



AiteNovarica

APRIL 2022

RISK INSIGHTS AND ADVISORY FINTECH SPOTLIGHT

Q2 2022

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SHIRLEY INSCOE

This excerpt provided compliments of:

NEURO-ID®

IMPACT REPORT

TABLE OF CONTENTS

INTRODUCTION..... 2

 METHODOLOGY 2

NEURO-ID..... 5

CONCLUSION.....10

ABOUT AITE-NOVARICA GROUP11

 CONTACT.....11

 AUTHOR INFORMATION11

LIST OF FIGURES

FIGURE 1: RISK INSIGHTS AND ADVISORY FINTECH
SPOTLIGHT SOLUTION DOMAINS..... 3

LIST OF TABLES

TABLE A: Q2 2022 PROFILED FINTECH FIRMS 3

TABLE B: NEURO-ID SUMMARY 5

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INTRODUCTION

The universe of fintech firms continues to expand to provide a range of new solutions and innovative and disruptive capabilities. An array of transformative fraud prevention, anti-money laundering (AML), and cybersecurity products are reimagining the ways risk management professionals can achieve their objectives. These innovations leverage emerging technologies, data, and techniques to tackle evolving security threats, rising fraud losses, and intensifying compliance requirements in an increasingly complex environment.

METHODOLOGY

Aite-Novarica Group's Fraud & AML and Cybersecurity teams have profiled nine vendors in this inaugural quarterly edition of the Risk Insights and Advisory Fintech Spotlight report. The featured vendors profiled are active across product categories and services aimed at banks, financial organizations, and other fintech firms, specifically in the areas of fraud, AML, and cybersecurity. The individual profiles also highlight trends in the risk arena for the financial services industry from innovation, efficacy, and efficiency perspectives that are relevant to risk professionals looking to stay on the leading edge of technology. The vendors are classified by the nature of their solutions' functionality in fraud prevention, AML, and cybersecurity, as shown in 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	KYC/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 firms profiled in this quarterly edition are summarized in Table A. They face significant competition from legacy technology providers and other emerging fintech companies looking to meet the growing demands of financial crime and cybersecurity executives. Their novel approaches to fraud, AML, and cybersecurity challenges are expanding the tools and intelligence available to the industry.

TABLE A: Q2 2022 PROFILED FINTECH FIRMS

VENDOR	SOLUTION DESCRIPTION	SOLUTION DOMAIN
Arkose Labs	Bot management, fraud prevention, and account security platform	Converged cybersecurity/fraud
Axio Global Inc.	Cyber-resilience risk data and information solution	Analytics and risk management
Incognia	Frictionless mobile identity authentication solution	Authentication

VENDOR	SOLUTION DESCRIPTION	SOLUTION DOMAIN
Kenbi	Transaction risk and pricing platform that enables growth for issuers and merchants	Fraud risk monitoring and decisioning
Linkurious	Financial crime graph visualization and analytics investigation solution	Financial crime investigation and reporting
Neuro-ID	Seamless authentication solution that humanizes digital interactions	Authentication
PaymentWorks	Business identity verification and transaction monitoring solution for corporate customers	Identity
SecZetta	Third-party identity access management solution	N th -party identity, access, and risk management
SentiLink	Identity verification and synthetic solutions for new account onboarding	Identity

Source: Aite-Novarica Group

NEURO-ID

Neuro-ID is in the business of interpreting human interactions for the digital world; its technology humanizes digital interactions. In the real world, when humans meet, they can see one another and form opinions based on facial expressions, body language, and actions. There are opportunities to examine a driver's license or other ID to determine whether this new person is legitimate or fraudulent. There is time to evaluate whether a new applicant is someone with whom a firm wants to do business.

Until now, the digital world has largely lacked such capabilities. Still, time is of the essence; firms must make quick decisions or risk losing new customers who become impatient and abandon the application process.

Neuro-ID assesses the intent of the bot, consumer, or fraudster on the other end of a digital device to ascertain their digital integrity. It measures intent by how data is keyed or how a device is held as well as the familiarity the entity displays with the data requested and how an application or other form is completed. Understanding they are dealing with the real person (i.e., who is whom they claim to be) enables firms to set aside fraud concerns and provide exceptional customer experiences to new applicants. In the minority of cases in which the solution suspects a fraudster or bot, automated methods or firm specialists can deal with those digital interactions in a predefined fashion.

Table B provides a high-level summary of Neuro-ID.

TABLE B: NEURO-ID SUMMARY

CATEGORY	DESCRIPTION
Founded	2014
Number of employees	72
HQ location	Whitefish, Montana

CATEGORY	DESCRIPTION
Geographic coverage	Global
Key product/service offerings	ID Crowd, ID Orchestrator, and ID Attributes
Ownership and key investors	Privately held: Canapi Ventures, FinVC, TTV Capital
Funding information	US\$42 million: Series A, US\$7 million; Series B, US\$35 million
Customers	Intuit, Square, Bill.com, OppFi, Affirm, Motion Auto, Addi
Key partnerships	TransUnion, FICO, Alloy, Visa
Website	www.neuro-id.com

Source: Aite-Novarica Group, Neuro-ID

Neuro-ID Pitch

Neuro-ID is helping solve the global digital identity crisis companies are struggling with as they transform their businesses into digital-first organizations. The key to Neuro-ID's technology is determining whether users are familiar with their PII. The firm's behavior analysis and technology help safeguard the digital onboarding experience at the top of the funnel, monitoring the crowd for fraud or providing additional information about a single onboarding session for KYC compliance.

Neuro-ID provides deep insight into a user's current motivations, intentions, and emotions by analyzing pre-submit data of their interactions with a digital form. Unlike post-submit data (i.e., data reviewed after the user presses the "submit" button such as name, address, email, phone, SSN, IP address, device), Neuro-ID collects no PII. The intelligence the firm analyzes is not subject to regulatory constraints or stored in a database, compromised, or duplicated.

The company accomplishes this through a suite of solutions as follows:

- **ID Crowd Alert:** This solution monitors digital identity at scale and recognizes when a firm is under attack by a fraud ring.
- **ID Orchestrator:** This solution assesses digital identity at the individual level so legitimate applicants can be approved with minimal friction while potential fraudsters are also identified. Green, yellow, and red categorizations enable firms to treat each applicant appropriately by introducing more or less friction.
- **ID Attributes:** This solution collects data and feeds it into machine learning models on the back end to enable constantly improving results.

Implementation is a simple JavaScript integration, and services are charged through a subscription/volume model.

Primary Target Market and Clients

Neuro-ID covers the globe with customers in India, Europe, Latin America, and North America. Current target markets include fintech, insurance, buy now pay later, online lending firms, and FIs. Additional verticals are on the horizon.

Key Value Proposition and Market Challenges Addressed

Most solutions deployed in the market designed to detect or reduce fraud or validate a user's identity rely on legacy, static, historical, and potentially comprised data. The efficacy of these technology stacks has reached its max; many have already lost effectiveness in helping digital enterprises reduce fraud losses, reduce customer acquisition costs, lower false positives, and increase conversion rates.

Neuro-ID's technology helps companies answer, "Are you who you say you are?" The firm focuses on actual users' behavior as they interact with a digital onboarding form or application. By interpreting these behavioral signals, the technology exposes solid evidence showing whether users are familiar with their PII. This simple concept has proven to enhance current technology stacks with intent, motivation, and emotional data.

Fraudsters and cybercriminals are unfamiliar with the data they are using to deceive and steal. Genuine customers are familiar with their PII. This simple delineation can guide other systems in responding to each user, either adding friction to validate them further

or decline them or reducing friction to move genuine customers quickly along their customer journeys.

The largest hurdle Neuro-ID must clear is educating digital enterprises on how much determining digital intent using behavior analysis can benefit them.

Product Roadmap

Neuro-ID continues to explore ways to make its products more effective. One major enhancement planned for mid-2022 relates to how firms can see the potential benefit of using their solutions before contracting for them. This enhancement will help firms build business cases to use the technology going forward.

By mid-2022, Neuro-ID plans to enable firms to go to its website and download and install the technology. Firms will be able to see the behavior analysis results for 14 to 30 days but not act on them. After evaluating the value, they can upgrade to use the data or delete the JavaScript.

Aite-Novarica Group's Perspective

Digital business will continue to grow; there is no going back to the pre-pandemic world. Many firms are working to improve their online and mobile websites and apps to attract new business. Making it easy to become a new customer is essential; otherwise, many consumers will just abandon the application process, and those business opportunities will be lost.

Fraud is rising by leaps and bounds, but it still involves a low percentage of the overall volume of consumer activity. Finding the needles in the haystack is essential. Other firms provide behavioral biometric capabilities, but Neuro-ID's intent-based approach is unique, and the way it packages its capabilities is a differentiator. Its plan to enable firms to test its solutions in a self-service manner later this year is innovative. It will likely pay off in a big way, particularly with smaller firms that cannot afford to perform proof-of-concept projects.

Most fraud executives want to do business with firms that continue to innovate and improve their capabilities so that the relationship has value beyond one specific pain point. They want business partners that listen to their needs and develop products to meet them.

Neuro-ID is a young, enthusiastic firm that focuses on being that type of business partner that listens and develops solutions to pain points. Neuro-ID's Friction Index Dashboard, for example, enables firms to identify areas within online forms where consumers abandon the process. Firms can then take action to correct these issues, leading to higher completion rates and fewer lost prospective customers. While this component doesn't prevent more fraud, it is helpful to firms that want to see more applicants complete the entire form, leading to higher conversion rates.

Aite-Novarica Group believes that the way Neuro-ID continues to develop innovative capabilities is quite exciting. The current market focus is on providing great customer experiences while also containing fraud losses; Neuro-ID's technology is poised to help firms achieve both these vital goals.

CONCLUSION

Nascent and emerging fintech firms are challenging the status quo in financial services to offer disruptive products, data sets, capabilities, and services:

- Fintech companies provide an array of solutions that address very specific risk issues in innovative ways. These new approaches challenge the status quo and require that potential adopters prepare to look at how they approach their businesses in novel ways that test the preexisting mentality.
- Many fintech solution providers start with an incumbent foundation and build upon it by adding new data and technology to automate and streamline decision-making. Others start with a blank slate regarding how a given risk issue could be addressed. In either case, the outcome tends to be a significant improvement to legacy approaches that earns the company the moniker of “disruptor.”
- The market for risk management solutions is crowded. It can be challenging for banks, service providers, technology providers, and other fintech firms to keep up to date. However, fraud prevention, AML, and cybersecurity professionals must remain conscious of disruptive players and emerging technology trends.
- Fintech-provided solutions across risk functions drive change by improving efficiencies, efficacy, and the customer experience while growing business revenues. These changes are achieved by bringing new approaches to old problems, leveraging emerging digital technologies, and rethinking risk solutions through different outcomes.
- New data sources and technologies such as behavioral biometrics, device fingerprinting, and machine learning tend to be driving factors of the value of many fintech firms. Still, the innovation can also be related to a new approach. Several of the profiled firms took a fresh look at how established processes operate and reimaged them. These novel processes often leverage new technology, but the core value is in the new approach.

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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