PULSE ALLOY

REPORT

Fintech leaders take aim at solving compliance and fraud challenges

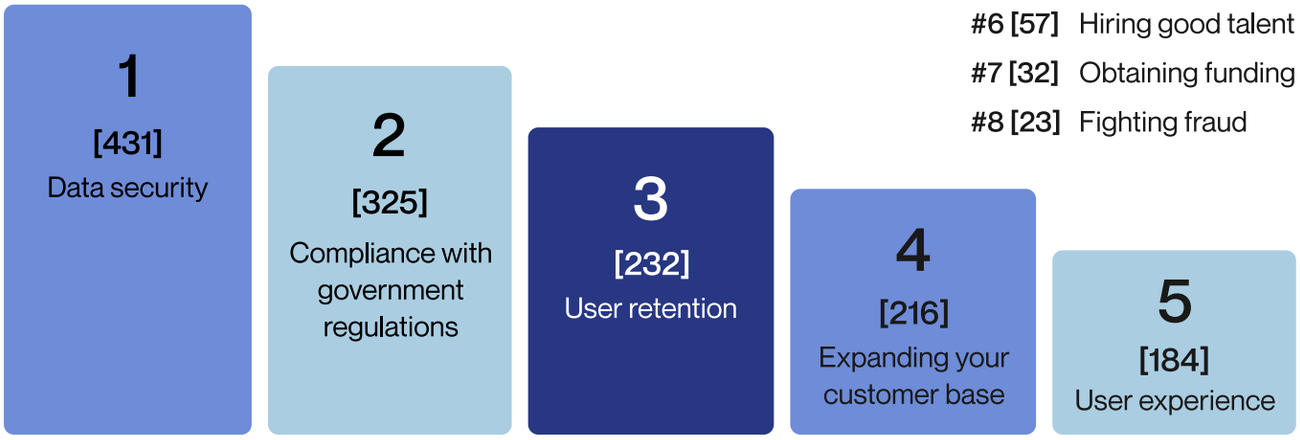
Know Your Customer (KYC) and anti-money laundering (AML) processes are crucial to onboarding good customers and protecting against fraud. So with an ever-evolving compliance landscape and an industry-wide rise in fraud, how are fintech leaders thinking about their onboarding processes and tech stacks? We surveyed 100 fintech executives to find out.

Data collection: September 17 - November 2, 2021
Respondents: 100 fintech executives

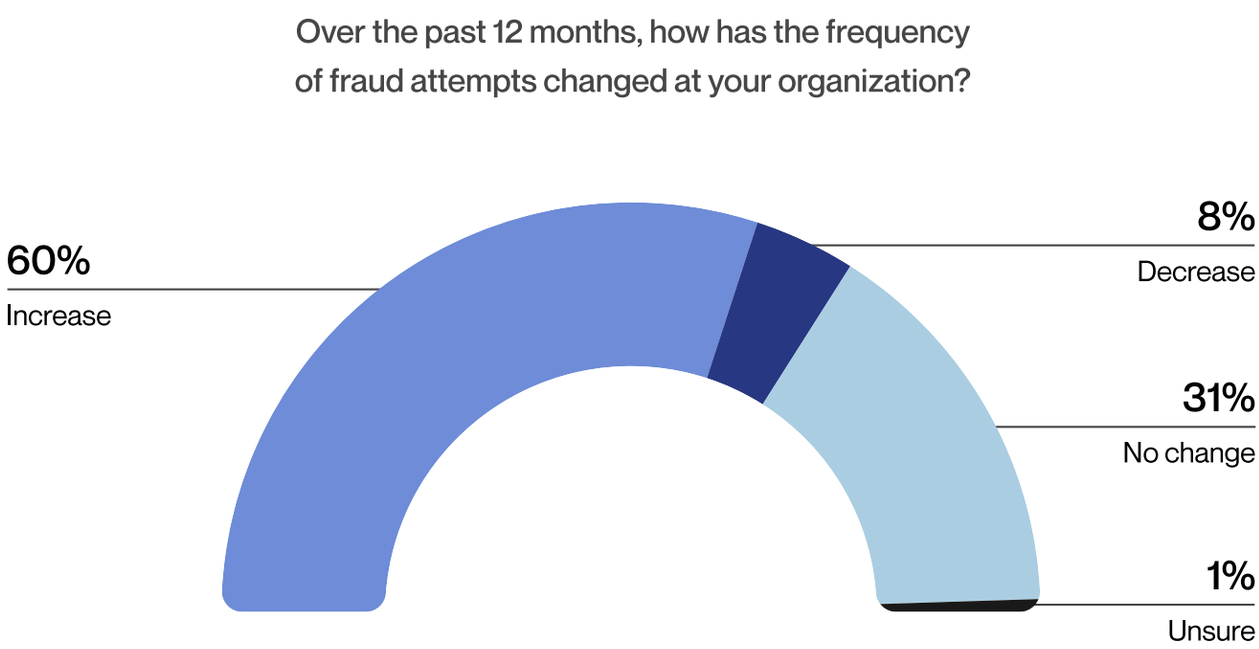
Data security and compliance with government regulations are top challenges, and fraud is increasing

Executives rank data security, government regulation compliance, and user retention as their organizations' biggest business challenges currently.

Rank your organization's 5 biggest business challenges right now.

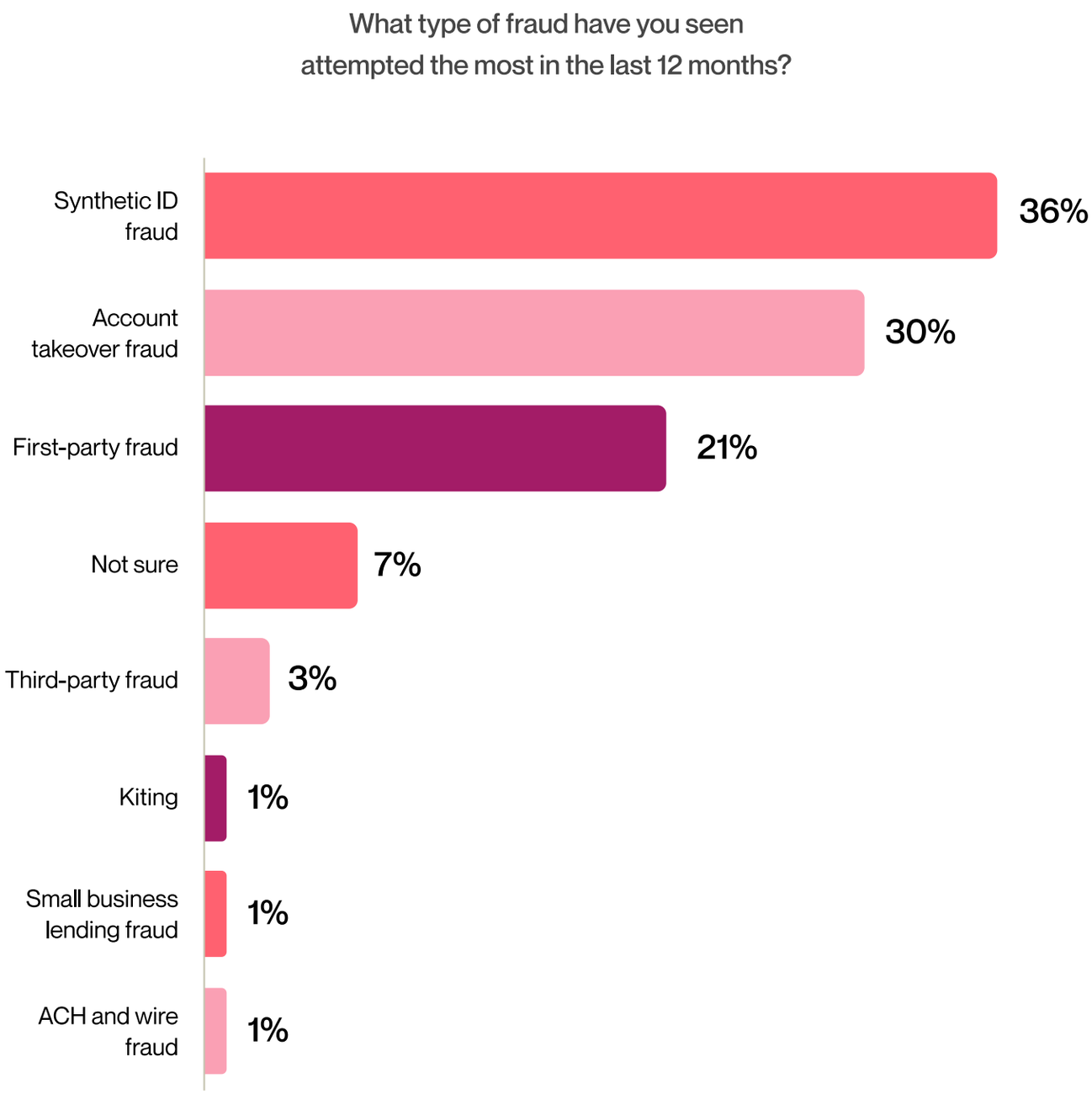


Over the past 12 months, 60% of executives agree there has been an increase in the number of fraud attempts at their organization.

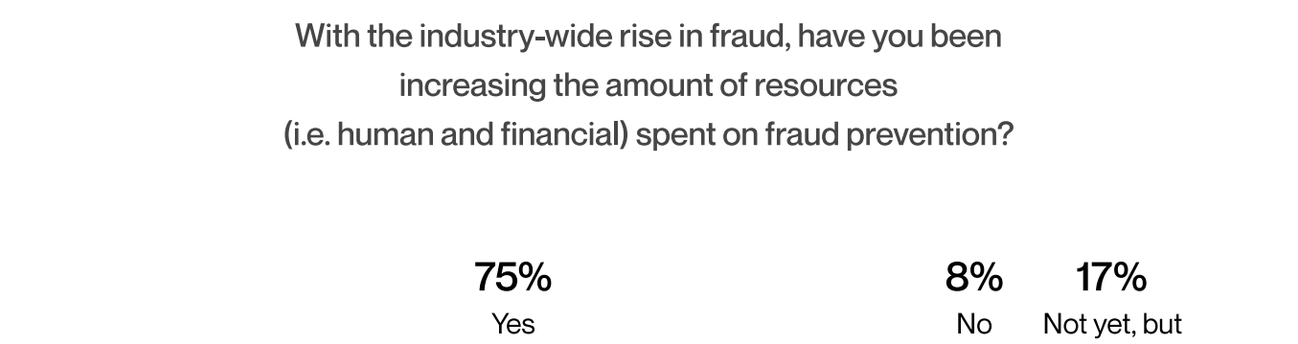


Synthetic fraud is the most prevalent type of fraud and 75% of executives say they are already spending more resources on fraud prevention

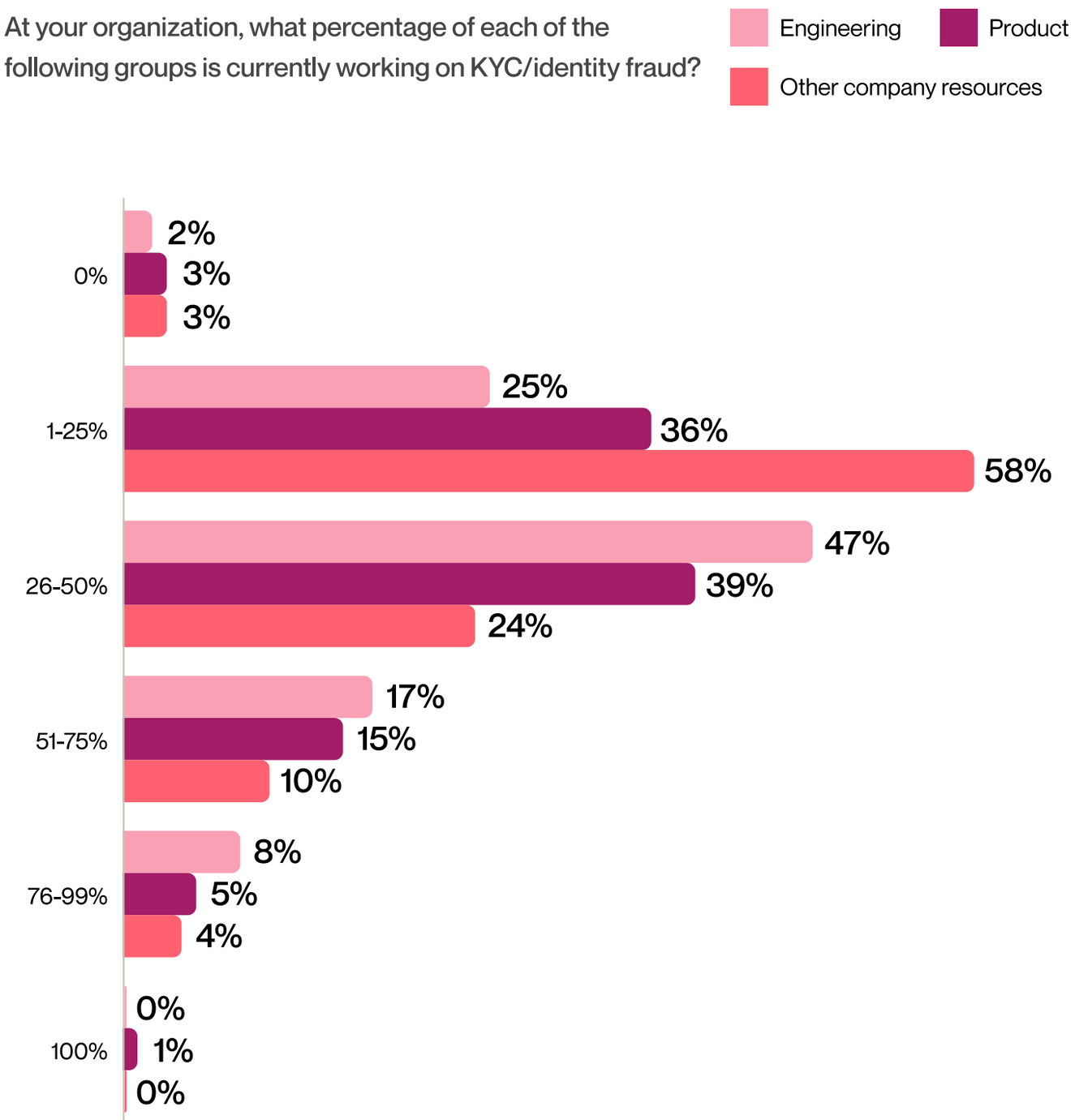
Respondents have seen synthetic ID fraud (36%) and account takeover fraud (30%) attempted the most in the last 12 months.

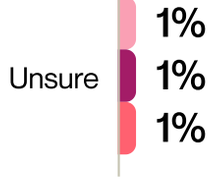


With the industry-wide rise in fraud, 92% of respondents say they have increased or plan to increase the number of resources spent on fraud prevention.



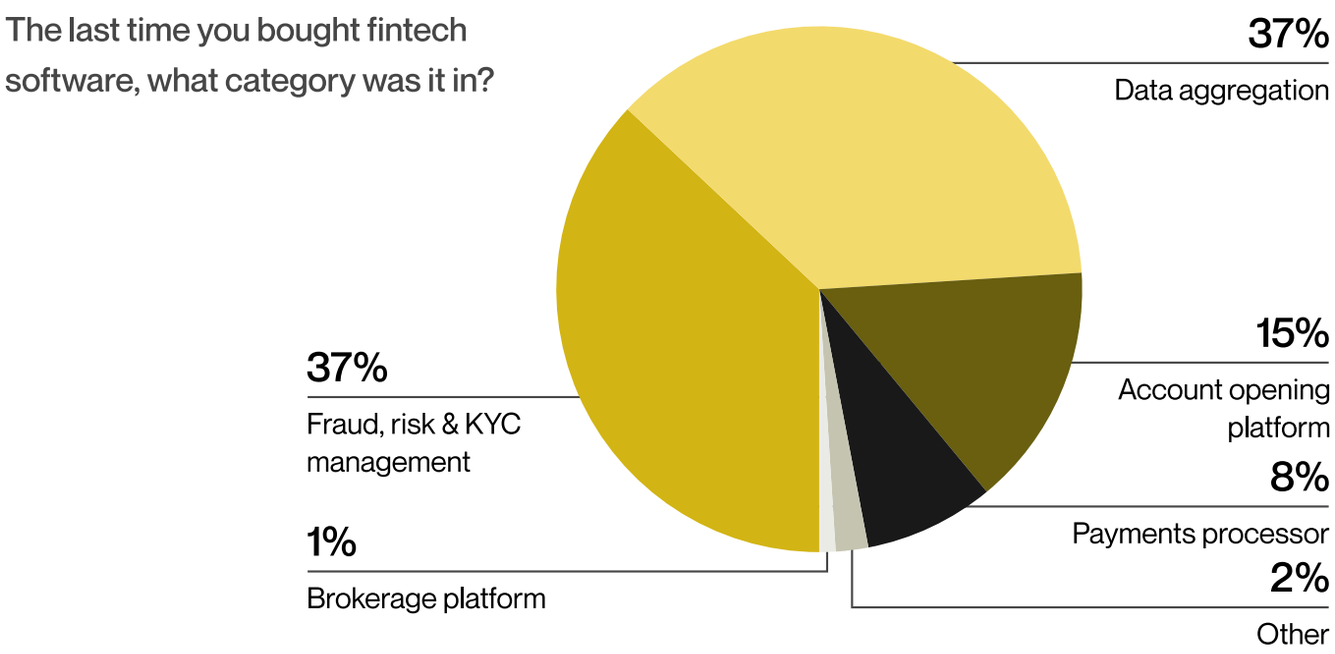
47% of executives have almost half (between 26% and 50%) of their engineering teams working on KYC or identity fraud. 39% have just under half (between 26% and 50%) of their product teams focused on it. Whereas, 58% have up to a quarter (between 1% and 25%) of the company's other resources focused on KYC and identity fraud.





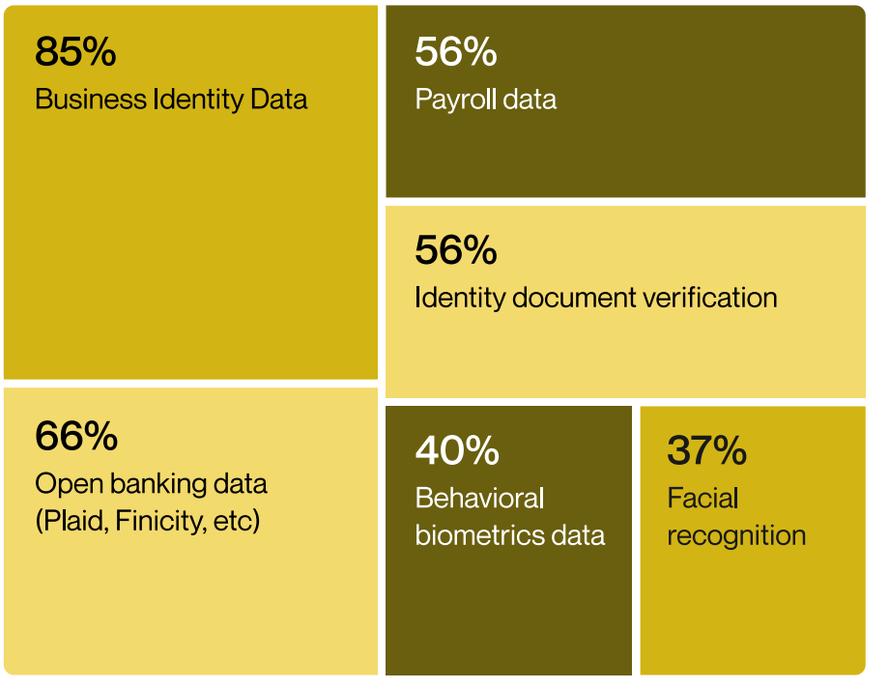
Companies are buying fraud, risk & KYC management and data aggregation solutions and they are looking to add Know Your Business (KYB) functionality into their KYC/fraud processes

The last time executives bought fintech software, 37% say it was a fraud, risk & KYC management solution and 37% say it was for data aggregation.



85% of executives are looking to add business identity data to their KYC and fraud mitigation efforts. More than half are considering open banking data (66%) and payroll data (56%) integrations.

What new data integrations are you looking to add to your KYC and fraud mitigation process?



Benchmarking your onboarding & identity efforts

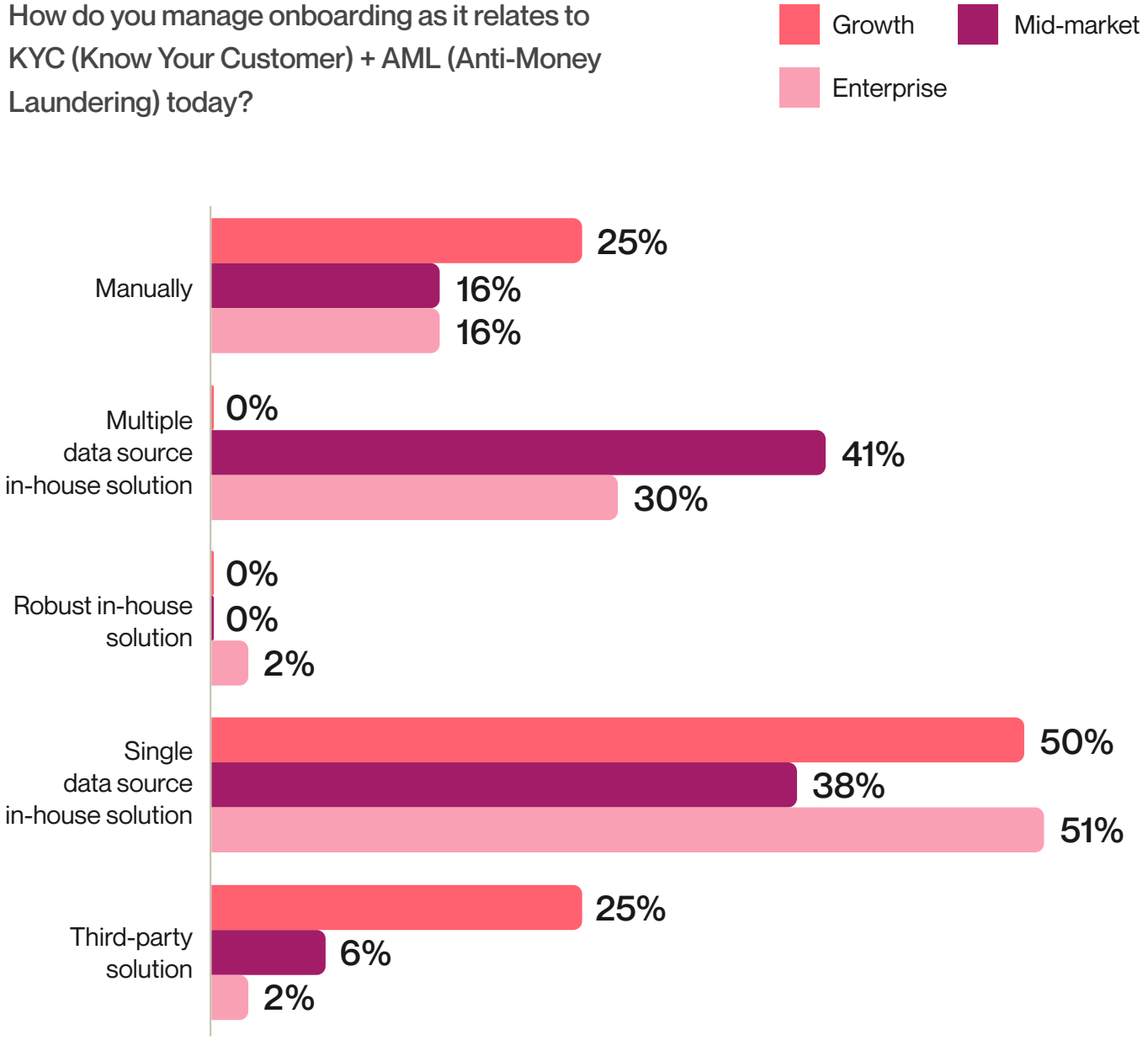
Fintech executives agree that fraud attempts are rising and compliance is one of their biggest challenges, but how do you stack up on these issues against companies of your size? Benchmarking against similarly-sized fintech companies can help you identify opportunities for improvement and prioritize investments. Read on to see how aligned your company's approach to onboarding and identity is against industry responses.

For the purposes of this report, companies are categorized into the following groups, based on the number of employees:

- Growth: less than 1,000 employees
- Mid-market: 1,000 - 5,000 employees
- Enterprise: more than 5,000 employees

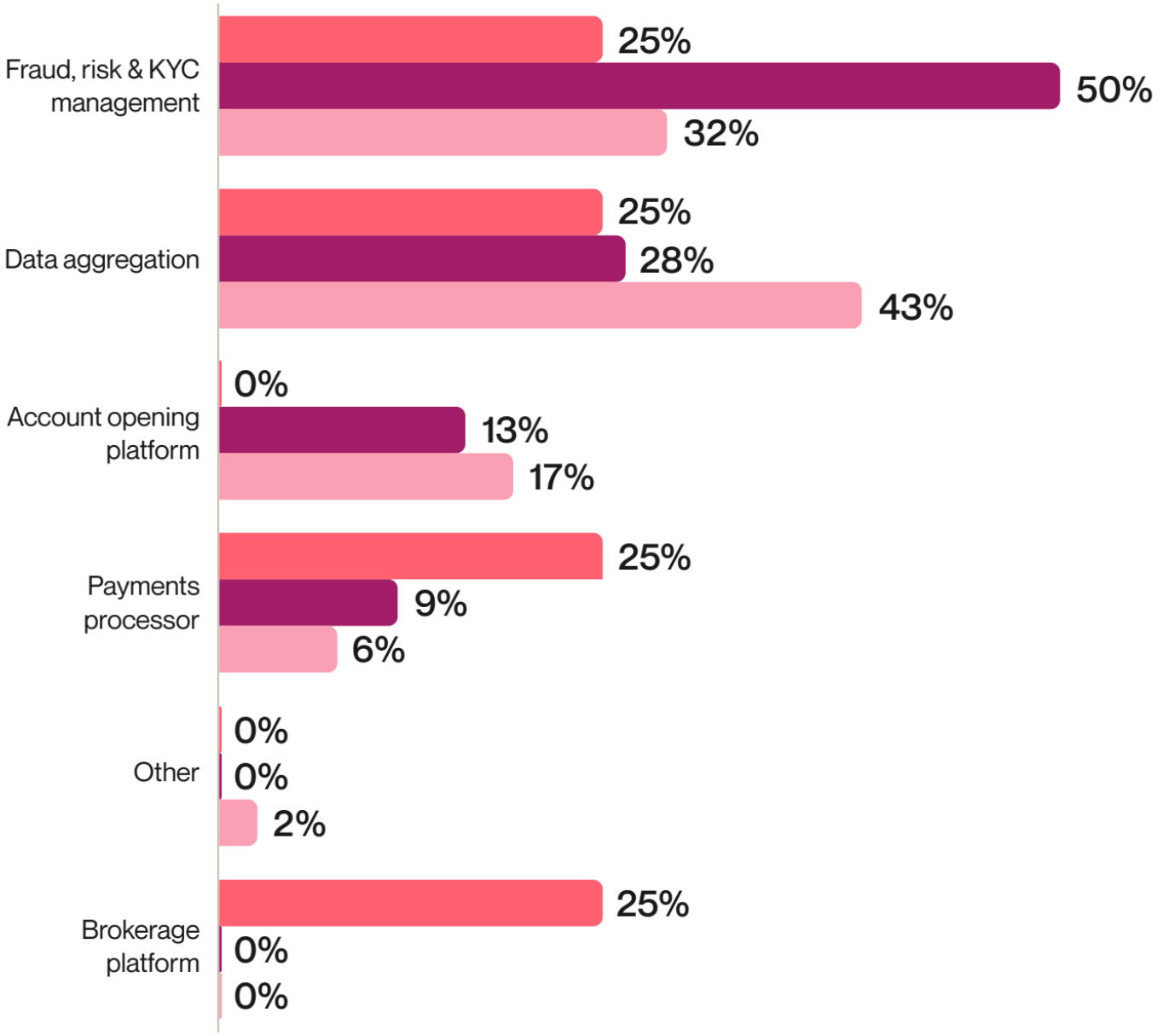
Just over half of enterprise companies (51%) manage their onboarding through an in-house solution relying on a single data source while 41% of mid-market companies opt for an in-house solution using multiple data sources.

How do you manage onboarding as it relates to KYC (Know Your Customer) + AML (Anti-Money Laundering) today?

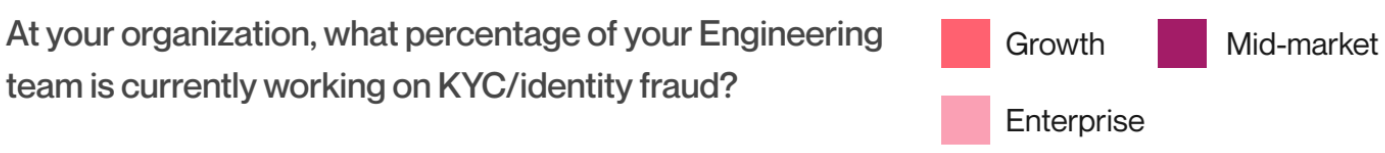


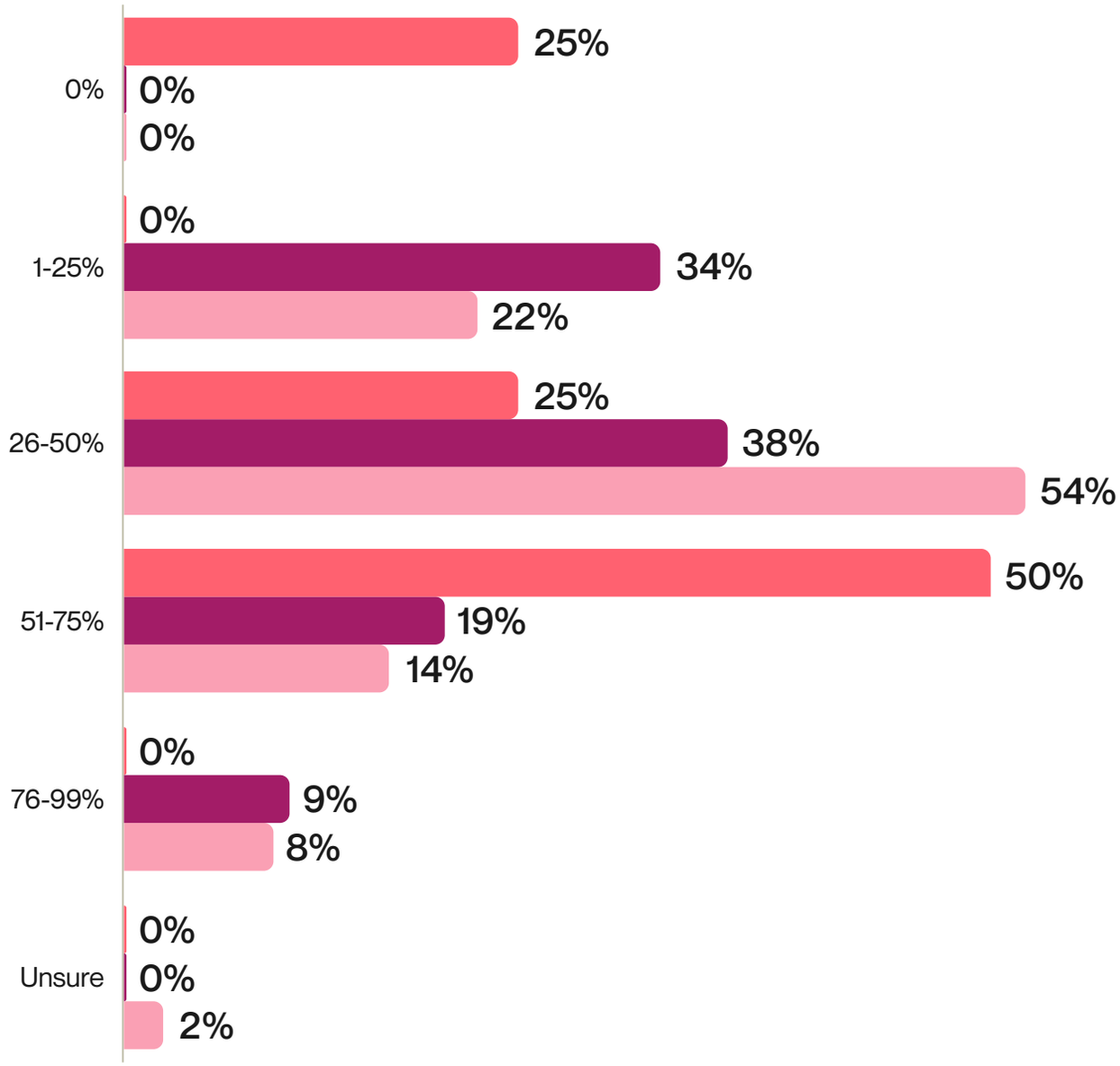
Enterprise businesses (43%) are investing most in data aggregation tools while mid-market organizations (50%) are investing most in fraud, risk and KYC management tools.

The last time you bought fintech software, what category was it in?



54% of enterprise companies have almost half (between 26% and 50%) of their engineering team focused on KYC or identity fraud, compared to 38% of their mid-market peers.



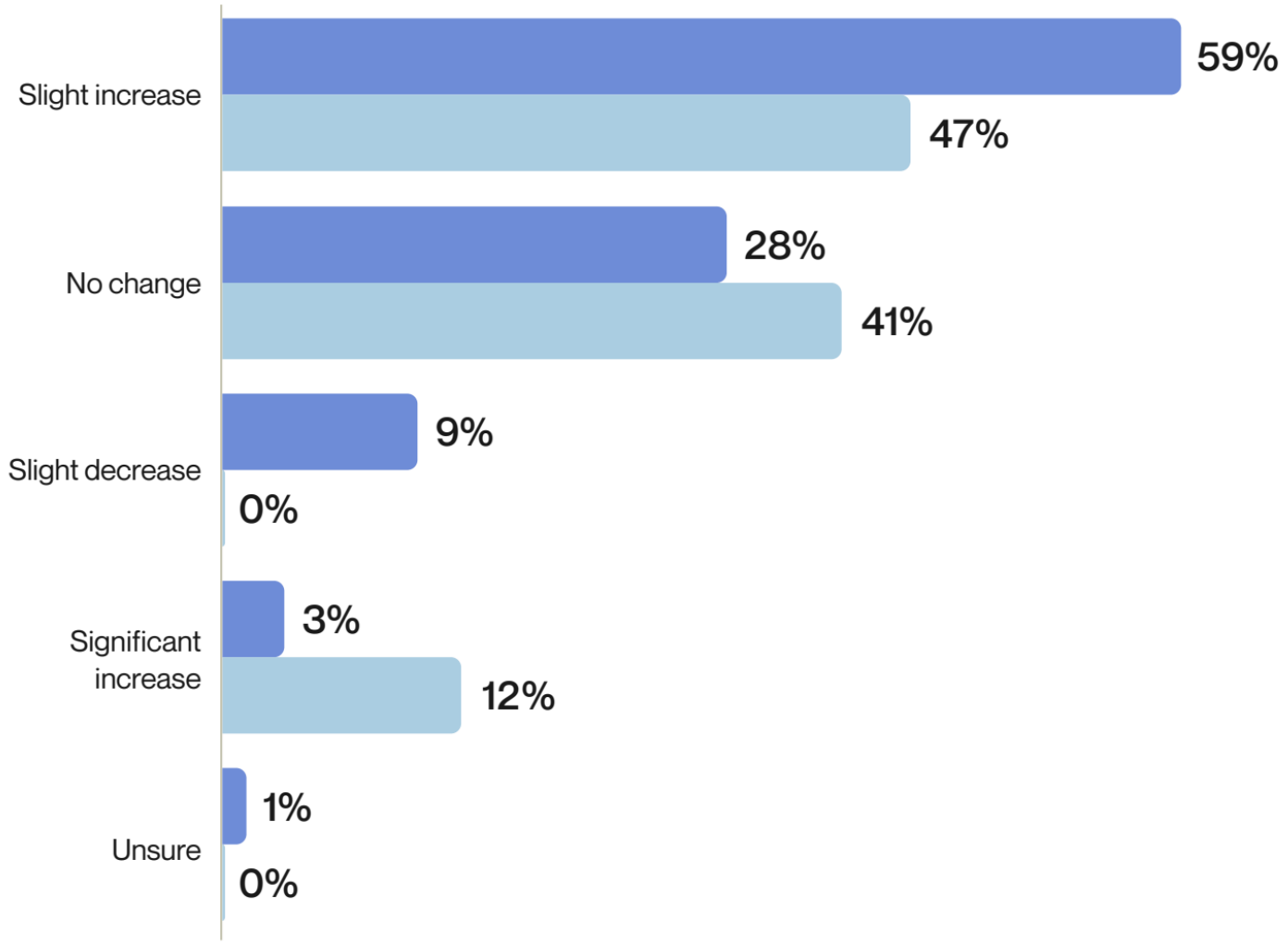


Companies using an in-house solution (i.e. their engineering team has built out an integration using single or multiple data sources) to manage their Know Your Customer (KYC) and Anti-Money Laundering (AML) onboarding are more likely to report experiencing a slight increase in fraud as compared to their counterparts who rely on a manual solution (i.e. an individual on their team checks identification information/documentation manually) (59% vs 47%)*.

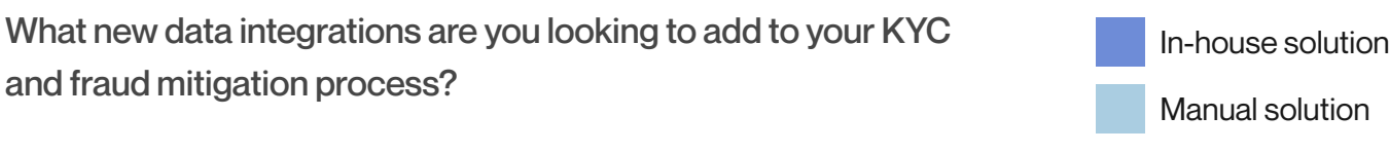
Over the past 12 months, how has the frequency of fraud attempts changed at your organization?

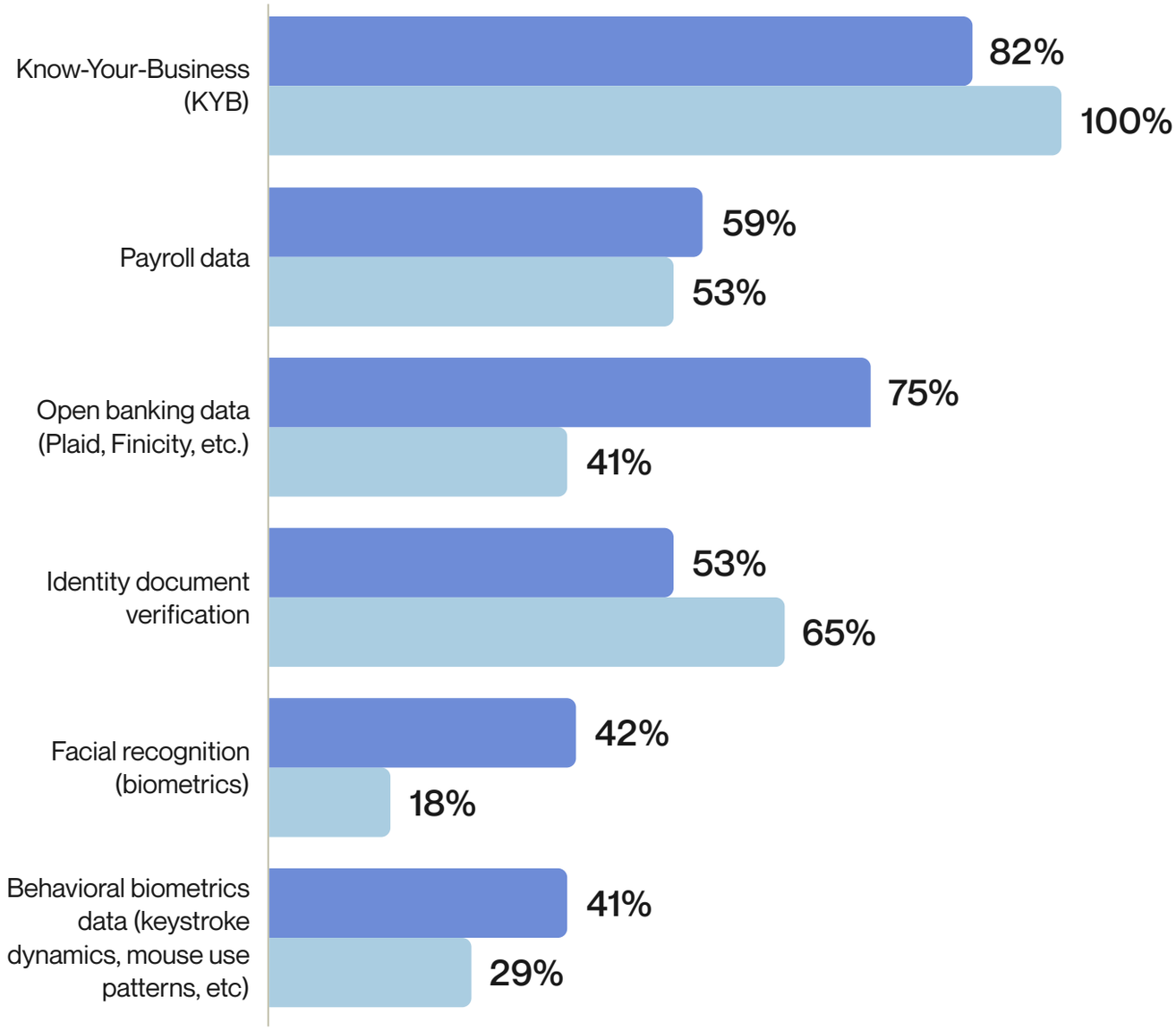
In-house solution

Manual solution



While respondents agree that they are looking to add Know Your Business (KYB) business identity data to their KYC and fraud mitigation efforts, they are split on their second priority integration. 75%* of organizations using an in-house solution prioritize open banking data while 65%* of companies using a manual solution gave precedence to identity document verification.





*Note: excludes companies using third-party solutions to manage their onboarding due to low number of responses.

Compliance remains at the forefront of fintech leaders' minds as the #2 biggest business challenge they currently face. As new fintech companies continue to pop up, compliance with regulations is one of the biggest hurdles to getting started in the financial services industry—and it is something you need to get right from the day you launch and start onboarding customers.

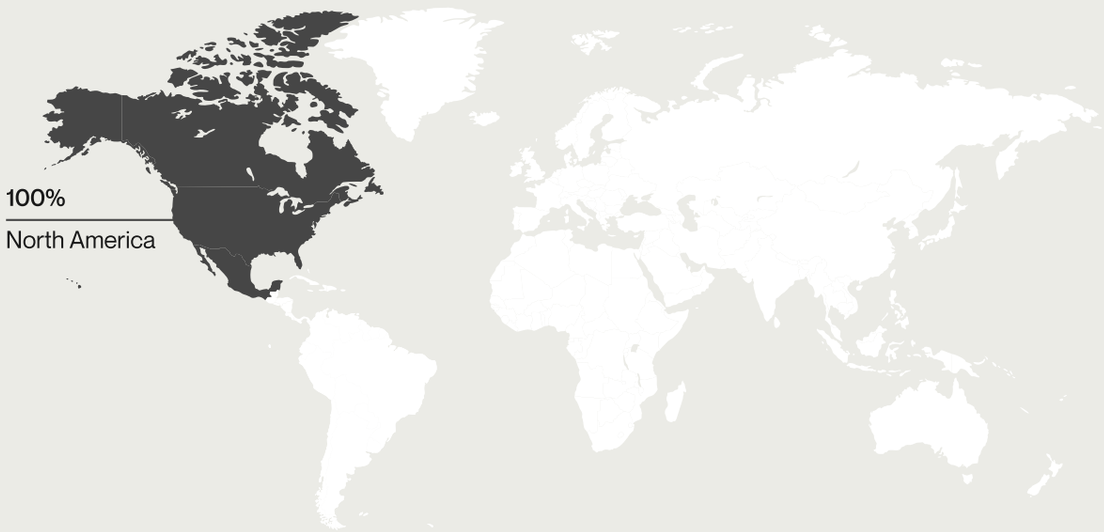
And with 60% of respondents seeing an increase in fraud over the past twelve months, it's no surprise that 75% of organizations are devoting more resources to fraud prevention. But, what does that investment look like? 47% of fintech executives have almost half of their engineering teams working on fraud and compliance, and 39% have nearly half of their product teams solving these issues.

It doesn't need to take half of your workforce to solve your fraud and compliance challenges. Adopting an Identity Decisioning Platform can transform KYC and fraud from a problem your engineering and product teams must "figure out" into something you can install into your existing tech stack. IDPs decrease the number of resources you need to mitigate fraud and comply with government regulations, freeing up those resources to focus on other strategic initiatives across your organization.

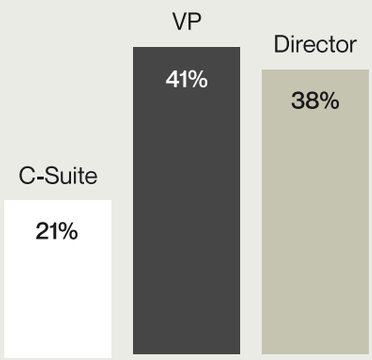
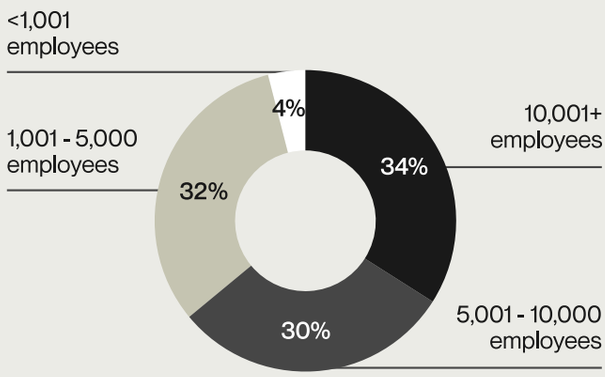
Learn more about Alloy's Identity Decisioning Platform

Respondent Breakdown

Location



Title



Company Size