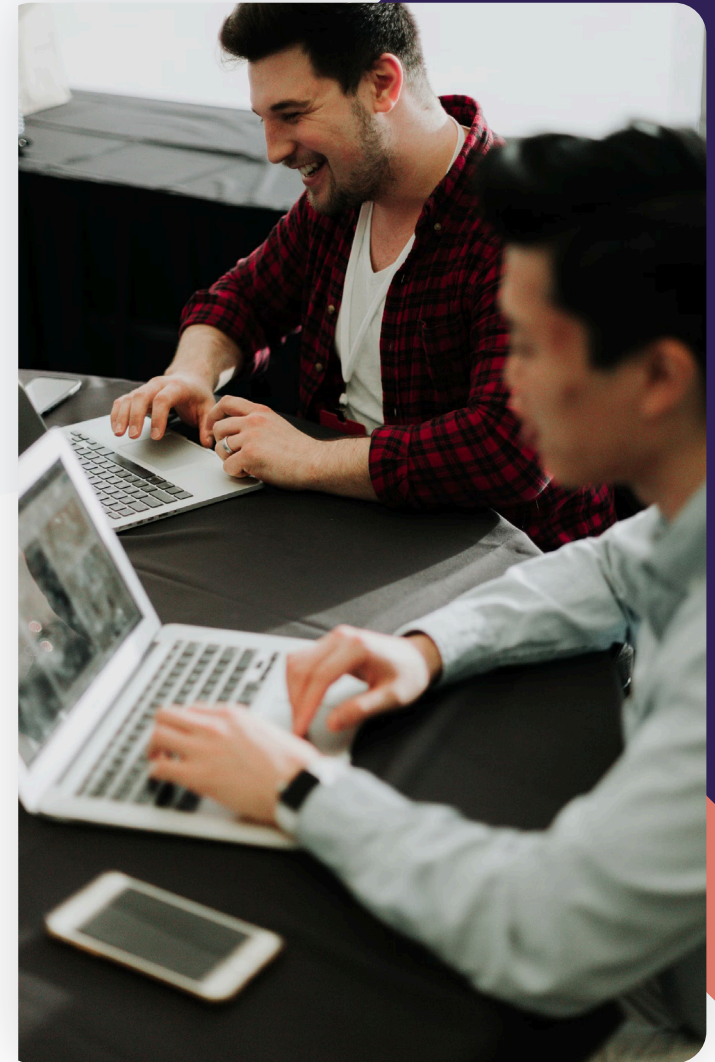


# State of compliance 2024

## TRENDS, CHALLENGES AND PRIORITIES

A report by NorthRow to help compliance professionals prioritise their strategies and accelerate their growth safely in 2024.

Onboard. Monitor. Remediate



**As the ever-present threat of money laundering, fraud, and financial crime continues to cast a dark shadow over entire financial systems, compliance and AML professionals continue to play a pivotal role in the war against financial crime. They not only manage and mitigate risk for their businesses, but protect financial transactions, and safeguard their clients from the damaging impact that illicit money can have on economies and societies.**

New regulations and legislation continue to be put in place to provide guidelines for those operating in regulated markets, but criminals still find ways to circumvent these and

launder their ill-gotten gains, fund terrorist groups, and muddy financial systems.

With fraud now thought to pose the biggest threat to the UK, amid calls for it to be considered a serious national security threat ([UK Finance](#)), now, more than ever, compliance forms a critical line of defence against dirty money and bad actors.

Throughout 2023, rocketing inflation left most with less money to spend at the end of every month. Soaring energy bills, grocery prices increasing week-on-week, and the cost of living creeping up lead to a surge in fraud, scams, and financial crime. 'Get rich quick' schemes, bogus investments,

and dodgy online money-making sites made national headlines in 2023, as people fell victim to empty promises to bump up their income.

The result? A melting pot of opportunity for financial crime to spiral with greedy money launderers and fraudsters preying on struggling families, enlisting money mules, exploiting decentralised finance platforms, and coming up with unthinkable schemes to clean their dirty money or funnel it into financing terrorist groups.

For compliance professionals at the forefront of the fight against financial crime, the challenge has never been greater. With new fraud and

financial crime tactics, ever-changing legislation, and an increasingly challenging regulatory landscape; the crucial role of compliance has never been more pronounced.

In this, the 2nd annual state of compliance report from NorthRow, you can find insights from senior business leaders, heads of department, compliance and risk professionals working in over 15 regulated industries. With data and insights from more than 120 compliance professionals, we share the top priorities, trends, and opportunities they're predicting in 2024, as well as the key compliance challenges keeping them up at night.

We set out to find out more from your peers about:

-  Trends set to transform compliance
-  Potential obstacles and challenges
-  What's keeping compliance leaders up
-  Financial crime in focus
-  The changing compliance landscape
-  The future of compliance

This report is designed to offer compliance teams a better understanding of emerging trends and insight into what their peers are focusing on this year.

Throughout, we compare our findings with last year's to really understand what is going on in compliance, what's changing, and where the profession is headed in 2024.

## KEY TRENDS IN COMPLIANCE

### Emerging trends and priorities in compliance

In 2023, financial crime and AML compliance professionals had their hands full dealing with rising geopolitical unrest, economic ups and downs, and fast-paced changes in criminal tactics. As we look ahead to 2024, professionals are predicting more changes to the regulatory landscape, the growing use and investment in technologies, and evolving ways of combatting financial crime.

With more than 40 national elections, a growing focus on terrorist financing, and ongoing tech advancements, these factors will come together

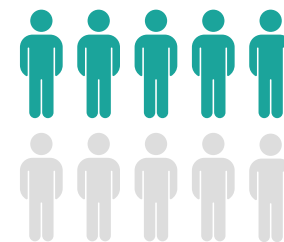
to create a unique combination of challenges, opportunities, and changes for compliance teams.

For this reason, it's no wonder that **half (50%) of our respondents stated that improving their AML processes was their main priority in 2024.** In 2023, this didn't feature in our respondents top three priorities, with compliance training topping the list, followed by data analytics, and cyber security last year.

Firms are now clearly taking a hard look at their internal compliance processes to uncover ways to improve and better their onboarding KYC, KYB and ID&V workflows in terms of both compliance and customer experience.

# 50%

cite improving their AML processes was their main priority in 2024.



It comes as no surprise that **company growth also features high on the priority list for 2024. Cited by 42%**, after a challenging year of budget cuts, setbacks, and economic uncertainty, firms will be looking to kick-start 2024 with growth in mind.

The improvement of AML processes and contributing to company growth go hand in hand. Firms will need to ensure that their AML onboarding process is not only robust and compliant, but delivers a simple, friction-free experience for customers navigating through each stage.

Whether confirming their identities or sharing evidence of source of funds; the entire process needs to be seamless, easy, and digital.

Professionals are also prioritising compliance training in 2024. **41% state that training is a key focus for the year ahead, and rightly so.**

Regular training for compliance teams and wider staff members is key to educating staff and keeping them up-to-date on the latest regulations, risks, policies, and procedures.

Not only will this help employees recognise and report suspicious activities effectively, but raising awareness of compliance priorities and objectives will actively contribute to building a culture of compliance within the organisation.

When we look back at the priorities for compliance professionals in 2023, compliance training topped the list (cited by 42%), followed by data analytics (36%), and cyber security (33%).

Conversely, ESG initiatives and eliminating data silos were bottom of the priority list for 2024, being cited by 17% and 10%, respectively.

Given the amount of focus placed on ESG initiatives in compliance in 2023, one would hope that the lower rankings of this area of compliance is simply down to the fact that these initiatives are in hand and being effectively managed as part of wider corporate social responsibility efforts and strategies.

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Ensure that staff understand not only the ‘what’ for compliance, but the ‘why’.

This can lead to enhanced compliance, as people understand the real value of their work (case studies can be helpful here), and the objective of a particular control activity.

KPMG



In 2024, firms may be choosing not to prioritise the elimination of data silos in compliance processes due to a lack of awareness regarding the long-term benefits.

Factors such as resource constraints, budget cuts, and a heavy reliance on legacy systems could also be playing a key role.

Hopefully, silos in compliance will soon become a thing of the past. Without them, firms can reap the benefits of a more complete view of customer risk profiles, improved operational efficiency, streamlined compliance processes and a reduction in the overall compliance burden.



## FACING THE CHALLENGE

### Potential obstacles and challenges in 2024

The challenges facing compliance professionals and those in the businesses of financial crime prevention evolve on a near-daily basis. Whether it's new regulations to contend with, mastering new technologies, attracting talent or staying on top of the latest trends in financial crime and money laundering techniques; compliance professionals must be nimble enough to think on their feet and pivot at a moment's notice.

Reflecting our findings into the priorities for the year ahead, **two in five (40%) of respondents believe**

**that resource capacity and capability will be their biggest challenge for 2024.** With compliance training and company growth high on the priority list this year, professionals are clearly predicting challenges in the upskilling and growing of their functions.

Last year, almost a third (31%) of respondents voiced the same concerns around resourcing being their biggest challenge. Unfortunately, the concern has only become more significant for firms this year.

Whether budgetary restrictions, limited talent pools, or hiring freezes, without suitable capacity planning and skill development, compliance functions are at risk of becoming

overworked, understaffed, or simply not prioritised in 2024.

What's more, poor planning may result in overloading existing team members with excessive workloads, leading to burnout, decreased productivity, and compromised compliance processes.

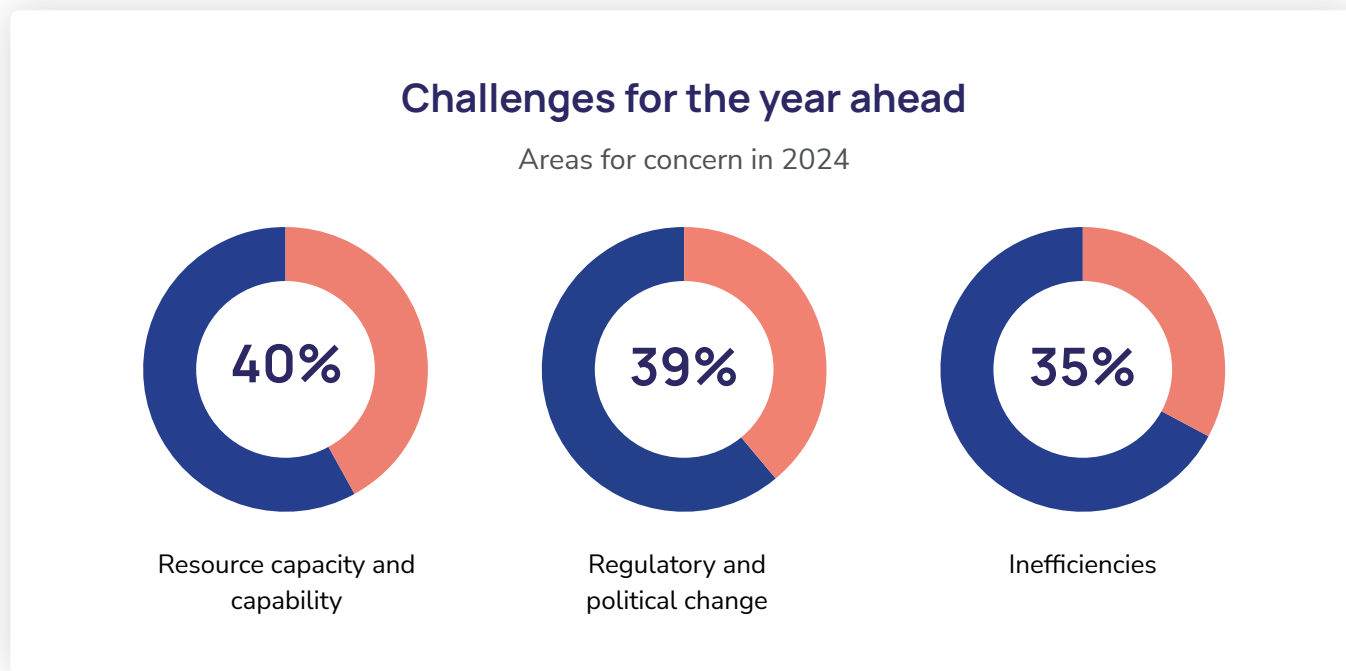
Often in firms without dedicated compliance teams, it may be that fee earners or business administrators take care of compliance tasks.

This is not only taking precious time away from their 'day jobs' but leaving firms open to regulatory non-compliance, fines, and reputational damage without skilled professionals conducting onboarding checks.

Mirroring our findings from 2023 once again, **managing regulatory and political change remains a key hurdle for 2024**. Cited by 39% of compliance teams as a major challenge, regulations typically arise in response to societal shifts, like the surge in interest for cryptocurrencies and NFTs, or major events such as the Russian invasion of Ukraine. They're also often updated to keep pace with technological advancements, such as the rise of challenger banks and Buy Now Pay Later solutions.

Keeping abreast of regulatory changes becomes even more complex for companies with a global presence. Navigating cross-border and multi-jurisdictional AML rules can be quite a hurdle for compliance

teams. Managing such varying AML regulations across different jurisdictions only adds another layer of complexity for professionals, making compliance an increasingly demanding task for regulated firms.



Charging up the challenges list is inefficiencies in onboarding and AML processes. Once again, mirroring the priorities discussed earlier, firms and compliance teams alike are prioritising the improvement of their AML processes this year. As inefficiencies run rampant for 35% of businesses, it seems many



have reached breaking point and are actively looking to redefine and streamline AML processes in 2024.

Reassuringly, personal liability, and ethics and integrity feature at the very bottom of compliance's challenges for this year, cited by 8% and 9%, respectively.

With a solid foundation of integrity in compliance management processes, respondents are confident in the strategies in place to address compliance risks - both from a corporate and individual perspective. It is only through ethical and integrity-driven compliance that teams become more effective and uphold the highest ethical standards in the face of evolving threats.

What's more, worries about personal liability are minimal, and professionals have little concern around being held responsible for AML compliance failings.

This signifies that most professionals have confidence and trust in their firm's processes to ensure compliance with AML and financial crime requirements.

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The evolution of FinTech necessitates a parallel development of RegTech. Regulatory overlaps and contradictions are not uncommon, and financial institutions have, unsurprisingly, looked to RegTech to optimise their compliance management.

**CFA Institute**

## BIGGEST COMPLIANCE CONCERNS IN 2024

### What's keeping compliance leaders up at night

Compliance is not a role without its fair share of stressors so, as part of this year's research, we wanted to find out which areas of their roles are the most stressful and keep them up at night.

**The most significant worry, expressed by 38% of respondents, is inefficient or manual compliance processes.**

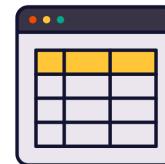
This indicates a substantial apprehension about the effectiveness of existing compliance procedures, emphasising the need for streamlining processes through

technology and automation to enhance efficiency and accuracy in addressing the concerns surrounding their current AML process.

Carrying out manual checks, paper-laden processes, and hand-verified identity documents is not how talented compliance professionals should be spending their time.

**38%**

worry most about how inefficient their manual AML compliance processes are.



AML compliance professionals have a wealth of expertise that extends beyond manual due diligence processes. Such expertise is incredibly valuable and is wasted

when they're employed to carry out manual due diligence checks.

The expertise that great compliance professionals possess is not limited to being able to protect firms from non-compliance, but they demonstrate critical thinking, the ability to interpret complex legislation and ensure compliance in their businesses, the experience to recognise the red flags of money laundering enlisted by criminals, the knowledge to develop policies and procedures that ensure compliance, and so much more.

As a result, it is no wonder the second factor that contributes to their sleepless nights is their workload.

A considerable **31% of respondents**

**identified their workload as a major source of concern.** This suggests that AML compliance professionals may be grappling with the demands of their roles, potentially indicating resource constraints, the need for automation or better task allocation.

Addressing this concern may involve exploring ways to allocate resources more effectively, investing in technology to alleviate the workload, or implementing strategies to prioritise critical or higher-risk cases in the compliance workflow.

Due to these two very troublesome concerns, it's no surprise that the average rating for the effectiveness of AML compliance programmes across businesses is a measly 6 out

of 10. While some elements of AML compliance programmes are effective, there are clearly areas that require attention and improvement to meet the dynamic challenges of financial crime prevention.

Such a poor rating must be a wake-up call to AML compliance professionals and regulated businesses as a whole to conduct a comprehensive review of their existing programmes, identifying specific weaknesses and gaps that contribute to these perceived shortcomings.

The third worry, mentioned by 30% of respondents, is building a culture of compliance in their businesses. This reflects the recognition that establishing and maintaining a

strong compliance culture within their organisation is crucial for effective AML practices.

Compliance professionals, along with senior leadership, need to focus on fostering a culture that values and prioritises compliance at all levels of the business, promoting awareness and understanding of AML requirements among employees to create a comprehensive and vigilant approach to combatting financial crime.

## FINANCIAL CRIME IN FOCUS

### Safeguarding firms from falling foul to fincrime

In this year's research, we looked at financial crime, fraud, and the associated consequences of non-compliance in more detail; the results were eye-watering.

Even with the most stringent of fraud prevention and security measures, no firm or individual is immune to becoming a victim of fraud.

In its half-year fraud update published in mid-2023, UK Finance issued figures indicating that fraud fell in the first six months of 2023, with a total of £580 million being stolen by criminals. However, as

the total number of unauthorised fraud cases tipped 1.2m in the first six months of 2023 alone, the trade association renewed its calls for fraud to be considered a serious threat to national security.

Criminals and bad actors now have advanced technological know-how to effortlessly bypass the most advanced security measures banks and other financial institutions have in place.

Sadly, our findings reflected this worrying state of affairs. Nearly **one-third of businesses shared that they have been a victim of fraud or financial crime in the last five years.** Of those affected, they have faced an average of 13 incidents since 2018.

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The latest UK Finance figures show that fraud continues to be one of the most prevalent crimes in the UK. From impersonating companies and creating fake investment adverts, to stealing card details and taking over personal accounts, criminals are using social engineering to ruthlessly target their victims. In the first six months of 2023 alone, criminals stole over half a billion pounds.

UK Finance



Shockingly, the highest number of fraud or financial crime cases cited by one business in the same five-year period was 50 - that's nearly one incident a month!

We know firms up and down the country are actively introducing or improving measures to detect and prevent fraud and financial crime from occurring on their watch.

Whether through employee awareness and training, developing robust financial crime prevention procedures and policies, or implementing detection technology; sometimes, it's just not enough to stop increasingly digital-savvy criminals from worming their way into businesses or gaining access to

services to launder illicit funds.

Financial penalties for non-compliance can be substantial, often severely affecting a business' bottom line, their financial stability, and reputation in the public eye.

But the penalties are not always purely financial, the legal repercussions of non-compliance can be severe, ranging from court proceedings and fines to imprisonment, depending on the gravity of the violation.

Regulatory authorities have the power to investigate, hand out penalties, and even revoke licences or permits, depending on the magnitude of the non-compliance.

What's more, a staggering **one in five aren't aware of the penalties associated with regulatory non-compliance in their industry.**

To add fuel to the fire, the cost of non-compliance is enough to shutter a business. From our research, **15% of firms have faced financial penalties for AML violations and non-compliance in the last three years.** With the average fine sitting at over £130,000, the prospect of being slapped with such a large fine is a significant challenge, and compliance teams play a crucial role in helping businesses navigate this complex landscape to avoid being landed with such substantial fines. **The highest fine shared by one firm in the banking industry was £2.49m!**

## STRATEGIES FOR STAYING AHEAD

### The changing compliance landscape

In the current global economic landscape, regulated businesses encounter a complex and constantly changing regulatory environment.

Compliance functions need to consistently adapt to tackle these challenges and, as a result, the due diligence process must evolve too.

The surge in online transactions and remote business operations has changed life as we know it. With record numbers of us now working remotely, our reliance on online services and products has rocketed too.

As a result, AML compliance professionals in regulated businesses have had to adapt their due diligence processes.

Our findings reveal that a substantial **57% of respondents have prioritised enhancing compliance and due diligence training for team members in recent years.**

This highlights a clear recognition of the critical role that human expertise plays in navigating the evolving landscape of financial crime, ensuring that staff are well-equipped to handle the complexities associated with remote applications, transactions, and service delivery. Moreover, the survey indicates a significant shift toward technology solutions, with

46% of respondents showcasing a greater reliance on digital document verification and e-signatures. This move reflects the need for efficient and secure means of validating identity and transactions in today's digital-first world.

Additionally, half of the respondents (50%) are now conducting real-time checks against global sanction lists and watchlists, showing an increasingly proactive approach being taken by AML professionals to identify and mitigate potential risks promptly.

While the changing economic landscape has transformed the ways in which we shop, communicate, apply for financial products and

services, and interact with regulators, it is positive to see such large percentages of compliance teams steering their strategies towards a more digital, modern approach in response.

Together, these adjustments and the remarkable agility shown by compliance professionals illustrate an industry-wide commitment to staying ahead of financial crime trends in an environment where online transactions and remote operations continue to grow at pace.

As part of this research, we also asked about the biggest threats to regulated businesses in 2024. The overwhelming concern, cited by 59% of respondents, is cybersecurity

threats. With a heightened awareness of the risks associated with digital operations, the need for robust cybersecurity measures is business critical. Firms must be taking proactive measures to safeguard sensitive financial information and prevent bad actors from using their products and services for money laundering to ensure their organisation is not enabling financial crime.

**Another significant concern is the emergence of AI, identified by 55% of respondents as a threat.** This highlights the increasing recognition within the AML community of the potential misuse or manipulation of artificial intelligence in facilitating financial crimes.

One such example is the rise in ‘deep fakes’, whereby AI is used to create realistic and convincing fake videos or audio recordings.

In the context of AML, the concern is that this technology could be employed to create fraudulent documentation, such as fake identification or forged audio messages, in an attempt to deceive financial institutions and regulated firms as part of money laundering or other illicit purposes.

Overleaf, you’ll find an example of just how convincing deep fakes can be!



Source: Business Post

The best deepfake examples continue to amaze us, whilst also raising concerns about whether we can be sure what's real! As a result, compliance professionals need to stay vigilant in understanding and adapting their strategies to counter evolving tactics that leverage AI for illicit purposes. When used correctly, AI has the power to optimise compliance processes and resources, automating repetitive tasks, and improving the detection and prevention of financial crime.



Additionally, **the evolving regulatory landscape is cited by 46% of respondents as a major threat.**

This suggests that AML compliance professionals anticipate ongoing challenges in staying abreast of, and complying with, changing regulations.

It emphasises the need for agility and adaptability in compliance programmes to navigate the increasingly complex and ever-evolving regulatory environment, ensuring businesses remain in adherence to the latest requirements and standards.

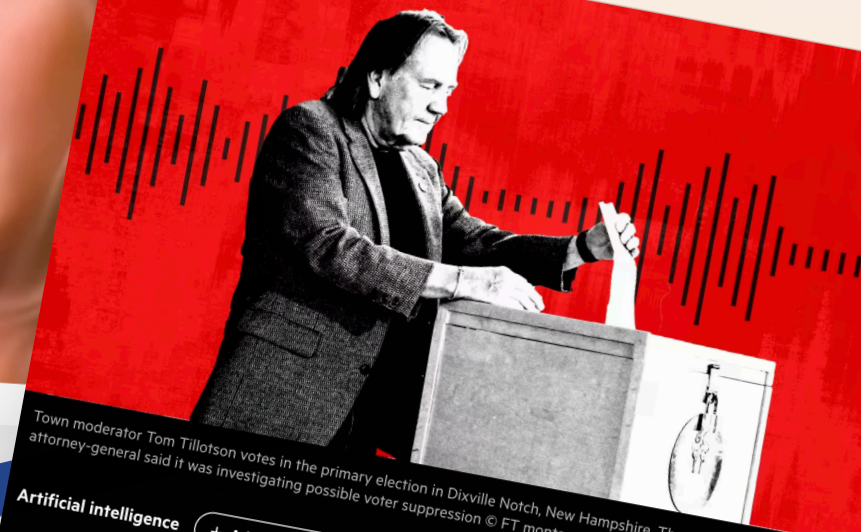
## YouTube's celebrity deepfake scam ads are getting more convincing

ROB BESCHIZZA / 7:28 AM WED JAN 24, 2024



"Jennifer Aniston" in a scam ad

## FINANCIAL TIMES



Town moderator Tom Tillotson votes in the primary election in Dixville Notch, New Hampshire. The office of the state's attorney-general said it was investigating possible voter suppression © FT montage; Reuters/Getty Images

## Artificial intelligence [+ Add to myFT](#)

### Audio deepfakes emerge as weapon of choice in election misinformation

Faked Joe Biden robocall underlines prevalence of cheap AI tools being used to create clips aimed at swaying voters

## Insurance must prepare for deepfake AI fraud



## LOOKING AHEAD

### The future of the compliance profession

As we look to 2024 and beyond, we asked our respondents what the future of compliance looks like.

Their responses varied hugely: some are preparing for the transformative power of AI, while others are looking to integrate regtech into their due diligence processes, and a heightened focus on cross-departmental collaboration, information sharing, and training. Equally, some shared concerns around the tightening of regulation, more pressure within the profession, and increasing geopolitical tensions resulting in more complex AML challenges.

Here are just some of the predictions from our respondents as to what the future of compliance will look like in their business, and the profession as a whole:

“The regulatory landscape will only continue to evolve and expand, requiring financial institutions to **devote more resources to compliance**. Emerging technologies like artificial intelligence and blockchain have the **potential to transform compliance by automating processes and improving transparency.**”

“Firms will **increasingly adopt regtech solutions to streamline compliance data collection, monitoring, reporting and auditing**. AI will enable real-time transaction analysis to spot non-compliance events as they occur. Technologies like **natural language processing will simplify Know Your Customer and client onboarding processes.**”

“The future of compliance in finance seems to be **centred around the integration of technology.**”

“The future looks bright, **compliance relevance seems more significant based on new evolutions.**”

## LOOKING AHEAD

### The future of the compliance profession

The aftermath of 2023, marked by rising fraud, scams, and financial crime due to economic challenges, has led to a significant change in focus for AML compliance professionals across the country.

In 2024, improving AML processes takes centre stage as the number one priority for regulated businesses, a shift from the previous year, where compliance training, data analytics, and cybersecurity dominated.

Challenges on the horizon include resource capacity concerns, managing regulatory changes, and addressing inefficiencies in onboarding

processes. The findings outlined in this report only emphasise the importance of strategic planning, skill development, and adaptability.

And yet, the impressive agility and proactive approach to combatting fraud and financial crime that continues to be demonstrated by compliance and financial crime professionals showcases the industry's commitment to staying ahead of trends in criminal behaviour in an environment where online transactions and remote operations continue to grow exponentially.

In conclusion, compliance professionals must remain vigilant, building upon their ongoing commitment to safeguarding against

emerging financial crime risks, overcoming the challenges, and rising to the opportunities outlined in this research.

In this ever-changing landscape, where financial crime evolves alongside technological advancements, this commitment will be pivotal for AML compliance professionals in ensuring the resilience, effectiveness, and ongoing compliance of their organisations.

NorthRow provides software which empowers compliance officers to make faster decisions and onboard customers in seconds, not days whilst complying with ever-changing legislation, so that they can contribute to their business' growth, safely.

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