7 Reasons Detection Alone Isn't Enough — and Why Risk Still Gets Missed

Across US banks, detection has expanded in volume — but often through layering additional rules onto legacy systems rather than fundamentally improving how risk is identified.

As a result, many institutions continue to generate high volumes of alerts without consistently identifying the most relevant or complex financial crime risk — creating pressure downstream on investigation and decisioning.

The challenge is not just detecting suspicious activity. It is ensuring that outcomes are consistent, explainable, and defensible at scale.

1

Alerts Don't Reduce Risk — Outcomes Do

Detection indicates that something may be wrong.

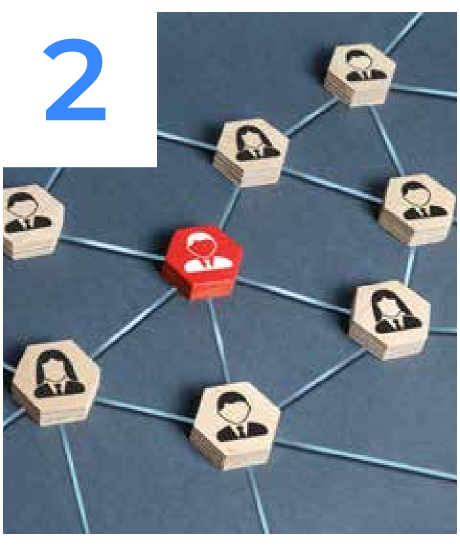
But from a regulatory perspective, risk is only reduced once a decision is made and can be clearly justified.

Regulators are not assessing alert volumes. They are asking:

- Was the investigation complete?
- Was the decision supported by evidence?
- Was the SAR accurate and timely?

Detection is an indicator of potential risk. Consistency and defensibility are what regulators evaluate.

2



Expanded Detection Doesn't Always Mean Better Risk Identification

Detection coverage has expanded — but often through incremental additions to rule-based systems.

This increases alert volume, but does not consistently improve the ability to identify the most relevant or complex financial crime risk.

As a result:

- High volumes of alerts persist
- Complex risks can still be missed
- Teams are required to process more, not necessarily better, signals

More alerts do not equal better outcomes.

3

Automation Doesn't Fix Weak Detection

In response to rising volumes, many institutions are introducing automation or agentic investigation layers.

While these approaches can improve efficiency, they do not resolve the underlying issue.

Applying automation to low-quality or inconsistent alerts risks amplifying inefficiencies rather than eliminating them.

If detection is not identifying the most relevant risk, downstream automation cannot correct it.

4

Investigation Processes Haven't Kept Pace

Most investigation frameworks were designed for:

- Rule-based alerts
- Linear cases
- Lower volumes

Today's reality is different.

Analysts are working with more complex, interconnected patterns of activity that often still rely on:

- Manual data gathering
- Fragmented systems
- Analyst-dependent workflows

The process has not evolved at the same pace as the risk.

5

Inconsistency Creates Hidden Regulatory Exposure

In many institutions, similar alerts can lead to different outcomes depending on the analyst, team, or region.

This results in:

- Variability in decision-making
- Inconsistent documentation
- Increased QA and audit effort

Inconsistent decisions introduce regulatory exposure that may not be visible until supervisory review.

6

SAR Quality Reflects the Entire Process

Suspicious Activity Reports are one of the clearest indicators of AML program effectiveness.

Regulators assess:

- Clarity of reasoning
- Strength of supporting evidence
- Consistency across filings

Weak or inconsistent decision-making upstream leads directly to:

- Poor-quality narratives
- Follow-up inquiries
- Increased scrutiny

SAR quality is not just a reporting issue — it reflects how decisions are made.

7

The Highest Risk Sits Between Detection and Decision

Most AML investment has focused on detection.

But the greatest exposure often exists after the alert is generated and before a decision is made.

This is where:

- Investigations slow down
- Errors occur
- Decisions diverge
- Risk accumulates

The most critical point of failure is not detection — it is how consistently outcomes are determined and defended.

What This Means for US Banks

Leading institutions are shifting their focus

From:
"How well are we detecting risk?"
To:
"How consistently and defensibly are we resolving it?"

This shift includes:

- **Prioritizing risk-relevant, actionable alerts**
- **Structuring investigations for consistency**
- **Embedding reasoning into every decision**
- **Producing clear, defensible SARs at scale**

The Bottom Line

Detection identifies risk.

But regulators evaluate how you resolve it — and how well you can defend it.

From a supervisory perspective, inconsistency is not an efficiency issue, it is a control failure.

ThetaRay enables banks to move beyond legacy, rule-based detection — connecting risk-relevant detection with consistent, explainable decisioning and defensible outcomes.

Learn how ThetaRay's AI solutions can elevate your financial crime compliance frameworks.
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