How well are financial institutions navigating today’s increasingly complex compliance climate?

Explore our LexisNexis® Risk Solutions True Cost of Financial Crime Compliance Study - Global Report
Financial crime compliance continues to significantly burden financial institutions

As technology removes global commerce barriers, it also fuels growing opportunities for cross-border money laundering and financial crime. Combining this heightened risk environment with quickly evolving — and very exacting — multi-national regulatory governance creates the perfect storm against which financial institutions must contend. The cost burdens are clear as the total projected cost of financial crime compliance across financial institutions in the key markets of APAC, EMEA, LATAM and North America is $180.9B. The operational consequences of compliance on customer acquisition and productivity are also evident.

This e-book delivers insight into the current global financial crime compliance environment. It also illustrates how financial services firms are utilizing targeted compliance technology tools to overcome the costly operational impact of compliance.

*For purposes of this study, Mexico is included in LATAM and not North America.
Businesses must meet compliance obligations and manage evolving global risk realities

Around the world, financial services firms share universal financial crime compliance objectives and face common challenges created by a rapidly changing geopolitical outlook.

From a global perspective, the leading drivers for compliance are:

- **66%** Meeting the standards for regulatory compliance
- **50%** Improving business results
- **56%** Customer risk profiling
- **55%** Sanctions screening
- **55%** Efficient alert resolution
- **48%** Regulatory reporting

Key challenges for compliance screening organizations at the global level are:

- **65%** Minimizing reputational risk
- **33%** Supporting correspondent banking
- **39%** Know Your Customer (KYC) processes for onboarding
- **36%** Positive identification of Politically Exposed Persons (PEPs)
- **31%** Supporting international expansion
- **39%** Know Your Customer (KYC) processes for onboarding
Compliance obstacles and rising cost impacts aren’t limited by geography

As financial crime compliance costs continue to increase amid further declining productivity rates, the goal of balancing optimal compliance with core business objectives remains elusive for many organizations.

Percent indicating compliance processes have a negative impact on productivity

- APAC: 33%
- EMEA: 69%
- LATAM*: 73%
- North America*: 31%

Percent indicating compliance processes have a negative impact on new customer acquisition

- APAC: 36%
- EMEA: 52%
- LATAM*: 68%
- North America*: 58%

Most regions report increases in compliance costs over the last 24 months

Average 12 month increase in compliance costs over the past 24 months

- APAC: 4.5%
- EMEA: 8.5%
- LATAM*: 8%
- North America*: 5%

Average expected increase in compliance costs by the end of 2019

- APAC: 9%
- EMEA: 17%
- LATAM*: 9%
- North America*: 9%

The trends of increasing compliance costs are anticipated to continue

Non-bank payment providers have created a moderate to large degree of financial crime compliance challenges during the past year

- APAC: 41%
- EMEA: 50%
- LATAM*: 74%
- North America*: 51%

*For purposes of this study, Mexico is included in LATAM and not North America.
A multi-layered solution approach is essential in the face of escalating global pressures

Today’s complex environment demands a highly sophisticated solution strategy for financial crime compliance and identity proofing. Innovative technology solutions and top-quality digital and physical risk intelligence are essential tools to effectively assess the financial crime compliance risks posed by individuals and business entities while fully identifying inherent transaction risks.

Financial institutions using a layered solutions approach are completing due diligence faster than others.

**Average Hours Required for Completing Customer Due Diligence (Business Accounts)**

<table>
<thead>
<tr>
<th>Overall – Across All Firms and Regions</th>
<th>Small, Mid-Sized Enterprises (SME)</th>
<th>Domestic Midmarket Corporate</th>
<th>Domestic Large Corporate</th>
<th>Foreign SME</th>
<th>Foreign Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms using less-layered compliance technologies/services</td>
<td>10</td>
<td>12</td>
<td>15</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Firms using more-layered compliance technologies/services</td>
<td>7</td>
<td>10</td>
<td>15</td>
<td>16</td>
<td>20</td>
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The right mix of tools raises the effectiveness of your entire compliance team

Incorporating targeted compliance technologies into your strategy also decreases the cost of compliance per Full Time Equivalent (FTE) and reduces opportunity costs associated with onboarding friction and lost business.

<table>
<thead>
<tr>
<th>Overall Average Financial Crime Compliance Operations Spend Per Organization (Annual Cost in Millions)</th>
<th>Use less-layered technologies*</th>
<th>$11.36 M</th>
<th>Use more-layered technologies*</th>
<th>$16.99 M</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Costs for Labor</td>
<td>61%</td>
<td>48%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Cost of Labor</td>
<td>$6.93</td>
<td>$8.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average # Compliance Staff</td>
<td>49</td>
<td>96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Cost of Financial Crime Compliance Per FTE (Annual Cost in Thousands)</td>
<td>$141</td>
<td>$85</td>
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</table>
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.

For more information, download the full Global Report or call 800.658.5638