

Global anti-money laundering and sanctions compliance survey

2021



Contents

Introduction	03
Participating financial institutions	06
Executive summary	08
Survey findings	09
Above it all – the board of directors	18
AML and sanctions programs	20
Raising the bar on risk assessments	25
Transaction monitoring systems – have we found the haystack?	26
Customers and counterparties – friends or foes	28
Moving ahead	31
Next steps	33

Author



Sven Stumbauer

Senior Advisor

Sven is a globally recognized financial crimes expert and forensic investigations professional with over 20 years of experience around the globe. Prior to joining us, Sven was a Managing Director and Global Anti-Money Laundering and Sanctions practice leader at AlixPartners.

+1 404 402 8578

+44 7408 812672

sven.stumbauer@nortonrosefulbright.com

Introduction

Like previous years, 2020 brought increasing regulatory enforcement, changing legislation, geopolitical changes, and record-setting monetary fines making adequate anti-money laundering and sanctions risk management a significant challenge for financial institutions globally.

Stakes are high for financial institutions — regulatory authorities across the world are conducting a wave of investigations into suspected non-compliance with anti-money laundering (AML) and sanctions requirements that, in many cases, have resulted in substantial fines, jeopardized licenses and significantly damaged reputations. In addition, given the growth of individual accountability regimes across the globe, C-level executives and board members may find themselves in the regulators' crosshairs for AML and sanctions failures.

Throughout 2020, we surveyed 375 financial institutions from 77 jurisdictions through online surveys and conversations with senior compliance professionals, senior management and board members of those financial institutions.

While our survey results show certain regional differences, certain global themes emerged:

- Regulators around the world are focusing more on enforcement.
- Codified regulatory requirements have brought significant changes in 2020.
- The cost of AML and sanctions compliance continues to increase.
- Financial institutions are focusing on agile and flexible AML and sanctions risk assessments

By the numbers



375

Financial institutions



77

Jurisdictions represented



11%

of respondent serve
on boards of directors

The good, the bad and the ugly

Increasing scrutiny

71%

received increased regulatory scrutiny in 2020

81%

expect increased regulatory scrutiny in 2021

Spending

41%

consider their AML and sanctions compliance budget inadequate or severely inadequate

74%

expect an increase in their AML and sanctions compliance-related spending

Risk

65%

employed a 'de-risking' strategy to manage their AML and sanctions exposure, while

56%

identified risk assessments as the top investment area in their AML compliance efforts

66%

did not perform independent reviews of their AML/sanctions compliance program in the past 12 months

Training

36%

do not provide AML/sanctions training to the board of directors or are unaware if the board is being briefed on AML/sanctions matters

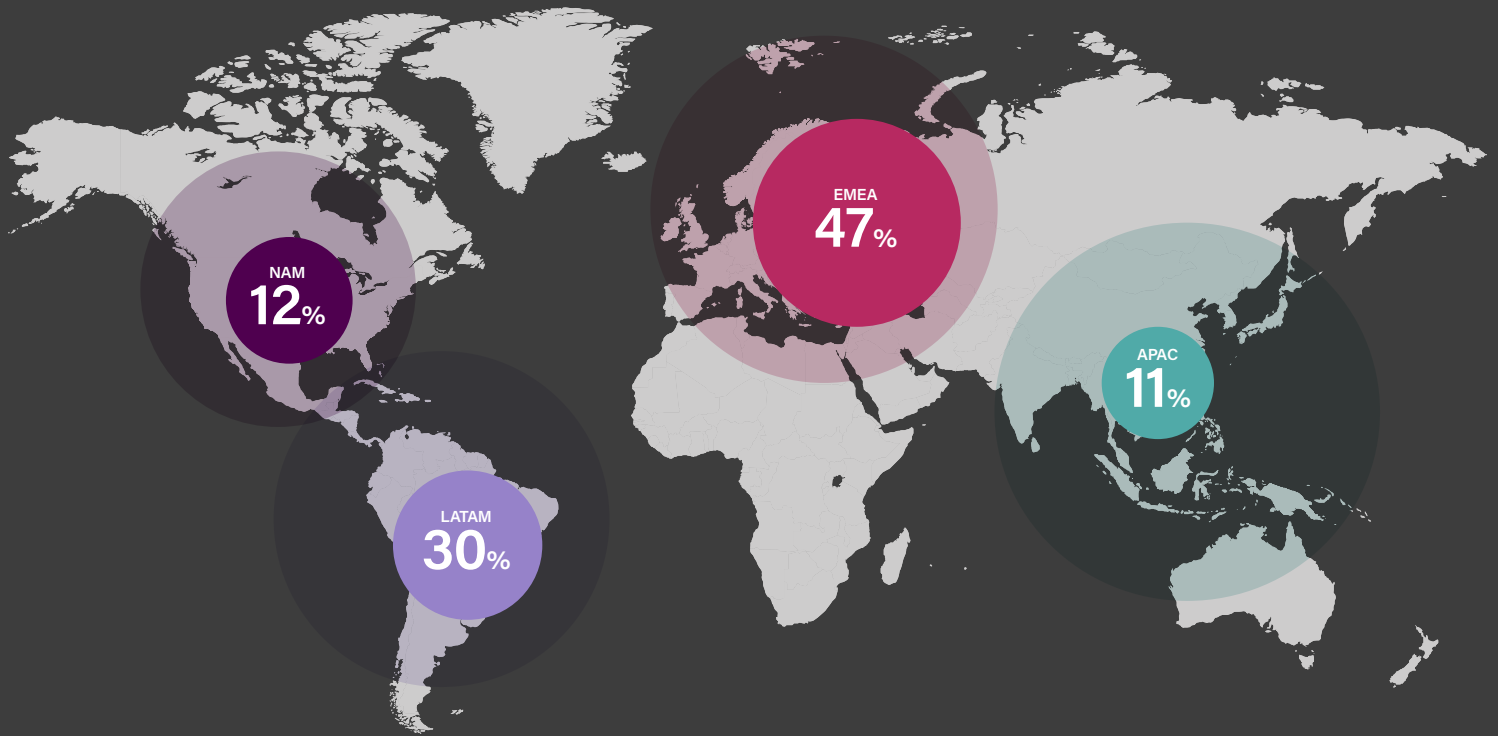
Participating financial institutions

Banks made up the largest portion of our survey respondents, consisting of a wide range of divisions including retail, corporate and business, wealth management, and private and global wholesale banking. Following those were broker-dealers, asset managers, insurance companies, money services businesses, and crypto-currency operators, highlighting the increasing importance and acceptance of crypto-currency operators globally in financial services. Our survey also encompasses significant geographic diversity, covering 77 jurisdictions.

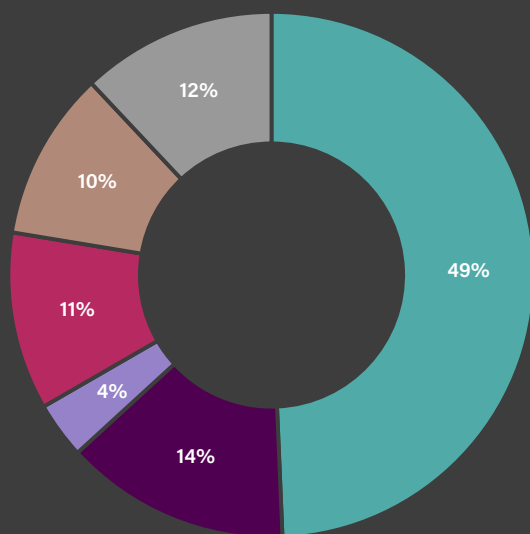
Survey respondents came from a broad range of AML and sanctions-related functions, with board members making up 11% of respondents. The functions represented can be seen in the chart below.

**Our survey encompasses
significant geographic diversity,
covering 77 jurisdictions**

Respondents by regions

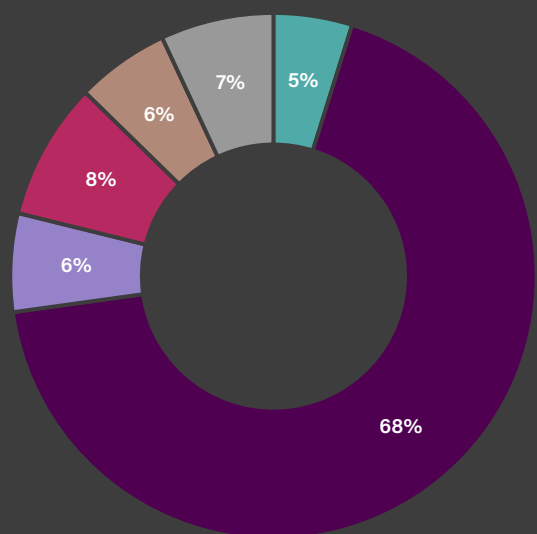


Respondents by function



- Compliance
- Risk management
- Internal audit
- Member of board of directors
- Legal
- Other

Respondents by type of financial institution



- Asset management
- Bank
- Broker/Dealer
- Crypto currency operator
- Insurance
- Money services business/Payment provider

Executive summary

The results of our survey suggest that there are challenging times ahead for financial institutions. Regulatory scrutiny is set to continue and increase and, as a result, compliance costs are on the rise, and the expectation is that they will continue to rise for the foreseeable future.

Compliance executives worry about the adequacy of their budgets and the allocation of their personnel. In particular, our survey shows:

- 71% of survey respondents said they were subjected to increased regulatory scrutiny in 2020 and expected this trend to continue in the future.
- Boards of directors may not be receiving adequate information given 36% of survey respondents either do not provide regular training or briefings to members of the board or are not aware of such training and responses suggest that boards either receive too much or not enough information.
- The cost of AML and sanctions compliance intensified in 2020 and is expected to continue increasing in 2021.
- Adequate risk assessment and quantification and the need to assess risk in more agile ways emerged as the top challenge for financial institutions globally.
- Transaction monitoring systems (both for AML and sanctions compliance) and customer due diligence were areas still posing significant challenges for financial institutions.

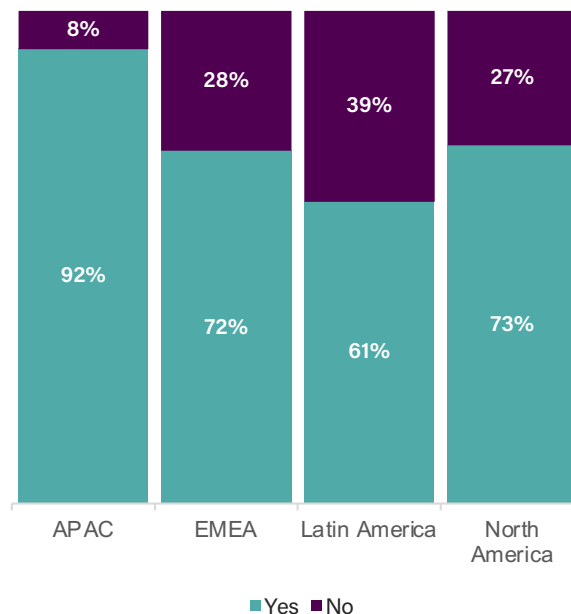
Survey findings

The uptick in fines against financial institutions and penalties for money-laundering continued in 2020, reaching more than \$14 billion¹. To further amplify the challenges for financial institutions globally, various regulatory bodies worldwide have enacted major legislative changes, increasing the pressure on boards and C-level executives significantly. Unlike in previous years, this new regulatory focus on AML can be seen globally as various regulatory regimes converge closer to a global standard as promulgated by the Financial Action Task Force (FATF).

Overview

Across the board, our survey respondents indicated that they experienced a significant uptick in regulatory scrutiny in 2020, with an average of 74% of financial institutions across the globe citing increased regulatory scrutiny.

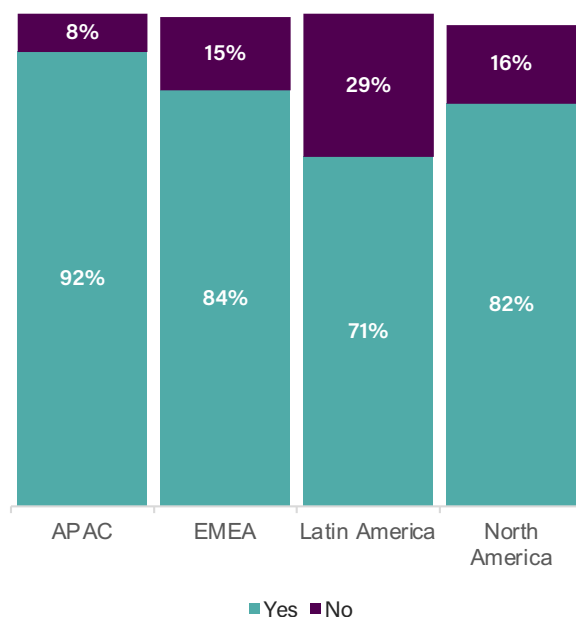
Over the past 12 months, have you experienced an increased focus on AML/sanctions compliance from your primary regulator?



¹ Finbold: Bank Fines 2020

As various countries increase their focus on AML and sanctions enforcement and regulatory authorities continue proactively to investigate potential breaches and pursue enforcement action, this is a trend that the vast majority of our survey respondents (81%) expect will continue in 2021 and beyond.

Over the next 12 months, do you expect your primary regulators' focus on AML/sanctions compliance to increase?



Respondents from the APAC region in particular stand out with 92% having reported a significant uptick in regulatory scrutiny, with the same number predicting that this trend will continue in 2021.



Having certainty on U.S. sanctions and the pace at which they can change.”

When survey respondents were asked what they believe is driving the increased levels of regulatory scrutiny, a variety of reasons were given including:

- FATF mutual evaluations — particularly in Asia.
- Financial institutions that provide services for crypto-currency operators.
- After a history of non-enforcement of AML rules and regulations, AUSTRAC's² recent enforcement actions.
- Continuous pressure by regulators on financial institutions in the US, with a particular focus on non-U.S. headquartered financial institutions both for AML and sanctions compliance.
- Legislative changes in AML laws across the globe and the intensified use of the US sanctions regime for geopolitical purposes.



Our biggest challenge in 2020 and going forward is the lack of regulators understanding the risks in trade finance.”

The long reach of US regulatory authorities continues to be in the mind of non-US headquartered financial institutions. When assessing AML risk and exposure, global financial institutions need to be mindful of the complex landscape and assertions of broad authority by US authorities and banking regulators. A multinational financial institution with a U.S. branch may find its worldwide activities scrutinized by US banking regulators even if its branch does not service those activities, and even without a US branch, a bank may still have civil or criminal exposure if there is a sufficient US nexus.

Increased regulatory focus and changing regulation – the perfect storm

Given the focus throughout the world on AML and sanctions compliance, enforcement action and fines are expected to continue increasing as financial institutions face sanctions for repeat and/or new failures. Changes in regulation paired with increased regulatory scrutiny will force difficult conversations at C-level and board meetings as AML and sanctions risk management remains at the center of attention.



The increasing propensity by competent authorities to see financial institutions as organizations that can be relied upon to perform “investigative functions”

US – Turbocharging Enforcement Powers

The passage of the US Anti-Money Laundering Act of 2020 (AMLA) (part of the National Defense Authorization Act for Fiscal Year 2021) will bring a new era of AML enforcement and regulatory exposure for financial institutions in the US and by extension to their counterparties and affiliates across the globe.

The 2020 AMLA may well have the most significant impact on the AML landscape since the enactment of the USA PATRIOT Act in 2001.



Adapting existing processes and procedures to changes in regulation.”

While the AMLA contains numerous amendments to existing AML rules and regulation, the following three changes deserve particular attention and should drive the agendas of boards and C-levels over the coming months:

- Increasing penalties for AML violations.
- Enhancing the current AML whistleblower program.
- Increasing US regulators' authority to seek documents from foreign financial institutions.



We see an increasing divergence in regimes.”

EU Directives and Inconsistent Implementation

2020 brought the implementation of the 5th EU Anti-Money Laundering Directive (5MLD) in January, followed by the 6MLD in December. While the EU keeps issuing directives, certain EU member states are still behind in implementing them into their national law. For instance, in July 2020, the European Commission (Commission) set out key infringement decisions against nine EU member states for their failure to correctly implement the earlier 4MLD. In two of these cases, the EU member states were ordered by the European Court of Justice to pay penalties to the Commission. In November 2020, the Commission's website noted that in relation to 5MLD, 22 EU member states were the subject of infringement procedures. With the Commission still opting to use directives instead of directly applicable regulations for its AML regime, financial institutions are still facing a patchwork of national laws and individual EU member-state regulators with various levels of sophistication.



In our case, working with financial institutions internationally that have different AML regulations, and may not have all the due diligence requirements we need.”

United Kingdom – Brexit

5AMLD came into effect in January 2020, yet despite its impending exit from the EU, the United Kingdom (UK) implemented the directive into its national law. The UK has decided to opt out of complying with 6MLD on the basis that its domestic legislation is already largely compliant with the directive's measures and in many cases “the UK already goes much further.” The EU-UK free trade agreement provides for cooperation on combating money laundering and the financing of terrorism. It does so by confirming the EU and UK's continued commitment to the FATF's standards. It is largely expected that going forward AML and sanctions regulations will be closely aligned to EU and global



The complexity of the issue is the largest challenge.”

standards. However, some divergence between the EU and the UK may appear in 2021 when the Commission publishes its adoption plans for a comprehensive EU policy on preventing money laundering and terrorism financing. Brexit for the UK also eliminates the practice of some financial institutions establishing themselves in regulatory “light touch” member countries of the EU, while the majority of their business was conducted in the UK.



Our biggest challenge for the future is the disparate regulatory expectations of the different regulators in various countries we operate.”

China’s response to the FATF

On December 30, 2020, China issued draft Administrative Measures on the Anti-Money Laundering and Counter-Terrorism Financing by Financial Institutions (Administrative Measures.) The Administrative Measures appear to be intended to address shortcomings and comments raised by the FATF during its 2019 mutual evaluation. These will be very familiar to financial institutions around the globe and include:

- Conducting a self-risk assessment.
- Establishing internal controls according to the risks identified in the risk assessment.
- Creating or designating a member of senior management with responsibility for AML matters.
- Establishing an independent audit function for AML matters.
- Creating a system of internal controls on the group level to ensure affiliates implement the same level of controls.

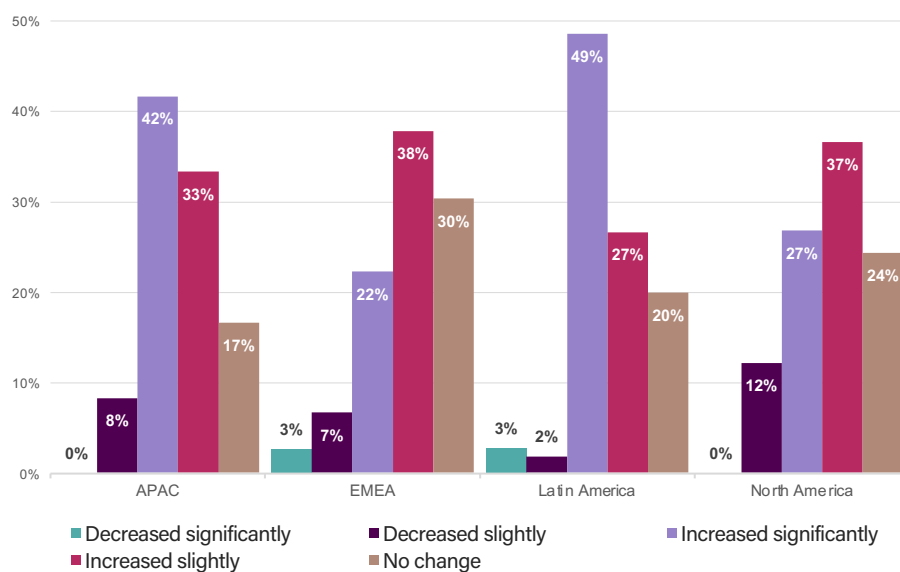
Key message

Importantly, our survey indicates that increased regulatory focus is here to stay and that there is increasing divergence in regimes and expectations. The regulatory risk exposure of financial institutions is therefore likely to intensify in 2021 and beyond, given the changes in regulations worldwide.

The cost of AML and sanctions compliance

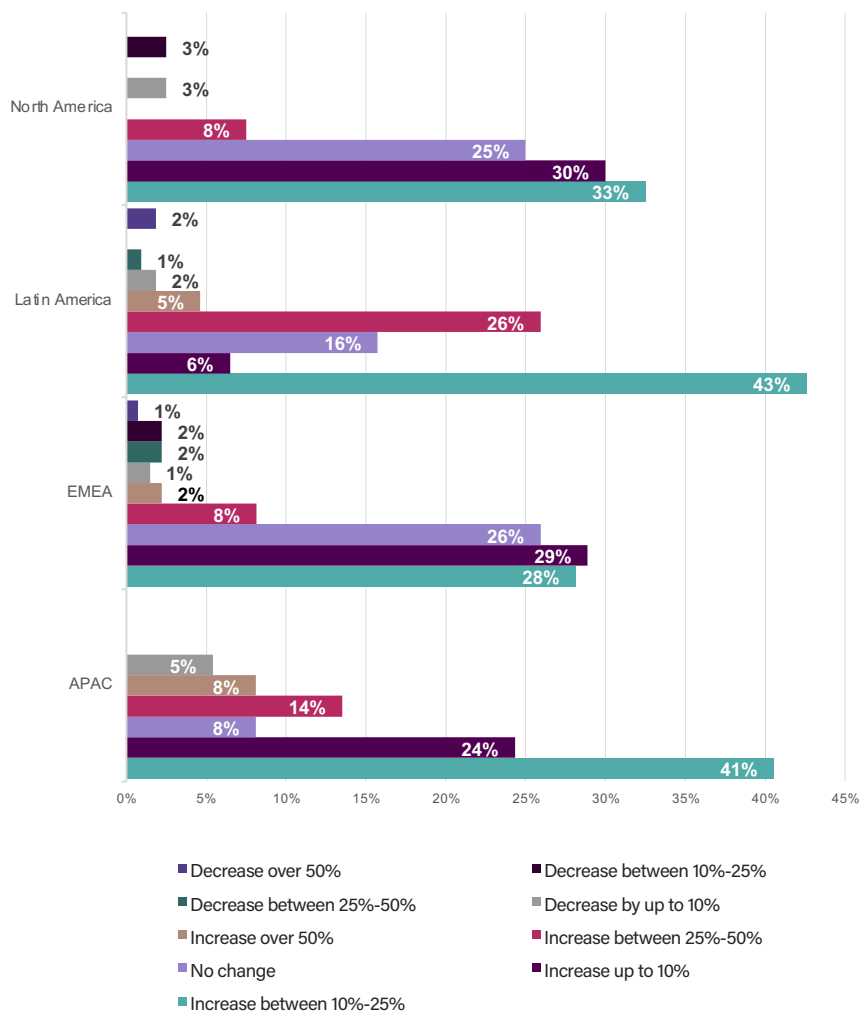
Overall, survey respondents reported that the cost of AML and sanctions compliance has increased and will continue to increase in the future. Around two-thirds (67%) of survey respondents reported a spending increase over the past 12 months.

Spending over the last 12 months



That is not a short-term trend; we have observed similar trends in our work with various financial institutions. Perhaps most important, there is consensus that the overall cost of AML and sanctions spending will continue to increase, with 74% of survey respondents expecting an increased spend over the next 12-24 months.

Expectations of overall AML/sanctions spending

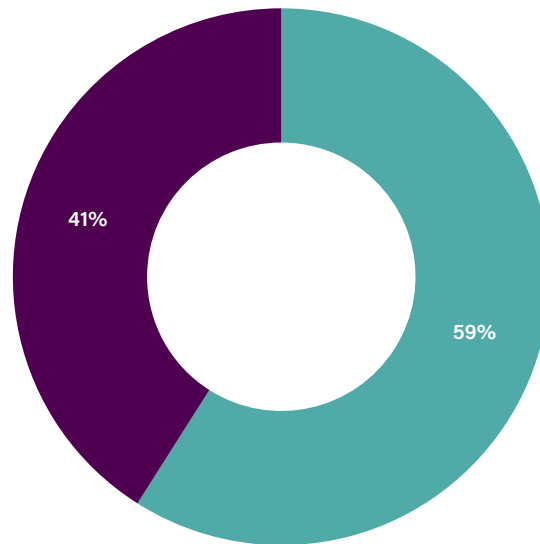


While higher spending on AML and sanctions compliance is trending upwards, not all budgets at financial institutions have apparently kept pace. Across the board, 41% of survey respondents consider their budgets inadequate or severely inadequate.



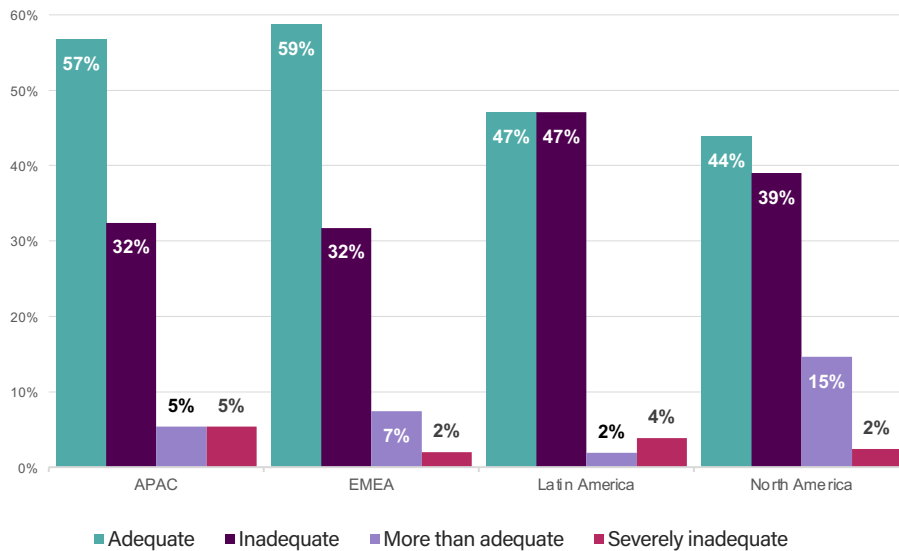
Across the board, 41% of survey respondents consider their budgets inadequate or severely inadequate.

Budgets



■ Adequate or more than adequate
■ Severely inadequate or Inadequate

Budgets: Breakdown by regions



■ Adequate ■ Inadequate ■ More than adequate ■ Severely inadequate

Interestingly, survey respondents in Latin America were the most split between whether their budget was adequate or inadequate. EMEA was the jurisdiction in which survey respondents were the most satisfied that their budget was adequate, closely followed by APAC.

Above it all – the board of directors

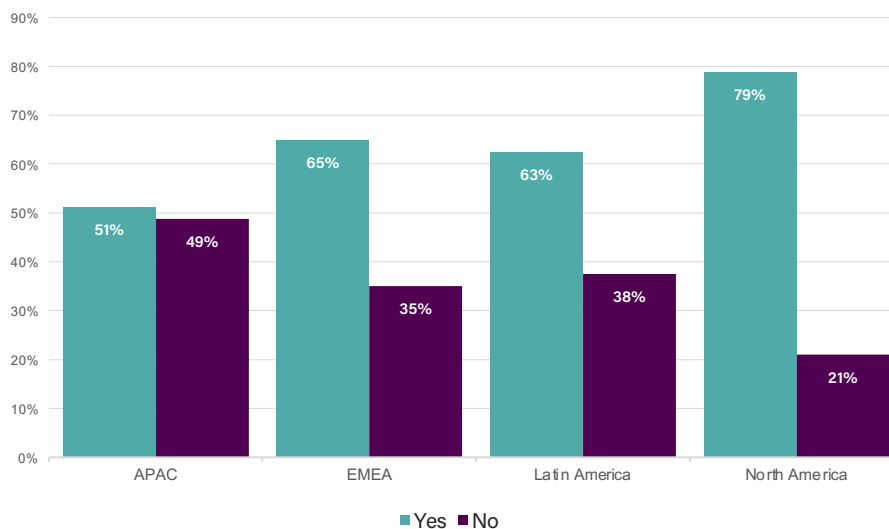
Given the sweeping changes in legislation and the increasing level of AML enforcement globally, the risks facing financial institutions are likely to intensify. Boards of directors should help their institutions get ready to manage the changing AML and sanctions risk environment; as they prepare their risk agendas for 2021 and beyond, AML and sanctions risk management should be front and center.



Board reports are 200 pages long and do not display required information.”

Surprisingly, over one-third (36%) of survey respondents indicated that they do not provide AML and sanctions compliance training for their boards of directors or do not know whether their boards are being briefed on AML and sanctions matters.

Does your board of directors receive regular training and briefings on AML and sanctions compliance issues?



While this number represents the global average, regional differences are observable with the greatest percentage of those indicating that training had been provided coming from the US.

Boards and senior management should set the tone for their organizations by creating a culture of compliance. If compliance officers do not have and cannot obtain adequate support and resources, it is more likely that the financial institution's leadership may be viewed as not being seriously engaged in AML and sanctions compliance.

However, boards do not always receive sufficient briefings and tailored training to aid them in defining the overall risk appetite and strategic direction of their financial institution, based on our survey findings.



Our training for board is too basic!"

As part of our survey we identified two key contrasting themes in terms of management information:

- Lack of information.
- Excessive information.

On one side, survey respondents have described management delivering to board members drastically reduced summaries which have a limited value being a "copy and paste" from previous board updates. Other survey respondents cite that it would seem that management simply produce an "information dump" making it difficult for boards to access the information they really need. The conclusion that can be drawn from this is that there is often an inability to provide boards with the right amount of information, this may be due to a lack of understanding of the board's role in managing this risk.



Management's risk assessment does not make sense."

An additional observation from survey respondents is the time that management spend on board reports to remove or tone down self-identified deficiencies and potential regulatory breaches or compliance challenges. This is particularly problematic as the board is not given the full picture and it can create a false sense of security which belies the risk of regulatory enforcement action.

AML and sanctions programs

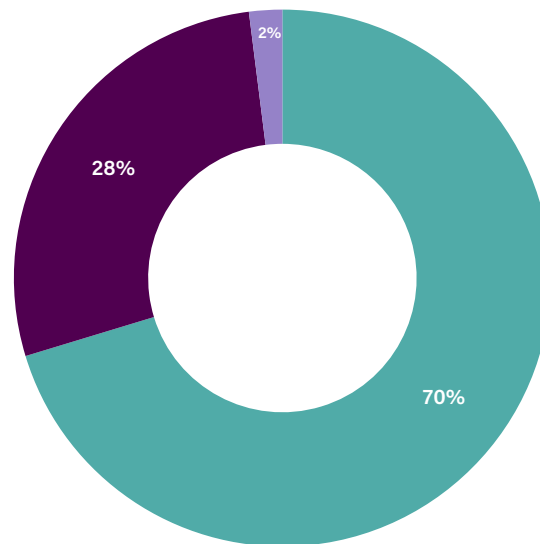
Financial institutions have made significant investments in building their AML and sanctions compliance frameworks. This is illustrated by our survey which shows that 94% of respondents stated that their financial institution had a formal AML and sanctions compliance program in place. However, when our survey results were broken down into different regions it is perhaps surprising to see that just over 8% of survey respondents in both APAC and EMEA indicated that their financial institution currently does not have a formal AML and sanctions compliance program in place. These financial institutions, and their boards, are prime targets for regulatory enforcement action.

Do you have a formal written AML and sanctions compliance program?



Among those who have formalized AML and sanctions compliance programs in place, 70% said the programs are implemented globally, whereas 28% said they rely on local management and/or business line management to implement their programs.

Is your AML and sanctions compliance program globally implemented or is every geographic region/line of business responsible for its own AML and sanctions compliance program?



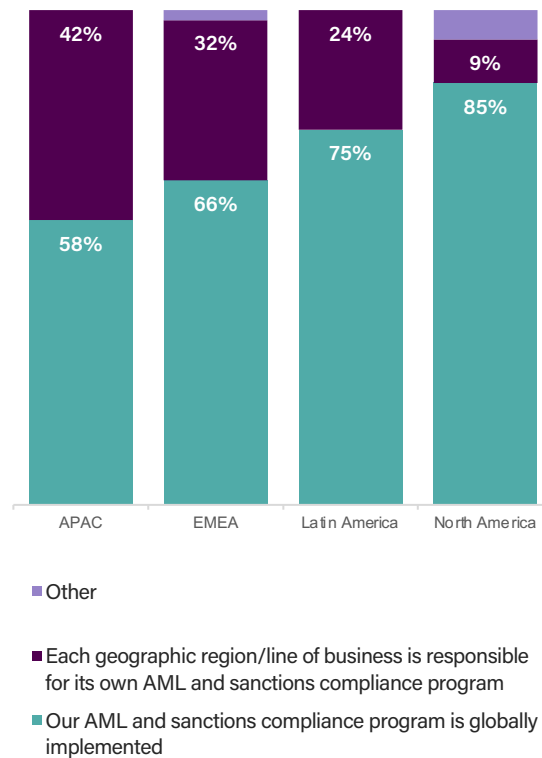
- Our AML and sanctions compliance program is globally implemented
- Each geographic region/line of business is responsible

While for some operations local management implementation might work, over-reliance on local management might undermine the overall compliance efforts at the group level of a global financial institution and lead to significant regulatory exposure, as recent enforcement actions have demonstrated.



94% of respondents stated that their financial institution had a formal AML and sanctions compliance program in place

Regional breakdown on own AML and sanctions compliance programs

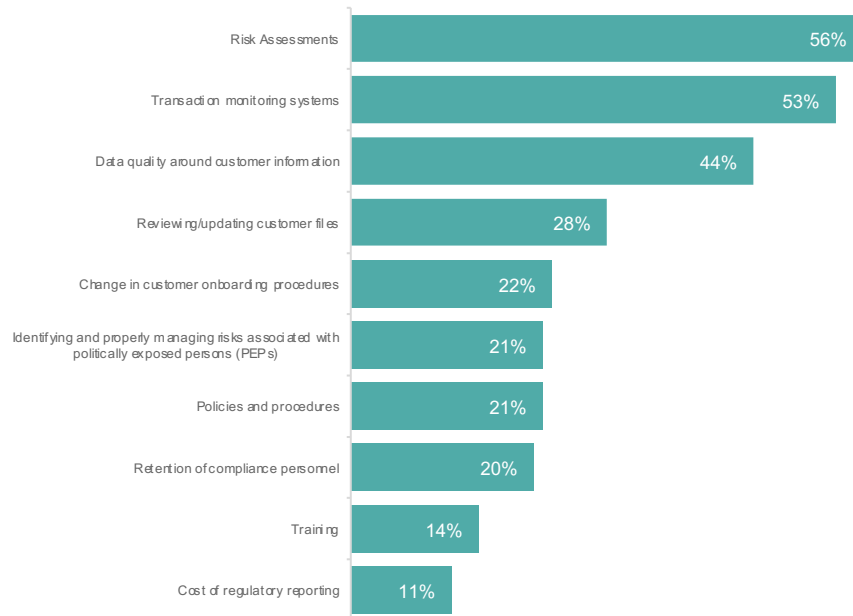


When asked about the top three challenges in AML compliance in 2020 and the foreseeable future, the majority of survey respondents identified risk assessments, transaction monitoring systems, and know your customer (KYC).



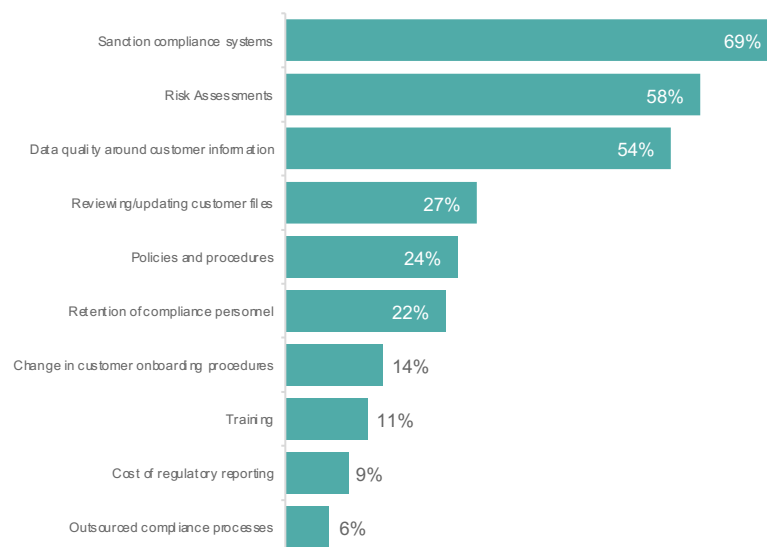
Our survey shows that over half (56%) of respondents did not complete a benchmarking or independent validation exercise of their AML and sanctions programs.

What do you consider your top three most challenging areas for AML compliance for 2020 and beyond?

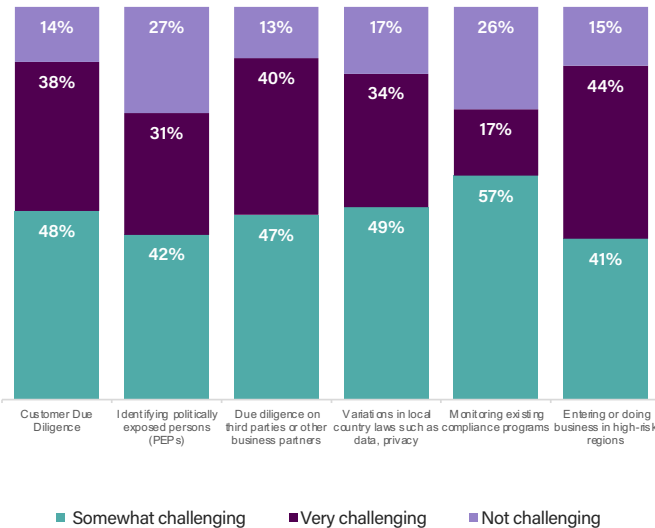


When asked about the top three challenges in sanctions compliance in 2020, the majority of survey respondents identified sanctions compliance systems, risk assessments, and KYC.

What do you consider your top three most challenging areas for sanctions compliance for 2020 and beyond?



Describe the degree to which the following represent challenges in your company's AML and sanctions compliance program?

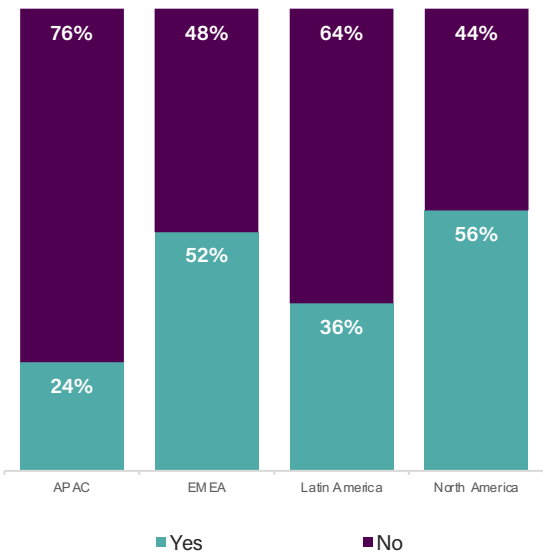


Our survey shows that over half (56%) of respondents did not complete a benchmarking or independent validation exercise of their AML and sanctions programs. This could mean that a significant number of financial institutions currently have stale AML and sanctions compliance programs in place that might not be sufficient to manage those institutions' risk exposure.



The complexity of the issue is the largest challenge.”

Did you complete a benchmarking or independent validation exercise of your AML and sanctions programs?



Raising the bar on risk assessments

According to our survey, more than half of all the financial institutions identified adequate AML (56%) and sanctions (58%) risk assessments as one of their top three challenges in 2021 and beyond.

The results of our survey suggest that financial institutions around the globe are largely realizing that risk assessments, as conducted in the past, are not as useful as they once were, if conducted with a “checklist” approach or by completing a simple matrix. Rather a more agile and dynamic risk assessment model is needed to allow boards and senior management to deploy often limited resources across areas of highest risk in their particular financial institution.

Based on interviews with board members as part of our survey, the key question of “do we know our true risk³” emerged, showing that boards and senior management are increasingly seeing less value in a risk assessment that is conducted to “just provide updated statistics over the past 12 months, with no change in risk, while our business changed significantly.”⁴

Survey respondent: Management’s risk assessment does not make sense.

Rather than creating static matrixes of AML risks, financial institutions need a systematic way to resolve what risks to take and which ones to avoid. Currently, many financial institutions think about their risk appetite in purely static terms rather than adopting a more agile risk management approach. If a risk assessment becomes a pure check-the-box exercise summarizing statistics accumulated over the past 12 months, a financial institution will make decisions based on past information rather than forward-looking information.

A state-of-the-art risk assessment should be forward-looking and continuously updated both for external events and ongoing changes within the financial institution’s business. This will enable the financial institution and its leadership to tailor the AML and sanctions risk responses more accurately and deploy resources with greater agility.

³ Quote from survey participant
⁴ Quote from survey participant

Transaction monitoring systems – have we found the haystack?

As noted above, our survey respondents identified transaction monitoring systems as one of the top three challenges. There is no silver bullet for a robust transaction monitoring system, and that is why financial institutions can – and should – tailor automated systems to their AML and risk profiles. To ensure that AML systems will meet expectations and regulatory requirements, there are certain basic areas that should be considered when enhancing automated transaction monitoring solutions.



The risk lies not only in the areas of system implementation and maintenance but also in the analysis and utility of the output of those systems.

Robust information-technology (IT) systems have always been critical parts of AML and sanctions compliance. However, as recent enforcement actions have shown, legacy IT systems and siloed processes appear to be ongoing struggles for financial institutions – a trend that will likely continue unless firms improve the robustness of their IT systems.

The saying “garbage in/garbage out” continues to apply. While monitoring solutions have significantly evolved, the “input” seems to be lacking. This has led to a new reality of firms not fully utilizing the technical capabilities of available solutions, thereby exposing themselves to further criticism by regulatory authorities.

One often-cited shortcoming of financial institutions is their failure to detect and subsequently report suspicious activity, despite significant investment in automated transaction monitoring systems. Work in this space suggests that the risk lies not only in the areas of system implementation and maintenance but also in the analysis and utility of the output of those systems.

Financial institutions are becoming increasingly dissatisfied with their current automated monitoring efforts, and are, therefore, seeking solutions that may lighten the workload of compliance departments.

One of the industry's largest "dissatisfactions," concerning automated monitoring systems, is the low yield of high-quality alerts. Indeed, the vast majority of alerts never make it past the initial investigative stage. Furthermore, only a small fraction of alerts generated result in actual suspicious activity report (SAR) filings or the detection of a potential sanctions violation.



Our greatest challenges are around lack of personnel and quality of data."

Ideally, a financial institution should be able to see the full picture by monitoring and sharing its customers' transactions across its businesses and, potentially, jurisdictions. This will help facilitate the identification of any unusual transactions and behaviors, as well as potential sanctions violations. The financial institution may, however, need to be mindful of relevant data protection issues.

Many financial institutions continue investing in systems or people to manage the output; however, those institutions should consider what will be sustainable and valuable for the long term, instead of aiming only to meet today's minimum regulatory standards.

Some of the questions financial institutions could ask themselves with a view to increasing the efficiencies around transaction monitoring are:

- Can we free up resources by standardizing our processes more?
- Are some monitoring features delivering low value and we should scale our efforts back?
- What technology solutions can be utilized, such as machine learning or artificial intelligence?
- To what level are we using information we have, whether from internal, external or public sources?



Our greatest challenge is too many false positive alerts generated by our systems."

Customers and counterparties – friends or foes

One key pillar of robust AML and sanctions risk management is customer and counterparty due diligence (customer due diligence/CDD). However, our survey results show that, besides risk assessments and AML monitoring systems, CDD is still a significant challenge for financial institutions globally.

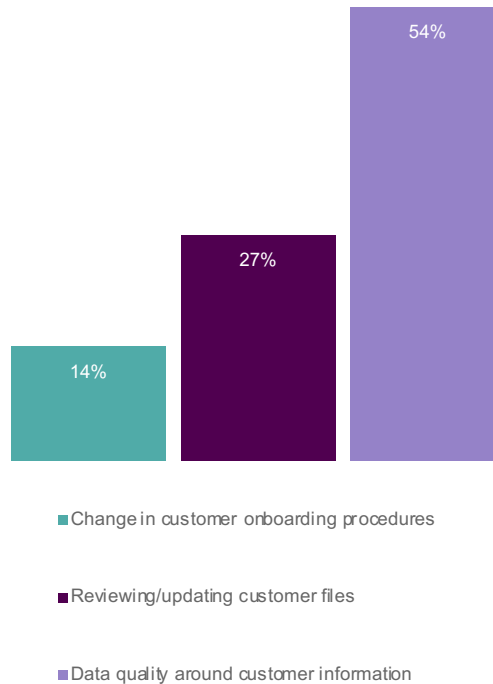


Our greatest challenge is the strengthening of regulations on the identification of the ultimate beneficiary.”

Challenges with CDD in AML compliance



Similar picture emerges when it comes to sanctions compliance



De-risking – The trend continues

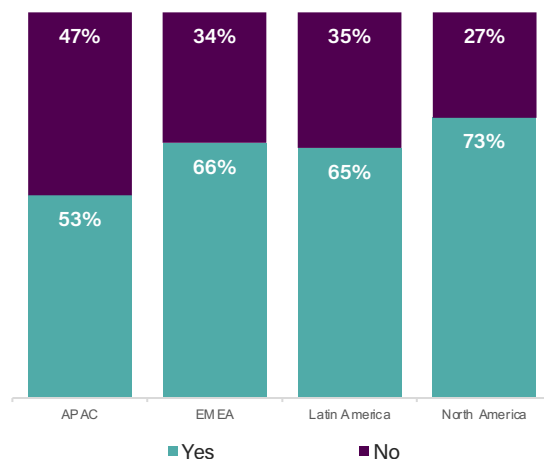
Financial institutions and regulatory authorities have been grappling with the topic of de-risking for some time now. De-risking refers to decisions taken by financial institutions not to provide services to customers in certain risk categories. This can leave customers without access to the financial system. De-risking can be a legitimate risk management tool in some cases but it can also be a sign of ineffective money laundering risk management, with severe consequences.



Requirements to know beneficial ownership for sanctions, but no central data repository in US.”

Given the ongoing challenges of financial institutions with CDD, it is no surprise that the trend of de-risking is continuing across the globe. According to our survey results, globally, 65% of respondents said that their financial institution employed de-risking strategies to manage its AML/sanctions risk exposure while 54% of respondents said that their financial institution had experienced de-risking by counterparties.

Over the past 12 months have you employed de-risking strategies to manage your AML/sanctions risk exposure?



This trend underscores the importance of collaboration between financial institutions and the need to achieve common compliance standards on CDD that may sometimes be higher than local regulatory standards.

De-risking has been an industry trend for some time that has led to a reduction in the relationships – primarily correspondent banking – maintained by institutions. The same cannot be said about the volume of transactions.



Due diligence on the customer's customer in a high risk jurisdiction."

From trends observed and responses to our survey, it seems that some financial institutions have found different counterparts, often away from traditional "trade routes," and are effectively forum shopping for the lowest CDD requirements. They have created "nested" or hidden relationships that often lead to increased risks of money-laundering and sanctions breaches, or have been abused for money laundering and bypassing various sanctions regimes.

Comments from survey respondents highlighted that if due diligence is too cumbersome customers will tend to be de-risked. A particular area of concern in the due diligence process was the identification of beneficial owners.

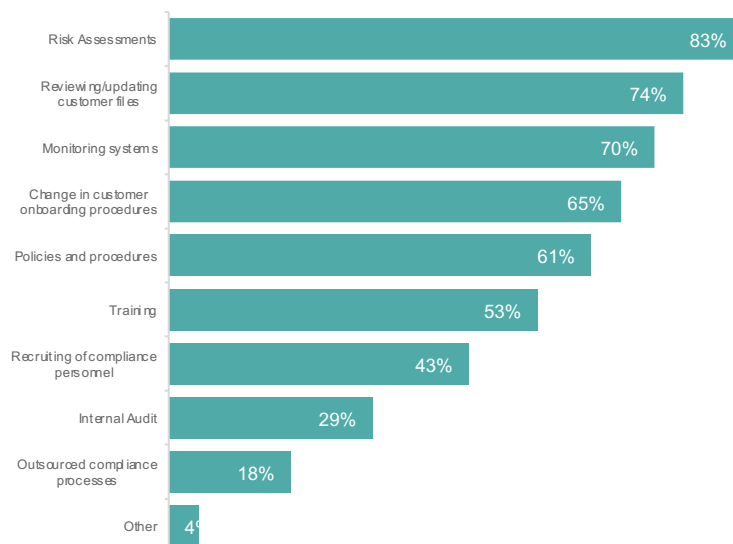
Moving ahead

Overall, the financial services industry is in the early stages of a journey towards a risk based approach to AML/sanctions compliance and risk management processes. The industry recognizes that investments in check-the-box AML and sanctions compliance cannot be sustained in the long term. Rather than simply seeking to meet today's regulatory compliance standards, financial institutions are beginning to realize the importance of more agile approaches to managing their AML and sanctions exposure.

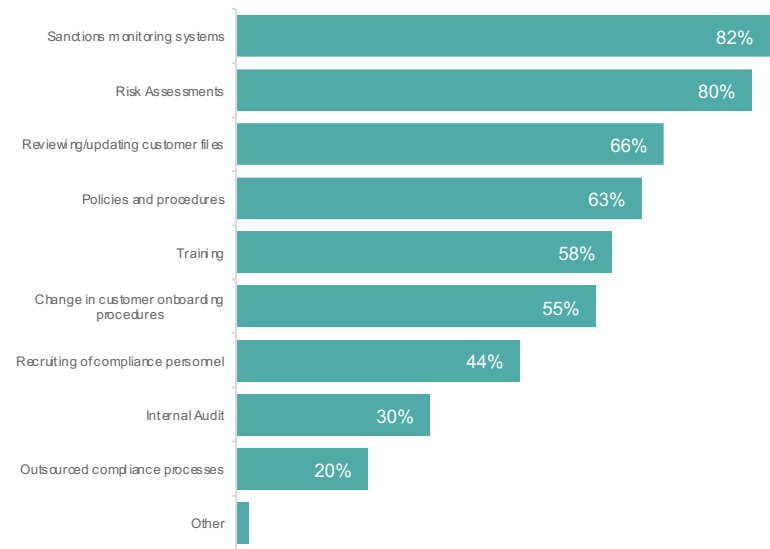
In the current global regulatory climate, AML and sanctions challenges will continue to put pressure on financial institutions' resources. The race to keep up with differing compliance standards has redrawn the competitive landscape for financial institutions and those that can get AML and sanctions compliance right will undoubtedly emerge as winners.

Financial institutions are realizing this trend and, when asked about investment areas for AML and sanctions compliance, resources are expected to be deployed in the areas posing the biggest challenges.

What are the top five investment areas in the next 12-24 months for AML compliance?



What are the top five investment areas in the next 12-24 months for sanctions compliance?



While the realignment of investments and resources is certainly a step into the right direction, financial institutions need to keep in mind that successfully implemented and executed AML and sanctions compliance efforts do not only hinge on the amount of resources employed but the effectiveness and efficiency with which those resources are deployed.

Next steps

So how do financial institutions steer clear of the AML and sanctions hurdles ahead of them in 2021 and beyond? The following are key considerations for not only the financial institution's compliance and risk management professionals, but also its business leadership team:

- Fostering an internal culture of “one business” meaning that AML and sanctions risk management and compliance should not be seen as a “deal breaking department” but rather an active part of the overall business culture with incentives aligned across business units.
- Our survey identified risk assessments as one of the three most challenging areas. Dynamic risk assessments should be implemented to identify changing business circumstances and shifting risk to properly address those shifts, rather than reacting to them retroactively.
- As lockdowns and restrictions are starting to ease around the world, financial institutions should take a hard look at potential risk and regulatory exposure during the global COVID-19 crisis. While some financial institutions were better prepared than others, none of our survey participants had a tailored response plan in place as the global COVID-19 crisis started to unfold. Now is the right time for financial institutions to take a hard look at shifts in transactional and customer behavior that occurred over the past 12 months and determine their potential regulatory exposure.
- In light of the above financial institutions should consider an independent benchmarking exercise to not only assess strict compliance with AML and sanctions rules, but also the efficiency and effectiveness of current internal processes. This will help them understand their strengths and weaknesses and refocus resources on problems that need immediate attention before they come to the attention of the regulator.
- As our survey results highlight in relation to transaction monitoring and CDD challenges, traditional financial institutions are still plagued by legacy, often inflexible, data repositories. In order to increase their ability to more dynamically assess their AML and sanctions risks, and be able to immediately access data and deploy tools like machine learning, data must also be re-platformed from legacy systems so it becomes widely accessible. This availability of data, which traditional financial institutions have tremendous amounts of, will make data enormously valuable and digitally accessible. To stay ahead of the curve in AML and sanctions compliance, it will become absolutely necessary to modernize.
- As consumer acceptance of FinTech companies grows, evidenced by tremendous growth over the past few years, certain activities are moving away from heavily regulated traditional financial institutions. This not only poses challenges for the FinTech companies themselves, but also shifting risks for traditional financial institutions that provide banking services to FinTech companies.
- Shifting the mindset from a check the box exercise that in certain institutions (and regions) still appears to be prevalent, to a true risk management function. Without this shift occurring rather rapidly, we will continue to see regulatory actions and corresponding monetary fines in 2021 and beyond.

Contacts

Author



Sven Stumbauer

Senior Advisor

Sven is a globally recognized financial crimes expert and forensic investigations professional with over 20 years of experience around the globe. Prior to joining us, Sven was a Managing Director and Global Anti-Money Laundering and Sanctions practice leader at AlixPartners.

+1 404 402 8578

+44 7408 812672

sven.stumbauer@nortonrosefulbright.com

Contributors



Jane Caskey

Global Head of Risk Advisory

Jane Caskey is global head of our risk advisory practice and a member of our global executive committee. Jane works with global clients to identify, mitigate, and manage key risks across their businesses, which includes analyzing the current and emerging risks within the context of the commercial goals of our clients and their risk culture and appetite.

Tel +1 416 216 1899

jane.caskey@nortonrosefulbright.com



Simon Lovegrove

Global Director of Financial Services Knowledge, Innovation and Product

Simon is head of financial services knowledge – global, based in London. He focuses on both knowledge management and financial services and markets regulation. He has a degree in law and a master's degree in business law.

+44 20 7444 3110

simon.lovegrove@nortonrosefulbright.com

NORTON ROSE FULBRIGHT

Norton Rose Fulbright is a global law firm. We provide the world's preeminent corporations and financial institutions with a full business law service. We have more than 3700 lawyers and other legal staff based in Europe, the United States, Canada, Latin America, Asia, Australia, Africa and the Middle East.

Law around the world

nortonrosefulbright.com

Norton Rose Fulbright Verein, a Swiss verein, helps coordinate the activities of Norton Rose Fulbright members but does not itself provide legal services to clients. Norton Rose Fulbright has offices in more than 50 cities worldwide, including London, Houston, New York, Toronto, Mexico City, Hong Kong, Sydney and Johannesburg. For more information, see nortonrosefulbright.com/legal-notices. The purpose of this communication is to provide information as to developments in the law. It does not contain a full analysis of the law nor does it constitute an opinion of any Norton Rose Fulbright entity on the points of law discussed. You must take specific legal advice on any particular matter which concerns you. If you require any advice or further information, please speak to your usual contact at Norton Rose Fulbright.

© Norton Rose Fulbright LLP. Extracts may be copied provided their source is acknowledged.
32497_GLO - 06/21