NEW YORK (October 2, 2012) — Compliance departments are feeling increasingly challenged by additional regulations, coupled with higher regulatory expectations and a greater appetite for enforcement, according to a joint Dow Jones Risk & Compliance and Association of Certified Anti-Money Laundering Specialists (ACAMS) survey released today at the 11th annual Anti-Money Laundering & Financial Crime Conference in Las Vegas.

The survey, in its second year, is designed to assess the current regulatory environment and deepen the understanding of client screening processes, content and systems. More than 1,200 compliance and anti-money laundering staff responded to the survey, double the number of respondents last year.

“The significant number of responses to the survey provides unprecedented insight into the state of anti-money laundering compliance and the considerable challenges faced”, said Rupert de Ruig, managing director of Risk & Compliance, Dow Jones & Company.

“Regulatory pressures continue while firms struggle with a range of other workflow challenges, such as lack of staff and technology limitations. However, respondents do think that some of these issues will become more manageable over the coming year, perhaps due to investment resulting from a growing senior management focus on anti-money laundering”, Mr. de Ruig added.

“The survey is evidence of the continuing challenges facing the ACAMS community. The results will assist our members with strategic planning, training and resource allocation,” said John Byrne, CAMS, ACAMS executive vice president.

The survey found that increased regulatory expectations are the greatest anti-money laundering compliance challenge, cited by more than half of those polled worldwide, and seen by the same number to be an ongoing challenge over the coming year. Staffing shortages, inadequate staff training and technology concerns are also widespread challenges, each cited by one-third of respondents. They appear slightly more optimistic going forward with regard to staffing levels, availability of qualified staff, improvements in technology and reductions in false positives, or low-precision matches. However, they are more concerned about the future impact of additional regulations and increased enforcement.

Other key findings from the survey include:

**Dodd-Frank and FACTA regulation primary drivers of increased workload**
The majority of respondents said that increased workload will continue to come primarily from Dodd-Frank and FATCA regulation, as well as the regulatory impact of the FATF revised recommendations. Almost half of companies say FCPA and CISADA have also added to workloads.

**Client On-boarding processes already sharpened, adding to workloads**

Half the companies polled have already made or are considering changes to client-on-boarding processes due to new FATCA requirements, with enhanced identity verification the most widespread change reported. Many companies are also introducing more stringent standards for accepting customers and standardizing on-boarding processes across business units.

**Increased workload due in large part to increased risk areas covered by AML teams**

As in 2011, around three quarters of anti-money laundering professionals this year report increased personal workloads and comparable numbers predict further increases in department workloads in the coming year. Most others expect their workloads to remain at current levels, with only 2% expecting their workload to decrease.

The single reason cited most often to explain the escalation in workload is their increased areas of responsibility, reflecting the growing importance of compliance teams within organizations, and their wider remit of risk-covering. Company growth and expanded regulations were also widely cited to explain increased workload, while more than a third said that senior management’s growing focus on anti-money laundering had added to their workload.

**Client data regularly “cleansed”**

With compliance professionals’ increased focus on the quality of client data, almost 60% of companies said they’ve “cleansed” customer data in the past six months, including one-quarter that conduct continuous audits. Among those surveyed, just over 70% said their anti-money laundering department was involved in data cleansing.

**Prediction about role of fraud detection and prevention becomes the trend**

According to this year’s survey, anti-money laundering staff handles fraud detection and prevention in nearly two-thirds of companies; a trend first started by forward-thinking companies a couple of years ago. Risk data is the most relevant information for managing fraud (83%), although crime typologies and news are also important to most organizations (68% each).

**False positives continue to consume resources**

The survey found that nearly half the alerts generated in client screening are false positives, with nearly one third of companies reporting that 75% or more of their alerts are false
positives. Clearing a generated alert continues to be a significant drain on resources, with survey respondents taking an average of 12 minutes per alert, and in a small number of cases, anything up to one to two days.

More than 85% of companies have client-screening technology solutions in place, and of these, the vast majority are regularly assessing their effectiveness. The survey found that the volume of false positives and false negatives is a key factor in prompting companies to review their solutions, along with cost issues and inadequate customer service.

**Screening for domestic Politically Exposed Persons (PEPs) high**

Nearly three quarters of survey respondents said they were screening for domestic PEPs, unchanged from 2011. Regional discrepancies are in evidence here: Respondents outside the U.S. are twice as likely to screen for domestic PEPs, compared to U.S. respondents.

The PEPs screening process generates a large number of false positives, making it more important for companies to ensure their client data and technology solutions are effective and up to date.

**Lowering the threshold on Beneficial Ownership**

Fewer than a third of companies verify beneficial ownership to a level of 10%, with the majority only verifying ownership to a threshold of 25% or more. The vast majority of companies verify beneficial ownership as part of the Know Your Customer (KYC) process or through the use of internal resources to carry out due diligence.

**Survey Methodology**

Survey respondents came from a range of organizations and industries, including retail and commercial banking, private banking and wealth management, investment banking, brokerages, insurance and consulting companies. Respondents were split nearly evenly between small, medium and large companies. Nearly three quarters had job titles specifying Anti-Money Laundering, BSA and/or compliance responsibilities.

The full results of the survey and an online presentation are available from the ACAMS website.

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