# EMEA AML Survey 2024

## Spotlight on Effectiveness

pwc

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# Foreword by European Commissioner **Mairead McGuinness**

Fighting financial crime is essential if we want to ensure trust in the financial system. In recent years, we've seen far too many money-laundering scandals, where mainstream financial institutions have laundered money and so helped criminals hide the illicit proceeds of their activities. Behind these illicit funds are crimes that hurt individuals, families and communities, and terrorist organisations that threaten the safety of citizens.

This all means that anti-money laundering and countering the financing of terrorism (AML/CFT) is more than a compliance exercise. It's about building better societies and building trust in the financial system. But we know there have been challenges for the private sector in applying AML/CFT rules, some of which are laid out in this survey.

The good news is that 2024 marks a turning point in the European Union's fight against crime. The European Parliament and the Council of the European Union reached agreement on a wholesale revision of the EU's AML rules – bringing more than five years' work to a successful conclusion.

On the institutional side, we will have an EU Anti-Money Laundering Authority, based in Frankfurt. The AML Authority will be at the heart of a European system of supervision. It will help national supervisory authorities support each other and work together. The result will be more consistent supervision across the EU. The AML Authority will also undertake some direct supervision itself – of some of the highest-risk financial sector entities that operate across multiple Member States. Where circumstances require, it will be able to take over the supervision of any entity from national authorities.

The Authority will also support and coordinate the work of the national Financial Intelligence Units, enabling closer cooperation and joint analyses of suspicious transactions. This will help deliver better financial analysis to support complex investigations and prosecutions.

Changes on the institutional side are mirrored by changes on the regulatory side. There will be a single set of rules applicable to the private sector across the EU single market. That means that no matter what EU Member State a company operates in, it will be subject to the same rules. These rules are risk-based, to ensure our financial system is effectively protected but that entities face proportionate requirements. New tools will allow supervisors and Financial Intelligence Units to work closely across borders, facilitated by the AML Authority.

To respond to changing risks, new sectors will be covered, such as football clubs. Risks linked to large sums of cash are also being mitigated with an EU-wide limit of €10,000 for cash payments. Risks posed by crypto and the anonymity it enables are also being addressed.

The rules also ensure transparency of corporate vehicles through a new system to access beneficial ownership registers, which responds to the Court of Justice's ruling. The new system ensures respect of fundamental rights while also maintaining access for civil society and journalists, recognising their essential contribution to uncovering cases of money laundering.

This reform clearly responds to the calls for action made over the past several years. Our task now is to turn this reform into reality. The Commission is committed to doing so. We have launched work on the secondary legislation that will complement the new rules. We are now working at pace on setting up the AML Authority so that it can be operational next year.

The private sector's call in this survey for effective rules that address practical challenges in AML/CFT is clear. I believe that the EU has delivered with this reform of the EU's AML/CFT framework. We are counting on the private sector to step up its preparation as we move towards applying this new framework.

**Mairead McGuinness**

European Commissioner for Financial Stability, Financial Services and the Capital Markets Union

# Foreword by **Imran Farooqi** and **Michael Weis**

**Co-Chairmen of the Editorial Board of PwC's 2024 EMEA AML Survey**

In the interconnected global financial system, where capital moves fluidly across borders, the fight against financial crime is of paramount significance as outlined in the foreword by European Commissioner McGuinness. Our study delves into the state of Anti-Money Laundering (AML) practices across the EMEA (Europe, Middle East, and Africa) region, unearthing their critical role in safeguarding economies and societies. It also illuminates how the AML framework must be tangibly effective in order to be of use.

Peter Drucker said, *"Doing the right thing is more important than doing the thing right".* In the context of AML, we would slightly disagree and highlight that it is very important to also do the thing right, which means properly implementing and applying AML concepts.

The threats that financial crime – and money laundering in particular – pose to the integrity and stability of financial systems worldwide are well-known. However, in this fragmenting world order, these loom larger than ever. Regulators, policymakers, and private actors have taken notice, and we are seeing a zero-tolerance policy towards financial crime taking hold across markets. To proactively combat these threats, the "magnificent seven" approach of AML should be applied consistently:

- **Continuous training and education**
  Awareness is the first line of defence.
- **Leveraging technology and data analytics**
  Investing in advanced AML software that uses machine learning and artificial intelligence (AI).
- **Collaborating and sharing intelligence**
  Coordinating on emerging threats with regulators, financial intelligence units (FIUs) and financial institutions.
- **Staying abreast of regulatory changes**
  Understand how new regulations impact an institution's risk exposure and control framework.
- **Enhancing customer due diligence (CDD)**
  Implementing robust CDD processes to verify customers' identities and assess their risk profiles.
- **Focusing on beneficial ownership transparency**
  Enhancing transparency to prevent the misuse of legal structures for money laundering.
- **Monitoring non-traditional channels**
  Keeping an eye on virtual currencies, trade-based transactions, and emerging payment methods.

Across the EMEA region, financial actors are heeding the call to action, understanding the reputational and economic risks that come with ineffective or inadequate AML practices and procedures. The European Union was particularly shaken in the late 2010s when news emerged that some European-headquartered financial institutions had serious compliance weaknesses regarding AML and financial restrictive measures.

It is therefore no surprise that actions to combat money laundering have been put into high gear as global geopolitical tensions have intensified. This report aims to understand how the financial sector in the EMEA region is reacting to these new paradigms at this pivotal point in history and to provide some insights as to how it may continue to evolve in the future.


**Imran Farooqi**

EMEA Anti-Financial Crime Leader,

PwC United Kingdom

**Michael Weis**

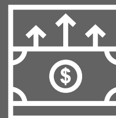
Anti-Financial Crime Leader,

PwC Luxembourg


**April 2024**

# Executive Summary

- **Respondents are split on regulatory effectiveness.** In the EMEA region, 53% of respondents believe that current or upcoming AML regulations are helpful, leaving a significant portion (47%) who think otherwise. Among the latter, they tend to think that the rules lack uniformity across countries and industries (18%), that there is a lack of practical industry guidance (12%), that the rules favour form over substance (8%), that the rules are not sufficiently detailed (6%), or a combination of multiple factors (3%).
- **Within the EU, a little over half (54%) of respondents welcome the upcoming AML Package and believe current regulations are sufficiently clear and fit for purpose.** Given that the final texts of the package were only released in mid-February 2024, the financial sector is still familiarising itself with the new standards. There is a market expectation that the EU will solve the practical challenges of AML across borders and industries.
- **Among the numerous AML-related challenges faced by EMEA financial institutions, the increase in regulatory pressure came to the forefront,** with over one-third of respondents (38%) citing it as the most challenging issue, while 34% also highlighted how regulations complicated operational processes.
- **Banks are the most sceptical of current regulations, with less than half (44%) believing them to be helpful to prevent money laundering and terrorist financing.** Conversely, payment institutions have the most optimistic outlook on current regulations, with 67% believing them to be fully effective while asset managers (57%) stand in the middle.



- Over half of our respondents (51%) have seen their **AML compliance costs rise by more than 10% over the last two years**, with banks (62%) seeing the biggest increase among respondent categories. Staff increases and investments into new digital tools have been the main cost drivers over the past 24 months.

- **Finding skilled staff is the most important factor for effective AML compliance.** Among survey respondents, 28% indicated upskilling as the most effective AML control, while over one-third stated that the lack of skilled resources constitutes one of the main impediments to increasing the use of new technologies in their AML operations. The lack of qualified staff leads to a vicious cycle whereby firms struggle to carry out their AML processes in an effective manner, let alone implement technology-enabled solutions. As such, upskilling is likely to be a major investment driver in the coming years.

- **In addition to having skilled staff, respondents tend to view transaction monitoring and screening as the most effective AML controls.** However, they also tend to agree that customer due diligence (CDD) onboarding and CDD periodic review are the least effective AML controls, with 30% and 41% of respondents respectively highlighting them as the 2nd weakest and weakest controls. This view is largely misguided, as CDD is the foundation of effective AML, since it is the crucial point at the beginning of the AML process where institutions build a fundamental understanding of their customer.

- **While all regions are considering implementing Artificial Intelligence (AI) solutions to their AML operations, financial institutions in the Nordics (94%), Africa (93%) and the Middle East (93%) are the most enthusiastic.** Transaction monitoring and screening are the main AML functions respondents are planning to use AI for, highlighted by 79% and 59% of respondents, respectively. However, over half of respondents (55%) are concerned that the maturity of their AML processes is a constraint to AI adoption, while 52% are concerned about data-sharing with external providers. As a whole, concerns remain over the 'black box' decision-making approach of AI algorithms.

- **Data quality is a major concern across when it comes to AML, with 45% of respondents indicating data quality as the main impediment to increasing the use of new technologies.** Many core systems in use are not very new, which is hindering progress on data quality improvements and the implementation of newer technologies, such as AI.

- **With 96% of firms in the Middle East and 86% of firms in Africa planning on spending more than 10% of their AML budget on digital tools in the coming two years, financial institutions in these two regions are the most likely to invest in new technologies for AML.** On the other hand, financial institutions in the UK & Ireland, DACH and Benelux regions are very reluctant to implement new technology, as they tend to have more mature legacy systems in place which are difficult – and costly – to replace.

# Introduction: The Era of Effectiveness

When it comes to the fight against financial crime, technological progress is a double-edged sword. On the one hand, it boosts crime prevention and detection capabilities, but on the other, it also bolsters bad actors' arsenals. We are seeing financial crime schemes and actors becoming increasingly sophisticated, and efforts to prevent money laundering, terrorist financing, and the proliferation of weapons of mass destruction (abbreviated as 'AML' in this report) must rise to the challenge.

This situation is only compounded by the fact that global geopolitics is in a state of fragmentation, giving financial criminals more leeway and cover to carry out illicit transactions or obscure the origins of funds. In this context, AML is crucial, as any nation seeking to establish itself as an influential financial centre must build the regulatory infrastructure and processes to foment and sustain trust from all stakeholders, investors and non-investors alike.

## Taking Things Seriously

In the past, AML compliance was often approached from a theoretical, or technical, rather than a practical perspective. Supervisory authorities, alongside the Financial Action Task Force (FATF), would look at whether AML policies and regulations existed and if their quality was satisfactory or not – either at the institutional or country level. However, regulators were often not focusing on whether these policies enough were actually effective or not.

Today we already have a highly mature AML regulatory ecosystem, which will be strengthened by financial institutions' and regulators' current focus on effectiveness. Both the FATF and regulatory authorities are adopting a much more 'hands-on' approach, requiring that policies and regulations – no matter how well crafted – be practically effective and actively enforced. The EU AML Package, which will soon enter into effect, is just one example of a recent regulatory framework created under these new paradigms in the EMEA region (Europe, the Middle East, and Africa). Regulators, policymakers, and even investors and other stakeholders, want to see what companies and governments are actually doing to combat financial crime. Additionally, AML has gained prevalence in public discourse after a few large non-compliance scandals at major financial institutions. Our study looks into how the EMEA region is reacting to the upcoming regulations, especially the EU AML Package, and how financial actors across Europe, the Middle East and Africa are implementing the newest AML technology to overcome operational challenges.

As such, effective AML frameworks, policies and actions will be a cornerstone of any financial centre that wishes to be seen as a trusted financial hub with regional and even global reach. These efforts are already manifesting across the entire EMEA region: In February 2024 the United Arab Emirates (UAE) was removed from the FATF's increased monitoring list, commonly referred to as the "grey list,"[1] following a concerted effort in the UAE to address AML areas in need of improvement.

## A More Perfect (European) Union

As nations in the Middle East and Africa build themselves up as financial centres and bolster their AML practices, Europe is simultaneously continuing to strengthen its own capabilities, both to remain competitive and stave off potential threats of evolving financial crime risks.

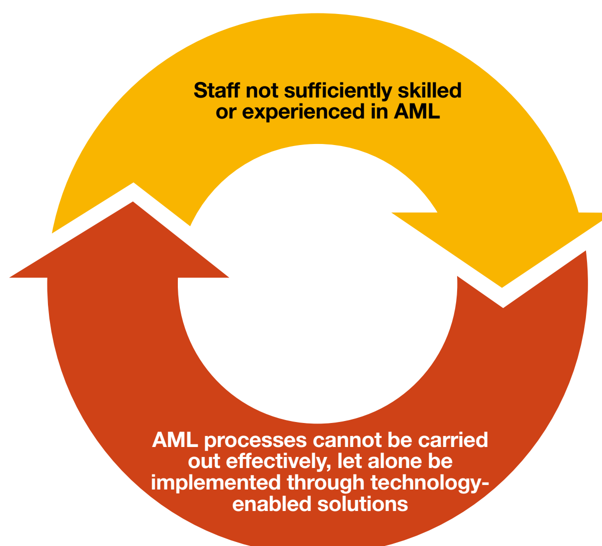
Similar to how the 2010-2012 sovereign debt crisis showed the EU the need to establish a banking union, a string of large AML scandals at EU banks between 2010 and 2020 demonstrated that the EU's AML regime needed to be updated and harmonised. Whereas previous EU AML measures had been legislated through directives, the new EU AML Package, which was agreed upon in February 2024, will establish an EU-wide AML Regulation and a regulatory body tasked with supervising the largest financial entities in the Union.[2]

## The EMEA AML Survey 2024

All this begs the question of how exactly financial institutions in the EMEA region have responded to the regulatory and technological shifts of the last decade. Criminals are very quick to adopt new technologies and exploit regulatory loopholes. How are Financial Institutions taking these AML challenges into account? How effective are AML policies? Have they implemented new technologies such as artificial intelligence (AI) to help them deter financial crime? Will they?

Our report was designed to answer these questions and explore the current state of AML in the EMEA region. We have found that the financial sector is rising to the occasion and taking AML as seriously as it should. However, the devil is in the details; AML regulations are a complex challenge since they have to address a highly diversified financial sector, which makes it difficult to cover all risks efficiently and effectively.

Although technology can be a great catalyst for progress in AML capabilities, respondents have consistently mentioned that finding qualified AML professionals that can implement new technologies is extremely difficult. This is quite a remarkable finding, since most, if not all, recent business trends involve some form of technological hype. Obviously, technology is also a key issue for our respondents, but they consider the shortage of qualified people as a major stumbling block to AML progress despite all the great opportunities technology and AI can offer; this tends to be underestimated in public discourse. AML expertise certainly continue to evolve, but finding qualified people remains a key determining factor for success. This problem is especially pronounced when it comes to upgrading AML teams' digital infrastructure, which requires highly technically skilled staff to achieve the right output from new technological opportunities.




Indeed, the quality of staff still seems to be the major prerequisite for strong compliance with modern AML standards and even the main determining factor for being able to leverage new technologies. Although it faces some headwinds, the industry is progressing and adapting its operations to the needs of the moment.

1. https://www.moodys.com/web/en/us/kyc/resources/insights/fatf-announces-decision-remove-united-arab-emirates-grey-list.html
2. https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_22_5593

# Methodology

This study is based on a survey of **396 financial institutions in 40 countries**. Our methodology ensures that the information we receive is of the highest quality and relevance and provides the most insightful overview possible of the EMEA region. The survey has been overseen by an editorial board of leading PwC anti-financial crime experts who have provided their interpretations of the results in order to ensure a high-quality report. These experts are:

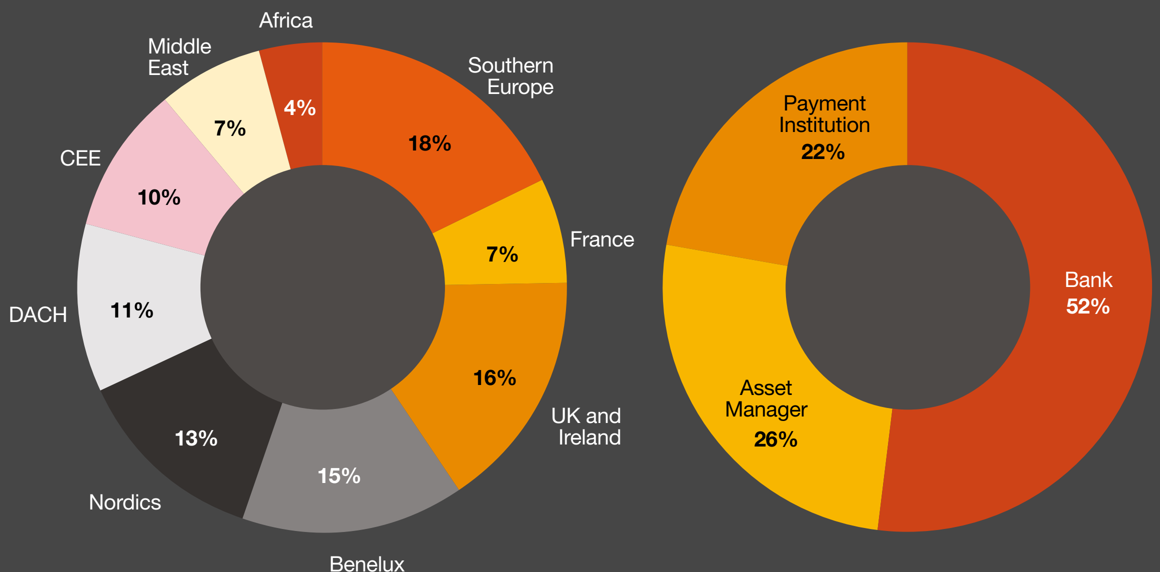
- **Imran Farooqi** (PwC United Kingdom), Co-Chair and EMEA Anti-Financial Crime Leader
- **Michael Weis** (PwC Luxembourg), Co-Chair and Luxembourg Forensics and Anti-Financial Crime Leader
- **Mahmoud Al-Salah** (PwC Middle East), Middle East Anti-Financial Crime Leader
- **Sébastien d'Aligny** (PwC France), PwC France and Francophone Africa Anti-Financial Crime Leader
- **Gianfranco Mautone** (PwC Switzerland), Forensic Services and Anti-Financial Crime Leader

To collect feedback for our survey, we leveraged PwC's leading Anti-Financial Crime Network in the EMEA region, as well as a professional survey company, to target specific and relevant respondents in each territory. These included major asset managers, banks, and payment institutions, **most of whom were interviewed personally**, including several institutions which are classified as Global Systemically Important Banks (G-SIBs) by the Basel Committee on Banking Supervision. Respondents also included major institutions directly supervised by the European Central Bank. Consequently, we ensured that the biggest players in each market participated, and therefore believe that the report provides uniquely useful and accurate insights from all territories in this survey, which span from Ireland to Uzbekistan to South Africa.

This dedicated approach ensured that we covered a wide range of areas and financial institutions, while also avoiding the pitfalls of other large surveys, which sometimes only rely on answers from random participants which may not fully represent the relevant financial institutions in each region.

Our respondents are divided into nine major regions and three industries within the financial sector, as shown in Exhibit 1. Over half (52%) of respondents are banks, which have historically been the focus of AML regulations and are more used to being in the spotlight of AML news and events. Our respondents also include 52% of all G-SIBs and 59% of Global Systemically Important Institutions (G-SIIs). However, non-bank financial institutions should not rely on banks to be the sole bulwark against money laundering, as financial criminals are always seeking new channels through which to penetrate the financial system. With this in mind, asset managers represent 26% of respondents and payment institutions make up a further 22%.

**Exhibit 1:** Region and industry of all survey respondents



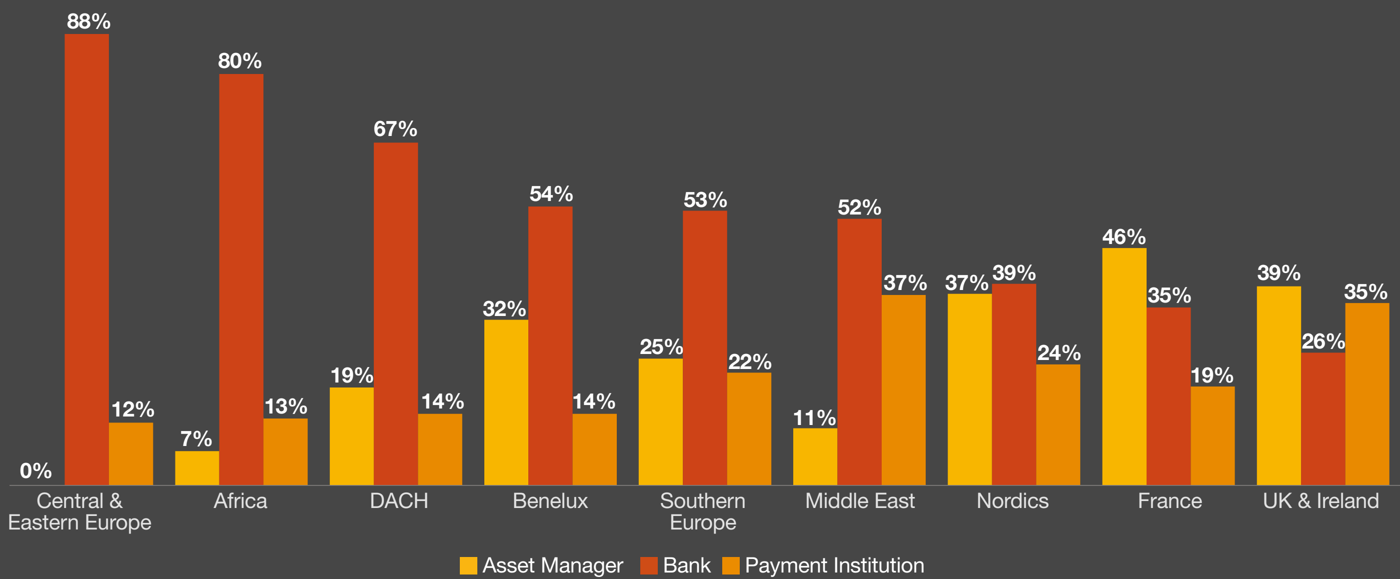

Note: The percentage may not add up to 100% due to rounding. The UK and Ireland region includes the UK, The Republic of Ireland, the Isle of Man, and the British Channel Islands as separate respondents.

Source: PwC Global AWM & ESG Research Centre

Exhibit 2 showcases the breakdown of responses by both type of institution and region. Again, the banking industry is the most represented in most regions. France and the UK and Ireland are the only two regions where banks are not the most common type of institution, by percentage. Still, in these regions, they make up 35% and 26% of the sample respectively. In Central and Eastern Europe (CEE) and Africa, banks make up 88% and 80% of respondents respectively.

It is important to consider that in some jurisdictions the number of very large local players might be limited, whereas other jurisdictions have a high number of smaller financial institutions. For instance, Germany is often referred to as overbanked due to its high number of small regional banks. On the other hand, Luxembourg is a country with a very strong asset management sector with many banks that have a strong focus on asset management-related activities, which is not typical for banks in other jurisdictions.

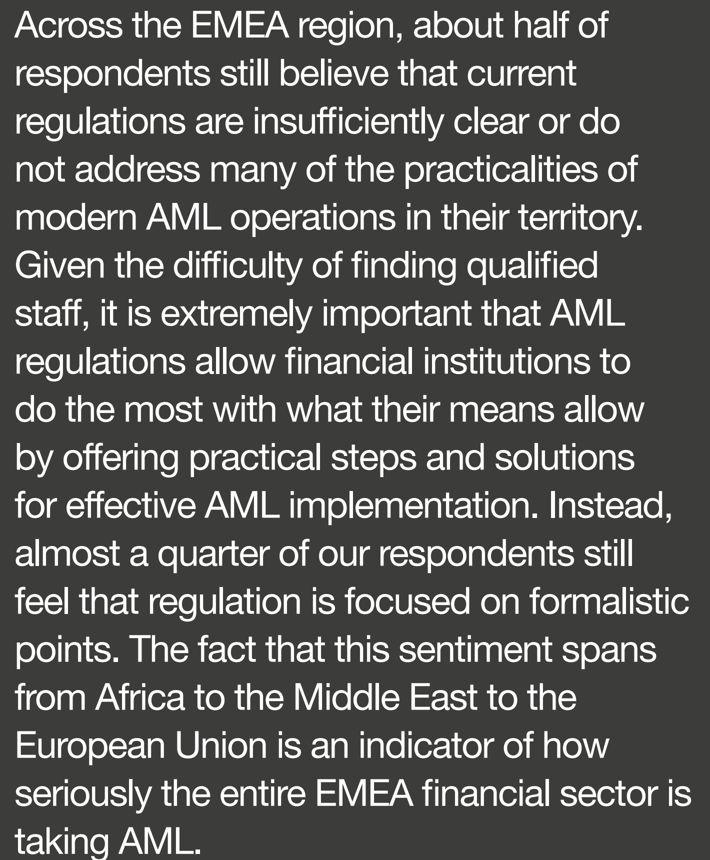
**Exhibit 2:** Respondents' regional and institutional breakdown




Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

# The Financial Sector Wants Pragmatic Regulations



Across the EMEA region, about half of respondents still believe that current regulations are insufficiently clear or do not address many of the practicalities of modern AML operations in their territory. Given the difficulty of finding qualified staff, it is extremely important that AML regulations allow financial institutions to do the most with what their means allow by offering practical steps and solutions for effective AML implementation. Instead, almost a quarter of our respondents still feel that regulation is focused on formalistic points. The fact that this sentiment spans from Africa to the Middle East to the European Union is an indicator of how seriously the entire EMEA financial sector is taking AML.

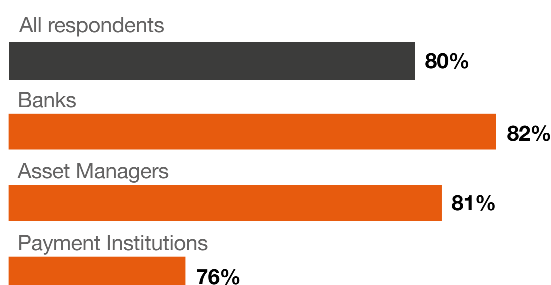
In this context, the EU is preparing to implement its AML Package, a new comprehensive set of regulations that will redefine how financial crime is tackled in the EU. It is the most ambitious legal project on AML in the EU's history and addresses the lack of common international AML standards – a widely cited concern for the financial sector. Despite this, and although not implemented yet, many respondents feel that the EU AML package does not have the practical guidelines they would like to see. However, this may be addressed by the future EU AML Authority (AMLA), which is expected to release at least 20 technical guidelines in the first three years after its inception.

Given that 69% of survey respondents are based in the EU, this section offers an overview of how respondents view current regulations in their respective territories, including a dedicated section on the implications of the EU AML Package.

## General compliance practices

Global AML standards are increasing and likely to remain high now that regulators are generally focusing more on substance and effectiveness. Indeed, **an overwhelming majority of respondents were subject to AML inspections by regulators in the past two years, regardless of their industry.** This demonstrates that regulators are on top of things and close to the market since inspection rates were highest for banks, at 82%, and lowest for payment institutions at 76% (Exhibit 3). Meanwhile, 81% of asset managers were inspected, similar to banks. This shows how active regulators are when it comes to AML enforcement across the EMEA region. Once AMLA begins supervision, the number of inspections is unlikely to decrease.

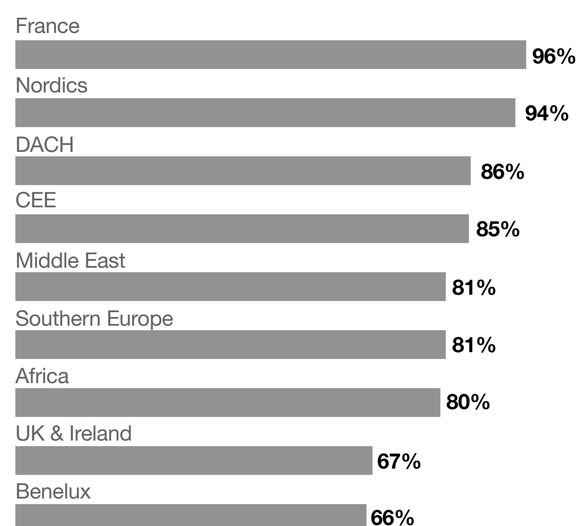
**Exhibit 3:** Were you subject to any AML-related regulatory inspection over the past two years?




Source: PwC Global AWM & ESG Research Centre

This survey shows that regulators are consistently rigorous across the entire EMEA area. In all the regions assessed, the percentage of entities that were inspected by regulators over the last two years did not fall below 66% – this was the case for Benelux (Exhibit 4). France was the region with the most inspections, with 96% of entities reporting inspections, followed by the Nordics at 94%. It has to be noted however, that like regulations, the local approach on what on-site inspections are focusing on or how deep they are differs between the regions.

**Exhibit 4:** Percentage of institutions in each region subject to an AML-related regulatory inspection over the past two years



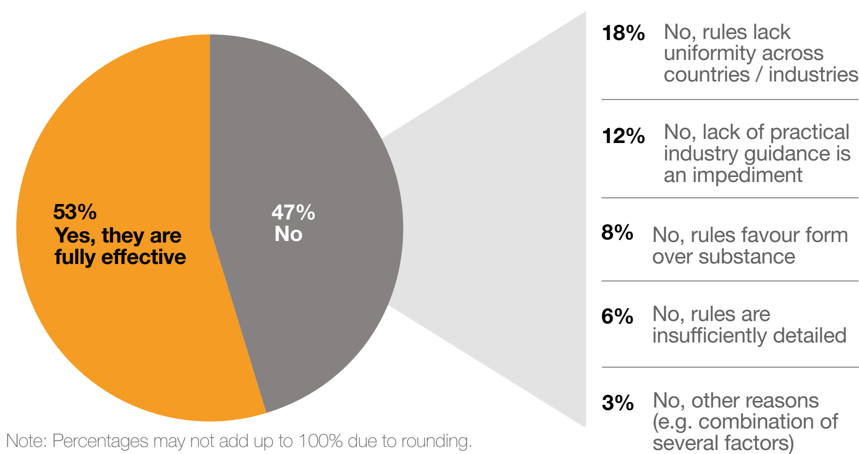

Source: PwC Global AWM & ESG Research Centre

## The financial sector wants consistent AML regulations

Over half (56%) of respondents in the EU believe current regulations are sufficiently clear and fit for purpose; about the same percentage feels that upcoming regulations, namely the EU AML Package, are as effective as they should be in fighting financial crime. Many respondents are approaching the new regulations with caution and are still unsure of what their practical effects will be, and there is a market expectation that the EU will solve the practical challenges of AML across borders and industries.

**The most common concern is the lack of regulatory uniformity and application across jurisdictions and industries, according to 18% of respondents** (Exhibit 5). This is the case because a large margin of interpretation leaves too much room for discussions between actors about specific requirements when entering into relationships or conducting transactions. International AML regulations have been historically written for banks, but the financial sector has developed in so many directions and sub-industries that having clear and precise regulations remains a challenge.

**Exhibit 5:** Do you think that the current AML rules are helpful to prevent money laundering and terrorist financing, or are they too far removed from operational reality?




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

Indeed, given the transnational nature of financial crime, regions with a patchwork of regulations are easier for financial criminals to penetrate than those with overarching standards. For this reason, having a uniform set of rules in the EU would be a setback for money launderers. As one survey respondent points out:

Yes, (the regulations) are helpful in many ways, but money laundering and terrorist financing are constantly evolving, and guidance needs to extend beyond high-level steps on what to do to be compliant with the law. More technical and detailed guidance is needed in many areas.”

**Survey respondent from the banking industry**

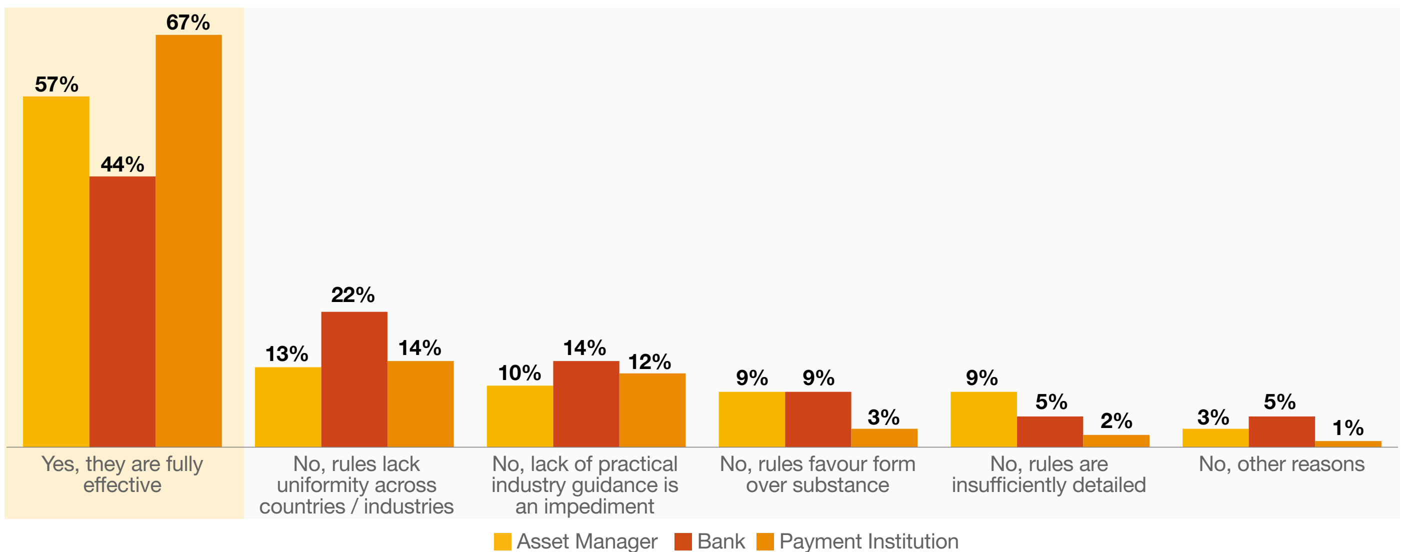
Some differences emerge when the answers to the question in Exhibit 5 are broken down by industry, as seen in Exhibit 6.a. **Only 44% of banks believe current regulations are effective while asset managers are divided,** with 57% believing regulations are effective, and payment institutions being the most optimistic at 67%.

These differences make sense when considering the different ways in which these industries within the financial sector are exposed to money laundering and terrorist financing. While financial criminals target all three, they do so in different ways, depending on their nature. Banks have historically been the focus of AML regulations, and earlier rules were mainly designed with banks in mind. As a result, banks have historically been in the spotlight of AML issues and are therefore used to a higher level of public and regulatory scrutiny than asset managers or payment institutions.

In addition to this, financial criminals target financial institutions in different ways. Just within the banking industry, corporate, private, and retail banking services are exposed to different types of money laundering and terrorist financing (ML/FT) risks. This does not necessarily mean that some are more exposed than others, but it means that criminals use different methods to penetrate them. Similarly, payment institutions can range from highly regulated actors that act as de facto banks, to payment platforms used for sending remittances. Asset managers vary from fund managers to management companies to other sectors of the asset and wealth management (AWM) industry. This discrepancy in exposure to financial crime explains why these industries have such different outlooks on regulation and their effectiveness.

Those differences in the main business and products also explain different views regarding the assessment of the regulatory framework.

**Exhibit 6.a:** Do you think that the current AML rules are helpful to prevent money laundering and terrorist financing, or are they too far removed from operational reality? – Industry breakdown

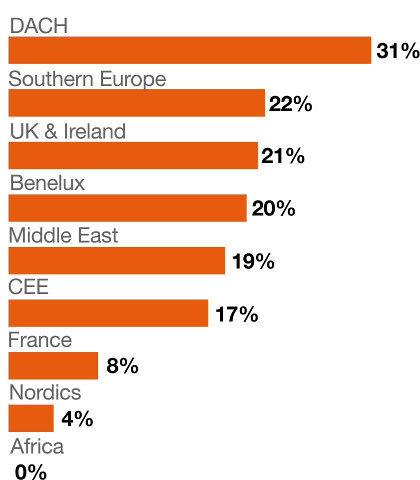



Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

While there are also regional differences when it comes to outlook on current regulatory frameworks, respondents mostly share the concern that many regulations lack regional uniformity. 31% of DACH region respondents raise this point, making them the region that mostly views this as a challenge. However, African respondents are an outlier, as none of them believe the lack of regulatory uniformity is an issue. This is a very interesting finding, given that within the EU there is a much broader range of views on this issue (Exhibit 6.b).

In the next section of this chapter, we provide a deep dive into how different regions view current and upcoming regulations, including a breakdown at the EU level.

**Exhibit 6.b:** Percentage of institutions in each region subject to an AML-related regulatory inspection over the past two years



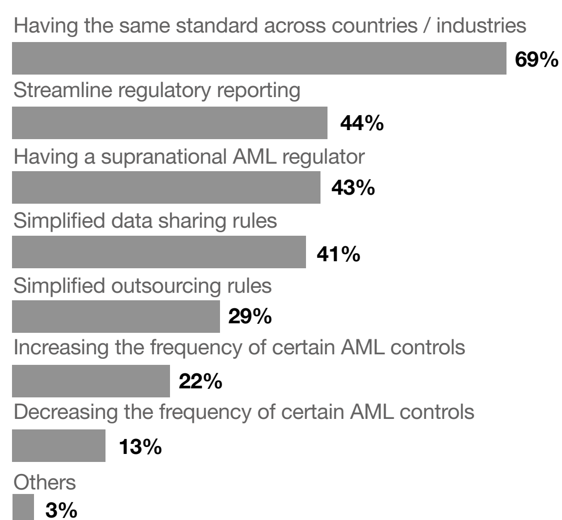

Source: PwC Global AWM & ESG Research Centre

In line with the previous exhibits, **when asked which regulatory changes would improve AML capabilities the most, over two-thirds of respondents suggest implementing universal standards (Exhibit 7). Banks stress this point the most, with 75% of them agreeing that international and industry standards would be beneficial to AML, followed by 65% of asset managers and 56% of payment institutions** who claim the same. This is the most popular option in all three industries and clearly relates to the need for more clear guidance. Given that the financial sector is highly internationalised, having different regulations in different regions is more likely to create loopholes that financial criminals can exploit for cross-border transactions and to obscure the origins of funds.

It is worth noting that "**Having a supranational AML regulator" is also one of the most common responses to this question**, with 43% of all respondents citing this option. This showcases that not only does the financial sector believe that common rules are of the utmost importance, but also that they should be consistently applied by a central authority. This sentiment not only underscores the need for the EU to create AMLA but also highlights that AMLA will need to meet a very high standard of regulatory rigour to be effective in the eyes of the market. FATF is the most likely candidate to take on such responsibilities from an international perspective, but before achieving this a lot of geo-political groundwork and agreements would be needed.

It is a matter of fact that many in the financial sector are asking for more standardised (and sufficiently detailed) rules. Often, compliance and legal teams in financial institutions entering a new business relationship are unsure of how regulations will affect them, which undermines the effectiveness and efficiency of AML regimes.

**Exhibit 7:** Which regulatory changes would significantly improve your AML effectiveness?




Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

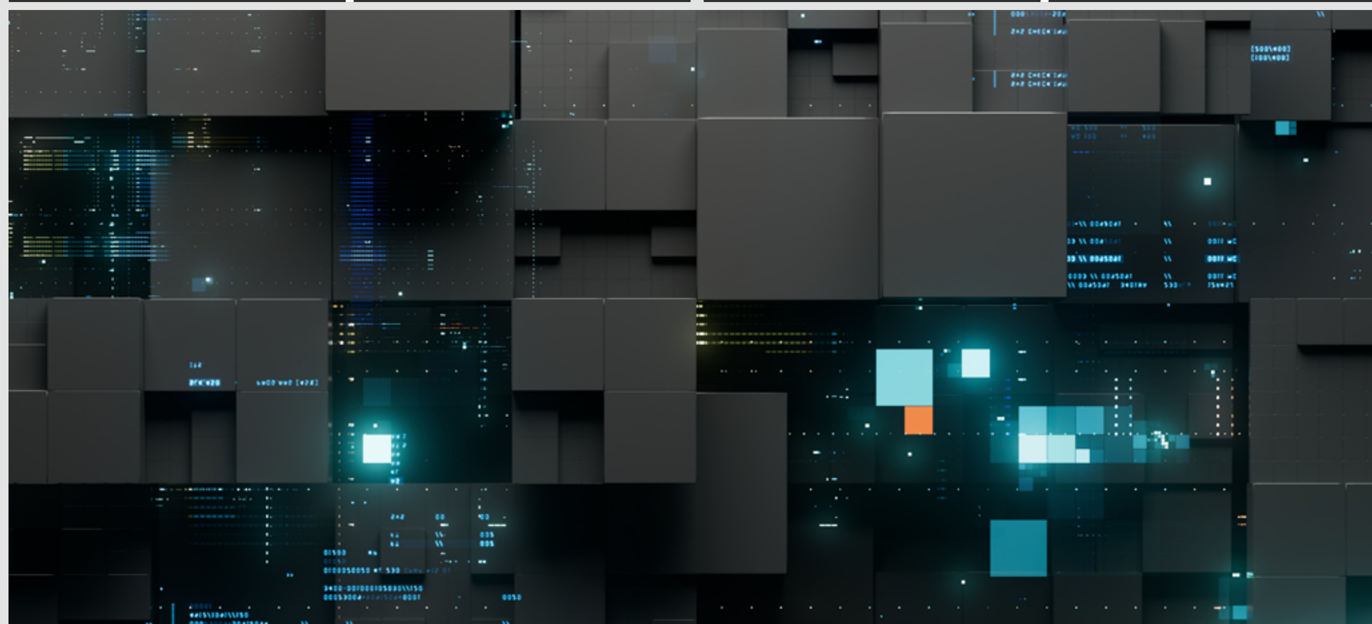
## The EU's Upcoming AML Package

In February 2024 the European Council and European Parliament agreed on the structure of a new Union-wide AML Package which will be fully rolled out and implemented in the coming three years. The most notable part of the package is AMLA, a new regulatory body that will not begin its direct supervision until 2026.

The EU AML Package is composed of four main pillars.

**The Four Pillars of the EU's Anti-Money Laundering Package**

| New measures | | Updated measures | |
|---|---|---|---|
| **Anti Money Laundering Authority (AMLA)** | **European AML Regulation** | **Sixth European AML Directive** | **Revised Wire Transfer Regulation II** |
| This new regulatory body will have two main functions, starting in 2026.<br><br>AMLA will directly supervise the largest, and most structurally significant financial entities in the EU. There must be at least one AMLA-supervised entity in each Member State.<br><br>It will also be tasked with monitoring potential financial criminal threats within the EU and beyond.[3] | This regulation will set union-wide standards for AML practices. It is the first regulation on this matter in the EU and will be directly applicable to everybody without the need to be transposed into national laws like previous Directives.<br><br>It includes standards on due diligence and standards for determining beneficial owners.[4] | The newest update to the EU's AML Directive.<br><br>It reinforces pre-existing standards such as registers on beneficial ownership and makes transaction and ownership information immediately accessible to investigators.<br><br>Member states must transpose the directive into national law, which requires a degree of regulatory synchronisation across the EU. | This regulation, which shall apply from 30 December 2024,[5] is an update of a previous regulation on fund transfers, such that it now also covers crypto assets.<br><br>The regulation requires that information on the source and beneficiary of a transferred asset are sent with the transaction and are stored by both the sender and receiver. |



3. https://www.europarl.europa.eu/news/en/press-room/20230327IPR78511/new-eu-measures-against-money-laundering-and-terrorist-financing
4. https://www.consilium.europa.eu/en/press/press-releases/2024/01/18/anti-money-laundering-council-and-parliament-strike-deal-on-stricter-rules/
5. https://legal.pwc.de/en/news/articles/eus-revised-wire-transfer-regulation-published-in-official-journal

## How EU respondents have reacted to the EU AML Package

The EU's new AML framework is extremely noteworthy given that most respondents to the survey, regardless of whether they are based in the EU or not, cite the lack of AML transnational standards and authorities as one of the biggest flaws of current AML regulations. It is therefore surprising that there is very little difference between EU respondents' outlook on future regulations and their confidence in current ones (Exhibit 8). While **56% of respondents in the EU believe current regulations are fully effective, only 54% of the same believe future regulations (in this case the EU AML Package) will be effective.** This view is likely based on the fact that the upcoming EU AML Package has not been fully reviewed by many respondents, given that the final text was only released in February 2024.

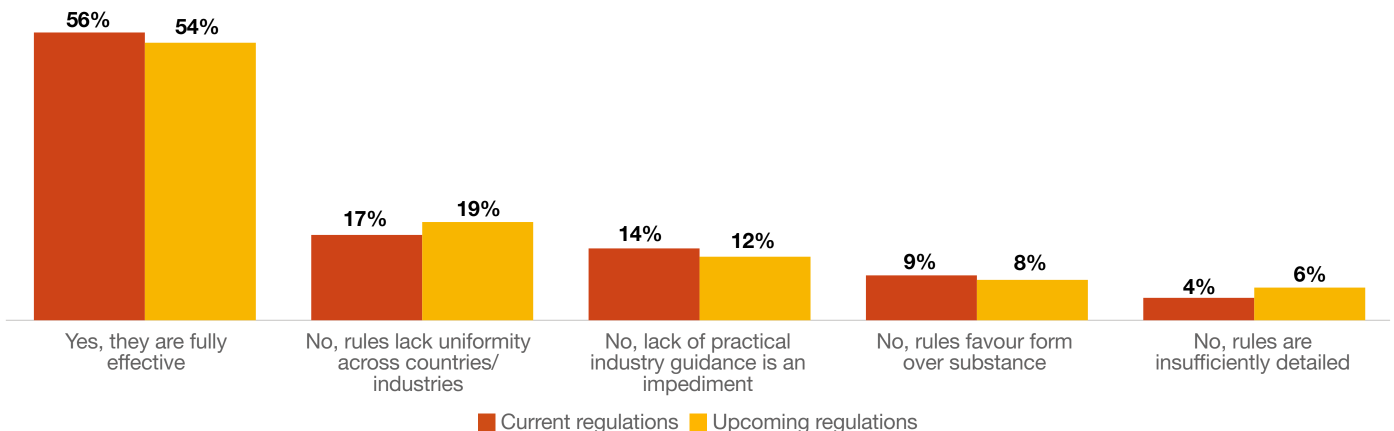
The reason for this appears to be that many respondents are approaching the new regulations with caution and are still unsure of what their practical effects will be. It is possible to glean additional insights on how the financial sector is reacting to the EU AML Package based on the information provided to us by the respondents. One asset manager says "We hope (the upcoming regulations) will be effective because of harmonisation." Several other asset managers say it is "too soon" to tell what the effects of the new regulations will be.

There appears to be a consensus, especially among banks, that further guidance from regulators is still needed for the EU AML Package to be truly effective. They also seem to agree that the Package does not always address the practicalities of AML. One banker told us that the regulations "are helping but are still too far from daily business."

The future (EU) AML Package will be effective in preventing ML/TF. Nevertheless, a lot of Regulatory Technical Standards/Implementing Technical Standards (RTS/ITS) and Guidelines are still to be published by AMLA. The banking industry will navigate through a certain uncertainty and regulatory instability during the next years".

**Survey respondent from the banking industry**

**Exhibit 8:** Are current/upcoming AML regulations helpful? – EU respondents' answers




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

## Challenges

Designing, implementing, and enforcing a robust AML framework is is challenging, with a wide array of obstacles standing in the way, including legal, operational, technological, and regulatory hurdles.

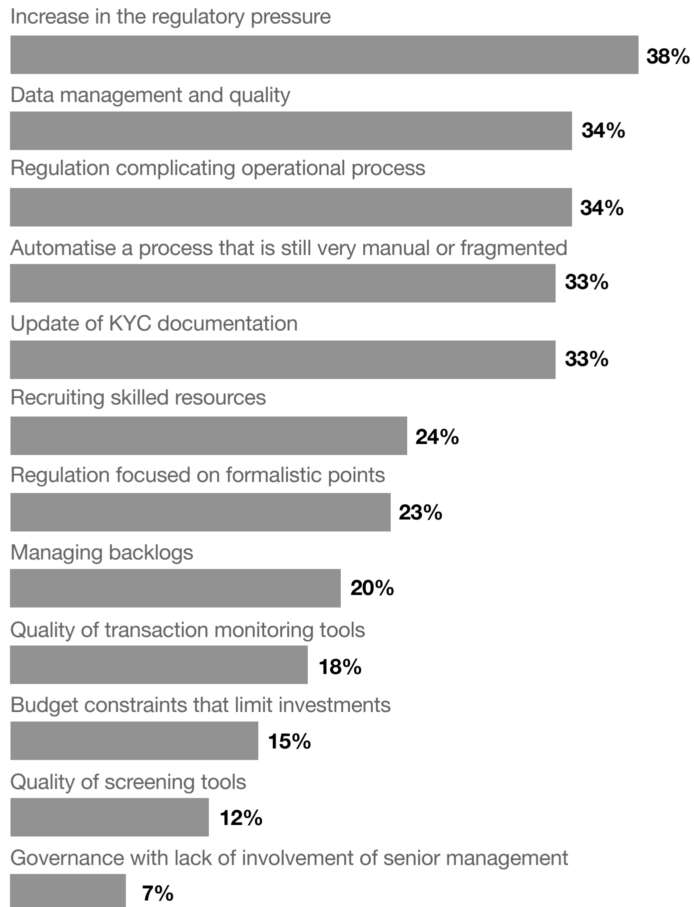
**The biggest AML challenge, highlighted by 38% of respondents, is the increase in regulatory pressure. Ensuring compliance entails significant investments in resources, training, and expertise such that a financial institution's AML framework is not only theoretically sound but also effective in practice.** As policymakers, regulators, and supervisors increasingly consider the fight against money laundering and terrorism financing as policy priorities – with the EU AML Package as a prime example – it is not expected that regulatory pressures on financial institutions will decrease in the coming years.

When asked about other challenges, many respondents cited hurdles to automating a manual or fragmented process alongside the challenge of updating KYC documentation. 33% of respondents see both issues as their biggest challenges (Exhibit 9.a). As we will see in the next chapter, KYC documentation is part of customer due diligence, which is wrongly seen by many respondents as a bureaucratic task, rather than an integral step of AML. This attitude towards CDD may be behind the view that collecting KYC documentation is a challenge.

This is in line with the previous finding that financial institutions want greater regulatory oversight but want that oversight to be highly practical. Respondents consistently state that they consider highly complex regulation that however does not address the day-to-day realities of AML to be extremely burdensome.

A mere 7% of respondents highlight governance with a lack of involvement of senior management as an issue, which indicates that across financial institutions, senior management is generally prioritising AML matters and is aware of all the deleterious risks and impacts that could stem from weak AML controls. AML is and remains an important concern to senior management teams, since it is high on regulators' agendas, has high potential reputational impact for financial actors, and tends to be costly.

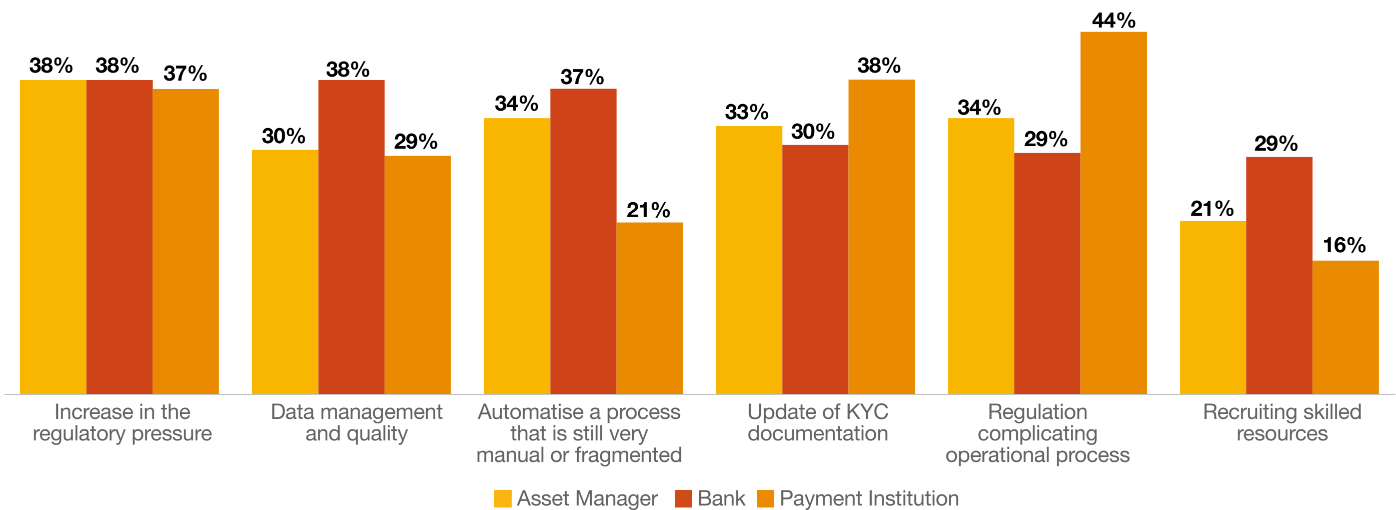
**Exhibit 9.a:** What are your biggest AML challenges?




Note: Multiple choice question. Respondents were asked to select three answers.
Source: PwC Global AWM & ESG Research Centre

**It is worth noting that around a quarter (24%) of respondents consider recruiting skilled staff as their biggest AML challenge – a challenge more pronounced among banks (29%) than among asset managers (21%) or payment institutions (16%).** Banks are facing the most challenges in this domain due to their need for more staff compared to the other two respondent categories, even though compliance departments have grown in the past years. Asset managers, on the other hand, face fewer staffing constraints as they can partially outsource or delegate some functions, especially when AML responsibilities are shared between funds, fund administrators, and management companies.

**Exhibit 9.b:** What are your biggest AML challenges? – Industry breakdown

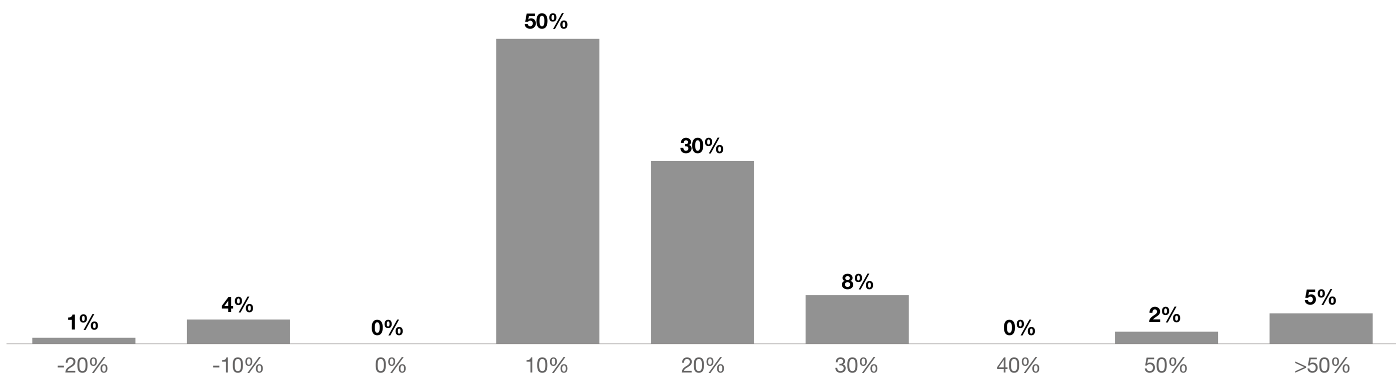



Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

**The staffing challenges are a significant hurdle given that close to three-quarters (72%) of respondents are considering increasing their AML staff.** Half of them expect their staff to increase by 10% within the next two years, while nearly one-third (30%) want to increase it by 20% (Exhibit 10). A similar percentage of all three industry categories in this survey plan to increase their staff. Payment institutions are the most eager at 73%, followed by banks (72%) and asset managers (70%). When compared to the challenges cited above in Exhibit 9.a, it seems that the level of expertise required is also not the same, since banks seem to expect the most out of their compliance staff.

**Exhibit 10:** If you are planning on resizing your staff, by how much do you plan on increasing/decreasing it?

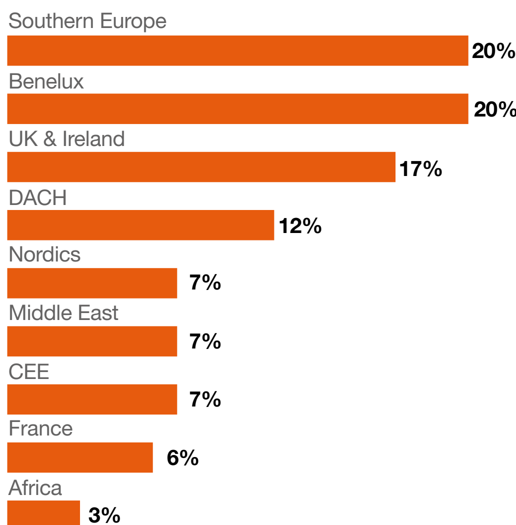



Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

**Staffing challenges do not appear to be evenly distributed by region. Southern Europe and Benelux are the most likely to consider recruiting skilled staff as a major challenge**, while France and Africa are the least likely (Exhibit 11). These findings make sense. In the case of Southern Europe, the region is facing an acute demographic decline[6] due to a combination of an ageing population and emigration. In Benelux, staffing challenges are more likely caused by the fact that it offers complex financial products, that require higher-skilled staff than other financial centres, while being smaller countries. The same is mostly applicable for the UK and Ireland.

**Exhibit 11:** Respondents who state that recruiting skilled staff is one of the biggest challenges to AML – Regional breakdown




Source: PwC Global AWM & ESG Research Centre

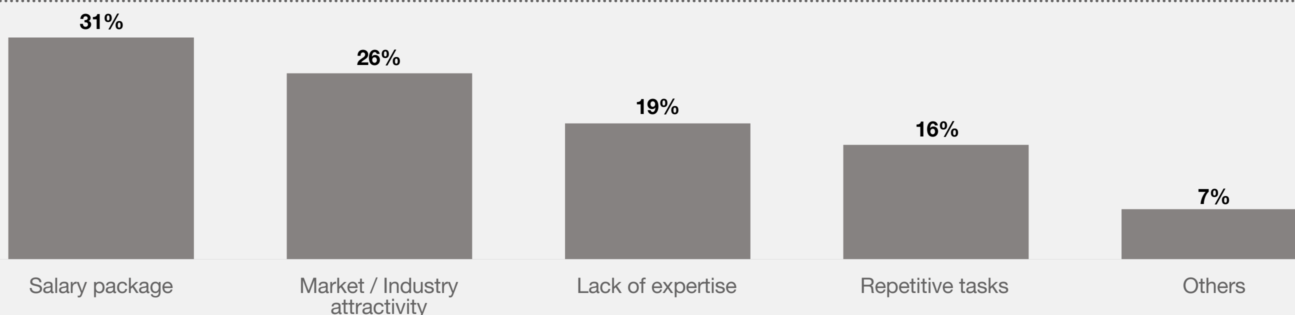
However, increasing the AML headcount and retaining existing staff is easier said than done. A little over a quarter (26%) of respondents consider the financial sector's attractiveness – or lack thereof – to be an impediment to retaining AML talent, while close to one-fifth (19%) highlight the lack of expertise in the labour market (Exhibit 12). Indeed, one respondent from the payments industry explicitly mentioned the "shortage of skilled workforce" as an obstacle, while another respondent from the banking industry mentioned that a "limiting factor" was "finding talented/trained resources." The focus of financial institutions should also include therefore the training and upskilling of existing staff, when finding new experienced resources continues to be a challenge.

Additionally, 16% of respondents said that repetitive tasks were an impediment. This tracks with the finding (discussed in the next chapter) that many respondents see CDD as a perfunctory part of AML, rather than an integral one. Repetitive tasks could also be alleviated by strategic automation in key areas of AML that are bureaucratic or mechanical. This again shows why so many respondents see technology as a major asset to AML and a key area of investment.

Lack of expertise (is) creating fierce competition for specialist and subject-matter expert resources at senior level."

**Survey respondent from the AWM industry**

**Exhibit 12:** What is the most important blocking factor for retaining talent in your AML-related activities?

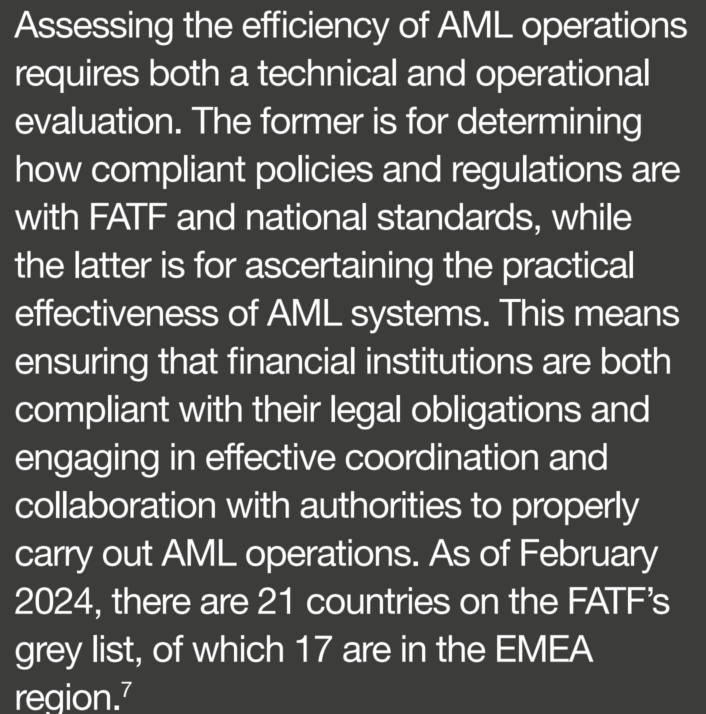



Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

6. https://cohesiondata.ec.europa.eu/stories/s/Exploring-regional-demographic-trends/576z-6f9b/

# AML Operations: The Human Factor Comes First



Assessing the efficiency of AML operations requires both a technical and operational evaluation. The former is for determining how compliant policies and regulations are with FATF and national standards, while the latter is for ascertaining the practical effectiveness of AML systems. This means ensuring that financial institutions are both compliant with their legal obligations and engaging in effective coordination and collaboration with authorities to properly carry out AML operations. As of February 2024, there are 21 countries on the FATF's grey list, of which 17 are in the EMEA region.[7]

7. https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2024.html

However, assessing the technical and operational effectiveness of AML frameworks is very challenging, not least since malicious actors continue to find loopholes and develop ingenious ways to launder illicitly acquired gains and finance terrorism. In addition, factors such as inadequate access to technological capabilities and reliable data, high training and upskilling costs, and poor cooperation between financial institutions and regulatory authorities all lead to the proliferation of financial crime.

This section dives into the effectiveness of AML controls in financial institutions across the EMEA region. It examines their major cost drivers, investments, and current and future operations. One of the key themes is that the lack of skilled staff is a consistent stumbling block for many AML operations, and often a limiting factor for the further development of AML operations.

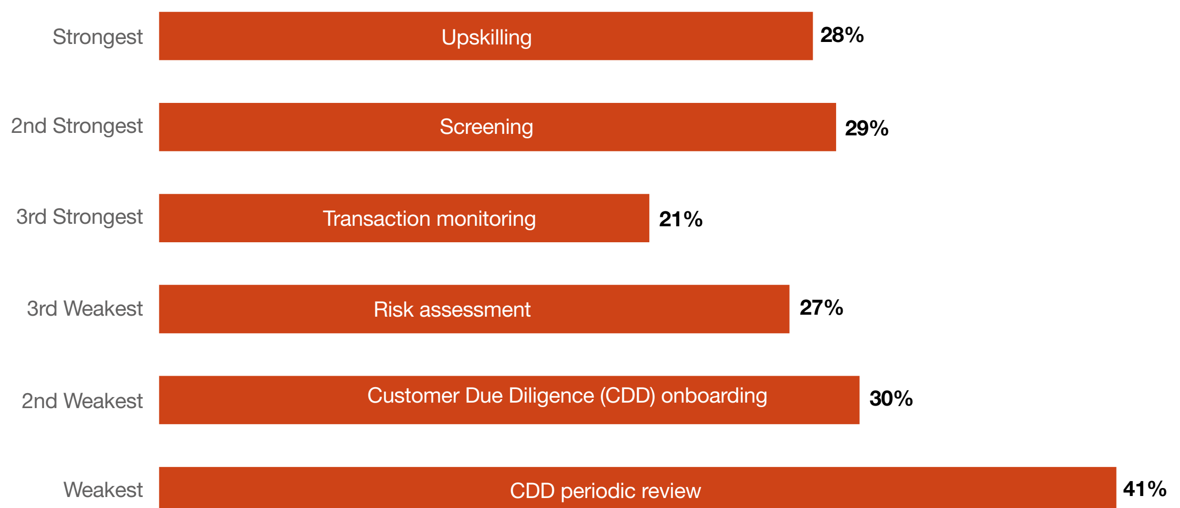
## Effectiveness of AML Controls

As our survey highlights, respondents differ considerably in terms of which AML controls are the most and least effective.

**Continuously training staff is considered the most effective control according to 28% of respondents** – higher than any other option (Exhibit 13). **This means that having a skilled staff is overwhelmingly considered a cornerstone of AML**, as training is merely a means to an end in this regard. **Our study outlined how technology is a key concern, but it also seems clear that skilled people are a major AML requirement and will probably remain so –** a surprising result given the fact that the public discourse has focused extensively on much-hyped technologies while largely ignoring the human factor in the conversation.

Given that money laundering and terrorism financing tactics are constantly shifting to stay ahead of AML controls, continuous AML training is crucial. Constant training is also necessary for financial sector professionals to be up to date on the regulations and requirements set forth by national and international bodies such as the FATF. The importance of upskilling makes finding skilled staff even more critical and underscores why so many respondents have cited staffing as a persistent operational challenge.

**Exhibit 13:** Most common answer when respondents were asked to rank AML controls by their level of effectiveness



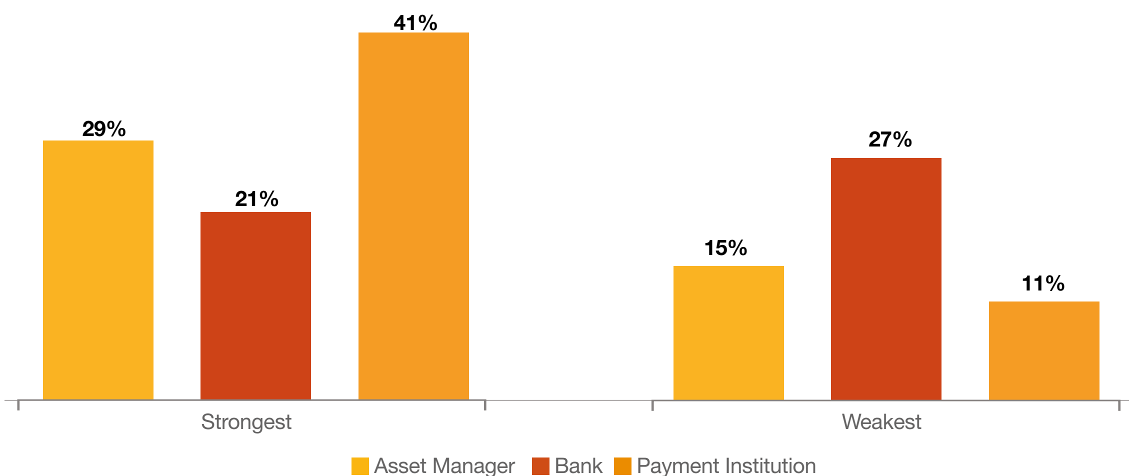

Note: Respondents were asked to rank several controls from strongest to weakest. This was the most common answer for each ranking level (e.g., Training ranked as the strongest control more often than any other category, by 28% of respondents. Screening was ranked the second strongest most often, etc.)

Source: PwC Global AWM & ESG Research Centre

When disaggregated by industry, **banks generally consider upskilling to be the least effective control.** This is likely because banks, which act as the main gatekeepers of the financial system and have been the focus of regulations the longest, have been active in enforcing and implementing AML controls longer than other types of financial institutions and may not view additional training for their staff as a priority.

On the other hand, 41% of payment institutions consider upskilling to be the most effective control, and another 24% consider it to be the second-most effective. These figures are much higher than those of respondents from other industries and suggest that AML professionals and processes in the payments industry require further training (Exhibit 14). These results echo the findings of a June 2023 report by the European Banking Authority (EBA) which found that payment institutions generally "do not manage ML/TF risk adequately" and that their internal controls for AML "are often insufficient to prevent ML/TF."[8]

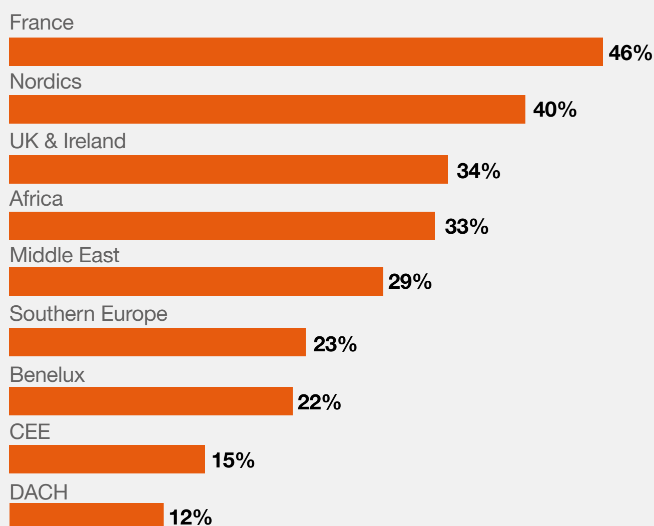
**Exhibit 14:** How respondents rank the effectiveness of 'Upskilling' as an AML control – Industry breakdown




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

Almost half (46%) of French respondents consider upskilling to be the strongest AML control, while Nordic respondents are the second-most likely to consider upskilling as a strong control (Exhibit 15). This could be explained by the fact that some high-profile Nordic banks were embroiled in AML compliance failures in recent years, which could have spurred the industry in the region to prioritise AML training.

**Exhibit 15:** Percentage of respondents that rank 'Upskilling' as the strongest AML control – Regional breakdown



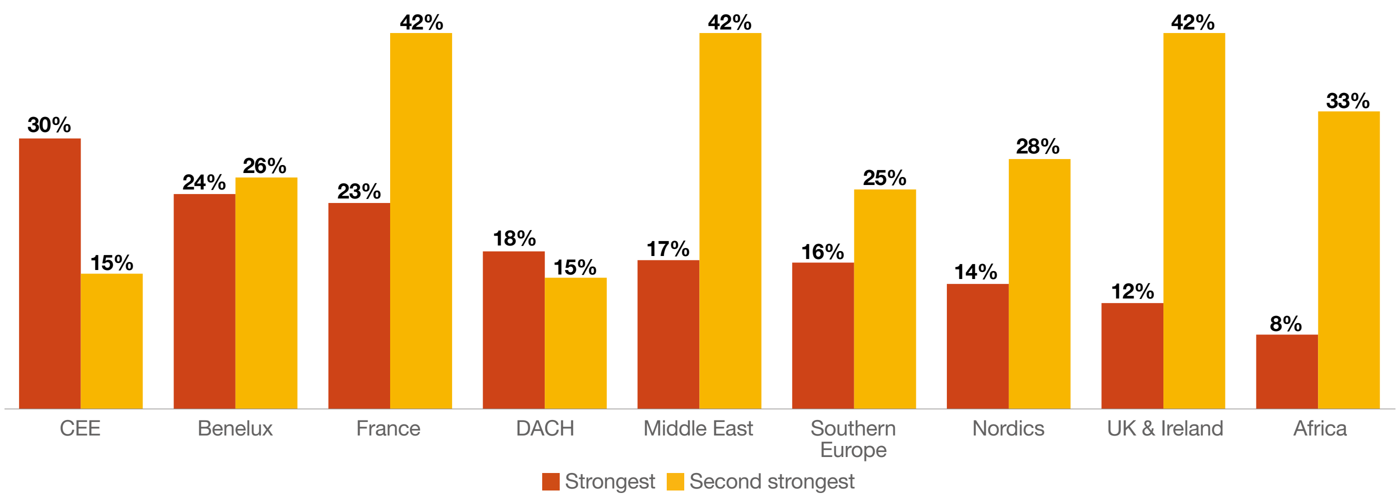

Source: PwC Global AWM & ESG Research Centre

8. https://www.eba.europa.eu/publications-and-media/press-releases/eba-finds-money-laundering-and-terrorist-financing-risks

In addition, screening of clients/transactions against "blacklists," PEP or adverse media is also regarded as a relatively effective AML control. Respondents from the CEE region are the most likely to consider it the most effective control (33%), while 42% of respondents from France, the Middle East, and the UK and Ireland consider it the second-most effective control (Exhibit 16).

**Screening is generally considered an effective tool for detecting and preventing sanctioned individuals and entities from making use of a financial institution's services.** It is therefore unsurprising that jurisdictions that have recently faced ML/FT challenges, such as the Nordics, rank it higher than other controls. This is also a control that is heavily based on technology. **However, it is worth noting that such screenings of transaction monitoring tools are not always as effective as they could be, which resulted in an increased focus on the effectiveness of those areas from many regulators across countries.**

**Exhibit 16:** How respondents rank the effectiveness of 'Screening' as an AML control – Regional breakdown



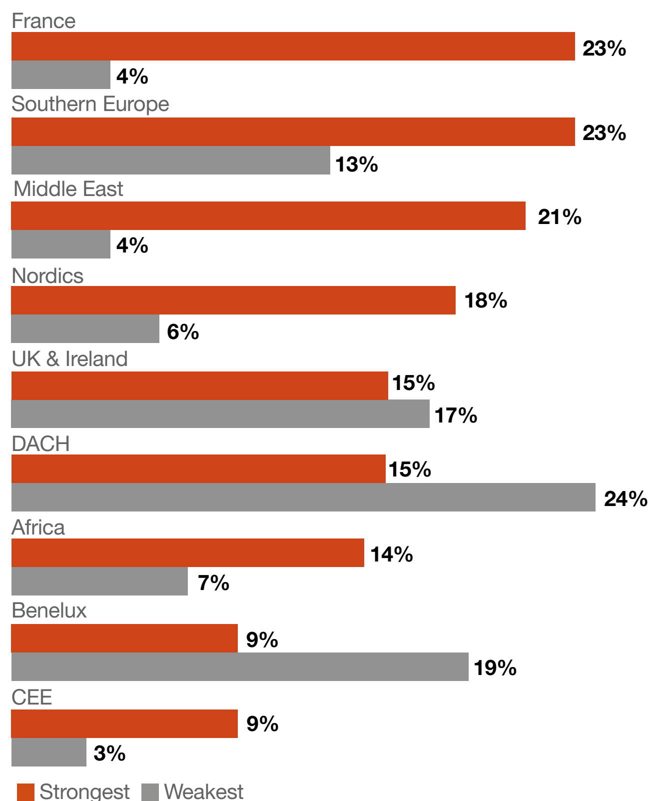

Source: PwC Global AWM & ESG Research Centre

While the survey highlights some disparities regarding respondents' views of the effectiveness of AML controls, or lack thereof, financial institutions should strive to adopt a holistic, multi-faceted approach to AML, adequately weighing the costs and benefits of each control and determining the best way to keep costs manageable while ensuring the most effective controls are in place. This ties into the CDD breakdown in the next section, which takes a closer look at the disparity between respondents' views of CDD and its actual effectiveness to AML.

France and Southern Europe are the two regions where financial institutions view transaction monitoring as the most effective AML control, according to 23% of respondents in both regions. Meanwhile, DACH respondents are the most likely to consider it the least effective (24%), followed by respondents from Benelux (19%) (Exhibit 17). **These differences between regions are quite remarkable. One explanation could be that transaction monitoring processes are at different levels of maturity in different regions.**

After some large-scale scandals in the Nordics in recent years, it became apparent that better transaction monitoring could have been used as a tool to prevent AML breaches. This explains why many Nordic respondents view transaction monitoring as a strong control. Conversely, the fact that transaction monitoring has begun receiving attention in Benelux relatively recently may explain why so many respondents in that region view it as a weak control. Benelux regulators have implied that there is still room for improvement in transaction monitoring after conducting thematic reviews and deep dives.

**Exhibit 17:** How respondents ranked the effectiveness of "Transaction Monitoring" as an AML control




Source: PwC Global AWM & ESG Research Centre

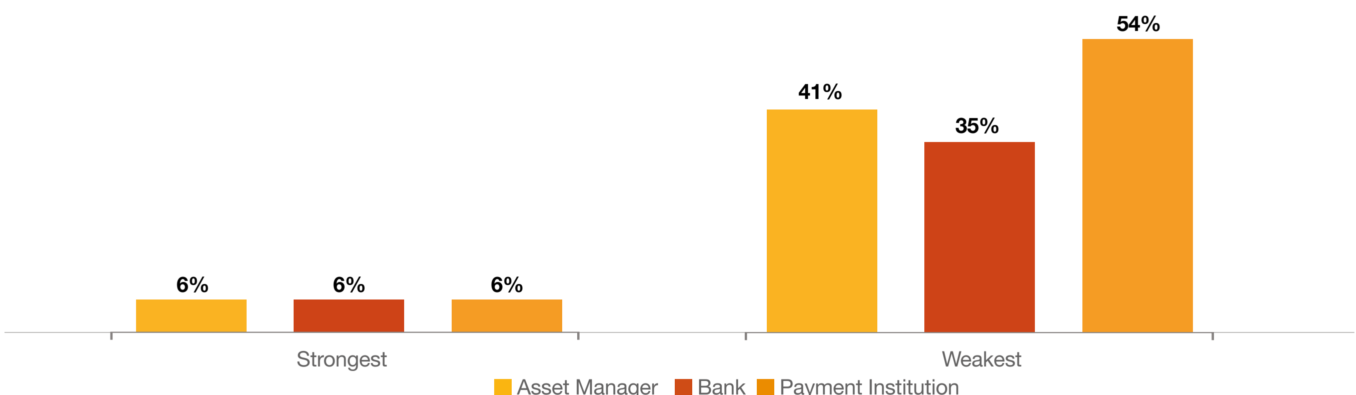
## Customer Due Diligence (CDD) Breakdown

**CDD periodic review and CDD onboarding are considered the weakest and second-weakest controls respectively by a plurality of respondents.** These controls entail identifying and verifying customers' identities and risk profiling them to review their operations on a periodic basis to uncover suspicious activities. They allow financial institutions to continuously check for potentially problematic activities and ensure that they remain compliant with AML regulations. It is therefore surprising that so many respondents ranked them as being so ineffective. **This suggests that many AML teams or financial institutions may be viewing CDD as an administrative aspect of AML, rather than a crucial part of it. Moreover, it highlights why skilled staff is such a crucial AML control, and why a combination of well-trained workers and enhanced technological practices are the cornerstones of any AML operation in order to focus on quality analysis and better identify red flags.**

It is likely that this view of CDD is one contributing factor to the data quality issues that will be covered later in this report. Indeed, CDD is a fundamental source of all AML data and therefore the backbone of any AML process. While the advantages of CDD are clear, it comes with a whole host of challenges. For example, it requires that large volumes of customer data be continuously collected and monitored while ensuring that it is accurate and up to date; not having the right data affects all the AML controls in a cascade that can make the whole process ineffective. Without proper CDD, later AML controls will be more difficult to execute. Effective CDD depends on many factors and can be very complex depending on risk level, counterparty type, and product.

Around four in ten (41%) respondents see CDD periodic review as the weakest control while 30% see CDD onboarding as the second weakest. This view appears most pronounced among payment institutions, 54% of whom see CDD periodic review as the weakest control (Exhibit 18).

**Exhibit 18:** How respondents rank the effectiveness of "CDD and Periodical Review" as an AML control – Industry breakdown



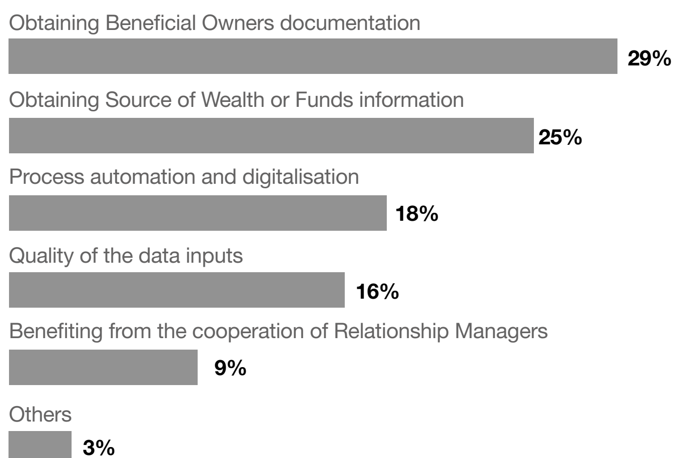

Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

However, when asked about which aspect of CDD was the most important, only 16% of respondents said “quality of the data inputs” (Exhibit 19.a). The tasks that were most highlighted by respondents were predominantly bureaucratic or administrative aspects of CDD, which reflects how AML teams view CDD as less crucial to the AML process than it is. According to 29% of respondents, the most critical factor for performing the CDD process effectively is the ability to obtain information and documentation on beneficial owners.

**This view of CDD feeds into a vicious cycle where because CDD is seen as mechanical, insufficient data about clients is collected at the initial onboarding process. This leads to a situation where the data quality throughout the AML process is lacking, making it necessary for financial institutions to collect it at other stages, weakening all the other AML controls.** This is especially the case because screening, transaction monitoring and assessing risks rely on collecting the right data. A meticulous CDD process is critical to successful AML, but it too often does not work efficiently or effectively. It is often treated as a repetitive or mechanical task, but its complexity should not be underestimated.

**Exhibit 19.a:** Which is the most critical factor in performing your CDD process effectively?

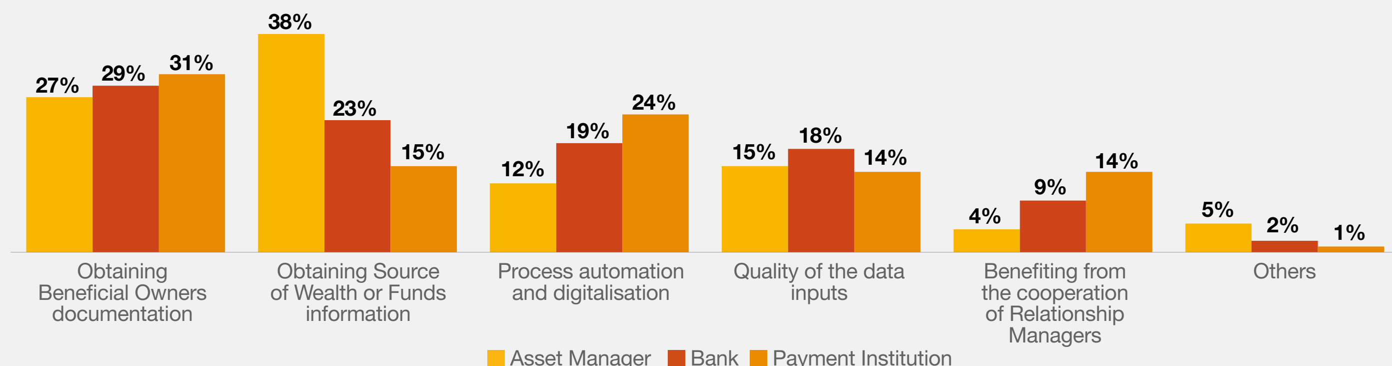



Note: Percentage may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

Asset managers (38%) are more likely than banks (23%) and payment institutions (18%) to consider obtaining the source of wealth or funds as the most critical factor in performing their CDD process effectively (Exhibit 36.b), while financial institutions from the Middle East are the most likely to consider documentation on beneficial ownership as the most critical factor in their CDD process (Exhibit 19.b).

The connection between CDD and data quality/collection ties in neatly with the next section of this chapter.

**Exhibit 19.b:** Which is the most critical factor in performing your CDD process effectively? – Industry breakdown




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

The most critical factors (but not limited) in performing due diligence effectively are as follows: (1) Identification and verification of the customer and its related parties, (2) performing screening on the customer and its related parties, (3) obtaining the source of wealth.”

**Survey respondent from the banking industry**

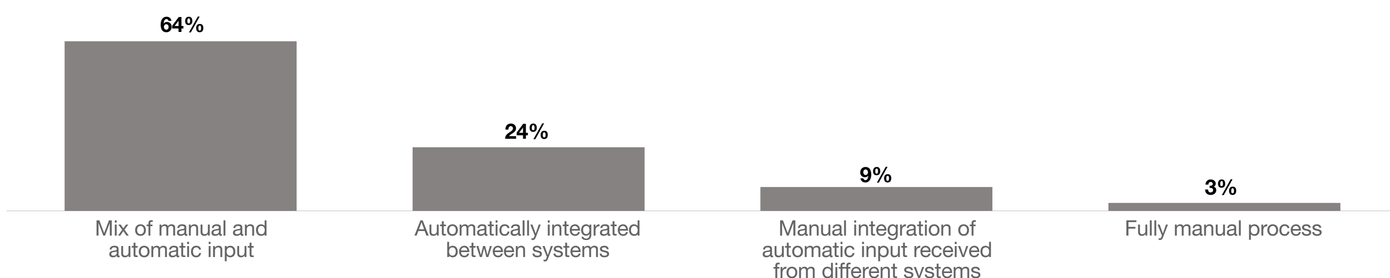
## Data Collection

Data stands at the core of the AML operational process, as it allows financial institutions to understand and study their clients' profiles and report any suspicious activities to the relevant authorities. In essence, this is the 'garbage in, garbage out' (GIGO) principle.

Most respondents (64%) use a mix of manual and automated data collection processes, which reflects that AML standards are applied unevenly across the financial sector. Indeed, just under one quarter (24%) of respondents have implemented fully automatically integrated data collection systems (Exhibit 20). **There can be major operational setbacks if data collection processes are carried out manually because the risk of human error is high. It is therefore, again, crucial for AML teams to have skilled staff for both manual and technical aspects of data collection.**

Our survey sought to examine how financial institutions in the EMEA region are carrying out this crucial node in the AML compliance chain.

**Exhibit 20:** How do you collect data for AML reporting, either for internal or regulatory purposes?

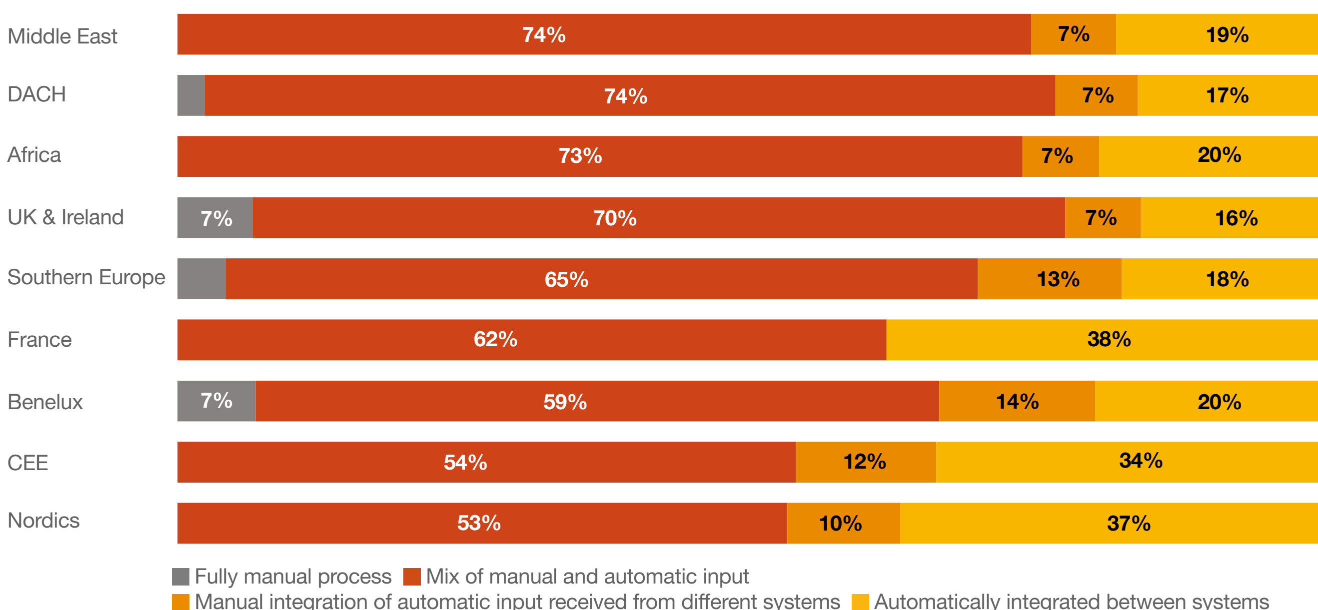



Note: Percentage may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

Furthermore, data collection methods vary greatly by region. As Exhibit 21 shows, 53% of institutions in Nordic countries rely on a combination of manual and automated inputs compared to 73% in Africa and 74% in the Middle East. Conversely, CEE and the Nordics are the regions where integrated data collection systems are most common. It is worth pointing out that France, CEE, and the Nordic regions appear to be more advanced when it comes to full automation, although the structure of the financial sector is very different in those areas. This aligns with our findings in the following chapter where we examine regions' overall use of IT for AML, and find that France and the Nordics are highly confident in their IT systems. Conversely, Exhibit 21 also shows that the majority of more established financial centres in Europe (such as the Benelux, DACH, and UK and Ireland regions) are lagging behind in terms of IT implementation.

**Exhibit 21:** How do you collect data for AML reporting, either for internal or regulatory purposes? – Regional breakdown

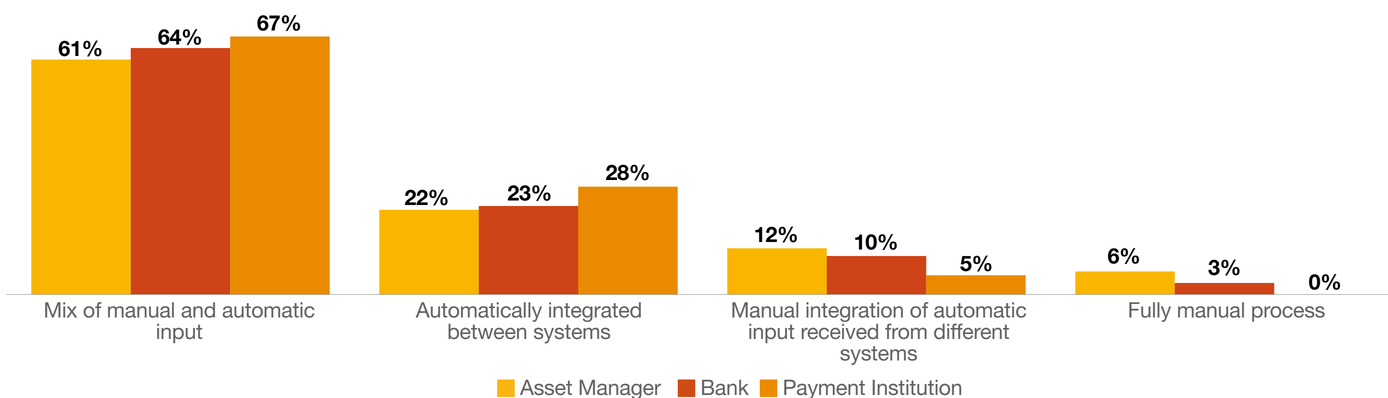



Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

28% of payment institutions have automatically integrated AML data collection systems, compared to 23% of banks and 22% of asset managers. Furthermore, no payment institutions have a fully manual process – as opposed to 3% of banks and 6% of asset managers. Such figures are understandable as they highlight how the majority of EMEA financial institutions implement a mixed manual-automatic approach (Exhibit 22).

**Exhibit 22:** How do you collect data for AML reporting, either for internal or regulatory purposes? – Industry breakdown



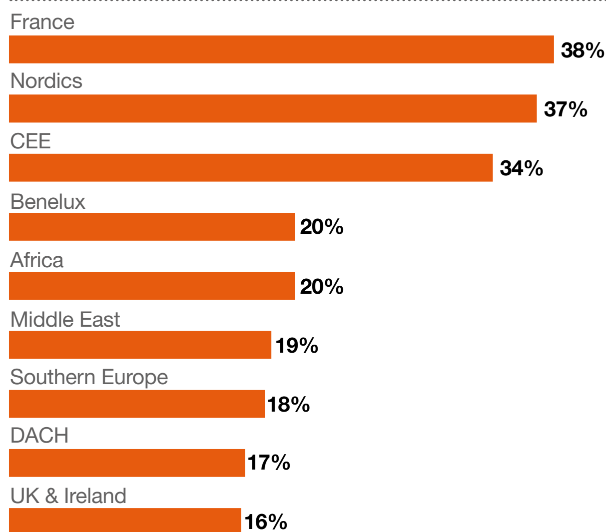

Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

However, there are noticeable regional disparities across Europe when it comes to data collection. Financial institutions in France are the most likely to have automatically integrated AML data reporting functions (38%), closely followed by respondents in the Nordics (37%). Meanwhile, financial institutions from the UK and Ireland are the least likely to have such automation in place (16%), with respondents from DACH (17%) and Southern Europe (18%) not faring much better (Exhibit 23).

As we will see later in the report (Exhibit 45), France and the Nordics are the regions where KYC digital tools and CDD remote verification tools are most often used, hinting at the more advanced stage of AML automation in these regions.

**Exhibit 23:** Respondents who selected 'automatically integrated between systems' as an answer – Regional breakdown




Source: PwC Global AWM & ESG Research Centre

## Major cost drivers and investments

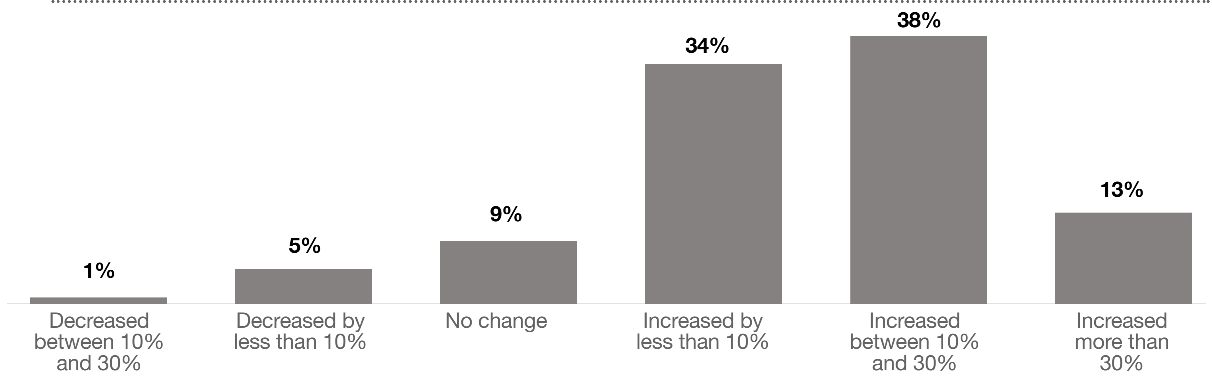
Given that policymakers have ramped up their efforts against money laundering and terrorist financing over the last decade, it is unsurprising that most respondents have seen their AML compliance costs increase over the last two years.

**Indeed, over one-third of respondents (38%) saw their costs increase between 10% and 30% in the two years prior to the survey, while 13% saw an increase of more than 30%.** A little over half (51%) of respondents saw their costs increase by at least 10%, while only 6% saw their costs decrease (Exhibit 24). None of the respondents saw their AML compliance costs decrease by more than 30%.

The main cost drivers have been staff increases and investments into new digital tools, as Exhibits 10 and 45 highlight. In addition to this, there seems to be a correlation between respondents who were inspected by regulators and respondents whose operational costs increased, which suggests that many reacted to inspections by updating their systems or processes to be as effective as the regulators expect.

**Increasing the effectiveness of digital tools is also a key investment driver** (Exhibit 43), particularly AI. Staffing increases are also likely to be a major investment driver in the coming years, as this continues to be one of the main factors that determine AML teams' ability to improve their control capabilities. It is also worth pointing out that respondents who have been inspected in the last 24 months are more likely to see regulatory pressure as an investment driver (Exhibit 28), meaning regulators are indeed having a tangible effect on spurring AML improvements.

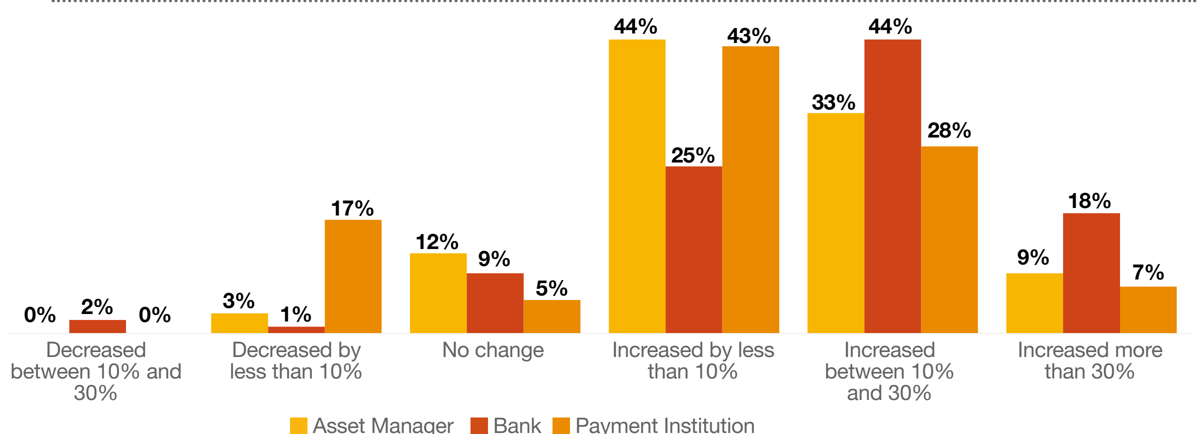
**Exhibit 24:** How much have your costs changed over the last 24 months regarding AML compliance?




Note: Percentage may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

Unsurprisingly, banks are the most likely to have incurred higher costs. Almost two-thirds (62%) of surveyed banks saw their AML compliance costs rise by at least 10% over the last two years compared to 42% for asset managers and 35% for payment institutions. Conversely, just a quarter of banks have seen their costs increase by less than 10% (Exhibit 25).

**Exhibit 25:** How much have your costs changed over the last 24 months regarding AML compliance? – Industry breakdown




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

On average, banks have seen the highest change in AML compliance costs, experiencing a 16% increase in the last two years – compared to asset managers and payment institutions which experienced increases of 12% and 11% respectively. As for the regional distribution, financial institutions in Africa saw the highest average increase (21%), followed by those in CEE and Benelux. Meanwhile, institutions in the Nordics saw the lowest average cost increase, at just 9% (Tables 1 and 2).

**Table 1:** Changes in costs – Industry breakdown

| Respondent category | Changes in costs |
|---|---|
| Bank | 16% |
| Asset manager | 12% |
| Payment institution | 11% |
| **All respondents** | **14%** |

Note: These numbers are based on the answers to the question in Exhibit 24. Since exact numbers on cost increases were not provided by the survey respondents, we took the average of the number ranges of each answer to arrive at these figures. For example, every respondent that answered 'Increased between 10%-30%' was assumed to have incurred a 20% cost increase. The costs of respondents that answered 'Increased more than 30%' or 'Decreased more than 30%' were assumed to be 35% and -35% respectively.

Source: PwC Global AWM & ESG Research Centre

**Table 2:** Changes in costs – Regional breakdown

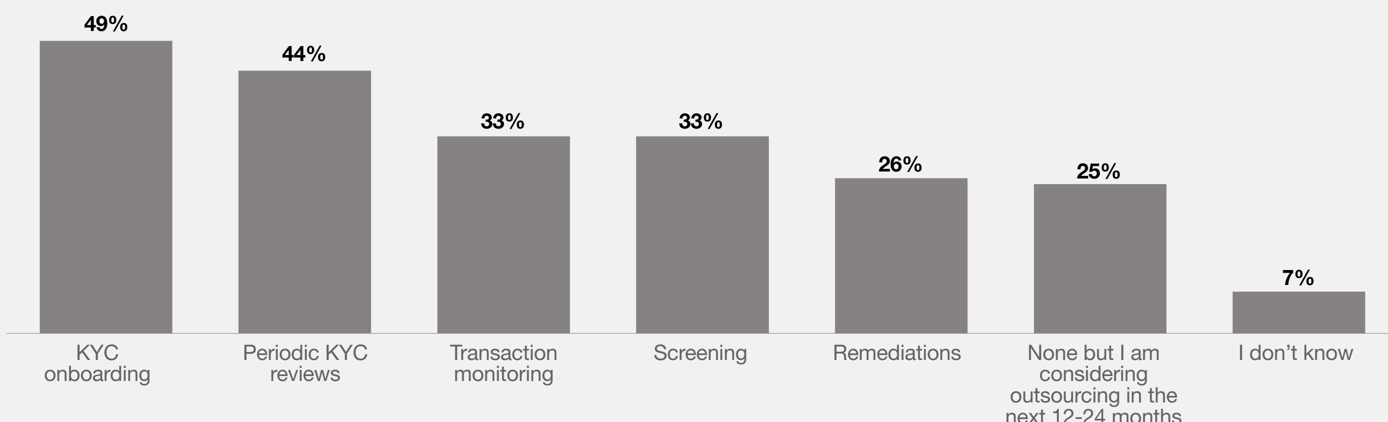
| Respondent region | Changes in costs |
|---|---|
| Africa | 21% |
| CEE | 16% |
| Benelux | 16% |
| UK and Ireland | 15% |
| DACH | 14% |
| Middle East | 14% |
| France | 12% |
| Southern Europe | 11% |
| Nordics | 9% |

Note: These numbers are based on the answers to the question in Exhibit 24. Since exact numbers on cost increases were not provided by the survey respondents, we took the average of the number ranges of each answer to arrive at these figures. For example, every respondent that answered 'Increased between 10%-30%' was assumed to have incurred a 20% cost increase. The costs of respondents that answered 'Increased more than 30%' or 'Decreased more than 30%' were assumed to be 35% and -35% respectively.

Source: PwC Global AWM & ESG Research Centre

One way through which financial institutions can reduce their AML costs is by outsourcing. Our survey found that KYC onboarding and periodic KYC reviews are outsourced by 49% and 44% of respondents respectively, making them the most often outsourced AML controls. They are followed by transaction monitoring and screening, with one-third of respondents citing them as outsourced activities (Exhibit 26). **The high outsourcing rates of some of these functions underscore how staffing is a persistent issue throughout the AML space**, such that certain processes sometimes need to be outsourced.

**Exhibit 26:** Which AML controls are you outsourcing?




Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

Banking is the industry least likely to outsource KYC onboarding and periodic KYC reviews, possibly because banks can 'internally outsource' activities to a centre of excellence within their group. Another reason for banks' lower appetite for outsourcing is that they still incur a risk of penalties, since the ultimate responsibility for AML processes remains with the bank, and effective oversight is challenging in such situations. Regulators are also less likely to view outsourcing arrangements favourably since outsourced AML functions are typically critical operations that require scrutiny.

Outsourcing arrangements require high levels of expertise and efficient processes. It is therefore difficult for service providers to meet banks' standards since they are likely to suffer from the same challenges as banking institutions, such as staff shortages, managing complex technological tools, and regulatory pressures.

Payment institutions, on the other hand, are the most likely to outsource KYC onboarding and periodic KYC reviews, as this allows them to leverage external providers' regulatory compliance expertise relative to theirs while reducing the risk of errors and oversight which could ultimately result in severe penalties (Exhibit 27).

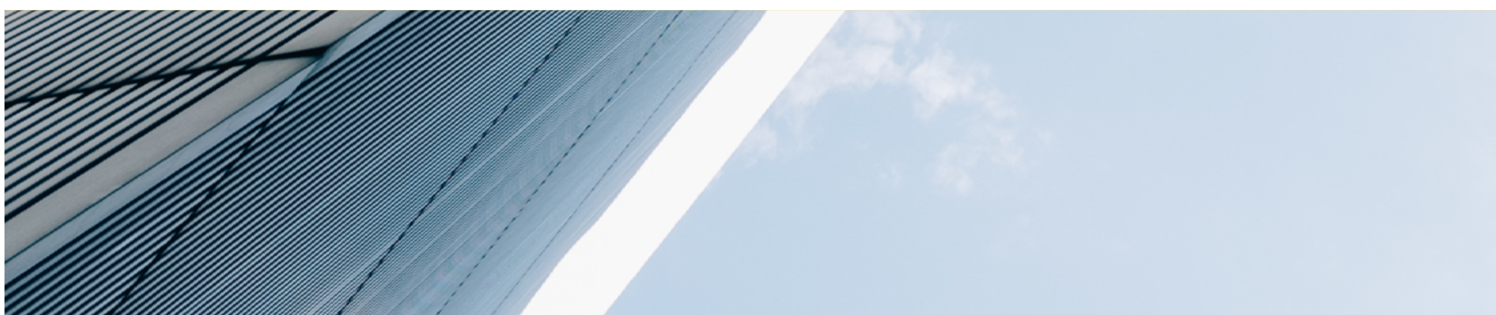
**Exhibit 27:** Which AML controls are you outsourcing? – Industry breakdown

| | Asset Manager | Bank | Payment Institution |
|---|---|---|---|
| KYC onboarding | 53% | 39% | 64% |
| Periodic KYC reviews | 48% | 37% | 56% |
| Transaction monitoring | 35% | 30% | 38% |
| Screening | 36% | 32% | 30% |
| Remediations | 30% | 21% | 32% |
| None but I am considering outsourcing in the next 12-24 months | 26% | 28% | 19% |
| I don't know | 2% | 12% | 2% |

Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

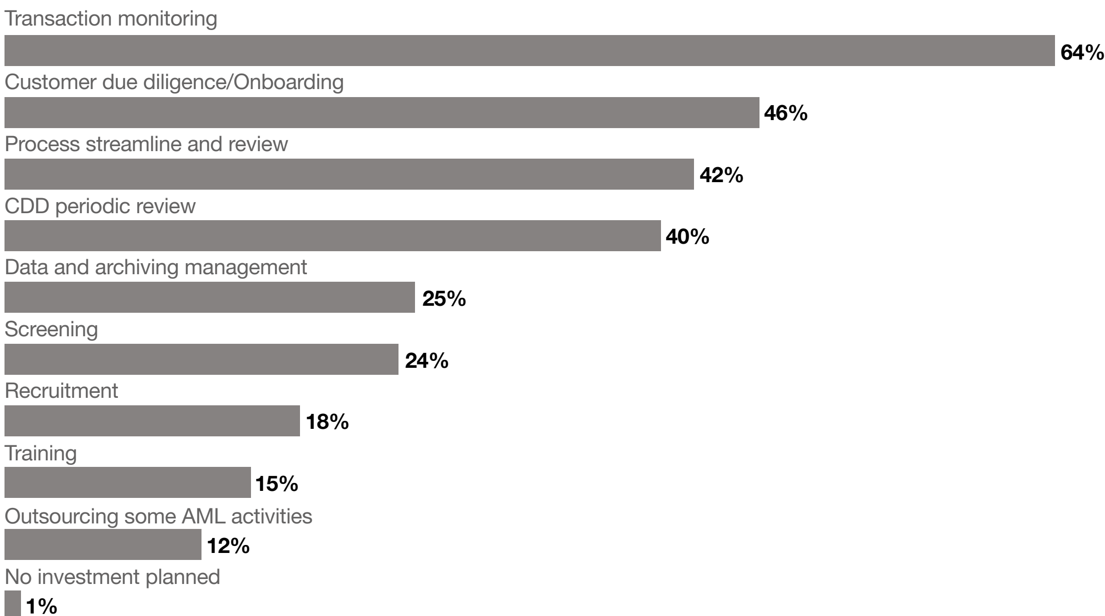
In the asset and wealth management industry, outsourcing is high on the agenda, and many industry players have been outsourcing for years. As a matter of fact, the industry's value chain often features the use of specialists – such as transfer agents – for identifying investors and maintaining the register of funds. When it comes to fund administration or depositary services, such specialists are often third party providers for outsourcing services.



**Transaction monitoring is the top AML topic that respondents will prioritise in the coming two years, with close to two-thirds (64%) of respondents citing it as a priority investment topic**, followed by customer due diligence at the onboarding stage (46%), process streamlining and review (42%) and CDD periodic review (40%). This is an interesting result since it seems that financial institutions have understood that strong transaction monitoring is extremely important to prevent and detect money laundering. With the new focus on effectiveness, the calibration and regular fine-tuning of transaction monitoring (and screening) systems is crucial for financial institutions, especially since regulators have increasingly higher standards. Financial institutions using 'off the shelf' solutions with little calibration and even less regular reviews of their effectiveness are deemed to be phased out.

**Respondents are likely to invest in the controls they deem the weakest. This also explains why 46% say they will invest in CDD, which, as previously shown, is widely considered to be a weak control**. Investments into new controls are also likely linked to technological investments, as weaker controls are those most likely to become automated. Indeed, as Exhibit 28 shows, increasing efficiency (process streamlining and review) is one of the key investment drivers for respondents.

**Exhibit 28:** In which AML topic will you prioritise your investments over the next 24 months?




Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

Payment institutions are more likely than banks and asset managers to prioritise investments in AML training in the coming two years – a finding which makes sense given the aforementioned EBA report on the ML/FT risks prevalent in payment institutions. These institutions are also more likely to prioritise investments in data and archiving management (Exhibit 29).

**Exhibit 29:** In which AML topic will you prioritise your investment over the next 24 months? – Industry breakdown

| | Asset Manager | Bank | Payment Institution |
|---|---|---|---|
| Transaction monitoring | 51% | 70% | 69% |
| Customer due diligence/ Onboarding | 41% | 47% | 49% |
| Process streamline and review | 52% | 44% | 27% |
| Customer due diligence periodic review | 32% | 45% | 38% |
| Data and archiving management | 23% | 24% | 30% |
| Screening | 27% | 27% | 14% |
| Recruitment | 22% | 12% | 26% |
| Training | 12% | 13% | 26% |
| Outsourcing some AML activities | 17% | 10% | 13% |
| No investment planned | 1% | 0% | 0% |

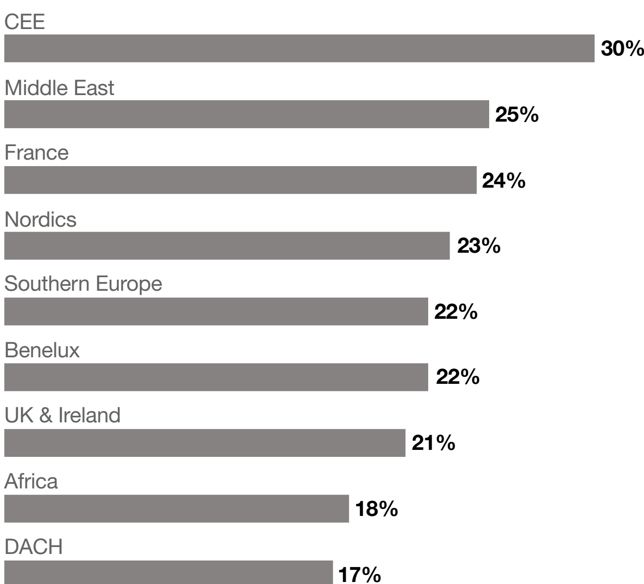
Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

Respondents from the CEE region are the most likely to prioritise transaction monitoring as an investment over the coming two years (30%), followed by respondents from the Middle East (25%) and France (24%). Respondents from DACH countries, on the other hand, are the least likely to prioritise investments in transaction monitoring (Exhibit 30.a).

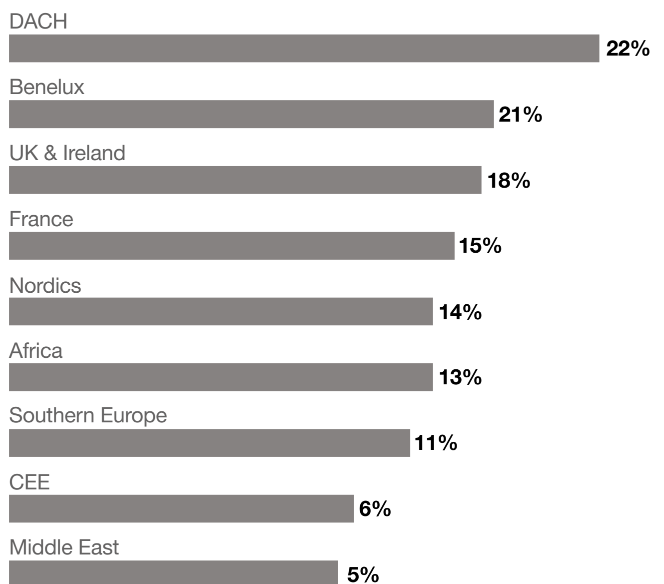
Inversely, DACH respondents are the most likely to consider investments in process streamlining and review over the coming two years (22%), closely followed by Benelux respondents (21%). This suggests that a stronger focus on efficiency exists in those regions to remain competitive. Respondents from the Middle East and the CEE region, on the other hand, are the least likely to consider such investment priorities, with just 5% and 6% of respondents respectively (Exhibit 30.b).

**Exhibit 30.a:** Respondents who selected 'transaction monitoring' as a priority investment over the next 24 months – Regional breakdown




Source: PwC Global AWM & ESG Research Centre

**Exhibit 30.b:** Respondents who selected 'process streamline and review' as a priority investment over the next 24 months – Regional breakdown

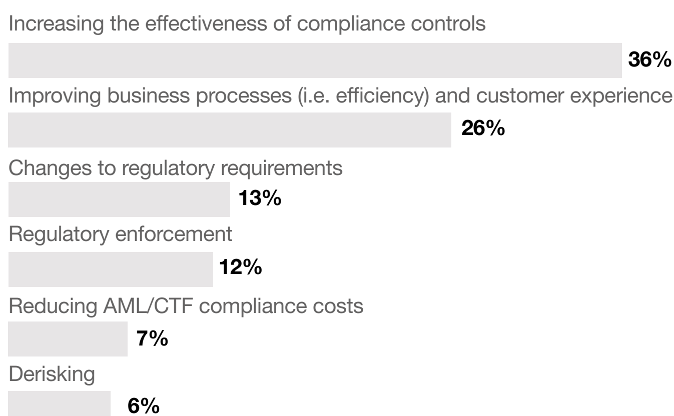



Source: PwC Global AWM & ESG Research Centre

**But what is prompting these AML investments?**

**Over a third (36%) of respondents cite increasing the effectiveness of compliance controls as the key driver behind their investment decisions – with banks saying this the most (44%).** The second-most common key driver is improving business processes and customer experience, according to over a quarter (26%) of respondents. Interestingly, the change in regulatory requirements and regulatory enforcement are only cited as key drivers by 13% and 12% of respondents respectively. Furthermore, only 7% consider the reduction of AML compliance costs as a key driver (Exhibits 30 and 31). Financial institutions are sandwiched between the need for effective (regulatory-driven) and efficient (cost-driven) AML operations. In other words, they essentially find themselves between a rock and a hard place since both objectives cannot be fully achieved in parallel, at least not easily.

**Exhibit 31:** What is the key driver of your AML investments?




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

**Exhibit 32:** What is the key driver of your AML investments – Industry breakdown

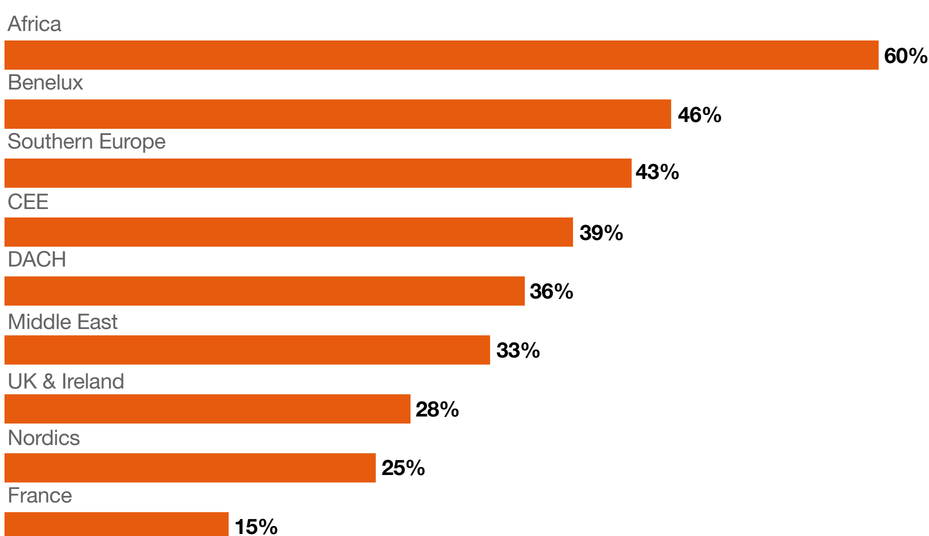
| | Asset Manager | Bank | Payment Institution |
|---|---|---|---|
| Increasing the effectiveness of compliance controls | 30% | 44% | 23% |
| Improving business processes (i.e. efficiency) and customer experience | 28% | 24% | 30% |
| Changes to regulatory requirements | 13% | 13% | 10% |
| Regulatory enforcement | 11% | 10% | 20% |
| Reducing AML/CTF compliance costs | 13% | 3% | 6% |
| Derisking | 5% | 5% | 10% |

Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

When disaggregating the responses to this question by region, we find that respondents from **Africa are the most likely to consider increasing the effectiveness of compliance controls as the most effective driver of investments, while significant disparities exist within Europe.** This makes sense given that financial centres in Europe are older and often tend to have less of the latest digital tools. The technology-focused chapter of this report examines this issue in greater detail.

While close to half of Benelux (46%) and Southern Europe (43%) respondents consider it a key driver, only 28% of respondents in the UK and Ireland and 25% of respondents in the Nordics consider it so. As for France, a mere 15% of respondents see it as their top driver of AML investments – the least by far (Exhibit 33). It is interesting to note that the heartland of the EU differs that strongly when related regulations and directives have largely remained the same over the last ten years.

**Exhibit 33:** Respondents who stated that increasing the effectiveness of compliance controls are a key driver of their AML investments – Regional breakdown

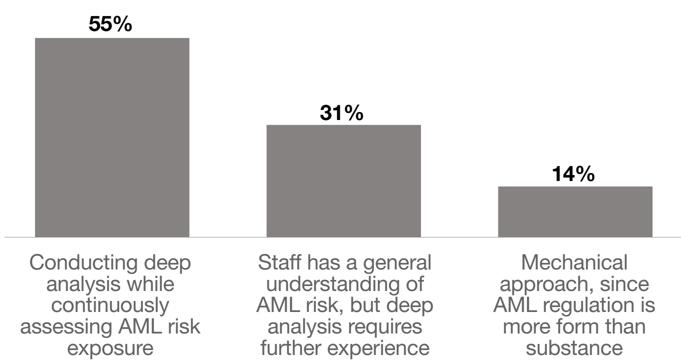



Source: PwC Global AWM & ESG Research Centre

## Current and Future operations

It is somewhat heartening to note that only 14% of respondents believe that their AML staff follow a mechanical approach to their work, while **over half (55%) conduct deep analyses with a view to continuous assessment of the AML risk exposure** (Exhibit 34). This is an indicator that AML processes in EMEA financial institutions are becoming ever more mature and sophisticated – although work remains to be done. It also **reinforces the importance of staff and lends further weight to the notion shared by many AML teams that finding sufficiently qualified workers is a major issue**. Since AML controls require quality data and thorough analysis, technology should be used to support mechanical tasks, freeing up staff to focus on more skills-based operations.

**Exhibit 34:** Which AML approach do most of your staff follow?

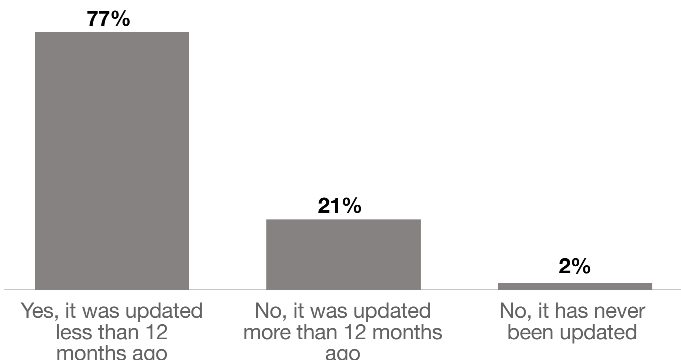



Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

In addition, just 2% of respondents claim that their AML target operating model has never been updated while 77% say that it has been updated within the past twelve months. This is another sign that the AML landscape among EMEA financial institutions is in constant evolution (Exhibit 35).

**Exhibit 35:** Have you updated your AML target operating model in the last 12 months?



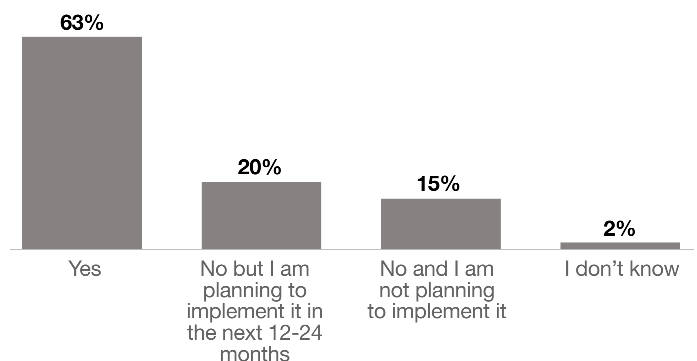

Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

A significant number of respondents (63%) are either using remote verification systems for CDD purposes or are planning on doing so in the coming two years (20%) (Exhibit 36). While it is encouraging that CDD is being considered as an automation priority, it is crucial that CDD be given the importance it deserves as part of the AML process, as highlighted in earlier sections, and not be automated as a way of undermining or ignoring it further. This is fundamental because CDD is a process that requires skilled staff to determine which data must be collected at the onset of any AML process. Fully automating it may therefore be counterproductive.

**81% of respondents who say that the lack of technical solutions is a top challenge have updated their operating system in the past twelve months.** This underlines how solely investing in technology and digital tool implementation is insufficient **if a financial institution does not have the human resources necessary to fine-tune, adapt, and use the new tools to achieve the right AML output.**

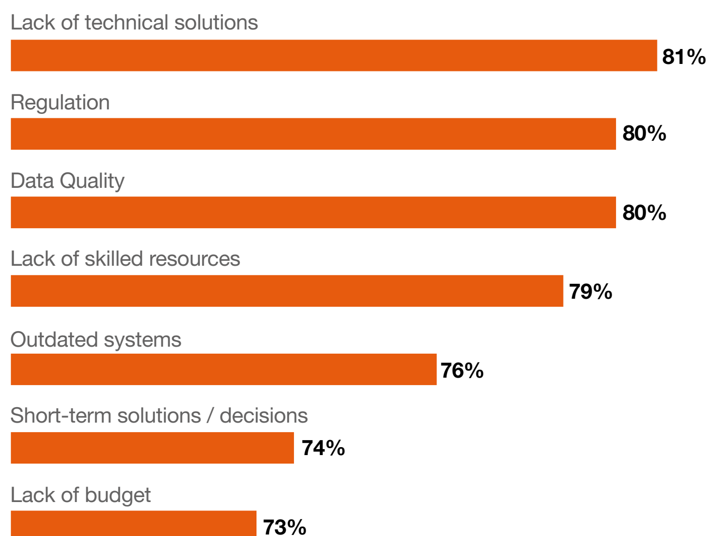
**Exhibit 36:** Do you use any remote verification systems for CDD purposes?




Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

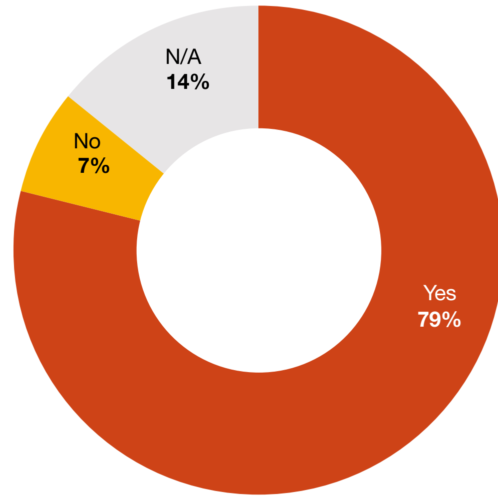
**Exhibit 37:** Percentage of respondents who updated their operating system in the last twelve months, disaggregated by what they believe to be the biggest challenges to AML technological implementation




Source: PwC Global AWM & ESG Research Centre

The vast majority of respondents (79%) are currently performing AML screening against their asset portfolios or custody accounts (Exhibit 38.a), with payment institutions being the least likely to do so among the three respondent categories. Whereas this clearly is the standard for accounts, we noted that the application for screening on assets is much less widespread, with Luxembourg being a positive outlier due to the country's large investment fund industry focusing on screening and know-your assets since several years. This highlights how financial institutions are increasingly adopting a more holistic approach to AML by considering where capital flows are invested rather than just the origins of funds. This approach is in line with the increasing regulatory stringency expected from the EU AML Package and other regulations.

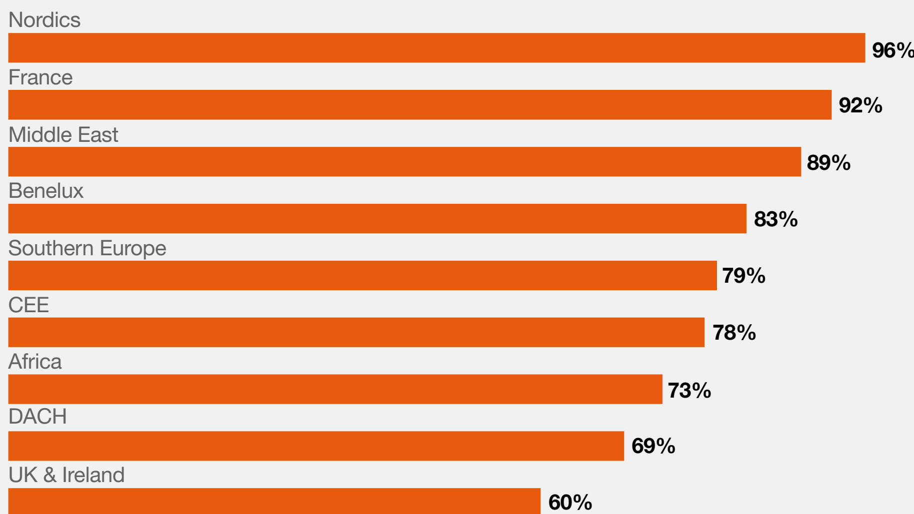
**Exhibit 38.a:** Are you performing AML screening against your asset portfolios or custody accounts?




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

As Exhibit 38.b shows, the Nordics are the region where financial institutions are most likely to perform AML screenings against their asset portfolios or accounts, with 96% of institutions in that region doing so. The UK and Ireland region is the least likely with 60%. Still, most financial institutions across geographies (over two-thirds everywhere except in the UK and Ireland) are actively monitoring their own accounts for potential threats from financial criminals. The differences here also represent clear business challenges. Organisations operating in the regions where AML screenings are frequent have a disadvantage over organisations present in the bottom range of this chart due to the inequalities in compliance efforts and costs.

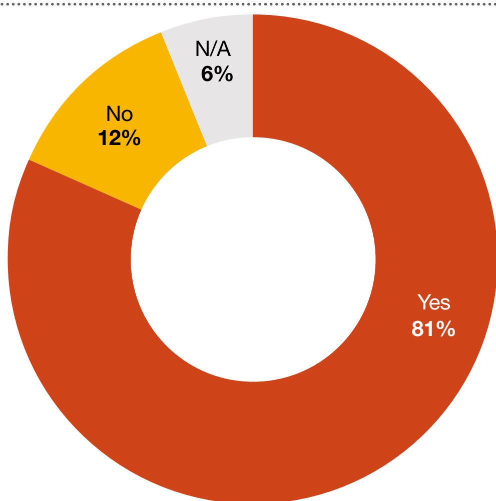
**Exhibit 38.b:** Are you performing AML screening against your asset portfolios or custody accounts? – Regional breakdown




Source: PwC Global AWM & ESG Research Centre

Similarly, the vast majority of respondents (81%) collect information on AML tax compliance (Exhibit 39), with asset managers being the most likely to do so. This is a critical requirement for wealthier customer segments and related service offerings in the cross-border business. Pure domestic setups pose lower risks here. The overall industry is improving on this matter, similar to how they are improving on monitoring their portfolios, in part due to the increasing regulatory scrutiny.

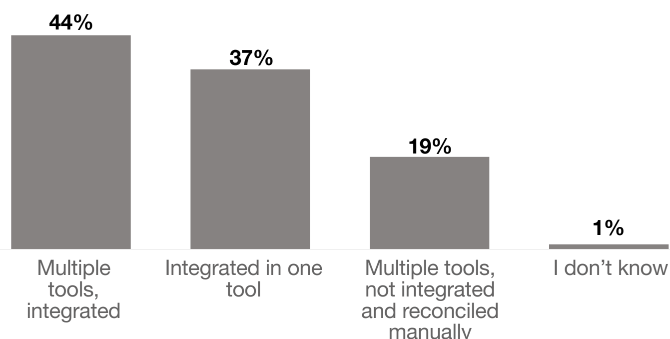
**Exhibit 39:** Do you collect information on AML tax compliance?




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

As for the KYC documentation process, a little over one-third (37%) of respondents use a single integrated tool while 44% use multiple integrated tools. However, close to one-fifth (19%) use multiple tools that are not integrated but are reconciled manually – which is potentially problematic as this raises the risk of human error (Exhibit 40).

**Exhibit 40:** How do you store the KYC documentation of your clients that you regularly consult for AML controls?



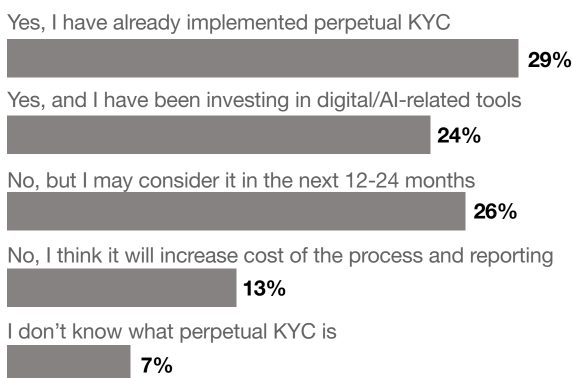

Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

Perpetual KYC means moving from a risk-based CDD review approach to a constant review fed by data inputs from multiple integrated tools. However, this requires that financial institutions use a sufficiently sophisticated set of digital tools, which is the best practice for KYC despite a number of technological, process and product challenges.

77% of our survey respondents say they already use KYC digital tools, and another 15% claim they plan to implement KYC digital tools in the next 12-24 months. Exhibit 45 in the next chapter dives into this further by offering a regional breakdown and analysis. Our survey also found that 29% of respondents have already implemented perpetual KYC while 26% have not yet implemented it but may consider it in the coming two years (Exhibit 41).

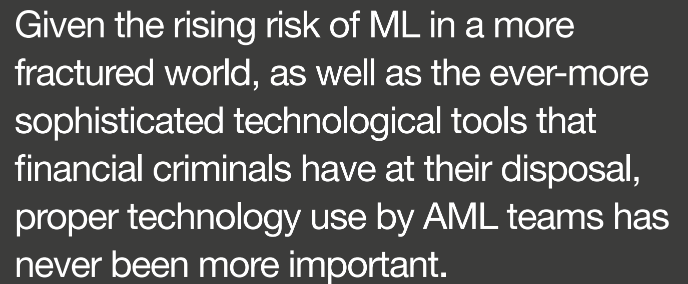
Such an openness to technology brings us to our next chapter.

**Exhibit 41:** Are you considering moving from customer due diligence based on risk level to perpetual KYC?




Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

# Technology: Are New Digital Tools the Answer?



Given the rising risk of ML in a more fractured world, as well as the ever-more sophisticated technological tools that financial criminals have at their disposal, proper technology use by AML teams has never been more important.

This study has found that emerging financial centres – notably in the Middle East and Africa – are more eager to implement and invest in new technologies like AI and Cloud capabilities. Conversely, the DACH, Benelux, and UK and Ireland regions appear to be more conservative and less willing to embrace new technologies, especially AI. There are two main reasons for this. The first is that many of the most technologically reluctant respondents are unsure whether AI would be beneficial to their AML activities and how reliable it would be. Many claim they are unsure of how well AI can perform AML functions and that they are concerned that regulators may frown upon its use given certain 'black box' algorithms. The EU AI Act is also set to enter into effect by 2026 at the earliest, which will set standards on how financial institutions can implement AI and AI-related data. It is therefore not surprising that they are taking a cautious approach to the technology, as will be seen later in Exhibit 50. However, there also appears to be a correlation between industries and regions that rely on more mature systems as opposed to newer ones. Integrating AI into older digital infrastructure is more difficult and costly, therefore newer financial centres with less legacy equipment will likely be able to integrate AI into AML more easily.

## The EU AI Act

This law gives citizens the right to know if they are interacting with AI. AI systems must adhere to data governance, risk management, technical documentation, and transparency criteria depending on four risk levels.

| Unacceptable risk (banned) | High-risk | | Limited risk | Minimal risk |
|---|---|---|---|---|
| There are four types of banned systems: | These systems must be evaluated by regulators before being marketed. There are two types: | | AI systems designed to interact with people. Developers must ensure: | All other systems. |
| Social scoring systems | AI systems used for products regulated by EU safety laws.<br>This is a very broad category of products including toys, airplanes, elevators, medical devices, etc. | AI systems used for any of the following specific areas: | AI-generated content is explicitly labelled as such. | These include technologies such as spam filters, translation systems, etc. |
| Emotional manipulation systems | | Biometric identification of natural persons | Create safeguards to avoid generating illegal content. | |
| Predictive policing/ profiling systems | | Management and operation of critical infrastructure | Publicly disclose all copyrighted data used to train algorithms. | |
| Biometric identification systems | | Essential private and public services and benefits | | |
| | | Employment and worker management | | |
| | | Education | | |
| | | Law enforcement | | |
| | | Migration, asylum, and border control | | |
| | | Legal interpretation | | |

This study has also found that **transaction monitoring and screening are likely to be the two functions that AML teams will make the most effort to automate in the coming years.** While there are some hurdles to accomplishing this, namely data quality issues and staffing shortages, most respondents appear confident that their systems will be resilient and perform effectively.

Staffing is the prerequisite to any AML improvement since any technological, operational, or tactical change first requires that a financial institution has a sufficiently qualified staff to carry it out. **Given the difficulty of finding technically qualified workers who can challenge, fine-tune, and regularly recalibrate AML processes to new circumstances, many AML teams are sometimes unable to implement the digital tools they would wish to, overall slowing down advances within the industry.**

## Technological conservatism in established financial centres

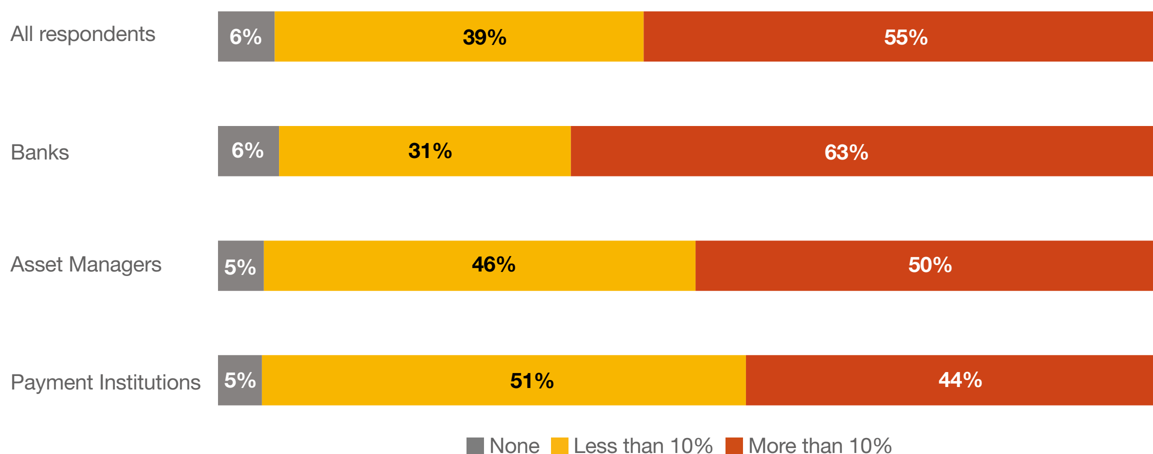
One of the key findings of this chapter is that more established financial centres in Western Europe are both less likely to use cutting-edge technology and less likely to invest in new digital tools. Emerging markets appear to both use digital tools more frequently than established ones and to be more likely to invest in newer technologies. This suggests that more established financial centres are more 'old-fashioned' and unwilling to update AML systems for changing times. However, these more mature centres also have a legacy to maintain, in some cases. Therefore, in some instances, their reticence does not necessarily mean they are less tech-savvy or tech-driven, but it simply means they have more complexity to manage.

It should also be noted that staffing challenges are likely a contributing factor to why more established financial centres are less willing to implement more advanced systems.

Cutting-edge technology is increasingly becoming a cornerstone of AML. Indeed, 55% of respondents have stated that more than 10% of their AML budget will be invested in digital tools over the coming two years, while only 6% have no plans to invest in digital tools.

Among respondent categories, banks are the most willing to invest 10% or more of their AML budget in digital tools, likely because they tend to be the most exposed to money laundering and are the most concerned about the potential risks of poor AML practices (Exhibit 42).

**Exhibit 42:** What percentage of your AML budget do you expect you will invest in digital tools in the next 24 months?

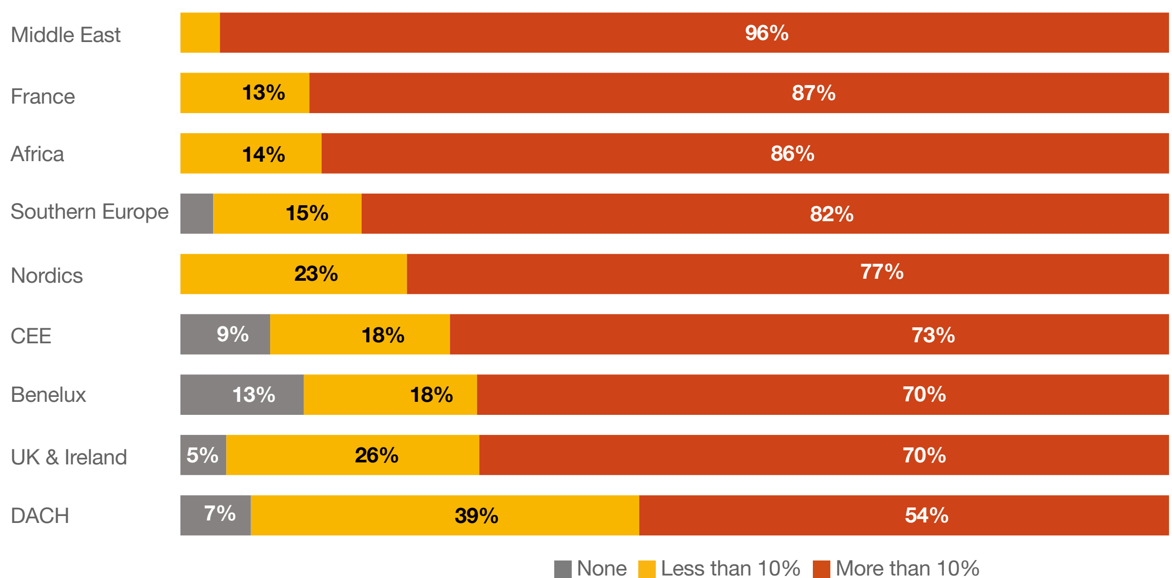



Note: Percentages may not add up to 100% due to rounding.
Source: PwC Global AWM & ESG Research Centre

When preferences on digital spending are broken down by region, a clear split becomes evident. **Regions with more established and long-standing financial centres, such as DACH, Benelux and the UK and Ireland, appear the most reluctant to invest in technology**, with 10%, 9% and 8% of them respectively asserting that they do not plan to allocate any of their budgets to digital tools over the next two years (Exhibit 43). This means they will be using increasingly outdated systems as time goes on.

However, the opposite also appears to be true in emerging financial centres. Financial institutions in Africa, the Middle East, and CEE are much more willing to invest in newer technologies than their counterparts in Western Europe, with 71% of African financial institutions claiming they will allocate over 10% of their budgets to this endeavour. This aspect will become a question of competitiveness at some point.

**Exhibit 43:** What percentage of your AML budget do you expect you will invest in digital tools in the next 24 months? – Regional breakdown

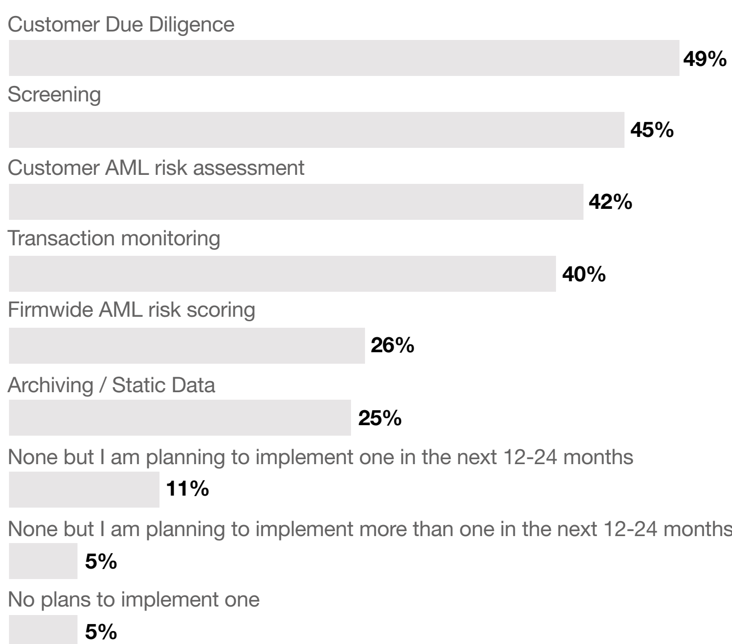



Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

Despite transaction monitoring having consistently been cited as an operational priority by most respondents, it is not the area that has received the most technological investment over the last two years (Exhibit 44). This demonstrates how many respondents are not solely relying on technology in order to solve what they believe to be the most pressing AML issue. Meanwhile, key investments in the last 24 months have still been focused on finding human resources, as described in the last chapter.

**Exhibit 44:** In which area did you implement a new digital tool to enhance your AML activities in the last two years?



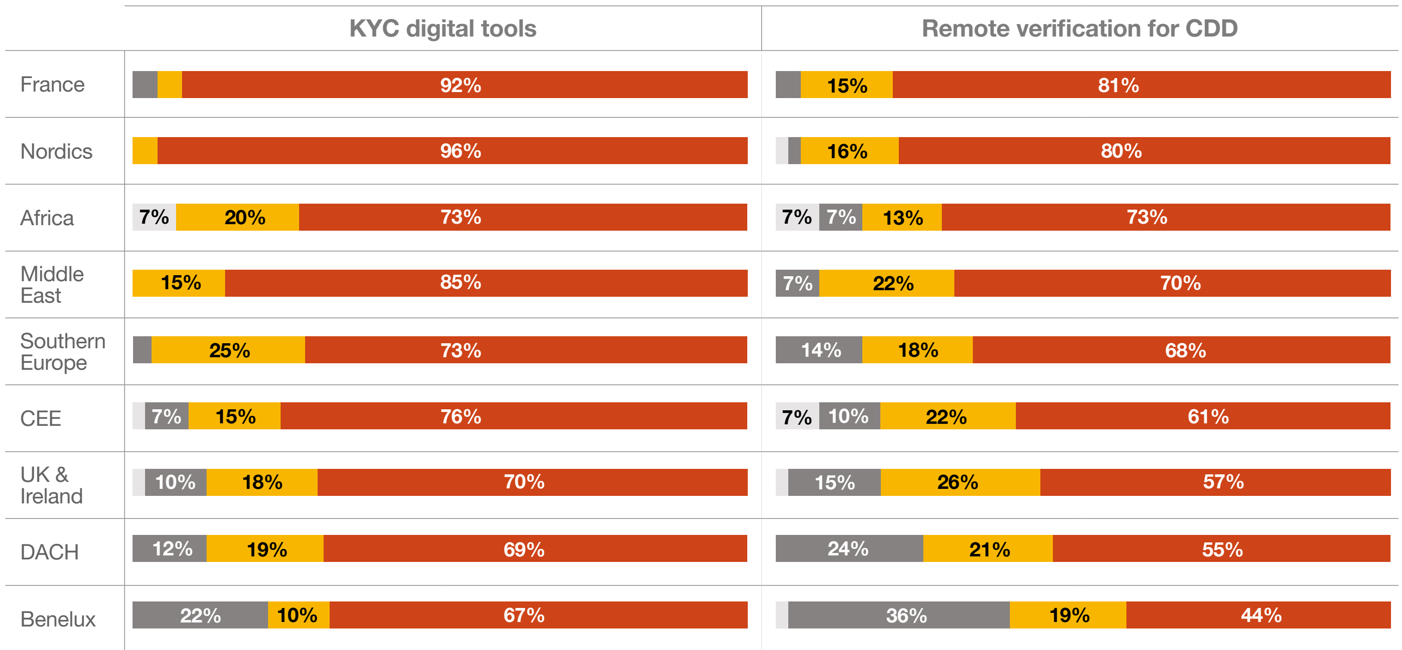

Note: Multiple choice question. Respondents were asked to select three answers.
Source: PwC Global AWM & ESG Research Centre

While one might intuitively think that firms in established financial centres are not investing as much in digital tool use because they already have the most cutting-edge technology, our survey shows that this is not necessarily the case.

Exhibit 45 below shows the use of KYC and Remote verification for CDD digital tools by region. These are some of the most important areas where technology use is expanding across the entire AML space. However, the regions that are spending the least on new technologies over the next two years – DACH, Benelux, and the UK and Ireland – also appear to have the lowest amount of already-existing digital infrastructure for AML.

**This situation suggests that the reason for such a cleavage in terms of technology use between emerging and more established financial centres is that Western European banks, asset managers, and payment institutions might be more set in their ways and unwilling to embrace newer technologies.** There are of course other contributing factors, such as the maturity of many pre-existing systems and regulatory trepidation, but the results of the survey clearly point that there is an additional attitudinal explanation at play.

**Exhibit 45:** Do you use any KYC digital tools or remote verification systems for CDD purposes?



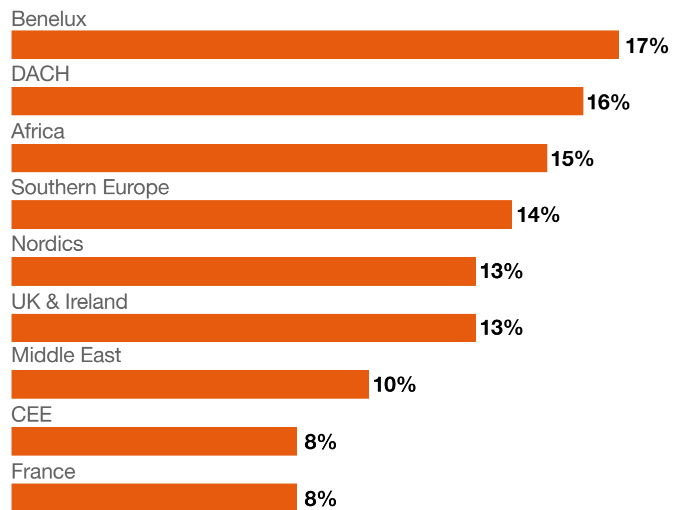

Note: Percentages may not add up to 100% due to rounding. Remote verification for CDD tools are those that do not require any human interaction with the customer at onboarding, and onboard through automatic electronic verification.

Source: PwC Global AWM & ESG Research Centre

36% of respondents claim that outdated operating systems impede increasing their digital tool use. Exhibit 46 below shows a regional breakdown of these respondents. Benelux and DACH are the regions that are most concerned about the age of the technology they already have in place, while 13% of UK and Ireland respondents cite this as a reason for not implementing new digital tools. Furthermore, 15% of African respondents are worried about the age of their systems; Africa is also the region most likely to implement new ones. This means that while there is some correlation between the age of current operating systems and the willingness to implement new ones, that is not the full picture.

Again, **this situation cannot be explained unless institutional reticence in more established financial centres is taken into account.** As one respondent from the banking industry said, there is "no time to date to investigate possible [technological] solutions. We are not yet clear on the requirements/expectations."

**Exhibit 46:** Percentage of respondents in each region that cited 'Outdated systems' as an impediment to implementing new digital tools




Note: Percentages may not add up to 100% due to rounding.

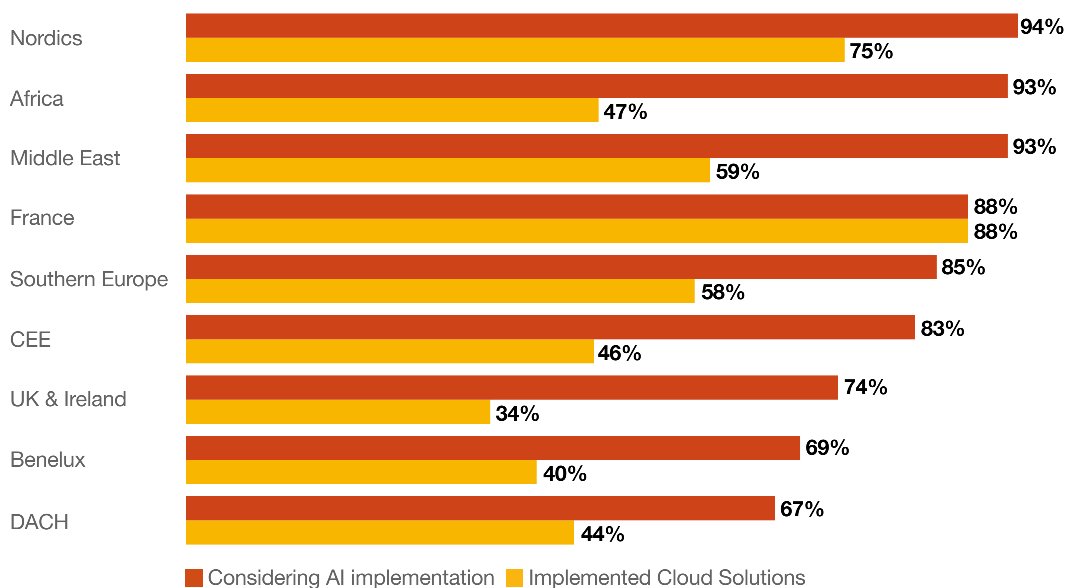
Source: PwC Global AWM & ESG Research Centre

## Artificial Intelligence and Cloud Breakdown

This trend is even more pronounced when focusing on specific technologies like Cloud solutions, and especially AI. As Exhibit 47 shows, 93% of respondents in both the Middle East and Africa are considering implementing AI into their AML models, compared to 74% in the UK and Ireland, 69% in Benelux, and 67% in DACH – the lowest of all regions.

DACH, Benelux, and the UK and Ireland also have the lowest rates of implemented cloud solutions, with none of them surpassing the 44% threshold. Data security, data privacy, cyber risks, and GDPR considerations are among the elements likely to influence or slow down those developments.

**Exhibit 47:** Current implementation of Cloud solutions and planned implementation of AI solutions




Source: PwC Global AWM & ESG Research Centre

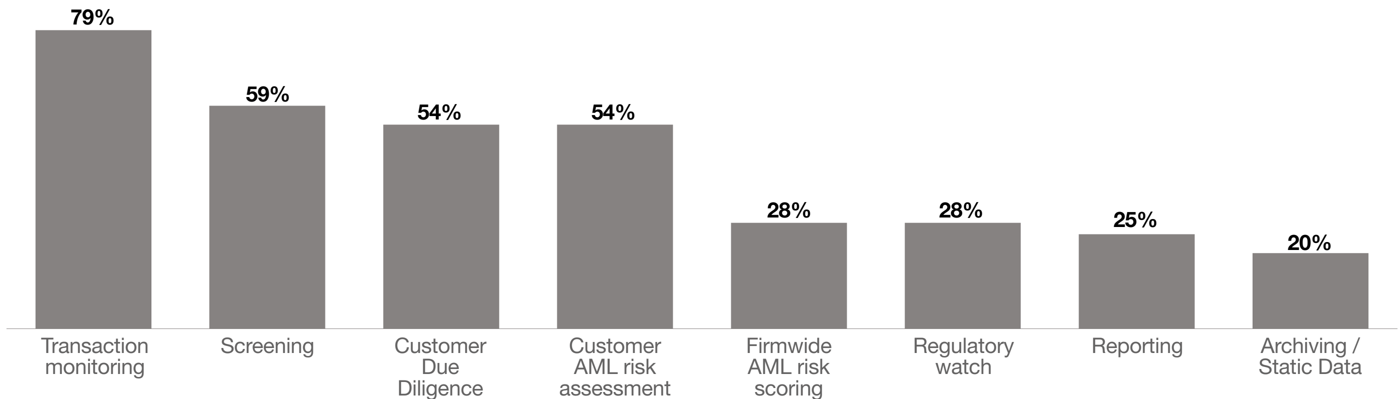
## Automation of Transaction Monitoring and Screening

AML teams across the financial sector are focusing their technological budgets and efforts on automating transaction monitoring and screening functions. This section will evaluate how those processes are being carried out and what the potential hurdles ahead may be. We have provided this deep-dive on these two functions not only because they are currently the focus of most automation efforts, but also because the issues AML teams will face when automating them are likely to apply to the automation of other key functions.

Given that AI is the most cutting-edge technology available for AML, the operational functions into which respondents are considering introducing AI indicate which functions are most likely to be the subject of digitalisation and automation in the coming years.

**Transaction monitoring is by far the function that most respondents are considering carrying out using AI, with 79% of respondents asserting this.** This is significant since transaction monitoring and screening (the second-most popular function for AI implementation) are both heavily data-centred processes of AML. This finding aligns with the fact that transaction monitoring is the function that 64% of respondents said they will prioritise for investments over the next two years.

**Exhibit 48:** If you are implementing AI, which AML functions are you considering introducing AI into?




Note: Multiple choice question. Respondents were asked to select three answers.
Source: PwC Global AWM & ESG Research Centre

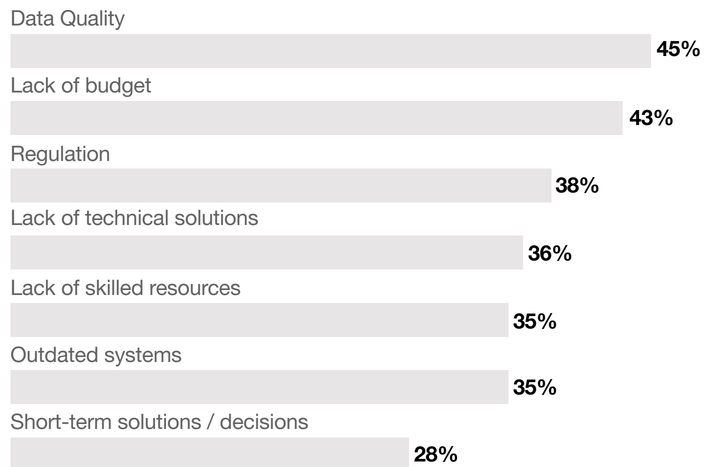
## Data Quality

**Despite outdated systems, data quality is the most commonly cited reason for not increasing the use of technology in AML processes**, as Exhibit 49 shows. Still, lack of budget is also an often-cited concern. These concerns are shared across industries, with banks being the most concerned about data quality (according to 51% of banks) and payment institutions being the most concerned about budget issues (49%). Data quality concerns are a recurrent theme in this section, as it is likely one of the largest overall setbacks for any AML operation, in addition to staffing problems, which worsen data quality issues. Any technology or data-related problem in AML is likely to be exacerbated by staffing issues since an inexperienced staff often lacks the knowledge to process data and implement AML controls correctly. High data quality is necessary for implementing high-quality KYC and overall CDD processes. Since these two are the cornerstones of AML, it is no wonder that they are one of the main concerns for the financial sector when considering the use of technology to fight financial crime.

In earlier sections, we highlighted how the low importance that many in the AML space attribute to CDD is a major contributing factor to data quality issues, since if good quality data is not collected at the CDD onboarding stage, it opaques the entirety of the AML process. Data quality and CDD therefore go hand in hand, and the AML sector needs to prioritise both simultaneously to overcome its data quality hurdles.

The lack of qualified personnel is also a major reason why data quality issues persist since this problem affects every link in the AML chain and contributes to CDD issues as well as data collection and analysis problems.

**Exhibit 49:** What are the main impediments to increasing the use of new technologies in your company?




Note: Multiple choice question. Respondents were asked to select three answers.
Source: PwC Global AWM & ESG Research Centre

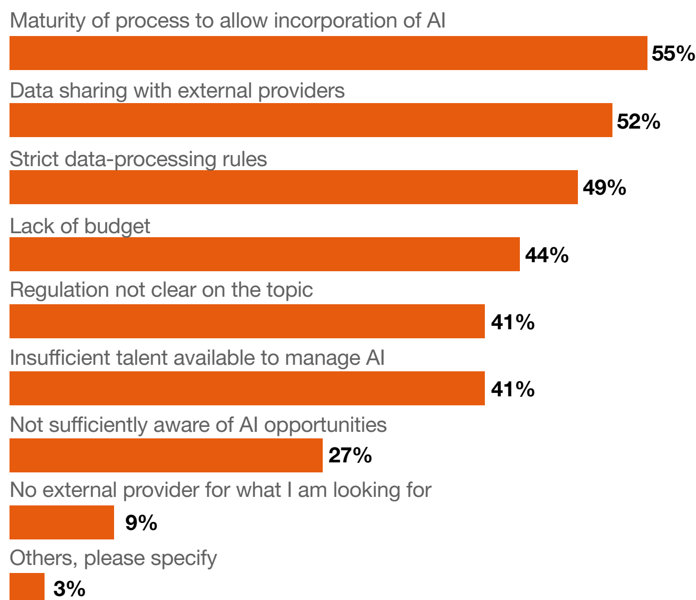
There is currently a tug-of-war within the financial sector between the major data quality/sharing concerns over AI and the will to automate transaction monitoring and screening. **Without high data quality and secure, well-regulated data-sharing practices, highly automated transaction monitoring and screening using AI is extremely difficult.**

**The most common concern when it comes to AI implementation is system maturity**, referring to how older, more mature operating systems make it more difficult to implement newer AI technologies (Exhibit 50). Over half (55%) of respondents claim this as an issue, which, as previously mentioned, is partly related to institutional reluctance and varies greatly depending on the region. The upcoming EU AI Act is also likely a concern for many respondents, but at least it will provide a clearer operational framework.

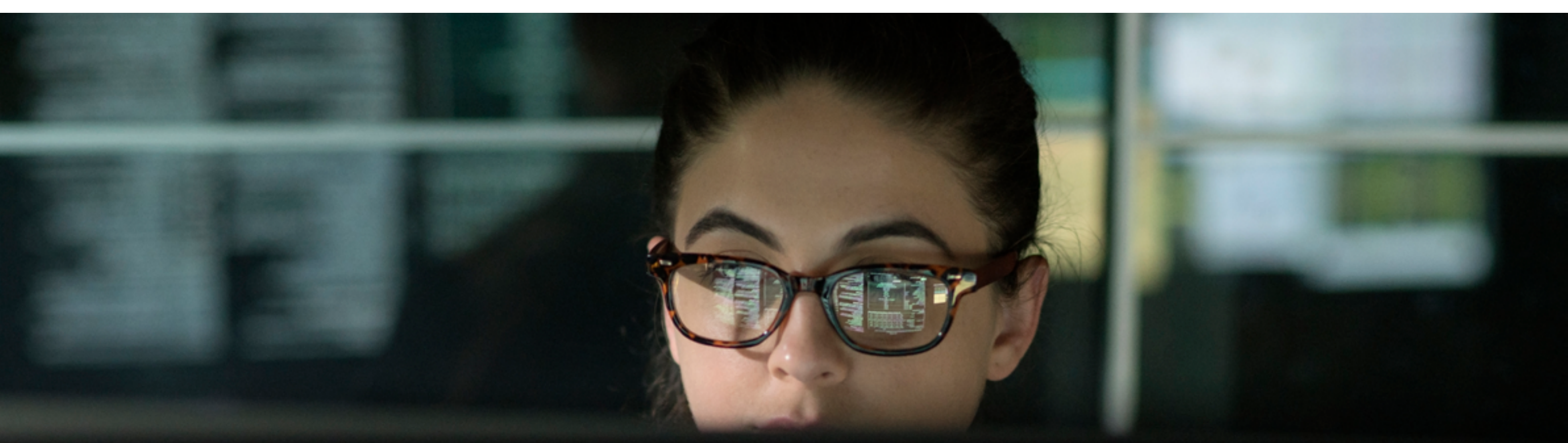
**There are also concerns over AI algorithms' 'black box' decision-making approach**, where judgement on AML procedures can be handed off to AI, but responsibility remains with the financial institution in the event of a mistake.

**The second and third-most common constraints for implementing AI are highly revelatory of the overarching data quality concerns in the AML space.** 52% of respondents claim that they see sharing data with external providers for AI implementation as a future hurdle, while a further 49% claim that the strict data-processing rules surrounding AI may be an impediment to the technology's implementation. The combination of these two answers suggests that data sharing, and the potential security issues that come with it, is an overarching concern for the vast majority of survey respondents.

**Exhibit 50:** Which type of constraints do you see in applying AI tools to your AML activities?




Note: Multiple choice question. Respondents were asked to select three answers.
Source: PwC Global AWM & ESG Research Centre

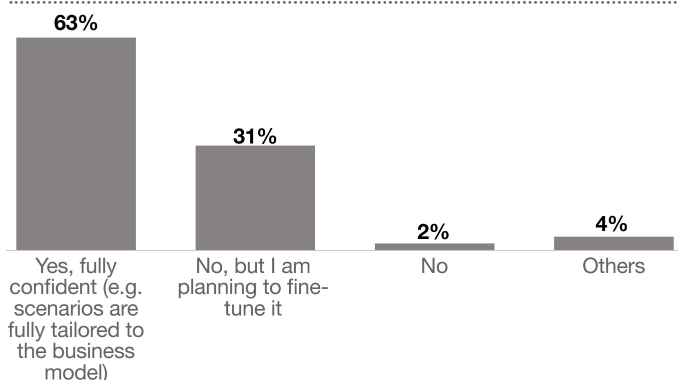


## High confidence despite headwinds

As Exhibit 51 shows, when asked about their confidence in their transaction monitoring approach, nearly two-thirds (63%) of respondents claim they are fully confident in their processes, while only 31% suggest they require fine-tuning. Therefore, **AML teams appear to be highly confident in their current capabilities. This is somewhat surprising given what has been discussed already in the other chapters of this survey. It might also be linked to the fact that some aspects of AML are still somewhat underestimated, leading some respondents to be over-confident**. This may change as regulatory pressure continues to increase. Our experience shows that in most situations there is still room for improvement and recently regulatory sanctions in various countries have demonstrated this.

It should be noted that banks are the least confident in their own transaction monitoring approach, with just 58% of them saying they are fully confident, while asset managers are the most confident, with 75% expressing full confidence. This is likely a reflection of banks' amplified vigilance and understanding of potential vulnerabilities in transaction monitoring practices, given their higher exposure to financial crime in comparison to other areas of the financial sector.

**Exhibit 51:** Are you confident that your transaction monitoring approach is fit for purpose?



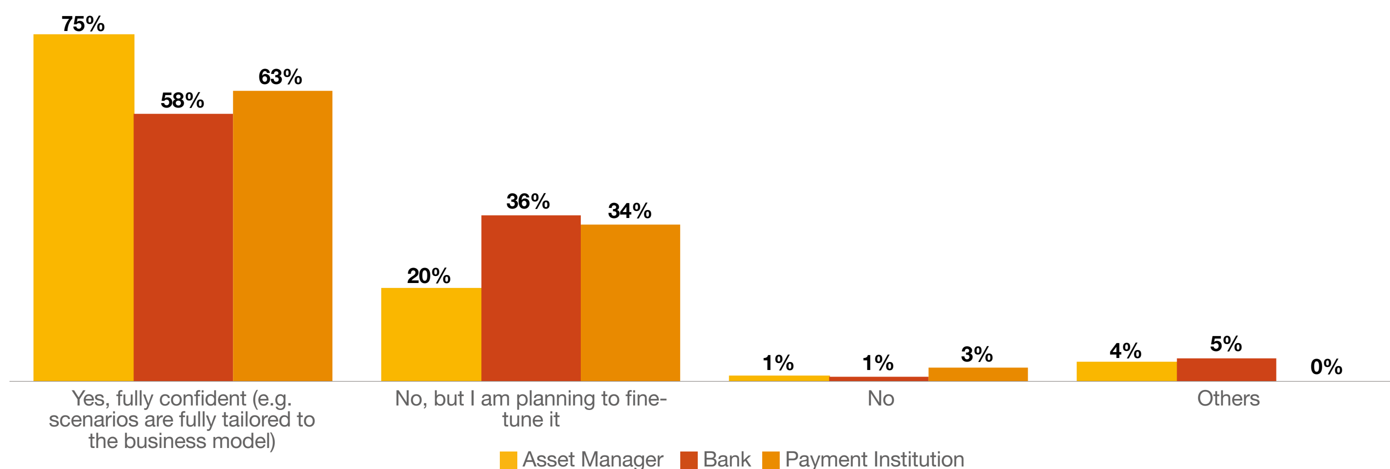

Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

There is a constant fine-tuning required. It would be helpful to understand criminal investigations to know what signs to look for and what is important for calibrating scenarios."

**Survey respondent from the banking industry**

**Exhibit 52:** Are you confident that your transaction monitoring approach is fit for purpose? – Industry breakdown



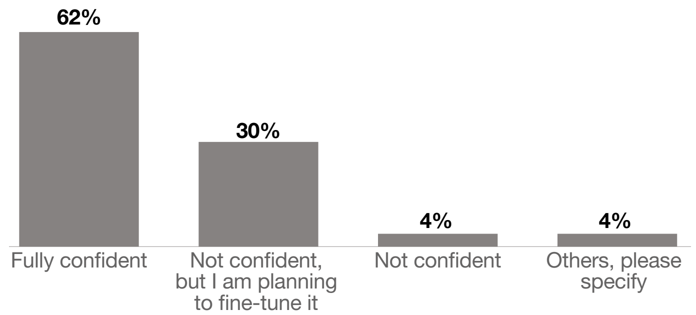

Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

Still, there appears to be some contradiction between respondents' confidence in their systems and their consistent affirmations that those same systems are antiquated. The following graph showcases the overall confidence of the respondents who said that the maturity of their systems was a challenge to implementing digital tools. 62% of respondents who described their own systems as "outdated" have said they are "fully confident" in them.

**There also appears to be some overconfidence among respondents** who have never tested their systems and those who have tested them and found flaws. As Exhibit 54 shows, **28% of respondents have not tested their operating systems in the last two years but still feel "fully confident" in their capabilities.** This is somewhat alarming if a non-negligible number of respondents have no empirical basis for their confidence. As regulators increasingly focus on effectiveness, regular testing and fine-tuning will become imperative. Meanwhile 56% of those that have tested them and found flaws are likewise "fully confident".

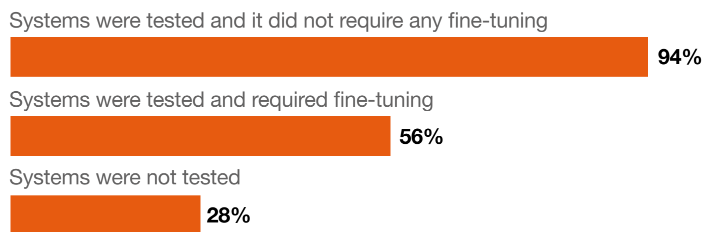
**Exhibit 53:** How respondents with "outdated systems" described their confidence in their systems




Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

**Exhibit 54:** Percentage of respondents who are "fully confident" in their operating systems, broken down by whether or not they tested their tools in the last 24 months




Source: PwC Global AWM & ESG Research Centre

## Technological hurdles ahead

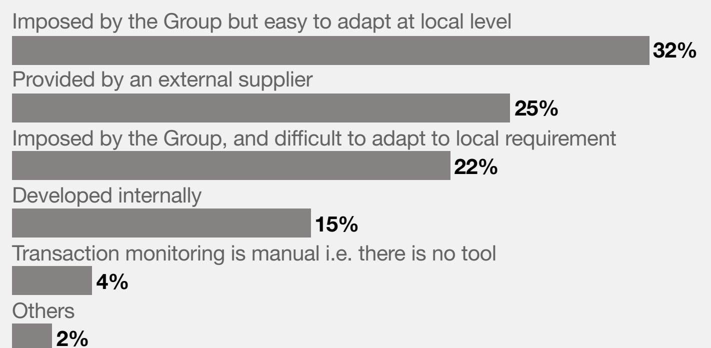
So far, this chapter has considered three main future hurdles for automation and technological implementation in AML – system maturity, data sharing, and data quality. In addition to these, respondents highlighted two further challenges: staffing shortages and non-customisable solutions, both of which are currently leading to higher costs and system backlogs, especially for transaction monitoring and screening.

These concerns are applicable to the entire AML space and will likely need to be overcome in order for digital tools to be fully integrated into the fight against financial crime.

As shown in Exhibit 55, **over one in five (22%) respondents claim that the digital tools they use are imposed on them by their group and cannot be easily adapted to their local conditions or requirements.** This seems to be a clear challenge for group entities outside of the country of group headquarters, so potentially all subsidiaries of large banking groups abroad. While this is not the majority of respondents, it still suggests that a significant number of financial actors cannot fine-tune their digital tools, which leads to overall holes in the industry's financial crime defences. This also corresponds to the previous finding that some respondents may be over-confident in their AML systems (Exhibits 53 and 54). Respondents whose systems are imposed on them by the group may be willing to settle for

**This is a major stumbling block for effective AML practices as it forces respondents who find themselves in this category to work around their digital infrastructure, rather than use it to its full potential.** This is likely to drive up costs, as it takes more effort to circumvent technological infrastructure that is not fine-tuned to local conditions.

**Exhibit 55:** Which of the following applies to the tools and scenarios used by your organisation for transaction monitoring purposes?




Note: Percentages may not add up to 100% due to rounding.

Source: PwC Global AWM & ESG Research Centre

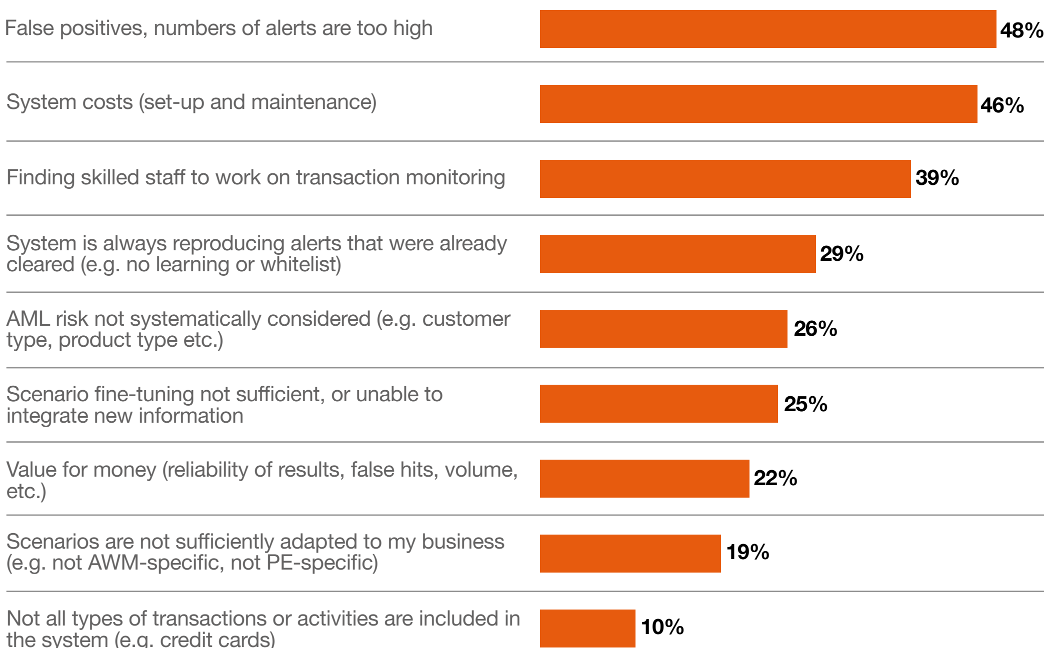
When asked about which specific challenges they were facing regarding their digital tools for transaction monitoring, 48% of respondents say that false positives are too numerous, leading to backlogs (Exhibit 56). False positives occur when a system flags a potentially sanctioned/criminal entity or individual, but it is a false alarm that does not refer to an AML threat – for example, an individual with the same name as a sanctioned person. False positives often need to be solved manually, which is why having well-automated systems that can detect false positives can save a lot of time and resources for AML teams.

Flagging false positives is an area where AI has great potential to streamline AML processes. Nevertheless, an important factor remains the trustworthiness of such solutions and the distribution of accountability in the case of technological errors.

However, when respondents are asked about transaction monitoring tool challenges and AI challenges, they consistently bring up the same issue. Over one-third (39%) of respondents say that finding skilled staff to work on transaction monitoring is a hurdle for proper AML digital operations. Similarly, as shown earlier in Exhibit 50, 41% of respondents say that one of the biggest challenges for AI implementation is finding sufficient talent.

Indeed, **finding skilled AML employees appears to be a problem across the financial sector. The lack of talent is a major hurdle that will need to be overcome since it can lead to higher costs and artificial limits to the technologies AML teams can implement.** As a matter of fact, system costs are the second-most common answer when respondents are asked about transaction monitoring challenges, cited by 46% of respondents.

**Exhibit 56:** What are your main transaction monitoring challenges?

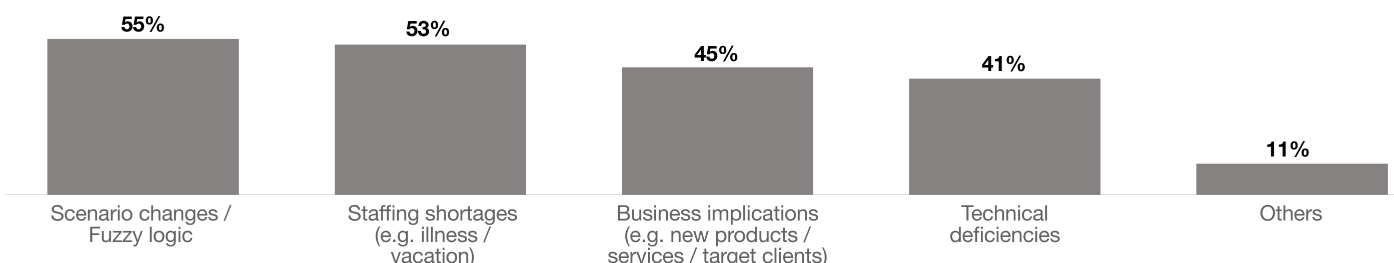



Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

Finally, when respondents are asked about the main reason for system backlogs within their AML processes, staffing is once again among the top answers, cited by 53% of respondents. In order for a fruitful implementation of technology into AML, all these challenges must be overcome. Properly trained staff must be onboarded and allowed to implement the most cutting-edge technology in ways that are uniquely tailored to the needs of their industry and their territory.

**Exhibit 57:** Which are the main reasons for alert backlogs in your organisation?




Note: Multiple choice question. Respondents were asked to select three answers.

Source: PwC Global AWM & ESG Research Centre

# Conclusion

**This survey has demonstrated that the financial sector in the EMEA region is highly committed to effective AML, an encouraging sign given that regulators across the region are intensifying their supervision and expecting more from the entities they regulate. This convergence of priorities is likely to result in a fruitful collaboration between the public and private sectors to advance the fight against financial crime in the years to come.**

However, there are some headwinds that the financial sector will need to sail through in order to reach its full AML potential. Data quality and system maturity issues are persistently weighing down AML capabilities. In order for new technologies like AI to bring their full weight to the sector, these hurdles will need to be overcome, which will require investments into updating current systems, as well as finding the right talent to carry out these changes. This is further complemented by the challenge of determining who is ultimately accountable for processes carried out by more independent technological solutions. However, finding employees with the necessary skillsets remains another persistent challenge, both for technological and general AML matters.

Financial institutions in the Middle East and Africa have shown themselves to be highly enthusiastic about modernising their AML infrastructure. As regions with growing financial hubs, this is a welcome sign that shows that AML is being taken seriously across the entire EMEA region. Certain areas in Europe, notably Benelux, DACH and the UK and Ireland are, conversely, much less eager to change their current operating models, especially when it comes to digital tools. These areas risk falling behind if they do not keep up with industry standards when it comes to technology. Fortunately, other areas of Europe, particularly France and the Nordic countries, are also at the forefront of the technological revolution taking place within the AML space.

AML standards are becoming increasingly harmonised and rigorous, which will likely lead to improvements in the sector's capabilities in the coming years. Given that financial criminals know no borders, consistent regulations across borders can be one of the most effective weapons against them. The focus on effectiveness rather than box-checking is the other piece of the puzzle when it comes to creating a more robust AML framework.

Effectiveness is therefore the name of the game. The EU's upcoming AML Package, which includes the formation of AMLA, will likely help further invigorate and strengthen AML capabilities across Europe and maintain the sector firmly headed into a bright future.

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