



xapien

# Navigating legal compliance and conflict challenges with AI

A guide to using AI in enhanced due diligence and investigations

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# Contents

Contents .....	2
Introduction .....	3
The importance of compliance in the legal industry.....	4
How Xapien enables heightened compliance .....	6
Case study – Griffin Financial Technology .....	8
Conflict of interest in the legal industry .....	9
Case study – University of Cambridge .....	12
Conclusion .....	14



# Introduction

In recent years, the legal sector has seen a surge in Artificial Intelligence (AI)-powered solutions. While legal teams are still testing their comfort limits with the technology, it's clear that the impact will be far-reaching, affecting not only the practice of law but also the back office and management of firms.

An example of this is compliance, where AI can enhance and improve practices. By doing so, it reduces the workload for compliance teams and improves accuracy in the face of rapidly evolving and complex regulations.

Conflicts are another area where AI can have a significant impact. The potential legal and ethical consequences of undisclosed conflicts mean that law firms need to be proactive in identifying potential conflicts. But the research involved can be time-intensive and resource-heavy, which is where AI excels.

By leveraging AI-powered platforms, firms can identify compliance risks and potential conflicts of interest before they lead to negative outcomes such as reputational damage, regulatory scrutiny, lawsuits, and fines.

In this eBook, we'll address the compliance and conflict challenges faced by law firms and explain how Xapien's AI-powered software can efficiently manage them.



**AI-powered solutions in the legal sector are evolving fast and will be transformative.**

**Chris Green**  
CEO, Xapien



# The importance of compliance in the legal industry

## Maintaining compliance under changing regulations

Law firm compliance teams balance numerous demands. They act as regulators' eyes and ears, ensuring both their firm and clients comply with regulations. Meanwhile, they face pressure to provide swift and precise answers on complex business structures.

Further complicating matters are ever-evolving regulations, stricter anti-money laundering laws and sanctions, and high non-compliance fines. And for firms with a global reach, multiple sets of compliance rules add to the challenge.

A recent report by FTI Consulting and Relativity revealed that 60% of legal leaders feel new regulations necessitate constant policy updates and additional hiring. Compliance teams carry the responsibility to ensure their law firm remains compliant.

In addition to the challenges posed by changing regulations, compliance teams must also navigate the broader regulatory landscape, such as the recent expansion of US antitrust regulations to include factors beyond consumer impact.

Anti-Money Laundering (AML) laws in the US are ever-expanding, placing increasing requirements on regulated entities to enhance their AML compliance processes when it comes to identifying, mitigating, and monitoring money laundering and terrorist financing risks. For law firms, this means staying informed on the changing regulatory landscape, and ensuring their AML compliance processes are robust and effective to avoid potential legal and reputational risks.

We're seeing these types of changes in Europe, too. Starting from April 2023, UK firms will be required to report discrepancies between information on existing customers' owners and the Persons with Significant Control (PSC) register at Companies House.

Meanwhile, the Solicitors Regulation Authority (SRA) has increased its enforcement efforts, imposing 37 fines in 2021/22, up from 16 in 2020/21 and seven in 2019/20, with 23 of the fines relating to money laundering.

And, in 2023, a new Anti-Money Laundering Authority will become operational in the EU. The Authority will enhance coordination and cooperation among Financial Intelligence Units and countries, refocusing efforts on AML with more robust enforcement of regulations.

### Suggested reading:

[Click here](#) to learn more about how ESG is affecting other professions.





## Compliance challenges confronting firms in 2025

### Multiple jurisdictions

As law firms and their clients increasingly operate in multiple jurisdictions, compliance management becomes a greater challenge. Each jurisdiction has its own regulations that must be maintained, making it difficult to onboard legal clients quickly and easily.

### Stricter ESG requirements

Environmental, Social and Governance (ESG) considerations are becoming a more important compliance issue for law firms. In 2023, the UK's Financial Conduct Authority will take a tough stance with new rules aimed at combating 'greenwashing' as part of its consumer protection strategy, resulting in a growing number of general counsels who are responsible for ensuring ESG compliance.

### Tighter budgets

The global economic downturn has resulted in many industries, including the legal sector, having to do more with less due to tighter budgets. For firms, this means having to deliver on increasingly complex compliance requirements with fewer resources at their disposal.

### Building a positive work culture

Legal professionals face numerous compliance demands, making it difficult to establish a balanced work environment that supports their staff. Analyst and compliance officer workloads can be heavy, as they spend several hours a day running background searches on new or potential clients. While working from home policies can help to mitigate this pressure in the short-term, a more robust solution will be required in the long-term to establish a positive work culture.

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Xapien does what would take me hours or days in a few minutes.

Senior analyst  
Risk consultancy

“

Xapien is a very dynamic catalyst for getting to where I want to go. You could trust Xapien more than an untrained analyst in that respect.

COO  
Fulcrum Diligence





# How Xapien enables heightened compliance

Law firms need a thorough understanding of potential clients to guarantee compliance. As regulatory powers expand, onboarding teams must not only verify current sanctions or political exposure of potential clients but also assess the risk of future sanctions by checking for close ties with high-risk entities. That means existing clients seeking new representation should also undergo renewed checks.

But when multiple parties are involved in a case, manually conducting comprehensive background research is near impossible, and causes a huge drain on company resources and processing times.

Legal practice management software, case management systems, and other legal professionals will all rely on these background checks being performed before onboarding, slowing down the whole process.

Xapien's search engine searches datasets, from PEPs and sanctions lists to corporate records, as well as scouring open-source information for any potential risks. With the ability to process over 133 languages, compliance teams working within global organisations can get a holistic understanding of potential clients.

Xapien helps law firms detect risks that might be overlooked due to language barriers by processing all open-source data points, a task that would take human analysts' days (or longer). Legal teams save hours of their time and clients experience a more seamless onboarding.

Let's take a closer look at how Xapien is transforming the management of compliance risks for law firms.



**Xapien is instrumental in giving a quick, strong understanding of individuals and their sanctions exposure.**

**Director**  
Dechert LLP

## Evolving regulations

Evolving compliance risks can be challenging due to constantly changing sanctions and anti-corruption regulations. For example, a firm may comply with US OFAC sanctions but not with sanctions against certain Libyan entities imposed by other governments. Vetting procedures can be time-consuming, creating unfavourable client first impressions and wasting company time.

Xapien helps law firms stay on top of regulatory changes by searching AI-powered PEPs and sanctions databases, news articles, corporate records, and wider internet data. It can identify key networks and affiliations around clients who may be added to sanction lists. With Xapien, legal teams can automate much of the client intake process with AI, making it easier to understand potential risks associated with clients

Xapien is also able to detect secondary mentions or references to a client, such as a person who is not directly sanctioned but is mentioned in media articles as a 'close friend' of a sanctioned figure. It processes only public domain data and has built-in regulation capabilities to prevent privacy law violations.

Xapien's neural risk classifier can understand the meaning of words and distinguish between genuine risks and non-risks. Previously, this had to be done manually, with compliance experts carefully reading through every article about the prospect to determine relevance.

Consider the following scenario. A potential client asks Law Firm X to represent them in a merger. Law Firm X's compliance team checks the client's name against PEP or sanctions lists and searches for keywords related to risk. They find nothing problematic and the whole process takes one day.

However, the same client approaches Law Firm Y, who uses Xapien to conduct their compliance research. In just seven minutes, they uncover news reports showing that the client is believed to hold assets from the Russian president. Law Firm X is unaware of this information and could potentially onboard a high-risk client, damaging their reputation.

Law Firm Y, on the other hand, can make an informed decision and choose to reject the client if they deem the risk is too high.



## Showing proof of due diligence

Proving due diligence through search engine history is not only time-consuming but also prone to errors. Moreover, failing to comply with regulations such as the UK's Money Laundering Regulations can result in significant consequences, as highlighted by the Solicitors Regulation Authority's review of 400 firms' risk assessments in 2019.

Although this has since improved as automated due diligence has increased, partial or complete non-compliance levels remained high in 2021-22, as law firms battled with the ongoing and significant challenges facing them.

Xapien uses a standardised reporting structure and timestamps on information to ensure a streamlined and audit-friendly process. It also provides 'no trace reports' when there is little to no information found on a subject, indicating that a report has been run and gone down all the rabbit holes.

Additionally, its machine-reproducible techniques and cloud computing scalability ensures that even the largest teams and processes can achieve repeatability and consistency. In other words, it guarantees that there is uniformity in information gathering and reporting standards.



**A massive element of their value is that they source everything.**

Alex Nash  
MLRO, Griffin

## KYC research at speed

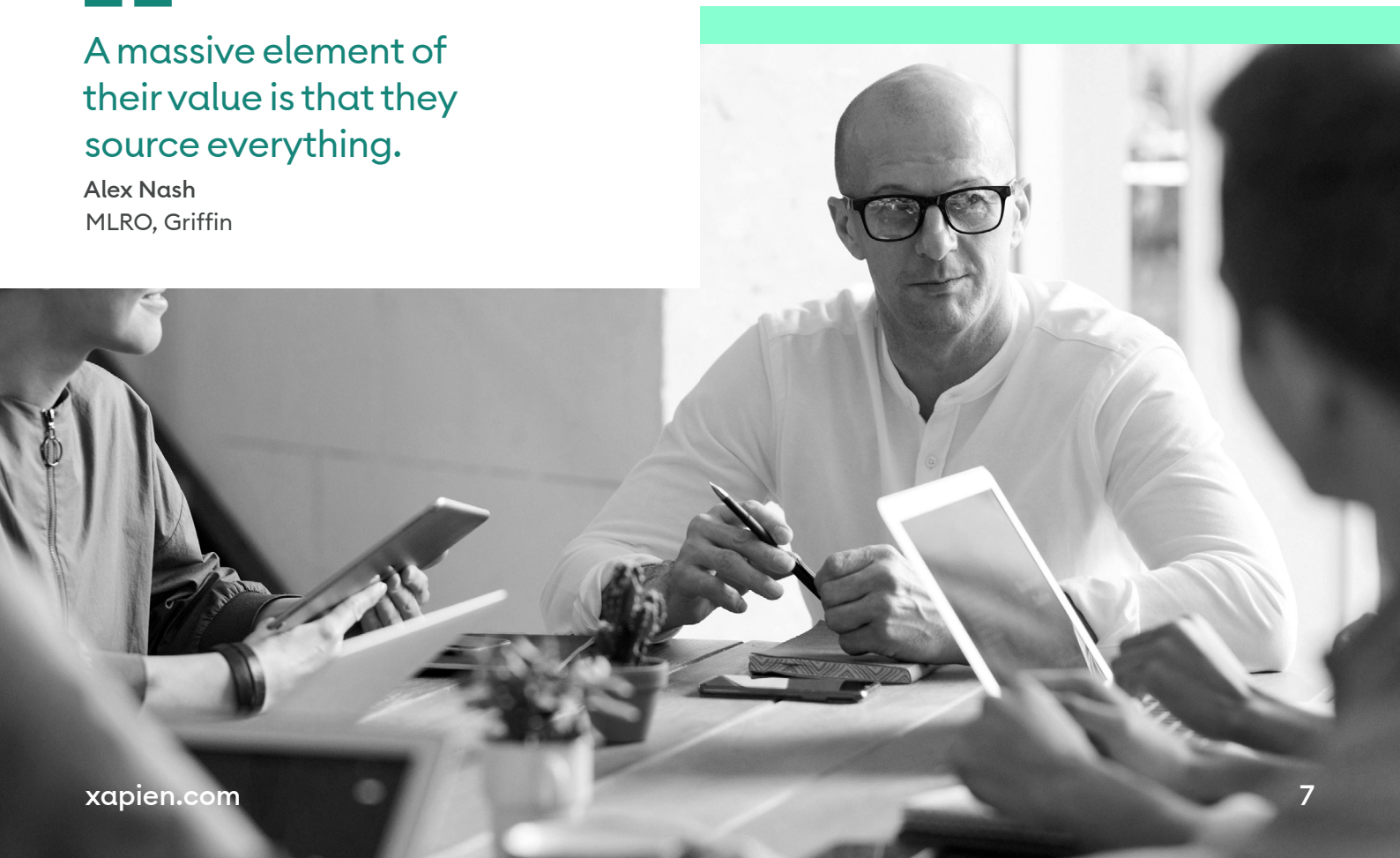
Manually conducting Know Your Customer (KYC) research can lead to delays in client onboarding and reduced satisfaction, while rushing due diligence can result in overlooked warning signs, compliance breaches, negative publicity, and financial repercussions.

Xapien allows legal specialists to quickly generate comprehensive, easily readable reports on an individual or company. It provides law firms with the opportunity to quickly obtain the information they need, without overwhelming potential clients with excessive questions.

Investigative legal teams can then make informed decisions about accepting clients. They will have full insight into any potential risks – including those that they might not have thought to look for.

### Bottom line

Xapien helps legal firms' lower compliance-related risks, increase productivity, and reduce costs. As regulations and global interconnectivity grow ever more complex, the firms that harness automation and AI to help them overcome these challenges are the ones that will pull ahead.





# Case study

## Griffin Financial Technology

Griffin, a banking-as-a-service provider, uses Xapien to perform due diligence on businesses. Whenever a prospect or supplier is mentioned, they are checked using Xapien.

The software runs background checks automatically, and the compliance team receives the results in around 12 minutes.

The team then spends about half an hour reading the results to assess direct and indirect risks, as well as other relevant information. This helps ensure that the necessary compliance measures are in place quickly and efficiently.



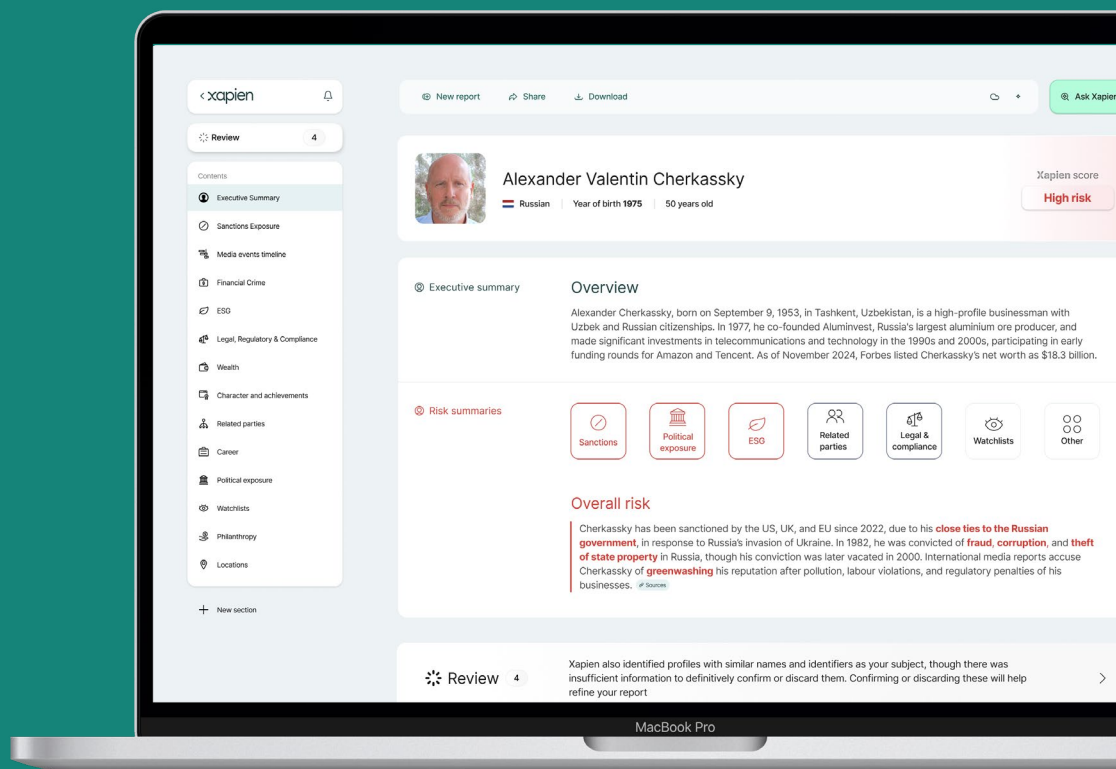
Now, I can leave Xapien running in the background while attending to other compliance needs.

Alex Nash  
MLRO, Griffin



I cannot overstate how much easier due diligence is with Xapien. Enhanced due diligence on a prospect used to take the best part of a day. You can sometimes go down a rabbit hole of searches and reviewing news stories to try to determine whether they are proven, hearsay or media speculation. Xapien enables us to get all that data in 12 minutes or less.

Alex Nash  
MLRO, Griffin



# Conflict of interest in the legal industry

Conflicts of interest are among the greatest and most wide-ranging threats that law firms grapple with today.

Undeclared conflicts of interest open the door to lawsuits, disqualified court cases, and fines. Any lawyer who is aware of a conflict and fails to disclose it can face disciplinary action or even lose their licence.

Conflict can take many forms and can be on the side of the lawyer or the client. A lawyer may have represented opposing sides, while a client might have problematic connections to existing customers or their subsidiaries.

As laws and regulations change, new conflicts may arise. That's why ongoing research is crucial.

Historically, law firms faced a choice: they could invest time and resources into staying on top of potential conflicts of interest, and hopefully reducing the risk of legal or ethical fallout, or they could avoid the investment and remain exposed.

Today, tools such as Xapien help firms stay one step ahead by allowing them to discover conflicts before they become an issue, without dramatically increasing processing times or costs.



As we support clients in accessing prospects, capital, and talent in the region, Xapien's open-source information is streamlining and tackling compliance and wider business challenges to enable the future of finance.

**Jacques Visser**  
Chief Legal Officer,  
Dubai International Financial Centre (DIFC)

## Why it matters

### Penalties

The penalties for undisclosed conflicts of interest vary from jurisdiction to jurisdiction, but disqualified cases, lawsuits, fines and debarring are all potential outcomes.

### Reputation

A law firm that is investigated for failing to observe a conflict of interest will see its reputation severely damaged, particularly if the breach is related to a high-profile client or is reported by the media.

### Internal cohesion

Although it is imperative that conflicts are investigated, delays in doing this can lead to tensions between partners and compliance teams, provoking significant risk of a conflict. Partners want to onboard legal clients easily and regularly win new business, but compliance teams must ensure the firm is following all relevant regulations. This can lead to disagreements and delays in the client intake process.





## The impact of conflicts: Real-world examples

Law firms today have an array of technology at their disposal, enabling them to stay on top of potential conflicts of interest. However, few firms are putting that technology to use by automating legal intake. Significant and widely reported-upon conflicts within just the last few months include:

### Conflict due to family associations: Jane Sullivan Roberts

A former law firm colleague raised ethics concerns over Supreme Court Chief Justice John G. Roberts Jr.'s wife, Jane Sullivan Roberts. Mrs. Roberts left her legal career to become a recruiter to avoid potential conflicts, but her former colleague claims that her work poses ethical issues for the chief justice.

Records were provided to the Justice Department and Congress, indicating that Mrs. Roberts received millions in commissions for placing lawyers at firms, some of which have cases before the Supreme Court.

### Conflict due to an employee's interests: Husch-Blackwell

A Kansas City engineering firm was awarded \$62 million due to legal misconduct by a lawyer named Charles Renner. Renner represented the winning bid for a billion-dollar airport project while also acting for the city of Kansas City.

As a result, Renner's law firm, Husch-Blackwell, will pay the fine for the misconduct. In other words, Renner's conflict of interest resulted in his firm being held responsible for the damages suffered by the engineering firm that lost out on the airport bid.

### Conflict due to previous work: Sullivan & Cromwell

The law firm Sullivan & Cromwell faced criticism for a conflict of interest in a high-profile FTX bankruptcy case. The firm had been accused by four US senators, FTX creditors, and the US trustee overseeing the case, who claim its initial disclosures were incomplete.

They argued that Sullivan & Cromwell had a conflict of interest as it previously provided regulatory services and advised on acquisitions for FTX. In the end, Sullivan & Cromwell LLP won the case.

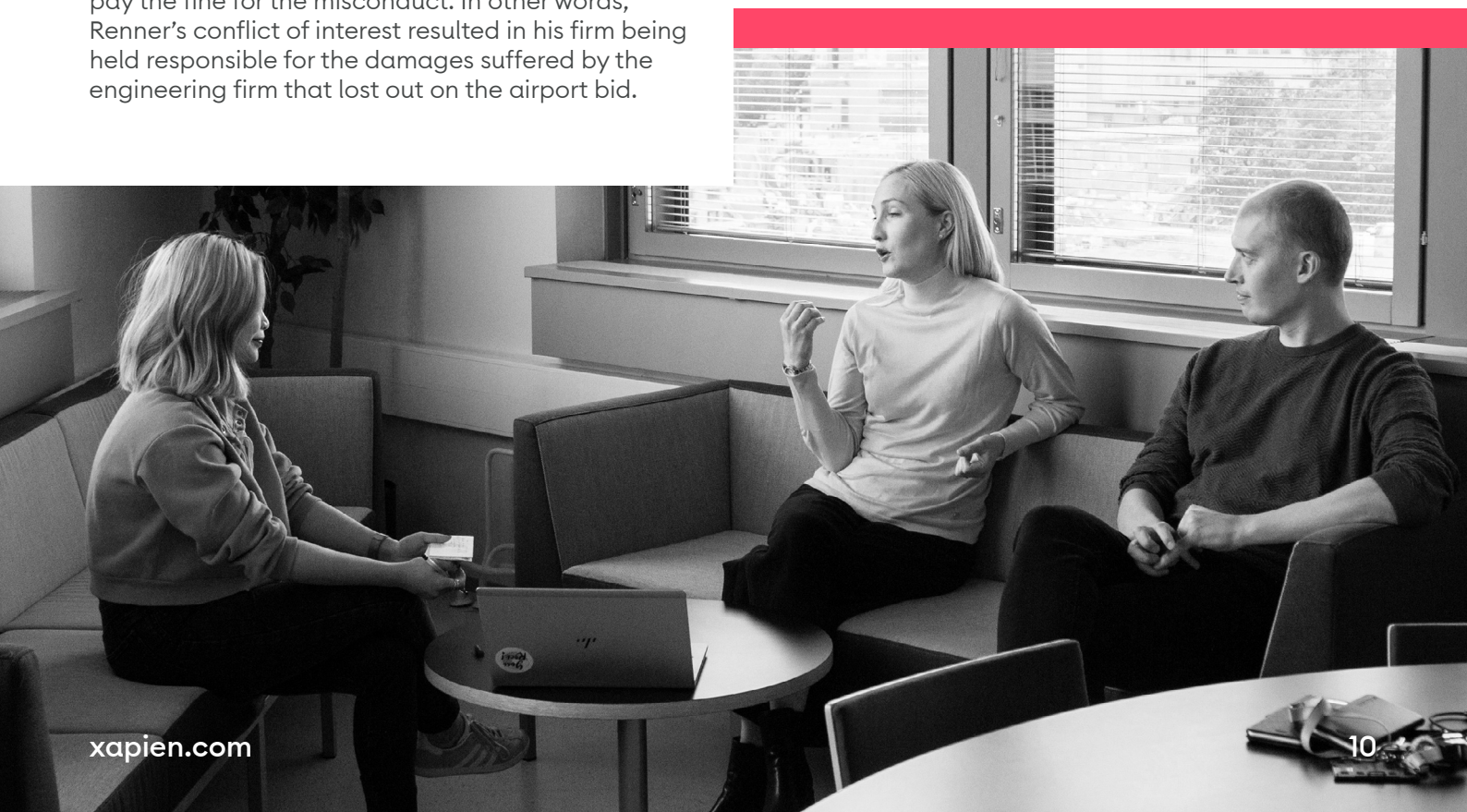
### Conflicts across borders: Dentons

The law firm Dentons was disqualified from representing a client due to failure to disclose conflicts in a \$32 million verdict. The appeals court upheld the disqualification of Dentons' US arm after it failed to disclose conflicts related to Dentons Canada.

While Dentons argued that each office serves different markets, the court ruled that the firm functions as a single entity, and therefore must check for conflicts across its entire network.

### Suggested reading:

[Click here](#) to learn more about the impact of poor or insufficient client due diligence with real-world.



## Identify conflicts of interest fast, with Xapien

The conflicts surveyed here took place at large law firms with major budgets. While choosing not to invest in comprehensive conflict management may appear to save costs, the resulting penalties and reputational damage caused by conflicts end up costing more than what was saved initially.

But it doesn't have to be this way. Xapien is an intelligent tool that can be used to automate the repetitive parts of conflict management, enabling law firms to conduct deep due diligence, assess private and commercial clients, make decisions quickly, and remain within budget.

Traditional research methods rely heavily on manual research methods. Combined with database checks, this consumes hours of work in large law firms, whilst exposing the firm to risks as database checks are inherently limited in nature. If an entity is not present on a list, then a database tells you nothing, requiring further manual research from legal teams.

A conflict team might discover that their law firm has represented an opposing party in a previous case, or that existing clients are in conflict. Alternatively, information might surface suggesting that a client would be unsuitable, demanding further investigation.

This situation often arises after a substantial amount of time has been invested in the client and leaves firms with two options: invest further resources into investigating the conflict – even if the client may eventually be unsuitable – or immediately reject the client to minimise potential losses.

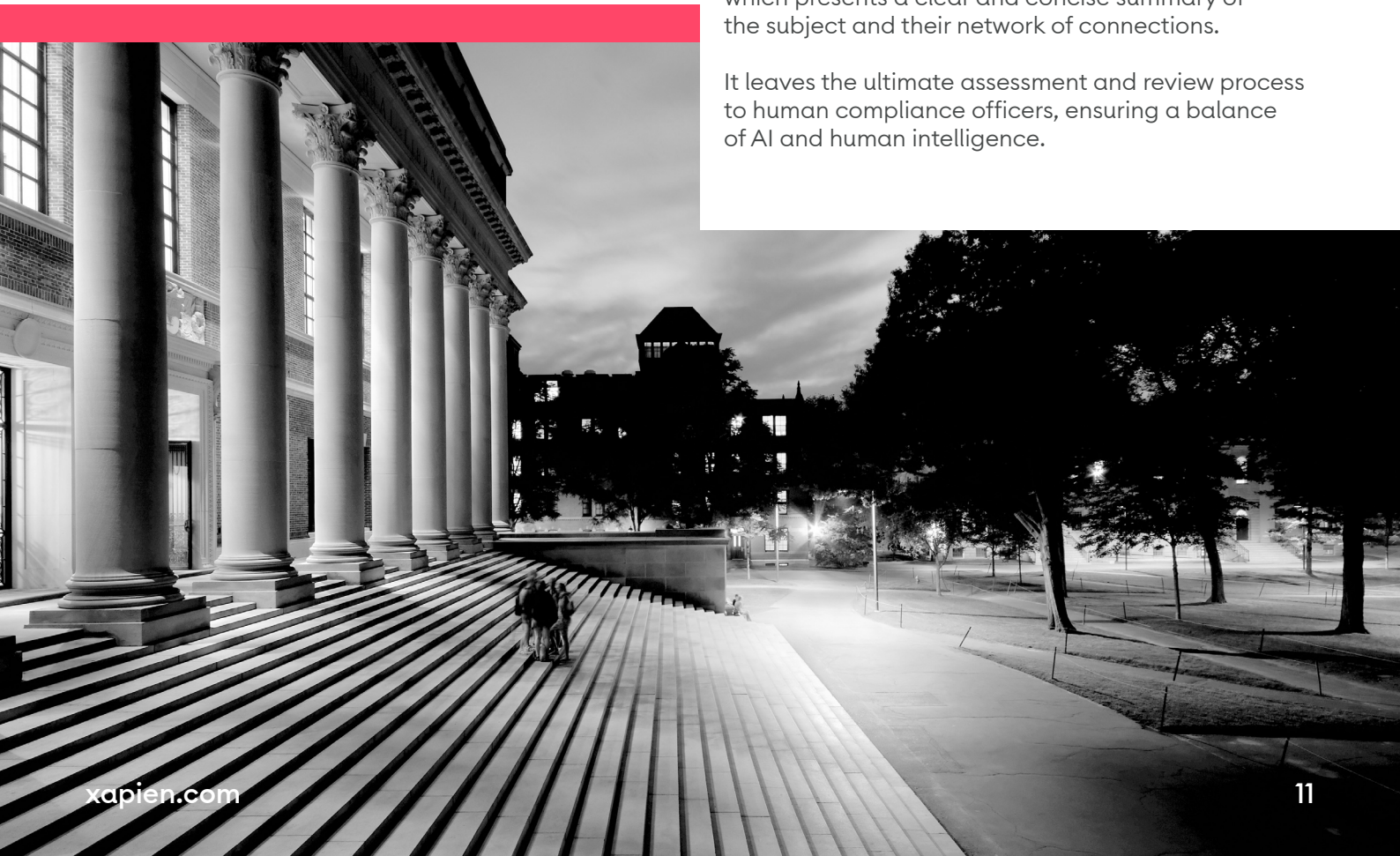
A conflict team might discover that their law firm has represented an opposing party in a previous case, or that existing clients are in conflict. Alternatively, information might surface suggesting that a client would be unsuitable, demanding further investigation.

Xapien can deliver insights from the public domain on any individual or business, providing results in 15 minutes. These searches can be carried out as soon as a client approaches a firm, ensuring that unnecessary time and resources are not spent on clients who will be dead ends.

Xapien intelligently searches across millions of publicly available online data sources, recognising false positives and presenting analysts only with relevant information. It does this research using just a few pieces of information, such as the name of a person and their organisation, unlike other reputational risk tools which often require extensive client input.

Xapien then builds a complex 'knowledge graph' in the background, which connects individual pieces of information together. This graph serves as the foundation for generating an easy-to-digest report which presents a clear and concise summary of the subject and their network of connections.

It leaves the ultimate assessment and review process to human compliance officers, ensuring a balance of AI and human intelligence.





# Case study

## University of Cambridge

A prospect offered to make a five-figure donation to Cambridge University and was subsequently run through Xapien. The search revealed that they had worked for a firm that had invested in fossil fuels – but that this investment branch was now closed.

Xapien provided a depth of information and high-quality risk analysis, allowing the university to make an informed decision about whether to proceed with the gift.

Without Xapien, Cambridge University may have had to turn away the deal due to ESG concerns.

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Xapien enables fundraisers to focus their energy where they'll be most successful, raising more money for research, grants and facilities.

Development Research  
and Due Diligence Manager  
University of Cambridge

“

Xapien is protecting academics, fundraisers and other donors from associating with people who are problematic.

Development Research  
and Due Diligence Manager  
University of Cambridge



## Examining client networks and histories

Let's explore how law firms use Xapien to manage conflicts of interest in further detail.

A conflict of interest can be more subtle than a client being a director or major shareholder. They might have a family connection to someone within the firm or may have made a donation that would ring alarm bells for regulators.

These conflicts take time to uncover when conflict teams rely on manual research. Furthermore, firms must ensure they have put effective safeguards in place to protect a client's confidential information so that the onboarding research process itself doesn't infringe on any other regulations.

Xapien's technology can generate a broad yet nuanced picture of any person or company in minutes, assessing only open-source data sources. It can reveal the companies a person has resigned from and identify any risk-related mentions of that person in the media. It searches databases alongside news and media articles, corporate records and more, providing analysts with a highly readable, in-depth report.

Xapien doesn't just present articles for conflict teams to read, but also reads and processes them itself. Assets, associates, wealth, business roles, descriptions, quotes and affiliations are identified, summarised, categorised, and presented in a digestible report. If it becomes clear that no conflicts need to be investigated further, the client can be quickly onboarded.

Alternatively, if the conflict team has evidence of a conflict, they can transparently show their sources and share potential solutions.

This understanding of client networks and histories doesn't end when a client has been onboarded: it must continue throughout their time with the firm. If a conflict of interest arises, a client has breached their code of conduct, or a client is acting in a challenging way, law firms should assess their background information to ensure that key regulatory requirements are still being met.

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Xapien doesn't just present articles for conflict teams to read, but also reads and processes them itself... summarised, categorised, and presented in a digestible report.





# Conclusion

The manual process of compliance research is slow and can take several hours – if not days – to complete. This often leads to delays in client onboarding, which can frustrate both the client and the firm.

Similarly, managing conflicts can be a challenge that results in reputational damage and financial consequences when the research is rushed.

Xapien's technology enables users to swiftly generate comprehensive and easily understandable reports on individuals or companies within a matter of minutes. Both compliance and conflicts teams or partners can quickly access the information they need, without subjecting clients to excessive inquiries.

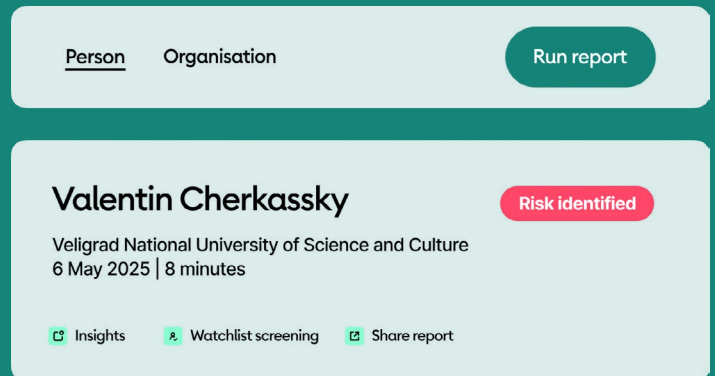
And, with access to all relevant information, including potential risks that may not have been considered, they can make informed decisions about client acceptance in the best interests of both the client and the firm.

The best part? It streamlines onboarding, reduces the risk of a conflict situation, and allows clients to become billable in as little as 30 minutes.

By providing a faster, more accurate, and more efficient solution, Xapien is transforming how law firms manage compliance and conflicts risks, enabling them to deliver an even better service to their clients.

## Get in touch

Learn more about how Xapien can support your firm today.



Seeing the product  
was a Eureka moment

Head of Claims Fraud  
Zurich Insurance

