AiteNovarica

RISK INSIGHTS AND ADVISORY FINTECH SPOTLIGHT

Q1 2023

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This excerpt provided compliments of:

Senzing®

IMPACT REPORT

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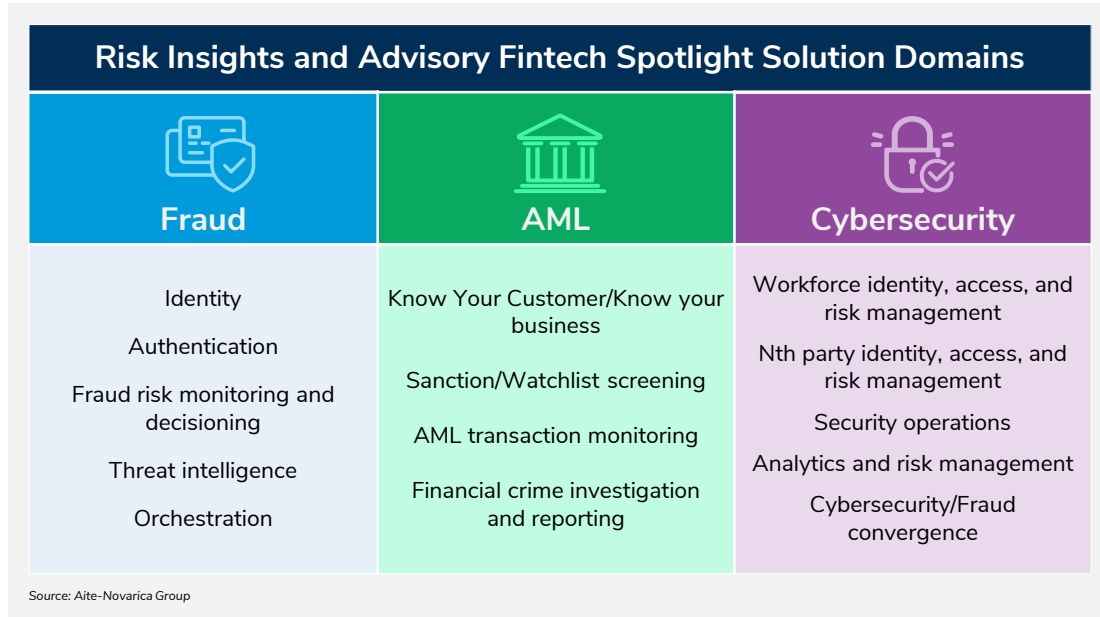## LIST OF FIGURES

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INTRODUCTION

As financial crime soars, emerging technologies gain ground, the regulatory landscape continues to shift, and the fintech sector rapidly expands. Novel products addressing fraud prevention, AML, and cybersecurity are transforming how risk management professionals achieve their objectives. These innovations leverage emerging technologies, data, and techniques to tackle evolving security threats, rising fraud losses, economic uncertainty, the advent of emerging technologies, and intensifying compliance requirements.

Aite-Novarica Group's Fraud & AML and Cybersecurity teams have profiled six vendors in this quarterly edition of the Risk Insights and Advisory Fintech Spotlight report. This report's featured vendors are active across a range of product categories and services aimed at financial institutions (FIs) and other fintech firms, specifically in the fraud, AML, and cybersecurity areas. Major areas of focus include authentication, AML compliance, ransomware protection, fraud detection, and robocall mitigation.

METHODOLOGY

The Risk Insights and Advisory Fintech Spotlight is a quarterly series of reports that looks at select emerging fintech vendors active in the fraud prevention, AML, and cybersecurity spaces. With the vendor landscape increasingly crowded, and banks and their clients facing a growing array of choices, the Fintech Spotlight series aims to provide insight on interesting vendors that offer a strong unique selling point and an innovative approach as either partners or competitors. The vendors are classified by the nature of their solutions' functionality in fraud prevention, AML, and cybersecurity (Figure 1).

FIGURE 1: RISK INSIGHTS AND ADVISORY FINTECH SPOTLIGHT SOLUTION DOMAINS

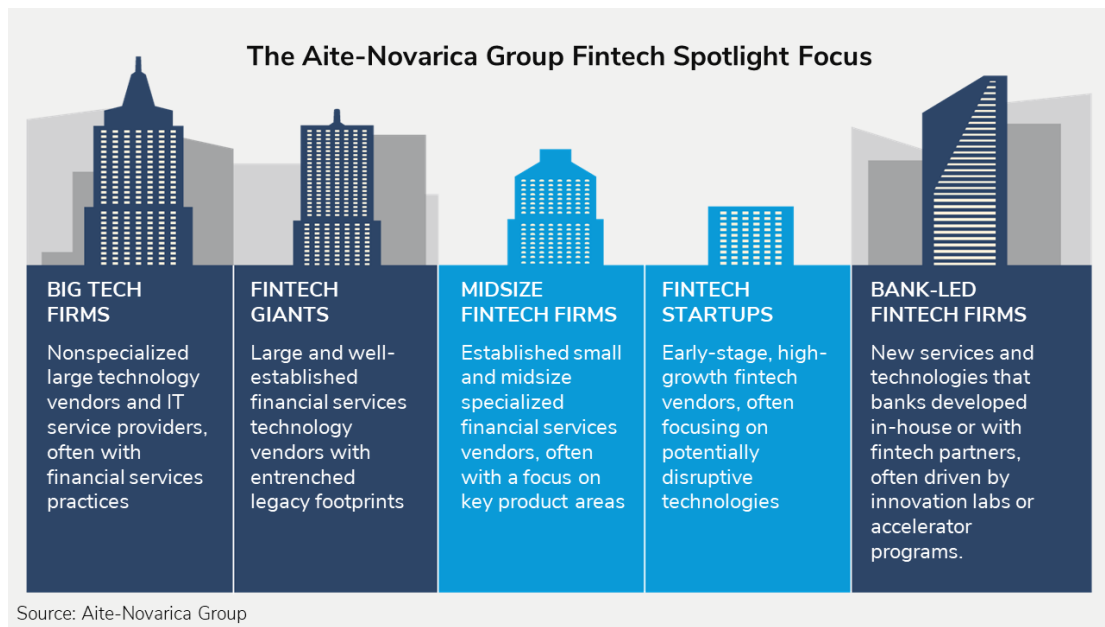| Risk Insights and Advisory Fintech Spotlight Solution Domains		
Fraud	**AML**	**Cybersecurity**
Identity Authentication Fraud risk monitoring and decisioning Threat intelligence Orchestration	Know Your Customer/Know your business Sanction/Watchlist screening AML transaction monitoring Financial crime investigation and reporting	Workforce identity, access, and risk management Nth party identity, access, and risk management Security operations Analytics and risk management Cybersecurity/Fraud convergence

Source: Aite-Novarica Group

The fintech vendors included must have at least one financial services client with a solution in production and hold annual revenue of less than US$75 million. Advisors select featured fintech vendors exclusively based on their level of innovation and their interesting approaches to wider business challenges facing the fraud and AML, and cybersecurity markets from both bank and customer perspectives. No featured vendors have paid for their inclusion in this report.

How Aite-Novarica Group Defines Fintech

Although popularly used as shorthand to refer to young and disruptive companies in the financial services technology space, "fintech" remains an ill-defined term meaning many things to many people. In an environment in which Tier-1 global banks, multibillion-dollar legacy vendors, and early-stage startups all refer to themselves as fintech firms, terminology remains critical in understanding the market. For purposes of clarity, Aite-Novarica Group defines fintech providers as technology vendors and service providers that aim to improve or automate financial services delivery, potentially disrupting legacy processes and business models in financial services.

While many types of firms can be categorized as fintech firms, the Risk Advisory and Insights Fintech Spotlight is intended to raise awareness of businesses that may have less market visibility than others. As such, Aite-Novarica Group is primarily focused on fintech startups and midsize fintech firms, as outlined in Figure 2.

FIGURE 2: RISK INSIGHTS AND ADVISORY FINTECH CATEGORY

The Aite-Novarica Group Fintech Spotlight Focus

BIG TECH FIRMS	FINTECH GIANTS	MIDSIZE FINTECH FIRMS	FINTECH STARTUPS	BANK-LED FINTECH FIRMS
Nonspecialized large technology vendors and IT service providers, often with financial services practices	Large and well-established financial services technology vendors with entrenched legacy footprints	Established small and midsize specialized financial services vendors, often with a focus on key product areas	Early-stage, high-growth fintech vendors, often focusing on potentially disruptive technologies	New services and technologies that banks developed in-house or with fintech partners, often driven by innovation labs or accelerator programs.

Source: Aite-Novarica Group

The fintech firms profiled in this quarterly edition are summarized in Table A. Their trend-setting approaches to fraud, AML, and cybersecurity are broadening the tools and intelligence available to the industry.

TABLE A: Q1 2023 PROFILED FINTECH FIRMS

VENDOR	SOLUTION DESCRIPTION	SOLUTION DOMAIN
Entersekt	An authentication orchestration platform that unifies the consumer authentication experience across online, digital, and payment channels	Authentication

VENDOR	SOLUTION DESCRIPTION	SOLUTION DOMAIN
Facctum	A financial crime risk management platform that elevates watchlist management and client and transaction screening	AML
Lucinity	A financial crimes product suite that processes, organizes, and displays compliance data in context, enabling scalable, streamlined, and cost-effective end-to-end AML processes: transaction monitoring, actor intelligence, case manager, and SAR manager	AML
NeuShield	A data protection software that is designed to prevent data destruction and encryption of files resulting from a ransomware attack	Cybersecurity and ransomware protection
Senzing	An entity resolution API that delivers advanced data matching and relationship discovery capabilities without the need for experts in entity resolution	Fraud detection, Know Your Customer (KYC), and AML
YouMail	A suite of SaaS-based solutions that leverages AI, machine learning, and content-based analytics to differentiate legitimate and desired calls from unwanted and illegal robocalls, identify evidence of such threats, and algorithmically score telephone numbers and the service providers enabling those threats	Fraud

Source: Aite-Novarica Group

SENZING

Senzing is a U.S.-based provider of an entity resolution API that helps enterprises match records and detect relationships within their data. Senzing's entity resolution software enables its customers to include advanced data matching and relationship discovery capabilities in their applications and services without needing to be an expert in entity resolution. The company was formed in 2016 through an IBM spin-out of a skunkworks project and a small team of entity resolution experts that took this core technology and built a product focused on extreme entity resolution accuracy, scalability, and ease of use. The goal was to make entity resolution available to anyone anywhere by overcoming the deployment and cost challenges of existing technologies.

The Senzing entity resolution API provides highly accurate, continual data matching and relationship detection capabilities within and across data sources. The software scales to handle billions of records, works with batch and streaming data, and can be deployed with a few API calls. Senzing focuses on delivering its clients an improved return on investment and a lower cost of ownership by removing the burden of continual entity resolution development and maintenance. Senzing's solution requires minimal data preparation with little or no tuning or training, and deployments can be done on premises or in the cloud without sending data or providing system access to a third party. Table B provides a high-level summary of Senzing.

TABLE B: SENZING SUMMARY

CATEGORY	DESCRIPTION
Founded	2016
Number of employees	24
HQ location	Las Vegas
Geographic coverage	Global
Key product/service offerings	Senzing—Entity Resolution API

CATEGORY	DESCRIPTION
Ownership and key investors	Privately held: Jeff Jonas, CEO and Chief Scientist; two family office investors; and one institutional investor
Funding information	EBITDA positive after US$8.1 million in seed funding
Website	www.senzing.com

Source: Aite-Novarica Group

Senzing Pitch

The Senzing entity resolution API provides advanced data matching and relationship detection capabilities for financial services enterprises and fintech independent software vendors (ISVs) to improve the effectiveness and efficiencies of fraud detection, KYC, AML, marketing, and other use cases. The software is designed to allow application developers to add advanced real-time entity resolution capabilities quickly and easily with just a few API calls. Users of Senzing's entity resolution capabilities can enhance alert management or investigations and achieve a 360-degree view of people, organizations, and their relationships (both households and networks).

Entity resolution is the process of finding every occurrence of records associated with a given entity (person, place, or thing of independent existence) across a number of provided data sources. Because data exists in multiple systems and data stores across an organization (or group of organizations), it is difficult to definitively identify all records that relate to a given entity. This is particularly challenging when there is no single, deterministic identifier across those records. Also, elements within data records related to the same entity may have different identifying information. For example, various records related to the same individual may have the name represented differently due to the use of nicknames, married names, clerical errors, or intentional obfuscations. As a result, building effective entity resolution logic is typically fraught with numerous edge cases that drive the lion's share of development efforts and make leveraging software, such as Senzing's, an attractive approach vs. in-house development.

The Senzing entity resolution capability is delivered as a set of link libraries that is integrated into an application or service and only requires a Structured Query Language (SQL) database to store entity and network graph details. When Senzing entity

resolution is added to an application, enterprise data fabric, or process workflow, organizations can easily identify all records related to an individual and determine who is related to whom within and across data sources. This includes people-to-people, company-to-company (corporate hierarchies), and people-to-company relationships to determine ultimate beneficial owner. Senzing's entity resolution software can also help identify bad actors who don't use the same information in every record and intentionally try to obfuscate their identities.

The Senzing software can be deployed on premises or in a private or multi-tenant cloud environment. The cost is based on an annual software license priced according to the volume of data source records processed by the engine. Support and nonproduction licenses are provided at no cost.

Primary Target Market and Clients

Senzing entity resolution is targeted at both enterprises and ISVs with large amounts of data about people and organizations. The software is used by application and services developers that need to provide accurate data matching and relationship detection capabilities. The software is used across a range of industries with the majority of customers in financial services, healthcare, information services, and government. The company's customer list includes NICE Actimize, IBM, MoneyGram, Verisk, and Siren. Senzing also serves a number of U.S. and U.K. governmental agencies.

Key Value Proposition and Market Challenges Addressed

Senzing entity resolution is delivered through an API that allows companies to embed or integrate entity resolution into their applications, services, or workflows. Delivery as an API is unique, as most other options require deployment of a full stack infrastructure. In addition, the company's business model is to make entity resolution broadly available so that software licensing and deployment costs are much lower than competing alternatives. According to the company, most organizations realize a positive return on investment within the first year, and sometimes within a few months.

The software requires fewer resources to tune, train, and prepare data than alternatives, and helps organizations reduce false positives and false negatives, which decreases investigation time, reduces risk, and enables organizations to better leverage precious resources. The biggest challenge the company faces is educating prospects that have already built or plan to build their own entity resolution capability on why licensing

Senzing technology is better than building the capability in-house, due to the complexities, costs, and challenges of creating and maintaining a highly accurate and performant homegrown system.

Product Roadmap

Senzing has an agile product roadmap, designed to be responsive to customer needs, that is supported by a monthly or bimonthly release cadence. Upcoming product deliverables expect to address the following priorities:

- Increase accuracy of entity matching and relationship detection

- Expand search and scalability capabilities

- Increase efficiencies to lower total cost of ownership

- Improve cloud deployment performance and support globally replicated instances

- Add more global scripts and languages

- Expand ease of use capabilities that reduce the resources required to run and maintain the software

Aite-Novarica Group's Perspective

Senzing brings an approach that relieves companies of spending valuable time and money in developing and maintaining a fundamental capability, and allows them to focus on their core business. Senzing delivers unique technology that provides a foundational capability that all organizations need for fighting fraud and money laundering activities as well as for developing a comprehensive understanding of their customer relationships. Entity resolution and the understanding of relationships within data are core to effective customer management across most disciplines within an enterprise.

Aite-Novarica Group believes that Senzing is a fintech vendor worth considering for companies that either currently have or are developing entity resolution capabilities. It meets an important and critical need of fraud and AML ISVs and can be an important component of any FIs' infrastructure on its own. Senzing is clearly worthy of a place in the Fintech Spotlight.

CONCLUSION

Fintech firms continue to develop innovative and disruptive approaches to an array of complex and ever-evolving challenges across the financial services industry.

Senzing's entity resolution API provides highly accurate, continual data matching and relationship detection capabilities within and across data sources. These capabilities strengthen the effectiveness and efficiencies of fraud detection, KYC, AML, marketing, and other use cases.

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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