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Risk Orchestration

Vassilij Noventa, Manager for Financial Services





Industry Trends & Challenges



Context and mega-trends



Rising Cost of Compliance

Financial crime compliance costs continue to increase year-over-year, largely driven by labour.

According to our Global True Cost of Compliance 2020 report, the projected total cost of compliance across financial institutions worldwide is **\$213.9 billion**, up from **\$180.9 billion** the previous year.



Increasing Regulatory Complexity

Geopolitical events are causing a surge in regulator activity beyond just financial sanctions, including sectoral sanctions, export controls, embargoes and financial messaging all being imposed, often at different times. Recent European Commission proposal for a regulation on instant euro credit transfers and PSD3.



Regulatory Scrutiny Beyond Financial Services

The Pandora Papers underscored the poor regulation of many designated non-financial businesses and professions (DNFBs).

Regulatory scrutiny of DNFBs and their approach to financial crime compliance is likely to increase.



Eyes on Customer Experience

Many organizations fail to see how improving customer experience can create value. And despite their efforts, many struggle to understand what really drives this. McKinsey research revealed that improving the customer experience was able to **increase sales revenues by 2 to 7%** and **shareholder return by 7 to 10%**



Cryptocurrency Boom

The crypto ecosystem will face increasing regulatory scrutiny in efforts to prevent illicit activity

By the end of July 2021, CipherTrace research revealed major crypto thefts, hacks and **frauds totalled \$681M**.



Moving to the Cloud

Covid-19 put significant pressure on banks to adopt cloud technology.

In 2020, Google Cloud Study **found 83% of surveyed financial services companies reported deploying cloud technology** as part of their primary computing infrastructures.

Customer onboarding challenges



Accelerating digitalization of the global financial ecosystem



Siloed operations and incomplete records that cause unnecessary duplication and false positives



Ever-changing fraud and anti-money laundering regulations



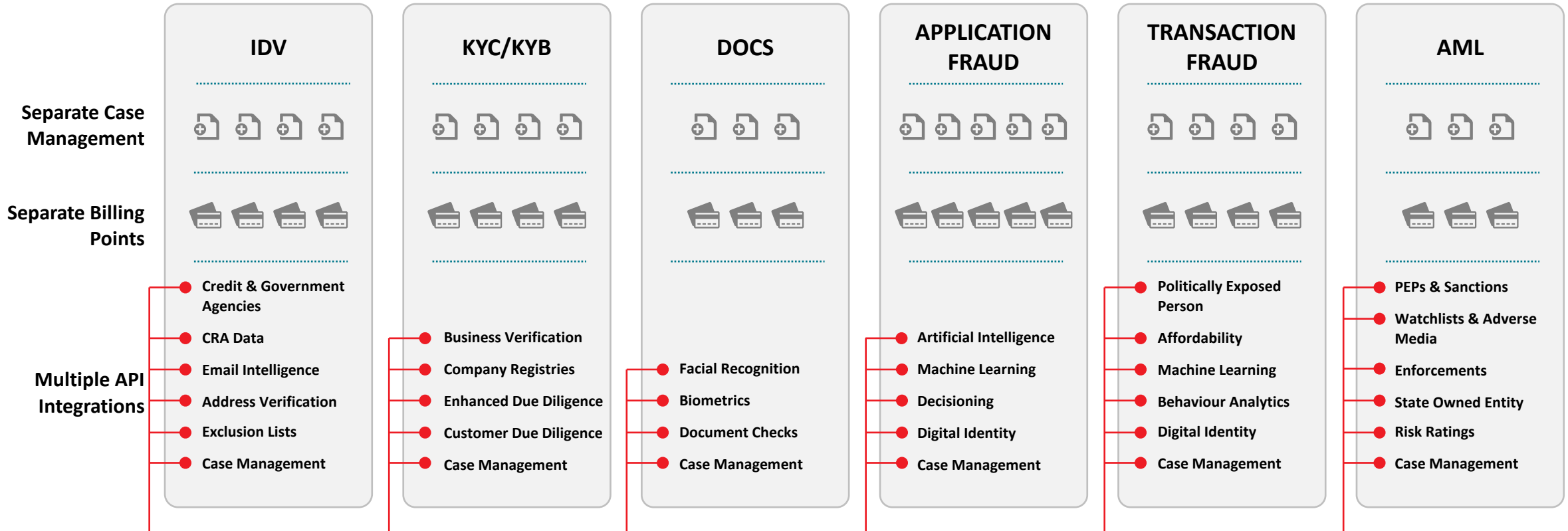
Complex and ongoing manual KYC and AML due diligence processes



Lengthy onboarding checks that lead to poor customer experience

Financial crime risk and regulations shift constantly. Both demand the operational agility to adapt. Reflecting changes in strategy typically involves technical resources, incurring delays and cost.

Before inception: A typical siloed approach to onboarding customers



Juggling multiple systems often creates disconnected risk signals, customer friction and inefficiencies, increasing acquisition costs and compliance burden, while generating technical debt and lost business from false positives.

Risk Orchestration

A total approach to customer onboarding and ongoing risk management

From seamless user journeys to automated workflows for managing KYC, AML, fraud, transaction monitoring and more, Risk Orchestration enables businesses to make better risk decisions throughout the customer lifecycle, all through a single API and unified platform environment.



Solution: a unified onboarding and fraud prevention platform built to deliver a single, dynamic view of risk throughout the customer journey



Modular and flexible: Drag and drop datasets and services from the App Store, and configure in no-code interface

- Using a single API provides leading data sources, from LexisNexis® Risk Solutions and other third-party service providers – fully configured to your workflow.
- The decision engine pulls data and risk signals from all the various services to create a fully normalised view.

Customer Verification - KYC



Business Verification - KYB



Document Verification



Fraud Detection



AML Screening



Transaction Monitoring



jumio

Chainalysis

veritas

CRUKS
CCBR

GDC™
GLOBAL DATA
CONSORTIUM

infinian



LexisNexis®
RISK SOLUTIONS

data zoo

VITAL4

TransUnion™

IDverse™
An OCR Labs Company

CRIF

LexisNexis®
RiskNarrative™

EQUIFAX™

TRUST ID

veratad

TruGlobal

cifas
Leaders in Fraud prevention

Companies House

CDDN

TeleSign

EKCTO

creditsafe

vat

iovation

dun & bradstreet

SEON

Kyckr

How Risk Orchestration can help



One engine, not many

Eliminate the complexity of managing multiple vendor integrations. Incorporate all your onboarding and risk management processes within a single unified platform.



Superior data and services

'Drag and drop' leading data, rules and models from LexisNexis® Risk Solutions and other third-party providers into a journey builder with no need for IT intervention.



Simplify the assessment of risk

Simplify the assessment of risk at events across the user journey by using the RiskNarrative™ orchestration platform to define which signals are of interest per event and defining policies at each event level.



No-code configuration

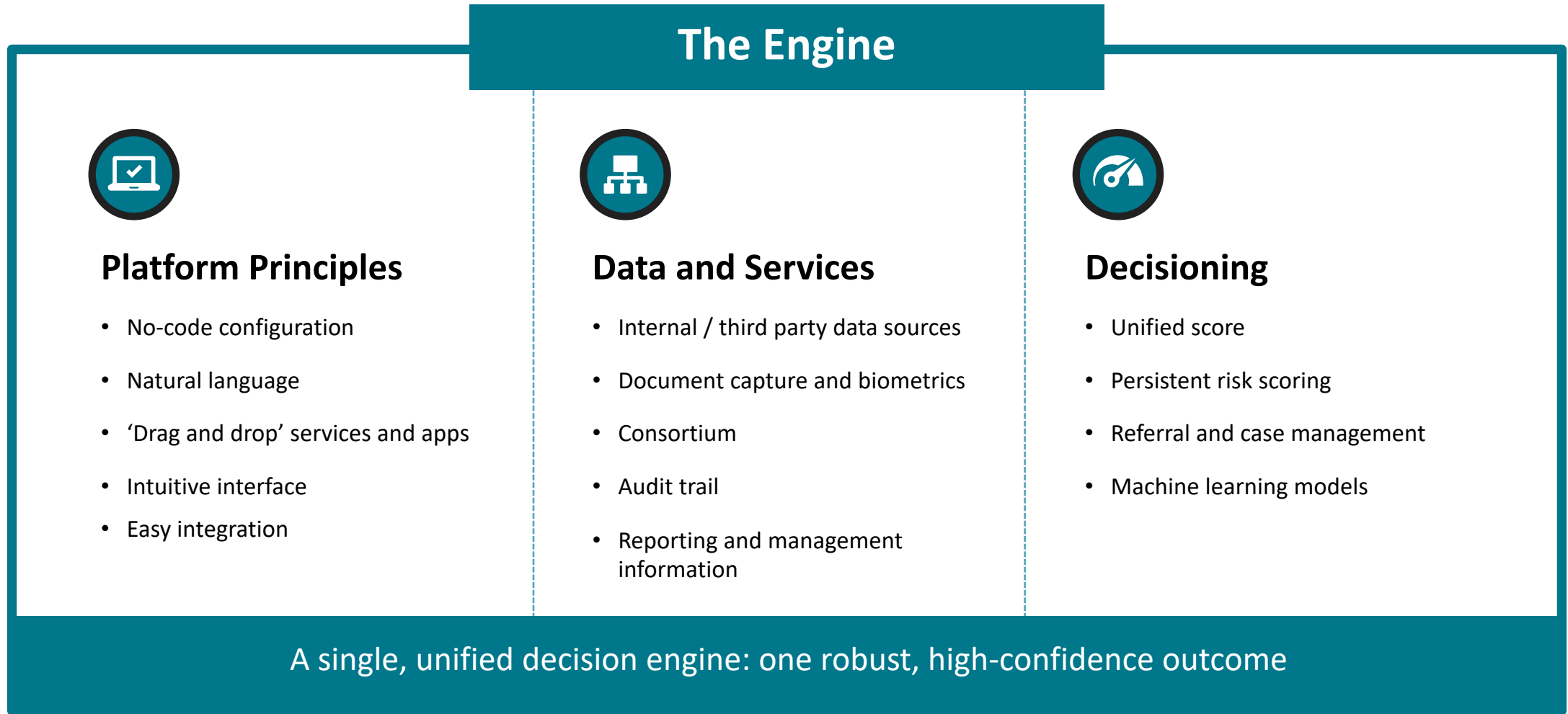
Set up or make changes to an onboarding journey using natural language, including tailored decisioning, without the costs and delays associated with programming.



Easy integration

Go live within days with an easy and intuitive restful application programme interface (API) allowing rapid integration, rather than weeks of development.

Place the weight of compliance on risk engine, not on your team and customers





How Risk Orchestration works



Solutions:



Identity Verification

- **Meet ever changing compliance obligations** by leveraging industry-leading databases, comprehensive due diligence attributes and individual reports
- **Authenticate identities with question-based authentication** generated by data linking technology that combines instant access to billions of public records
- **Combine with powerful screening** against government issued sanctions, politically exposed persons and adverse media content

Deployment options



LexisNexis®
RISK SOLUTIONS

data zoo

CDDN

EQUIFAX®

bluem

EKCTO

schufa



CEDAR
ROSE

Trulioo



TransUnion^{tu}



Solutions:



Business Verification

- **Simplify the onboarding workflow** with instant access to global company profiles and beneficial owners
- **Combine with powerful screening** against government issued sanctions, politically exposed persons and adverse media content
- **Enhance due diligence for high-risk entities** with comprehensive attributes and business reports

Deployment options



Solutions:



Document and Biometric Checks

- **Authenticate passports, national ID cards, driving licenses** and more or request further identity documents as required
- **Easily flow between multiple document and biometric solutions** to increase match rates
- **Stay ahead of financial crime trends with technology** built to learn

Deployment options



Solutions:



Fraud Detection

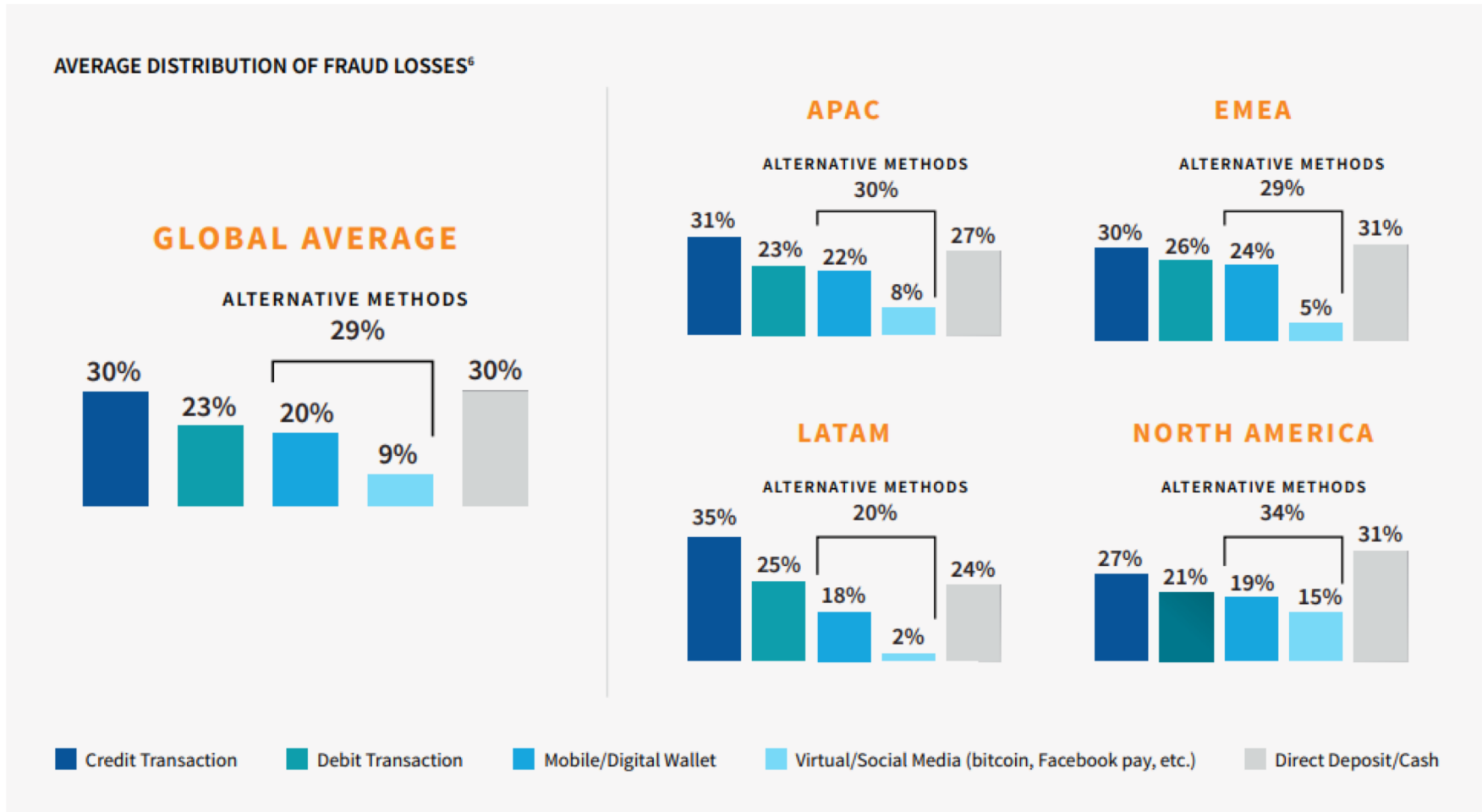
- **Leverage fraud signals** across devices, digital identities, past behaviours and more in order to spot high risk signals
- **Access location intelligence** to detect the use of VPNs and proxies
- **Enhance local intelligence** by connecting to the LexisNexis® Digital Identity Network® and gain insights from over 78 billion global transactions a year

Deployment options



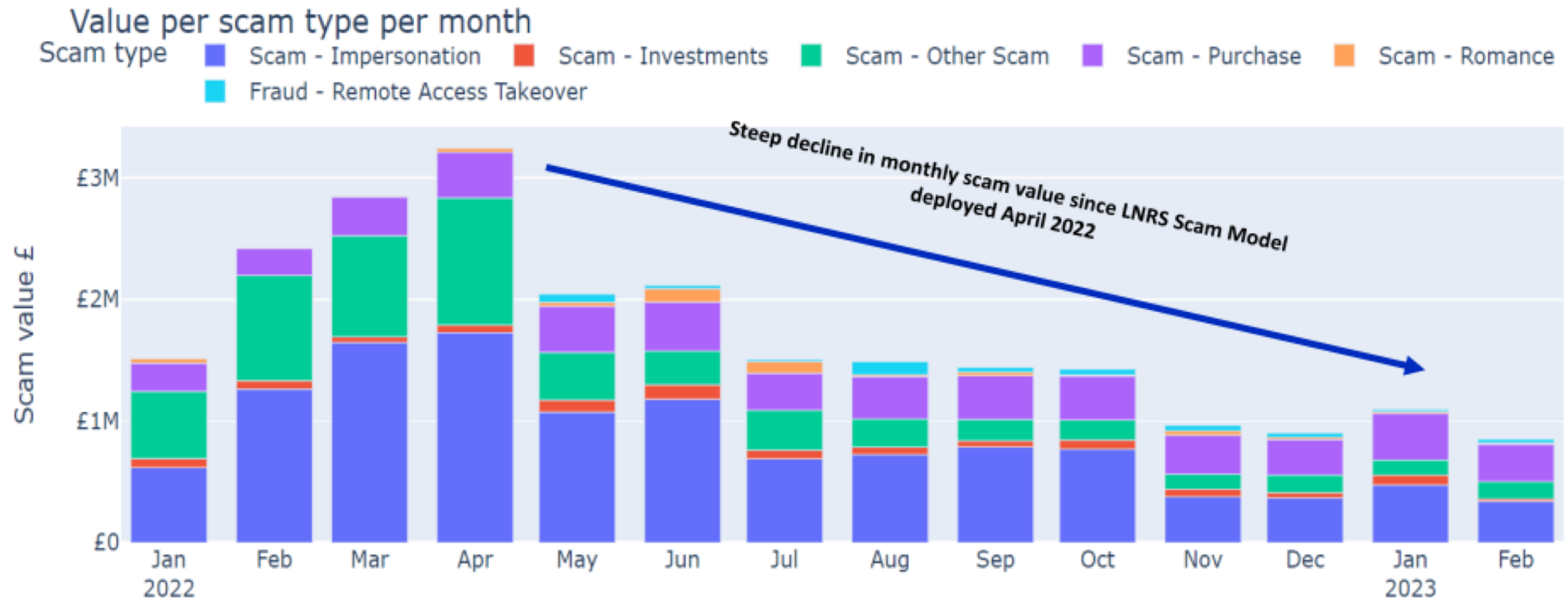
FRAUD LOSSES

- At 29%, the average distribution of fraud losses globally from alternative methods was nearly equal to that of credit transactions (30%) and direct deposit/cash (30%) in 2022.⁷
- In some regions, such as North America, the percentage of fraud losses from alternative methods is notably higher than losses from any of the traditional payment methods.⁸



TACKLING AUTHORISED PUSH PAYMENT FRAUD

- Scam model on Mobile and Web Payments deployed for Tier 1 Bank in April 2022
- Total monthly scam value reported declining from £3M a month to £1M a month



Solutions:



AML Risk Screening

- **Connect to leading watchlists** that are updated continuously covering PEPs, sanctions and adverse media
- **Harness next-gen filtering technology** to improve true matching and minimise manual reviews
- **Combine AML screening with ID verification** for more streamlined onboarding and compliance management

Deployment options



VITAL⁴

Solutions:



Transaction Monitoring

- **Identify anomalous activity** at an individual, account or organizational level, as the transaction occurs.
- **Screen international payments** using beneficiary intelligence and sanctions screening to build robust transactional risk scores.
- **Set triggers and alerts** when thresholds are met to identify ongoing AML risk and help meet regulatory obligations.

Deployment options



Transaction Monitoring: missing suspicious activities and potential risks introduces long-term business ramifications

Regulatory enforcements, expensive fines and significant reputational damage can create lasting negative impacts on profits, performance, shareholder value and customer affinity.

\$1.3 Billion

A large Australian financial institution faced over a billion dollars in penalties for failure to implement effective transaction monitoring programs and failure to submit International Funds Transfer Instruction (IFTI) reports to AUSTRAC¹

\$900 Million

A large multi-national Dutch financial institution was fined \$900 million for not properly vetting the beneficial owners of client accounts and not noticing unusual transactions through those accounts. The CFO of the institution resigned a week after the settlement was announced.^{2,3}

\$390 Million

FinCEN assessed a \$390 million penalty on a large American financial institution for failing to file thousands of suspicious activity reports (SARS) and failing to file thousands of Currency Transaction Reports (CTRs)⁴

\$29 Million

FinCEN announced a \$29 million enforcement action against a U.S. virtual asset service provider for failures in their AML program and SARS reporting protocols. This 2022 enforcement represents the largest U.S. virtual currency enforcement action to date.⁵

1. AUSTRAC, September 24, 2020

2. Sterling, Toby and Meijer, Bart, "Dutch bank ING fined \$900 million for failing to spot money laundering," Reuters, September 4, 2018

3. Sterling, Toby, "ING CFO steps down as backlash grows after \$900 million money laundering fine," Reuters, September 11, 2018

4. Financial Crimes Enforcement Network, January 15, 2021

5. Financial Crimes Enforcement Network, October 11, 2022



Summary



Built to grow and adapt with your business

Risk Orchestration helps solve costly legacy challenges caused by siloed customer onboarding operations by unifying multiple risk management and compliance workflows throughout the customer journey **within a single API and platform environment.**



Unify financial crime and fraud prevention strategies in an easy to configure environment



Utilize orchestration technology to reduce cost and inefficiencies by standardizing risk signals



Acquire customers through safer and smoother onboarding



Future proof your financial crime defenses as you grow

Whether you are a global financial leader or a modest ecommerce startup, Risk Orchestration connects you to the answers you need to prevent financial crime and fraud in today's digital economy.

Risk Orchestration case study Ikano Bank



CASE STUDY

Optimizing onboarding due diligence and customer experience with the LexisNexis® RiskNarrative™ orchestration platform

Industry
Consumer Finance

Client
Ikano Bank

Top-level overview
Ikano Bank was founded in 1995 by Ingvar Kamprad – part of the family behind global furniture retailer IKEA. The bank is the provider of IKEA Finance Services offering direct-to-consumer products to IKEA customers including loans and store cards. Ikano Bank has over 160 employees in the UK and opens hundreds of new interest-free loan accounts per day. Ikano was looking to optimize their fraud and financial crime strategy to support seamless and secure onboarding experiences.

Solution
LexisNexis® RiskNarrative™

Key requirements

- Minimize customer friction during onboarding
- Control fraud and financial crime risks
- Reduce false positives and customer delays
- Utilize internal resources more efficiently

Bottom line results



Drove **instantaneous decisions** using an orchestration platform that integrated with existing data and multiple additional checks



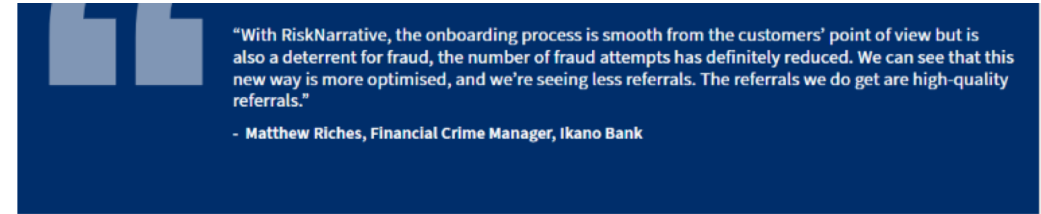
Reduced **delays and friction** caused by false positives



Onboarded more than **70,000** customers in the first year of going live



Allocated **staff time** to enterprise priorities instead of false alerts



“With RiskNarrative, the onboarding process is smooth from the customers’ point of view but is also a deterrent for fraud, the number of fraud attempts has definitely reduced. We can see that this new way is more optimised, and we’re seeing less referrals. The referrals we do get are high-quality referrals.”

- Matthew Riches, Financial Crime Manager, Ikano Bank



Prioritizing onboarding experiences while preventing financial crime and fraud
Ikano Bank opens hundreds of new interest-free loan accounts per day for IKEA customers in the UK. Finance applications can be made in store, online or even pre-approved before going to store. Ikano Bank is focused on blending decisioning speed and accuracy with frictionless customer journeys. Preventing identity fraud and streamlining document verification were two of Ikano Bank’s biggest challenges. They needed a supplier to help deliver instantaneous decisions so they could provide efficient, first-class digital application experiences and secure fraud risk management. Strengthening financial crime and fraud prevention while delivering an experience that accompanied IKEA’s in store browsing experience was Ikano’s aim.

How we solved their challenges
We provided Ikano Bank with the LexisNexis® RiskNarrative™ orchestration platform – a solution that integrated with their existing data to run ID and document verification, address checks along with internal and external fraud rules – all within a single API environment. The platform also provided additional fraud screening from one of its many pre integrated data checks. Previously, Ikano Bank would only check an applicant’s address, but now they could match against additional information such as email addresses, mobile numbers and sort codes. This enhanced due diligence helped reduce their false positive rate.

The integration of RiskNarrative itself was efficiently completed thanks to an easy and intuitive Restful Application Program Interface, which typically allow customers to go live within days, rather than months. This helped Ikano streamline their setup without any unnecessary delays.

A year on from going live with RiskNarrative, Ikano has helped IKEA onboard over 70,000 customers through their digital transformation.

“We are in charge of the fraud rules we set so we only see the referrals that we want to see, and the ones that we don’t or the ones that we want to decline, are taken care of. We feel like we have greater control.”

- Matthew Riches, Financial Crime Manager at Ikano Bank

Ikano Bank is now looking to introduce the platform across branches in Sweden and beyond following the success of the UK implementation.

Looking to transform how you onboard customers?
Combining no-code, drag and drop customer Journey design with industry leading data and identity proofing technologies, the LexisNexis® RiskNarrative™ orchestration platform enables your organization to reduce onboarding complexity, mitigate financial crime risk and deliver a more dynamic customer experience. Request a demo today with one of our experts.



LexisNexis® Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government.

Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers. For more information, please visit risk.lexisnexis.com and www.relx.com

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