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New challenges and cross-border transactions

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Transactions between countries can pose significant risks in terms of money laundering and terrorist financing (ML/TF). The extent of these risks depends on various factors, including the countries involved, the scale of criminal activity and terrorism associated with these transactions, and the nature of the context in which they occur.

If these risks are not effectively identified and mitigated, transactions can be exploited for illicit purposes. To minimize the risk of money laundering and terrorism, it is essential to establish robust legal and regulatory frameworks between the countries engaged in monetary transactions. Unfortunately, not all countries adhere to expected Anti-Money Laundering/Know Your Customer (AML/KYC) standards. As a result, businesses and companies often choose to conduct international payments based on commercial interests rather than the legal and regulatory frameworks in place.

To address these payment challenges, it is advisable to explore financial technology and innovation. Optimization of customer onboarding and transaction monitoring is crucial. Implementing adequate risk management and an Internal Control System (ICS) is necessary to enhance and monitor transaction quality effectively.

Both traditional manual methods and automated approaches can be used for customer onboarding and monitoring. In fact, many banks in Switzerland still rely on manual processes. However, technology plays a significant role in improving payment systems. Introducing new solutions does not necessarily mean building entirely new systems but rather enhancing the transparency and efficiency of existing systems.

Strong Customer Authentication (SCA) and KYC procedures are essential for financial institutions to ensure a successful business. Digital onboarding, a process already familiar to smartphone users, is widely employed by online stores. Companies can delegate the digital onboarding procedure to third-party providers, including financial institutions. Transaction monitoring can benefit from big data utilization and integration with data from other organizations. This approach combats money laundering and terrorism by standardizing approaches and information, often utilizing cloud solutions, open banking, and digitalization.

The political and regulatory environment is rapidly changing, necessitating AML and KYC programs that adopt a risk-based strategy and keep pace with evolving regulations across different regions. Continuously vetting customers and transactions through robust reporting processes and procedures is crucial. In essence, businesses require comprehensive and integrated AML-KYC lifecycle management systems that provide accurate and complete insights into risks and vulnerabilities throughout the customer journey.

We are currently witnessing an adoption process within the financial industry driven by the demands of companies and clients to address the challenges associated with cross-border transactions. Stricter regulations on money laundering, data protection, and bank secrecy have prompted established financial institutions to focus primarily on managing large corporate clients. This has created an opportunity for new market players but also necessitates significant reforms in compliance and risk management. Many questions regarding regulatory standards still need to be addressed and resolved to ensure a more secure and transparent financial landscape.

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