



## Future-proofing your Financial Crime Compliance Screening

7<sup>th</sup> April 2021, Wednesday  
11am IST

**Douglas Wolfson**

Director, Financial Crime Compliance  
LexisNexis<sup>®</sup> Risk Solutions



# Background and Objectives

LexisNexis® Risk Solutions has conducted a global survey of its True Cost of Financial Crime Compliance study. The following report presents findings for the APAC region.

## Specific objectives included to:

- Identify the drivers and influencers impacting financial crime compliance;
- Understand spending trends for financial crime compliance, including:
  - How spending is divided by cost of compliance area (e.g., sanctions, transaction monitoring, technology, Know Your Customer (KYC) due diligence, etc.);
  - The human resources component of these costs, particularly numbers of full-time employees (FTEs) for compliance and sanctions screening; and
  - The processing time component (e.g., length of time to complete customer due diligence by type of client/entity);
- Determine the business impact of the financial crime compliance environment, particularly with regard to new regulations and provisions; and
- Identify any challenges and impacts associated with the COVID-19 pandemic.

# Methodology

LexisNexis® Risk Solutions retained KS&R, a global market research firm, to conduct this research study.

- Data was collected by phone during October and November 2020 with a total of **231 completions**.
- Respondents included **decision makers within the financial crime function** who oversee KYC remediation, sanctions monitoring, financial crime transaction monitoring and/or compliance operations. Organizations represented **banks, investment firms, asset management firms and insurance firms**.
- LexisNexis® Risk Solutions was **not** identified as the sponsor of the research in order to lessen potential for brand bias.

In this report, firms are referred to in terms of their asset size and defined as:

- **Small asset size: having <\$10B total assets.**
- **Mid/large asset size: having \$10B+ total assets.**

3<sup>rd</sup> party/non-bank payment providers are referenced in this report (not as being part of the sampling, but as having an impact on compliance operations).

**All currency references in this report are based on USD.**

# Key Findings

1

The **cost of financial crime compliance has risen significantly** for larger financial institutions in key APAC markets, with labour contributing to this.

2

**KYC** for account on-boarding is a **key challenge** facing larger APAC banks.

3

**COVID-19 has significantly impacted** financial crime compliance operations and costs across APAC financial institutions.

4

Challenges aside, financial crime compliance activities do provide a range of **benefits** to APAC financial institutions, allowing more effective risk management and management of customer relationships.

5

Financial institutions which have **invested in technology** solutions to support financial crime compliance efforts have experienced smaller cost increases, lower costs per FTE and less negative impacts from COVID-19.



KEY  
FINDING  
1

The cost of financial crime compliance has risen significantly for larger financial institutions in key APAC markets, with labour contributing to this.



The average total projected cost of financial crime compliance across all financial institutions in APAC study countries is **\$12.06B**, with larger banks representing a sizeable portion of this.



More costs are associated with **labour** compared to 2019.

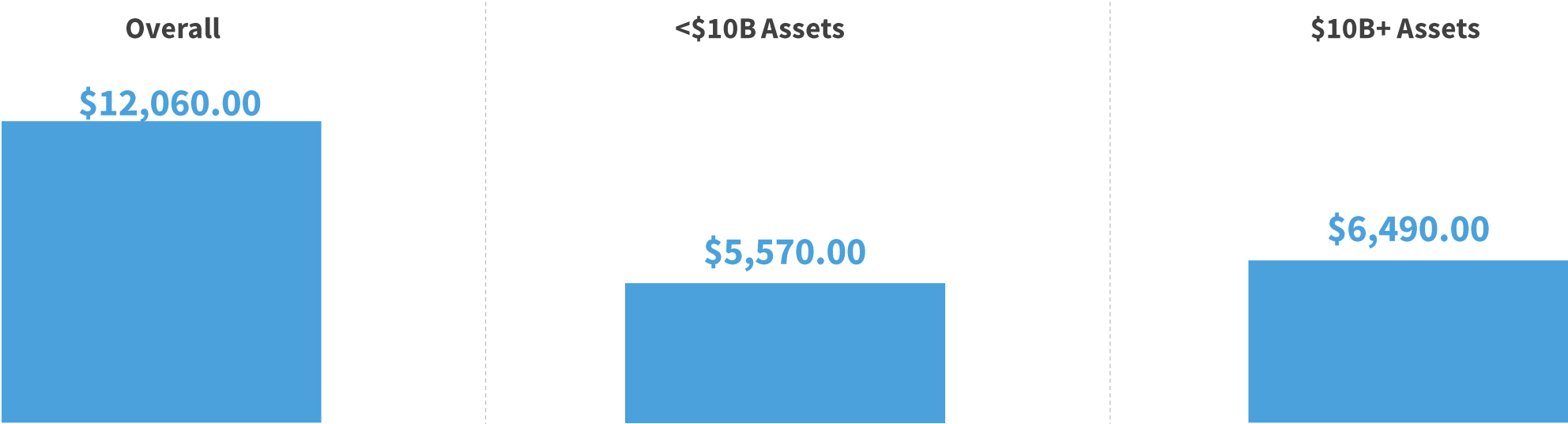


Some financial firms are screening considerably **more names** compared to last year.

# Key Finding 1: Projected Total Cost of Financial Crime Compliance Across Financial Institutions

The true cost of financial crime compliance across APAC.

**Projected Total Cost of Financial Crime Compliance\***  
**Across APAC Financial Firms**  
(Costs in Millions)

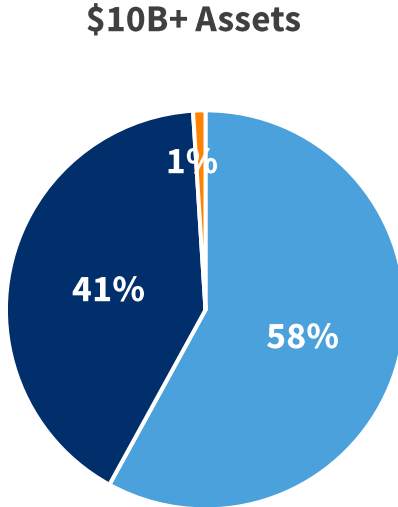
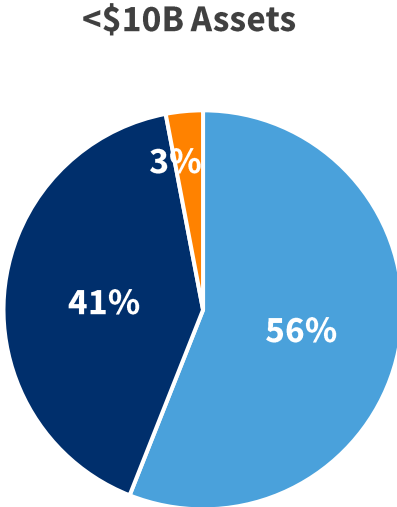
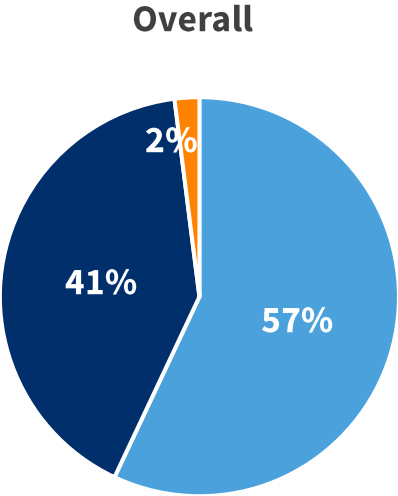


# Key Finding 1: The Role of Labour with Financial Crime Compliance Costs

Labour has grown as a percentage of total cost.

### Average Distribution of Financial Crime Compliance Operations Costs

■ Technology      ■ Labour      ■ Other costs

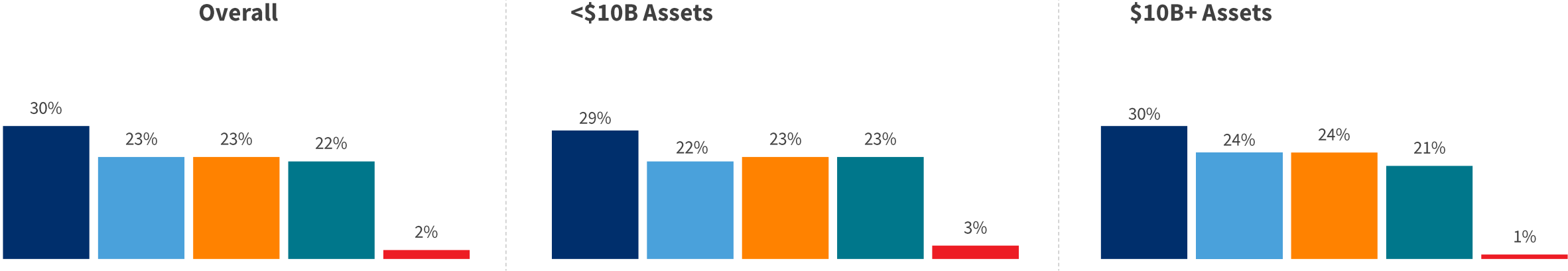


# Key Finding 1: Distribution of Costs Across Compliance Activity

The cost is spread evenly across FCC programs.

### Distribution of Financial Crime Compliance Costs by Compliance Activity

■ KYC Program   ■ AML Compliance Management   ■ Suspicious Activity/Transaction Monitoring   ■ Investigations   ■ Other







KEY  
FINDING  
2

Know Your Customer (KYC) for account on-boarding is a key challenge facing larger APAC banks.



**Retail, real estate and legal/accounting services** are key risk sectors for financial crime, particularly for APAC banks.



**KYC for account on-boarding** is a consistent challenge across APAC, especially for larger banks.



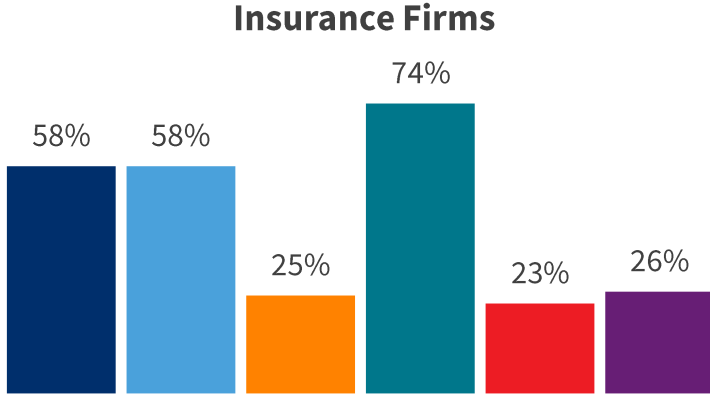
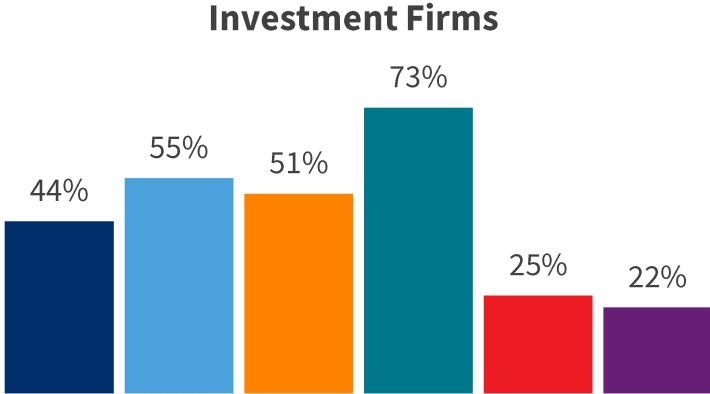
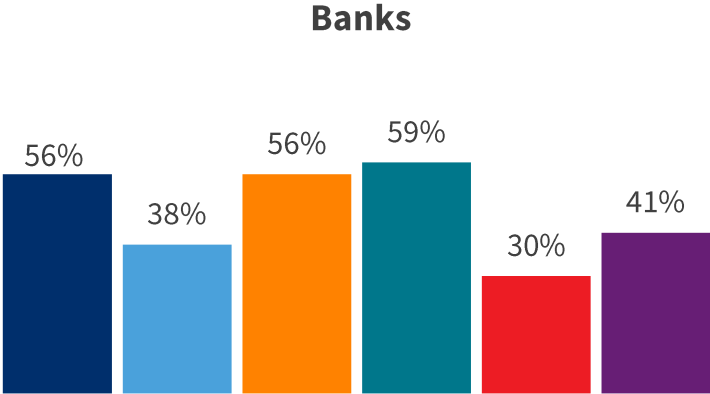
All of this is increasing pressure on compliance teams and **lessening productivity**, while increasing costs.

# Key Finding 2: New Account Risks

DNFBPs remain an outsized risk for financial institutions.

## TOP 3 Sectors That Pose the Highest Risk of Money Laundering

- Retail merchants (i.e., Retailers)
- e-Commerce merchants
- Real estate services
- Legal/Accounting services
- Media/Entertainment/Gaming/Gambling
- Hospitality

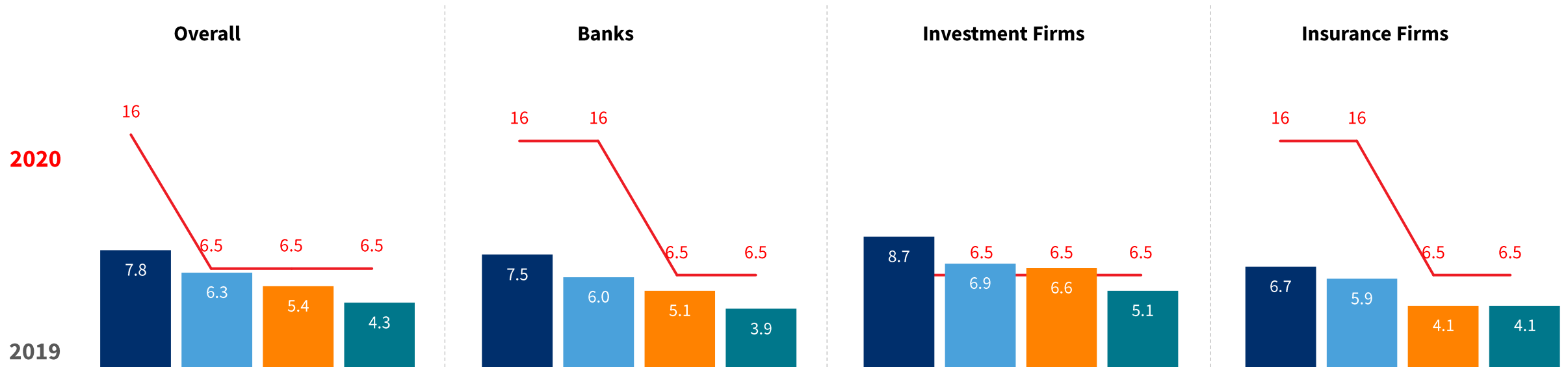


# Key Finding 2: Alert Resolution Challenges

YoY increases in hours to clear alerts.

### Median Hours to Clear the Following Types of Alerts

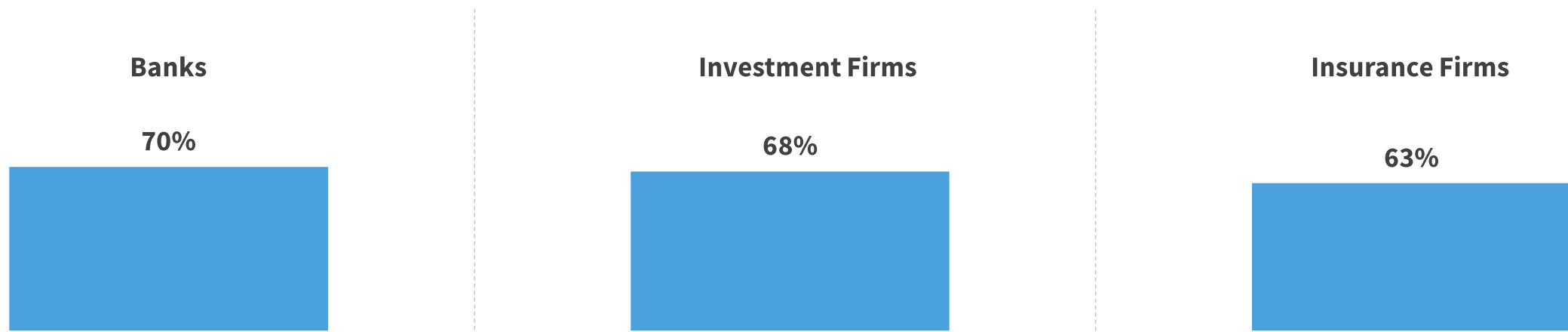
■ AML transaction monitoring alert   ■ Periodic watch-list filtering alert   ■ Sanctions alert (wires)   ■ KYC/Customer due diligence alert



## Key Finding 2: Impact of Financial Crime Compliance on Organizations

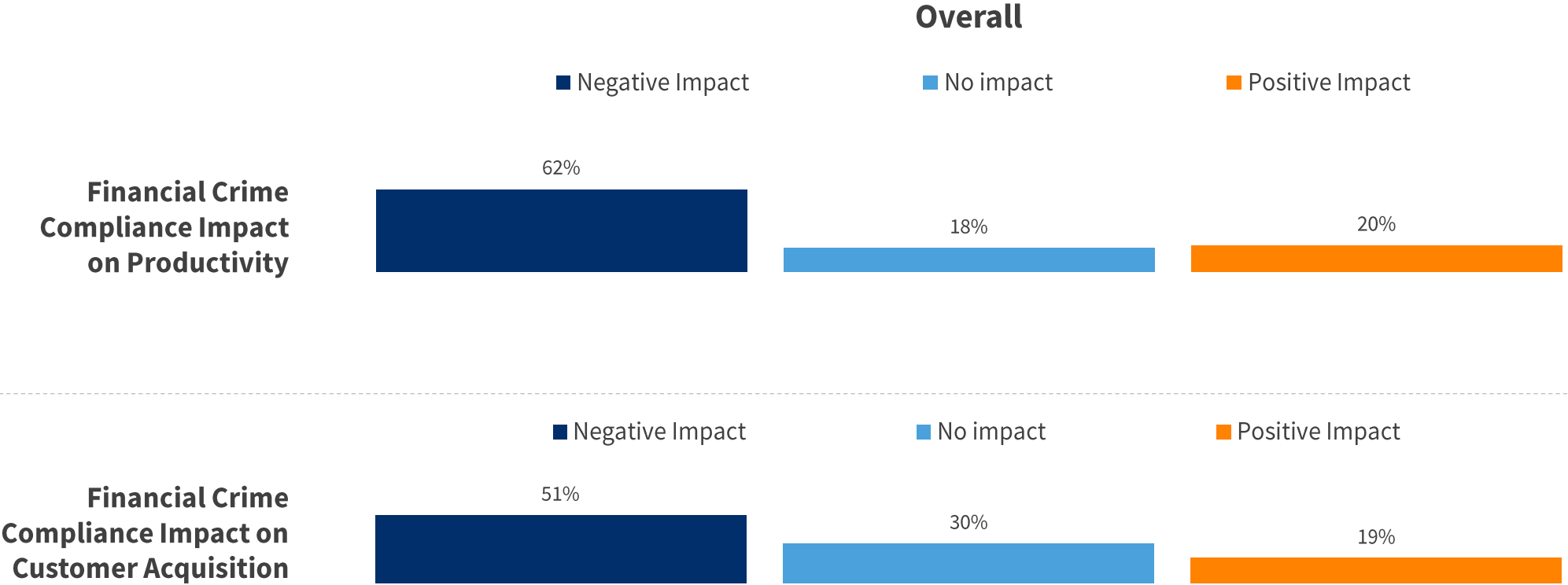
Job satisfaction remains a concern across APAC.

**% Somewhat to Very Concerned About Job Satisfaction of Compliance Staff**



# Key Finding 2: Impact of Financial Crime Compliance on Organizations

The negative impact of inefficiency.





KEY  
FINDING  
3

COVID-19 has significantly impacted financial crime compliance operations and costs across APAC financial institutions. It has compounded the current set of challenges, and particularly contributed to significant cost increases among larger banks.



Larger APAC banks attributed a **higher portion** of increased compliance costs due to COVID-19.



KYC for on-boarding and sanctions screening have been particularly **more challenging** during the pandemic period, as due diligence hours for on-boarding new foreign and large accounts have increased dramatically.

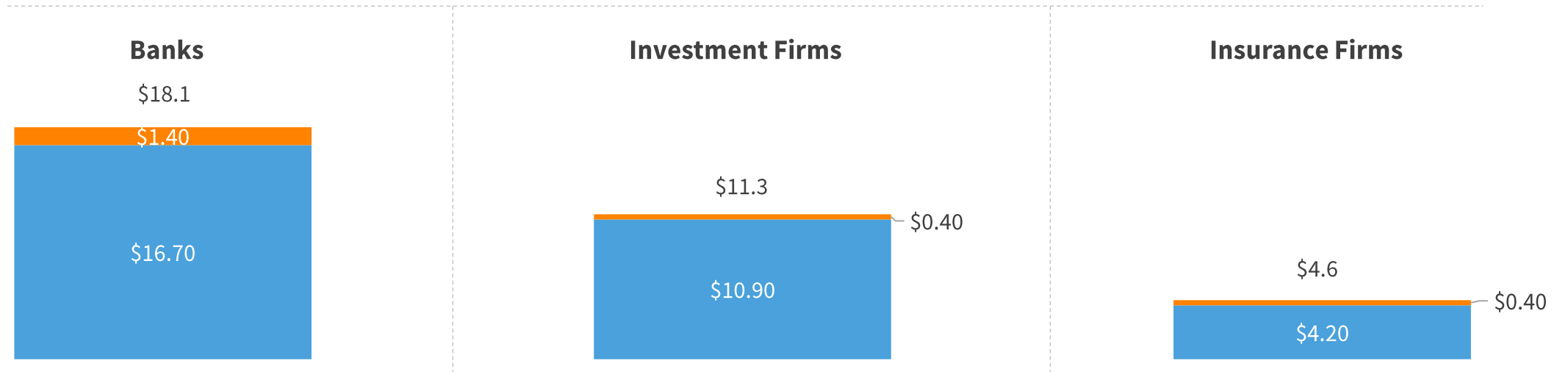
# Key Finding 3: COVID-19 Impact on Compliance Costs

Larger banks suffered greater increased costs.

**Average Annual Financial Crime Compliance Operations Costs per Organization: Including COVID-19 Impact**  
(Costs in US\$ Millions)

■ Pre-COVID-19 Period                      ■ Additional from COVID-19 Period

### Mid/Large Firms (\$10B+ Assets)

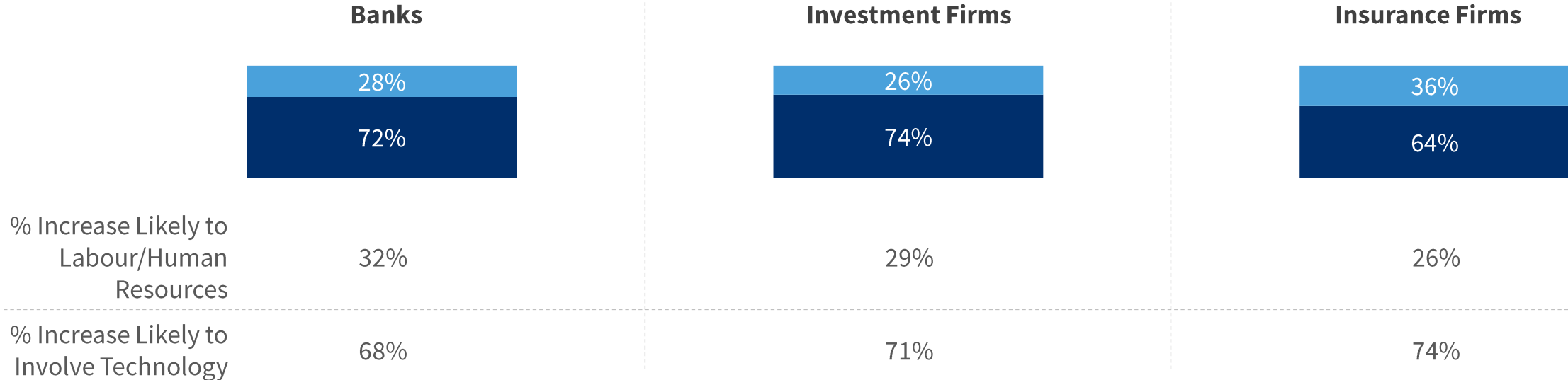


# Key Finding 3: Expected COVID-19 Impacts into 2021

2020 was a one-year blip.

**% Expecting COVID-19 to Cause Further Financial Crime Compliance Spending over Next 12–24 Months**

■ Expected Increase      ■ No Impact







KEY  
FINDING  
4

Challenges aside, financial crime compliance activities do provide a range of benefits to APAC financial institutions, allowing more effective risk management and management of customer relationships.

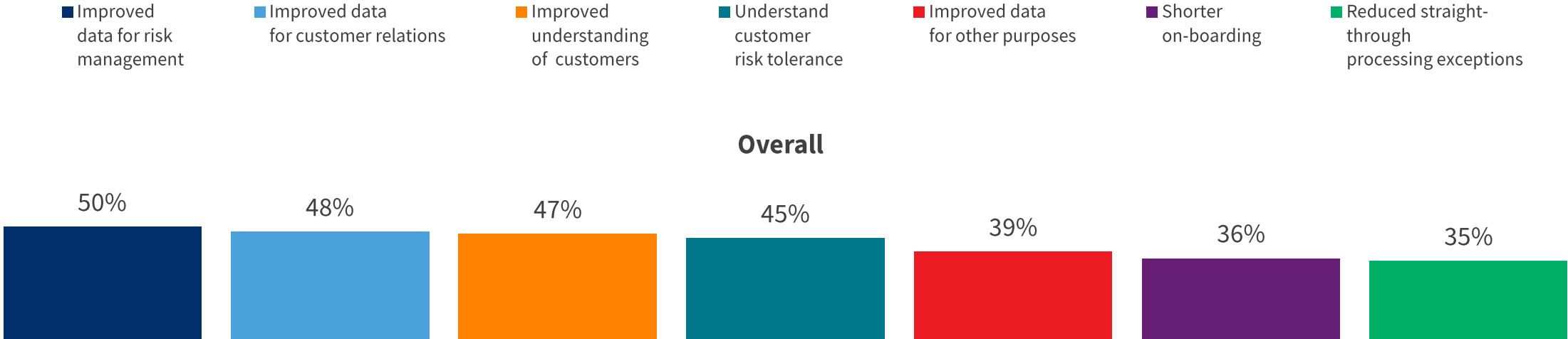


Knowing more about customers not only **supports risk assessment**, but also supports ways in which customer relationships and business opportunities can be managed.

# Key Finding 4: Financial Crime Compliance Processes Provide Benefit to the Wider Organization

Positive benefits of a stronger FCC program.

### Benefits from Financial Crime Compliance (% Ranked Among Top 3)





KEY  
FINDING  
5

Financial institutions which have invested in technology solutions to support financial crime compliance efforts have experienced smaller cost increases, lower costs per FTE and less negative impacts from COVID-19.



Year-on-year compliance **cost increases are less** among those allocating more spend to technology.



**Greater efficiencies** are realized among those allocating more spend to technology.



**Fewer pandemic-related challenges** are cited among those allocating more spend to technology.



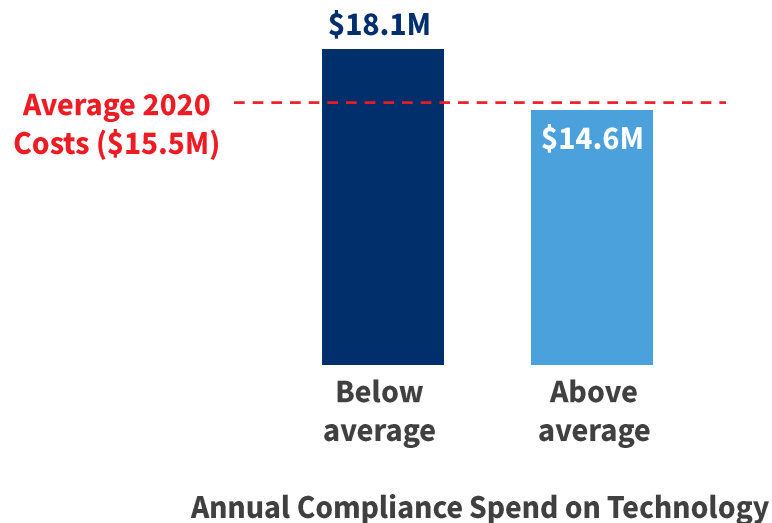
**Cost per FTE is lower.**

# Key Finding 5: Compliance Technology Reduces Costs and Challenges

Technology and efficiency pay their own way.

## Comparatively lower compliance costs

Mid/Large Average Annual Compliance Costs  
(2020 Costs in Millions)

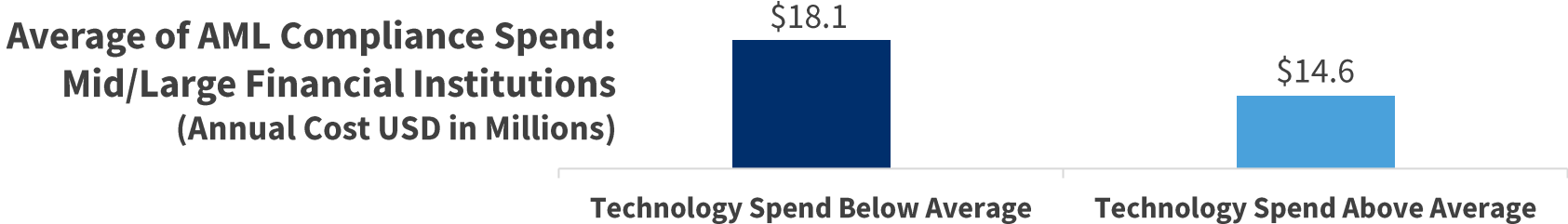


## Fewer negative impacts from compliance requirements overall and during COVID-19

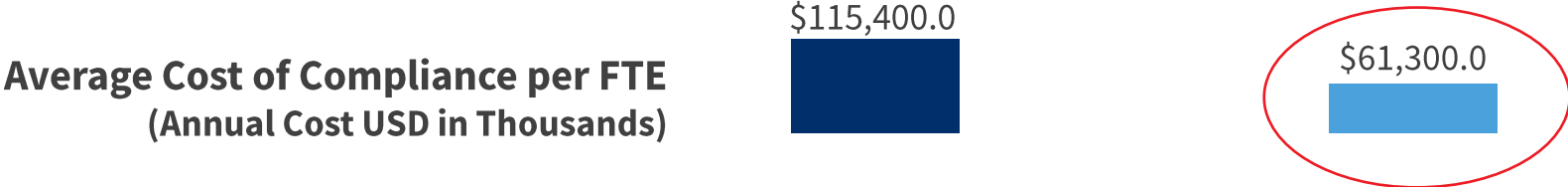
	Annual Compliance Spend on Technology	
	Below average	Above average
<b>% Mid/Large Indicating the Following as Compliance Challenges Overall</b>		
Negative impact on customer acquisition	70%	39%
<b>% Mid/Large Ranking the Following as a Top Challenge Based on COVID-19</b>		
Less productivity	52%	13%
More manual work	46%	24%
Increased alert volumes	69%	29%

# Key Finding 5: Compliance Technology Reduces Costs and Challenges

The proof is in the costings.



	Technology Spend Below Average	Technology Spend Above Average
% Costs for Labor	66%	52%
Average Cost of Labor	\$12.0M	\$7.6M
Average # Compliance Staff	104	124





# Implications

1

APAC financial institutions need to be extremely prepared for increased risks of financial crime for the foreseeable future.

2

Skilled compliance professionals will continue to be in demand, as financial crime grows in complexity. But financial firms should consider fast-forwarding efforts towards compliance technology to counter challenges and costs to compliance operations.

3

A multi-layered solution approach to due diligence and financial crime risk assessment is essential to financial institutions.

4

In addition to technology, it is essential to have robust and accurate data. Without the support of expanded sources, bad data can lead to bad decisions. Good data can lead to lower risks with benefits to the wider organization.

# Let's Connect

## **DOUGLAS WOLFSON**

Director, Financial Crime Compliance  
LexisNexis® Risk Solutions

[Douglas.Wolfson@lexisnexisrisk.com](mailto:Douglas.Wolfson@lexisnexisrisk.com)

<https://www.linkedin.com/in/douglas-matthew-wolfson/>





This document is for educational purposes only and does not guarantee the functionality or features of LexisNexis products identified. LexisNexis does not warrant this document is complete or error-free. LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc., used under license. Copyright © 2021 LexisNexis. NXR14633-00-1020-EN-US