

McKinsey & Company

Why anti-money laundering should be a top priority for financial institutions

As financial institutions build their digital footprint, the risks to the institution are increasing. The 100 largest banks in the world have lost over \$100 billion to money laundering and financial crime in the last five years.

To keep pace with the pace of change, financial institutions need to invest in technology, talent and data to ensure they are ready to meet the challenges of the future.

In recent years, a variety of factors have brought attention to the importance of anti-money laundering.

1 Regulatory action

Regulatory action has increased significantly in the last five years, with the number of regulatory actions increasing by 100%.

2 Threat evolution

Threats to financial institutions are evolving, with new risks emerging from digital channels and emerging markets.

- Low-risk threats:** Identity theft, account takeover, and phishing.
- Medium-risk threats:** Social engineering, insider threats, and data breaches.
- High-risk threats:** Money laundering, terrorist financing, and sanctions evasion.

3 Reputational risk

Reputational risk is a significant concern for financial institutions, with the cost of a reputational crisis increasing by 50%.

4 Rising costs

The cost of financial crime is rising, with the average cost of a financial crime incident increasing by 20%.

- Increased regulatory fines
- Higher legal fees
- Increased operational costs
- Higher risk of fraud
- Increased customer churn

5 Poor customer experience

Poor customer experience is a major challenge for financial institutions, with the cost of a poor customer experience increasing by 10%.

It's no wonder 68% of banks have a high priority for money laundering and financial crime.

A wave of innovation

Financial institutions are embracing innovation to improve customer experience, reduce costs, and increase efficiency.

Customer onboarding: Streamlined processes, digital channels, and enhanced security.

Transaction monitoring: Real-time monitoring, AI-powered detection, and improved accuracy.

Management oversight: Enhanced visibility, improved risk management, and better decision-making.

Health management: Proactive risk management and improved operational resilience.

Investment banking: Digital transformation and improved client service.

Retail & wealth management: Personalized experiences and improved engagement.

Commercial banking: Streamlined processes and improved efficiency.

Structural change, big gains

Structural change is driving significant gains for financial institutions, with the potential for 10%+ revenue growth.

Addressing technology & digital is a high-priority area that has the most impact.