2020 Foresight: The Impact of Anti-Money Laundering Regulations on Wealth Management
About WealthInsight

The WealthInsight Intelligence Center Database is an unparalleled resource, and the leading resource of its kind. Compiled and curated by a team of expert research specialists, the database comprises dossiers on over 60,000 HNWIs from around the world.

The Intelligence Center also includes tracking of wealth and liquidity events as they happen and detailed profiles of major private banks, wealth managers and family offices in each market.

With the Database as the foundation for our research and analysis, we are able to obtain an unsurpassed level of granularity, insight and authority on the HNWI and wealth management universe in each of the countries and regions we cover.

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1 Executive Summary

Governments and regulatory bodies have taken numerous measures to curb money laundering activities in the last decade. The phenomenon has assumed increased urgency since 2008–2009 when economies across the world, developed nations in particular, were severely impacted by the financial crisis. Following the global economic slowdown, a number of regulations have been enforced; proposals for the Fourth Money Laundering Directive by the European Commission (EC) in 2013, the launch of new FATF money laundering recommendations in 2012, and the Foreign Account Tax Compliance Act (FATCA) in the US are key recent developments in global AML regulation. These initiatives are intended to strengthen the global AML regulatory environment, and increase pressure on financial institutions to comply.

Limited enforcement of AML compliance in emerging economies

While AML compliance in North America and Europe is highly developed, it is yet to reach these standards in a number of emerging economies in the Asia-Pacific, Middle East and Latin America. While many countries in these regions have formulated AML regulations in the past, effective enforcement by local regulators has been the key challenge. However, governments and regulatory bodies in these nations have demonstrated their interest in bringing their AML compliance in line with international standards.

Limited regulatory enforcement and rising money laundering activity have compelled global financial institutions in these economies to take a proactive approach to improve their AML processes, such as know your customer (KYC) and customer due diligence (CDD).

Frequent upgrades to global AML regulations result in increased compliance costs

Regulatory bodies have been introducing increasingly stringent regulations. During 2010–2012 in particular, regulators across key markets implemented numerous AML requirements for financial institutions. These institutions are, therefore, focusing on improving their AML processes to avoid any regulatory shortcomings which could lead to potential financial and reputational risks. To comply with these changes, both financial and non-financial institutions have to invest significantly in IT upgrades and improvements in CDD and KYC processes, resulting in increased AML compliance costs.

Globally, total AML spending grew from US$3.6 billion in 2008 to US$5.3 billion in 2012, at a CAGR of 10.18% during the review period. It is expected to grow from US$5.9 billion in 2013 to US$8.2 billion in 2017, after registering a CAGR of 8.86% over the forecast period.
2 About WealthInsight

WealthInsight provides detailed data and insightful analysis on the world's HNWI and wealth sector. With decades of experience providing business information, WealthInsight helps organizations to make informed decisions and win new business.

At WealthInsight's core is our proprietary HNWI Database of the world's wealthiest individuals. Around this database we have built a number of valuable research-based products and services that make WealthInsight much more than just a rich contact list.

We work with and provide solutions for:

- Wealth managers
- Private banks
- Family offices
- Technology providers
- Professional services – consultants, accountants, lawyers and real estate professionals
- Fund managers, hedge fund managers, asset managers, venture capitalists
- Non-profit and educational institutions

WealthInsight's corporate headquarters are located in London, with offices in New York, San Francisco, Sydney, Seoul and Hong Kong.

For more information on WealthInsight please visit www.wealthinsight.com

Reports

WealthInsight publishes high-quality research reports focused on the wealth sector. The reports provide comprehensive analysis of countries, regions and special topics.

With the HNWI Database as the foundation for its primary research and analysis, WealthInsight is able to obtain an unsurpassed level of granularity, insight and authority on the HNWI universe in each of the countries and regions covered.

All reports are available as a part of the WealthInsight Intelligence Centre. Reports can also be purchased on a subscription or one-off basis.

Every WealthInsight report is uniquely formulated for the region, country or topic covered. Key features of the reports include:

- Market sizing
- Forecasting
- Benchmarking
- HNWI asset allocation
- Behavioral mapping
- Family offices
Methodology

WealthInsight’s teams of in-house analysts devise and collect data over a historical period of five years and develop forecasts for a five-year forecast period. All WealthInsight wealth reports are rigorously sourced and created according to a comprehensive process:

Internal audit

- Review of in-house databases to gather existing data:
  - Historic market databases and reports
  - HNWI Database
  - Wealth management, private bank and family office databases
  - Financial deals and news archives

Secondary research

- Collection of the latest market-specific data from a wide variety of industry sources:
  - Government statistics
  - Industry associations
  - Company filings
  - Broker reports
  - International organizations

Primary research

- Review of the latest wealth management and private banking industry trends
- Surveys using panels compiled from across the wealth sector:
  - Wealth management and private banking professionals
  - Financial services experts
  - HNWIs

Expert opinion

- Collation of opinion taken from WealthInsight interviews of leading industry experts
- Analysis of third-party opinion and forecasts:
  - Broker reports
  - Industry associations
  - Wealth management and private banking media
  - Official government sources
  - Leading academic research and commentary
Data consolidation and verification
- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors, asset classes and geographies

Market forecasts
- Feed of forecast data into market models:
  - Economic indicators
  - Industry-specific drivers
- Analysis of the WealthInsight HNWI Database and wealth sector company databases to identify:
  - Latest wealth trends
  - Key drivers of the wealth management industry

Report writing
- Analysis of market data
- Discussion of company and industry trends and issues
- Integration of survey results
- Annual review of financial deals and wealth management trends
- Standardization of market definitions using recognized industry classifications

Quality control
- Peer review
- Senior-level QC
- Random spot checks on data integrity
- Benchmark checks across databases
- Market data cross-checked for consistency with accumulated data from:
  - Internal databases
  - Company filings
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