

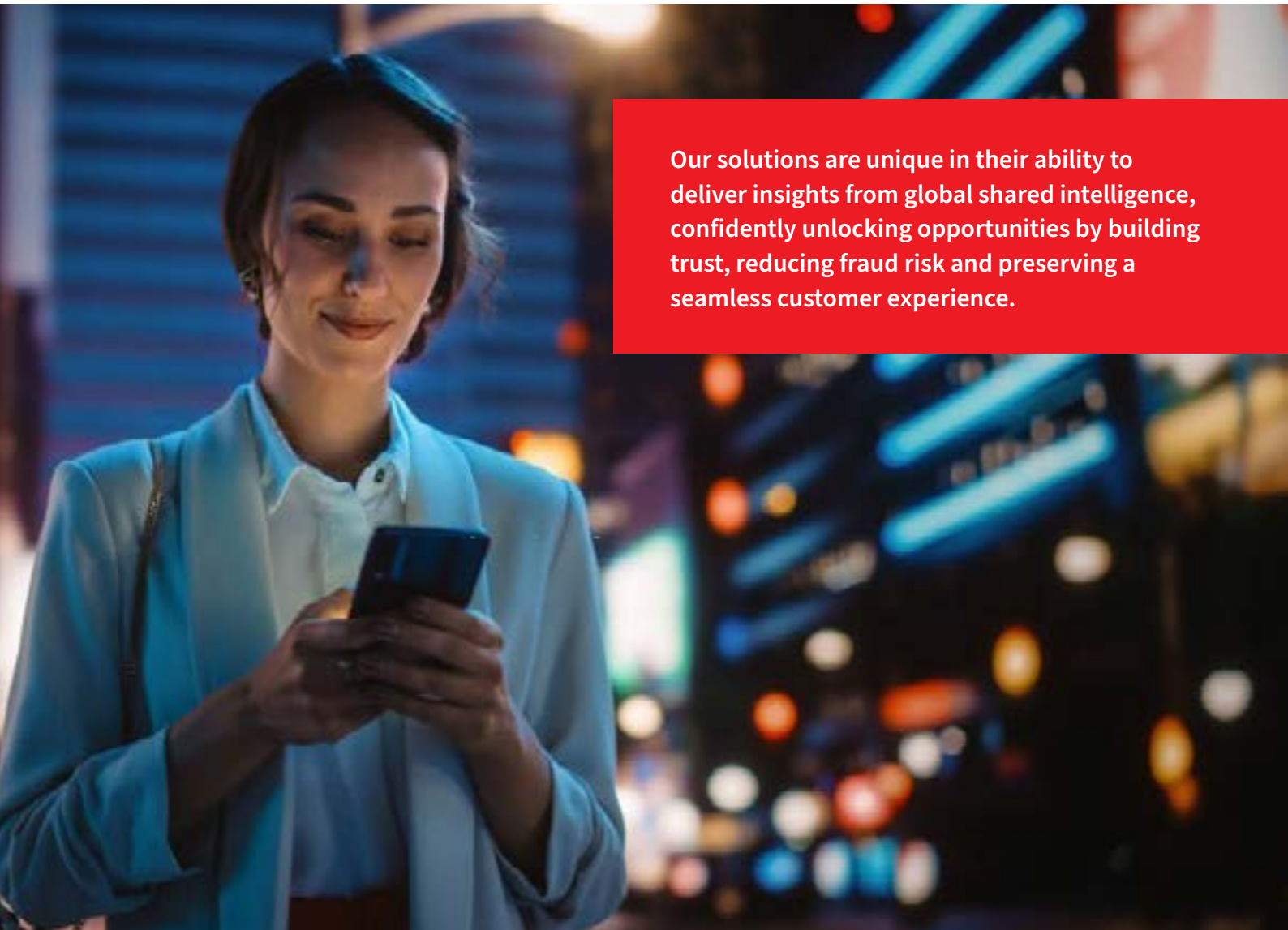
Solution Brief: Fintech

Accelerating Onboarding and Minimizing Fraud Losses to Preserve Cashflow in Times of Market Volatility



Business Benefits

- **Boost revenue** by verifying and approving trustworthy customers faster.
- **Preserve cashflow** by minimizing fraud related losses.
- **Expand carefully** by identifying good, returning customers and scoping out fraudsters.
- **Improve operational efficiency** by automating decision workflows, enhancing accuracy and reducing human-led reviews.
- **Facilitate low-friction onboarding** for new customers and quality interactions for trusted customers.
- **Lower the business impacts** of false positives and false negatives.
- **Leverage global shared intelligence** through the LexisNexis® Digital Identity Network® and access data from approximately 78 billion annual transactions.¹

A woman with dark hair, wearing a white blazer, is looking down at her smartphone. The background is a blurred city street at night with colorful lights.

Our solutions are unique in their ability to deliver insights from global shared intelligence, confidently unlocking opportunities by building trust, reducing fraud risk and preserving a seamless customer experience.

Macroeconomic Trends Impacting Fintechs

Pandemic Recovery



Recovery from the worldwide economic crisis brought about by the pandemic continues to be impacted by lasting issues such as supply chain disruptions.²

Market Volatility



Shares in recently listed U.S. fintechs, some of which operate internationally, have fallen by an average of more than 50% since the start of 2022. Almost half a trillion dollars has been wiped from their valuation.³

Russian War Against Ukraine



Geopolitical instability remains a top-cited threat to the global economy, as of June 2022.⁴

Rising Interest Rates



Inflation has prompted the fastest rise in global interest rates since the early 1990s.⁵

Rising Inflation



Inflation has reached its highest level in decades, across many countries globally including the U.S., UK, Turkey, Brazil and Argentina.⁶

Slowing Global Economic Growth



Global growth is expected to decrease from 5.7% in 2021 to 2.9% in 2022.⁷



Harness the power of global shared intelligence with the LexisNexis® Digital Identity Network® and reduce the cost of fraud by distinguishing fraudsters from genuine customers in near real time.

Business Challenges

1



Fintech start-up valuations have had a sharper decline than any other technology sector.⁸

Investors are becoming more cautious in the aftermath of the economic turmoil sparked by the pandemic and exacerbated by the Russian war against Ukraine. Fintech fundraising dropped to \$28.8bn in the first quarter of 2022, an 18% quarter-over-quarter decrease. That is the biggest percentage drop since 2018.⁹ Furthermore, it is estimated that the fintech sector could experience a 7% decrease in the capital raised in 2022 compared to that of 2021.¹⁰

2



Fintechs face higher costs as inflation has reached its highest level in decades, across many countries.⁶

Firms will have to factor in increased operational costs squeezing their budgets and obfuscating the path to profitability. There's an added pressure for fintechs to identify fraudsters among genuine customers and minimize losses with rising prices likely to push more consumers to borrow.

3



Global interest rates are experiencing the fastest rise for 30 years⁵, posing a challenge for fintech liquidity.

Some fintech models, such as Buy Now, Pay Later (BNPL) and SME lenders, whose key appeal is low pricing, may be more affected by higher interest rates as they face a choice between passing costs to consumers or eroding their margins.

4



Competition from traditional banks is intensifying.

Traditional financial institutions are increasing their fintech investments and competing with fintechs to offer customers faster and more efficient financial services. 72% of financial institution executives rank their ability to innovate and improve digital products and services as their top priority and 85% of them plan on investing in emerging technologies.¹¹

5



Fintechs may face increased regulatory pressures.

International and national standard setters are responding to the evolving industry dynamics by placing fintechs under growing supervisory scrutiny.¹² A key challenge for fintechs will be to balance emerging regulatory intervention with innovation.

6



Minimizing friction in the customer experience is now expected as standard.

Aside from price, one of the main reasons that customers choose to bank with fintechs is the customer experience, including easy access, speed of service and app features.¹³

7



Fintechs like neobanks experience higher fraud rates than credit or debit card fraud rates.

Fintechs like neobanks in developed markets experience a fraud rate at an average of 0.30% according to a 2020 research. That's twice as high as the credit card fraud rates of 0.15% to 0.20% and triple the debit card fraud rates of 0.10%.¹⁴



Fintechs Need to Mitigate the Impact of Fraud-Related Financial Losses

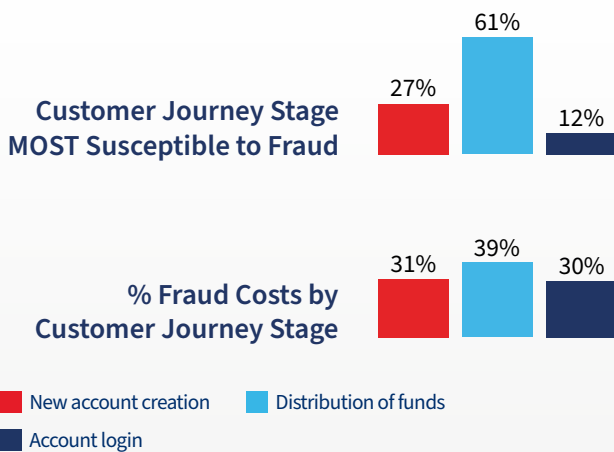
Fraud impacts a fintech's bottom line. Amid these uncertain macroeconomic conditions and the global economic downturn, fintechs need to assess overall costs, minimize fraud related losses, enhance their current security protocols, retain consumers and optimize the operational efficiency of tackling fraud.



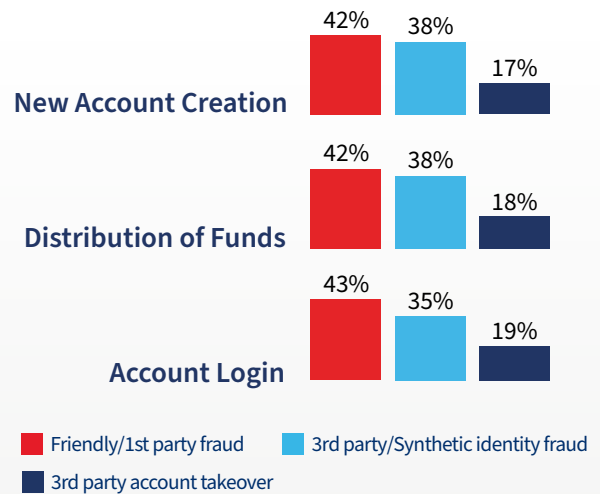
Global Fraud Risks and Areas of Concern across the Customer Journey

Although a majority of digital financial services firms indicate distribution of funds as the customer journey stage with most fraud risk, each account-related phase represents nearly as much fraud cost as the funds distribution stage.¹⁵

Fraud Across Customer Journey Stages



% Distribution of Fraud Losses by Fraud Type





Leverage LexisNexis® Risk Solutions Robust Fraud Intelligence to Effectively Minimize the Cost of Fraud and Preserve Cashflow

Access global insights to better help predict, detect and prevent the main drivers of fraud.

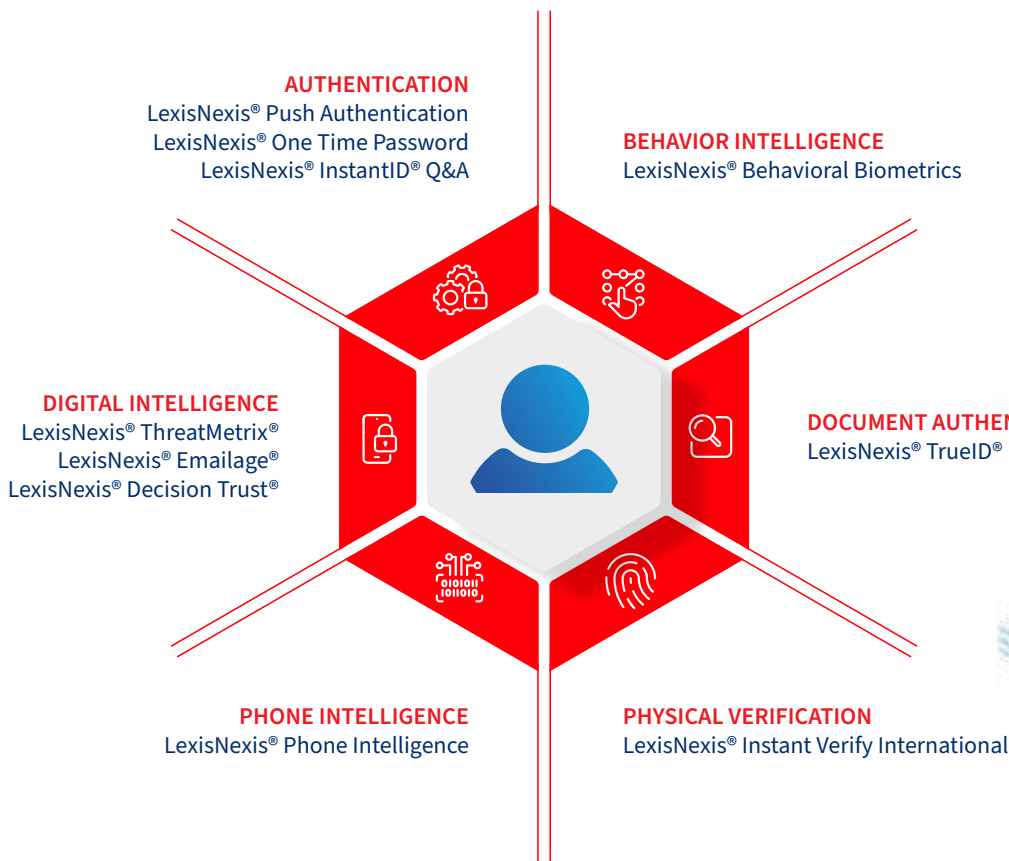
Reducing the cost of fraud means improving overall business results. When you're able to quickly and effectively detect fraud threats and protect your consumers, you can deliver a positive experience - exactly what they expect to continue transacting with your business.

By combining device, physical and digital identity intelligence, behavioral biometrics and seamless authentication solutions, the LexisNexis® Risk Solutions suite of fraud management solutions enables you to choose the appropriate level of step ups for each transaction at every interaction across the customer journey to prevent fraud before it happens. A multi-layered approach also helps protect and personalize the consumer experience at each touch point.



LexisNexis® Risk Solutions Helps You Balance Fraud and Friction at Every Touchpoint across the Customer Journey

<p>New Account Creation Onboarding</p> <p>Verify the digital and physical identity of new customers faster and with greater accuracy, accelerating the approval of trustworthy customers and reducing costly false positives.</p>	<p>Account Login</p> <p>Leverage crowdsourced intelligence to minimize friction at the login stage and keep bad actors out while offering legitimate customers a seamless and secure experience.</p>	<p>Account Life Cycle Management</p> <p>Protect high-risk touchpoints such as change of details. Detect scams and other instances of social engineering as well as identity theft via changes in behavior, transaction patterns and behavioral biometrics anomalies.</p>	<p>Payments</p> <p>Detect payment fraud by identifying purchasing attempts that do not fit a customer's normal purchasing profile and flag suspicious beneficiaries. Enable trusted customers to quickly purchase products or services without added friction.</p>
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For more information on our award-winning fraud and identity solutions visit: risk.lexisnexis.com/global/en/financial-services/fraud-and-identity-management



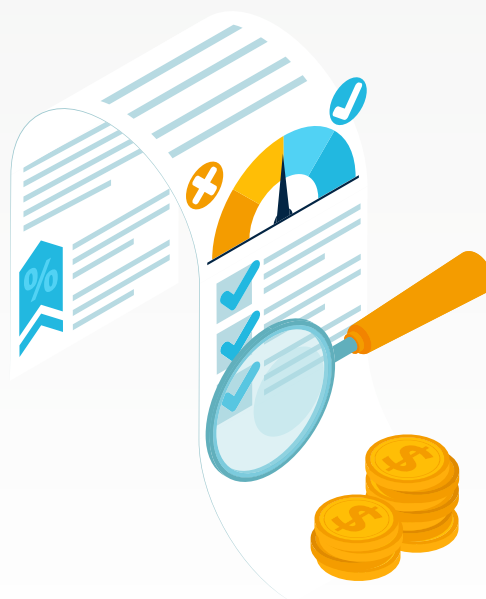
About LexisNexis Risk Solutions

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 www.risk.lexisnexis.com and www.relx.com.

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