



AML & KYC

Data Report

ABOUT PLATFORMA365

Platforma365 Ltd has established itself as an online service for AML and KYC compliance, onboarding and monitoring. Our goal is to support individuals and companies through a fast, accurate and responsible validation of corporate and individual identities online. It helps the customers to conduct identity verification in order to eliminate risks connected with money laundering and customer identifications.

Platforma365 Ltd provides AML/KYC platform for onboarding and monitoring both individual clients and businesses.

For individual clients, Platforma365 Ltd allows to:

- > Verify personal identity

As part of corporate monitoring, the platform enables to:

- > Verify that the company exists and is active;
- > Identify all key individuals, discover corporate structure and management;
- > Identify the corporate structure up to the very last person – the ultimate beneficial owner;
- > Compare data from government records to corporate documents and clear with AML databases;
- > Request government verification Certificates of Incumbency and Good Standing certified by apostil and consulate.

Our business oriented approach helps our clients to manage customer identification.

We provide our services in several regions.

Our clients include businesses from various industries and regulated institutions, such as lawyers, real estate agents, compliance/onboarding departments, electronic money institutions, banks, security brokers, crypto exchanges, forex traders and other regulated entities.

Visit <https://platforma365.com> to learn more details.

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FOREWORD

This report discusses Know Your Customer (KYC) and Anti-Money Laundering data solutions analyzed by Platforma 365 Ltd. There are many industries that have always been a major target for financial crimes and money laundering. Such industries are well-favoured for those hiding illegally-gained profits. They are:

- > Gambling business
- > Fintech
- > Insurance
- > Cryptocurrencies
- > Banking sector
- > Real estate
- > Online services

The above mentioned sectors are vulnerable to money launderers because without sufficient and effective measures they can be used anonymously.

To ensure that a potential transaction is safe in terms of anti-money laundering compliance, a prospective customer is verified and screened against any risks of conducting business with it. Current regulations worldwide demand to adequately identify and verify third parties through due diligence processes. The adequate identification means that such third parties are screened against:

- > Fraud
- > Money laundering
- > Corruption
- > Terrorism financing

For decades, companies and individuals have been using various means to cover illegal activities, disguise the source of dirty money, and avoid taxes. As technology and international transactions advance, criminals use new and more complicated schemes for money laundering. As such, it is highly important to stay updated about evolving regulatory trends. There is a big risk that any mistake in identity checks can lead to negative consequences, including fines or sanctions. As such, it is necessary to conduct accurate and reliable customer verification. Entities that plan to enter into a transaction with a third party must strictly follow AML and KYC procedures.

Unfortunately, there is not a single solution that would help to prevent money launderers as despite new technologies and other measures implemented at the highest level, they create new schemes and continue to do their “job”. International associations that target to combat AML and CTF can create new methods against money launderers, but, unfortunately, there are new doors opened and money launderers invent unpredictable schemes.

With that being said, it is important to understand that AML and CTF regulations have been constantly changed. And it will continue to be changed with new regulations being added.

Companies are required to remain updated to comply with new developments. Since new laws and regulations are constantly being enforced, it takes significant implications to stay informed about new laws and demands.

Dealing with money launderers can be a major threat for any business. Failure to conduct a customer verification or failure to get accurate results can lead to:

- > fines for non compliance
- > bad reputation and good will risks

As such, good quality results are the key factors to a successful onboarding of clients. Conducting KYC and AML within an organization or own business is not always possible. Entities that are subject to KYC and AML requirements, need to obtain fully reliable results. Considering a large volume of data and possible involvement of several jurisdictions, to achieve that entities should significantly invest in related technologies. To have own divisions, it is not always cost-effective, hence the current market offers various vendors that provide all necessary solutions for KYC and AML.

KEY TRENDS IN KYC AND AML TECHNOLOGY

Within the recent years, KYC and AML technologies have vastly changed. Automation and optimization are the key trends used for customer onboarding and maintenance, for regulatory compliance. With international customer onboarding it is highly important to comply with local and international due diligence regulations and monitor legal changes.

Key trends

- Optimization

The cost of medium or high-volume transaction scanning can be high. To reduce costs, optimization processes are required. Vendors that offer cost-effective solutions are more competitive on the market.

- Regulatory compliance in each country

The AML and KYC market is divided by regions with the following five major regions:

- > North America (US and Canada)
- > Europe (Germany, UK, Spain, Italy and other European countries)
- > Asia-Pacific (China, Singapore, Japan, Australia, India and other Asian Pacific countries)
- > Latin America (Brazil, Mexico and other Latin America countries)
- > Middle East and Africa (UAE, Saudi Arabia and other countries in Middle East and Africa)

Onboarding international clients and monitoring cross-border transaction can be challenging. However, regulatory compliance with each targeted region is highly important. As such, financial institutions and other entities demand for end-to-end solutions covering all or majority of regions, unless customers come only from a certain territory or country.

- Search in different sources

Comprehensive data screening is essential, including international watchlist, sanction lists, PEP lists, publicly available information. The sources should be instantly updated.

- Team interaction

A possibility to have a software that would connect each team member maximizes efficiency.

- Integration and Automation

Automatic tools are a drive-through instrument to accelerate customer onboarding and verification. Automation enables to process a large amount of data and then match data between various sources.

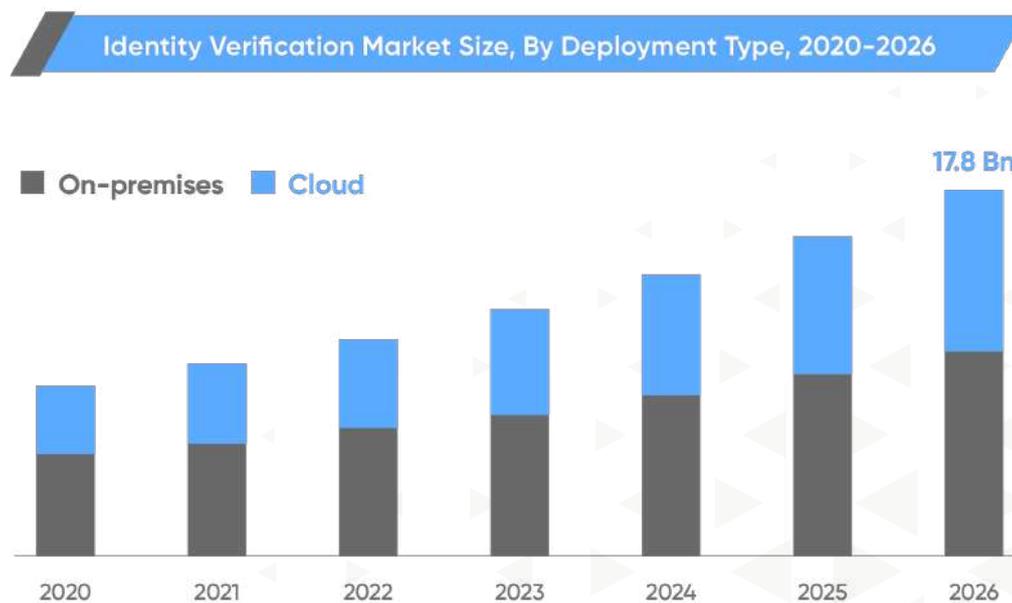
AML AND KYC MARKET IN NUMBERS

AML and KYC software market has been significantly growing within the recent years due to a number of factors, such as growth of online services, complexity of AML and KYC compliance requirements, increased fines. Online users are growing and they need to be duly verified.

Identity verification market will continue to develop steadily. The AML and KYC industry focuses on fast and efficient innovative solutions that can replace expensive compliance departments. Despite strict regulatory requirements, companies aim to reduce the time required for customer onboarding. As such, another industry trend is automated onboarding and monitoring systems.

By 2021 the size of the identity verification market has reached US\$10 Bn.

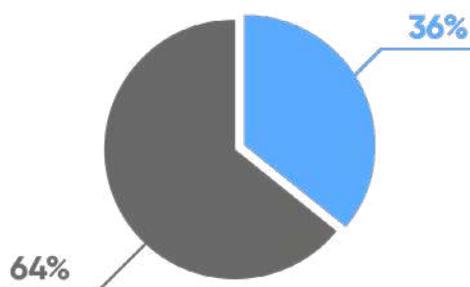
The market size is expected to rise by US\$17.8 Bn in 2026 as shown below:



AML and KYC is segmented by component, type, deployment type, region and industry type
AML and KYC market is divided by component as follows:

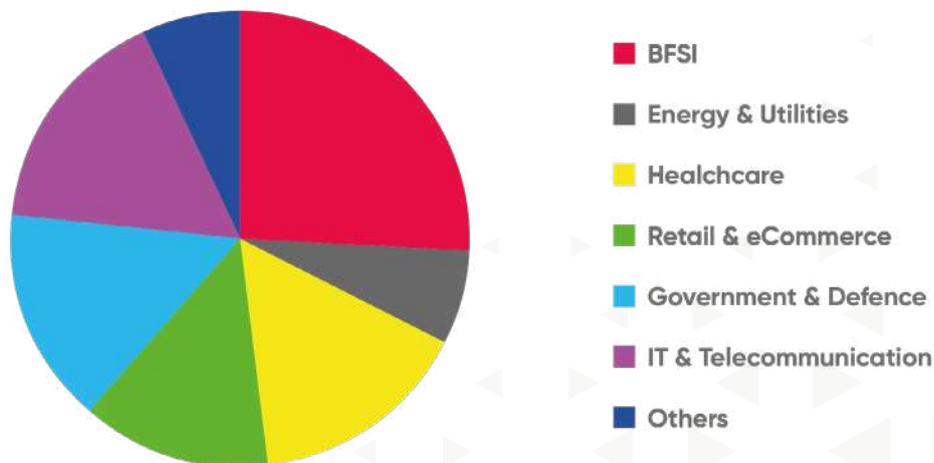
- > Software
- > Service

whereas AML and KYC software solutions are dominating the market. However, it is expected that AML and KYC services will significantly grow in the coming years as well.



By industry it is segmented by banking, financial services and insurance; energy and utilities; healthcare; retail and eCommerce; government and defense; IT and telecommunication; other industries. Banking, financial services and insurance industry is traditionally dominating.

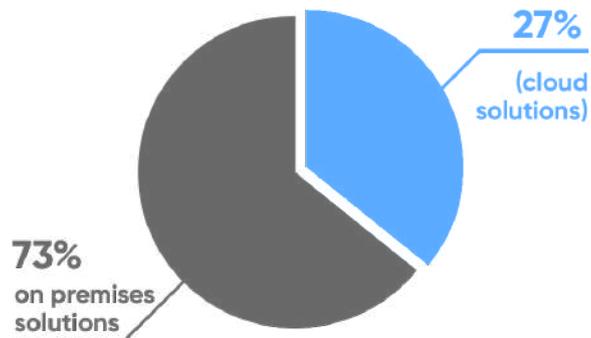
Identity Verification Market Share, By Industry Vertical, 2019



By deployment type, it is divided as follows:

- > Cloud
- > On-premise

On-premise solutions are dominating, but it is expected that cloud solutions 9 will grow significantly by 2026 as cloud solutions are more easily to be deployed:



North America is the leader in the number of customer verification by 2021. Countries regions leading the market where the increased number of customer verification is conducted:

- > North America – 37
- > Europe – 31
- > Asia-Pacific – 11
- > Latin America 10
- > Middle East – 9
- > Africa – 3

It can be seen that North America and Europe are two major regions both encompassing 68 of the market.

AML AND KYC MARKET FORECAST

Internet users

By 2026 two-thirds of the global population will have internet access. The number of online services accessible will grow on 78%. The demand on customer onboarding services will grow on 50%.

Identity verification market

Nearly US\$17.6 Bn will estimate the identity verification market by 2026. By this year, the number of AML vendors that offer on-premises and cloud solutions will be equally distributed which reflects the recent trend on optimization.

BFSI

The BFSI segment will have nearly three-fourths share of total share by industry. The BFSI segment will remain highly targeted by money-launderers. The AML services and software for BFSI industry will be the most demanding.

AML Cloud Solutions

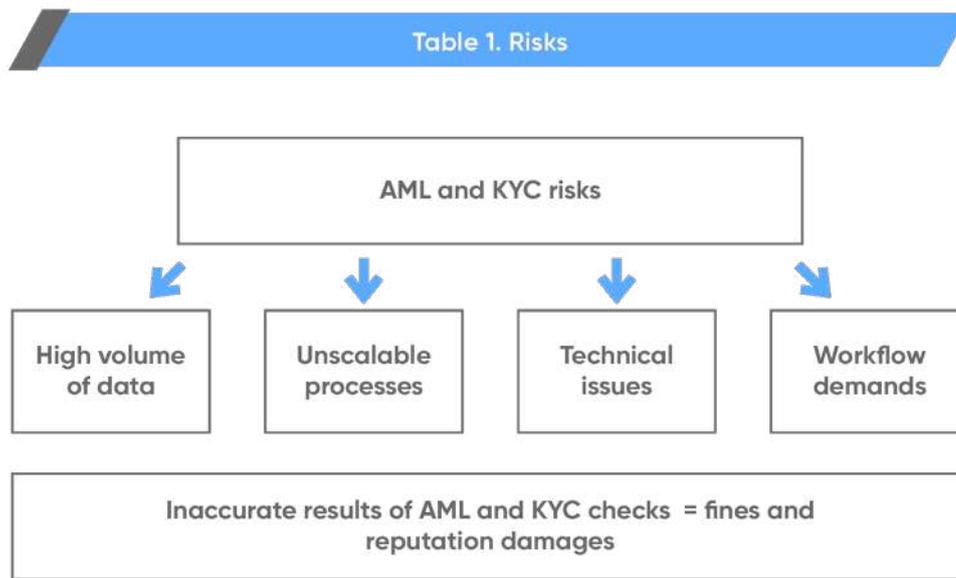
By 2026, AML cloud solutions will be the fastest growing type at 30%.

Region

While North America and Europe will remain dominating the market by 2026. Asia-Pacific will grow at 30% due to the highest increase of internet users and online services within the forecast period.

RISKS AND CHALLENGES

Companies conducting customer verification face various risks and challenges connected to obtaining accurate results. However, the penalties for AML violations are damaging.



It is possible to single out the following challenges connected to AML and KYC checks:

- **High volume of data:** when conducting identity verification, entities should check various data sources, including sanctions lists, data on politically exposed persons. New changes are constantly added to these lists, new lists emerge. Thus, it is highly important to stay updated to be complied with internal, domestic and international watchlist enforcement regulations. When companies process large data, they may face difficulties due to technical issues: inconsistent data formats, missing information, misplaced customer names, duplicate records, etc. It may take significant time to resolve such issues.

- **Workflow demands:** processing a large amount of data requires to check different sources and is time-consuming. Ongoing monitoring and onboarding of customers create a large workflow within an organization. And not all checks can be automated as manual verification is often needed. Certain companies create compliance department in which the workflow is distributed among several team members and divided between automatic and manual processes. Automatic research simplifies due diligence process, when it is needed to search in various databases. Though some processes can be automatic, human factor remains to be crucial in obtaining accurate results.

- **Unscalable processes:** KYC and KYB is the time consuming process that requires qualification and expertise in this field. There is a human risk factor as it might be difficult to manage a workflow within one organization that comes with customer identification and verification. Customer verification by unqualified personnel may bring inaccurate and false results. Ideally it is necessary to have qualified personnel to be responsible for monitoring regulations, detecting and preventing risks associated with money laundering and terrorist financing.

- **Technical issues:** KYC and KYB require software and relevant equipment to process large amount of data in addition to manual search. Large companies that process large volumes of data and have many customers can develop their own software and implement other technical measures, while small and medium-sized companies may not be able to have sufficient funds to develop their own solutions. For such entities it is better to outsource KYC and KYB checks or purchase third party tools for it.

- **Technical mistakes:** databases and documents can contain mistakes or incomplete data that could lead to inaccurate results.

Despite the risks, companies are required to conduct customer verification in order to avoid penalties and reputation damages.

SOURCES FOR GATHERING DATA

Vendors usually gather data from the following sources:

- > From publicly available sources
- > From own sources
- > By trading data

Gathering data from publicly available sources

Customer verification starts from access of publicly available sources in order to obtain freely accessible data about a customer. Usually, vendors check such open sources as commercial and governmental registries. However, depending on each jurisdiction the data sources may vary and the scope of data is different as well.

With that said, it is a bit challenging to search in different sources and jurisdictions as there are no unified AML regulation.

In some jurisdictions information about ultimate beneficial owners can be hidden. Some countries allow to use nominal entities instead of real shareholders or directors names. Offshore jurisdiction is often used intentionally in order to disguise real UBOs. These jurisdictions are ideal countries for money laundering, terrorist financing, corruption and other illegal activities due to the lack of a legal transparency.

If a customer is registered in an offshore jurisdiction and the real names of UBOs cannot be tracked, then it should be a sign of a suspicious client.

Table 2. Example of Sources of publicly available data		
UK	Companies House public register Corporate information is available under an open data license	https://www.gov.uk/government/organisations/companies-house
EU	In the EU commercial registers are published separate by each member state	For example: Germany https://www.unternehmensregister.de/ureg/?submitaction=language&language=en Estonia https://www.rik.ee/en/e-business-register
Switzerland	Commercial registers are available in each Swiss canton	Zug https://www.zg.ch/english/business/setting-up-a-business/commercial-registry Zurich https://www.zefix.ch/en/hra
USA	Corporate information available differs from state to state	For example, https://www.gov.uk/government/organisations/companies-house https://www.dos.ny.gov/corps/bus_entity_search.html
Canada	Official registers of almost of all provinces is one website	https://beta.canadasbusinessregistries.ca/search

Gathering data from own services

Certain companies develop their own databases with aggregated data from different sources. These databases often include information about names, addresses, relationship data, behavioral and biometric data, other information from social media.

Trading Data

Entities can exchange data with each other. Usually, such entities can benefit from it by selling databases to other entities.

However, this can be very challenging and even illegal due to personal data protection regulations, such as GDPR or CCPA, that limit gathering, processing and selling data without a data subject's consent.

PROCESSING DATA

How data is processed

The processing of personal and corporate data is required for AML and KYC checks. Usually, data is processed in two ways. At initial stage, vendors may process it, then it is processed by financial institutions or other entities that are required to conduct AML and KYC checks. Later on, the two parties should ensure that the data processing is consistent between them.

Vendors process data through their independently developed databases and or they trade data that relates to specific requests. It can be limited to a certain region or type of data requested, such as PEP lists, biometrics data or information from public sources that is gathered by the vendor about a particular entity or individual. However, vendors may retain false information or it can be inconsistent with official data that changes constantly.

For entities conducting customer due diligence it may be hard to find accurate and relevant information and find relevant data sources. Such data sources are all different and have their own specifics. For example, each entity may have its own unique identifiers with which it would be hard to trace a relevant entity. Data sources can have typos and it would be hard to identify it. This leads to inaccurate results and then to AML and KYC compliance violation.

Another thing to keep in mind is the limitations set by current personal data protection laws, such as GDPR and CCPA. These rules protect only personal information, but does not generally relate to corporate data. The recent data protection regulations in EU, USA and a few other countries regulate that data cannot be gathered beyond what is needed for performing contractual or other similar obligations. One cannot collect or retain information about a data subject without his or her consent. As a result, it challenges an interplay between AML checks and personal data protection.

The current AML and KYC checks require that it should be conducted with a risk-based approach. The results can be significantly different and subjective. One entity can require excessive number of personal data to complete KYC and onboard a customer. Collection of onerous data contradicts to data protection laws, as the current regulations require data minimization, and proportionality of information. Further, it requires to limit the term of data retention to a minimum necessary.

There should be a balance between a risk assessment approach in connection with a customer verification and appropriate measures taken to limit data collection in compliance with data protection regulations.

It is essential to comply with data protection regulations when onboarding and monitoring customers. The consideration of personal data rights is important as the current regulations provide that the right to privacy should be respected and protected. Non-compliance with personal data protection rules can lead to significant fines.

DOX365 SERVICE DESCRIPTION

Platforma365 Ltd delivers innovative platform for customer onboarding. As a part of the complex solution it introduces Dox365 - a fast and simple service for obtaining and certification of individual, corporate and official documents. Dox365 allows access to information and documents from official company registries and extraction in almost all countries of the world.

Our customers can access an online portal on which they check company name and select a jurisdiction. Dox365 would then propose applicable documents for certification that could be further used for AML and KYC checks. All documents are duly certified in accordance with an applicable law. Dox365 simplifies AML and KYC checks!

Depending on a particular jurisdiction, the process of a document certification may encompass passing through several instances in order to collect a document from a relevant governmental body, certification with another authority, then certification with apostille and a notary public. As seen, the process of identification and verification is time-consuming as it is necessary to identify the organizational chart and identify persons that hold and control the relevant company.

Dox365 saves time and money. Thanks to our digital solutions, this process of document request is available through the website. Within a few clicks, it is possible to request certified copies of official documents. We access all necessary information, prepare and certify requested documents.

Users can access Dox365's services through their own user accounts. A user account has a convenient interface on which it is possible to access all documents and sort them by company name. It retains all order history, so previous certificates and other corporate documents can be accessed through the user account without the necessity to re-order documents.

Our service is widely used by:

- Electronic Money Institutions
- Investment Banking
- Internet Payment System Providers
- Real Estate Agents
- Money Transfer Institutions
- Notaries
- Cryptocurrency Exchanges
- Lawyers
- Fintech Companies
- KYC / AML check providers
- Wealth Management Companies
- Legal and Accountancy Companies
- Family Offices
- Corporate Services Providers

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