New Study Finds Financial Crime Compliance Costs Total Almost $50 Billion, Up 95% Since Pre-COVID

Survey of United States and Canadian financial institutions uncovers insights into the key drivers impacting financial crime compliance operations.

Average Annual Financial Crime Compliance Operations Costs per U.S. Financial Firm (Cost in Millions)

- $1.5 < $10B Assets
- $2.3 2020 (P)
- $3.7 2021 (P)
- $14.3 $10B+ Assets
- $20.5 <8% from 2020
- $27.8 >36% from 2020

COVID IMPACT

- Alert volumes and manual workloads increased, due diligence is taking longer
- Complications from remote working impact productivity and new account onboarding
- Salaries, training and remote working account for the largest share of expense

Distribution of Compliance Cost in U.S.

- Labor/resource costs (salaries)
- Labor/resource costs related to financial crime compliance training
- Technology costs related to digital transactions, remote working
- Legal and other costs related to outsourcing
- Other Costs

OPERATIONAL ISSUES

Effective risk profiling and lack of robust data top the list in U.S.

- Effective KYC risk profiling of the business entity
- Lack of due diligence data about a business
- Lack of up-to-date information on the business

TOP RISK AREAS

Ecommerce, real estate and hospitality among the highest risk sectors for money laundering in U.S.

- High exposure/high impact: crime involving digital payments, trade based money laundering and money mule schemes are on the rise and have the greatest impact on compliance costs
- Regulations focused on digital transactions add pressure to compliance teams and contribute to growing compliance costs

Third-Party Solutions Help Mitigate Impact on Compliance Operations

- More effective risk profiling
- More able to identify UBOs
- Fewer issues with manual compliance workload
- Improved productivity

Connect with our experts to see how focused technology and dynamic risk intelligence can future-proof your compliance strategy. For more information, please call 800.658.5638 or visit risk.lexisnexis.com/TCOFCC


1. Mid/large asset size is defined as institutions having $10B+ total assets.

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