

Blockchain technology has potential to deliver USD 4.6 billion in annual AML compliance cost savings to the global banking industry

Quinlan & Associates sees huge potential for blockchain technology to reduce banks' AML compliance costs

Hong Kong, 11 November 2016 – Quinlan & Associates, an independent strategy consulting firm specialising in the financial services industry, has released a comprehensive thought leadership paper looking at the emerging role of blockchain technology in the correspondent banking space, particularly in relation to its potential to reduce AML compliance spend.

The report, titled *From KYC to KYT: Blockchain's Emerging Role in the Global Payments System*, examines the ongoing trend of de-risking in the banking industry and its implications for the global payments system. 'Recent years have seen a substantial increase in AML/CTF compliance costs for banks globally, as well as a huge spike in fines for AML/CTF compliance failings. In response, clients and/or jurisdictions considered as 'too risky' are being cut from the global payments system, with correspondent banking relationships worldwide on the decline,' said Benjamin Quinlan, CEO & Managing Partner and lead author of the report. 'The core problem with existing AML compliance processes at most banks is that they are extremely labour-intensive, with headcount costs representing over three-quarters of AML compliance budgets. Moreover, current payment messaging systems such as SWIFT need to keep pace with current technological innovations,' added Yvette Kwan, co-author of the report.

Notwithstanding this, Quinlan & Associates believes blockchain technology will have an increasingly important role to play in enhancing the global payments system, both in terms of reducing the amount of manual labour involved with existing AML compliance processes, as well as optimising legacy technology systems that are in operation today. In particular, Mr. Quinlan sees 'huge potential in the immediate-term for blockchain technology to run alongside legacy payment and messaging infrastructure, overlaying existing systems with a rich information layer. This will allow banks to better conduct client due diligence checks at the transaction level, enabling them to move from a simple 'know your customer' (i.e. KYC) approach to AML to a more robust 'know your transaction' (i.e. KYT) solution.'

The report estimates blockchain technology has the potential to deliver the banking industry USD 4.6 billion in annual AML cost savings (32% of current annual costs) in the form of (1) reduced compliance headcount and associated costs (2) lower technology spend and (3) fewer regulatory penalties. However, in order for any of these blockchain solutions to truly work, industry-wide adoption is needed, as is strong engagement between banks and fintech firms.

About Quinlan & Associates

Quinlan & Associates is an independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting and communications, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in this field.

For more information, please visit www.quinlanandassociates.com.

Contact:

Benjamin Quinlan | CEO & Managing Partner
+852 2251 8725 | bquinlan@quinlanandassociates.com