

Data to anchor a new age of risk management

The growth of AI and real-time compliance drives new requirements in data and analytics

6 data trends

1 Increasing regulatory burden

Since 2008, regulatory change in developed markets has increased by

500%

\$181 billion is now spent by financial institutions globally

Operating costs related to compliance increased over the past decade by

60%



As a result of regulations and the importance of compliance:

\$181 billion per year is spent on financial crime compliance

\$10,000 per employee is the average cost of compliance according to large banks – a 10% tax on revenue

3 Compliance problems are fundamentally data problems

Among risk and compliance teams:

60% can't gather the necessary data

45% are unable to organise data



4 Safeguarding customers and reputation management

Fraud and money laundering are major customer, reputational and compliance concerns for financial firms

Up to \$2 trillion the UN estimates is laundered each year



90% of laundered money remains undetected.

Losses from fraud cases in 2019 were **\$502.5 billion** and in 2021 are forecast to reach **\$721.3 billion**



Stock price reactions to negative press were

9x greater than penalties as they erode brand and reputation



5 Financial institutions are looking to data and AI solutions

25% of financial institutions expect to adopt AI and/or machine learning in the next year

The banking industry invested **\$5.6 billion** in AI-enabled solutions in 2019

According to 2021 ACAMS research, financial institutions are accelerating adoption of AI and machine learning for AML

57% have incorporated AI or machine learning into AML compliance processes, or are piloting over the next 18 months



6 Early results

AI adopters believe that AI is key to market leadership, today and in the future, according to a Deloitte 2020 global survey



64% said AI technologies enable them to establish a lead over competitors

Advanced analytics solutions enhance abilities to detect and deter fraudulent attempts. Deloitte reports a rise in submission of proven fraud cases of up to

40%



Learn more about how data and AI can modernise risk and compliance

Notes

1. Ascent RegTec (June 2020), *The not so hidden costs of compliance*
2. LexisNexis Risk Solutions (June 2021), *True cost of financial crime compliance study*
3. US Securities and Exchange Commission (November 2020), *SEC Division of enforcement annual report for fiscal year 2020*
4. Chartis Research and Tata Consultancy Services (October 2019), *The state of AI in risk management*
5. UN (2021), *Money laundering overview*
6. W McCurdy (August 2021), *FStech, A third of financial institutions accelerating use of AI for AML*
7. B Ammanath, D Jarvis and S Hupfer (July 2020), Deloitte, *Thriving in the era of pervasive AI*
8. Deloitte (December 2020), *Advanced analytics and innovation in financial crime compliance*