SymphonyAI
SENSA-NETREVEAL

WHITE PAPER

Is compliance creating an industry own goal?

The 2021 global state of anti-money laundering report

Foreword

Introduction

Money laundering is often perceived as a fairly mundane white-collar crime abstract, nebulous, and far removed from the reality of most people's lives.

This couldn't be further from the truth. The 22 predicate offences outlined by the EU's Sixth Anti-money laundering directive 6AMLD are a litany of some of the most heinous crimes known to humanity.[i] They include murder, sexual exploitation, human trafficking, kidnapping, terrorism, and organised crime.

The laundering of the proceeds of these crimes continues to rise on a massive scale. The United Nations office on drugs and Crime (UNODC) estimates that between 2 and 5% of global GDP is laundered each year.[ii] That could mean as much as £1.6 trillion annually, although such is the success of the criminal obfuscation behind these efforts that the figure could be much higher.

Enda Shirley
Head of Compliance
SymphonyAI

The regulatory picture

Compliance officers, especially those working at multi-national organisations, have an increasingly complex patchwork of regulations to frame and guide the work they do. These include:

01. The UK's money laundering and terrorist financing regulations – these incorporate international standards set by the Financial Action Task Force (FATF) and transpose the EU's 5th anti-money laundering directive

02. US Corporate Transparency Act[iii] - the US anti-money laundering (AML) legislation

03. 5AMLD and 6AMLD – the EU's anti-money laundering directives, implemented in January 2020 and June 2021, respectively

04. FinCEN x8 new areas of focus – announced in June 2021 by FinCEN and new priorities to be implemented by December 27, 2021[iv]

A duty of care

Dr. Adrian Nish, head of cyber propositions at SymphonyAI Sensa-NetReveal

It's difficult to overestimate the impact money laundering is having, not just on the global economy. The UK's National Crime Agency (NCA) believes that "high-end money laundering can threaten the UK's national security and prosperity, and undermine the integrity of the UK's financial system and international reputation."[v]

> The 2020 edition of our report revealed that compliance officers believe they have a duty of care to society to help prevent predicate offences – and their customers agree. Now we want to dig more deeply.

[i] https://www.legislation.gov.uk/eudr/2018/1673/2019-10-31
[ii] https://www.unodc.org/unodc/en/money-laundering/overview.html
[iii] https://www.icij.org/investigations/paradise-papers/advocates-celebrate-major-us-anti-money-laundering-victory/
[iv] https://www.fincen.gov/news/news-releases/message-fincen-director-180-day-update-aml-act-implementation
[v] https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-illicit-finance

Financial institutions understand well the crucial role they play in unearthing this criminal activity. This latest report will look in more detail at the challenges financial institutions experience in meeting their compliance obligations. In so doing, we're hoping to provide an industry benchmark which can be used to understand how these challenges have evolved over the past 12 months.

Shining a light on AML activity

This report looks at what's changed over the past year and examines the human cost of money laundering. It explores why compliance regulations themselves are creating a critical bottleneck for AML efforts, and how a 'FinCrime feedback loop' could help mitigate these challenges by driving collaboration, education, and automation.

We will reveal that:

50%

Half of money laundering goes undetected:
Across the industry as a whole, over half of money laundering is slipping through the net

62%

Of financial institutions says crime is getting harder to spot:
Compliance officers admit that criminal activity has become harder to spot over the past year

Box ticking on a budget:
Financial services compliance professionals believe compliance has become a tick-box exercise which complicates their attempts to make a serious impact on money laundering crimes. At the same time, they're struggling with reduced budgets

Lack of cross-industry support:
While many FI compliance teams feel supported, there's a sizeable collaboration void yet to be filled, especially between financial institutions and with law enforcement and policy-makers

SymphonyAI Sensa-NetReveal is in a unique position to shed light in this area. We are a global leader in fraud and financial crime management solutions, protecting over 200 financial institutions (FI's) – including a third of the global top 100 banks – from risk. Working with the entire spectrum of AML stakeholder groups, from financial institutions to law enforcement and regulators, our big data analytics expertise allows us to help spot criminal typologies hidden in financial patterns. In fact, we are currently working on a number of cutting-edge pilot schemes that could become real game-changers in the fight against crime.

The bottom line is that, when done right, compliance can make a real difference to people's lives, alleviating terrible suffering and making a positive impact on national security, society and the economy. The professionals working in the financial sector know this. It's time to make the broader case for "compliance for good", and get stakeholders working together more effectively to create a better world.

The professionals working in the financial sector know this.
It's time to make the broader case for "compliance for good"

Financial institutions unable to uncover the majority of money laundering activity in their systems

6 countries:

Globally

Globally	UK	USA	France	Germany	Australia	Singapore
58%	59%	34%	72%	70%	61%	67%

The UN estimates that between **2% and 5%** of global GDP is laundered each year

High-end money laundering can **threaten** national security and prosperity

Money laundering has become harder to spot in the last **12 months**

Industry knows that **over half** of money laundering continues to slip through the net

Methodology (continued)

The research refers to 22 predicate money laundering offences as outlined by the directive of the European parliament and of the council as of 23 October 2018. These are:

- Fraud
- Robbery or theft
- Cybercrime
- Sexual exploitation
- Tax crimes relating to direct and indirect taxes, as laid down in national law
- Counterfeiting and piracy of products
- Piracy
- Environmental crime
- Illicit trafficking in stolen goods and other goods
- Participation in an organised criminal group and racketeering
- Illicit arms trafficking
- Illicit trafficking in narcotic drugs and psychotropic substances
- Kidnapping, illegal restraint, and hostage-taking
- Insider trading and market manipulation
- Murder, grievous bodily injury
- Corruption
- Extortion
- Terrorism
- Counterfeiting of currency
- Trafficking in human beings and migrant smuggling
- Smuggling
- Forgery

An online survey was conducted by Atomik Research among 452 financial professional respondents, working in risk management and compliance within the banking and insurance sector. The research took place across the UK, USA, France, Germany, Australia, and Singapore. The fieldwork took place on 16th July – 21st July 2021. Atomik Research is an independent creative market research agency that employs MRS-certified researchers and abides to MRS code.

A survey was conducted amongst anti-money laundering and risk professionals within financial institutions to inform this report.

Methodology

To ensure an holistic view of the anti-money laundering landscape we conducted a survey with risk and compliance professionals within financial institutions:

Financial services professionals

452
respondents in key roles:

Working in compliance or risk management across the financial services sector, including banking and insurance

6
countries:

UK	USA	France	Germany	Australia	Singapore
102	102	82	62	62	42

Key findings (the story in statistics)

Money laundering is a severe and pervasive societal challenge

1/2+

the industry knows that over half of money laundering is slipping through the net

1 in 3

says it's almost impossible to spot emerging criminal typologies, hard to measure how often money laundering is happening, and hard to quantify the impact

In fact, 62%

says money laundering has become harder to spot over the last 12 months

So why isn't compliance solving the problem?

1 in 6

say compliance is a stagnant culture

The majority

say compliance isn't getting to the bottom of the issue

25%

and against all of this most financial institutions are trying to comply, while facing budget cuts of up to 25%

3 in 4

would leave for another provider if they suffered a series of illegal transactions

The FinCrime feedback loop – compliance, done well, has a huge societal impact

Compliance

professionals want to stop criminal activity

Financial institutions

want to protect society from money laundering's associated crimes

40%

of respondents believe that they would benefit from a central money laundering group to share intelligence across key industry stakeholders

92%

of financial institutions believe that the lack of collaboration between financial institutions, law enforcement, and policy makers hinders progress

Chapter 1

One year on, what has changed?

It's never been more important for financial institutions to understand what the key indicators for predicated money laundering offences actually look like.

While the pandemic has presented new opportunities for organised crime groups (OCGs) in the past year,[vi] it has also put greater financial and resource stresses on the financial institutions and law enforcement agencies tasked with tracking them. According to the Financial Action Task Force (FATF), the increase in COVID-19-related crimes, such as fraud and cybercrime, "is creating new sources of proceeds for illicit actors."[vii]

62%

financial institutions we surveyed said money laundering techniques have become harder to spot over the past 12 months.

Most (62 per cent) financial institutions we surveyed said money laundering techniques have become harder to spot over the past 12 months. Change is vital if the industry is to regain the initiative against multiple, elusive adversaries.

The biggest concerns and the costliest crimes

The 22 predicated offences as defined in the EU's 6AMLD cover a broad sweep of crimes. But which ones are financial institutions most concerned about? The top three remain unchanged from last year. They're topped by fraud (43 per cent), corruption (32 per cent), participation in organised crime/racketeering (31 per cent), and terrorism (30 per cent). However, cybercrime has fallen down the list significantly from a top five spot last year, cited as a lead concern by a third (32 per cent) of respondents in 2020, to just 17 per cent in 2021. It is replaced as a top five concern by human trafficking (27 per cent).

[vi] https://globalinitiative.net/wp-content/uploads/2020/03/CovidPB1rev.04.04.v1.pdf
[vii] https://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf

Five money laundering crimes of most concern to financial institutions

2021

Fraud	Corruption	Organised crime	Terrorism	Human trafficking
43%	**32%**	**31%**	**30%**	**31%**
Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned

Five money laundering crimes of most concern to financial institutions

2020

Fraud	Corruption	Organised crime	Cybercrime	Terrorism
42%	**35%**	**34%**	**32%**	**31%**
Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned

Five most costly money laundering offences

2021

Human trafficking	Organised crime	Drug trafficking	Terrorism	Sexual exploitation
31%	**31%**	**31%**	**30%**	**30%**
Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned

Five most costly money laundering offences

2020

Human trafficking	Terrorism	Organised crime	Drug trafficking	Sexual exploitation
28%	**27%**	**26%**	**24%**	**19%**
Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned	Global FI professionals concerned

Despite dropping down the list, online attacks have continued during the pandemic as cyber-criminals took advantage of distracted home workers and gaps in protection to steal data and deploy ransomware on a grand scale. SymphonyAI Sensa-NetReveal's COVID Crime Index 2021 report revealed that three-quarters (74 per cent) of banks and insurers in fact experienced a rise in cybercrime since the start of the pandemic, with criminal activity rising on average by 29 per cent.[ix]

According to the UNODC, the pandemic has also "worsened" the trend of human trafficking.[v] The agency said that, although quarantines, curfews, lock-downs, and travel restrictions appear to dissuade crime, they actually drive it further underground, while limiting the ability of NGOs and governments to help victims. "The pandemic has exacerbated and brought to the forefront the systemic and deeply entrenched economic and societal inequalities that are among the root causes of human trafficking," the UNODC has said.[x]

When it comes to financial losses, fraud (46 per cent) and corruption (30 per cent) remain the top two costly crimes for financial institutions. Beyond this, the list remains largely the same from 2020, with human trafficking (27 per cent), organised crime (23 per cent) and, this year, illicit trafficking of drugs (20 per cent) all regarded by banks and insurers as crimes taking the biggest financial toll on their organisations.

The top challenges for AML experts

It's clear, however, that specialist FI teams are facing a series of challenges as a result of the huge global preponderance of money laundering. Nearly two-thirds (62 per cent) say it's become harder to spot. But what are the deeper problems they're facing? There's a mix here of technological challenges, issues with broader information sharing and collaboration across sectors, and cost and resource problems.

There are clear signs that finding efficient technology solutions is challenging. A plurality (35 per cent) of respondents argued that it's extremely hard to measure how often money laundering is happening, something that would be easier with the right tools. A quarter (25 per cent) said that banking technology is outdated and a similar number (27 per cent) claimed that investigators can't keep up with alerts. Related to this is the fact many respondents lack the resources needed to spot problems (29 per cent).

1 in 4
compliance teams works with outdated technology

27%
of investigators can't keep up with alerts

1 in 3
lacks the resources they need

More broadly, they complained of a lack of cooperation from law enforcement, government and other financial institutions (31 per cent) and a dearth of intelligence sharing from these entities (32 per cent). That may partly explain why financial institutions are finding it hard to quantify what impact money laundering is having on the criminal economy as a whole (34 per cent), and why they find it tough keeping one step ahead of the criminals (31 per cent).

Financial institutions still find it difficult to detect predicate offences, and are assailed by industry and technological challenges. In fact, it's getting harder for them to detect money laundering activity. This is despite the clear indication from respondents last year that both they and their customers care greatly about meeting their responsibilities in this area. As we'll discuss in the next chapter, this isn't just a question of financial and reputational risk, but a matter of financial institutions meeting their moral obligation to reduce the immense human suffering caused by predicate offences.

[viii] https://netreveal.ai/resources/insights/the-covid-crime-index
[ix] https://www.unodc.org/unodc/frontpage/2021/February/share-of-children-among-trafficking-victims-increases--boys-five-timescovid-19-seen-worsening-overall-trend-in-human-trafficking--says-unodc-report.html
[x] https://www.unodc.org/documents/Advocacy-Section/HTMSS_Thematic_Brief_on_COVID-19.pdf

35%
It is extremely hard to measure how often money laundering is happening

62%
It's becoming harder to spot

34%
It is hard to quantify what impact money laundering is having on the criminal economy

31%
Keeping one step ahead of criminals

30%
It is almost impossible to spot emerging criminal typologies

31%
Lack of cooperation from law enforcement / govt / other financial institutes

Chapter 2

The human cost of money laundering

Exploitation crimes are a growing worry for financial institutions. Our research this year has clearly highlighted this, with human trafficking entering into the top five concerns for our respondents. While white-collar compliance teams may at first glance seem a far cry from the criminal landscape, the reality is that they can play a crucial role as a first line of defence against crime.

The challenge is how to find the crucial indicators of these offences with existing tools, resources, and cross-industry partnerships.

The three stages of money laundering

According to the UNODC there are three stages of money laundering:[xi]

01.
Placement: moving the funds away from direct association with the predicate offence and integrating it into the financial system

02.
Layering: disguising the trail to foil investigators who may be in pursuit

03.
Integration: delivering the money to the criminal from what appear to be legitimate sources, enabling them to purchase luxury assets or make financial, commercial or industrial investments

It's not always as simple as 1-2-3. Sometimes stages may be combined, and on other occasions several stages are repeated multiple times. However, what is of little doubt is that it's working. UNODC says that in any single year an estimated 2-5% of global GDP is laundered in this way. And yet only 1% of criminal proceeds are confiscated by EU authorities annually.[xii]

[xi] https://www.unodc.org/unodc/en/money-laundering/overview.html
[xii] https://www.europol.europa.eu/newsroom/news/global-anti-money-laundering-framework-%E2%80%93-europol-report-reveals-poor-success-rate-and-offers-ways-to-improve

Each year an estimated

2–5%

of global GDP is laundered. And yet only 1% of criminal proceeds are confiscated by EU authorities.

Going deeper

Behind the trillions of dollars laundered every year are countless stories of human misery and exploitation. For example, around 50,000 people are thought to have been trafficked in 2018, although the real number is probably far greater, according to the UN.[xiii] For every 10 victims globally, around half were adult women and two were young girls, who are usually trafficked for sexual exploitation. Around 20 per cent were adult men and 15 per cent were young boys, usually destined for forced labour.

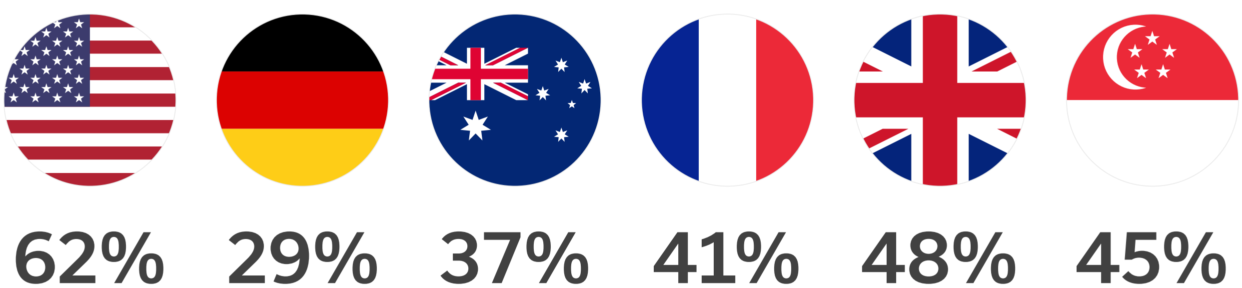
It's easy to see how this, and other predicate offences such as murder, terrorism, sexual exploitation, kidnapping, robbery, arms trafficking, and organised crime affect the victims involved. Illicit trade in narcotics also has its victims, as SymphonyAI Sensa-NetReveal's recent County Lines report highlights. An estimated 27,000 children are involved in the drugs trade in the UK, usually from under-privileged backgrounds, tricked into a lifestyle that few are able to break free from.[xiv]

Crimes such as counterfeiting, piracy, forgery, trafficking stolen goods, smuggling, and tax crimes can crowd out legitimate economic activity and deprive governments of vital revenue to improve public services. Fraud and cybercrime are also far from victimless—resulting in monetary losses for business and consumer victims now measured in the trillions annually.[xv] Furthermore, in the case of COVID-19 vaccines for example, there's a very real risk to public health from counterfeits.

A moral imperative

It's perhaps not surprising that FI teams want to do as much as they can to detect and help to prevent all 22 predicate offences. Half (50 per cent) of those we spoke to said efficient AML tracking is important in order to stop the criminals. A further 46 per cent want to identify and support the victims of financial crime and a similar number re-emphasised their focus on protecting society from it. Interestingly, the urge to protect society is particularly strong in the US (62 per cent), and less so in Germany (29 per cent), Australia (37 per cent), and France (41 per cent). It's about the global average in the UK (48 per cent) and Singapore (45 per cent).

Financial institutions that want to use compliance to protect society



[xiii] https://www.unodc.org/unodc/frontpage/2021/February/share-of-children-among-trafficking-victims-increases--boys-five-times-covid-19-seen-worsening-overall-trend-in-human-trafficking--says-unodc-report.html
[xiv] https://www.independent.co.uk/news/uk/home-news/drugs-trade-treatment-county-lines-children-heroin-dame-carol-black-review-home-office-a9363966.html
[xv] https://cybersecurityventures.com/hackerpocalypse-cybercrime-report-2016/

The challenge for financial institutions and their compliance teams is that, despite wanting to do more, many are unable to. Most (77 per cent) admit they aren't confident in stopping crimes linked to human trafficking and migrant smuggling, and even more (81 per cent) said the same about crimes linked to sexual exploitation.

½ agree

AML tracking is important in order to stop the criminals

8 in 10

aren't confident in stopping crimes linked to sexual exploitation

¾ aren't

confident in stopping crimes linked to human trafficking and migrant smuggling

What's holding them back? Certainly, sufficient resources and the right intelligent tooling would make a big difference. But as we'll discuss in the following chapter, there are also major challenges with the broader compliance landscape, and a disconnect between the FI professionals tasked with spotting suspicious transaction patterns, the lawmakers who develop the rules and regulations they must abide by, and the law enforcers whose job it is to put handcuffs on wrists.

> ***"There are major challenges with the broader compliance landscape, and a disconnect between the FI professionals tasked with spotting suspicious transaction patterns, the lawmakers who develop the rules and regulations they must abide by, and the law enforcers whose job it is to put handcuffs on wrists."***

Chapter 3

The compliance bottleneck

Money laundering and its predicate offences are causing untold harm to societies and economies across the globe, trapping individuals in poverty, despair, and abuse. Many of the FI respondents are well aware of the tragic impact of these crimes, and they want to do the right thing, not just by regulators, managers, and customers but also the victims themselves. So why do the majority of incidents still slip through the net, despite the rigorous set of global compliance requirements financial institutions must abide by?

One common challenge that emerged in our research is that the compliance culture itself can get in the way of effective crime-fighting. While some compliance professionals feel supported, many others are calling for greater cooperation and collaboration with policymakers and law enforcement agencies.

Still fit for purpose?

There are concerns over whether some of the modern regulations are fit for purpose. A study from the think tank Royal United Services Institute for Defence and Security Studies (RUSI) in 2019 pointed out that FATF defines the effectiveness of its Recommendations based on how well they are implemented, not whether the Recommendations themselves are fit-for-purpose in stopping financial crime.[xvi]

[xvi] https://rusieurope.eu/publication/occasional-papers/deep-impact-refocusing-anti-money-laundering-model-evidence-and?page=5

> *At a fundamental level, there's a perception among financial institutions that the policymakers tasked with designing laws and regulations are unaware of the true scale of the money laundering challenge and how rapidly criminal activity is evolving."*
>
> **Enda Shirley, SymphonyAI Sensa-NetReveal**

FI respondents interviewed for this report are increasingly concerned that the regulatory fines and reputational damage which can result from non-compliance are a distraction which complicates efforts to identify indicators of criminal activity more effectively. In fact, over three-quarters (76 per cent) argued that compliance has become a box-ticking exercise that doesn't allow them to get to the bottom of the wider money laundering problem. Nearly a fifth (18 per cent) branded compliance a "stagnant culture" that doesn't focus on supporting the victims of money laundering. Others claimed it tackles some but not all of the problem (15 per cent), that it's a cost centre which adds little value in solving economic crime (12 per cent) and that it's a way of avoiding fines but doesn't move the needle in AML efforts (11 per cent).

76%
argued that compliance has become a box-ticking exercise

Nearly a
5th
branded compliance a "stagnant culture"

92%
believe that the lack of industry collaboration hinders progress for anti-money laundering

Calling for support

One of the key findings of our 2020 report was that financial institutions felt under-supported by institutions that should share the same goals in fighting financial crime and predicate offences. They argued that too few suspicious activity reports (SARs) result in justice (30 per cent) and bemoaned a lack of international cooperation (28 per cent). Unfortunately, little seems to have changed in the intervening years. Although nearly half (47 per cent) now feel reasonably well supported by policymakers, 50 per cent argued that more could be done. A further 92 per cent claimed that a lack of collaboration between financial institutions, policymakers, and law enforcement is hindering AML progress.

The lack of shared intelligence from international and UK law enforcement, governments, and other financial institutions is particularly acute. A third (32 per cent) cited this as one of their main challenges in fighting money laundering, while a similar number (31 per cent) complained about a lack of cooperation with these entities.

However, it's important to note differences from country to country. The UK, Germany, and Singapore feel most strongly that there is a lack of shared industry intelligence. The US and Germany seem to be paving the way when it comes to collaboration, believing this is less of a challenge than France, where they are looking for more support and intelligence sharing.

30%

believed that too few suspicious activity reports (SARs) result in justice

1/4+

over a quarter (28 per cent) believed there is a lack of international collaboration

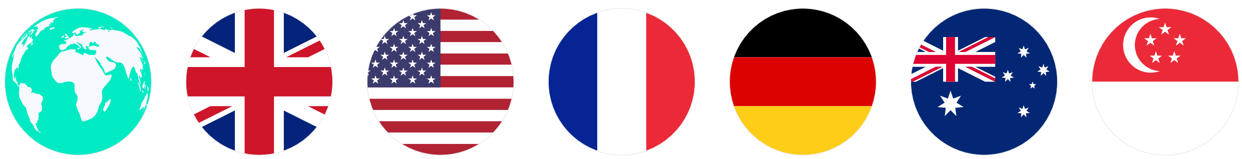
In 2021,

50%

still think that more could be done

There is a lack of cooperation from UK and international law enforcement / govt / other financial institutes

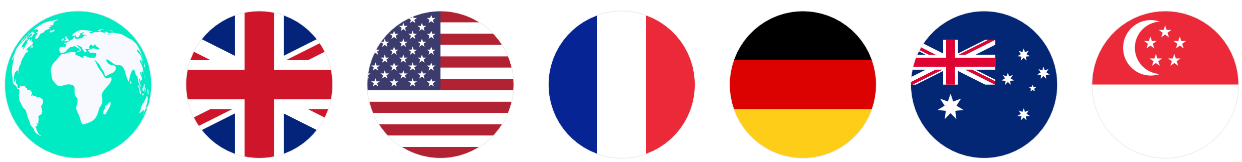
Global



31% 30% 25% 40% 37% 32% 29%

There is a lack of industry intelligence shared from international and UK law enforcement / government / other financial institutes

Global



32% 36% 27% 29% 34% 32% 38%

Resources needed

A fifth (21 per cent) of respondents said there's not enough AML intelligence in their own organisation and an almost 3 in ten (29 per cent) lack the resources to act on the intelligence they have. This arguably makes effective collaboration with third parties more urgent than ever.

As financial institutions exit the pandemic, there's a growing need to increase funding for AML activity. But it's not enough to throw money at the problem. Resources must first be spent on the right kind of intelligent tooling to better detect indicators of predicate offences. These can form the foundation of a new proactive approach to AML: a "FinCrime feedback loop" based around education, automation and collaboration.

In the next chapter we'll explore exactly what this approach might look like, and how financial institutions can put it into action.

Chapter 4

The FinCrime feedback loop: educate, automate and collaborate

Almost all (95 per cent) of the financial institutions we spoke to are aware of the scale of the AML challenge their organisation is facing. They're spending significant time, resources, and money tackling the problem. And they're motivated not only by the potential impact on customers and corporate reputation, but also the wider societal harm associated with predicate offences. However, the industry consensus is that compliance itself has become a box-ticking exercise that is getting in the way of effectively tackling the source of the problem.

> There's also a concern that the under-funding of AML activities may ultimately drive-up cost and risk for financial institutions.

This is where a FinCrime Feedback Loop could help to drive real change – by encouraging greater collaboration across the financial services industry and with law enforcement and policymakers, by enhancing education and investment within financial institutions, and by driving automation and insights from intelligent tools.

First boost funding

Our recent COVID Crime Index revealed IT security, fraud and risk funding had been slashed by 26 per cent on average by financial institutions during the pandemic. And over a third of banks warned that budget cuts could lead to the loss of key staff members. At the same time, the cost of financial crime rose.

There's also a concern that the under-funding of AML activities may ultimately drive up cost and risk for financial institutions. We found that the majority of FI budgets have been halved. And most financial institutions don't have an AML intelligence division within their organisation, most likely due to budgetary reasons.

Alongside improved technology, education is needed internally in many organisations to help employees better spot the tell-tale indicators of predicate offences. As it stands, a quarter (25 per cent) of respondents were only partially aware of the full threat landscape and suspect they face big challenges with addressing money laundering.

1/4

A quarter (25 per cent) of respondents suspect they face big challenges with addressing money laundering

1/3+

Over a third of banks warned that budget cuts could lead to the loss of key staff members

IT security, fraud and risk funding had been slashed by

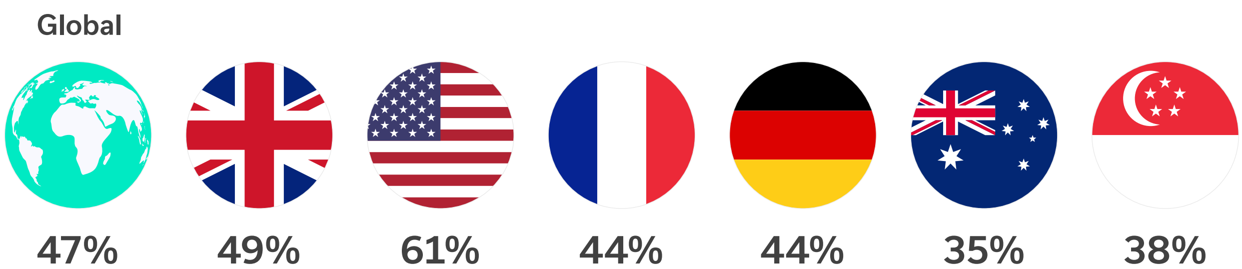
26%

on average by financial institutions during the pandemic

The collaboration challenge

At the heart of the AML challenge for financial institutions is the difficulties they have in collaborating externally, with other financial institutions and stakeholders in government and law enforcement. Some 28 per cent of respondents claimed that the feedback they receive from police and governments on their AML reports are either not useful or rarely given. Half (50 per cent) argued more could be done by policymakers to support their work in tackling money laundering. And a similar number (48 per cent) said that a lack of collaboration between financial institutions, policymakers and law enforcement is the main roadblock to progress on AML.

Financial institutions that feel well supported by policy makers in tackling money laundering



Collaboration is a critical pillar of the FinCrime Feedback Loop. It will enhance feedback to and from policymakers to help them design more effective regulations which are more closely aligned with the reality of modern money laundering crimes. And it could help improve intelligence sharing with police, improving the chances of arrests and convictions and helping financial institutions with their own investigations. The criminal community collaborates in highly effective ways - and across borders. So must the AML industry.

Getting tech right

The final pillar of the feedback loop rests on technology. Although 80 per cent of financial institutions do have an automation solution in place to help identify money laundering crimes, only 43 per cent believe an automation-first mind-set is the answer to tackling the problem. The key to unlocking further tech investment may therefore be convincing managers of the criticality of such approaches to driving up success rates.

> *"The watchwords for financial institutions here must be intelligence and automation. Automation crucially removes human error from investigations and can free staff up to focus on higher value tasks."*
>
> **Enda Shirley, SymphonyAI Sensa-NetReveal**

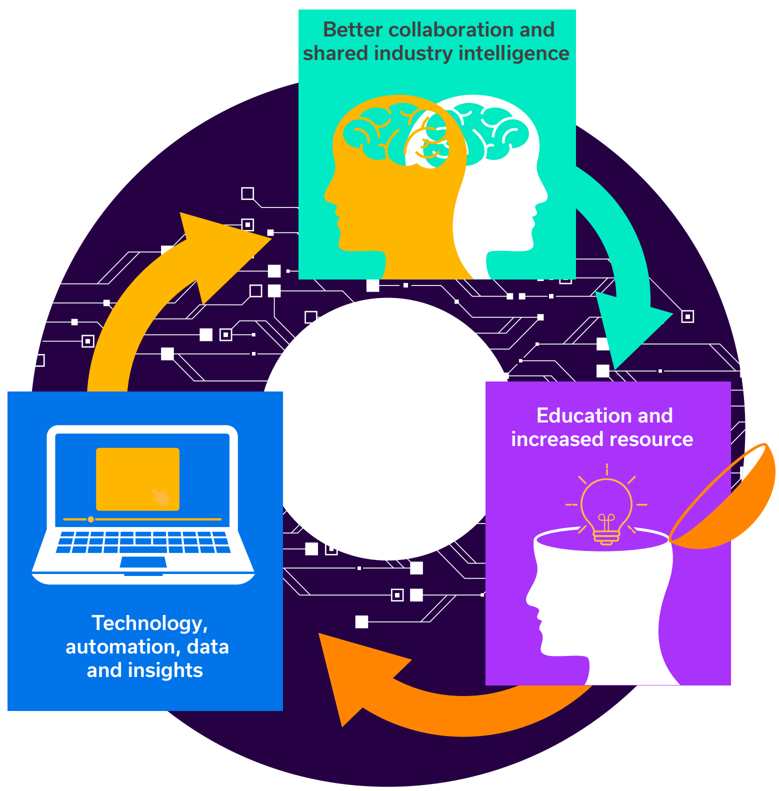
However, many compliance teams are working with manual, legacy banking technology which is increasingly ineffective at detecting sophisticated criminal activity.

Finding the right technology provider is also key. Nearly two-fifths (38 per cent) of respondents claimed they don't have adequate support to match their tech platforms to their ideal AML operation models and relevant regulations.

> *Ultimately, the FinCrime Feedback Loop will only have the desired impact if all parties first understand where current approaches are failing. That means law enforcers appreciating that they could do better at two-way communication with financial institutions and policymakers. It means policymakers listening more closely to the concerns of law enforcement and financial institutions when designing and enforcing regulations. And it means financial institutions understanding the need for channelling more funding into key areas like internal training and technology."*
>
> **Enda Shirley, SymphonyAI Sensa-NetReveal**

60%

of financial institutions don't have an anti-money laundering intelligence unit/division within their organisation



Conclusion

A matter of duty

If we don't double our efforts to find and disrupt attempts to hide the proceeds of predicate offences, then criminals and OGCs will continue to act with impunity. Financial Institution compliance teams certainly want to do more, as our data has clearly shown throughout this report. But too often they have neither the tools, the training, the partnerships, nor the compliance frameworks to make this a reality.

The latter are particularly key. As we've seen, poorly designed regulatory frameworks risk turning compliance into a box-ticking exercise, which will help no one – least of all the victims. Changing these will take time, and require a more open and consultative approach from policymakers and regulators. But it's far from impossible and needs to be done sooner rather than later.

The good news is that over half (58 per cent) of the financial institutions we spoke to recognised that they could do more to move beyond compliance, but there is a lack of understanding about how to identify vulnerable victims. That makes it all the more important to direct appropriate resources into in-house training programmes.

A tech refresh

While training is important, so too is empowering compliance teams with the right tools. Legacy solutions rely too heavily on manual processes and lack the intelligence needed. Machine learning-powered analytics tools should sit at the centre of banks' efforts to detect and take action on suspicious transactions. By learning what "normal" looks like, they can flag indicators of money laundering or predicate offences, optimising the productivity of compliance teams. So-called "white box" machine learning works best for regulators as decision-making can be easily explained for full transparency.

The same intelligent algorithms can be trained to simulate criminal behaviour and therefore independently test how well current AML solutions are performing. SymphonyAI Sensa-NetReveal's FinCrime Testing Service is already adding value for countless financial institutions with these capabilities.

SymphonyAI Sensa-NetReveal

- Can be extended to include capabilities for customer due diligence, watch-list management, sanctioned people and entities, and PEP screening
- Reduces false positive alerts by at least 30 per cent, via machine learning capabilities
- Trusted by 50 per cent of Europe's largest banks
- Drives 30-40 per cent faster profiling and detection

A look to a better future

As we emerge from the pandemic, it will continue to be a tough slog for the industry. However, anti-money laundering efforts must remain a priority. The bottom line is that financial institutions know they have a responsibility to minimise the human suffering behind money laundering – and they want to. But ultimately, they are just one piece of the puzzle.

We've shown already how this can be achieved in the cybercrime space with initiatives like SymphonyAI Sensa-NetReveal's intelligence network. With the same kind of positive, collective action, AML compliance can become a force for tremendous good.

For more information about SymphonyAI Sensa-NetReveal's AML and compliance solutions, visit **here** to learn more.

About SymphonyAI Sensa-NetReveal

SymphonyAI Sensa-NetReveal, a division of SymphonyAI, provides leading AI-based financial crime detection software.

Contact us for more information:
netreveal.ai/contact