

A Guide to Identity Verification for FinTechs

GBG IDology

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A Growing Industry



What is FinTech?

FinTech, or “financial technology,” is the use of different forms of digital technologies that help to streamline, improve and automate financial services for businesses and consumers.

The financial industry has seen rapid changes and digital transformation. While the move in this direction was happening in the years prior, adoption was furthered along by the Covid-19 pandemic in 2020—an unprecedented number of consumers were pushed online, with many using apps to manage their financial lives. In fact, in the US it’s estimated that 9 in 10 individuals are using some form of a FinTech app to manage their finances.¹

The Impact of FinTech

With the evolving digital-first landscape, the impact of FinTech is significant for consumers and businesses alike:

Consumers: FinTech companies offer a level of convenience and access to all consumers—enabling individuals to digitally manage how they invest, save and spend money, while also gaining access to other types of financial management tools and marketplaces. Not only are consumers able to manage their financial lives from anywhere, whether online or through a mobile app, the wide adoption of FinTech technology also helps to democratize a wide array of financial services. This means that individuals previously denied access at more traditional and/or brick and mortar financial institutions due to their underbanked, unbanked, thin file or new-to-country status, can now also utilize these services.

Businesses: FinTech technology is helping to drive change in the financial services sector by streamlining financial operations and automating the delivery and use of financial services. Whether it’s enabling businesses of all sizes to process digital currency or mobile payments, the international transfer and processing of money or securing a loan online, FinTech is widening the scope of accessibility, convenience and capability that was previously only available to traditional financial institutions.

Top FinTech Trends ^{2,3}

- Widespread interest in **Embedded Finance**
- Rapid growth of **Buy Now, Pay Later (BNPL)**
- Increased interest in **Environmental, Social and Governance (ESG)** initiatives
- **Blockchain Technology** gains traction
- Higher adoption of **SaaS Platforms**
- **Contactless Technology** for **Frictionless Payments**
- Growing use of **Crypto Card**
- **Payments**
- Increased popularity for **Alternative Financing**
- Rise of **FinTech Super Apps**
- Heightened **FinTech-focused Regulations**

¹ Nearly 90% of Americans now use FinTech—with boomers the fastest-growing demo, Fortune

² Top Fintech Trends To Watch In 2023, Forbes Tech Council

³ Top fintech trends for 2022, KPMG

Types of FinTechs

With the expansive market and high demand, there are a myriad of different types of FinTechs. Some of which include:



Crowdfunding Platforms



Open Banking



Robo-Advising



Credit Reporting & Monitoring



Digital Lending



Stock Trading Apps



Cryptocurrency & Blockchain



Mobile Payments



Consumer Budgeting Apps



Digital / Neobanks



Online Financing



Insurtechs

Top 10 Biggest FinTech Companies in the World^{4,5}

1 **Ant Group**
\$151 Billion
Estimated valuation as of Aug '22

2 **PayPal Holdings, Inc.**
\$96.8 Billion
Market cap as of Nov '22

3 **Stripe, Inc.**
\$74 Billion
Estimated valuation as of July '22

4 **Fiserv, Inc.**
\$63.41 Billion
Market cap as of Nov '22

5 **Adyen N.V.**
\$48.64 Billion
Market cap as of Nov '22

6 **Checkout.com**
\$40 Billion
Estimated valuation as of Jan '22

7 **Block, Inc.**
\$39.36 Billion
Market cap as of Nov '22

8 **Revolut**
\$33 Billion
Estimated valuation as of July '21

9 **Chime**
\$25 Billion
Estimated valuation as of Aug '21

10 **Nubank**
\$20.24 Billion
Market cap as of Nov '22^{4,5}

⁴ 5 Biggest Fintech Companies In The World, Insider Monkey

⁵ 15 Biggest Fintech Companies In The World, Insider Monkey

Challenges FinTechs Face

A core influence of long-term business success is customer satisfaction. With online users used to—expecting—the instant gratification of swift and hassle-free experiences, adapting to the rapidly evolving digital and mobile landscapes is a must for those looking to stay relevant.

Our consumer study⁶ found that while the use of desktop is growing for new account openings—42% in 2022 compared to 33% in 2021—the use of mobile is growing significantly, with 78% of survey respondents having used a mobile device as part of an account opening process. With consumers holding spending power in the billions and to stay competitive, companies across all industries need to ensure their digital onboarding can securely onboard customers across all channels without compromising the user experience.

Whether it's concerns over data privacy, the inability to verify all demographics, costly compliance processes or onboarding friction, FinTechs of all sizes face numerous challenges when onboarding customers.

Minimizing Onboarding Friction

To be successful—profitable—businesses require happy and loyal customers, but there's significant pressure that comes with ensuring customers are satisfied, particularly as part of onboarding. Today's digital-first landscape also means that consumers have high expectations when being onboarded, expecting consistency and minimal friction across all channels. So much so that the aforementioned report found that **47% of the consumers surveyed said they would abandon a brand after two negative digital interactions.**

That's not to say that customers don't expect some level of friction depending on the service they are requesting: setting up a new bank account or securing a loan requires certain levels of identity checks. Nonetheless, if the process takes an unreasonable amount of time or is too cumbersome, customers are very likely to drop off and go elsewhere. FinTechs must find a way to balance

⁶ IDology's Fifth Annual Consumer Digital Identity Study

Challenges



Identity fraud due to insufficient, single-source verification



Lengthy, frustrating and complex customer onboarding experiences



Manual and costly compliance processes



Difficulty managing multi-jurisdictional compliance requirements



Money laundering and illicit transactions



Vulnerability to high-risk transactions



Concerns over data security and privacy



Lost revenue due to limited or incomplete population coverage

identity proofing with minimal friction.

Catching Sophisticated Fraud

It's not enough for companies to solely focus on seamlessly onboarding new and repeat customers. Today's environment requires fraud prevention to be top of mind. Whether it's money mules, account takeover, credit card fraud, chargeback fraud or other forms of sophisticated fraud like synthetic identity fraud (SIF), criminals have no qualms about using whichever tactics will result in financial gain. And as technology evolves, so too do fraudsters' methods. Ineffective detection of SIF has resulted in upwards of hundreds of millions of dollars in losses for the financial industry. And the demand for convenient onboarding and shopping experiences can make it easier for fraudsters to use stolen and/or fictitious personally identifiable information (PII) to present themselves as legitimate customers when they are anything but. Having solutions in place that can accurately validate identities and authenticate identity documents without adding extra friction to the customer experience will be essential.

























Complying with Data Privacy

In addition to complying with Anti-Money Laundering (AML) to prevent financial crime and money laundering, FinTechs must also comply with data privacy regulations. With heightened governmental—nationally and internationally—scrutiny on the importance of data privacy and data protection, companies will need to ensure they are jurisdictionally compliant with evolving privacy laws.

Ineffective identity verification processes can result in dissatisfied customers and business lost, and in some cases, hefty fines for noncompliance.

Establishing Trust, Complying with Regulations & Combatting Fraud

Because the challenges faced are not siloed, the pressure FinTechs face is immense. Companies must deploy technologies and processes that can effectively and simultaneously respond to all challenges or face negative returns to their bottom line. And, while customer and regulatory demands are indeed high, FinTechs do have resources that can be leveraged to successfully meet these ongoing demands. Utilizing intelligent, flexible and multi-layered identity verification will help FinTechs drive revenue, prevent fraud and be compliant—only adding friction as needed to suspicious transactions.

Challenges	Solutions	Value Delivered
 Identity fraud due to insufficient, single-source verification	 Instant and robust multi-source identity verification	 Prevent fraud due to identity theft, fraudulent IDs, account takeovers and synthetic identities
 Lengthy, frustrating and complex customer onboarding experiences	 Automated, customer-friendly verification tools deliver seamless & secure omnichannel experiences	 Accelerate approvals, eliminate costly manual reviews and deliver a compelling user journey in a competitive environment
 Manual and costly compliance processes	 Automated workflows and decisions tailored to your specific business requirements	 Drastically reduce operating costs and processing times
 Difficulty managing multi-jurisdictional compliance requirements	 Global compliance toolsets (incl. AML/KYC, 6AMLD, CIP, PSD2, Patriot Act)	 Stay ahead of a rapidly changing regulatory landscape
 Money laundering and illicit transactions	 Real-time transaction monitoring, entity-link and behavior analysis	 Protect your business against fraud rings and illicit networks
 Vulnerability to high-risk transactions	 Seamless and automated step-up authentication	 Provide additional assurance while maintaining a positive user experience
 Concerns over data security and privacy	 Secure encryption and built-in GDPR/CCPA compliance	 Safely store customer PII and protect your business and your customers
 Lost revenue due to limited or incomplete population coverage	 Global coverage including the largest identity document library in the industry	 Increase market share and drive more revenue by uplifting accept rates for hard to identify consumers

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**Schedule a
meeting today**

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