The de-risking dilemma -
does the process live up to its name?

Wholesale de-risking by financial institutions may seem like a viable compliance strategy when dealing with certain customers, but in the long-term may cause more harm than good.

What drives a financial institution to de-risk?

Regulatory pressures

- Heightened sensitivity to Counter-Terrorist Financing risks
- Increased oversight by domestic and international regulatory authorities
- Growing consequences of a compliance failure

Business pressures

- Higher compliance costs and unsustainable procedures
- External pressures for robust Know Your Customer's Customer
- Value of opportunities becoming unfavourable

However de-risking can bring with it some unintended consequences...

Social cohesion

Disruption to vulnerable sections of society as they are forced out of the traditional financial system.

Client experience

Poor customer experience, resulting in client flight to alternative providers and damage to the institution's reputation.

Legal risk

Threat of class actions or discrimination claims by those effectively excluded from the banking system.

Regulatory scrutiny

Growing oversight of regulators concerned at a disproportionate level of wholesale de-risking instead of case-by-case evaluations.

Displaced risk

Instead of tackling the AML threat, de-risking can divert funds to less regulated areas and shadow banking services.

Of course this has to be balanced against the risk-based status quo - which could be costly...

Utilise multiple disparate systems

Add more resources

Scale up operations

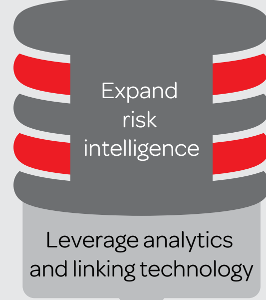
Spend more money

...unless you consider the compelling alternative

The intelligent risk-based approach

Remove data isolation

Add new and alternative data



Create a single risk view

LexisNexis® | Risk Solutions

For More Information

Email: emeasales@lexisnexis.com

Visit: lexisnexis.com/risk/intl/en

LexisNexis and the Knowledge Burst logo are registered trademarks of Reed Elsevier Properties Inc., used under license. Copyright © 2015 LexisNexis. All rights reserved.