Financial institutions say complying with new anti-money-laundering legislation could cost them each up to £1,000,000

Nearly nine tenths say the fight against financial fraud and money laundering has become more costly and complex in the last five years

LONDON, UNITED KINGDOM, October 4, 2023 /EINPresswire.com/ -- According to research from compliance and payments expert, Eastnets, financial institutions across Europe are bracing themselves for heavy new compliance costs. This comes as the European Commission prepares to launch a new authority to counter money laundering and the financing of terrorism, known as the Anti-Money-Laundering Authority (AMLA).

> The formation AMLA could bring eye-watering costs. To minimise this, businesses need to consider all the technologies and tools available to them."
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> *Deya Innab, Deputy CEO at Eastnets*

In a survey of over 3,000 IT, risk and compliance leaders in the sector, three quarters (76 per cent) of UK respondents said failure to keep up with new AML legislation would cost their business between £350,000 and £1,000,000. A similar number (72 per cent) of EU-based respondents thought it could cost them anywhere from €360,000 to €1,000,000.

Nearly all (97 per cent) say this cost will come from either penalties and seizures, or the increased cost of training, monitoring and reporting procedures – or both.

In general, nearly nine tenths (88 per cent) of respondents say the fight against financial fraud and money laundering has become more costly and complex in the last five years. Reasons for this are varied, but nearly two fifths (38 per cent) blame it on higher expectations from regulators.

When pushed, nearly seven in 10 (69 per cent) of respondents say the increased cost of compliance is having a big effect on their organisation and a similar proportion (67 per cent) say the growing complexity of the regulatory environment is having a significant impact.

Approaching half (46 per cent) say a fast-changing regulatory environment is one of the greatest challenges their organisation faces in relation to anti-money laundering and financial fraud.

Complicated regulation and legislation are cited by a further 45 per cent.

When asked what the top challenge will be to the industry from the establishment of a cross-border regulatory authority with wide oversight (like AMLA), the top answer was technology. This was closely followed by the associated challenge of customer privacy and data protection issues, such as GDPR.

On the topic of what technology and tools will help their readiness to comply and collaborate with bodies like AMLA, nearly two thirds (63 per cent) said regulatory reporting tools, 59 per cent said third party data providers and 55 per cent said AI.

Nearly three quarters (73 per cent) say they are only somewhat or not ready to handle new regulatory requirements on financial crime compliance and reporting.

But technology isn't the only issue. When asked what respondents thought the most powerful processes that collaborative bodies like AMLA will use to fight money laundering, the top answer was to support cooperation among financial intelligence units and facilitate coordination and joint analysis between them.

Worryingly, 89 per cent say industry collaboration in financial crime and compliance is completely or somewhat fragmented.

Commenting on the findings, Deya Innab, Deputy CEO at Eastnets, said, "Keeping up with new regulations is an age-old challenge for financial institutions, but the formation AMLA could bring eye-watering costs. To minimise this, businesses need to consider all the technologies and tools available to them. By doing so, they can minimise costs in the long term while protecting themselves and their customers."

The full report, Cross-border collaboration: A game-changer in the fight against financial crime?, is available to download and read from the Eastnets website.

For further insight on how the AMLA will tackle new challenges in financial crime, watch our free webinar How regulators are cooperating to combat financial crime.

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About the survey
The Eastnets study, conducted in autumn 2022, surveyed 3,000 professional in financial organisations, 500 each from France, Netherlands, Belgium, Italy, Spain and the UK. Of the 3,000, 646 worked in compliance, 1,282 in IT and 1,077 in risk. Three quarters of those surveyed worked at organisations with 100 or more employees; 63 per cent had average annual revenues of over £50m, and 9 per cent generated over £500m. Many of those surveyed were C-suite or equivalent; some 27 per cent of IT respondents were chief information officers or chief technology officers,

and of compliance and risk respondents, some 17 per cent were either chief compliance officer or director of compliance.

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