

# True Cost of Financial Crime Compliance Study, 2023

Australia Edition

NOVEMBER 2023

## Background and Objectives

- LexisNexis® Risk Solutions has been conducting the Total Cost of Compliance study since 2017.
  - The study's aim is to find out how organisations are streamlining internal operations and enhancing efficiency in Financial Crime Compliance(FCC) management.
  - This year's survey was conducted by Forrester Consulting between May and June 2023.
  - 1,181 senior decision makers were contacted worldwide to understand their challenges and priorities.
  - 271 respondents were from APAC across China, Australia, Singapore, India and Japan.
- Areas of responsibilities were across FCC areas including AML, KYC, Sanctions, TM, Risk Assessment, Reporting, Policies and Procedures etc.
  - Equal mix of :
    - Securities/Investment Banks, Retail Banks, Commercial Banks,
    - Insurance, Asset Management and Payments Services.

A COMMISSIONED STUDY CONDUCTED BY FORRESTER CONSULTING ON BEHALF OF LEXISNEXIS® RISK SOLUTIONS, November 2023

# Executive Summary

The ever-changing technological and economic environment has redefined the compliance landscape for financial institutions.

With 98% of institutions reporting an increase in financial crime compliance (FCC) costs, the economic pressures are undeniable. This uptick in costs is symptomatic of a broader spectrum of challenges. The shift to digital banking has amplified institutions' exposure to sophisticated financial crimes, especially via digital payments, cryptocurrencies, and AI technologies.

Coupled with these new technologies are the complexities introduced by intricate and time-consuming know-your-customer processes during account onboarding. While digital transformation has ushered in growth opportunities,

it has also exposed institutions to higher risks of financial crimes.

However, there are many opportunities to evolve FCC. As institutions start to do this, a focus on customer experience is key. Central to this is a proactive approach to financial crime risk management. With the right technologies and partnerships, financial institutions can achieve sustainable growth in customer numbers and revenue while meeting, and sometimes exceeding, applicable FCC requirements.

Commissioned by LexisNexis® Risk Solutions, Forrester Consulting conducted a global survey of financial crime and compliance decision makers to assess their priorities and challenges. This deck highlights findings from Australia.

# Customer Experience and Compliance are Shaping the Future Of Finance

In a world that's becoming more complex and connected, the risk of financial crimes is growing. Balancing the drive for digital transformation with the desire for robust compliance, cost-effectiveness, and a superior customer experience is challenging.

Organisations are reevaluating their priorities and identifying the key areas that need immediate attention to counter rising financial crime.

**“To what extent is your department prioritizing the following objectives over the next 12 months?”**

(Showing “Critical priority” and “High priority”)

**85%**

Improving Customer experience (CX)

**83%**

Improving the effectiveness and efficiency of compliance controls

**79%**

Cutting compliance costs

**77%**

Enriching payment data for improved processing

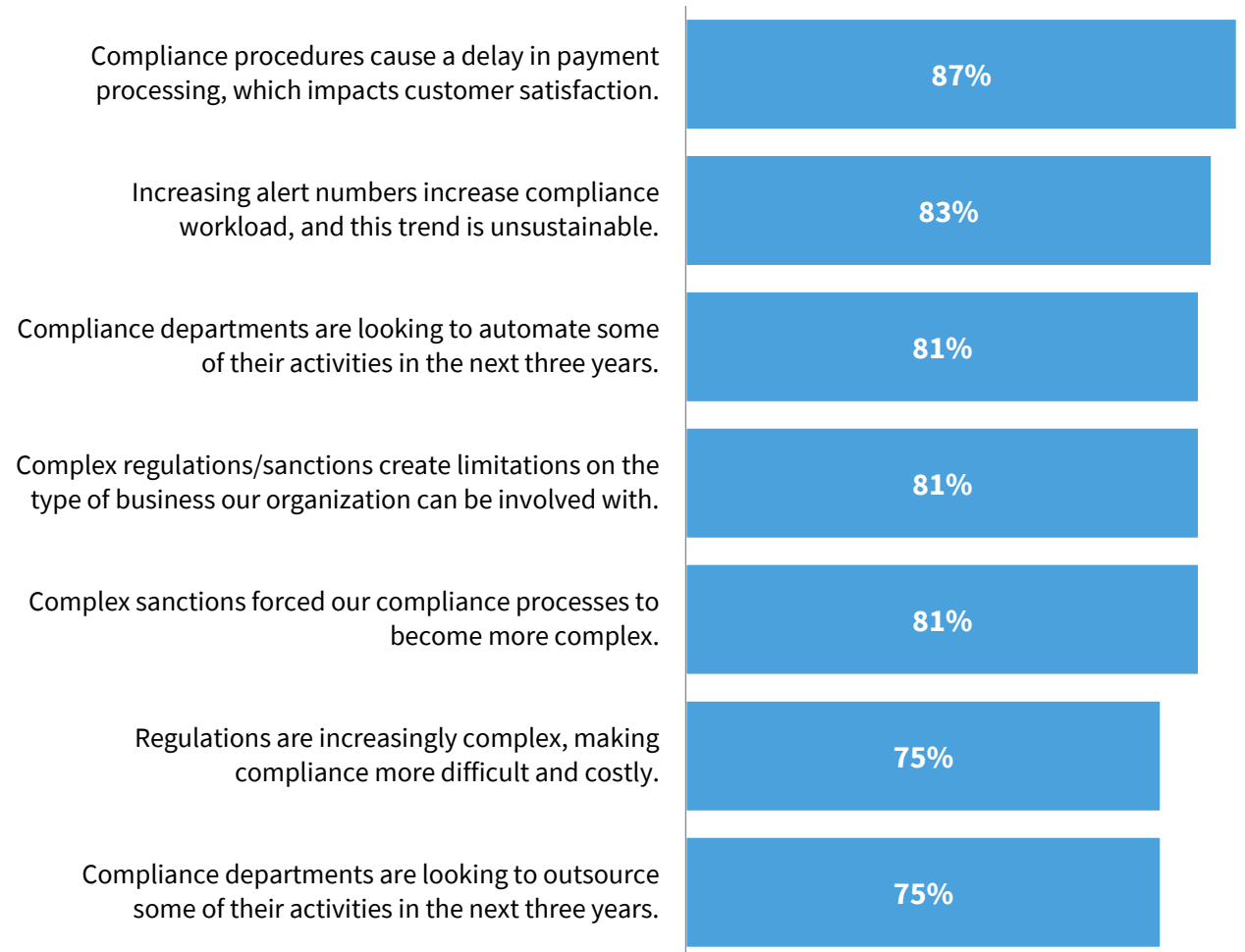
# Unraveling the Compliance Conundrum Amid Rapid Change

Financial institutions in Australia face numerous critical pain points.

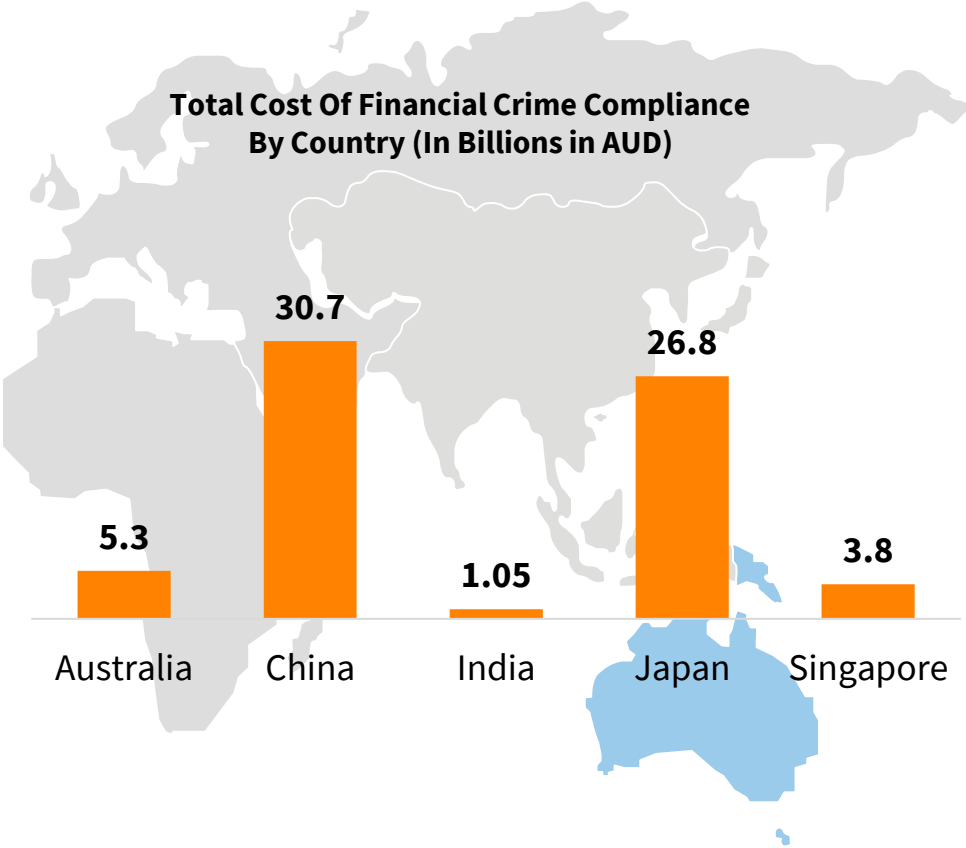
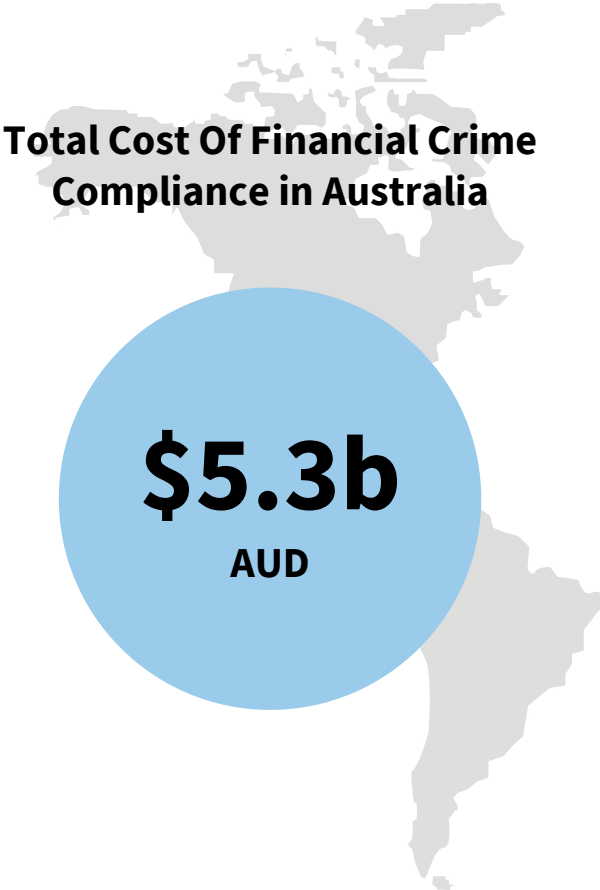
- Customers expectations around real-time payments are hindered by current compliance models.
- Increasing screening alert numbers signal a steep raise in compliance workloads.
- Complex sanctions are prompting compliance departments to automate and outsource some of their activities.
- The increasing complexity of sanctions limit opportunities increase the cost of compliance.

## Top Compliance Pain Points in Australia

### ■ Australia



# The Total Cost of Financial Crime Compliance

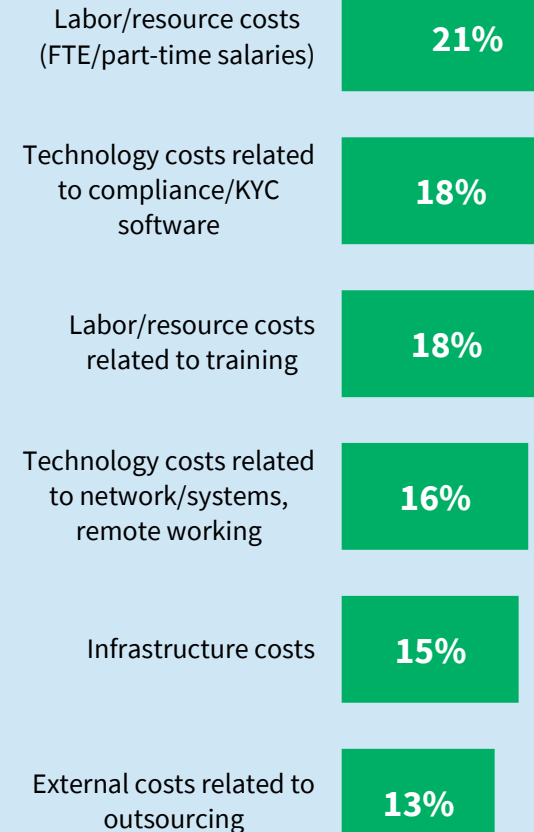
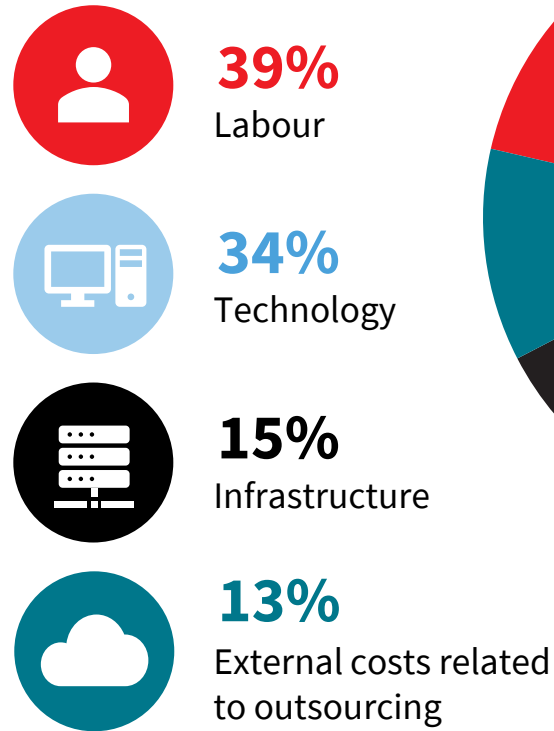


Note: The total annual cost of financial crime compliance is calculated using the number of financial institutions in the surveyed markets and survey data regarding financial crime costs. A spend amount is generated for each region by multiplying its average reported total cost of financial crime compliance operations by the number of financial institutions in that region.



# Labour is the Biggest Cost Driver for Financial Institutions in Australia

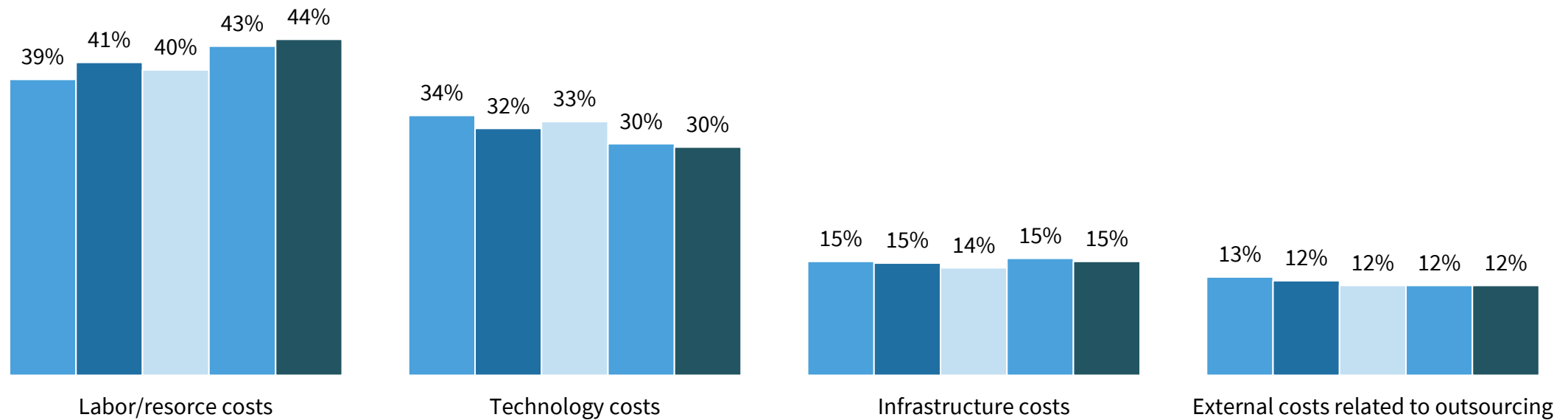
“What percentage of your organisations FCC cost would you say is related to the following?”



# Cost Drivers for Financial Institutions in Australia, China, India, Japan and Singapore

“What percentage of your organisations FCC cost would you say is related to the following?”

■ Australia ■ China ■ India ■ Japan ■ Singapore



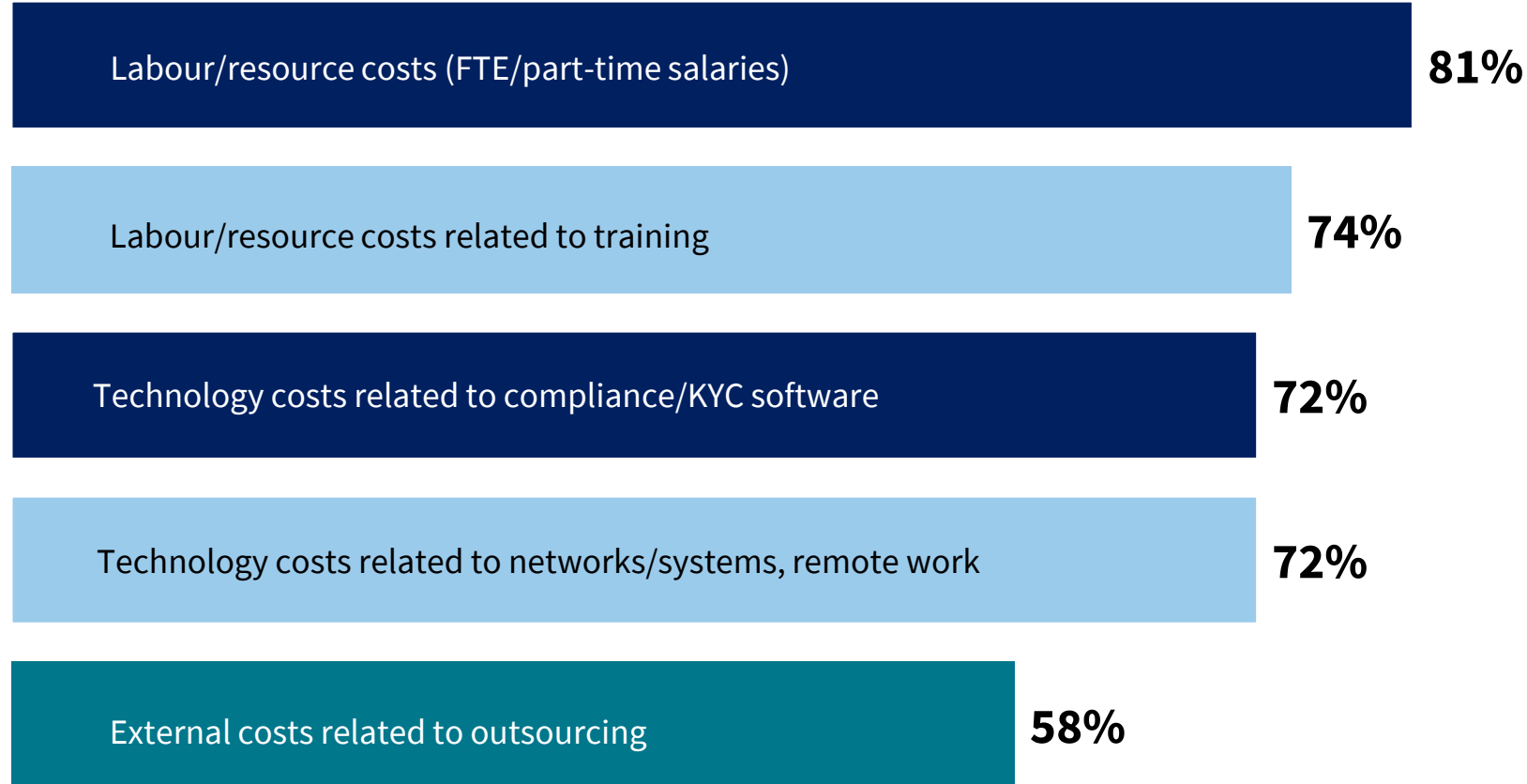
Base: 271 decision-makers in financial institutions based in APAC with responsibility in financial crime and compliance strategy. Source: A commissioned study conducted by Forrester Consulting on behalf of LexisNexis® Risk Solutions, June 2023



# The Key Contributors to Rising Compliance Costs in Australia

## FCC cost increase in the last 12 months

(Showing Increased by 1% to more than 20% in aggregate)



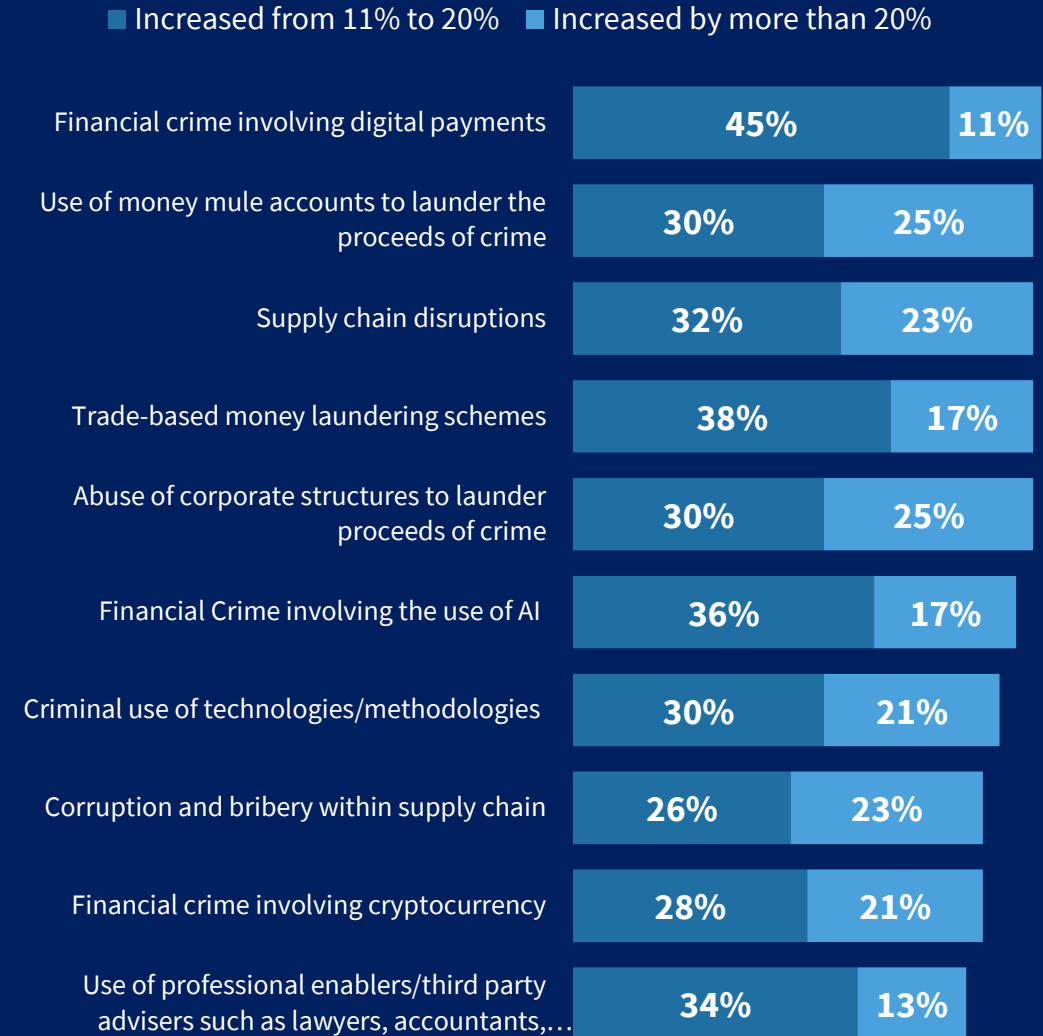
**Labour costs** make up the **biggest cost increase** for financial institutions in Australia, underscoring the investment needed in highly qualified resources to meet stringent compliance requirements.

Base: 53 decision-makers in financial institutions based in Australia with responsibility in financial crime and compliance strategy. Source: A commissioned study conducted by Forrester Consulting on behalf of LexisNexis® Risk Solutions, June 2023

# Firms See an Overall Increase in Financial Crime and Money Laundering Activities

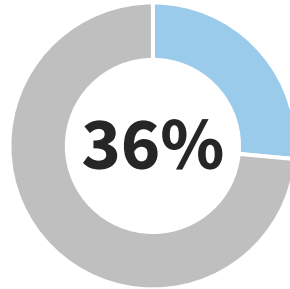
- Financial crime involving digital payments, and the rise of mule activity are leading the increase of financial crime in Australia.
- Both trade-based money laundering schemes and disruptions and corruption within supply chains have shown significant growth, highlighting the increased risk associated with trade and supply chain vulnerability.
- AI, cryptocurrencies and other technologies, once seen as catalysts for progress, are now proving to be tools for illicit activities.
- Organisations are feeling the impact and are grappling with these sophisticated criminal methodologies – all within an already complex regulatory landscape

## Top Ten Areas of Increased in the Past 12 Months in Australia

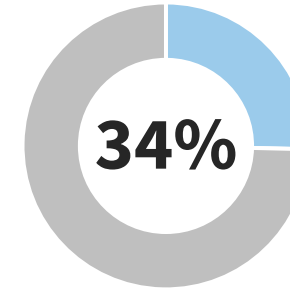


# The Cost Drivers of Financial Crime Compliance

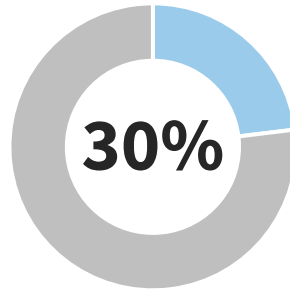
**Top factors that were most significant in driving FCC costs increase over the last 12 months**



Investing in new technologies such as AI and machine learning

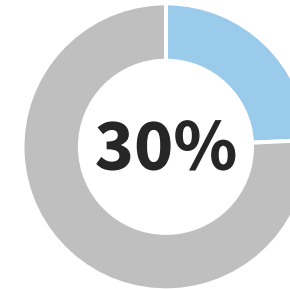


Incorporation into digital channels and its corresponding e-KYC controls



Increasing financial crime regulations and regulatory expectations (e.g., more complex KYC, Enhanced Due Diligence)

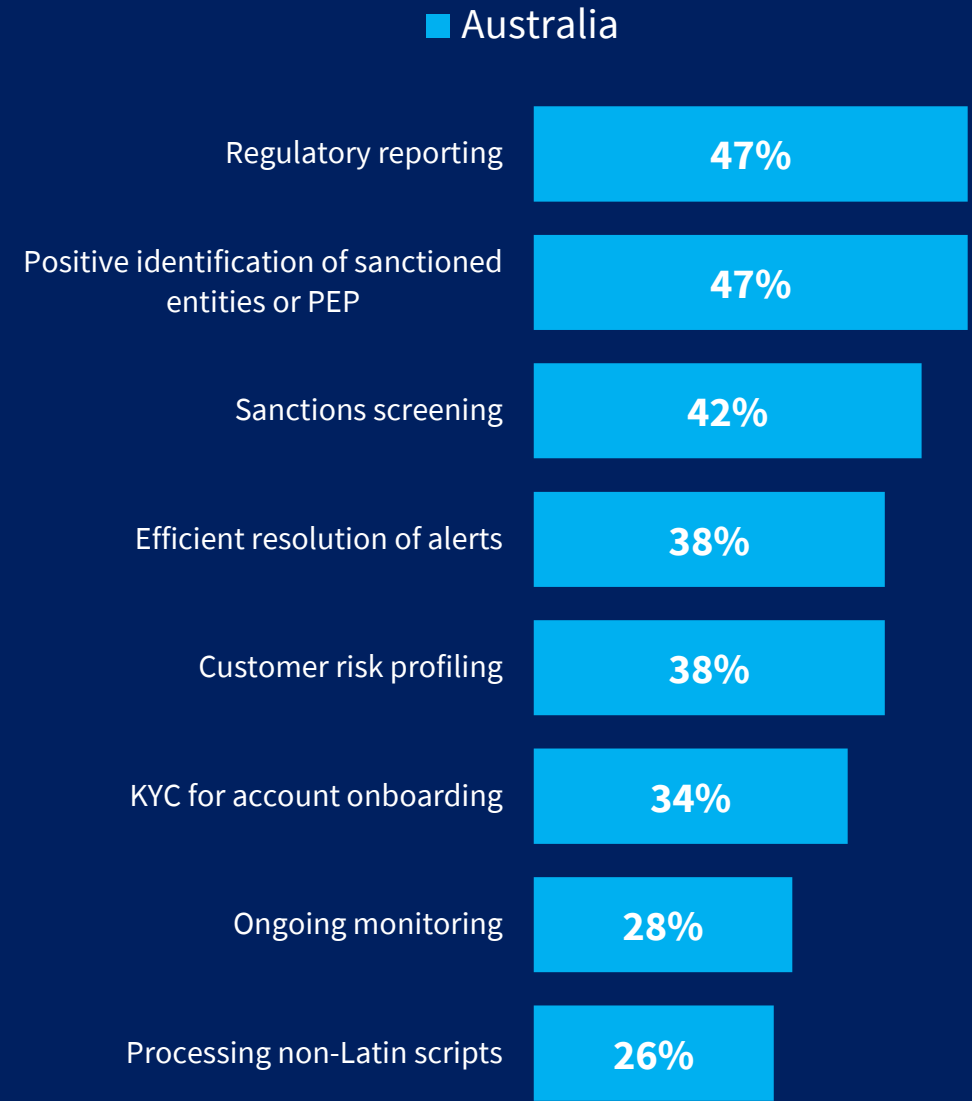
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Increase in data privacy requirements (e.g., GDPR)

# Compliance Screening Operations' Top Challenges in Australia

- 1 Regulatory reporting
- 2 Positive Identification of sanctioned entities or PEPs
- 3 Sanctions screening
- 4 Efficient Resolution of alerts
- 5 Customer risk profiling



# Charting the Future of FCC: Reshaping Operations for Efficiency and Customer Experience

Financial institutions are facing the need to reevaluate their financial crime compliance processes due to cyber threats, regulatory pressures, and technological advancements. Planned changes over the next few years aim to enhance KYC procedures, internal compliance solutions, data quality, transaction monitoring and AML, with anticipated benefits including streamlined products, increased efficiencies and improved collaboration ultimately transforming compliance practices and benefiting customers and employees alike.

## Planned changes to FCC process in next three to five years (Top 6 responses.)

- 58% Data quality
- 55% Developing internal compliance solutions to improve efficiency
- 49% Transaction Monitoring
- 49% Outsourcing more compliance services
- 49% Anti money-laundering (AML)
- 49% Know your customer (KYC)



Base: 53 decision-makers in financial institutions based in Australia with responsibility in financial crime and compliance strategy.  
Source: A commissioned study conducted by Forrester Consulting on behalf of LexisNexis® Risk Solutions, June 2023

## Expected benefits from changing FCC process (Top 5 responses)

- 62% Simplified compliance products and the integration into existing payment models
- 55% Improved collaboration between compliance team and payment team
- 53% Simplified employee experience
- 49% Improved operational efficiencies for the compliance team
- 43% Improved customer payment experience



Base: 53 decision-makers in financial institutions based in Australia with responsibility in financial crime and compliance strategy.  
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# Unlocking Business Value with Enhanced Data Management

Alongside protecting the organisation's reputation and improving operational efficiency, these benefits manifest the dual role of compliance – safeguarding institutions while driving business value.

“Which of the following do you see as benefits to the business brought by financial crime compliance?”

(Top 6 responses)

55%

Improvements in **data management for customer relationship** management

43%

Improvements in **data management** for other business purposes

53%

Improved **understanding of customers**

42%

Improvements in **data management for financial risk** management

47%

Protecting the **organisation’s reputation**

40%

Improved **understanding of customers’ risk tolerance**

# Key Recommendations

**Balance compliance effectiveness with customer experience.** In the digital era, financial institutions are in a battle to acquire and retain customers. Those that can deliver seamless customer onboarding and transaction experiences will be the winners. Striking the balance between CX and FCC efficiency entails streamlining KYC and onboarding processes, reducing false positives, and letting a higher number of legitimate transactions go through without inconveniencing the customer.

**Develop future-fit pragmatic FCC approach to manage costs and improve efficiency.** Labor costs in Australia are a major contributor to increased spending in FCC. Financial institutions must focus on people, optimising processes, and technology for efficient FCC operations. Leveraging automation technologies can streamline processes, enhance employee productivity, and reduce unnecessary staffing. Collaboration between compliance teams and other departments, such as payments operations and various business lines, can further enhance efficiency. Additionally, seeking assistance from external FCC partners can provide expertise and complement in-house solutions.

**Embrace new technologies to respond to new financial crimes.** Criminals are increasingly using new technologies such as AI, cryptocurrencies, and digital channels to carry out their activities. With the assistance of these technologies, criminals in Australia are increasingly engaging in money laundering activities through cryptocurrencies, cross-border trades, and scams. These illicit activities are becoming more sophisticated and challenging to trace. To beat the cybercriminals and thwart their more sophisticated financial crimes, financial institutions must be equipped with advanced AI- and ML-based compliance models; they must also leverage privacy-preserving technologies and advanced analytics in their FCC solutions to identify new crime patterns rapidly.



## Methodology

In this study, Forrester conducted a global online survey of 1,181 senior decision-makers at financial institutions to evaluate the cost, current state, and challenges presented by financial crime compliance operations.

Survey participants from Asia Pacific include 271 senior decision-makers in Australia, China, India, Japan and Singapore.

Questions provided to the participants asked about organisations' priorities; exposure to financial crime activities; financial crime spend and factors driving an increase in financial crime costs; challenges in compliance screening operations; the benefits of financial crime operations; and future implementation plans.

Respondents were offered a small incentive as a thank you for time spent on the survey.

All currency references in this report are based on AUD.

The study began in May 2023 and was completed in June 2023.

**53** completions across the  
**Australia** market

# Firmographics

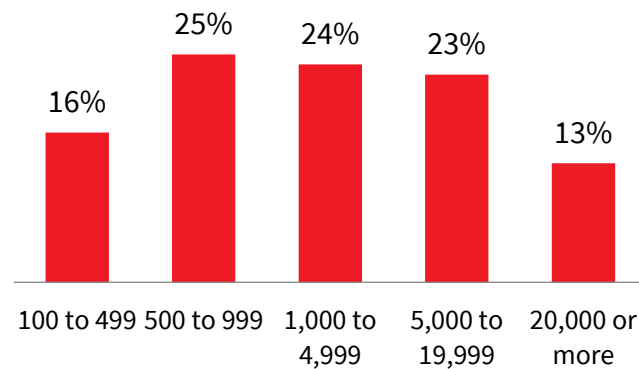
## Geography



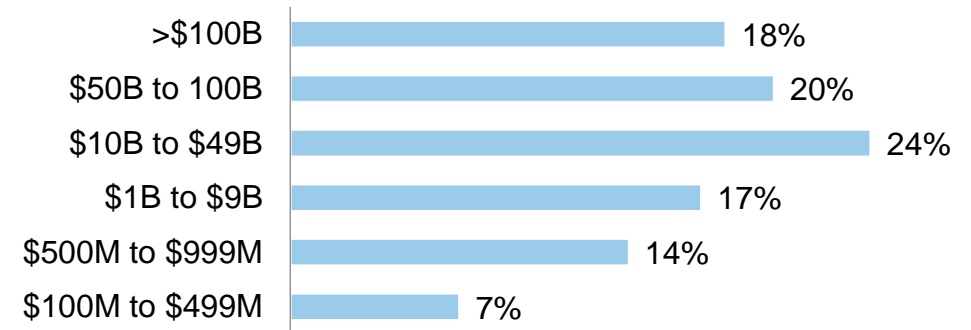
### Asia Pacific:

Australia: 20%  
China: 20%  
India: 20%  
Japan: 20%  
Singapore: 20%

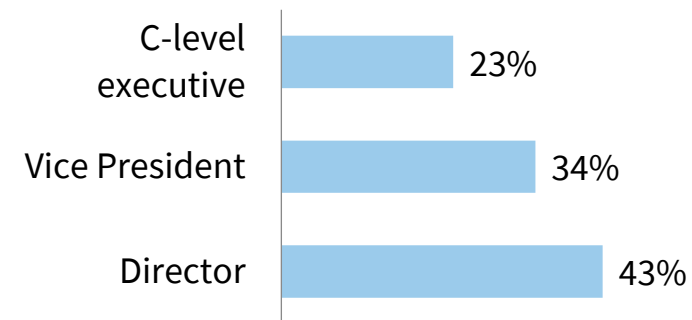
## Number of employees



## Company's assets under management (USD)



## Respondent level



Base: 271 decision-makers in financial institutions based in Asia Pacific with responsibility in financial crime and compliance strategy. Source: A commissioned study conducted by Forrester Consulting on behalf of LexisNexis® Risk Solutions, June 2023

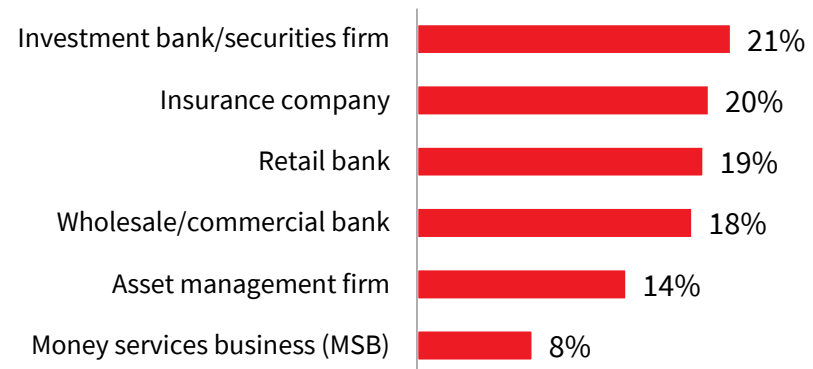
# Firmographics

## Industry

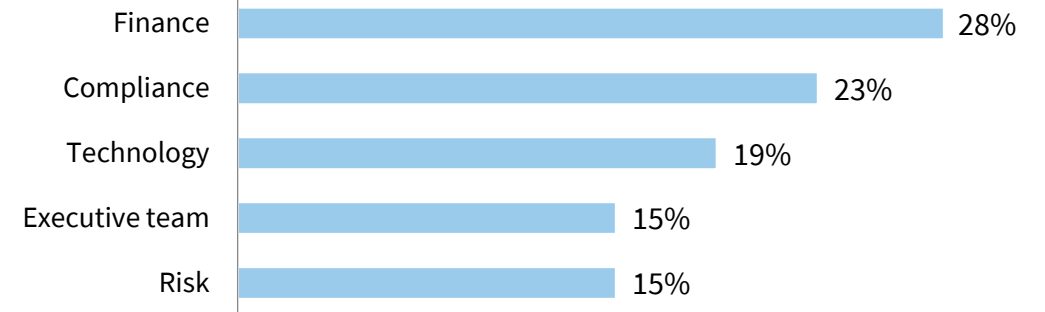


**100%**  
Financial services

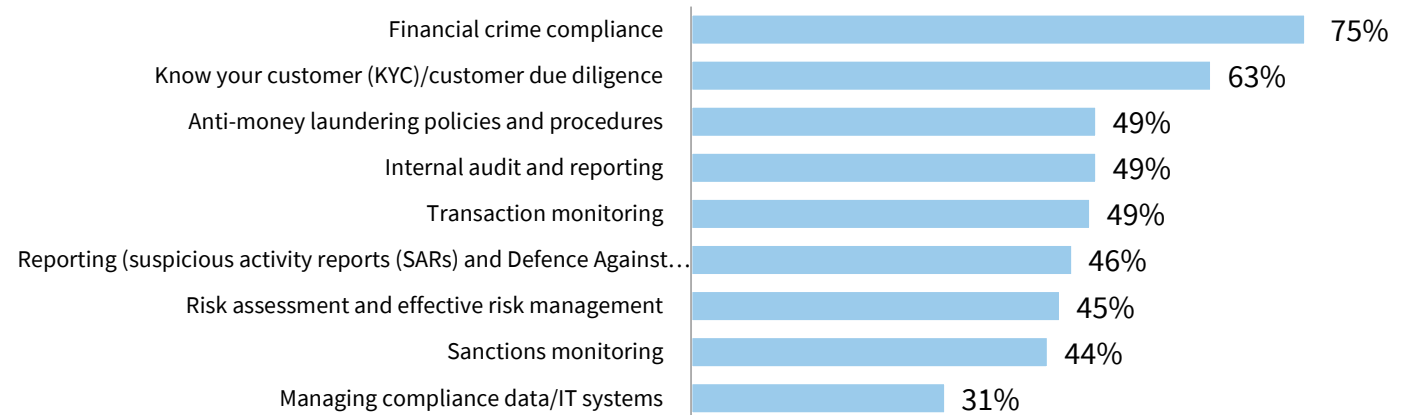
## Type of financial services



## Department



## Responsibilities within the organization



# Explore More about APAC True Cost of Financial Crime Study



Scan the QR code above to access to the full study





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