# Anti-money laundering (AML) transaction monitoring

2024 survey report

**November 2024**

The better the question.
The better the answer.
The better the world works.

EY

Shape the future with confidence

# Foreword

**The EY AML Transaction Monitoring Survey is a collaborative milestone, reflecting our industry's unwavering commitment to innovation and excellence in combating financial crime.**

As we conclude the comprehensive EY 2024 Transaction Monitoring Survey, I am delighted to present an overview that encapsulates the collective insights and advancements made in transaction monitoring (TM). This survey represents the collected efforts of industry leaders driving more effective and efficient anti-money laundering (AML) practices.

The 2024 survey examines the ongoing evolution of AML transaction monitoring. Unlike previous surveys that focused on true positive rates, rule libraries, detection techniques and optimization methods, this one assesses key drivers and challenges in transforming AML monitoring capabilities. It also explores the impact of emerging techniques in identifying suspicious activity. Hybrid detection approaches emerge as a notable concept in this context.

Future surveys will explore the ongoing impact of artificial intelligence (AI), including the potential of generative AI (GenAI). They'll also examine the convergence of AML, TM, KYC and screening processes, aiming to share more signals and data for improved decision-making.

I sincerely thank all contributors for their valuable input and active participation in this AML TM survey. Our working group's collaborative spirit is crucial for innovation and progress in combating financial crime.

**Patrick Craig**
Partner, Ernst & Young LLP (EY)

# Contents



**About the survey**

The 2024 survey was conducted using a series of interviews between October 2023 and May 2024.. The EY survey team interviewed UK-based representatives from banks from across the globe based in the UK, Europe, North America and Asia.

This summary brief, which presents highlights from the survey, was produced by the EY UK Financial Crime & Forensics team.


Patrick Craig, Partner (pcraig@uk.ey.com)

Matthew Reed, Director (mreed@uk.ey.com)

John Davidson, Director (john.davidson1@uk.ey.com)

Swapnil Jose, Senior Manager (swapnil.jose1@uk.ey.com)

Rohit Dhargalkar, Manager (rohit.dhargalkar@uk.ey.com)

Deepansha Rathee, Manager (deepansha2@uk.ey.com)

# Executive summary

## Our third survey on automated transaction monitoring reveals ongoing industry-wide transformation.

Our previous survey in 2018 concluded that while most institutions were advancing their monitoring capabilities, there remained challenges in effectiveness and variable maturity levels.[1] In our latest survey, we observe further progress yet similar challenges as institutions respond to the global regulatory landscape and evolve their ability to combat financial crime.

Monitoring functions are becoming more complex as they manage targeted regulatory demands, increased analytical capabilities and assorted requests to transform quickly. However, the investment driving this transformation is not commensurate with the improvements that should be anticipated. Effectiveness, at least by its de facto measure, is not improving significantly.

This summary report is divided into three interlinked themes (summarized below) that have permeated our survey: diversity in change drivers, frustration at the speed of change and emerging detection areas.

### Diversity in change drivers

- Diverse drivers have led to varied monitoring initiatives, with regulatory compliance and third-party reviews heavily influencing priorities. Over 80% of institutions cited regulatory-instigated changes in the past two years.
- Looking forward, there is a shift away from regulatory-driven change to institutions increasingly focusing on their own efficiency and effectiveness.

### Frustration at the speed of change

- Frustration persists due to the slow execution pace, often associated with underestimating data integration needed for effective monitoring. Almost 65% of institutions referenced data quality as an execution challenge.
- Using lightweight governance frameworks during rapid development and investing in the right skills and capabilities has produced positive results.

---

1 *Anti-money laundering (AML) transaction monitoring 2018 survey report*, EY website, https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/emeia-financial-services/ey-anti-money-laundering-aml-transaction-monitoring.pdf

# Executive summary

## Emerging areas of detection

- Machine learning (ML) and other advanced methods continue to enhance existing monitoring or create new detection mechanisms, but rules-based detection remains dominant. Some 43% of institutions use ML approaches in detection mechanisms.
- New detection methods show both promise and disappointment, emphasizing the need for appropriate techniques to target specific risks.

In conclusion, we believe there are two main considerations for institutions based on the survey:

1. The application of mass, automated monitoring is overextended. Institutions need to be more selective in applying suitable techniques and be prepared to adapt or retire controls that aren't performing proactively.
2. An effective monitoring environment requires a range of detection and discovery capabilities. Institutions have experienced success applying highly targeted analytical approaches supported by investigator expertise and acting upon developed intelligence.

These considerations contribute to our belief that there is an increasing trend of using a deeper understanding of customer behavior for monitoring. This will catalyze the often-discussed topic of convergence between monitoring and other financial crime risk management processes, contributing to a more streamlined controls environment.

A final point on a trending topic — GenAI. Although we did not observe much in the way of implementation, there was frequent discussion of use cases and early plans. The areas of investigation, quality assurance and narrative support were frequently discussed, with a clear efficiency-driven business case.

We look forward to seeing the results of the subsequent wave of transformation in our next survey.

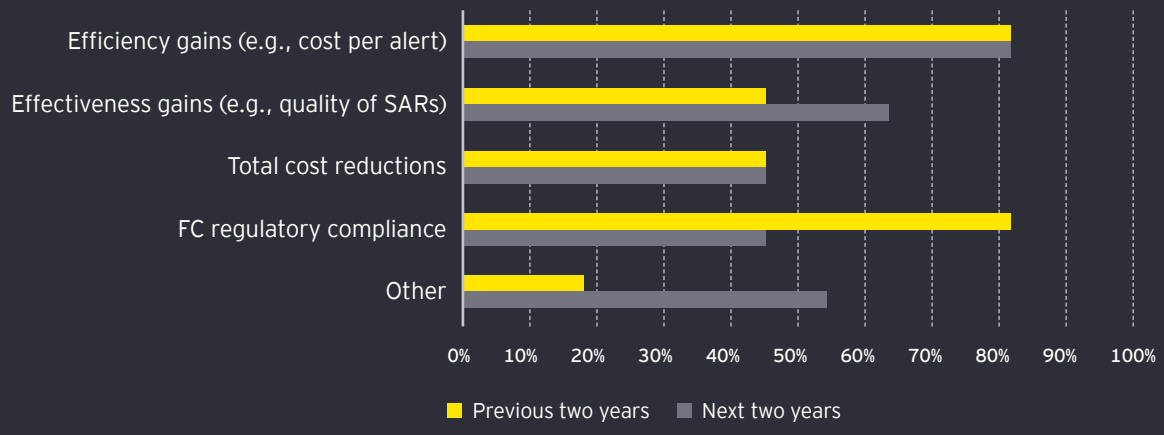
# Diversity in change drivers

**Diverse change drivers in monitoring are leading to diverse change initiatives. Many established initiatives are working well and delivering benefits, but new initiatives are experiencing friction.**

Recent initiatives have been heavily influenced by regulatory requests and are varied, stemming from third-party reviews and a regulatory focus on assuring coverage and configuration of monitoring solutions. Future change drivers are similarly diverse, with institutions continuing to adopt new detection techniques, improve coverage and incorporate better integration between solutions.

Many of the responses to these change drivers have involved extending established or mature initiatives. For example, all institutions have either recently undertaken or plan to undertake optimization of their monitoring solutions. This is predominantly conducted in the form of threshold tuning or segmentation activities, with the satisfaction of these initiatives relatively positive.

Figure 1: Recent and future anticipated change drivers

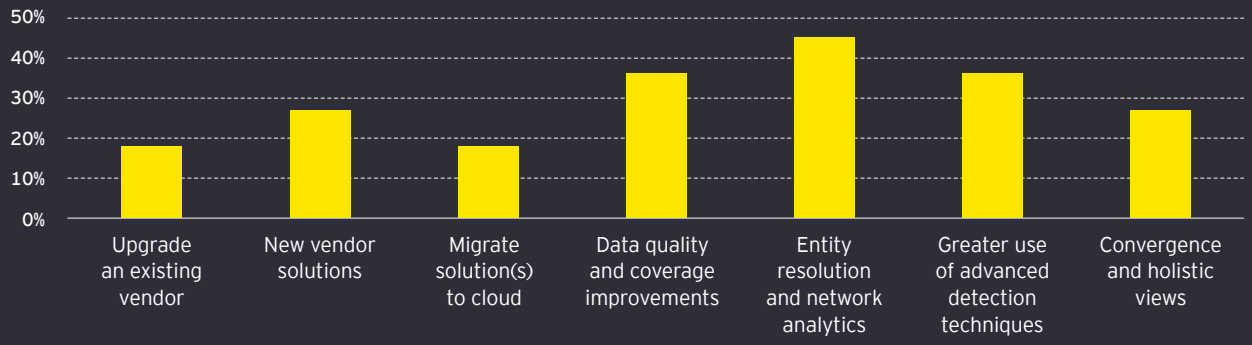


## Diversity in change drivers

In this environment of change, the core use of primary monitoring vendors remains consistent. Over 80% of them use one of three major monitoring vendors, this trend is set to continue with over half planning to upgrade their vendor solutions soon and nearly 40% having recently upgraded in the past two years.

Several institutions are implementing innovative solutions; however, these are experiencing friction, causing delays in delivery timeframes and, subsequently, higher costs. The source of this friction is varied but frequently linked to unforeseen data complexity and extensive governance requirements when applying advanced analytics approaches, for example.

Figure 2: Priority improvements planned to address change drivers




Many newly implemented solutions involve new vendors, supporting initiatives across the end-to-end monitoring process. Here, we see new detection techniques, prioritization and decoration of alerts from legacy controls and enhancements to investigation processes. In addition, a steady stream of institutions is migrating solutions and data to the cloud.

With institutions managing a more complex transformation agenda, we consequently see a more complicated technology landscape to support and maintain. However, this landscape is more consistently configured and maintained with common methods uniformly applied across institutions.

# Frustration at the speed of change

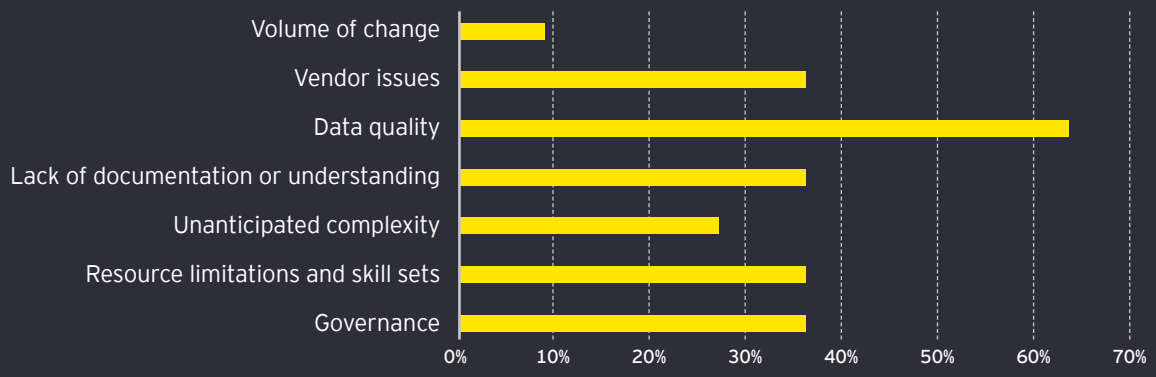
## There's frustration at the speed of change, heavily impacted by data issues.

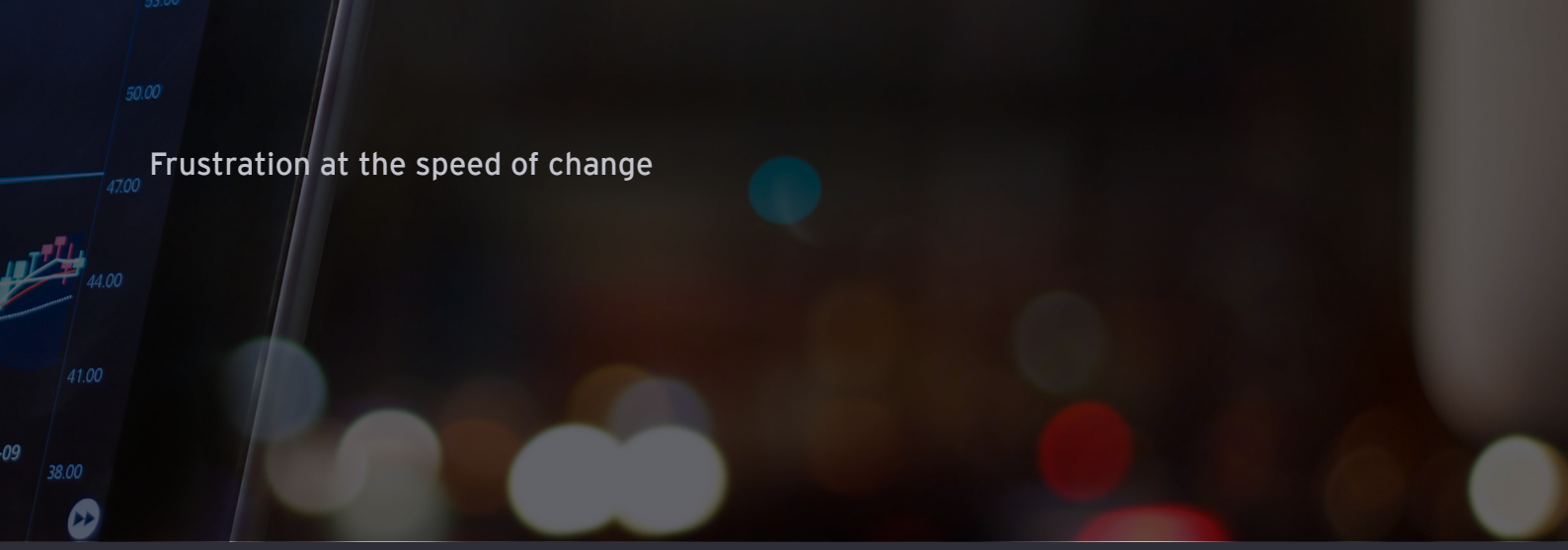
The transformation agenda in the transaction monitoring domain continues to be challenged by the execution speed. Many initiatives suffer from underestimating the significant data integration activities required to deliver effective monitoring.

The reasons for these underlying data issues vary. We observe many instances of a limited understanding of legacy data, particularly the transformations and mappings used to organize source data into monitoring solutions. In addition, the perennial issue of data quality, when applied to analytical processes, frequently arose.

While neither of these reasons is particularly unique to the domain, they are exacerbated by the significant number of source data systems and the orchestration of this data into novel detection mechanisms increasingly being applied.

Figure 3: Which challenges prevented better outcomes?





## Frustration at the speed of change

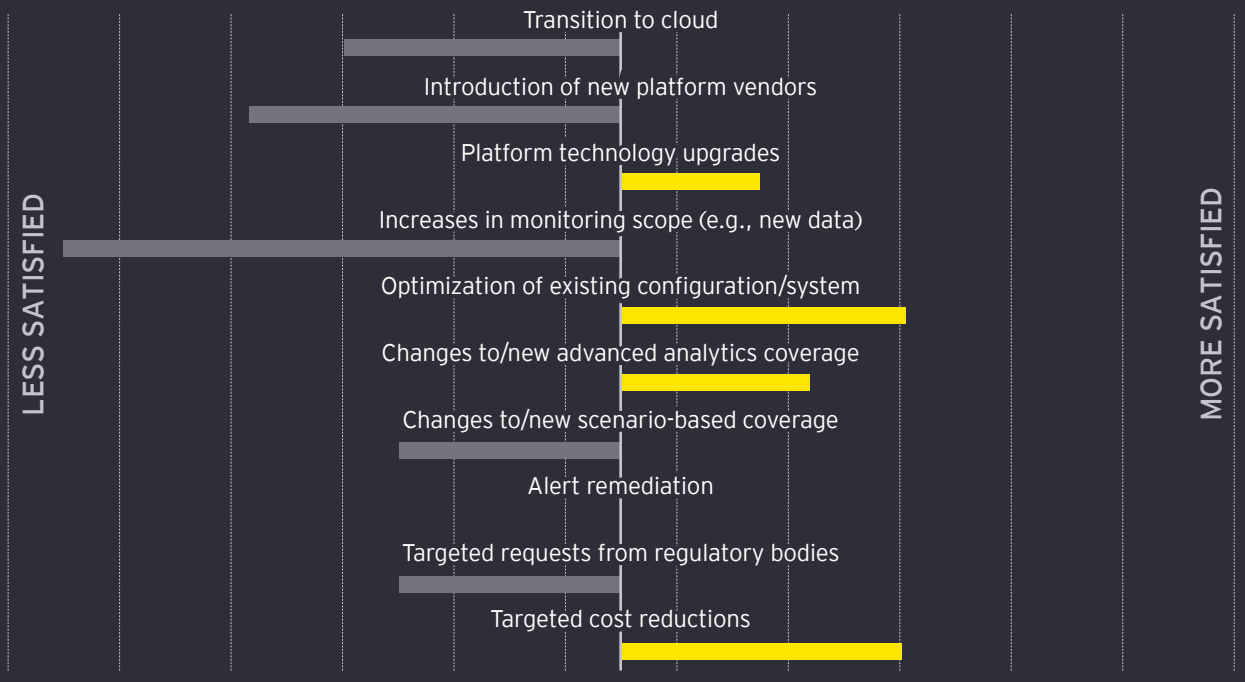
Other referenced challenges highlighted a common set of obstacles facing organizations, specifically:

- **Resource limitations and skill sets** – while domain knowledge was broadly recognized to be improving, many cited limited access to solution specialists with key person dependencies prevalent.
- **Governance** – extensive and rigid model risk management frameworks were frequently cited as a hindrance to change.
- **Vendor issues** – new vendors are often slow to onboard, while established vendors' technical debt frequently impacts upgrade paths.

The industry is in flux, incorporating the additional demands to implement new techniques and coverage while still facing ongoing cost challenges.

We observe that those who have invested in their data programs are reaping benefits. However, these gains have been costly and slow to arrive. Additionally, using lightweight governance frameworks during rapid development and ongoing investment in assembling the right skills and capabilities has yielded positive results.

Figure 4: How satisfied are you with the changes that you've made?



# Emerging areas of detection

## New detection areas are emerging, particularly the application of advanced analytics and in-house development.

Advanced analytics techniques (including ML) have been evolving for some time in the domain using a mixture of in-house development and vendor technologies. These techniques continue to see increasing application as both detection mechanisms and in augmentation of existing alerts, for example, to enhance investigation or prioritize (score) output.

The emergence of GenAI has yet to directly impact detection techniques, but it has improved investigation and quality control processes by automating unstructured free text found in customer documents and case notes.

So far, there hasn't been an extensive impact on the dominance of rules-based detection for primary monitoring. Although transformation is happening, it will likely be gradual for most as they contend with common transformation challenges.

Outside conventional deposit account monitoring, there have been efforts to apply techniques such as network analytics to product areas where data sets are potentially richer and more connected, such as capital markets, trade finance and correspondent banking.

Many institutions deploying such advanced techniques acknowledge improvements in results but recognize this is not a panacea. Most are still grappling with maintenance requirements and explainability demands from assurance and compliance testing functions.

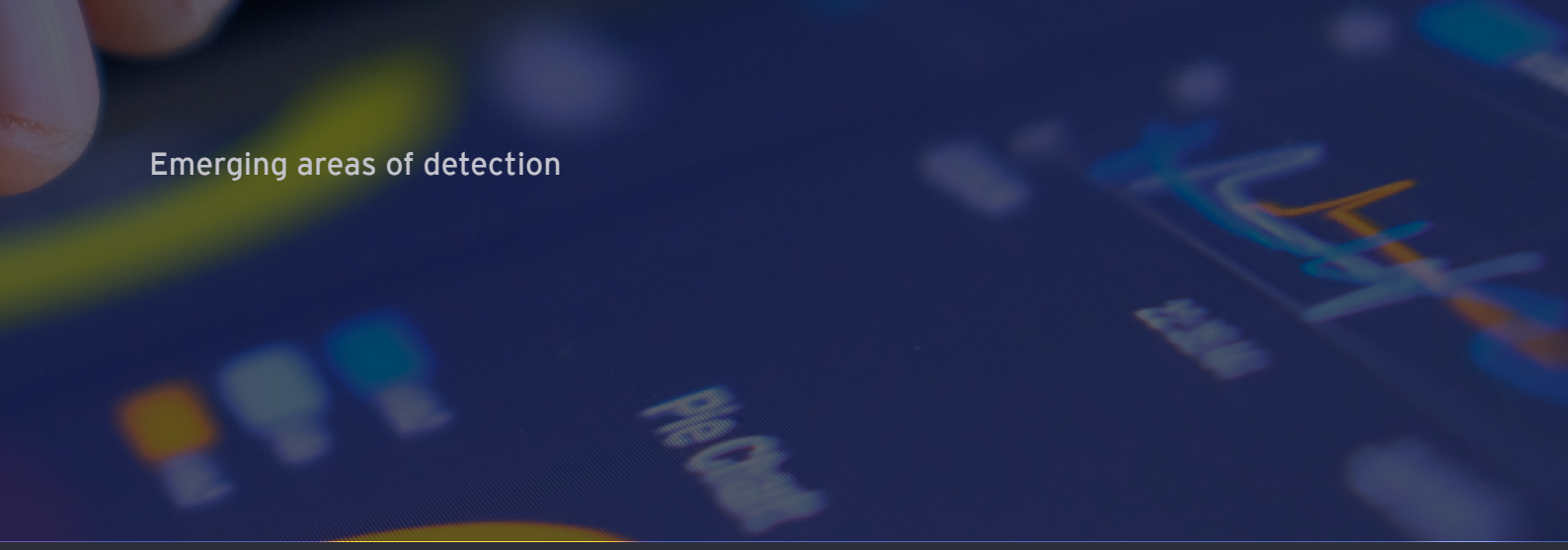
---

86%

**are users of supplementary monitoring solutions in addition to their primary monitoring solution.**

43%

**are users of network analytics approaches in detection.**



## Emerging areas of detection

Almost a third (29%) of institutions use in-house solutions across primary and supplementary monitoring and investigations.

The use of in-house development for solutions is established in the domain, but interest in further development of this type is high. Forty-three per cent of institutions use in-house-developed solutions in their monitoring estate. This has resulted from established internal analytics capabilities and the inclination to simplify increasingly complex technology landscapes, particularly with larger institutions.

Emerging areas of detection have generated both promise and disappointment. What is clear is the importance of selecting an appropriate technique to identify the targeted risk.

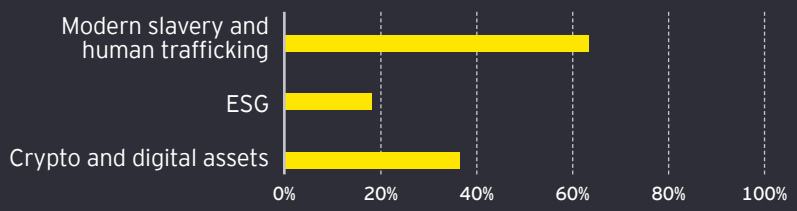
While there is anticipation that the application of rules-based approaches will reduce, there is currently excessive reliance on this type of monitoring to provide coverage of conventional and expansive financial crime risks.

Where results have been most positive, detection mechanisms can be crafted to identify risks that are clear, well-defined and have generally manifested for the institution. In this instance, a specific and evident requirement from developed intelligence exists.

**73%**

**have developed targeted controls for complex, emerging typologies.**

Figure 5: Do you monitor or plan to monitor these typologies?



# Conclusions: 'right-fit' considerations for institutions

There is growing recognition that the use of automated monitoring is overextended. An ongoing cycle of coverage reviews has led to increased automated controls, generating more alerts. The failure to phase out nonperforming controls contributes to this, resulting in unwieldy solutions for many. The survey's conclusions are not isolated but have been highlighted by at least one other recent publication, where other broader issues, such as measuring effectiveness, are also raised.[1]

Looking forward, the survey identified several important examples of evolving practices that are helping institutions create a leaner and more targeted monitoring landscape.

Firstly, as institutions continue to move away from large-scale legacy rule sets, they can use this opportunity to select more appropriate controls to manage risk. Automated controls can now be developed using a broad range of analytical techniques, offering a bigger and better toolbox. Additionally, these controls can be transient where necessary, with nonperforming or no longer relevant controls removed or superseded where the risk evolves or moves outside of appetite.

Secondly, there is an opportunity for institutions to better align practices for targeted control development and execution. Many of our interviews highlighted institutions' successes in this area, sometimes referred to as spearfishing. This approach is unique because it targets relatively precise and well-defined risks. These controls are commonly the product of intelligence development using internal and external sources and advanced analytics capabilities in coordination with experienced investigation teams.

The result is a set of controls that are not fully automated yet, which is not what would commonly be recognized as manual controls. They are rather a hybrid, driven by direct threats to the institution.

---

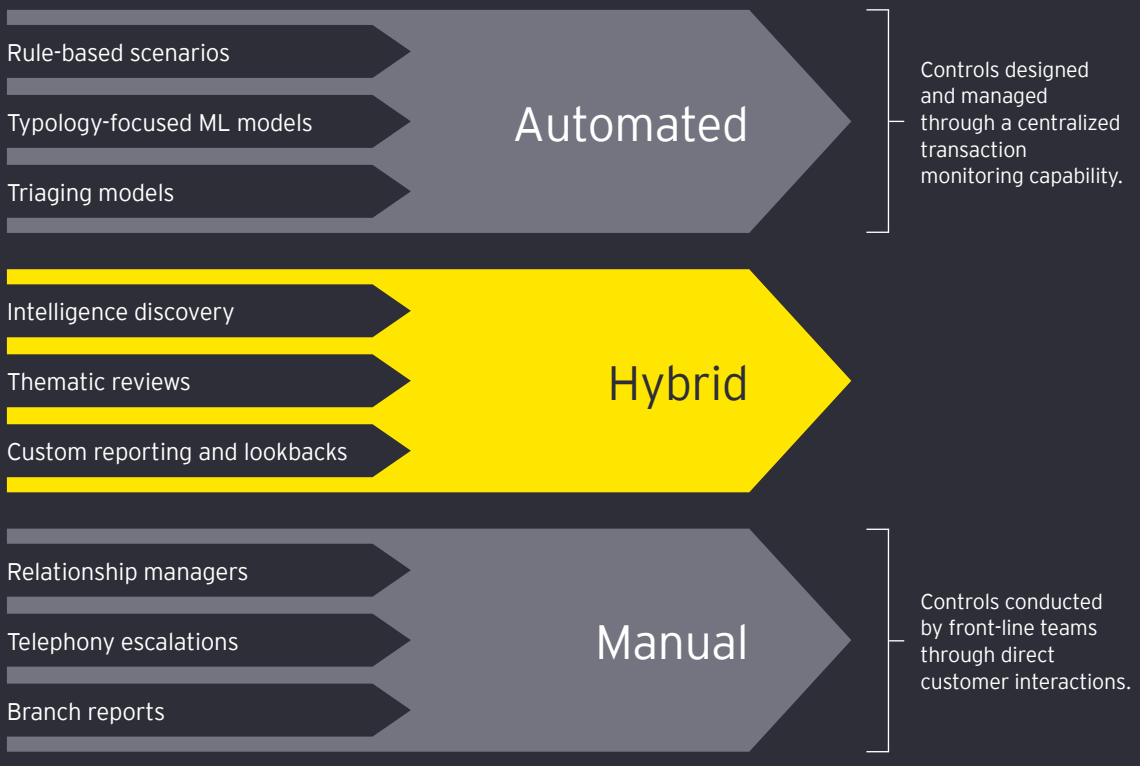
[1] *The Wolfsberg Group Statement on Effective Monitoring for Suspicious Activity*, Wolfsberg, https://db.wolfsberg-group.org/assets/e3d83d2f-fad9-46d2-b5a9-3cf4e932f53f/Wolfsberg%20Group%20Statement%20on%20Effective%20Monitoring%20for%20Suspicious%20Activity.pdf

## Conclusions: 'right-fit' considerations for institutions

The diagram below identifies three sources of monitoring controls: traditional manual controls located at points of customer interaction channels, an extended group of automated controls located on primary and additional monitoring solutions, and a third set of hybrid controls targeting specific threats.

What is clear is that an effective monitoring capability cannot solely focus on rules-based, automated monitoring controls. With more analytics and greater options, institutions can be more selective about how they best manage risk with automated controls. Further, the proliferation of hybrid approaches should provide institutions with alternatives to increasing the burden on investigation teams and their size.

Figure 6: Three sources of controls identifying financial crime risk



# Contacts


**Patrick Craig**
**Partner**
Financial Crime and Forensics
Ernst & Young LLP
+44 20 7951 2029
**pcraig@uk.ey.com**

**Matthew Reed**
**Director**
Financial Crime and Forensics
Ernst & Young LLP
+44 20 7951 7870
**mreed@uk.ey.com**

**John Davidson**
**Director**
Financial Crime and Forensics
Ernst & Young LLP
+44 20 7783 0298
**john.davidson1@uk.ey.com**

**Swapnil Jose**
**Senior Manager**
Financial Crime and Forensics
Ernst & Young LLP
+44 20 7526 3140
**swapnil.jose1@uk.ey.com**

**Rohit Dhargalkar**
**Manager**
Financial Crime and Forensics
Ernst & Young LLP
+44 20 7951 0478
**rohit.dhargalkar@uk.ey.com**

**Deepansha Rathee**
**Manager**
Financial Crime and Forensics
Ernst & Young LLP
+44 20 7951 6858
**deepansha2@uk.ey.com**


## EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.




Ernst & Young LLP
The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.




EYSCORE 010025-24Gbl

ED None

UKC-036129.indd 12/24. Artwork by Creative UK.




ey.com/uk