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David Leppan: «Compliance Has Grown Into a Monster»

► Ralph Ebert: «The Top Ten Compliance Challenges in 2024»



Written by Florian Schwab | Publishing Director



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In this interview with *finews.com*, the founder of World-Check reflects on the origins, growth, and complex legacy of his brainchild, now a central force in global banking compliance. He highlights the unintended consequences of his creation and shows that even well-intentioned tools can have adverse impacts—and that balancing vigilance with fairness remains an ongoing challenge.

Mr. Leppan, about 25 years ago, the world embarked on a fight against corruption and bribery which has deeply altered compliance for financial institutions...

... back then, as a sales representative for Thomson Financial Publishing, I was selling floppy disks with data on sanctions by the Office of Foreign Assets Control (OFAC) to Swiss banks. The term «compliance» barely existed.

Today, what is your assessment of that fight against corruption? What has it achieved?

It's a tough reality to face, but I believe that the so-called «war on bribery and corruption» has largely failed. Despite enormous investment, with global compliance spending around 200 billion dollars annually, corruption, bribery, and money laundering are still rampant. According to the United Nations, more money is laundered today than 25 years ago. More bribes are paid, and corruption remains pervasive.

What do you think went wrong?

I think part of the problem lies in the «big declaration» approach. The global community has taken on corruption and crime like the «war on drugs» or the «war on terror»—bold statements, but with limited real success. While these wars sound reassuring to the public, they haven't effectively targeted or stopped the people truly responsible for financial crimes. Politicians and international institutions want to show they're cracking down, but we haven't seen meaningful results.

And what has been the cost of this approach?

The cost is enormous, not just financially but also in how the compliance landscape has evolved. For instance, in private banking, client onboarding can now take six to eighteen months because banks are drowning in compliance checks. Compliance teams have ballooned, with hundreds of staff dedicated to remediation—just trying to manage the vast amount of red tape. And still, the ROI on this 200 billion dollar global compliance spend is depressingly low when we look at how little money is actually stopped or frozen.

«The so-called «war on bribery and corruption» has largely failed... more money is laundered today than 25 years ago.»

Bribery and corruption seem to persist. Can you explain how it happens today?

Serious bribery and money laundering today don't typically occur within traditional banking systems that can be flagged through a World-Check-type database. The big players involved in corruption have become incredibly sophisticated. They layer transactions and hide money flows through various channels, particularly in commercial settings—like real estate, trade, and corporate acquisitions—that often fall outside banking oversight. A lot of this criminal money is moved through the acquisition of assets, such as buildings, hotels, and shopping centers, rather than through individual bank accounts.

So these large commercial channels aren't getting flagged by the usual compliance measures?

Exactly. High-value assets or corporate transactions often bypass the kinds of controls we think of in banking compliance. Criminal organizations are highly motivated to avoid detection, and they've adapted accordingly. They're not likely to use personal accounts in major banks. Instead, they move funds through complex corporate structures and international trade deals, where the money is layered and cleaned in ways that are far more difficult to trace. And so, even though World-Check has six-million-profiles on its database, the people who should be under scrutiny often aren't showing up there. Many of these databases, rather than zeroing in on high-risk targets, have expanded indiscriminately, capturing millions of profiles, many of which pose no real risk.

It sounds like the system is inadvertently targeting the wrong people while missing the real criminals.

Precisely. The compliance infrastructure has grown into a monster, flagging every potential risk and swamping banks with false positives, while those truly involved in criminal networks are largely unaffected. Criminal enterprises are adept at staying out of these databases altogether, while ordinary businesspeople and even bank employees spend their days entangled in compliance checks that, frankly, don't address the real issue.

Let's talk about how World-Check came into this landscape. How did it all start?

Actually, it all began in Zurich about 25 years ago with a conversation at Julius Bär. They told me they needed an «early warning system» for individuals who might pose financial risks—not necessarily high-risk individuals, but people who could end up on sanctions lists. The idea was to spot potential problems before they became serious liabilities, like a radar system. They wanted something that would allow them to detect and manage risk before it was too late.

Did anything like that even exist back then?

Not really. We had sanction lists, but they came too late—by the time someone was added to a list, the damage was often done. So I thought, «Alright, let's see if others are asking for something similar.» Sure enough, at other Swiss banks, I heard the same concerns. They wanted a way to flag «heightened risk» individuals before they became headline news.

This was during the time of the Abacha affair, wasn't it?

Exactly. **Sani Abacha**, Nigeria's military ruler, had stashed billions of illicit funds across Swiss banks. Financial institutions were starting to ask about «politically exposed persons,» or PEPs. But back then, the idea of tracking and categorizing these individuals was brand new. There were no standard definitions or procedures for assessing political risk or reputation risk.

This was the seed for World-Check.

Yes. I spoke with some authorities, including the financial intelligence unit in Switzerland. They told me such a database would help them as well because if banks were reporting suspicious activity, they needed a way to make sense of it. That's when I saw the opportunity to create something that could benefit both sides—banks and regulators.

Continue reading to learn David Leppan's insights into how the compliance system went awry – and how those affected can defend themselves.



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And World-Check became a massive success. How did that feel?

We became the gold standard so quickly, it was unbelievable. We were passionate about what we were doing, and we were meticulous with the data. The Swiss financial industry, in particular, backed us from the start, and that support helped us expand globally. In 2011, we sold the business to Thomson Reuters, which felt like a full-circle moment for me, as I had started my career with Thomson Financial Publishing, selling OFAC sanction lists.

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Today, World-Check is still widely used, but you've expressed concerns about the direction it's taken since you left.

Yes, and it's complicated. Originally, our approach was quality over quantity. We didn't aim to flag every minor offense. Banks wanted serious risks—bribery, corruption, and terrorism, especially after 9/11. But now, the database has grown to over six million profiles. It's no longer about precision, and this shift has created problems. There are serious concerns about whether these databases are compliant with data protection, as so many profiles go years without being updated.

Six million profiles sounds massive. What are the consequences of that scale?

Well, it's created a nightmare of false positives. Banks get flooded with potential matches for people who aren't really risks. This has led to skyrocketing compliance costs and forced banks to dedicate enormous resources just to verify these false positives. Today, onboarding a client in private banking can take six to eighteen months. Compliance has become an incredible burden—and a huge cost.

So banks are facing a lot of challenges?

Absolutely. Banks are spending billions on remediation to deal with these false positives. Compliance teams are overwhelmed because every potential match must be investigated, even when it's obvious that most of these matches are incorrect. This isn't just a staffing issue; it's a structural problem caused by the sheer size and lack of specificity in these databases. Compliance teams are now hundreds of people strong in some banks, yet the task is almost impossible to manage.

And the impact extends beyond financial cost, correct?

Yes, the personal consequences are significant. I get calls from people who've been mistakenly flagged, who find themselves suddenly «de-banked.» Imagine having your account closed, perhaps even without a clear explanation, simply because your name showed up in a compliance database. This is no small matter. If you have savings, mortgages, or business accounts tied to that bank, it's a nightmare to unravel. Sometimes people don't even find out until they apply for an account at another bank and are rejected there as well.

The recent case of Nigel Farage, which finews.com covered extensively (article in German), highlighted the issue of PEP de-banking.

It did. Farage's case sparked outrage because it put a high-profile face to the problem. He's a politically exposed person (PEP), but de-banking can happen to successful businesspeople too, sometimes for tenuous links or distant associations. Just being in the wrong room or on the same board as a PEP can be enough. People who aren't involved in any criminal activity are suddenly shut out of the banking system, and in many cases, they have no idea why.

And the data used to flag these people isn't always reliable?

That's one of the biggest issues. The research that goes into these databases today is often rushed or poorly verified. An unverified article or baseless allegation can land someone on a database like World-Check, even if the claims are completely unfounded. When we created World-Check, we were careful to verify information because we understood the impact it could have. Today, with millions of profiles and so much emphasis on growth, there's a lot of shallow data that makes its way into these databases. An article with baseless claims on a low-quality news site can easily end up causing real harm to someone's financial life and their reputation.

So people can end up facing consequences based on incorrect or incomplete information. Is there a way to get names removed from these databases?

It's complicated, but yes, there is. A whole business model has emerged around it. Some law firms now specialize in helping clients challenge and remove inaccurate or outdated information in these databases. The fees are staggering—I've seen cases where a single letter can cost upwards of 150,000 pounds. For billionaires, cases can cost millions. It's ironic, really. Lawyers and reputation management firms have found an opportunity in helping people correct data that should never have been there in the first place.

«Criminal organizations are highly motivated to avoid detection... moving funds through complex corporate structures and international trade deals, where the money is layered and cleaned in ways that are far more difficult to trace.»

What happens when someone files a data access request, or DSAR in the case of the United Kingdom, to find out why they're on a database? How do the owners respond?

It's an interesting process. When a DSAR is filed, the database providers are legally required to respond, at least in places like the UK, where World-Check, today owned by LSEG, is based. Typically, they have one month to provide a copy of the data. Sometimes they can extend it to three months if it's a complex request. But here's the thing: as soon as they receive a DSAR, there's often a bit of panic. They might review and update the profile before sending it back, so the data looks cleaner and more accurate than what was actually in the system.

So the data you get back may have been revised just because you requested it?

Exactly. In some cases, I've seen profiles that were updated right before they were sent out in response to a DSAR. I've tested this, comparing profiles from before and after a DSAR, and sure enough, you'll see the «last updated» date magically coincide with the request. They tidy up the data and send it over, making it look more reliable. It's a bit of a loophole that allows them to sidestep accountability for the poor quality of the original data.

That actually reminds me—you mentioned you once had trouble boarding a flight. What happened?

Yes, that's a story I'll never forget. Last year, I was at London City Airport, first in line to board a British Airways flight. They scanned my boarding pass, and the attendant said, «I'm afraid we're not allowing you to board today.» I thought she was joking, honestly—I even laughed. But then she asked me to step aside, saying security would escort me shortly. At that point, I realized she was serious.

What was going through your mind?

My immediate thought was that someone, somewhere, had flagged my name due to my association with World-Check. Over the years, my name has appeared in articles mentioning high-risk individuals, terrorist organizations, and financial crimes. AI systems or databases might see my name linked to these topics and flag it. It was a surreal moment and a stark reminder of the possible unintended consequences of these systems. In my case, the reason for not letting me board the flight turned out to be more innocent—but the databases are a factor to be reckoned with. They are after all used by hundreds of government agencies too.

With AI and big data advancing, do you see these issues becoming more common?

Yes, and it's worrying. When you feed outdated or inaccurate data into AI, it can lead to serious consequences. Imagine an AI system denying you access to banking or air travel because of a mistaken identity or an unverified connection to a high-risk individual. Once AI systems make determinations, it's going to be nearly impossible to correct those mistakes. We're already seeing data protection agencies struggling to handle data correction requests; add AI into the mix, and it's a recipe for frustration.

«Our original purpose was to prevent corruption and serious crime—not to make life difficult for regular, law-abiding people.»

Given these challenges, what changes would you recommend to prevent these kinds of issues?

First, data protection agencies need more power and resources. AI and big data aren't going away, so we need stronger oversight. Agencies need authority to ensure that databases are kept accurate and up-to-date, especially as they scale. Secondly, regulators must enforce a strict definition of who qualifies as a PEP. Not everyone with a political connection should be on the list. We need to revert to quality over quantity if compliance is to work effectively.

So, a return to the core principles of responsible compliance?

Absolutely. Our original purpose was to prevent corruption and serious crime—not to make life difficult for regular, law-abiding people. Now, the system is catching innocent people while still failing to stop large-scale money laundering. Compliance needs to refocus on meaningful data and avoid the «bigger is better» mentality that's taken over. And we, as data subjects need to know that data protection laws and requirements are being fulfilled, correctly and rigorously by the KYC databases.

David Leppan, who founded World-Check in 2000, grew up in South Africa before attending his thesis in Salzburg, where he studied in Switzerland though never completed his thesis. After World-Check, he went on to co-found WealthX and Captis Intelligence and most recently has launched Managing Reputational Risk (MRR), an endeavour to raise concerns about Big Data, data protection violations, «dirty data» and to bring about industry-wide change.