

ISSUE

01

November  
2024

QUARTERLY NEWSLETTER  
JEAN MONNET CENTRE OF EXCELLENCE  
NEAPOLIS UNIVERSITY PAFOS

# AI-2-TRACE-CRIME

## AI Solutions for a New Economy

The Jean Monnet Centre of Excellence AI-2-TRACE-CRIME is at the forefront of exploring how AI can transform the fight against financial crime in the modern economy. By studying cutting-edge AI techniques such as machine learning, natural language processing, and advanced analytics, the Centre is exploring tools to combat money laundering, trace illicit assets, and enhance financial security.

These AI-driven solutions not only streamline asset recovery but also address emerging economic challenges, including digital financial crimes and cyber threats. By fostering innovation in collaboration with legal, technological, and regulatory stakeholders, the Centre aims to create a trustworthy AI framework that supports a resilient global economy.



## this issue

Jean Monnet Center of Excellence [P.1](#)

The new AI Act of the EU [P.2](#)

The new AI Office [P.3](#)

Activities of our Center [P.4](#)

## Jean Monnet Center of Excellence AI-2-TRACE-CRIME

The Jean Monnet Centre of Excellence AI-2-TRACE-CRIME, hosted by Neapolis University Pafos, is an interdisciplinary hub focused on advancing the responsible use of Artificial Intelligence (AI) in asset recovery, anti-money laundering (AML), and crime prevention. Led by Dr. Georgios Pavlidis, the Centre brings together experts from law, computer science, and international studies, supported by an Advisory Board of external experts.

This EU-funded initiative operates through three thematic streams. The first explores the development of legal frameworks for ethical and transparent AI use in AML and crime prevention, focusing on human rights, accountability, and data protection. The second investigates AI's technical dimensions, such as machine learning and natural language processing, to enhance tools for tracing illicit assets and detecting suspicious financial patterns. The third addresses AI's role in security, examining risks like AI-assisted cyberattacks and proposing strategies to counteract criminal misuse.

The Centre's activities include teaching, training, research, and outreach, targeting diverse audiences such as students, professionals, policymakers, and the public. Its educational resources will feature undergraduate modules, a MOOC, and open-access materials, while annual training programs will equip legal and IT professionals with skills for AI-driven AML practices. A dedicated research stream will generate innovative policy recommendations and academic contributions to shape global AI standards.

Collaboration lies at the core of the Centre's mission. Partnerships with EU bodies, local institutions, and industry stakeholders will facilitate knowledge exchange, while a placement program will connect students and professionals with opportunities to apply interdisciplinary insights. Dissemination efforts include quarterly newsletters, public events, and a robust online presence, ensuring the Centre's outputs reach a broad audience.

As a pioneer in merging AI research with legal and ethical imperatives, the Centre is poised to make a lasting impact on European and global approaches to combatting financial crime and enhancing security through trustworthy AI.

# The new Artificial Intelligence Act of the EU

The EU AI Act is a landmark regulatory framework designed to ensure the ethical and trustworthy use of Artificial Intelligence across Europe.

By establishing clear guidelines for AI development and deployment, it promotes accountability, transparency, and respect for fundamental rights.

The Act categorizes AI systems based on their potential risks, addressing concerns such as bias, data protection, and cybersecurity.

For sectors like AML and crime prevention, the Act offers a robust foundation for integrating AI responsibly, balancing innovation with public safety.

Its harmonized approach fosters trust, boosts cross-border collaboration, and positions the EU as a global leader in AI governance and ethics.



The EU AI Act, adopted in 2024, is a groundbreaking legislative framework aiming to regulate AI technologies across Member States. As the first comprehensive attempt to regulate AI globally, the Act seeks to balance innovation with safety and human rights protection. It adopts a risk-based approach, classifying AI systems into four categories: prohibited, high-risk, limited risk, and minimal risk.

The Act imposes requirements for high-risk AI systems, including those used in critical sectors such as law enforcement, border control, and healthcare. These requirements encompass robust data governance, transparency, documentation, and human oversight. AI systems used in financial crime detection, such as AML and asset recovery applications, must adhere to accuracy and accountability standards to mitigate biases and other risks.

The legislation also addresses fundamental rights concerns by prohibiting AI systems deemed unacceptable, such as those exploiting vulnerabilities or enabling mass surveillance without lawful basis. Limited-risk systems, like chatbots, are subject to transparency obligations, requiring users to be informed of AI interaction. Minimal-risk systems, which include numerous AI applications, face no additional requirements.

The Act establishes a framework for compliance monitoring, including national supervisory authorities and a European Artificial Intelligence Board to ensure harmonized implementation. Organizations that fail to comply face significant penalties, with fines reaching up to €30 million or 6% of global annual turnover.

## What first-time IT managers really need to know.

The risk-based approach under the Act classifies AI systems into four categories: prohibited, high-risk, limited risk, and minimal risk.

### Challenges and Controversies:

The Act faces several challenges. Critics argue that its definitions of AI and risk levels are overly broad, potentially stifling innovation. Moreover, ensuring consistent enforcement across Member States poses logistical and legal hurdles. Small and medium-sized enterprises (SMEs) express concerns about the financial and administrative burdens of compliance. Furthermore, the rapid evolution of AI technologies risks rendering the framework outdated.

Despite these challenges, the EU AI Act represents a significant step toward creating a safe, accountable, and rights-respecting AI ecosystem. Its successful implementation will depend on striking the right balance between innovation, regulation, and international cooperation.



## The new AI Office

The AI Office will play a critical role in supporting the implementation and enforcement of the AI Act. Its tasks include ensuring the coherent application of the Act, developing evaluation tools for general-purpose AI models, and preparing codes of practice in collaboration with AI developers and experts. It also investigates rule violations, issues guidelines, and drafts legislative acts to ensure compliance with the regulation.

Additionally, the AI Office fosters trustworthy AI by advancing policies to harness AI's societal and economic benefits, providing advice on best practices, and supporting innovation through AI sandboxes and other resources.

Internationally, the AI Office promotes the EU's approach to trustworthy AI, collaborates on global governance initiatives, and supports the development of international AI agreements. To remain effective, the AI Office continuously monitors technological trends and systemic risks within the AI ecosystem.

Collaboration is central to its operations, involving partnerships with the European Artificial Intelligence Board, the European Centre for Algorithmic Transparency of the Commission, and a broad spectrum of stakeholders, including startups, academia, and civil society. Through the AI Pact and the European AI Alliance, it engages businesses in preparing for the AI Act and fostering an open policy dialogue, aligned with the broader goals of the Coordinated Plan on AI.

## EYE ON AI

### Current Industry Trends

One of the most significant AI trends emerging recently is the shift toward smaller, more efficient language models (SLMs). These models, while containing fewer parameters than large language models (LLMs), maintain high performance and are designed for accessibility and affordability. SLMs are particularly important as they enable offline operation on smaller devices like smartphones, making AI more inclusive and reducing reliance on high-powered infrastructure. This shift also aligns with increasing demands for sustainable AI practices by optimizing energy consumption and computational efficiency.

## Q&A Regulatory Tips

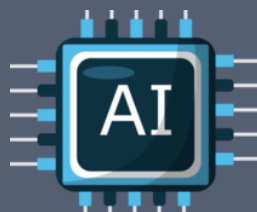
### Q: What are the key steps businesses should take to comply with the AI Act?

To align with the EU AI Act, businesses must:

- 1) Identify AI System Risk Levels: Classify their AI systems as prohibited, high-risk, limited, or minimal risk;
- 2) Implement Transparency and Documentation: Ensure high-risk systems comply with standards for explainability, data protection, and accuracy;
- 3) Establish Governance Structures: Create internal processes for compliance monitoring and reporting.

4) Engage with Supervisory Authorities: Collaborate with national regulators and the European AI Board.

5) Stay Updated: Monitor updates to the Act and adapt policies to meet evolving legal requirements



## AI Developments

### Our Picks



Multimodal AI, capable of processing diverse data types such as text, images, and video, is revolutionizing applications across industries. This technology powers tools like advanced search systems and creative design platforms, enabling more intuitive and human-like interactions.



## Other Initiatives

### European AI Alliance

This is an initiative of the European Commission to establish an open policy dialogue on Artificial Intelligence. The AI Alliance has engaged around 6000 stakeholders through regular events, public consultations and online forum exchanges.

### The first General-Purpose AI Code of Practice

This initiative will detail the AI Act rules for providers of general-purpose AI models and general-purpose AI models with systemic risks. The European AI Office is facilitating the drawing-up of the Code, chaired by independent experts, involving nearly 1000 stakeholders, as well as EU Member States

## Activities of our Center

- **Publication of Book Chapter:**

Georgios Pavlidis, AI Capone, or the criminal masterminds of the future The imagined possibilities of malevolent artificial intelligence, with an emphasis on money laundering, in: Science Fiction as Legal Imaginary, Taylor & Francis, 2024, Ch. 9

- **Participation in Training activities**

Training Workshop of the EU-funded program AHUMAIN (Human Machine Intelligence in East Africa), 23-27 September 2024; presentation by Georgios Pavlidis on the thematic 'AI and Law'

- **Participation in Training activities**

Workshop "Dialogue on Regulatory Compliance Across the Divide in Cyprus", Nicosia, 22 November 2024; event organized by Greek-Cypriot and Turkish-Cypriot AML/CFT professionals, in the context of the initiative 'EU Law Across the Diveide' with the support of the EU; presentation by Georgios Pavlidis on the thematic 'The new AML legislative package and the AMLA authority'

- **Participation in EU public consultation**

Participation of our Center to the Multi-stakeholder Consultation "Future-Proof AI Act: Trustworthy General purpose AI", organized by the EU AI Office in August 2024

