligence and machine learning to enhance the ability to monitor transactions, analyse risks, and ensure compliance with evolving sanctions.



AI in sanctions target operating models

The sanctions landscape is evolving rapidly, making staying compliant an increasingly difficult demand. Artificial Intelligence (AI) can play a crucial role in enhancing your ability to stay in control of your compliance obligations. AI must be viewed as a comprehensive methodology for conducting work, not just a tooling consideration.

An effective AI-driven sanctions strategy is founded on specific organizational goals, which when achieved tackle the challenges faced by the organization, and in addition create optimization once these challenges are addressed. Goal setting must always begin with a comprehensive and well-considered data strategy.

Creating a centralized sanctions knowledge base that consolidates information from diverse sources, such as web scraping, documents, and databases, is essential. Once the data is organized, it enhances operational capabilities, allowing the focus to shift toward effectively leveraging this power.

EY teams have successfully implemented AI-driven sanctions solutions via centering implementation. EY teams utilize various forms of AI to achieve client goals. Agentic AI has proven to be invaluable, facilitating communication with knowledge bases and simplifying complex legal terminology. AI has also been used in conducting mapping internal policies, risks and controls to current and future regulations, helping organizations stay safe and secure in the present, while being proactive and prepared for the future.

On an operational level, monitoring transactions for potential sanctions violations is critical. This involves analyzing transaction behaviors and utilizing AI to identify patterns that distinguish potentially suspicious activities from legitimate ones. Specific to screening, GenAI can bring strong enhancements via its ability to:

- 01 | Enhance matching accuracy with greater context, minimizing false positives.
- 02 | Analyze unstructured data, extracting and processing relevant information from free text, which traditional screening systems might struggle with.
- 03 | Prioritize high-risk alerts through assessing the risk level of potential screening matches.
- 04 | Reduce manual review through improved match accuracy, saving time and resources of compliance teams.
- 05 | Conduct secondary screening to reduce false positives.

This section has outlined several considerations for integrating AI into your sanction's operations. It is essential to recognize that integration (including goal setting) is an iterative process that demands ongoing monitoring and maintenance. Therefore, it is essential to consider the entire sanctions function, which includes planning, implementation, monitoring, evaluation, and making necessary adjustments to ensure ongoing effectiveness.

Navigating the shifting sands: the dynamic challenge of sanctions

The dynamic nature of international sanctions poses significant and multifaceted challenges to financial institutions.



01

Constant updates to sanctions lists, regulations and sanctions regimes require rapid and costly adaptations, creating a state of flux that hinders consistent compliance. Additionally, the impact of other regulations creates further confusion and increased costs for banks.

02

Geopolitical volatility introduces frequent and unpredictable changes in sanctions policies, necessitating a flexible and proactive approach.

03

Multinational banks face additional difficulties due to differing sanctions regimes across countries, leading to overlapping and sometimes conflicting rules.

The speed of sanctions changes demands robust real-time monitoring and swift dissemination of updated information. Overall, the dynamic nature of sanctions requires continuous adaptation, monitoring, and analysis, making it a critical and resource-intensive aspect of financial compliance.

Fortifying compliance: navigating data and technology's sanctions frontier

The efficacy of sanctions compliance is fundamentally predicated on the integrity and accessibility of pertinent data, yet this domain is fraught with substantial technological challenges:

01

Data accuracy and completeness are paramount, but the acquisition and maintenance of such information are rendered complex by inherent inconsistencies in data formats and discrepancies across diverse databases. The data quality and availability-related issues multiply further due to complexities across bank products. Such as issues related to old ISO data standards in card transactions, and unstructured information in trade finance.

02

Above results in the generation of a high volume of false positives by screening systems, necessitating extensive manual review and investigation, consuming significant resources and potentially impeding legitimate transactional flow.

03

The seamless integration of sanctions screening systems with core banking and customer relationship management (CRM) platforms presents a considerable technical undertaking, demanding meticulous planning and execution.

In an environment characterized by rapid technological advancement, financial institutions must remain vigilant and adapt their screening capabilities to counter evolving evasion techniques. The imperative to leverage cutting-edge technologies and robust data management strategies is crucial for maintaining effective sanctions compliance and mitigating associated risks.

Enduring the weight: operational and compliance pressures in sanctions management

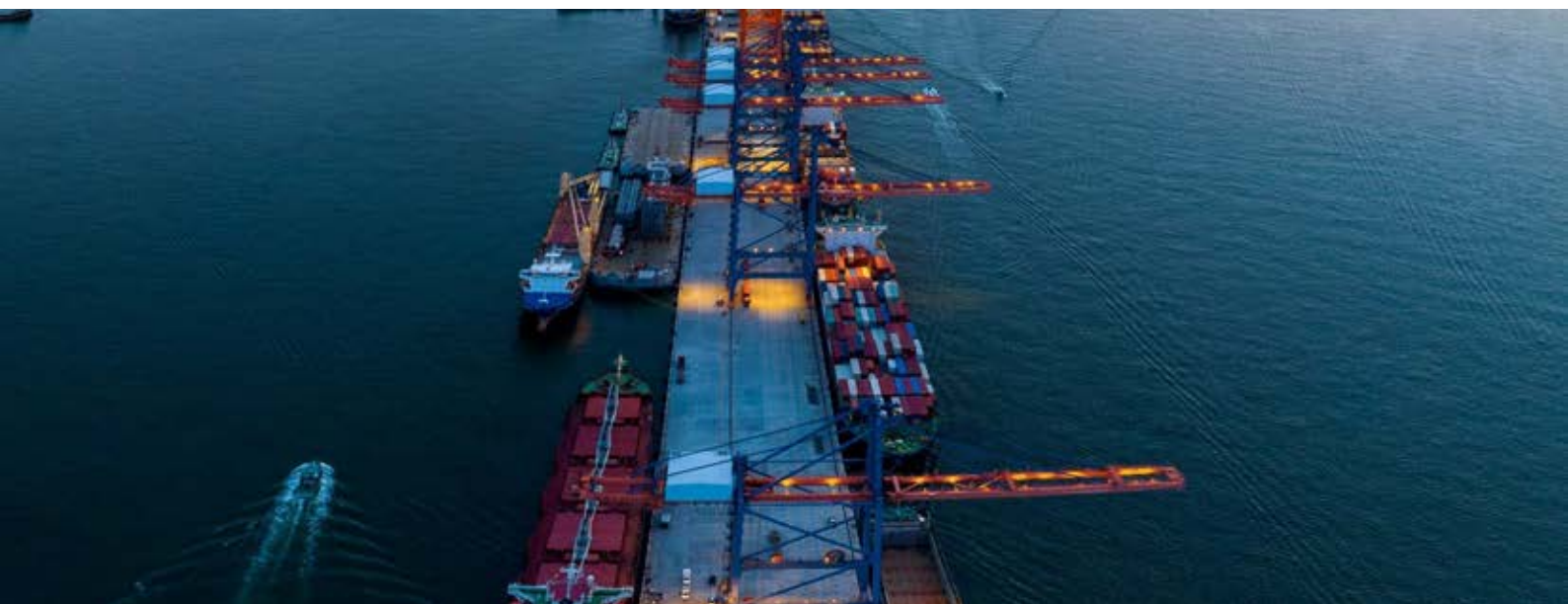
The imposition of sanctions compliance mandates a considerable commitment, highlighted below:

Resources

Comprehensive training programs

Technological infrastructure

The inherent complexity of navigating the intricate landscape of sanctions regulations, propagated by diverse jurisdictions, presents a formidable operational burden. To effectively mitigate sanctions risks, institutions must establish robust risk management frameworks and remain acutely aware of indirect sanctions risks. The imperative to manage these operational and compliance burdens demands a strategic and meticulous approach, ensuring that all facets of sanctions compliance are addressed with precision and diligence.



The regulatory gauntlet: adapting to the shifting expectations of sanctions compliance



Financial institutions are now navigating a landscape of heightened regulatory scrutiny, where sanctions compliance is no longer a peripheral concern but a central pillar of operational integrity. Below two key points summarize the current regulatory focus

01

Regulators are intensifying their focus, demonstrating a willingness to impose substantial financial penalties for even minor infractions, underscoring the gravity of non-compliance.

The regulatory expectations surrounding sanctions are in a state of perpetual evolution, demanding that institutions maintain a proactive stance to anticipate and adapt to emerging standards.

02

This dynamic environment necessitates a continuous cycle of learning and adaptation, ensuring that compliance practices remain aligned with the latest regulatory announcements. The complexity is further compounded by the potential for conflicting regulatory requirements across multiple jurisdictions, presenting financial institutions with intricate compliance dilemmas. These conflicting mandates necessitate a nuanced understanding of each regulatory framework and the ability to reconcile potentially disparate obligations, requiring a strategic and adaptable approach to maintain compliance across diverse operational landscapes.

How AI and GenAI are revolutionizing financial services compliance

The financial world is a complex ecosystem, constantly grappling with evolving regulations and geopolitical shifts. Among the most pressing challenges faced by financial institutions is navigating the intricate and dynamic landscape of international sanctions. From fluctuating lists to conflicting jurisdictional rules, the pressure to maintain robust compliance is immense. But amidst these challenges, a beacon of hope emerges: Artificial Intelligence (AI) and, more specifically, Generative AI (GenAI).

The future of sanctions compliance: a synergistic approach

AI and GenAI are not merely tools; they are strategic assets that empower financial institutions to move from reactive to proactive compliance. By automating repetitive tasks, enhancing data analysis, and providing real-time insights, these technologies can significantly reduce risk and improve efficiency.

The journey towards robust sanctions compliance is an ongoing process. By embracing the transformative power of AI and GenAI, financial institutions can navigate the shifting sands of global regulations with greater confidence and agility, ensuring a safer and more secure financial future.

AI and GenAI: the catalysts for transformation

AI and GenAI, powerful tools that are capable of transforming the landscape of sanctions compliance. Here's how:



01. Real-time vigilance and predictive insight:

AI-powered systems can continuously monitor global news, regulatory updates, and sanction lists, providing instant alerts of critical changes. GenAI's ability to process and understand natural language allows it to extract key information from unstructured data sources, such as news articles and regulatory documents. Predictive analytics, fueled by AI, can anticipate potential future sanctions changes, enabling proactive adaptation and risk mitigation.



02. Data mastery and enhanced screening:

AI algorithms excel at data cleansing and enrichment, resolving inconsistencies and improving the accuracy of screening processes. Advanced screening techniques, powered by AI, can detect subtle patterns of evasion that traditional systems might miss. GenAI can synthesize data from disparate sources, normalizing it, to improve screening quality. Anomaly detection capabilities can identify unusual transaction patterns indicative of potential violations.



03. Streamlined operations and reduced burden:

AI automates due diligence processes, reducing manual effort and freeing up valuable resources. Risk scoring algorithms prioritize high-risk cases, enabling focused attention and efficient resource allocation. GenAI can automate report generation and create virtual assistants that answer compliance questions. Network analysis tools can uncover hidden relationships and identify potential indirect sanctions risks. Furthermore, AI can help merge valuable information from various areas within the Bank, such as KYC, Due Diligence, Transaction, Monitoring, to enhance screening effectiveness.

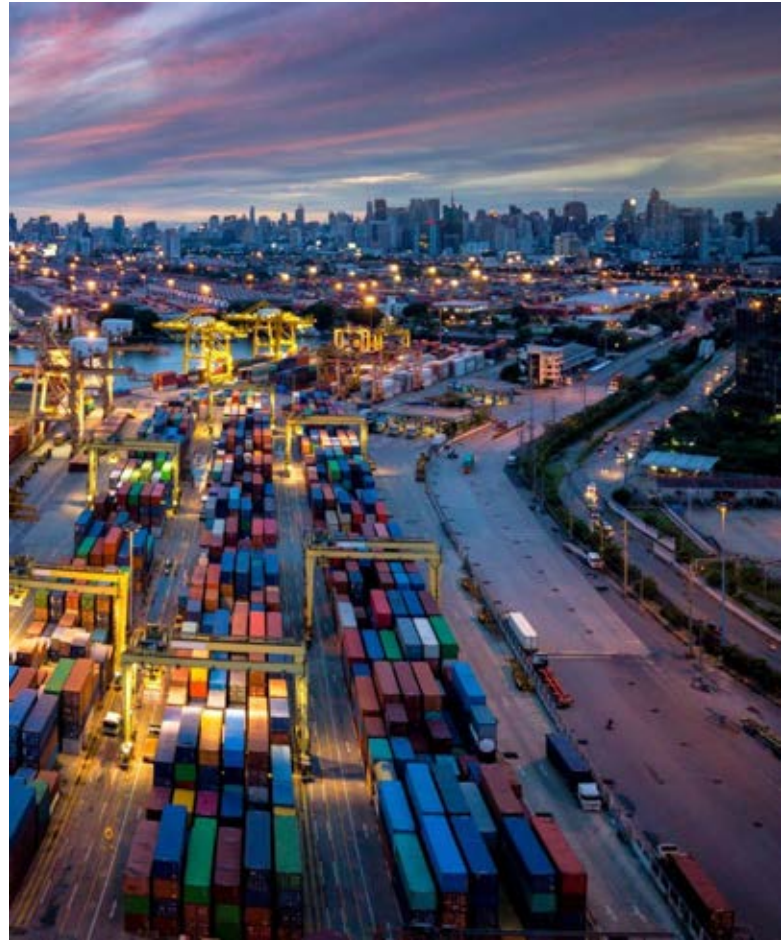


04. Navigating the regulatory maze:

AI-powered systems can track regulatory changes and provide timely alerts, ensuring continuous compliance. Automated compliance auditing identifies potential gaps and areas for improvement. GenAI can assist in the interpretation of complex regulatory documents, providing clear and concise summaries. Scenario planning tools, driven by AI, can simulate various regulatory scenarios to assess potential impacts and develop contingency plans.

How can EY teams tailor support for your sanction's compliance and AI integration?

EY teams offer customized services to help your organization navigate the complexities of sanctions compliance while leveraging AI technologies:



01. Tailored Sanctions Risk Assessment

EY teams will work closely with your team to conduct a comprehensive risk assessment specific to your industry and operations, identifying unique vulnerabilities and compliance gaps related to sanctions.

03. AI Integration and Technology Solutions

EY's technology specialists will assist in integrating AI-driven tools tailored to your existing systems, enhancing sanctions screening, transaction screening, monitoring, and due diligence processes to improve efficiency and accuracy.

02. Custom Compliance Framework Development

We will collaborate with you to design and implement an end-to-end sanctions compliance framework that aligns with your business objectives and regulatory requirements, while being practical and scalable.

04. Testing and Calibration

EY teams offer assistance with testing and calibration of bank sanctions screening systems to improve effectiveness and efficiency.

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05. Ongoing Monitoring and Adaptive Support

EY teams will provide continuous monitoring services tailored to your specific risk profile, keeping you informed of changes in sanctions regulations and assisting in the timely adaptation of your compliance strategies.

06. Secondary Screening

EY teams offers a secondary screening service which uses machine learning and AI techniques to significantly reduce false positive alerts. This offering includes quality assurance, which detects hidden risks within customer populations and provides auto-generated investigator narratives for dispositioned alerts.

07. Industry-Specific Regulatory Guidance

Our professionals will offer insights and guidance tailored to your sector, helping you navigate the evolving sanctions landscape and enhancing your compliance efforts.

08. Targeted Training and Awareness Programs

We will develop customized training sessions for your employees, focusing on sanctions compliance, the use of AI tools, and industry-specific challenges, fostering a culture of compliance within your organization.

Together with EY teams, your organization can enhance its sanctions compliance capabilities, effectively leverage AI technologies, and mitigate risks associated with sanctions exposure in a way that is specifically tailored to your needs.

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