



THE IMPACT OF COVID-19 ON FINANCIAL CRIME COMPLIANCE COSTS

EXPLORE OUR LEXISNEXIS® RISK SOLUTIONS TRUE
COST OF FINANCIAL CRIME COMPLIANCE STUDY

Global Report



THE TOTAL GLOBAL PROJECTED COST OF FINANCIAL CRIME COMPLIANCE INCREASED BY 18% TO \$213.9 BILLION IN 2020

In our latest True Cost of Financial Crime Compliance Study - Global Report, LexisNexis® Risk Solutions uncovers the drivers behind increasing compliance costs. It also explores areas of investment, regional trends and key challenges facing financial institutions today, and what the future may hold.

Total projected cost of financial crime compliance



Regional projected costs



\$42.0B
North America*



\$157.3B
Europe



\$3.4B
Middle East



\$12.1B
APAC



\$5.9B
LATAM



\$3.3B
South Africa

This e-book delivers insight into the reasons behind the significant cost increase, particularly how the COVID-19 pandemic has exacerbated existing challenges, and offers insights for firms navigating the current environment.

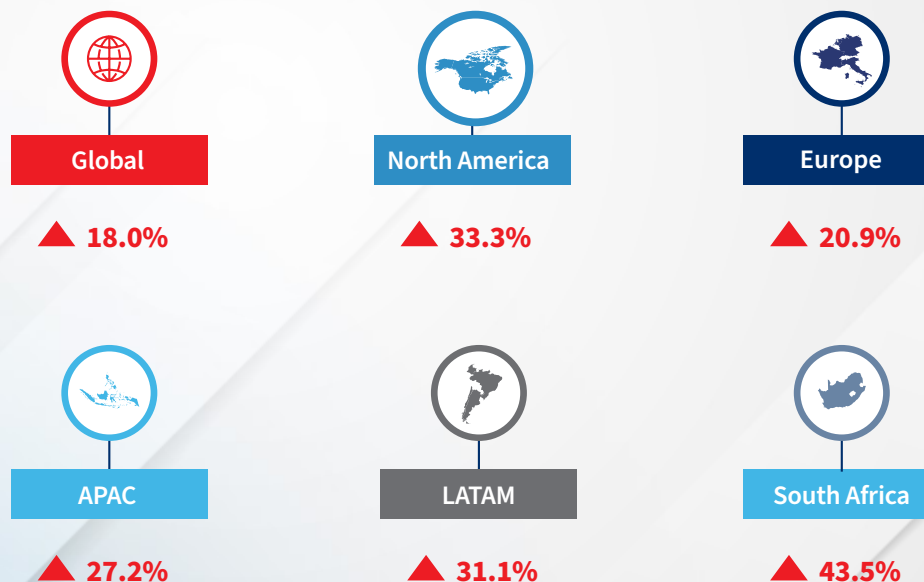
*For purposes of this study, Mexico is included in LATAM and not North America.



SPEND INCREASED ACROSS ALL REGIONS

Western European countries and the U.S. continue to represent a significant majority of total projected costs (82.7%). Germany and the U.S. bear the bulk of cost increases (+\$9.6B and +\$8.8B respectively), though the German market surpasses all others by a considerable amount.

However, all regions have experienced sizeable year-on-year percentage increases.



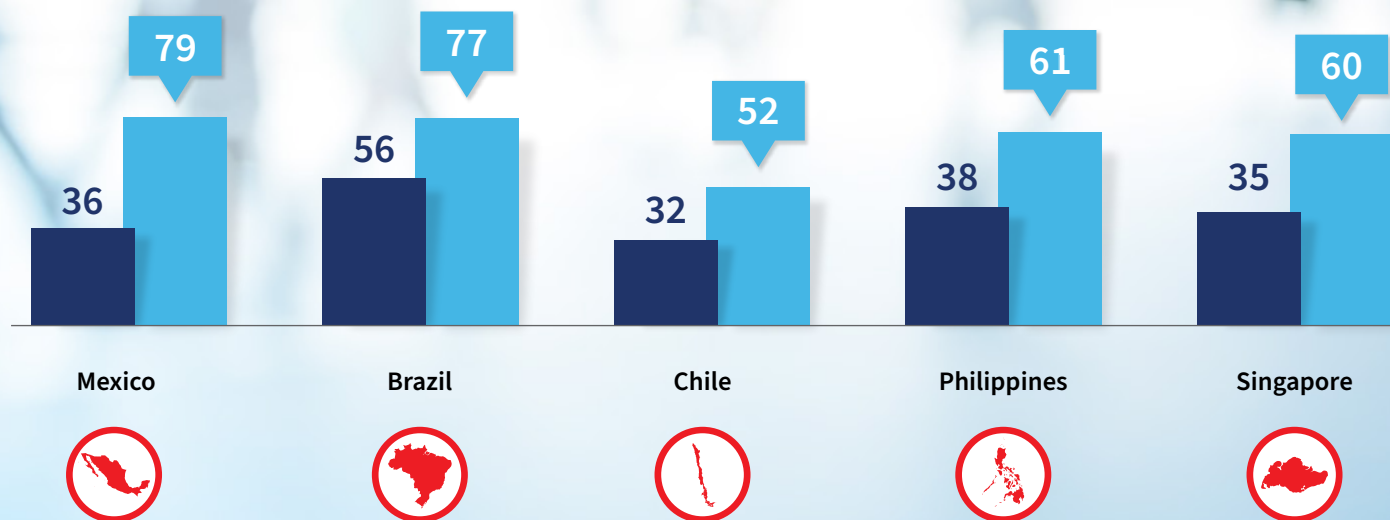


HOW HAS COVID-19 AFFECTED LABOR?

The distribution of average annual financial crime compliance costs has shifted more toward labor. Some of this could be attributed to additional contracting or entry-level hiring to address increased volumes and risks during COVID-19. Entry-level positions in mid/large financial firms increased dramatically in Brazil, Mexico, Chile, the Philippines and Singapore.

Average Financial Crime Compliance Operations Entry-Level FTE Staff by Tenure: Mid/Large Firms

● 2019 ● 2020



Top countries for increase in entry-level positions in mid/large financial firms



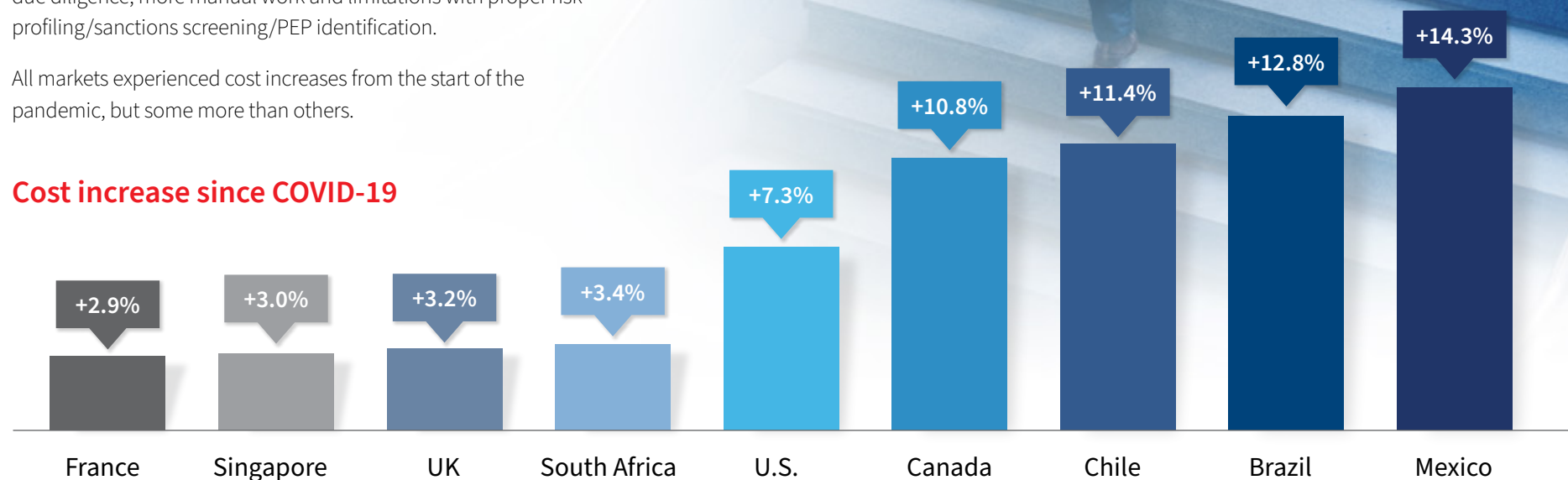
HOW HAS COVID-19 IMPACTED DUE DILIGENCE PROCESSES?

The impact of COVID-19 has been significant, exacerbating existing challenges and leading to increased due diligence times and associated costs.

Key compliance operations challenges have been heightened, particularly in North America and parts of LATAM, since the start of the pandemic. These include increased alert volumes and suspicious transactions, inefficiencies with alert resolution and due diligence, more manual work and limitations with proper risk profiling/sanctions screening/PEP identification.

All markets experienced cost increases from the start of the pandemic, but some more than others.

Cost increase since COVID-19





SOME MARKETS FARED BETTER THAN OTHERS

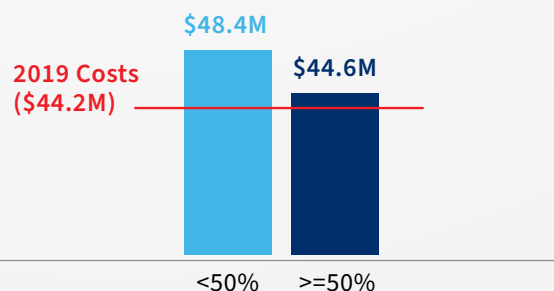
Financial institutions that invested in technology solutions to support financial crime compliance efforts were more prepared for and less impacted by both COVID-19 and increasing regulatory pressures.

As an illustration, mid/large financial firms in the highest spending EMEA markets that dedicate 50% or more of their annual compliance costs to technology experienced:



A Smaller YOY Compliance Cost Increase

Mid/Large Average Annual Compliance Costs:
Markets with Highest Annual Spend: France, Germany, Italy, Netherlands (2020 Costs in Millions)



% Compliance Costs That Involve Technology



Fewer Negative Impacts from COVID-19 Challenges to Compliance Operations

% Mid/Large Indicating Significantly Negative Impacts from COVID-19	% Compliance Costs That Involve Technology	
	<50%	>=50%
Customer risk profiling	57%	42%

% Mid/Large Ranking the Following as a Top Challenge Based on COVID-19	% Compliance Costs That Involve Technology	
	<50%	>=50%
More manual compliance workload/activities	42%	20%
Delayed onboarding of new accounts	44%	26%
Difficulty accessing KYC data	47%	26%



HOW CAN COMPANIES NAVIGATE AN UNCERTAIN FUTURE?

It is unclear what the financial landscape will look like over the next 1-2 years as shaped by the COVID-19 pandemic.

Additionally, financial criminals have sharpened their skills and adapted within a very challenging environment. Those learnings will be used to further financial crime as we recover from the pandemic.





FOUR KEY STEPS FOR FUTURE SUCCESS

1

Prepare, prepare, prepare

More than ever, financial institutions need to be extremely prepared for increased financial crime compliance burdens and risks, including sophisticated criminals and increased regulatory requirements.

2

Balance costs across people and technology

Skilled professionals are an important resource in the fight against financial crime, and compliance technology is a necessary and valuable resource to support them.

3

Consider enhanced due diligence and analytics

A multi-layered approach to due diligence and financial crime risk assessment is essential to compliance, and should be considered as part of future technology investments.

4

Understand that data is just as important as the solution

It is critical 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.





OVERCOME A WORLD OF COMPLIANCE OBSTACLES WITH TARGETED TECHNOLOGY

The complex, ever-changing compliance climate makes it difficult to concentrate on your core business and flourish in the competitive global marketplace. The challenges of stringent regulatory expectations, sophisticated cross-border criminal networks and stressed, overworked compliance teams are costly obstacles to sustainable business success.

LexisNexis® Risk Solutions offers the financial crime compliance expertise, technology and risk intelligence to enable your business to align key resources and achieve a more effective, cost-efficient compliance program that benefits your enterprise as whole.

By combining advanced analytics and unmatched global identity intelligence with innovative technologies like Machine Learning (ML), Artificial Intelligence (AI) and technology automation, we deliver precise risk perspective that enables your business to quickly recognize relevant risk and complete critical financial crime compliance processes. Our end-to-end compliance solutions enhance critical compliance workflows across the enterprise and the entire customer lifecycle without disrupting day-to-day business.

Optimize your compliance strategy and meet core business objectives.



About LexisNexis Risk Solutions

LexisNexis® Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers.

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