

The fight against financial crime

A post-crisis response

Norkom's fourth annual market intelligence survey shows evidence of an emergence from the recessionary mood of the past year. Norkom's **David Dixon** reveals the traction achieved by global financial institutions in the fight against financial crime in a post-crisis world

Let's start with the good news. After the severe economic crisis-induced cutbacks that dominated last year's results, it would appear that financial institutions are in catch-up mode as they attempt to ramp up their arsenal of weapons in the fight against financial crime. Just under half of respondents (47%) expect their fraud budgets to increase over the next 12 months compared to 21% reported in 2009. On the compliance side the results are just as encouraging, with 38% of financial institutions expecting their anti-money laundering (AML) budgets to increase compared to 19% last year.

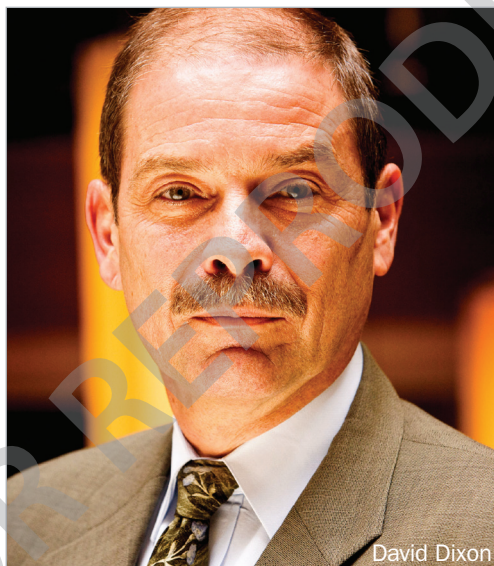
Focus on fraud

While there are clear signs that we're emerging from the recessionary responses to the financial crisis, it has left an indelible mark on financial institutions. Sixty-three per cent of global respondents claim that their senior management's focus on fraud has increased since the onset of the crisis compared to 50% last year. The top three fraud areas of concern for senior management include internal fraud, payment fraud and application fraud. And they have reason to be concerned too. The bad guys are getting more effective. In this year's survey, the percentage of respondents whose organisation experienced an increase in the level of fraud attacks over the last year fell from 71% to 64%. However, 95% reported an increase in financial losses arising from these attacks. The fraudsters are focusing their attacks where they know they will have success. Furthermore, a resounding 82% of institutions believe that mass data compromise is a growing threat, illustrating that we're not 'out of the woods' just yet.

In tandem with the fallout of the crisis, new regulatory pressures have also emerged. And, despite the introduction of new regulations over the last year, particularly in the US and the UK, a significant proportion of respondents (between 62% and 65%) expect still more to come.

The current face of financial crime management

In line with senior management's focus on fraud, one of the strongest themes emerging from this year's results is the importance of putting in place a case and workflow management solution for the fight against financial crime.



David Dixon

Eighty-two per cent of world-leading financial institutions say they either have or will have within two years a case and workflow management solution, clearly illustrating the vital role that this plays in a best practice financial crime strategy. Seventy-two per cent of financial institutions use this technology to consolidate information from different detection and financial crime solutions to provide a more integrated view of the risks. The benefits derived from this are tangibly clear – 59% of respondents pointed to the substantive cost savings associated with deploying such a technology, while 74% of financial institutions achieved an improved percentage of fraud detected.

With budgetary pressures easing somewhat, the financial crime and compliance community are busy implementing multi-year financial crime strategies to enhance their protection against

future crimes. This year, the number of financial institutions that have a multi-year plan for fraud has spiked to 30% from 7% last year, while a further 30% have implemented one for AML, up from 11% last year. For the first time in the survey's history, we are seeing the introduction of information security as part of the financial crime and compliance drive, with 22% of financial institutions implementing a multi-year plan specifically for this area.

Conclusion

Last year, we said that hope was on the horizon and we were right. Going into 2011, the global financial crime and compliance community seems to be emerging from the investment pause imposed during the height of the crisis. And, while there is a long journey yet ahead to make up for lost time, they are at least on the right path.

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