

What is driving banks and insurers to be more compliant?

In the intricate world of financial services, the concept of compliance guards against the tide of risks, regulations, and dynamic market landscapes. For banks and insurers, navigating these tumultuous seas is pivotal in ensuring operational integrity, maintaining customer trust, and adhering to the ever-evolving regulatory standards. Thomas Suchy, Head of Product Management at ACTICO, examines the drivers for banks and insurers in the compliance space.



Amidst an intricate web of financial protocols and regulatory frameworks, institutions find themselves constantly adapting to a landscape shaped by multifaceted challenges in relation to compliance. The demands imposed by stringent regulations, the accelerating pace of technological advancements, and the perpetual need for security create a labyrinth that banks and insurers must navigate.

At the heart of these difficulties are governing bodies such as the AMLA EU, also known as the Anti-Money Laundering Authority of the European Union which will become fully operational in 2026 or the German financial watchdog BaFin, as well as the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). They all set out remarkably intricate regulatory landscapes which are designed to trip up banks, insurers, and other financial institutions if they are not on top of their game.

Moreover, these bureaus are not the only ones setting the regulatory standard, there are numerous up and down the UK and wider afield across the globe. Case in point, the Federal Communications Commission (FCC), who according to research from The True Cost of Compliance, managed to cost UK financial institutions £34.2bn

per annum, which works out at around £194m per bank. These remarkable, jaw-dropping figures are pushing organisations to adopt more effective compliance software, as cash is more often than not king.

Cost saving strategies in compliance

For banks and insurers, the push to save costs and balance the books is no different to any other company up and down the high street. These financial institutions are always looking to trim the fat on their treasure trove of funds, streamlining their operations and bettering their overall product.

The compliance sector has been outlined as a major opportunity to do so, with a wave of new innovative technology being brought into the sector. At the pinnacle of that, the automation of processes has found its way into the limelight as firm's look to cut costs. Thomas Suchy, Head of Product Management at ACTICO, explains how organisations can utilise the automation of compliance processes to cut costs. He said, "There are a couple of key factors that drive the reduction of compliance costs. Among them are digitalisation and automation of the processes. The target is to increase effectiveness by reducing manual work of compliance teams when clarifying suspicious cases and limiting human error."

This principle of limiting the prospect of human error is one that has been perpetuated in mainstream media too. [The Financial Times](#) reported that global fines for failing to prevent money laundering and other forms of FinCrime more than doubled in 2022, reinforcing the need for more capable compliance software.

For banks and insurers, crafting a uniform software which can be pliable and versatile is a remarkable opportunity for insurers. This standardisation adds to the system's efficiency, enabling rapid adaptation to its vulnerabilities. This will in turn reduce costs by minimising complex maintenance and customisations.

This proactive approach enhances agility and competitiveness in a dynamic financial landscape, fostering resilience against evolving technology challenges, as Suchy explains. "Another decisive factor for cost savings lies in using highly standardised software. This helps banks and insurers to easily roll out software updates and ensure a fast reaction to security issues.

"Flexibility is the key to success. The financial and insurance industry is subject to complex regulations. They often change as new threats emerge. This is why banks and insurers invest in software that offers them maximum flexibility to change processes themselves without having to wait for new releases of their software vendor," he added.

Enhancing effectiveness: Machine learning and AI?

As mentioned earlier, in the realm of compliance, flexibility is the cornerstone of success. In this modern world, the integration of dynamic software solutions into banks and insurers is now a pivotal aspect. Moreover, the ability to swiftly modify processes in response to shifting regulatory demands, without being reliant on external software updates, has become imperative.



ACTICO has made significant investments in developing the 'Next Generation ACTICO Compliance Solutions'.

Technologies, led by innovative players like ACTICO, empower these institutions to tailor and tweak their compliance strategies to adhere to stringent regulations while maintaining operational agility, with a clear drive to better their compliance protocols, down to the pressure that a technological revolution naturally causes.

Suchy stated, "Staff shortages in compliance departments and rising costs are ramping up the pressure on banks and insurers. One step they can take is to reduce false positives, also known as false alarms." Leveraging these advancements becomes vital as financial entities strive to balance compliance with operational agility.

With this in mind, machine learning and artificial intelligence (AI) have emerged as transformational forces, revolutionising compliance efficacy within these institutions. Suchy agreed, explaining its benefits for insurers and banks, "Machine learning – a component of artificial intelligence – analyses potential fraud, for example money laundering cases based on data knowledge.

"Supplemented by the knowledge and experience of compliance staff in the specific area, it is possible to identify anomalies with greater speed and efficiency. As a result, huge data volumes can be analysed more efficiently, suspicious patterns detected more easily, and potential risks identified at an early stage. In practice, banks are shrinking their workload by 50%, for example in payment screening."

The essence of machine learning lies in its ability to analyse extensive datasets and identify potential fraud, such as money laundering, by discerning complex patterns. When paired alongside a seasoned compliance professional, machine learning offers banks and insurers a key opportunity to improve their own processes, catching risks early, and therefore improving their own regulatory compliance.

However, while machine learning excels in detecting suspicious patterns when parameters are hazy, it's essential to complement

it with expert rules rooted in precise regulatory parameters. Banks employ these expert rules to automate compliance criteria, enabling the software to navigate clear-cut situations effectively. The synergy between machine learning and experts orchestrates a harmonious compliance framework where machine learning addresses ambiguous scenarios and expert rules navigate clearly defined parameters—culminating in a comprehensive and efficient compliance strategy, as Suchy explains.

"Machine learning is particularly good at identifying suspicious patterns and transactions when the parameters are unclear. But it can't solve every problem. That's why it has to be supplemented with expert rules that set precise parameters based on regulatory requirements. The banks' experts define their business rules, such as certain compliance criteria, and these are then automated via software. These two approaches go hand-in-glove: machine learning when the parameters are vague, and expert rules in clear-cut situations," he said.

How ACTICO is optimising compliance processes

Innovative RegTech firm ACTICO, stands among several compliance companies aiming to revolutionise the landscape for banks and insurers. As banks and insurers are driven by the shifting market conditions, propelling them toward partnering with companies who have offerings designed to meet the ever-involving challenges of the compliance landscape.

In recent years, the firm has put serious time and capital into advancing their own offering, preparing a relatively space-age compliance solution that is tailored to the needs of the modern financial institution after deeply analysing the pain points of the sector's incumbent.

Challenges such as a limited budget, the struggle to find experienced compliance professionals, and the necessity to implement advanced technologies, including AI were observed by Suchy as areas where difficulties were encountered, with ACTICO building their project, with addressing these needs in mind.

In the words of Suchy, "ACTICO has made significant investments in developing the 'Next Generation ACTICO Compliance Solutions'. They represent a modular package of solutions, for AML, customer screening, and payment screening. They come with a set of basic scenarios, as well as scope to create new scenarios and algorithms. The new software solutions address pain points of the financial and insurance industry such as cost efficiency, as well as the need for future-proof software based on the latest technologies, AI readiness, cloud-first approach."

This achievement has seen the ACTICO position itself as the perfect partner for banks, insurers, and other financial institutions who are desperately in need of a modernised and effective suite of compliance solutions. Whether it's AML, KYC, core banking, customer screening, payment screening or even capital market compliance, the German RegTech has you covered via its vast product.

Suchy re-emphasised the strength of his product in this area, stating, "Banks and insurance companies are now well-prepared for the future with these state-of-the-art technological standards. The compliance department and IT will achieve sustainable improvements in cost efficiency, user guidance, and overall operations."

With products like ACTICO on the market, it is no wonder why banks, insurers, and other financial institutions are now flocking to bolster their own compliance solutions, as they can now, aided by brilliantly sophisticated solutions, swim in these treacherous, shark-infested waters. ●