News release

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Financial Services needs to radically rethink crime protection and prevention

Economic crime in financial services outpaces other industries
Increased spending on compliance fails to reduce economic crime

Despite significantly increasing investment in compliance and being continuously under the scrutiny of regulators, economic crime in Financial Services has increased, showing new thinking is needed to make investment in compliance deliver more value and tackle economic crime.

The views are published in a new paper by PwC examining how the Financial Services sector (including both Banking & Capital Markets and Insurance) responds to economic crime. Financial Services has traditionally proven to be the industry most threatened by economic crime, as it serves the financial needs of all other industries.

In a survey released earlier this year, 46% of 1,513 Financial Services respondents to PwC's economic crime survey reported experiencing crime in the last 24 months, up from 45% in the last survey (2014). This outpaces the industry wide global average by 10% (46% vs 36%).

It means the industry has not managed to substantially reduce the level of reported economic crime for seven years, despite their level of investment in compliance outpacing the wider business world. The cost impact of crime has also increased with 46% of those experiencing losses valuing them at up to $100,000 for every crime (40% in 2014), and almost a quarter (24%) experiencing losses between $100,000 - $1m (23% in 2014).

Tackling economic crime and proving positive intent to regulators has often meant Financial Services spending more on compliance. However, the increased spending has not resulted in less economic crime.

- 16% of those that reported experiencing economic crime had suffered more than 100 incidents, with 6% suffering more than 1,000.
- Cybercrime reports increased 10% (49% experienced), and insider trading increased 6% (from 4% to 10%).
- 53% of respondents reported that spending on fighting economic crime was increasing – 55% expect it will continue to increase.
- 33% of our respondents revealed that data quality still can restrict compliance with anti-money laundering regulations.
- Financial Services also faces a global shortage of sufficiently skilled and experienced compliance professionals, particularly in areas such as Anti-Money Laundering and Counter-Terrorist Financing compliance, to help understand and manage the interconnected risks of economic crime.

- Although 58% of frauds were committed by external perpetrators, higher than the average of 41%, in Financial Services 29% were committed by internal perpetrators - generally junior or middle management – although 14% were from layers of senior management.

Financial Services organisations have struggled to join the strategic dots across the growing volume, sophistication and variety of economic crime.

Andrew Clark, EMEA Financial Crime Leader, PwC comments:

> "New thinking is needed to make investment in compliance deliver value and to tackle economic crime more effectively. There is a need, across the industry, for new approaches and technologies to more effectively target areas of greatest risk. Culture has been an area of focus in the wake of the financial crisis and this needs to continue to more firmly embed compliance behaviours into the heart of organisations. Regulators also have a key role to play - keeping rules up to date with developing technologies and encouraging innovative ways to tackle crime."

35% of respondents thought financial crime had high or medium impact on relationships with regulators, with the costs of remediation and compliance described as "staggering". Spending should be targeted where it can make the biggest difference. For sophisticated global institutions, this means automating labour intensive processes, improving the quality and accessibility of information and evaluating new, more effective technological detection methods including blockchain, biometrics and data analytics.

Andrew Clark, EMEA Financial Crime Leader, PwC comments:

> "Financial Services organisations need strategic financial crime risk assessment frameworks to make sure policies and compliance programmes target the areas of greatest risk. And the best way to tackle financial crime is by embedding the latest strategies and technology into day-to-day operational decision making."

ENDS

Download the survey here www.pwc.com/crimesurvey-fs

Notes

1. About the survey. PwC's Global Economic Crime Survey was conducted through an online survey of 6,337 respondents across all industry sectors in 115 countries. 45% of the respondents are board level, 30% are heads of department/business units. 59% of all respondents were from multinational organisations. Respondents came from all sectors – including Financial Services. 20% - 1250 respondents were from the Banking & Capital Markets sector and a further 4% - 263 respondents were from the Insurance sector), consumer (14%), technology (7%), industrial (35%) and professional services (6%). The survey was conducted between July 2015 and February 2016.
2. Levels of economic crime reported by Financial Services sector respondents: 2016 - 46%; 2014 –45%; 2011 - 44%; 2009 – 44%.

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