

— **Knowledge Brief** —
Quadrant Knowledge Solutions

Oracle is a Leader in
SPARK Matrix: Know Your Customer (KYC)
Solution, 2022



An Excerpt from Quadrant Knowledge Solutions
“SPARK Matrix: Know Your Customer (KYC) Solution, 2022”

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The rise in financial crimes has prompted FIs to know their customers in detail. The measures taken to capture these essential details are known as Know Your Customer/Customer Due Diligence (KYC/CDD). KYC is the process of acquiring contextual information as structural or nonstructural data in the form of identity proof, residential or office address, photo, and other such details to know, identify & verify who the customers are against the identity proofs and documents submitted by them. CDD is an extension of KYC, verifying customer's identities by performing background checks and assessing risks throughout the customer life cycle to prevent identity fraud and money laundering activities. Financial institutions and organizations use KYC/CDD solutions to conduct customer identity verification, assess their financial transactions, and review risk factors to help eliminate anomalies, mitigate financial crimes, ensure regulatory compliance, and manage customer relationships. KYC/CDD is being offered as a standalone solution or an integral part of the Anti-Money Laundering (AML) solutions suite.

With the increasing financial crimes, organizations must know their customers, the nature of their activities, and the level of money laundering risks associated with them. Hence, KYC/CDD has become a fundamental practice for organizations worldwide. KYC/CDD solutions help assess customer risks, determine involvement in fraudulent activities, and comply with the KYC laws. KYC/CDD solutions include identity resolution and customer onboarding, regulatory reporting, risk score assessing & management, and customer lifecycle management. Even after customers are approved and successfully onboarded, customers' financial activities are monitored and evaluated throughout their lifecycle. Such rigorous customer verification measures are essential as money laundering is usually involved with criminal activities such as organized crime, drug trade, human trafficking, and terror financing. Therefore, a robust KYC/CDD solution is of immense help to banks and FIs.

The need for a robust KYC/CDD solution is further enforced by the regulations such as BSA, EU's AMLDs, USA's Patriot Act, FinCEN, and other KYC regulations around the world. Apart from regulatory compliance challenges, organizations face various operational challenges with KYC/CDD processes. The globally inconsistent, non-standardized, and labor-intensive KYC/CDD processes often result in poor customer experience. Juggling between regulatory compliance and customer satisfaction often results in customers

having limited or zero access to services until the onboarding is finished. Another key issue is data aggregation from multiple channels and sources. The fragmented and inconsistent customer data limits the processability to identify risky customers accurately.

Adopting a robust KYC/CDD solution is thus beneficial to banks and FIs, as the solution can handle compliance challenges in a cost-efficient manner without any compromise on customer experience. A robust KYC/CDD solution helps combat financial crimes by making consolidated customer data available to the FIs and banks. The solution also enables banks and FIs to identify potential risks beforehand and avoid reputational damage and penalties arising from non-compliance and fraudulent behavior. A robust solution will also help reduce the overall cost and time of the KYC/CDD processes by automating manual operations.

Apart from FIs and banks, KYC/CDD solution also helps other sectors to comply with complex AML/KYC regulations and avoid reputational damage and penalties arising out of unwanted associating with money laundering activities. KYC/CDD solutions are getting more efficient with the influx of new tools and technologies like AI, ML, RPA, advanced analytics, and behavioral biometrics. The convergence of technology and intelligent automation is strengthening the KYC/CDD process by enabling seamless customer onboarding and detecting anomalous customers, beneficial owners & authorized signatories, thereby mitigating potential instances of financial fraud.

Quadrant Knowledge Solutions' SPARK Matrix: Know Your Customer (KYC), 2022 research includes a detailed analysis of the global market regarding emerging technology trends, and market trends. 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 KYC vendors with a global impact. The SPARK Matrix includes analysis of vendors, including Acuant, Acuris Risk Intelligence, AML Partners, BAE Systems, Diligent (Steele), Equiniti, Fenargo, FICO, FinScan, Intellect Design Arena, Jumio, LexisNexis Risk Solutions (Accuity), NICE Actimize, Oracle, Pega, SAS, Signzy, and Silent Eight.

Market Dynamics and Trends

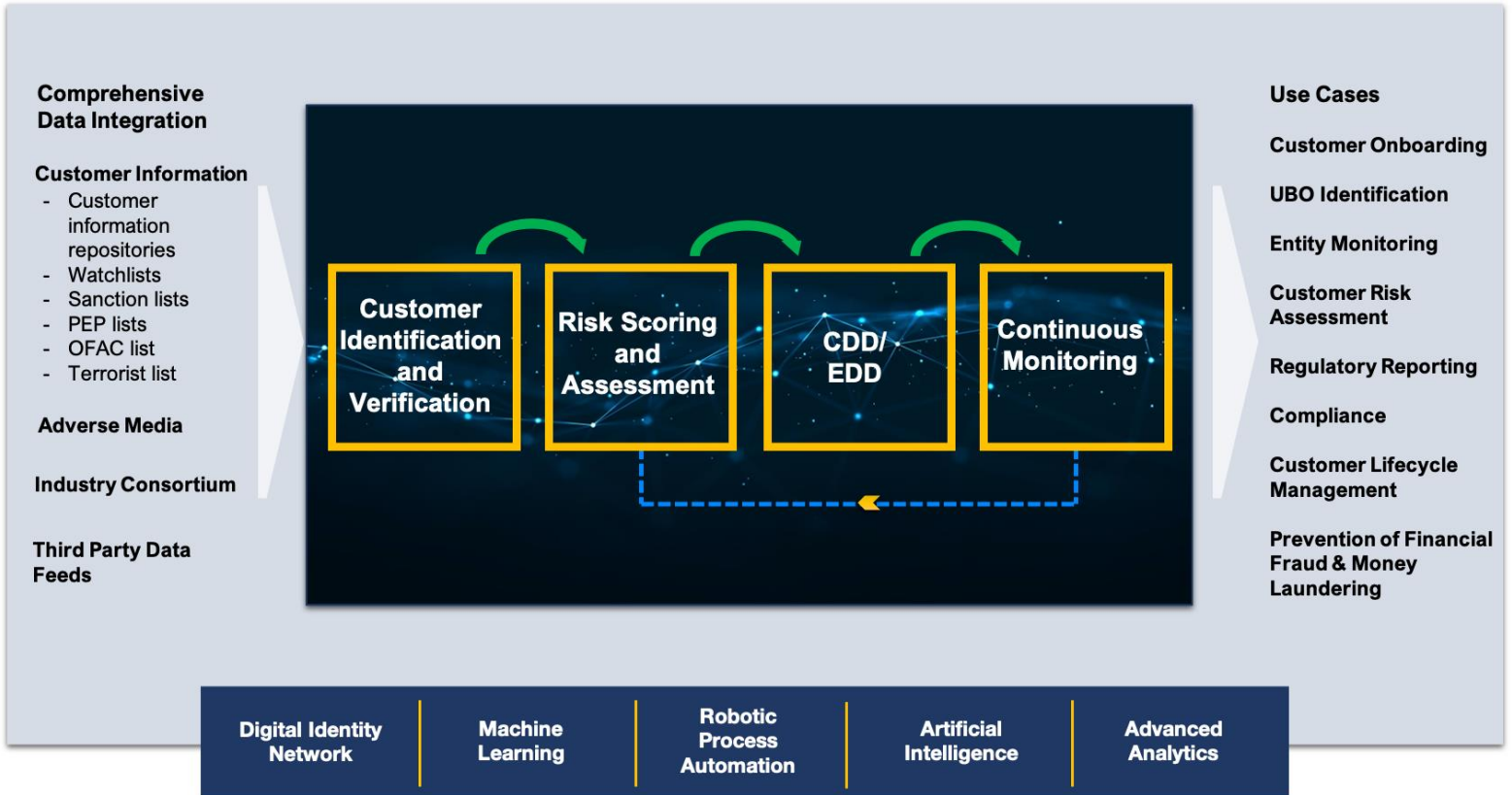
The following are the key market drivers as per Quadrant Knowledge Solutions' Know Your Customer (KYC) solution strategic research:

- ◆ Organizations are also moving from periodic KYC to perpetual KYC for offering more data about customer habits, behavioral patterns, potential anomalies, and enabling opportunities for new products and services. Perpetual KYC offers multiple benefits such as optimum utilization of resources, enhanced compliance and risk management, minimized manual intervention, and intelligent automation.
- ◆ As knowing your customer fits in the broader schema of anti-money laundering, KYC/CDD processes are governed mainly by AML laws worldwide. It is imperative for all banks to conduct the KYC/CDD process for each customer & entity to verify their identity. However, banks and FIs are finding it challenging to address the compliance burden driven by complex AML/KYC regulation needs while complying with data privacy concerns due to regulations such as GDPR and CCPA and safeguarding themselves from compliance risks linked with money laundering activities while performing their daily tasks.
- ◆ Cybercrimes such as identity theft, data breaches, phishing, account takeover, and hacking are rapidly increasing across global regions. The COVID-19 pandemic and the resulting rise in remote working and increased online activity has further fueled such crimes. The increased use of e-commerce, banking, trading, and insurance apps has attracted cybercriminals' attention and caused organizations to look closely into identification, verification, and security measures. Banks are integrating updated technologies into their KYC & CDD solutions against the legacy methods to prevent and combat identity thefts and data breaches, helping people to safeguard their personal information and private records.
- ◆ Cryptocurrencies like Bitcoins are also playing a significant role in Trade-Based Money Laundering (TBML) activities. In TBML, it is crucial for FIs to know the business (KYB) and ultimate business ownership, or any other money laundering risk linked. Hence, to combat cryptocurrency frauds, financial institutions are considering robust KYC/CDD solutions that support cryptocurrencies and virtual assets.

- ◆ Vendors are increasingly embedding advanced technologies, such as biometric verification, chatbots, real-time KYC through video/voice calls, mobile selfie capture, liveness detection, and others with their KYC/CDD solutions for superior customer experience. These technologies offer various benefits for users like convenience, quicker processing, information security, accuracy, less liability to manual errors, and such others.
- ◆ Technologies such as artificial intelligence, machine learning, robotic process automation (RPA), advanced analytics, and blockchain have completely metamorphosed the financial landscape. Tech-savvy customers now expect banks and financial services to deliver a smoother, more secure, and swifter experience. Therefore, FIs are adopting innovative technologies and integrating intelligent automation, AI and ML into their KYC solutions to fulfill both customers' and regulators' requirements. The need for such solutions is even more necessitated by the rise of online frauds following the Covid-19 pandemic.
- ◆ Due to the differing regulations by jurisdictions and stringent regulations, centralized KYC data repository remains a challenge. Hence, multiple banks are collaborating to unify data on a centralized interface facilitating exchange or sharing for a robust KYC & CDD process that will help keep frauds at bay.

Figure: Key Components of Know Your Customer (KYC) Solution.

Know Your Customer (KYC) Solution Framework



Source: Quadrant Knowledge Solutions

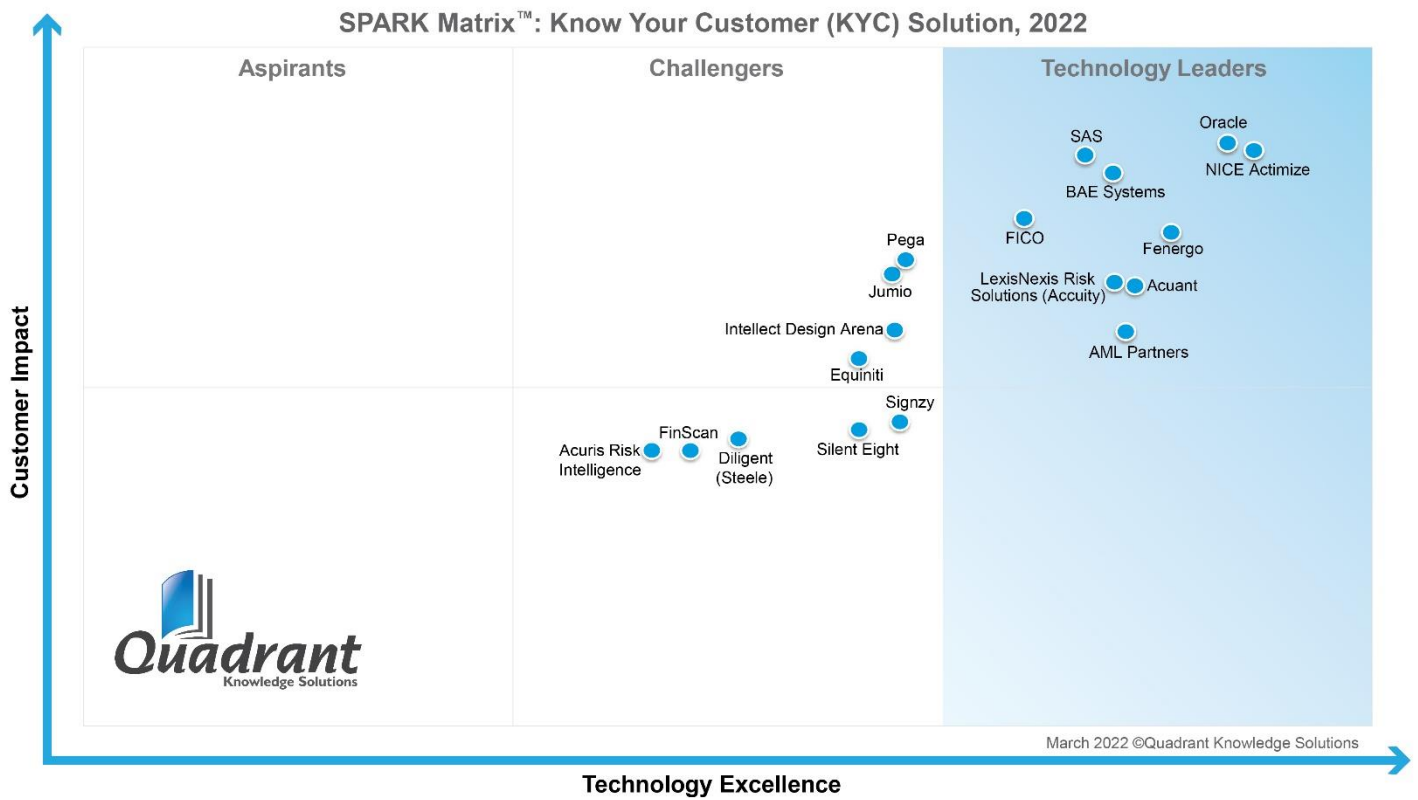
SPARK Matrix Analysis of the Anti-Money Laundering (AML) solution Market

[Quadrant Knowledge Solutions](#) conducted an in-depth analysis of the major Know Your Customer (KYC) vendors by evaluating their product portfolio, market presence, and customer value proposition. Know Your Customer (KYC) 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 KYC 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 KYC solution market, “Oracle’s KYC capabilities are offered through Financial Services Know Your Customer (OFS KYC) and 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 Know Your Customer (KYC) Solution market.”

Figure: 2022 SPARK Matrix
 (Strategic Performance Assessment and Ranking)
 Global Know Your Customer (KYC) solution Market



Oracle Capabilities in the Global Know Your Customer (KYC) Solution Market

Founded in 1977 and headquartered in Austin, Texas, US, [Oracle](#) is a provider of a range of solutions catering to various domains. Oracle offers its know your customer (KYC) solutions through the Oracle Financial Services Know Your Customer (OFS KYC), which is a subcomponent of the Financial Crime and Compliance Management (FCCM) product suite. OFS KYC offers key features & functionalities of KYC, including know your customer and customer due diligence (KYC and CDD), name screening, consumer and business identification, KYC regulations, KYC risk scores, simplified due diligence (SDD), enhanced due diligence, real-time risk scoring, continuous monitoring, alert & case management, suspicious activity monitoring, auditing & reporting.

OFS KYC provides KYC and CDD functionalities that support real-time onboarding and continuous monitoring, along with built-in watchlist screening, KYC risk scoring with out-of-box parameters, risk assessment evaluation, case investigation, and robust enhanced due diligence capabilities. OFS KYC also provides advanced data-preparation techniques to ensure that customer and list data is as per the norms. It also provides extended configuration to speed up the re-review process for escalation of change in the profile of customers. OFS KYC allows customers to use standalone OFS customer screening applications or use the prebuilt name screening module of the OFS KYC application module itself. If the customers have already implemented a third-party name screening solution, they can incorporate the screening results from this third-party solution into the OFS KYC risk assessment models. Regardless of the name screening engine that may be used, scores from the name screening process are utilized in calculating the aggregate KYC customer risk score.

OFS KYC also offers consumer and business identification that helps verify customer ID, negative news scores, and other elements that are all included in the customer identification program through integration with data service providers. Oracle Financial Services KYC team has an open API strategy with OOTB integrations using leading data providers.

OFS KYC offers the KYC regulations consisting of parameters derived on the basis of several regulatory guidelines globally and the risk models are consistent with directives and under the guidance of International Money Laundering Abatement and Anti-Terrorist Financing Act, 2001, USA PATRIOT Act, UK Proceeds of Crime Act 2002, JMLSG Guidance, Third European Money

Laundering Directive, EU Fourth Anti-Money Laundering Directive, and Beneficial Ownership, FinCEN Final Rule, FinCEN AMLA 2020 update - Corporate Transparency Act (CTA). FCCM's KYC risk scoring models consist of multiple risk assessments models that quantify the overall risk of a particular customer causes to the FI and give a holistic view of that customer risk profile. OFS KYC risk score considers several risk factors to provide a 360-degree view of customer risk. The aggregate risk score considers the customer's relationship with other customers and accounts within and outside the institution. For non-individual customers, the application also considers information about beneficial ownership.

OFS KYC provides a comprehensive view of the entity and associated risks with an automated screening against various watchlists. It provides services including real-time onboarding and questionnaire to enable quick onboarding decisions.

OFS KYC platform helps customers to conduct enhanced due diligence using the underlying case management platform's investigation capabilities, allowing risk assessments to be escalated for due diligence. It offers the ability to review risk parameter attributes that contribute to the risk score. The platform also provides support for risk score override to modify the score if required as a part of the investigation. Further, it indicates the expiration date for the override risk score vs. system score. It also provides a manual next re-review date for the customer's profile.

Oracle's KYC Platform is integrated with a behavior detection platform to assess the alerts/events of a particular configured pattern and trigger re-review of the customers. In conjunction with Oracle Enterprise Case Management (ECM) tool, it can be used for cases that are not directly related to behavior detection, areas like customer complaints, and suspicious incident reporting. The integrated correlation and event scoring capabilities enable a truly risk-based approach to prioritizing events.

Oracle's ECM includes re-integrated compliance regulatory reporting. With its standardized interfaces for inbound and outbound requests, it can also be used with other case management systems. The platform's configuration management features make it easy to manage, audit, and share match rules across the organization.

Analyst Perspective

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

- ◆ Oracle's KYC capability offers a seamless KYC & CDD process across the customer lifecycle, ensures regulatory compliance while preventing friction at the intersection of customer journeys, and offers multi-dimensional risk assessments through integrated, data-driven & intelligent automation. This capability enables quick detection of likely money laundering/fraud activities and ensures swift onboarding of good customers, thus minimizing risk while offering an enhanced customer experience. The OFS KYC also offers CDD capability that offers a 360-degree view of the entities and risks, along with automated screening against multiple watchlists. FCCM also offers enhanced EDD using the underlying case management platform's investigation capabilities. The key differentiators of OFS KYC include the function-first approach specifically designed to meet all the updated AML/FATF-based KYC regulatory requirements, comprehensive & integrated solutions, advanced analytics, productized integration.
- ◆ In terms of geographical presence, Oracle has a global presence. OFS KYC supports various use cases, including onboarding, CDD, customer risk rating, EDD, customer lifecycle management, and advanced analytics. Oracle caters to various vertical industries, including BFSI, health care, automotive, food & beverage, retail, utilities, and others.
- ◆ In terms of roadmap perspective, Oracle investments are centered around complete coverage, enabling customers to adopt innovation, improving user experience, and cloud deployments. The company plans to invest in further enhancing its advanced analytics capabilities to increase coverage and reduce false positives. Oracle continues its focus on enhancing operational completeness, infrastructure updates, and user experience. The company further plans to focus on cloud-based SaaS deployments, leveraging micro-services architecture and self-service functionality to enhance self-sufficiency.