

# Spiking AML penalties for financial institutions reflect shifting threat landscape

Article

**The news:** Global financial institutions' (FIs) anti-money laundering (AML) fines hit a record \$2.2 billion in 2020 as financial crime increased during the pandemic, per research from Kroll.

**The data:** While the number of fines enforced by regulators remained the same year over year, the size of the fines spiked—and **Sweden** and **Australia** led the way.

- Regulators issued 45 fines this year, **but the total cost increased fivefold**.
- Australian and Swedish regulators imposed **\$917.2 million** and **\$559.3 million** in fines, respectively. This outstripped the historic leader in enforcements, the US—which issued **\$404.8 million**.

**Why the spike?** Pandemic-induced lockdowns last year created fertile breeding ground for nefarious actors—and regulators seemingly stepped up their game to clamp down on the spike in financial crime.

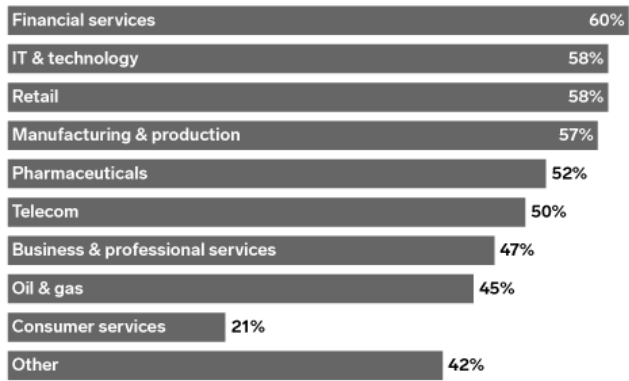
- Global financial crime spiked in 2020 as social distancing requirements accelerated the shift to digital transactions.
- And financial criminals took advantage of the record stimulus flowing through global economies to conceal money-laundering activities.
- As incidents increased, regulators ramped up enforcement and dished out record fines—like Australia-based bank **Westpac's \$900 million AML penalty**.

**The bigger picture:** Increased regulatory scrutiny is here to stay, and as FIs adjust to the new landscape, regtechs stand to profit.

- Kroll's data indicates that at just under \$1 billion, the total cost of fines in H1 2021 is roughly on track with 2020 levels. More recently, UK-based **NatWest** was just stung with a **£264.8 million (\$339.6 million) fine** on Tuesday, per Finextra.
- FIs are reacting to the new realities of the heightened risk of financial crime and increased regulatory scrutiny by ramping up their compliance spend: **Almost 80% of North American FIs** said they increased their investments in 2021, per Compliance Week.
- This has been a boon for identity verification regtechs: Leading players like **Onfido** reported record revenue growth through 2021, while **Fenergo** and **Incode** hit unicorn status after mega-rounds.
- As a result, FIs may come to expect fewer financial crimes and regulatory fines to accompany the increased investments in regtech solutions—and in the event that this fails to materialize, leading regtechs could lose business.

## UK and US IT and Business Decision-Makers with Fully Implemented Cybersecurity Strategies, by Sector, Sep 2021

% of respondents



Source: S-RM, "Investing in Cyber Resilience: Spend, Strategy, and Search for Value," conducted by Vanson Bourne, Nov 12, 2021

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