Knowledge Brief

Quadrant Knowledge Solutions

Oracle is a Leader in
SPARK Matrix: Anti-Money Laundering (AML), 2022

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2022
SPARK MATRIX
LEADER

Anti-Money Laundering
(AML), 2022

An Excerpt from Quadrant Knowledge Solutions
"SPARK Matrix: Anti-Money Laundering (AML), 2022"

Oracle is Leader in SPARK Matrix: Anti-Money Laundering (AML), 2022

Anti-Money Laundering (AML) solutions help financial institutions and government organizations to monitor and analyze customer data and transactions to detect, prevent, and report all types of suspicious activities, including money laundering activities, and improve AML compliance. Modern AML solutions use advanced analytics, artificial intelligence, and machine learning to predict potentially fraudulent activities to further strengthen the organization's AML compliance readiness.

New-age technologies have not only increased the constant friction between banks, regulators, and financial criminals but have also ushered in increasingly complex regulations. Financial services and banks are grappling with adhering to a host of regulations such as BSA, FinCEN, Fourth AMLD, Fifth AMLD, Hong Kong Monetary Authority (HKMA), Monetary Authority of Singapore (MAS), and such others, while utilizing legacy systems, consequently resulting in an adverse impact on deadlines and slowing the overall process. To further add to their woes, driven by digital transformation and emerging technologies, financial crimes are increasing in frequency and complexity, fueling a rapid rise in money laundering activities. With miscreants finding innovative ways, cryptocurrency and virtual assets are also coming under the purview of money laundering activities. Lately, with the majority of the population homebound and working remotely due to the COVID-19 pandemic, there has been a swift rise in financial frauds, with people increasingly being digitally more active overall.

Due to these challenges, organizations are increasingly turning to Fintech vendors and embracing anti-money laundering solutions to detect and mitigate conventional and digital money laundering activities. Anti-money laundering (AML) solutions are majorly used to fulfill compliance for FIs to prevent money laundering activities and help organizations combat financial fraud. AML solutions filter customer data and historical transactions, detect anomalies, help financial services monitor and flag or report suspicious activities (SAR) if required, and ensure compliance. AML solutions can ingest large data sets effectively from multiple sources and help FIs conduct due diligence processes efficiently and ensure adherence to regulations. The solutions use an analytics engine to track customer information, financial transactions, and historical data for suspicious patterns. Hence, it is imperative for organizations to select the right AML solution for detecting and resolving/reporting money laundering activities.

In recent times, innovative & sophisticated technologies powered by AI & ML are boosting AML solutions' efficiency and credibility. The technology advancements are used from the beginning of customer onboarding, fraud detection, monitoring, investigation, & triggering alerts to case reporting and flagging suspicious transactions. AI with automation is playing a significant role in the AML space, eliminating manual errors, optimizing operational efficiency, and minimizing time spent on the whole process. Thus, the constant occurrence of cyber threats, frauds, and risks can be curbed and mitigated with advanced AML solutions, which can cover the comprehensive customer cycle and optimize the orchestration of work by combining sophisticated technology with the organization's systems.

Quadrant Knowledge Solutions' SPARK Matrix: Anti-Money Laundering (AML), 2022 research includes a detailed analysis of the global market regarding emerging technology trends, market trends, and future market outlook. This research provides strategic information for technology vendors to better understand the existing market, support their growth strategies, and for users to evaluate different vendors' capabilities, competitive differentiation, and market position.

The research includes detailed competition analysis and vendor evaluation with the proprietary SPARK Matrix analysis. SPARK Matrix includes ranking and positioning of leading AML vendors with a global impact. The SPARK Matrix includes the analysis of vendors, including ACI Worldwide, Acuant, AML Partners, BAE Systems, Clari5, Eastnets, Featurespace, Feedzai, FICO, Fiserv, Infrasoft Tech, LexisNexis Risk Solutions (Accuity), NICE Actimize, Oracle, Pelican AI, Quantexa, SAS, Symphony AyasdiAI, ThetaRay, and Verafin (Nasdaq).

Market Dynamics and Trends

The following are the key market drivers as per Quadrant Knowledge Solutions' Anti-Money Laundering (AML) solution strategic research:

♦ Digital advancements are transforming various sectors at an accelerated pace, significantly impacting financial organizations and heralding the cashless economy, the proliferation of mobile devices, cloud computing, the Internet of Things (IoT), and eCommerce. Digitalized financial institutions and banks offer 24*7 connectivity to customers through mobile wallets, instant payment options, and cryptocurrencies. The interconnected, fast, and accessible systems are accelerating the spread of money laundering and fraud attacks across the global financial sector.

♦ Technologies such as AI, ML, RPA, advanced analytics, and blockchain have completely metamorphosized the financial landscape. FIs are adopting innovative technologies and integrating intelligent automation, AI and ML into their AML compliance solutions to fulfill customers' and regulators' requirements.

♦ Due to emerging trends of cryptocurrency and its involvement in trade-based money laundering (TBML) and other fraud activities, the government authorities and regulators have increased their focus on all institutions dealing with cryptocurrency and virtual assets. Entities involved in cryptocurrency and virtual assets should comply with anti-money laundering and combating financial terrorism obligations by developing end-to-end AML/CFT control frameworks. Also, to combat cryptocurrency frauds, banks need a robust AML solution.

♦ FIs and FinTech vendors are increasingly looking forward to collaborating in the journey to fight against frauds and money laundering activities. To battle against the sophisticated and integrated frauds across the globe, FIs and banks are collaborating to share data and intelligence on financial crime. FinTech vendors are also looking forward to collaborating to strengthen their AML offering and increase their market presence.

♦ With the rise in fraudulent activities, more emphasis is being given to detecting criminal activities and fine-tuning the monitoring approach. Thus, the demand for enhanced transaction monitoring solutions

integrating technologies such as AI, ML, and automation is increasing. Vendors are increasingly using advanced technologies like real-time customer risk scoring, network analytics, UEBA, and advanced analytics for enhanced transaction monitoring capability.

♦ Changing money laundering tactics and increasing regulations have intensified the compliance burden on banks and FIs. The FIs' task is made more challenging by regulations, such as FinCEN and 6AMLD, accepted as AML standards worldwide. With the need to comply with the global and local regulations, AML vendors are ensuring that they offer improved compliance and enhanced reporting capabilities.

♦ The COVID-19 pandemic has further fueled the digital transformation journey for most organizations and people. The pandemic has drastically influenced people's online shopping behavior around the world, increasing the sheer volume of financial transactions, which is increasing pressure on banks to comply and has also unsurprisingly increased the instances of fraud and money laundering.

♦ Driven by the post-COVID surge of complexities, emerging fraud and money laundering trends, financial institutions are re-evaluating their existing technology infrastructure and operational processes. Leading vendors in the integrated financial crime and compliance market are investing in offering a unified solution for alert and case management fraud investigation, integrated analytics and dashboards, unified views of risks, and such others.

Figure: Key Components of Anti-Money Laundering (AML) Solution.

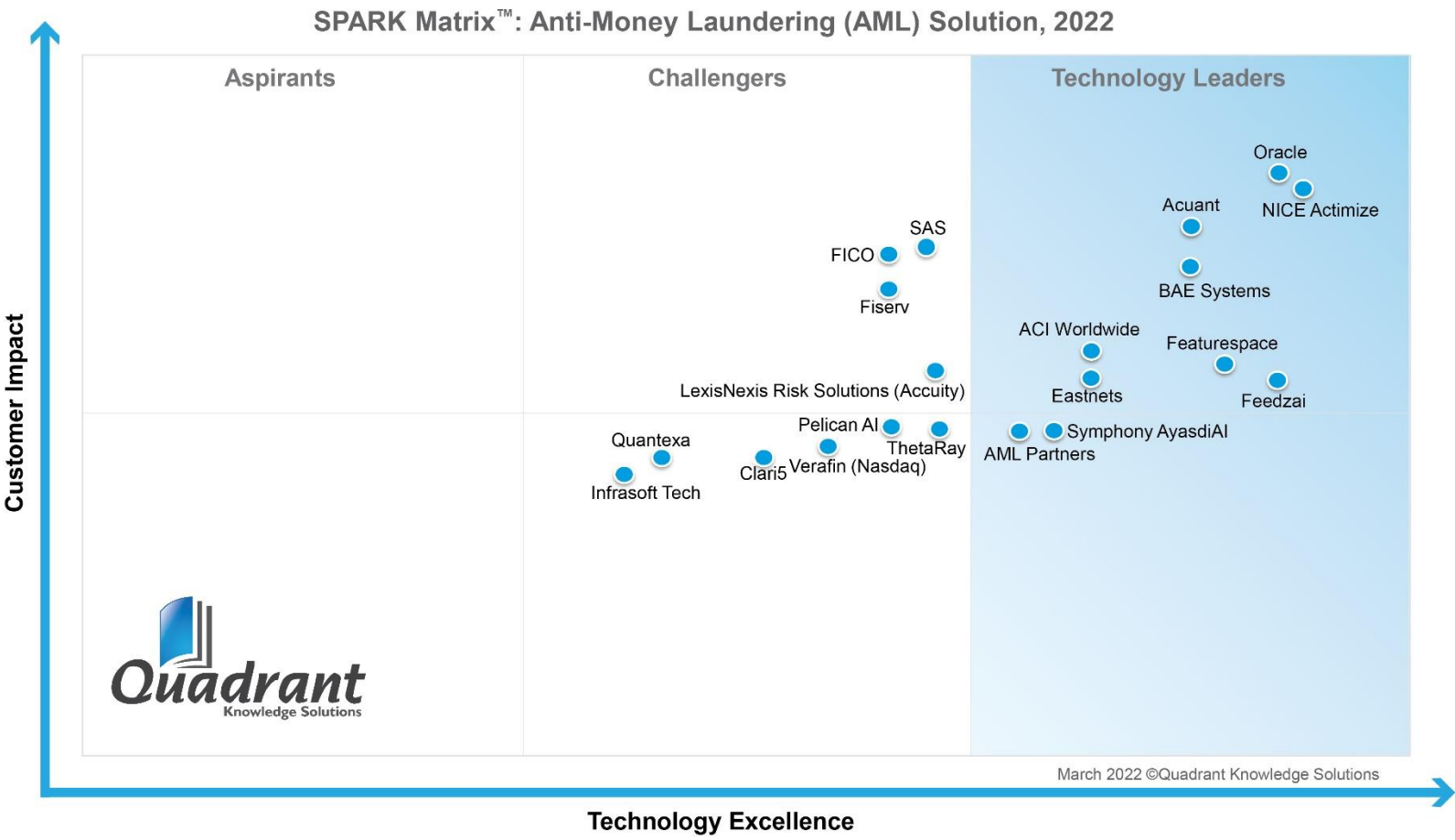Anti-Money Laundering (AML) Solution Framework

Source: Quadrant Knowledge Solutions

SPARK Matrix Analysis of the Anti-Money Laundering (AML) solution Market

Quadrant Knowledge Solutions conducted an in-depth analysis of the major Anti-Money Laundering (AML) vendors by evaluating their product portfolio, market presence, and customer value proposition. Anti-Money Laundering (AML) market outlook provides competitive analysis and a ranking of the leading vendors in the form of a proprietary SPARK Matrix™. SPARK Matrix analysis provides a snapshot of key market participants and a visual representation of market participants. It provides strategic insights on how each vendor ranks related to their competitors based on their respective technology excellence and customer impact parameters. The evaluation is based on primary research including expert interviews, analysis of use cases, and Quadrant's internal analysis of the overall AML market.

Technology Excellence	Weightage		Customer Impact	Weightage
Sophistication of Technology	20%		Product Strategy & Performance	20%
Competitive Differentiation Strategy	20%		Market Presence	20%
Application Diversity	15%		Proven Record	15%
Scalability	15%		Ease of Deployment & Use	15%
Integration & Interoperability	15%		Customer Service Excellence	15%
Vision & Roadmap	15%		Unique Value Proposition	15%

According to the SPARK Matrix analysis of the global AML solution market, "Oracle's robust functional capabilities for AML which is a part of its financial crime and compliance (FCCM) applications suite, has secured strong ratings across the performance parameters of technology excellence and customer impact and has been positioned amongst the technology leaders in the 2022 SPARK Matrix of the Anti-Money Laundering (AML) solution market."

Figure: 2022 SPARK Matrix
(Strategic Performance Assessment and Ranking)
Global Anti-Money Laundering (AML) solution Market

SPARK Matrix™: Anti-Money Laundering (AML) Solution, 2022

Oracle Capabilities in the Global Anti-Money Laundering (AML) solution Market

Founded in 1977, and headquartered in Austin, Texas, US, Oracle offers suites of integrated applications plus secure, autonomous infrastructure in the Oracle Cloud. Oracle offers a complete platform for onboarding, monitoring, detection, investigation, and reporting a financial crime through its Financial Crime and Compliance Management (FCCM) Applications suite. Powered by advanced analytics, engineered to work together with a unified enterprise case management, Oracle FCCM Applications delivers continuous innovation, detection accuracy, boosts investigator productivity, improves operational efficiency, and drives cost reduction for the compliance organization.

Oracle's FCCM suite offers key functionalities across the entire anti-money laundering (AML) and financial crime management value chain, including Customer Screening, Know Your Customer (KYC), Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), Sanctions Screening, Transaction Monitoring, Fraud Monitoring, Enterprise Case Management, multi-jurisdictional Regulatory Reporting, and Operational Reporting. The FCCM suite is built on a robust data model and comprehensive data management foundation and is augmented with advanced analytics capabilities to manage the new generation of threats.

Among the most challenging aspects of instituting effective anti-money laundering and anti-fraud programs at financial institutions is adapting quickly to financial crime patterns. The ability, therefore, to continually discover and model new criminal behavioral patterns, coupled with the facility to deploy these models rapidly, is a critical requirement. Graph analytics and machine learning are essential methods for pattern discovery and are most effective when applied over the data in a comprehensively designed, enterprise-wide financial crimes data lake. Oracle Financial Services Compliance Studio (Oracle Compliance Studio) enables data scientists to rapidly discover and model financial crime patterns.

Oracle Compliance Studio introduces a new way to address the entire Artificial Intelligence (AI) lifecycle, starting from ideation, data sourcing, building and evaluating the models, deployment orchestration, and continued monitoring and maintenance while providing the controls that organizations need to manage and govern their AI initiatives responsibly.

Oracle Compliance Studio also includes market-leading capabilities like a robust Entity Resolution Service to give institutions true single entity views, ML-driven Event Scoring to predict and prioritize false positives, unsupervised Customer Segmentation to allow firms to understand better and segment their client base, and multitude of other capabilities and features related to Graph Analytics and Machine Learning.

Oracle also offers the Investigation Hub, an intuitive investigation platform that speeds up financial investigations using graph technology. It links customers, accounts, external entities, transactions, and external data, to provide a holistic graph representation of data that aids in uncovering any otherwise hidden suspicious patterns.

Oracle has recently released Oracle FCCM Cloud Service, an integrated compliance platform delivered as-a-service with integrated case management and advanced analytics capability. Oracle FCCM Cloud Service is uniquely designed to keep mid-sized financial institutions safe, compliant, and ready for business growth. This new Oracle FCCM SaaS application is cost-effective, easy to configure, and packed with a user-friendly interface.

Analyst Perspective

Following is the analysis of Oracle's capabilities in the global AML market:

♦ Oracle Financial Crime Compliance Management (FCCM) product suite provides comprehensive AML capabilities that enable FIs to monitor, detect, investigate, and report complex suspicious transactions across products and channels. The Oracle FCCM portfolio is backed up by advanced analytics technologies such as artificial intelligence, machine learning, and graph analytics to address the growing complexities of financial crime. The FCCM suite offers seamless customer onboarding, effective monitoring, and detection, efficient case management and accurate investigations, and compliant regulatory reporting and insights, augmented by comprehensive data management and advanced analytics capabilities, to manage the new generation of threats.

♦ Oracle FCCM's key differentiators include its purpose-built and domain-aware AI/ML/RPA/Graph/NLP capabilities, holistic offerings for banking and insurance, and productized integration to the banking, customer experience, accounting, and finance streams within the larger Oracle portfolio. The company offers a unified data processing & strategic analytics application

for risk rating, monitoring, investigation & analytics, which helps to minimize overall operational time and enhances model optimization efficiency.

♦ The Oracle FCCM suite is also available for mid and small-sized banks as software-as-a-service. The FCCM Cloud Service consists of four interlaced layers for AML and compliance with integrated case management and reporting capabilities, which includes Know Your Customer (KYC) Cloud Service, Customer Screening (CS) Cloud Service, Transaction Monitoring (TM) Cloud Service, and Regulatory Reporting (CRR) Cloud Service.

♦ In terms of geographical presence, Oracle has a global presence. Oracle supports use cases for effective transaction monitoring through its OOTB scenario library that covers a wide variety of AML topologies relevant for multiple industries, including banking, investment & insurance, and other banking-related businesses such as retail, private, wealth, cards, commercial, and investments. Furthermore, the company supports multiple use cases such as transaction monitoring, alerts investigation and workflow, regulatory reporting, case management, KYC and EDD, sanction screening, reporting, CTR, employee screening, and supplier screening.

♦ Oracle continues to face competition from leading vendors. However, with Oracle's lineage of over 25 years in the industry, strong expertise in offering financial crime and compliance services and solutions, continued investments in advanced technologies, and sophisticated AML offerings, the company dominates the AML solutions market globally.

♦ From a product strategy and roadmap perspective, Oracle continues to focus on enhancing operational completeness, infrastructure updates, and user experience. Oracle's investment themes focus on deepening features and scalability of the entire stack of applications and providing compelling features and user experience that delivers both business benefits and scale. The company plans to invest and further enhance advanced analytics capability, drive rapid adoption and industrialization of innovations that come out of Oracle Labs into the FCCM portfolio, and continue our focus of journey to the cloud, deepen SaaS feature density and build new SaaS SKU's.