

Forrester Consulting Compliance study commissioned by SWIFT

SWIFT commissioned a research study from Forrester Consulting to explore the challenges that financial crime compliance professionals are facing with regards to the evolving payments landscape.

This research was conducted in September 2020 through a combination of online surveys (483 respondents) and in-depth interviews (10 executives) with risk and compliance decision-makers at global Financial Institutions.



Key findings

The key findings reveal that compliance teams face many challenges, with increased compliance alerts due to market volatility and expected budget reductions.

However, customer expectations still demand payments to happen in real time in the face of changes around technology, process and people.

Looking forward, banks believe that a combination of new and harmonised standards, technology advancements and greater industry collaboration will transform compliance in the next 5 years.

Key challenges

**Data
quality**

**Technology
change**

**Lack of
collaboration
between teams**

Market volatility and budget reduction as a result of the pandemic

69%

Of respondents have experienced a significant increase in compliance alerts due to market volatility from COVID-19

74%

Stating COVID-19 has increased their need for compliance personnel to keep up with workload

54%

Expecting budget reductions in 2021

This is compounded by

Increased regulatory complexity

78% stating regulations from different countries and jurisdictions are increasingly diverse

Increased customer expectations

80% of respondents say their customers are expecting cross-border payments to be paid in near-real time



96%

Experience challenges with fraud

Top 4 issues cited as



Bridging The Gap: Cross-Border Payments And Compliance, a commissioned study conducted by Forrester Consulting on behalf of SWIFT

1

Unable to respond in a timely manner

Heavy reliance on human fraud analysts/investigators prevent us from responding to fraud attacks in a timely manner

2

Lack of sufficient information

on payment messages prevents us from identifying fraud

3

High false positive identification

Inability to identify a high false positive rate leads to bad customer experience

4

Lack of collaboration

Need for greater collaboration between payment operations team and compliance team

99%

Experience challenges with sanctions

Top 3 issues cited as

1

Screening alerts

Screening alert numbers have been increasing with payment volumes

2

Regulatory complexity

Complex sanctions have made their compliance process more complex

3

Increased workload

Increasing number of alerts increases workload and this becomes unsustainable





The sanctions list has to be taken with additional measures. If your data is not standardised inside a system for AML controls, when a payment is cross-border the control is done a few days later and that's too late. Maybe you can ask the beneficiary bank to send back the money, but if it's fraud, no way. You must integrate your control system upfront of the payment so fraud is detected. And the sanctions list should be refreshed in real time; the controls should be done in real time as well.



96%

Face data issues

Around half stated that their top 3 challenges were as follows



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1

Incomplete customer data

Processing is delayed due to lack of complete customer data, and the need to send requests for information

2

Multiple formats

Data is delivered in several formats through different payment channels, making it difficult to use

3

Poor data quality

Poor quality payment data impacts the effectiveness and efficiency of compliance processes



The ideal payment system is straight-through processing and you need accurate and complete data. If it's not, 10% of the transactions fail because the data was inaccurate; this adds to the cost. Then you need additional resources to fix the failed payments and ensure the transaction goes through; this adds time.

ISO can help with this: screening, transaction monitoring processes, all these can be standardized templates and instructions.

**Senior VP/Program Lead,
Risk, Cyber Security and Compliance,
Cloud Centre of Excellence, Bank**



75%

Respondents agree that compliance and payment teams often have contradictory business objectives

Lack of alignment

There was a need for compliance professionals to provide more education rather than just finding out what's wrong. This would avoid mistakes being repeated in the future.





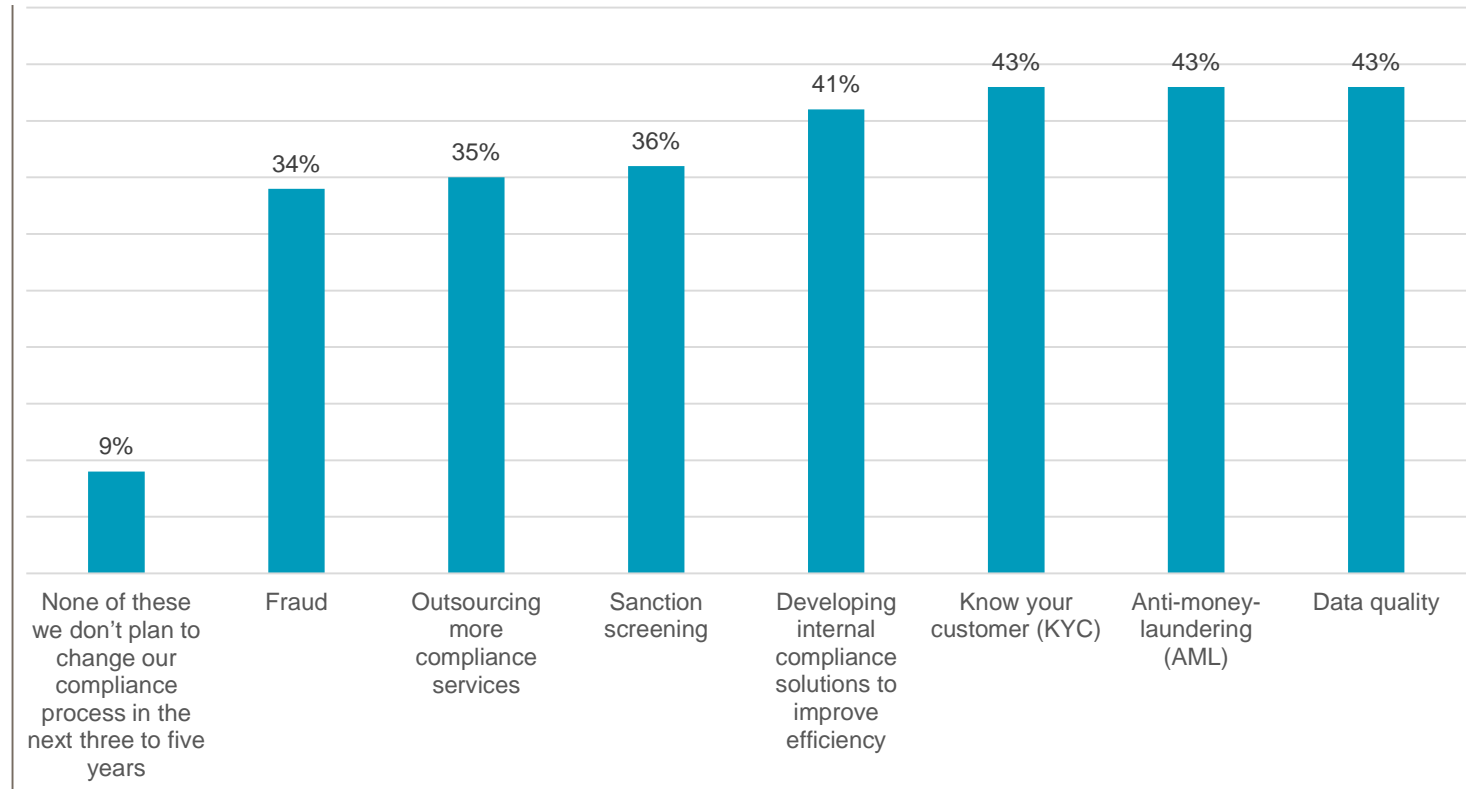
Collaboration between teams could be better. Most compliance departments are keen to find what's wrong instead of educating people. Payments departments keep making the same mistake over and over again. They need to have better collaboration instead of just blaming each other. This is also true across the line like sanctions. Compliance should be there as an educator.



Data quality, AML and KYC are the top three areas for making improvements

91%

plan to change their compliance processes in the next 3-5 years.



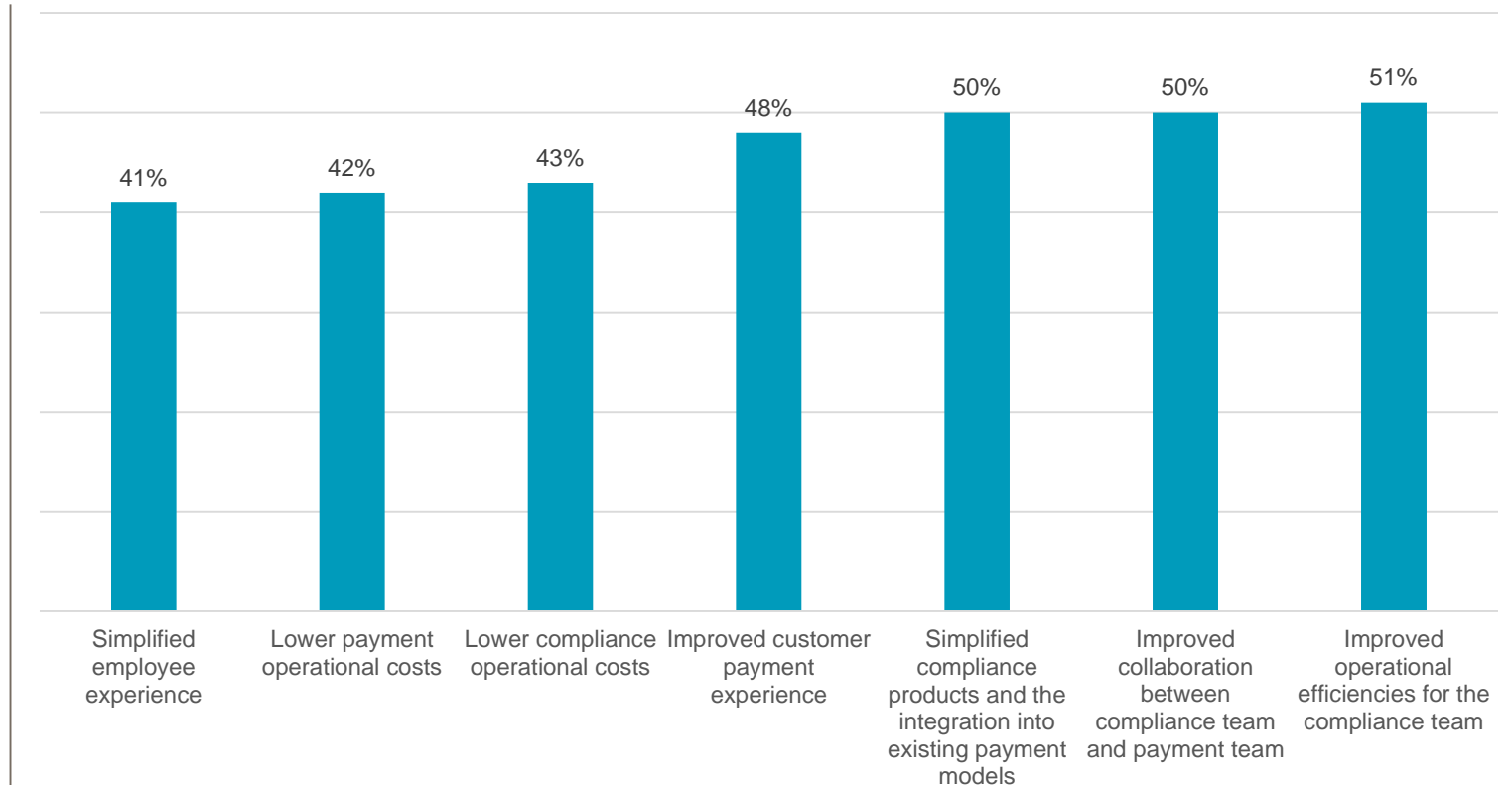


Data quality is the foundation, so we're starting from that. The key areas at the moment are screening and AML, because all these processes are key from a compliance point of view. Greater use of AI and machine learning tech will improve straight-through processing



Planned improvements will deliver efficiency, collaboration and customer experience benefits

Respondents believe the benefits from the targeted improvements will touch on efficiency, collaboration and customer experience

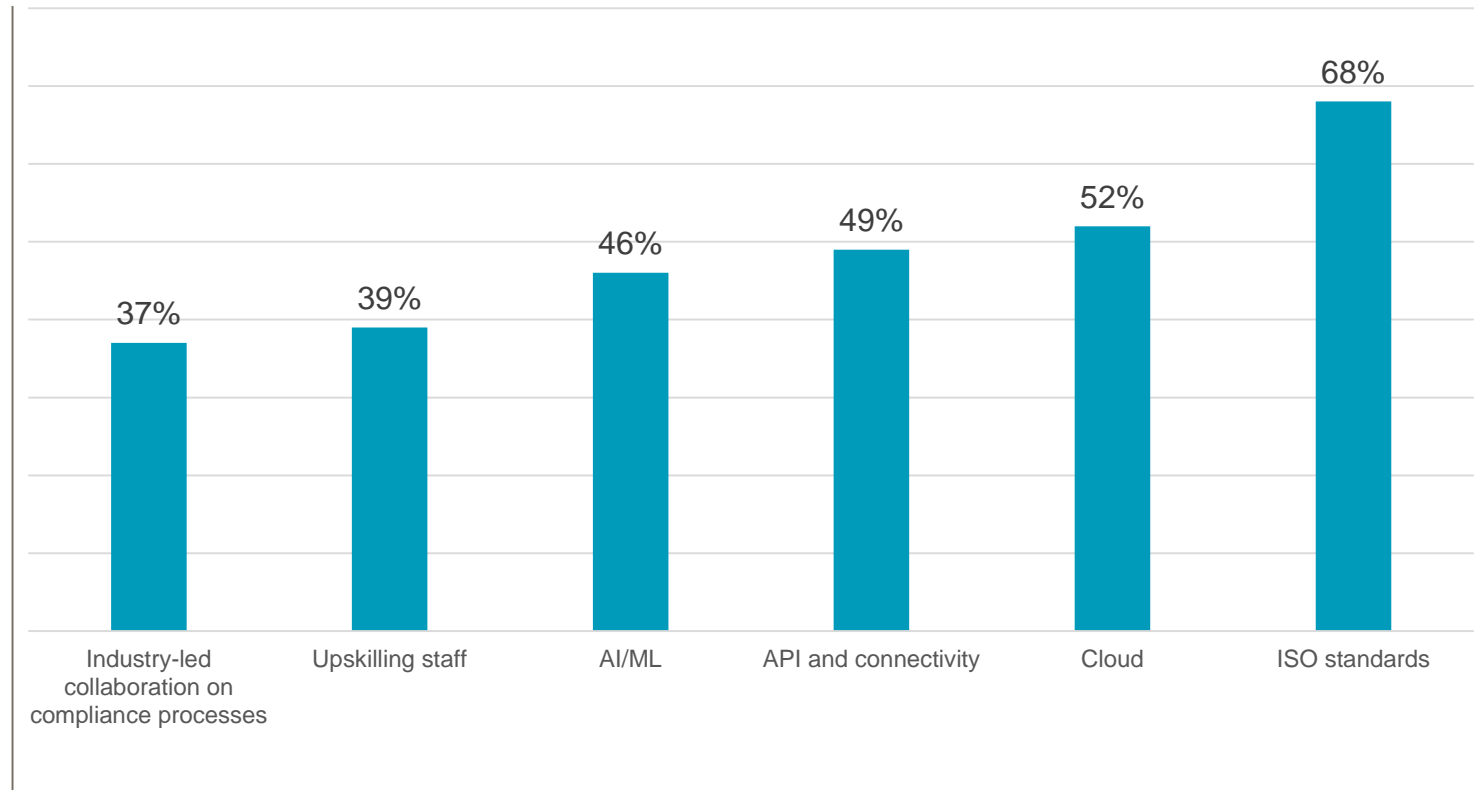


ISO 2022 is seen to have the most potential to transform compliance

68%

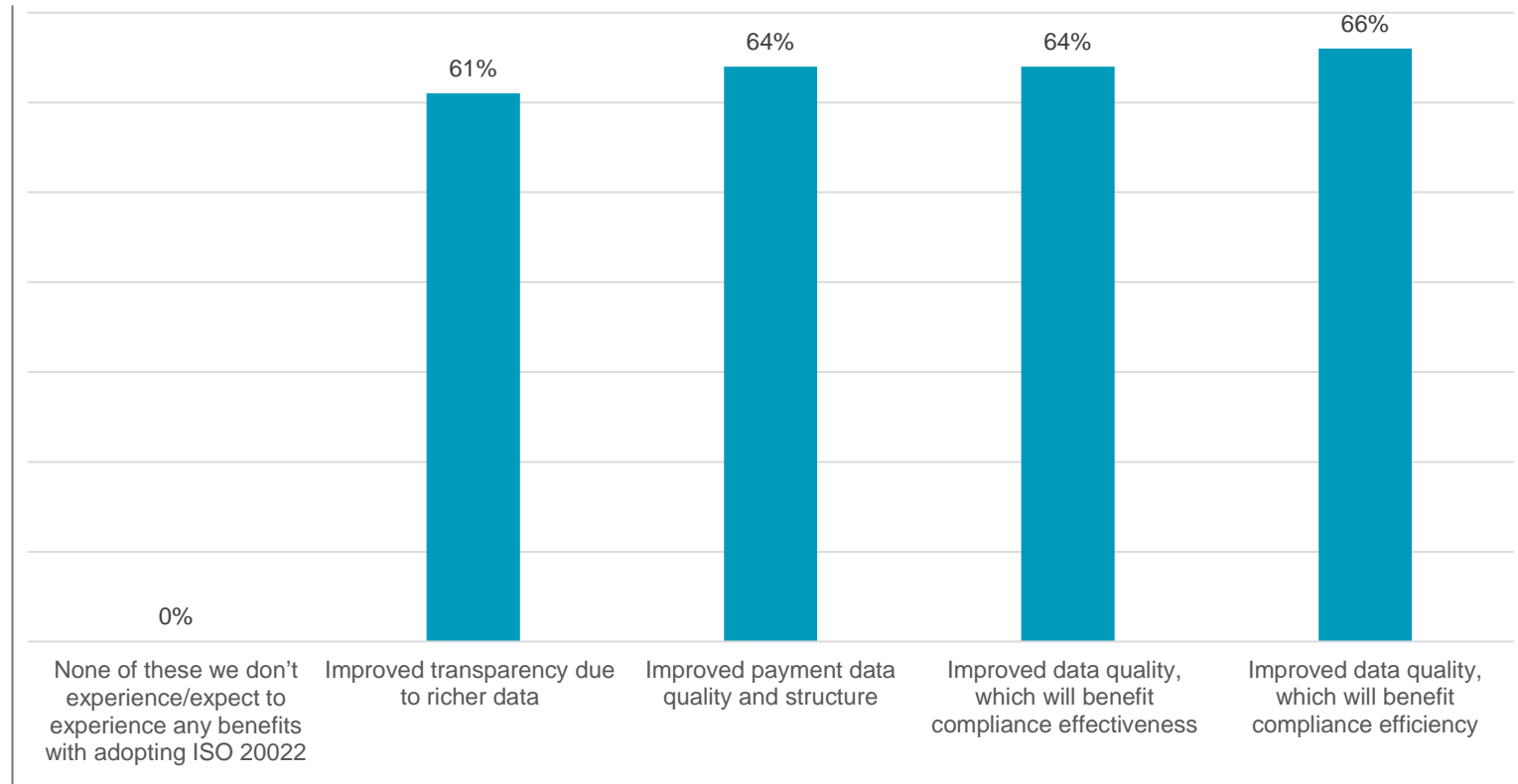
believe that the migration to ISO 2022 will transform compliance in the next 5 years.

Cloud and API connectivity are seen as the next most important drivers for change



All respondents expect to benefit from ISO 20022, primarily due to improved data quality

ISO 20022 is expected to provide a range of benefits around data quality to **improve compliance efficiency and effectiveness**

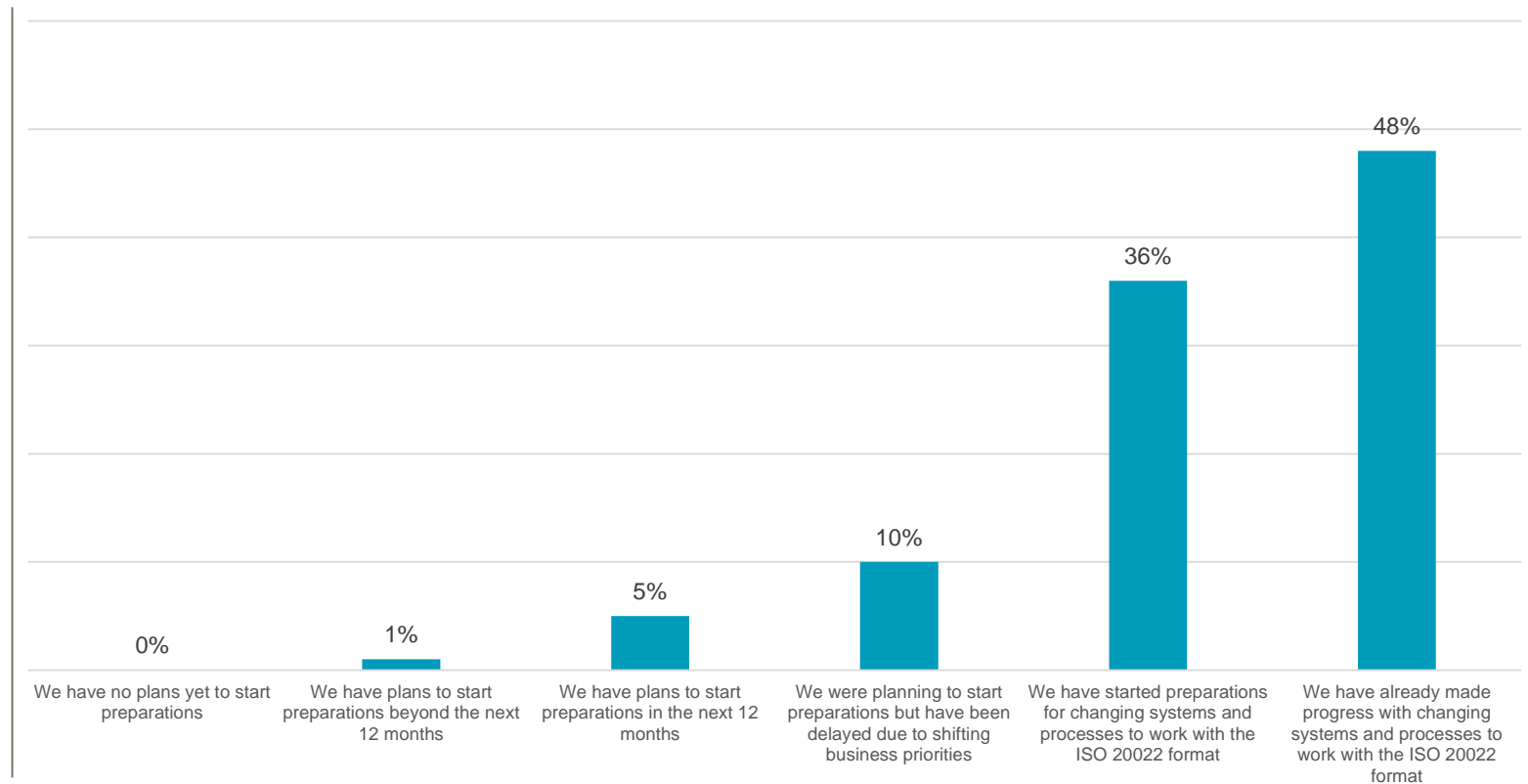


Half of those surveyed have begun their migration to ISO 20022

48%

have already made progress with changing systems and processes to meet the ISO 20022 format.

36% have started preparing or plan to in the next 12 months





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