

Financial Crime Compliance: Top 7 Trends to Watch in 2024

The increasingly complex and interconnected world is reflected in a compliance landscape that is undergoing a significant transformation.

The challenges are manifold: From juggling the high-wire act of balancing customer expectations with compliance mandates to harnessing the power of big data and emerging technologies.

At the same time, the mysteries of ultimate beneficial owners (UBOs) and the intricacies of international trade and sanctions loom large. Meanwhile, combating bribery and corruption is shifting from crisis response to pre-emptive action thanks to advances in data analytics.

These and other challenges will continue to add layers of complexity to compliance as the year unfolds. Here are our predictions for the top financial crime compliance trends to watch in 2024.

1 Rising Compliance Costs Intensify the Quest for Balance

The rising costs of compliance have only intensified the urgency of finding a balance between satisfying regulatory requirements and delivering an optimal customer experience.

Organizations must maintain robust compliance frameworks that can meet customer expectations for instant gratification without sacrificing due diligence. Thorough vetting processes take time, but the need for speed is crucial. Demand for real-time responses – whether for inquiries, application approvals, transactions or other services – will only increase.

Institutions that leverage intelligence from data and technology to streamline onboarding will be better able to deliver a fast, frictionless customer experience while meeting regulatory obligations now and in the future.

Total global cost of financial crime compliance¹

\$206,000,000,000

Proportion of financial crime compliance professionals that say **enhancing customer experience** is a top priority²



Proportion of financial crime compliance professionals that say **meeting regulatory compliance** is a top priority³



2 UBOs Get Unmasked

Identifying ultimate beneficial owners (UBOs) is one of the more complex challenges companies face. Information must be adequate, accurate and up to date.⁴ As regulations around understanding and verifying UBOs continue to tighten, we predict that organizations will look to adopt a more sophisticated approach to UBO identification and verification. Automation and data analytics will play crucial roles in both gathering and interpreting UBO data to ensure full compliance and risk mitigation.

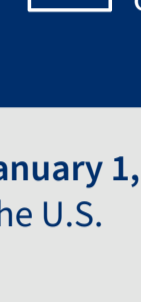
A UBO is someone who:



Owns more than **25%** of a company's shares



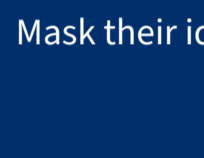
Controls more than **25%** of the voting rights



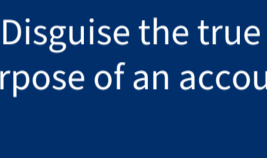
Can exercise control of the entity⁵

The **U.S. Corporate Transparency Act** goes into effect on **January 1, 2024** – this will require many companies to report information to the U.S. government about who owns and controls them.

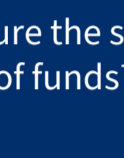
Identifying direct and indirect relationships is the **#1 KYC challenge**.⁶ UBOs may purposely use the lack of transparency to:



Mask their identity



Disguise the true purpose of an account



Obscure the source of funds⁷

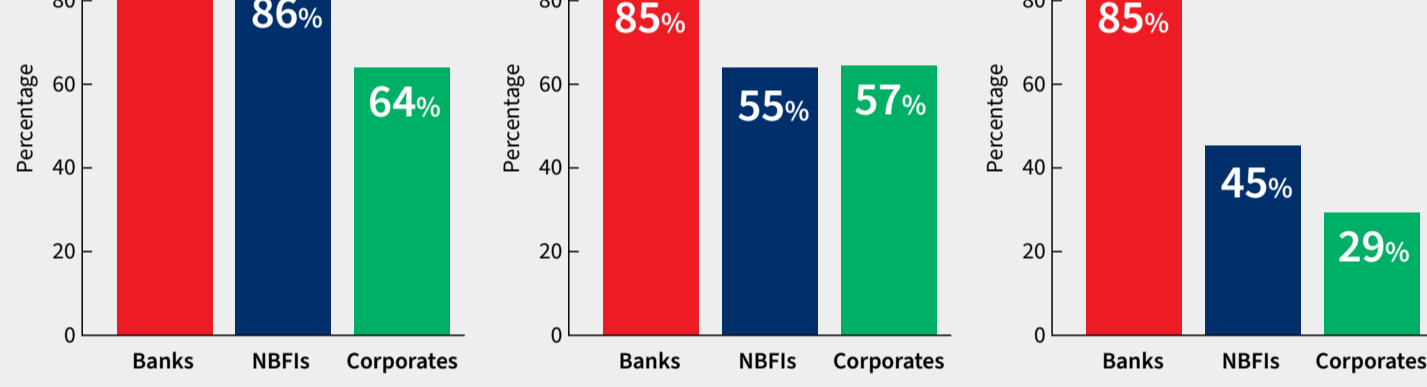
3 Real-time Monitoring Provides the Rudder for Navigating Trade Compliance

Changing regulatory landscape
#1 challenge for banks and corporates

Document-heavy processes
#1 challenge for non-bank financial institutions (NBFIs)⁸

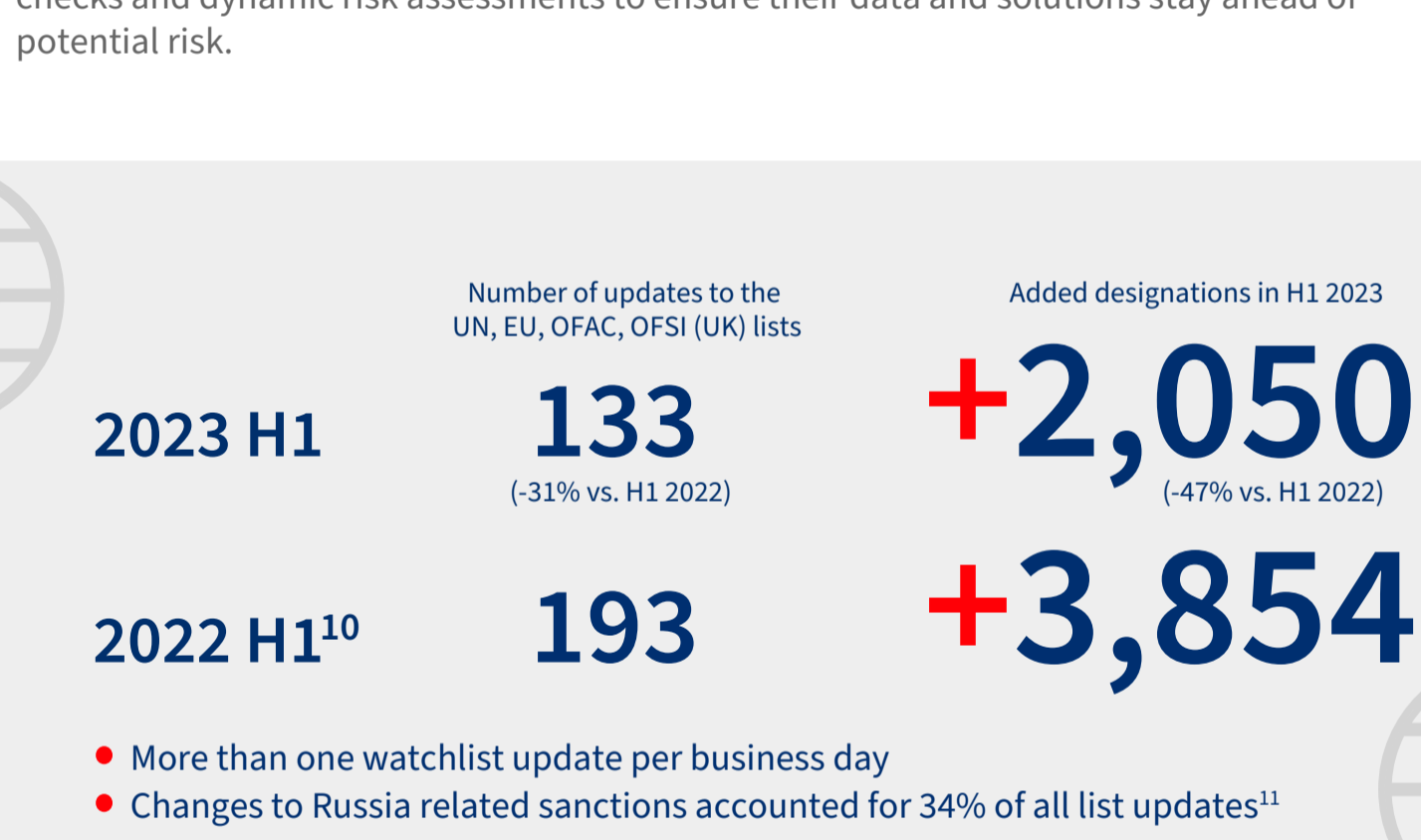
Trade compliance is increasingly complex due to geopolitical shifts, varying regulatory frameworks, tariff changes and constantly evolving sanctions. Real-time monitoring and automated verification for trade partners and goods are finally chipping away at the well-entrenched manual processes that have defined trade for centuries. We expect this trend to continue as companies adopt dynamic compliance to reduce risk and better meet the demands of the changing trade landscape.

Trade compliance screening between banks, corporates and NBFIs varies significantly:



4 Shifting Sanctions and Regulations Drive the Need for Dynamic Compliance

Sanctions and regulatory requirements are not static; they evolve constantly. After unprecedented sanctions activity in 2022, the pace eased in 2023 but remains significant. Organizations will need to move toward continuous, automated compliance checks and dynamic risk assessments to ensure their data and solutions stay ahead of potential risk.



5 Data and Analytics Take the Lead as Strategic Assets

Robust, real-time data is helping drive more effective compliance programs as organizations increasingly leverage big data across various departments for better decision-making. Predictive analytics will continue to transform the fight against money laundering, trafficking and other financial and environmental crimes by proactively identifying risk. Prevention will be the new watchword going forward.

Organizations whose platforms integrate seamlessly into data ecosystems will ensure all groups across the enterprise can benefit from the rich intelligence and actionable insight that data provides.

Advanced data and analytics leverage existing in-house data to:

- Improve regulatory compliance** (Icon: Checklist with checkmark)
- Enhance customer experience** (Icon: Hand holding a thumbs up)
- Lessen operational workload and costs¹²** (Icon: Gear with downward arrow)
- Reduce redundancy** (Icon: Three people with a leftward arrow)

6 Compliance Investment Points to Artificial Intelligence (AI)

As regulatory requirements become more rigorous and wide-ranging, companies must prioritize where they allocate their compliance budgets. Organizations are looking to the automated compliance and real-time risk assessment capabilities of AI and machine learning models to improve accuracy, enhance efficiency and reduce costs.

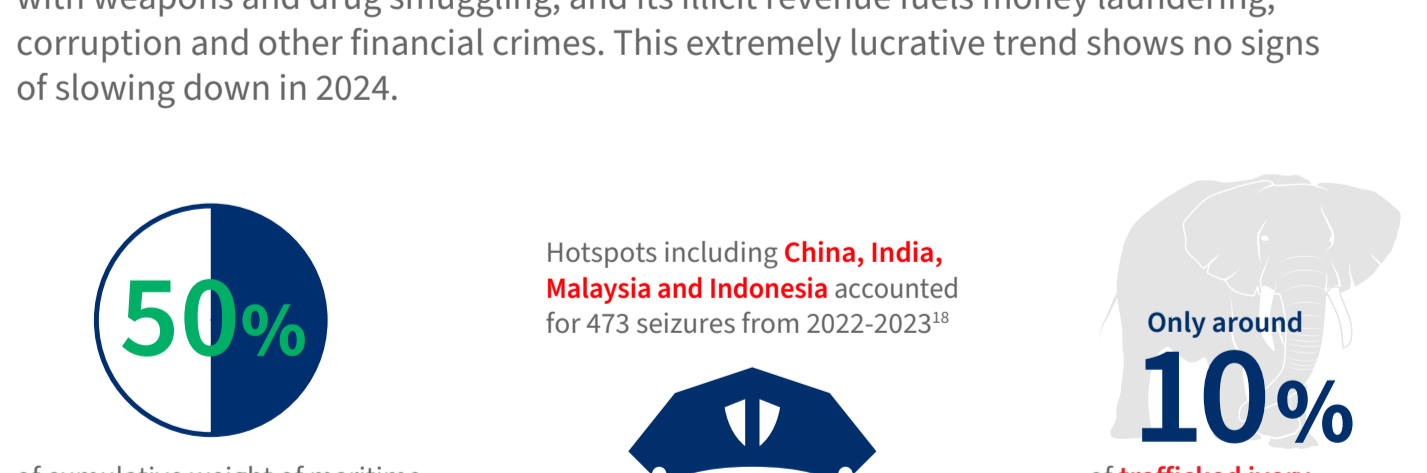
Although we foresee a rising adoption of these emerging technologies and retooling systems for AI is a significant investment. Only time will tell if the 'juice is worth the squeeze.'¹³



7 Wildlife Trafficking Returns to Pre-Pandemic Levels

Wildlife trafficking is surging, with transnational criminals increasingly drawn to the attractive risk-reward ratio illegal trafficking offers. This complex trade involves organized crime, logistics firms and complicit governments. Technology facilitates global participation. Criminal organizations exploit modern systems, perpetuating global security, environmental problems and health crises.

Wildlife trafficking is the fourth largest illegal industry worldwide¹⁶, and reported statistics only partly depict the problem. Wildlife trafficking shares routes with weapons and drug smuggling, and its illicit revenue fuels money laundering, corruption and other financial crimes. This extremely lucrative trend shows no signs of slowing down in 2024.



Frontline efforts to prevent wildlife trafficking are gaining ground. Partnerships like the bank-led **United for Wildlife Financial Taskforce** play a crucial role in disrupting wildlife trafficking working to end the illegal wildlife trade, by using existing systems to detect money laundering and proceeds of illegal goods.

The financial crime compliance landscape of 2024 will continue to evolve, presenting organizations with numerous challenges along the way. Meet these challenges head on with global risk intelligence and advanced technology from LexisNexis® Risk Solutions.

Contact us to learn how LexisNexis® Risk Solutions can help your organization improve efficiency, boost compliance and reduce the cost of financial crime.

About LexisNexis Risk Solutions
LexisNexis® Risk Solutions includes seven brands that span multiple industries and sectors. We harness the power of data, sophisticated analytics platforms and technology solutions to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. 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. For more information, please visit risk.lexisnexis.com and www.relx.com.

This document is for informational purposes only and does not guarantee the functionality or features of any LexisNexis Risk Solutions product or service. LexisNexis Risk Solutions does not represent nor warrant that this document is complete or error free.

LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc. Other products and services may be trademarks or registered trademarks of their respective companies. Copyright © 2023 LexisNexis Risk Solutions. NXR16258-00-1223-EN-US

1. <https://risk.lexisnexis.com/insights-resources/research/true-cost-of-financial-crime-compliance-study-global-report>
2. <https://risk.lexisnexis.com/insights-resources/research/true-cost-of-financial-crime-compliance-study-global-report>
3. <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-Beneficial-Ownership-Legal-Persons.pdf.coredownload.pdf>
4. <https://international.sales.lexisnexis.com/glossary/compliance/ultimate-beneficial-ownership-ubo>
5. <https://international.sales.lexisnexis.com/glossary/compliance/ultimate-beneficial-ownership-ubo>
6. <https://risk.lexisnexis.com/insights-resources/research/true-cost-of-financial-crime-compliance-study-global-report>
7. <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-Beneficial-Ownership-Legal-Persons.pdf.coredownload.pdf>
8. <https://risk.lexisnexis.com/insights-resources/infographic/tackling-trade-compliance>
9. <https://risk.lexisnexis.com/insights-resources/infographic/tackling-trade-compliance>
10. <https://risk.lexisnexis.com/insights-resources/infographic/sanctions-pulse>
11. <https://risk.lexisnexis.com/insights-resources/infographic/sanctions-pulse>
12. https://www.ey.com/en_us/consulting/how-data-analytics-is-leading-the-fight-against-financial-crime
13. <https://impact.economist.com/perspectives/sites/default/files/aiinfinancialservices.pdf>
14. <https://impact.economist.com/perspectives/sites/default/files/aiinfinancialservices.pdf>
15. <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Opportunities-Challenges-of-New-Technologies-for-AML-CFT.pdf.coredownload.pdf>
16. Traffic, The inside story: TRAFFIC interviews convicted poachers in South Africa, September 24, 2020, The People Beyond the Poaching – Wildlife Trade Report from TRAFFIC
17. Chenudupati, Samyukta, "Wildlife Trafficking: Here's What You Should Know," Wildlife Conservation Trust, May 7, 2019, Wildlife Trafficking: Here's What You Should Know – Wildlife Conservation Trust
18. CAADS Wildlife Seizure Dashboard. <https://tinyurl.com/yndeje18>
19. <https://risk.lexisnexis.com/global/en/insights-resources/infographic/prevent-wildlife-trafficking>