Aité Novarica

THE 2022 IMPACT AWARDS IN AML

—

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LexisNexis®
RISK SOLUTIONS

IMPACT REPORT

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INTRODUCTION

Aite-Novarica Group's 2022 Impact Awards in AML aim to identify and recognize those financial organizations and vendors that are leading the industry with new and disruptive financial crime products and capabilities. Award recipients and their innovations are bringing the financial services industry one step closer to triumphing over fraud, money laundering, and other illicit activity.

Aite-Novarica Group designated the following four individual categories for its 2022 Impact Awards in AML:

- **Best Know Your Customer/Business Innovation:** New solutions, innovations, or datasets streamlining and enriching the KYC processes underlying the onboarding, servicing, and ongoing risk profiling and due diligence of individual and corporate customers.

- **Best Sanctions/Watchlist Screening Innovation:** New solutions, innovations, or datasets that optimize the risk-based checking of individuals, entities, and incoming and outgoing payments and transactions against sanctions, politically exposed persons (PEPs), and adverse media lists, as well as other risk-relevant information.

- **Best AML Transaction Monitoring Innovation:** New solutions, innovations, or datasets that elevate ongoing risk-based AML transaction monitoring to detect suspicious or unusual activity indicating potential money laundering, terrorist financing, or other illicit activity.

- **Best Financial Crime Investigation and Reporting Innovation:** New solutions, innovations, or datasets that transform and modernize the tasks and processes that support prioritizing, decisioning, and documenting suspicious activity and watchlist filtering alert investigations and develop and submit necessary reporting to senior management and regulatory authorities.

QUALIFICATION AND EVALUATION METHODOLOGY

In March 2022, Aite-Novarica Group solicited nominations for its 2022 Impact Awards in AML. All nominated initiatives were required to be in production and must have been implemented within the last two years. Strategic Advisors from Aite-Novarica Group's Fraud & AML practice and an external panel of subject matter experts and industry

thought leaders evaluated the submissions and determined the individual category winners. Each AML nomination was evaluated across several criteria (Figure 1).

FIGURE 1: EVALUATION CRITERIA FOR IMPACT AWARDS

AML Impact Award Evaluation Criteria			
Level of innovation	Competitive advantage assessment	Impact on customer experience	Impact on operational efficiency
Market needs assessment	Financial crime risk mitigation	Integration and scalability	Future roadmap

Source: Aite-Novarica Group

THE AML MARKET: CHALLENGES AND NEED

The world is changing rapidly, and sustaining effective financial crime risk management has become extremely challenging and complex. The breadth and capabilities of AML technology solutions must go beyond traditional offerings to address new market forces, combat financial crime, and achieve regulatory compliance while elevating the customer experience and operational efficiency.

Table A identifies key AML challenges that financial organizations and technology solution providers seek to address with innovative tools and approaches.

TABLE A: AML MARKET CHALLENGES

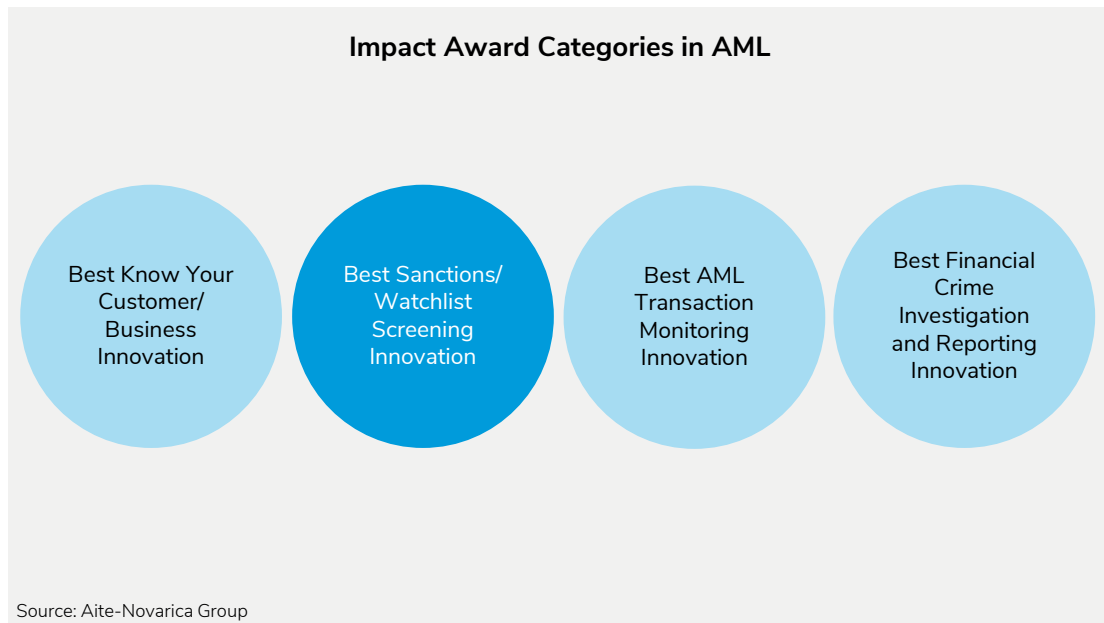| AML CHALLENGE	IMPACT
Balancing increasing regulatory requirements and demands for superior customer experiences	In today's competitive and complex financial landscape, regulated entities must achieve compliance with KYC and AML requirements while delivering superior customer experiences. Corporate customer onboarding can take days, weeks, or even months, necessitating considerable resource effort. Organizations want tools to help them understand corporate structures and associated risks more accurately and reduce the time and effort required to complete KYC-related tasks.
Managing evolving sanctions risks due to digital acceleration	Digital acceleration has increased the opportunities for organized crime groups and terrorists looking to launder money or evade international sanctions. Capitalizing on the anonymity in digital channels, they can elude detection by presenting as entities other than their own or spoofing their locations with proxy, VPN, or Tor browsers. Organizations need new capabilities and insights to help them manage elevated sanctions risk.

AML CHALLENGE	IMPACT
Going beyond the legacy approaches to AML transaction monitoring	Legacy AML transaction monitoring platforms were built on static rules and tend only to spot unusual transactions when they meet pre-established scenarios. However, even the most detailed set of rules cannot anticipate, adapt to, and detect all relevant financial crime risks. Moreover, legacy approaches can generate a high number of false positives. AML compliance officers must become more effective and efficient. They need dynamic detection tools that can deliver enhanced insights, identify unusual or unexpected behaviors early, minimize false positives, and reduce the total cost of compliance.
Optimizing laborious AML investigation practices and finding unknown unknowns	Financial crime investigations can be a huge expense. The complexity of an organization's business and operations, increasing volume of transactional activity and transaction monitoring alerts, and intensifying regulatory expectations all contribute to the demands placed on AML operational teams. Financial organizations require tools that can harness massive amounts of available data, often in unstructured or semi-structured formats, to uncover meaningful intelligence more quickly and drive smarter decision-making with better outcomes.

Source: Aite-Novarica Group

LEXISNEXIS RISK SOLUTIONS

LexisNexis Risk Solutions is the recipient of the 2022 AML Impact Award for Best Sanctions/Watchlist Screening Innovation (Figure 2).

FIGURE 2: IMPACT AWARD FOR BEST SANCTIONS/WATCHLIST SCREENING INNOVATION—

LEXISNEXIS RISK SOLUTIONS

Impact Award Categories in AML

Best Know Your Customer/ Business Innovation

Best Sanctions/ Watchlist Screening Innovation

Best AML Transaction Monitoring Innovation

Best Financial Crime Investigation and Reporting Innovation

Source: Aite-Novarica Group

BACKGROUND COMPANY INFORMATION

LexisNexis Risk Solutions is a global data and technology solutions company that harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions. LexisNexis Risk Solutions' broad product portfolio supports a wide range of industries, including insurance, financial services, healthcare, and government. LexisNexis Risk Solutions works with 88% of Fortune 100 companies, many Fortune 500 companies, seven of the world's top 10 banks, and 98 of the top 100 personal lines insurance companies.

LexisNexis Risk Solutions launched its Financial Crime Digital Intelligence in mid-2021. By combining traditional identity intelligence with shared digital identity intelligence, Financial Crime Digital Intelligence offers an innovative approach to advancing financial crime and sanctions risk management, elevating the customer experience.

Table B summarizes information about LexisNexis Risk Solutions and its winning innovation.

TABLE B: LEXISNEXIS RISK SOLUTIONS SUMMARY

CATEGORY	HEAD
Firm	LexisNexis Risk Solutions
Date founded	1905
Headquarters	Atlanta
Award category	Impact Award for Best Sanctions/Watchlist Screening Innovation
Innovation	Financial Crime Digital Intelligence
Brief description	Financial Crime Digital Intelligence helps organizations meet emerging regulatory requirements related to the use of IP address and geolocation as a control for digital sanctions evasion and evolve their practices in detecting location-based sanctions risk, even when an evader may be attempting to obscure their true location with technologies such as proxy or VPN.
Key Features	Financial Crime Digital Intelligence is underpinned by the LexisNexis Digital Identity Network, which provides a rich source of shared global digital identity and geolocation intelligence collected from various industries. On every transaction across the Digital Identity Network, up to 10 different location signals are gathered. Using this rich data combined with triangulation and proxy-piercing capabilities makes it possible for Financial Crime Digital Intelligence to unmask the likely true location of an entity, even when obscured.
Value proposition	In the wake of geopolitical uncertainty and an increasingly complex sanctions landscape, particularly heightened vigilance related to Russian sanctions, Financial Crime Digital Intelligence provides innovative, just-in-time capabilities to manage elevated digital sanctions evasion risk.
Website	risk.lexisnexis.com

Source: LexisNexis Risk Solutions and Aite-Novarica Group

LEXISNEXIS RISK SOLUTIONS INNOVATION

LexisNexis Risk Solutions introduced Financial Crime Digital Intelligence as a ground-breaking innovation for digital financial crime compliance, initially seeking to address digital sanctions evasion, one of the industry's quickly growing problems.

In the aftermath of digitally accelerating transactions and the escalating geopolitical landscape, businesses struggle to deliver superior digital customer experiences while managing heightened digital sanctions evasion risk. Leveraging the vast location intelligence within the LexisNexis Risk Solutions network, Financial Crime Digital Intelligence is designed to help firms navigate and tackle increasing and evolving sanctions risk. It helps organizations meet emerging regulatory requirements related to the use of IP addresses and geolocation as a control for digital sanctions evasion. Additionally, it helps them evolve their risk mitigation practices a step further by better detecting location-based sanctions risk, especially when sanctions evaders attempt to obscure their true location with technologies such as proxy or VPN.

KEY VALUE PROPOSITION AND MARKET CHALLENGES ADDRESSED

The accelerating shift toward digital commerce has amplified the convenience for consumers, but digital channels have become the new darling of criminals seeking to launder money or evade international sanctions. Organized crime networks capitalize on anonymity in digital channels, easily eluding current controls by presenting themselves as entities other than their own or spoofing location with proxy, VPN, or Tor browsers.

Demand for VPNs in Russia has increased since sanctions were initiated in February 2022. The LexisNexis Digital Identity Network recorded a 250% increase in payments made on devices using a Tor browser or VPN and a surge in high-velocity and geo-spoofing transactions. In response, the regulatory focus on digital threat vectors is intensifying, reinforcing the imperative for heightened vigilance on detecting and preventing location-based sanctions evasion. Financial Crime Digital Intelligence provides the innovative capabilities required to manage emerging regulatory requirements and elevated digital sanctions evasion risk.

HOW THE INNOVATION WORKS

The LexisNexis Dynamic Decision Platform (DDP) underpins Financial Crime Digital Intelligence. DDP is a powerful real-time decision and orchestration platform that can

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combine multiple physical and digital financial crime data sources to drive decisioning. Automated workflows create substantial efficiencies and consistency. DDP's RESTful API enables rapid connections to other first- and third-party data sources or systems.

The following capabilities illustrate the depth and breadth of Financial Crime Digital Intelligence's functionality:

- The LexisNexis Digital Identity Network provides a rich source of shared global digital identity and location intelligence collected from various industries. Up to 10 different location signals are gathered on transactions across the LexisNexis Digital Identity Network. Using this rich data combined with triangulation and proxy-piercing capabilities makes it possible for Financial Crime Digital Intelligence to unmask the likely true location of an entity, even when obscured.

- LexisNexis LexID Digital linking technology allows Financial Crime Digital Intelligence to recognize the activity of an entity across multiple devices that the entity may use. It leverages the power of a digital entity's past activity and behavior across the LexisNexis Digital Identity Network to uncover the entity's likely true location–even if they are attempting to obscure it with technology such as VPN, proxy, or Tor browser.

- Dynamic visualizations of digital identity and more extensive forensic reporting can speed up investigations.

- Financial Crime Digital Intelligence can quickly collate the data needed to meet suspicious activity reporting requirements related to the inclusion of digital identity information.

Figure 3 illustrates the diversity of location signals underpinning Financial Crime Digital Intelligence.

FIGURE 3: FINANCIAL CRIME DIGITAL INTELLIGENCE LOCATION SIGNALS
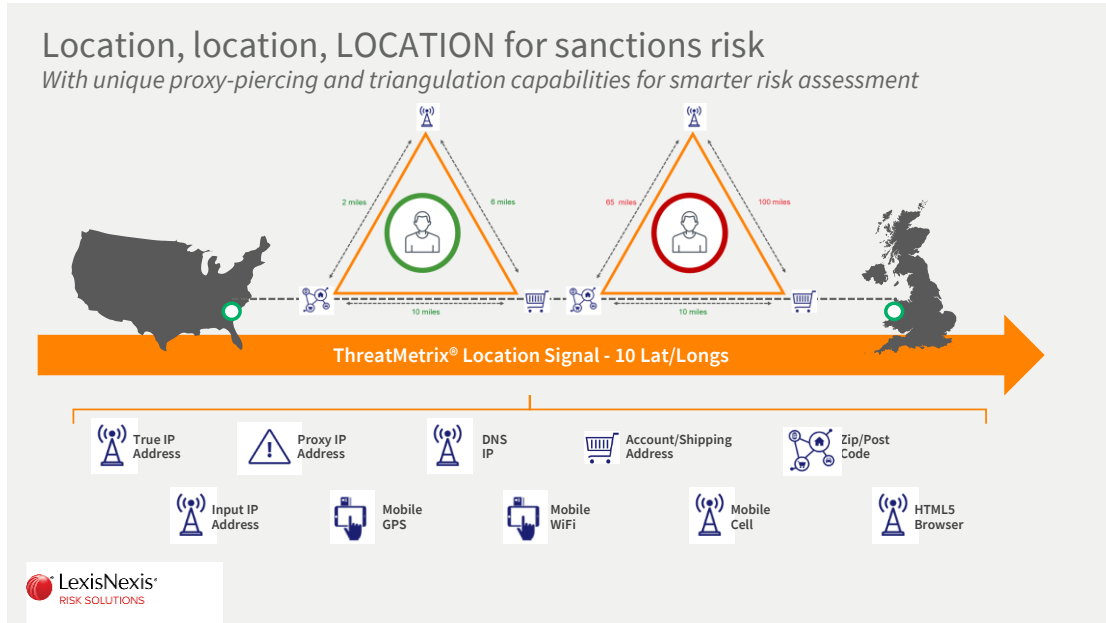
KEY BENEFITS AND RESULTS

Financial Crime Digital Intelligence is underpinned by ThreatMetrix and DDP, is highly scalable, and can help meet the needs of large organizations with demanding performance requirements. More than 216,000 websites and mobile applications implement the LexisNexis Digital Identity Network worldwide. ThreatMetrix has insight into millions of anonymized user identities and delivers the intelligence behind billions of annual authentication and trust decisions to differentiate legitimate customers from fraudsters in real time.

Table C lists the tangible benefits Financial Crime Digital Intelligence clients experience.

TABLE C: FINANCIAL CRIME DIGITAL INTELLIGENCE BENEFITS

BENEFIT	DESCRIPTION
True digital location detection	Ability to detect digital sanctions evasion and unmask potential evaders who may be attempting to obfuscate true location with technologies such as proxy, VPN, or Tor browser

BENEFIT	DESCRIPTION
Accelerated sanctions checks	Ability to implement near real-time checks against international sanctions lists
Operational efficiency gains	Ability to create automated workflows, combine digital identity and location intelligence with traditional financial crime data, and accelerate financial crime investigations

Source: LexisNexis Risk Solutions and Aite-Novarica Group

FUTURE ROADMAP

LexisNexis Risk Solutions has rapidly iterated Financial Crime Digital Intelligence since its initial launch, based on client feedback and the quickly changing sanctions environment. Looking to the future, LexisNexis Risk Solutions has an ambitious roadmap. Table D identifies the key Financial Crime Digital Intelligence product features that LexisNexis Risk Solutions will focus on in the next 24 months.

TABLE D: FINANCIAL CRIME DIGITAL INTELLIGENCE FUTURE ROADMAP

TIMELINE	KEY FOCUS AREA
12 months	Rapid integration to LexisNexis Risk Solutions products that support financial crime use cases across the customer journey, including: • LexisNexis Due Diligence Attributes for automated risk-rating and due diligence • LexisNexis TrueID document authentication for global entity customer identification program (CIP)/KYC • LexisNexis Instant Verify International for global entity KYC • LexisNexis LexID for real-time appends to auto-adjudicate false positives • LexisNexis Bankers Almanac CounterParty KYC for counterparty KYC • LexisNexis Bankers Almanac Validate for bank account and routing validation • LexisNexis Automated Risk Assessment for automating consistent due diligence processes before handoff to manual review
12 to 18 months	Integration of TruNarrative to the financial crime orchestration platform

TIMELINE	KEY FOCUS AREA
12 to 24 months	Expansion of capabilities to address other emerging financial crime use cases and problems, including: • IP/geolocation look-up without the use of LexisNexis Digital Identity Network data to support detection of digital sanctions evasion risk • Next-gen transaction monitoring that leverages digital identity intelligence • Cryptocurrency risk • Location-based high-risk jurisdictional risk • False positive adjudication automation • Automated suspicious activity/transaction reporting exporting

Source: LexisNexis Risk Solutions and Aite-Novarica Group

AITE-NOVARICA GROUP'S TAKE

Traditional identity verification and watchlist screening controls may be limited in identifying potential sanctions evasion, particularly across digital channels. Moreover, global regulators emphasize the importance of using IP addresses and geolocation data as additional controls to identify and mitigate sanctions evasion risk.

However, savvy evaders can elude IP-blocking controls using technology such as proxy or VPN. Financial Crime Digital Intelligence uses the power of crowdsourced digital identity and location intelligence to counter elevated digital sanctions evasion risk and enable organizations to unmask the likely true location of sanctions evaders based on their past behavior across the LexisNexis Risk Solutions vast digital identity consortia:

• The LexisNexis Digital Identity Network provides insights into millions of anonymized user identities.

• ThreatMetrix delivers the intelligence behind billions of annual authentication and trust decisions to differentiate legitimate customers from fraudsters in near real time.

Financial Crime Digital Intelligence is helping close the loopholes in traditional sanctions defenses that organized crime and terrorist groups exploit.

ABOUT AITE-NOVARICA GROUP

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

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