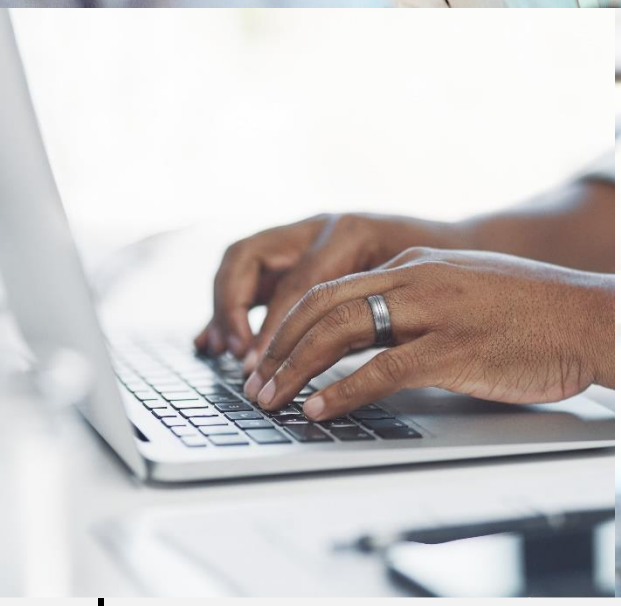

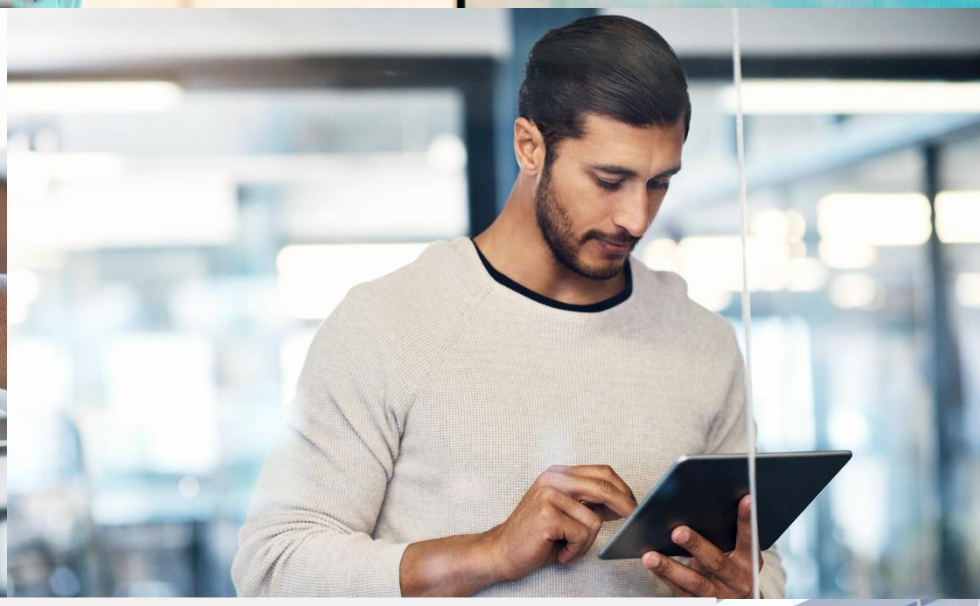

CEE Edition

EMEA AML Survey 2024

Spotlight on Effectivness

pwc

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Foreword by Damian Kalinowski, Liviu Chirita and Paweł Jaroszewicz

The CEE edition of the EMEA Anti-money laundering (AML) Survey shows that financial institutions in the CEE region benefit from the wealth of talent available to help organisations tackle financial crime.

This favourable situation likely stems from a high concentration of Global Business Service centres in the region, and serves as training grounds for professionals—equipping them with knowledge and expertise in AML and other compliance areas.

Many financial institutions in the CEE region are committed to adopting advanced technological infrastructure and most are willing to invest a significant portion of their budgets on new technologies. The data shows that CEE financial institutions are keen on integrating AI into their AML models at a much higher rate than certain regions in Western Europe.

Nevertheless, companies adopting AI need to assess and manage the wide array of risks new technologies might pose enterprise-wide—including any regulatory developments related to the use of AI.

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EMEA AML Survey 2024 – highlights

The Europe, Middle East, and Africa (EMEA) AML Survey 2024 highlights several key insights and challenges faced by financial institutions in the EMEA region concerning AML practices:

- The increase in regulatory pressure is a significant challenge and regulations can complicate operational processes.
- Perceptions of **effectiveness of current regulation are split among financial institutions**, with banks finding them less effective than payment institutions or asset managers.
- Within the European Union (EU), only **slightly more than half of respondents welcome the upcoming EU AML Package** and consider current regulations **sufficiently clear and fit for purpose.**
- More than half of respondents have seen their AML compliance costs rise by over 10% in the last two years, with banks reporting the largest contributors driven by hiring additional staff and investing in new digital tools.
- **For many financial institutions finding skilled staff is critical for effective AML compliance**, with the right people required to effectively carry out operations and implement new technologies. Upskilling is also likely to be a major investment driver in the coming years.

Read the report

The CEE edition of the EMEA AML Survey 2024 – key takeaways

Financial institutions in the Central Eastern Europe (CEE) region face similar challenges to those elsewhere in EMEA. Perhaps unsurprisingly, however, significant differences are also noted:

- EU respondents in the CEE region find the current and upcoming regulatory environment less effective than their counterparts in EMEA, primarily due to inconsistent standards and a lack of practical guidance. Both regions face similar AML challenges, such as regulatory pressure and operational complications. The EMEA region struggles more with staffing, whereas the CEE region faces difficulties in retaining talent due to growing remuneration pressure.

43%

of CEE based financial institutions consider current and upcoming AML rules effective

- CEE financial institutions, on the whole, consider staff upskilling less critical than those elsewhere in the EMEA region. This can be attributed to their experience in leveraging existing talent acquired through business process outsourcing and managed services.

- Transaction monitoring is perceived as the least effective AML control in the CEE region, suggesting a need for further development in this area. Transaction monitoring is, however, ranked as more effective by the majority of the EMEA region financial institutions, and remains a top investment priority in both the CEE region and EMEA as a whole.

30%

of CEE based financial institutions consider transaction monitoring as a priority investment over the next 24 months

The CEE edition of the EMEA AML Survey 2024 – key takeaways

Financial Institutions in the Central Eastern Europe (CEE) regions face similar challenges, however unsurprisingly significant differences are noted:

- The majority of CEE financial institutions reported increased AML compliance costs—influenced by inflation, salary hikes, and tech investments. The average increase in compliance costs was higher than the majority reported by EMEA financial institutions. CEE financial institutions plan to allocate a significant proportion of their budgets, over 10%, to new technologies.

- The Benelux, UK & Ireland and Germany, Austria and Switzerland (DACH) regions within the EMEA region are less willing to invest in new technologies.
  The survey suggests that technological investments are proving beneficial for CEE institutions, with fewer of them citing outdated systems as a barrier compared to EMEA averages.

91%

of CEE based financial institutions expect to invest in digital tools in the next 24 months

- The CEE region shows higher adoption rates of Know Your Customer (KYC) digital tools and artificial intelligence (AI) solutions. These tools are particularly used in transaction monitoring, screening, customer due diligence, and risk assessment, underscoring a strong commitment to leveraging advanced technologies for robust AML practices.

Divergence between CEE and EMEA regions

AML Regulations

Outlook on regulation

Financial institutions in the CEE region find current and upcoming AML rules largely unhelpful, with only 43% of respondents considering both of them fully effective. In contrast, institutions in the EMEA region exhibit more confidence in both current (56%) and upcoming (54%) regulations. More granular industry views in the CEE region show similar percentages: slightly less than 40% of banks believe that current and upcoming regulations are effective, while payment institutions are more optimistic, with 75% viewing both sets of regulations as effective.

The primary issue identified by CEE financial institutions in the current regulations is the lack of uniform standards across countries and industries (18%).

Regarding upcoming regulations, 25% of CEE respondents cite a lack of practical guidance as their biggest concern. Both CEE and EMEA regions agree that the main challenge posed by current rules is the lack of uniformity of standards. However, financial institutions in the EMEA region are less concerned about the lack of practical guidance for upcoming rules (12%) and continue to point to the lack of uniformity across countries and industries (19%) as the major issue for forthcoming regulations.

Divergence between CEE and EMEA regions

AML Regulations

AML Challenges

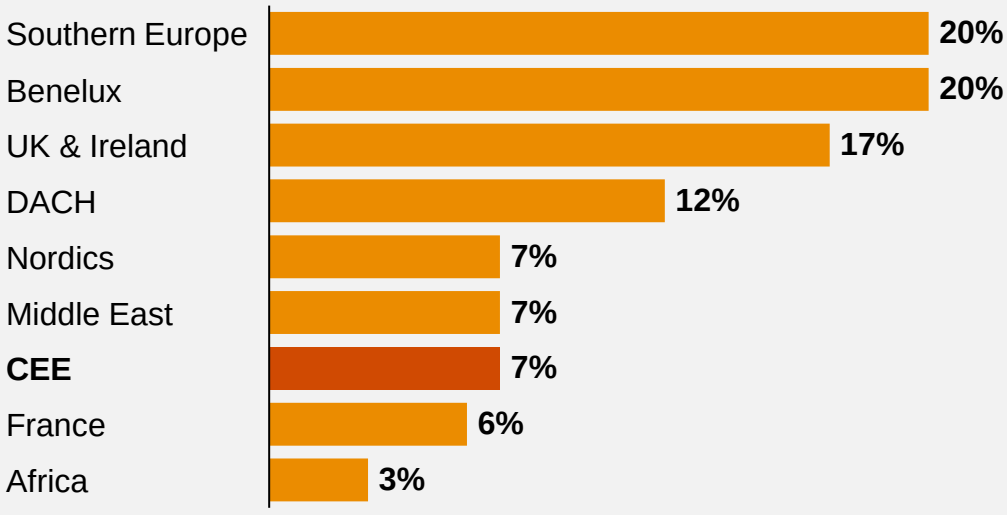
CEE responses on the principal AML challenges broadly align with those from the EMEA region as a whole. They both identify increased regulatory pressure (38% in CEE vs. 38% in EMEA), data management and quality (36% in CEE vs. 34% in EMEA) and regulations complicating operational processes (36% in CEE vs. 34% in EMEA) as the most challenging domains.

The most significant difference was observed in staffing challenges, which were not seen as a major issue in the CEE region, with only 7% identifying it as a problem, compared to the EMEA region where 24% of financial institutions cited staffing as a significant issue.

By industry breakdown, similar conclusions are reached with a very low percentage of CEE banks and no payment institutions reporting staffing challenges. Large portion of CEE and EMEA respondents expressed an interest in increasing staff levels (72% in EMEA vs. 67% in CEE). In contrast to EMEA region responses, CEE financial institutions do not plan to decrease staff levels. Interestingly, a higher percentage of CEE financial institutions (41%) identified 'salary package' as the primary obstacle to retaining AML and combating the financing of terrorism (CFT) talent compared to the EMEA region (31%).

This indicates that, although experts and specialists are available in the CEE market, there is a rising expectation for higher salaries. This pattern is being driven by rising inflation and the more general trend of salaries converging with Western European levels.

Exhibit 1: Respondents who state that recruiting skilled staff is one of the biggest challenges to AML – Regional breakdown



Source: EMEA AML Survey 2024

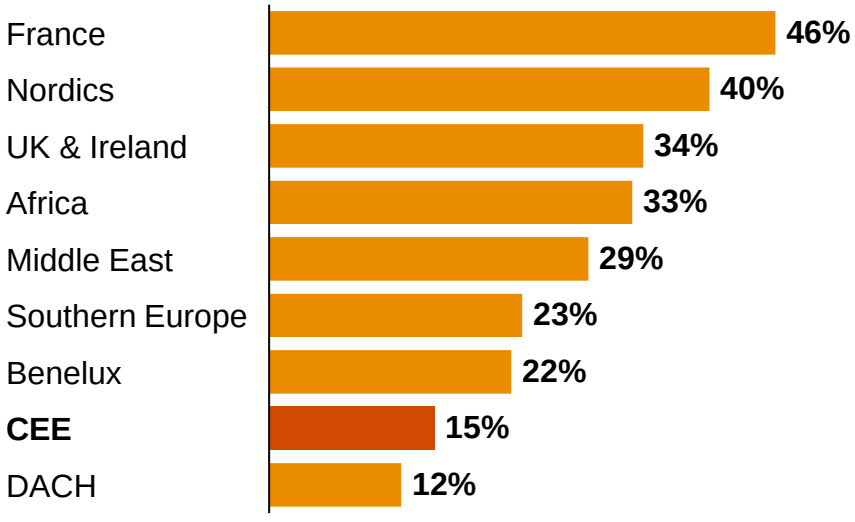
AML Operations

Effectiveness of AML controls

There are noticeable differences in how the CEE region perceives the effectiveness of their AML controls compared to Western Europe. In the EMEA region, upskilling is seen overall as the strongest AML control by the majority of respondents. Notable differences are reported in the DACH and CEE regions, where the lowest percentage of respondents ranked upskilling as the strongest AML control. Banks in the CEE region also consider upskilling one of the least effective controls, aligning with the views of banks in the EMEA region.

This difference can be attributed to the wider availability of highly-trained specialists and the historic presence of anti-financial crime business-process outsourcing centres in the CEE region. Over the years, these centres have trained a substantial number of staff in AML functions, reducing the need to prioritise upskilling compared to other regions. This established expertise is likely to have influenced CEE respondents to feel more confident in their existing skill levels, in doing so shifting their focus towards other areas of AML control.

Exhibit 2: Percentage of responders that rank 'Upskilling' as the strongest AML control – Regional breakdown



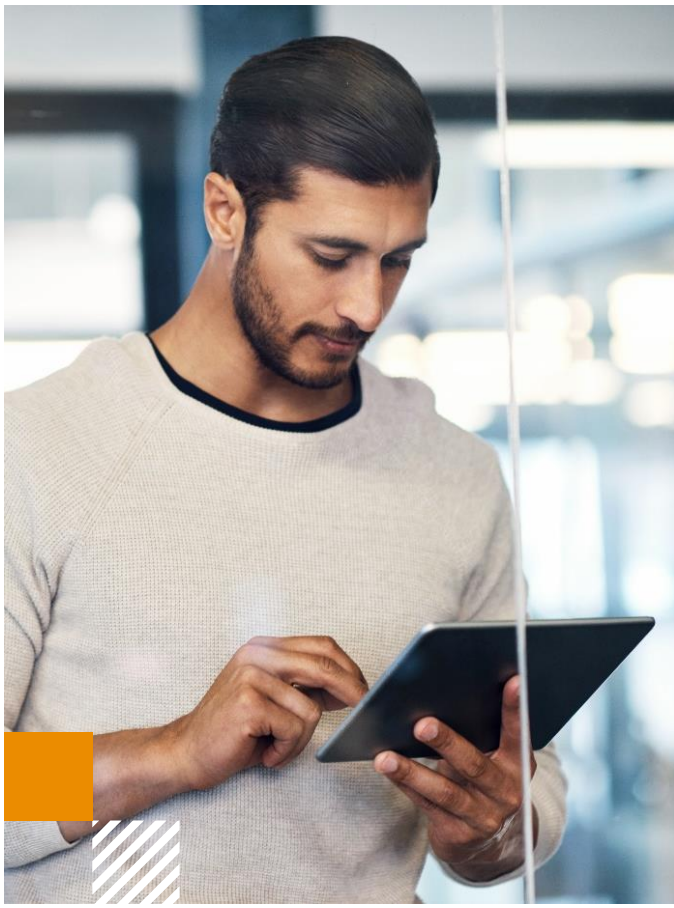
Source: EMEA AML Survey 2024

Divergence between CEE and EMEA regions

AML Operations

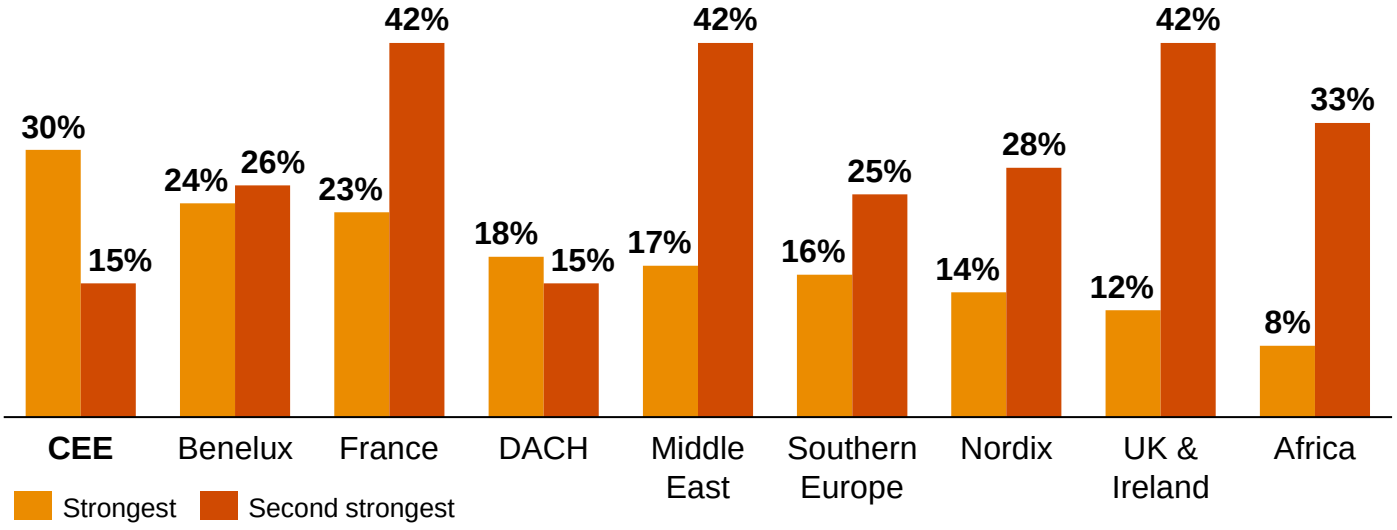
Effectiveness of AML controls

The second strongest AML control indicated by the majority of regions in EMEA is screening. The CEE region differs from much of Western Europe, with 30% of CEE respondents ranking screening as the strongest AML control and 15% citing it as the second strongest AML control.



This emphasis on screening can be attributed to the significant investments made by CEE financial institutions in screening tools since the beginning of the war in Ukraine. The conflict led to the imposition of multiple sanctions lists, and in doing so necessitating the strengthening of screening tools to ensure compliance. The effectiveness of these investments is reflected in only 8% of CEE respondents (compared to 12% in EMEA) identified the quality of screening tools as their biggest AML/CTF challenge. This indicates that the enhanced screening capabilities have mitigated concerns about their adequacy, allowing CEE institutions to view screening as a robust element of their AML controls.

Exhibit 3: How responders rank the effecitiveness of 'Screening' as an AML control – Regional breakdown



Source: EMEA AML Survey 2024

Divergence between CEE and EMEA regions

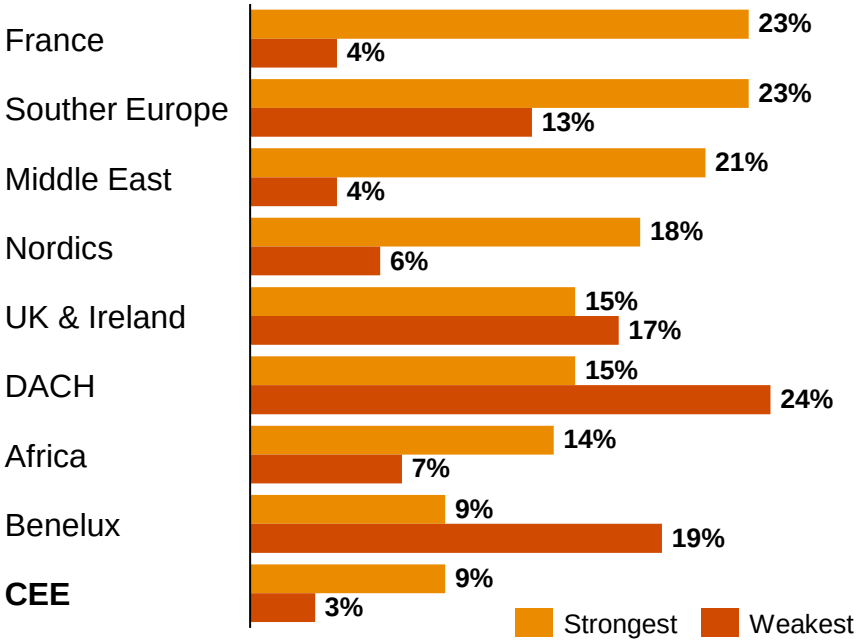
AML Operations

The ranking of transaction monitoring as an AML control highlights another notable difference between Western regions and CEE respondents. With the exception of the Benelux region, the effectiveness of transaction monitoring was ranked lowest by the CEE respondents compared to other EMEA regions. Only 9% of respondents in CEE ranked transaction Monitoring as the strongest AML control.

This indicates that transaction monitoring is still in the development phase, as 30% of CEE respondents (the highest percentage of all EMEA regions) cited it as a priority investment over the next 24 months.

This suggests growing awareness of the need to improve detection and reporting capabilities.

Exhibit 4: How respondents ranked the effectiveness of 'Transaction Monitoring' as an AML control



Cost changes

Over 80% of financial institutions based in CEE experienced cost increases in AML compliance. The average cost increase in the CEE region (16%) is among the highest in Europe. Similar to the rest of the EMEA region, banks in the CEE region have seen the highest increases in costs. This may be due to high inflation rates in the region following the COVID-19 pandemic, the effects of the war in Ukraine and salary increases and investments in technology.

Table 1: Changes in costs – Regional breakdown

Respondent region	Changes in costs
Africa	21,00%
CEE	16,00%
Benelux	16,00%
UK & Ireland	15,00%
DACH	14,00%
Middle East	14,00%
France	12,00%
Southern Europe	11,00%
Nordics	9,00%

Source: EMEA AML Survey 2024

Divergence between CEE and EMEA regions

AML Operations

Investment priorities

The CEE region aligns with Western Europe in treating transaction monitoring as the key AML/CFT topic for investment in the next 24 months. This heightened focus is driven by an understanding that strong transaction monitoring systems are crucial for meeting regulatory standards and enhancing the effectiveness of AML controls.

Additionally, technological advancements, such as artificial Intelligence (AI), are expected to significantly improve transaction monitoring, making it a top priority for investment. On the other hand, CEE respondents are among the least likely to consider investments in process streamlining and review, with only 6% indicating this as a priority. This contrasts with the DACH and Benelux regions, where 22% and 21% of respondents prioritise this investment, suggesting a stronger focus on efficiency in those areas.

Exhibit 5a: Respondents who selected 'transaction monitoring' as a priority investment over the next 24 months – Regional breakdown

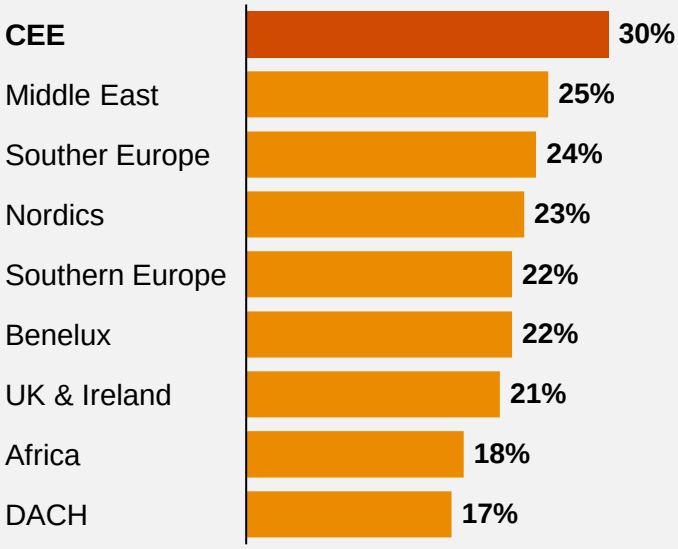
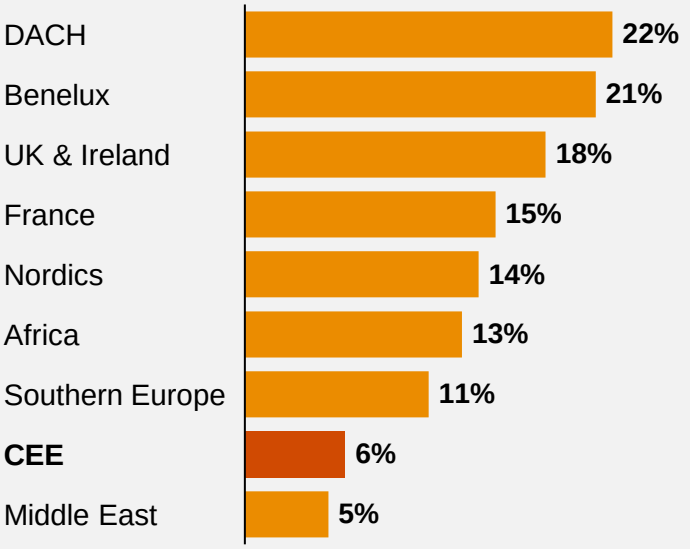


Exhibit 5b: Respondents who selected 'process streamline and review' as a priority investment over the next 24 months – Regional breakdown



Source: EMEA AML Survey 2024

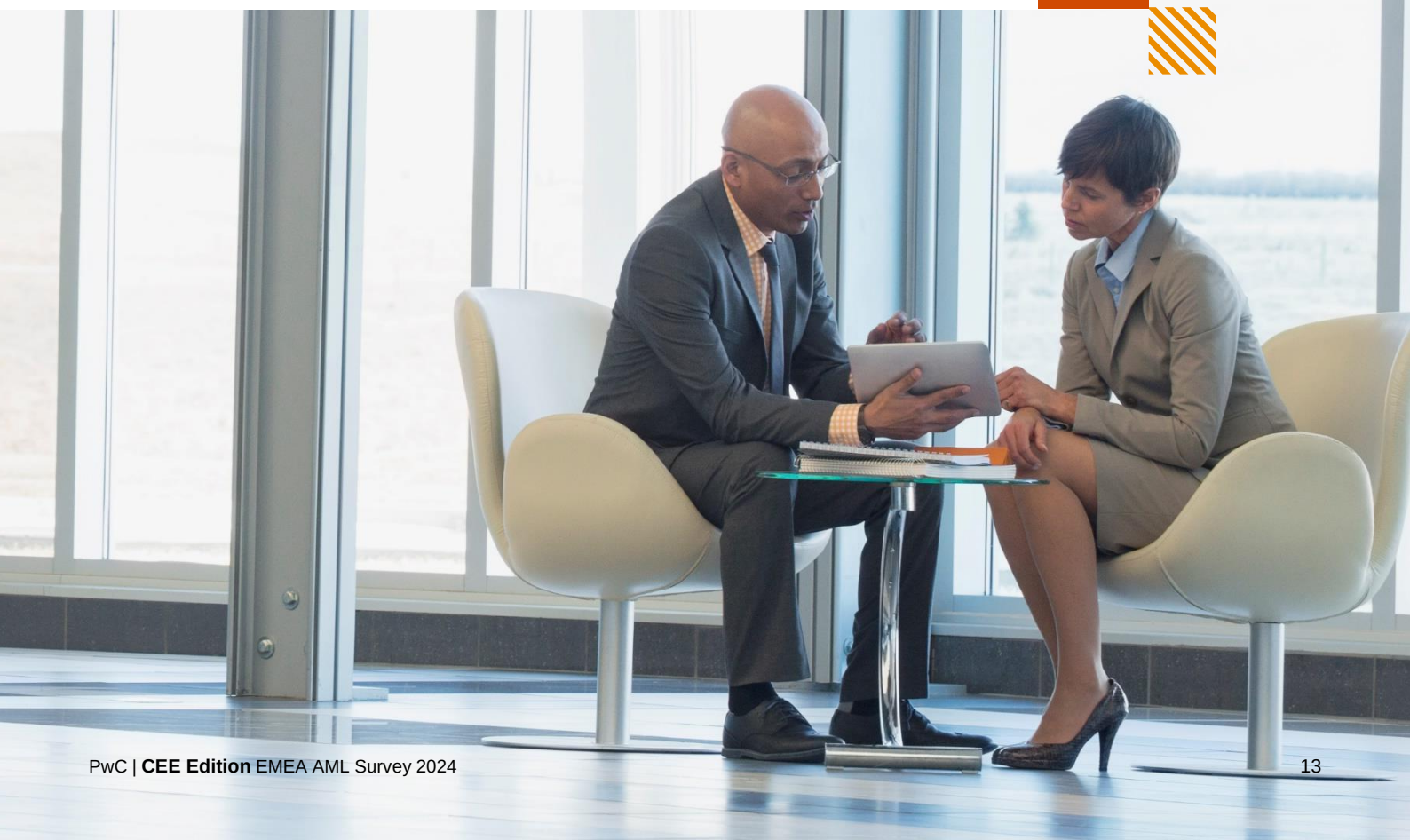
Divergence between CEE and EMEA regions

AML Operations

Investment priorities

This lower prioritisation may reflect an immediate focus on addressing critical AML challenges, such as transaction monitoring, rather than on improving efficiency and processes. Alternatively, it could also indicate that the CEE region has already made significant progress in this area—and no longer sees it as a weakness requiring attention. Looking at the industry breakdown similar conclusions are reached with banks in the CEE region as well as in the EMEA region focusing on investments in transaction monitoring and customer due diligence/onboarding and banks in the CEE region putting less emphasis on process streamline and review.

The primary drivers of AML investments in the CEE region are similar to those in Western Europe. Among CEE-based respondents, 39% cite "increasing the effectiveness of compliance controls" as the key driver behind their investments. Notably, improving business processes and customer experience is the second most cited driver, accounting for 23% of responses. Interestingly, changes in regulatory requirements were indicated by almost a quarter of respondents (23%) in the CEE region, compared to only 13% in Western Europe.



Divergence between CEE and EMEA regions

Technology

Technological investments

The majority of financial institutions in the CEE region show strong willingness to invest in newer technologies, with over 91% expecting to make such investments within the next 24 months and with 73% allocating over 10% of their budgets to these technological advancements.

Looking at the industry split, there are no significant differences, with both banks and payment institutions generally willing to make technological investments. This proactive approach to investment highlights the CEE region's commitment to staying at the forefront of financial technology and ensuring robust AML practices. In contrast, the EMEA region as a whole shows a split on technology investments, with established financial centres like DACH, Benelux, and the UK & Ireland being more reluctant to invest in technology. On the other hand, France, Southern Europe and the Nordics are more willing to invest. In the EMEA region as a whole, banks are the most willing to invest 10% or more of their budget in digital tools.

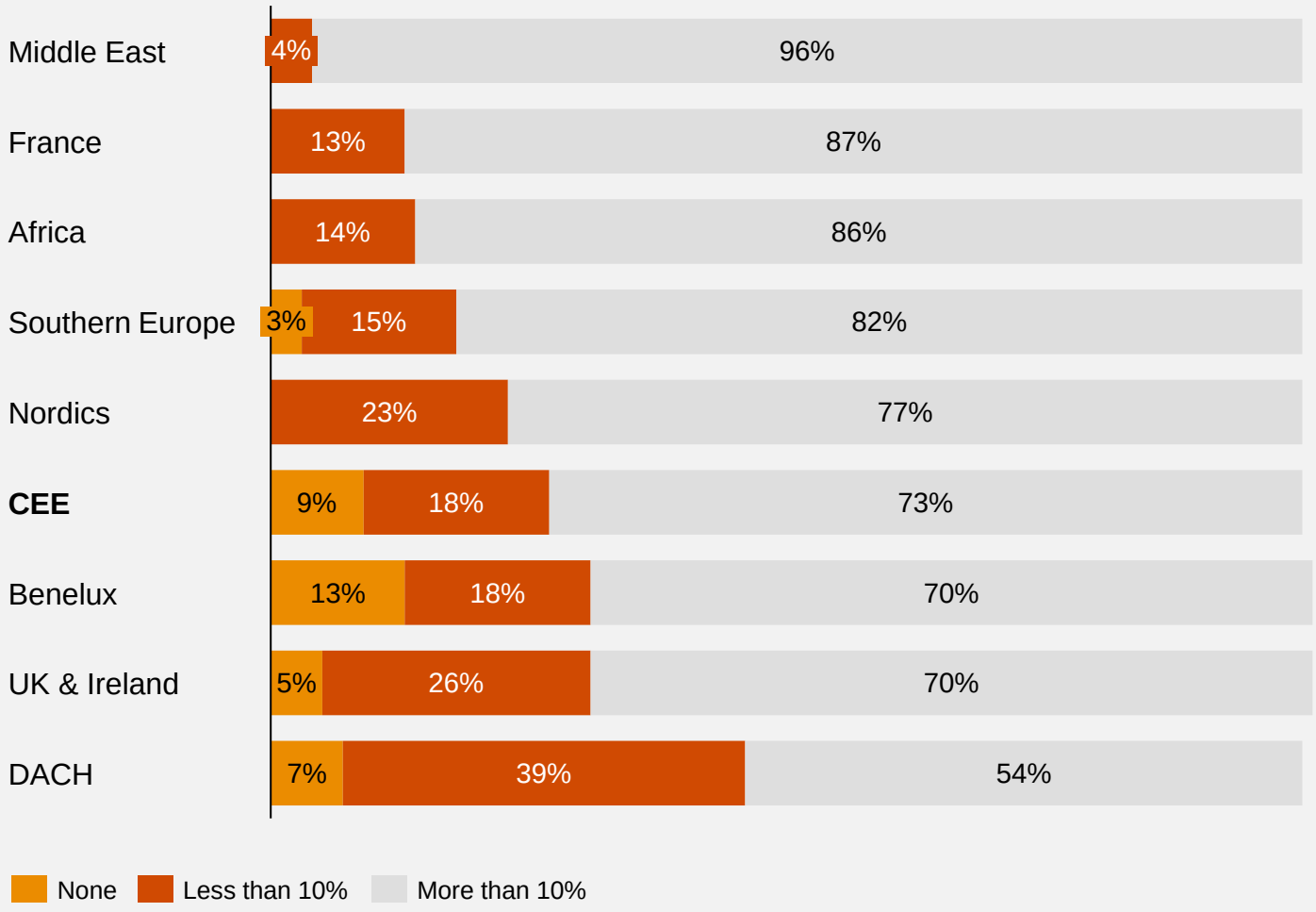
Divergence between CEE and EMEA regions

Technology

Technological investments

Investments in current technologies made by firms in the CEE region are already yielding positive results. Only 8% of CEE financial institutions cite 'outdated systems' as a barrier to implementing new digital tools. This compares with 13%, or more depending on the region, of financial institutions in other EMEA regions. On average 35% of financial institutions in the entire EMEA region indicate ‘outdated systems’ as a barrier to adopting new technologies. A similar percentage of EMEA region respondents also cited the lack of skilled resources, which is not seen as an issue for CEE region respondents.

Exhibit 6: What percentage of your AML budget do you expect you will invest in digital tools in the next 24 months? – Regional breakdown



Note: Percentages may not add up to 100% due to rounding.

Source: EMEA AML Survey 2024

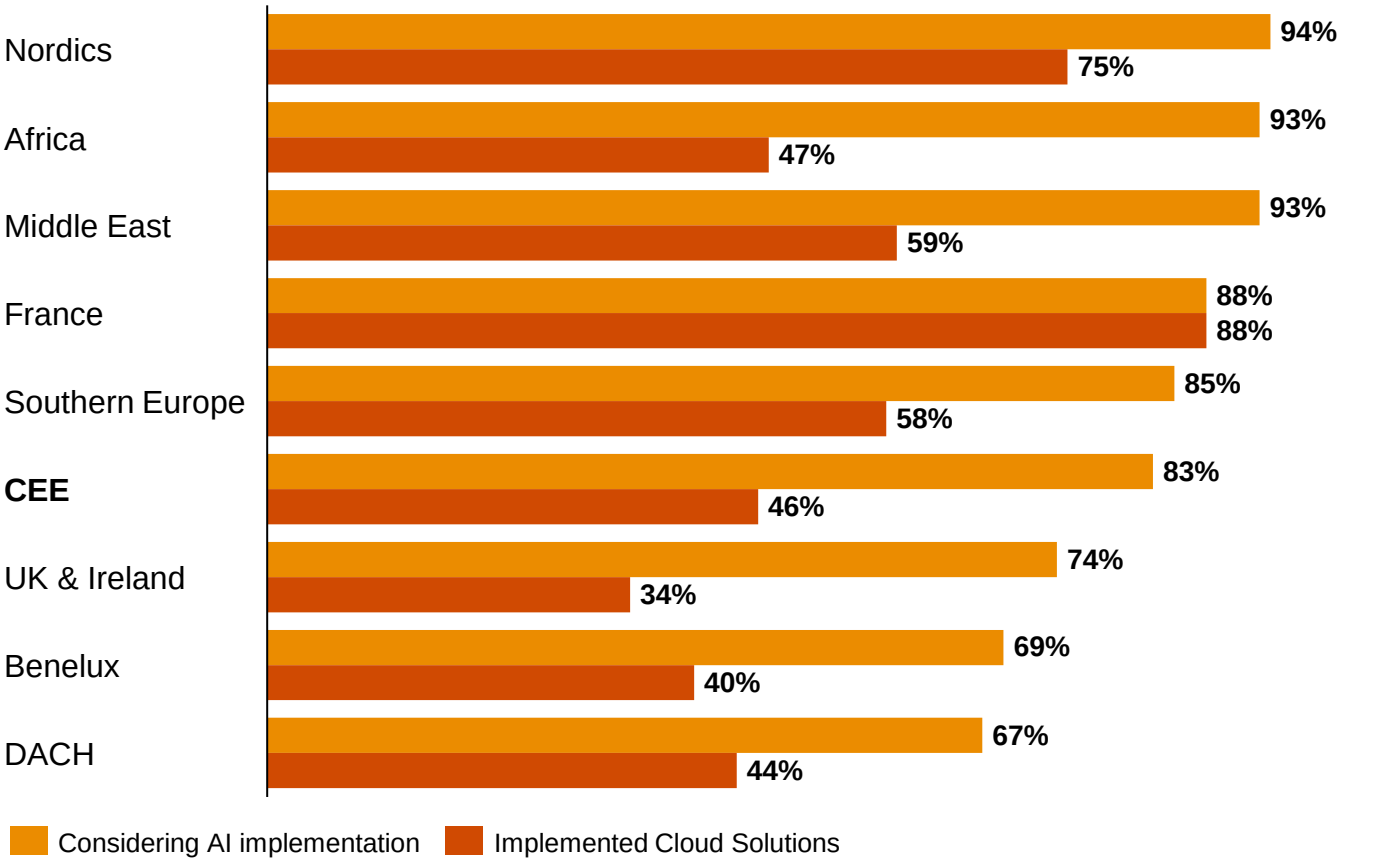
Divergence between CEE and EMEA regions

Technology

Artificial intelligence solutions

A higher percentage of financial institutions in the CEE region (83%) are considering implementing AI solutions compared to many Western Europe regions, such as UK & Ireland (74%), Benelux (69%) or DACH (44%). Similar to other EMEA regions, CEE financial institutions plan to implement AI in transaction monitoring, screening, customer due diligence, and customer risk assessment. This trend highlights the CEE region's proactive approach and openness to adopting advanced technological innovations to enhance financial operations.

Exhibit 8: Current implementation of Cloud solutions and planned implementation of AI solutions



Source: EMEA AML Survey 2024

About the Survey

The CEE Edition of the EMEA AML Survey 2024

This survey is based on the EMEA AML Survey 2024, published in April 2024, and covers responses from financial institutions based in the CEE region. In the CEE region we have a presence in 53 offices across 27 countries.

A total of 39 financial institutions from the CEE region participated in the survey, representing 10% of all EMEA respondents. Among these CEE respondents, 88% were banks, and 12% were payment institutions, with 77% of the respondents being based in the European Union.

Read the report

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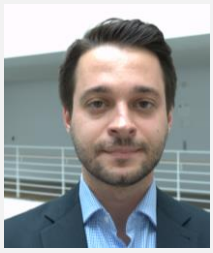

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