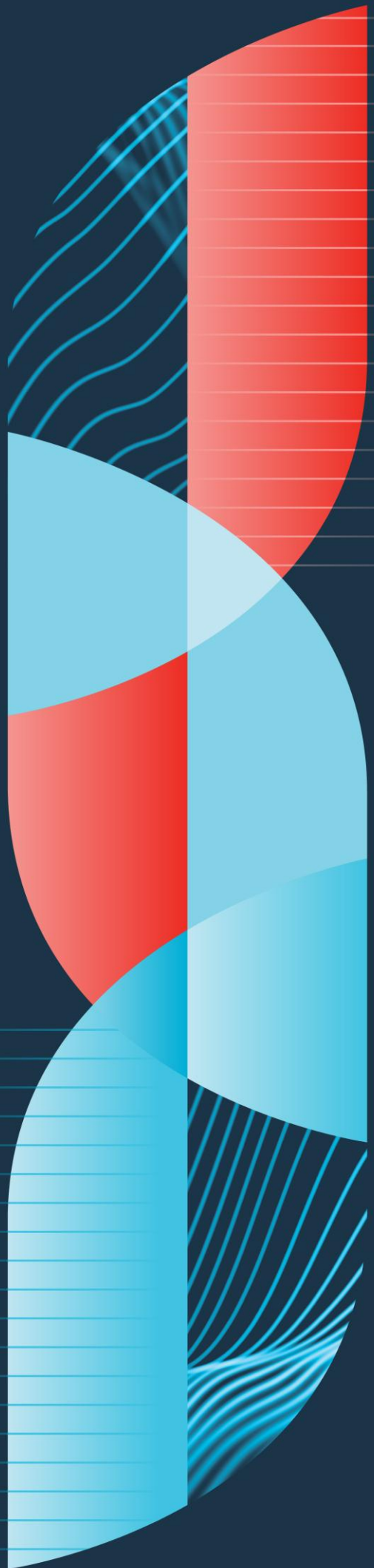




The Future of Compliance Operations AI, Regulatory Pressure & Managing True Risk

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Executive Summary

Compliance operations are undergoing a fundamental shift. Organisations are facing increasing pressure from three interconnected challenges:

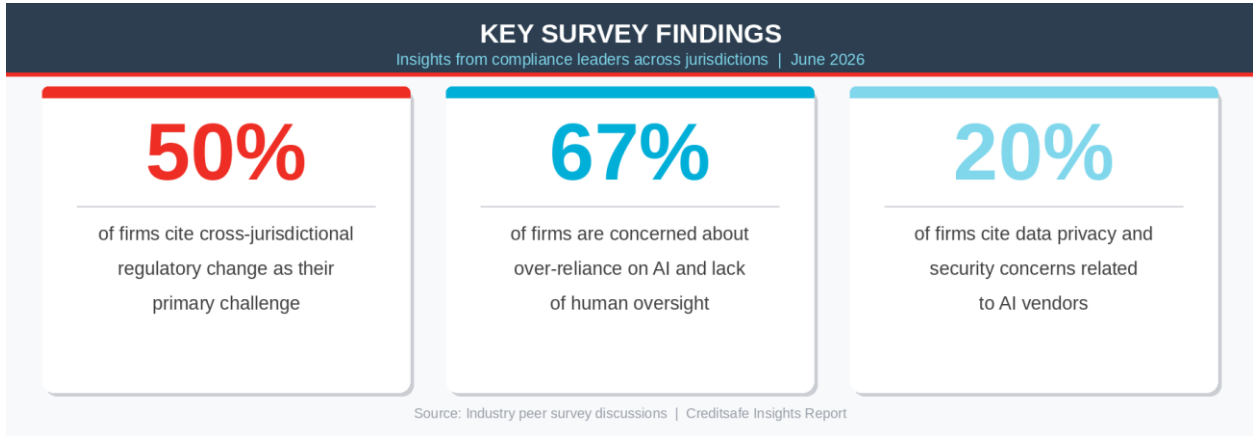
- Regulatory complexity across jurisdictions
- Growing reliance on AI, with limited governance frameworks
- Operational inefficiencies driven by alert volume and review burden

Insights from industry discussions indicate that **efficiency alone is no longer enough**. Leading firms are now prioritising:

- Control quality over automation volume
- Governance and explainability over AI experimentation
- Targeted action over reactive compliance processes

The result: a move toward **smarter, risk-aligned compliance operations**.

Key Market Insights



1. Regulatory Complexity is the Top Concern

- 50% of firms identify cross-jurisdictional regulatory change as their primary challenge
- Organisations are struggling not with awareness, but with **operationalising change effectively**

Key takeaway:

Firms must move from “tracking regulations” to **systematically embedding change into controls, workflows, and policies**.

This finding suggests the core issue is no longer simply keeping pace with new rules, but converting regulatory change into consistent day-to-day execution. For many firms, the real strain appears where legal interpretation meets

operational reality: updating controls, aligning policies, and ensuring teams across markets apply changes in a consistent way. In practice, the organisations that cope best are those treating regulatory change as an operational design challenge rather than a monitoring exercise.

2. AI Adoption is Rising — But So is Risk Concern

- 67% of firms are concerned about over-reliance on AI and lack of human oversight
- Explainability remains a major barrier to adoption

Customer takeaway:

AI is only valuable if it is:

- Understandable
- Auditable
- Governed

The tension around AI is not resistance to innovation; it is a reflection of how compliance teams are judged. Where decisions affect customer outcomes, firms need to be able to explain not just what the system flagged, but why it did so and who remains accountable for the decision. That makes governance a commercial and regulatory requirement, not just a technical safeguard, particularly as scrutiny around model usage becomes more formalised.

3. Operational Burden Remains High

Despite increased automation, firms report persistent challenges:

- High alert volumes
- Resource-heavy review processes
- Complexity in system configuration

The core demand across organisations is clear:

- Fewer, more accurate alerts

Key takeaway:

Efficiency gains come from **improving signal quality**, not increasing automation alone.

This points to a wider market lesson: automation that produces large volumes of low-value output can actually increase operational drag rather than reduce it. Teams still spend time clearing noise, escalating edge cases, and reconciling poor data inputs, which means the promised efficiency never fully materialises. The more mature response is to focus on precision first, because better signal quality creates a more sustainable route to efficiency than simply accelerating throughput.

3. Data Privacy & Vendor Risk are Emerging Priorities

- 20% of firms cite data privacy and security concerns related to AI

Risk is particularly acute when:

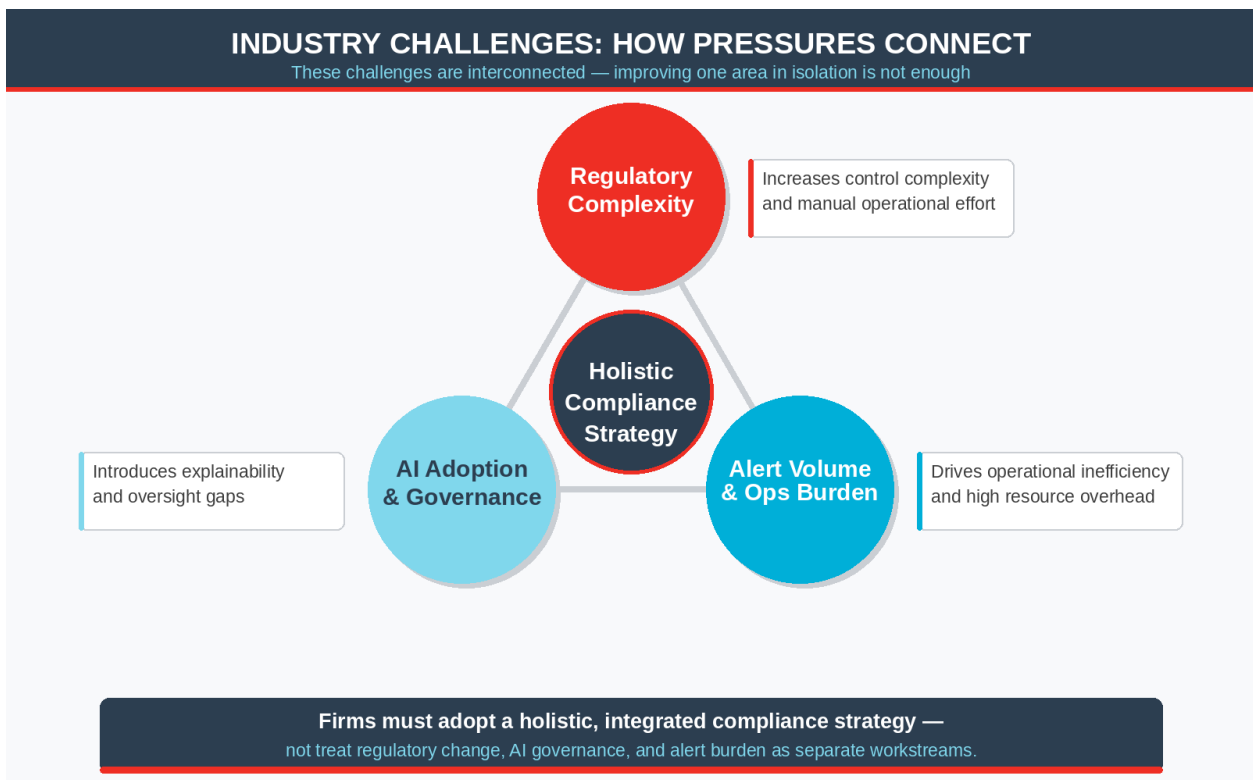
- Using third-party AI vendors
- Managing cross-border data flows
- Handling sensitive customer information

Key takeaway:

Strong **data governance and vendor due diligence** are essential for sustainable AI adoption.

What is changing here is that third-party technology risk is no longer being treated as separate from compliance risk. As firms adopt external AI capabilities, questions around where data goes, how models are trained, and what contractual protections exist are becoming part of mainstream control discussions. This means vendor selection is increasingly influenced not only by functionality and speed to deploy, but by the provider’s ability to meet governance, privacy, and assurance expectations.

Industry Challenges: Connecting the Dots



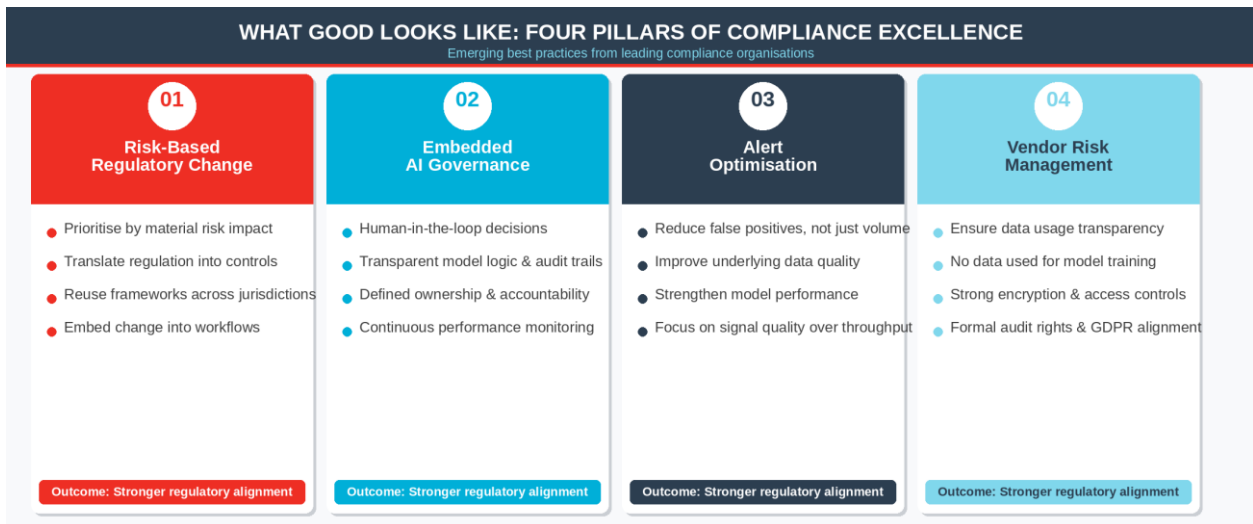
These challenges are not isolated. Instead, note that the areas of pressure seems to be as follows:

Pressure Area	Impact on Operations
Regulatory change	Increases control complexity
AI adoption	Introduces governance and explainability gaps
Alert volume	Drives operational inefficiency

Insight:

Improving one area in isolation is insufficient — firms must adopt a **holistic, integrated compliance strategy**

What Good Looks Like: Emerging Best Practices



1. Risk-Based Regulatory Change Management

Leading firms are:

- Prioritising changes based on **material risk impact**
- Translating regulation into **operational controls**
- Reusing frameworks across jurisdictions

Outcome: Reduced manual effort and stronger regulatory alignment

2. Embedded AI Governance

Effective AI governance includes:

- **Human-in-the-loop decision making**

- Transparent model logic and audit trails
- Defined ownership and accountability
- Continuous performance monitoring

Outcome: Greater trust, regulatory confidence, and adoption

3. Alert Optimisation Over Automation

Instead of increasing automation volume, leading firms focus on:

- Reducing **false positives**
- Improving **data quality**
- Strengthening **model performance**

Outcome: Lower workload with higher-quality outcomes

4. Practical AI Risk & Vendor Management

Best practice approaches include:

- Clear **data usage transparency**
- Ensuring data is **not used to train external models without consent**
- Strong **encryption, access controls, and segregation**
- Formal **audit rights and regulatory alignment (e.g. GDPR/UK GDPR)**

Outcome: Reduced regulatory risk and stronger trust in third-party solutions

Priority Actions for Compliance Leaders

To move toward future-ready operations, organisations should:

1. Identify the Primary Constraint

Focus on the biggest friction point within each area:

- Regulatory complexity
 - Alert volume
 - AI governance
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2. Improve Control Quality, Not Just Efficiency

Shift emphasis from:

- Volume → **Accuracy**
 - Speed → **Decision quality**
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3. Embed Governance into Operations

Ensure governance is:

- Integrated into workflows
 - Not treated as a separate layer
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4. Adopt a Structured, Scalable Approach

Implement:

- Standardised frameworks
 - Repeatable processes
 - Clear ownership models
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Closing Insight

The future of compliance operations is not defined by automation alone.

It is defined by the ability to:

- **Prioritise effectively**
- **Govern intelligently**
- **Deliver higher-quality outcomes with less operational drag**

As regulatory pressure and AI adoption continue to increase, the most successful organisations will be those that **balance innovation with control**.