

LexisNexis Risk Solutions: RiskTech Quadrant®

KYC/AML Data Solutions, 2020





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- Operational risk and governance, risk and compliance (GRC).
- Market risk.
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- Cyber risk management.
- Insurance risk.
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Chartis is solely focused on risk and compliance technology, which gives it a significant advantage over generic market analysts.

The firm has brought together a leading team of analysts and advisors from the risk management and financial services industries. This team has hands-on experience of implementing and developing risk management systems and programs for Fortune 500 companies and leading consulting houses.

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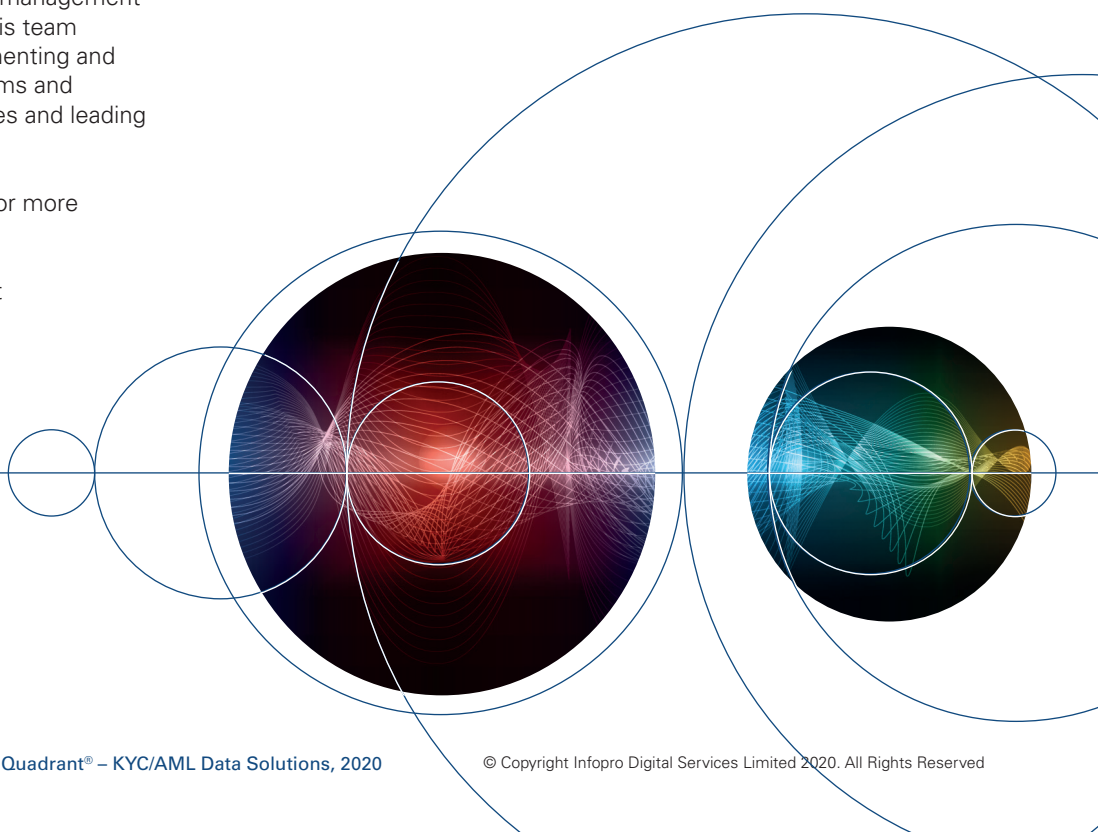


Table of contents

1. In this research paper	5
2. RiskTech Quadrant® for KYC/AML data solutions	6
3. LexisNexis Risk Solutions – KYC/AML data solutions: capabilities and market position	7
4. Appendix A: RiskTech Quadrant® methodology	9
5. Further reading	13

List of figures and tables

Figure 1: RiskTech Quadrant® for KYC/AML data solutions, 2020 (highlighting LexisNexis Risk Solutions)	6
Figure 2: RiskTech Quadrant® research process	9
Figure 3: RiskTech Quadrant®	10

1. In this research paper

This research paper is based on material originally published in the Chartis Research report *KYC/AML Data Solutions, 2020: Market and Vendor Landscape*. It includes the following:

- RiskTech Quadrant® for KYC/AML data solutions.
- LexisNexis Risk Solutions¹ – KYC/AML data solutions: capabilities and market position.
- RiskTech Quadrant® methodology.

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2. RiskTech Quadrant® for KYC/AML data solutions

Figure 1 illustrates Chartis' view of the vendor landscape for KYC/AML data solutions.

Appendix A sets out the generic methodology and criteria used for the RiskTech Quadrant®.

The RiskTech Quadrant® is a proprietary methodology developed specifically for the risk technology marketplace. It takes into account the product, technology and organizational capabilities of vendors.

Figure 1: RiskTech Quadrant® for KYC/AML data solutions, 2020 (highlighting LexisNexis Risk Solutions)



* A Moody's Analytics company

** RDC was acquired by Moody's in January 2020

Source: Chartis Research

3. LexisNexis Risk Solutions – KYC/AML data solutions: capabilities and market position

LexisNexis Risk Solutions: company summary

Founded in 1997, LexisNexis Risk Solutions is a global data and analytics company that provides data and technology services, analytics, predictive insights and fraud prevention for a wide range of industries. The vendor's customers include businesses within the insurance, financial services, healthcare and corporate sectors, as well as local, state and federal government, law enforcement and public safety. LexisNexis Risk Solutions and its sister company LexisNexis Legal & Professional are part of RELX Group, a multinational information and analytics company. The group serves customers in more than 180 countries and has offices in about 40. It employs approximately 30,000 people, half of whom are in North America.

Quadrant dynamics

By their nature, data services offerings are more 'binary' than analytics offerings (put bluntly, within a given vertical you either provide data or you don't). As a result, vendors with strengths across multiple data verticals tend to be emphasized in the landscape. This is compounded by the network effects of data acquisition, whereby market-leading vendors in a given data vertical tend to consolidate their position.

In addition, the 'convenience is king' dynamic in the market remains significant for acquisitions as well as implementations. It is still relatively difficult to effectively acquire and merge firms that focus on analytics or workflow, because they have their own way of doing things. A common story in the market is one in which a large tech firm buys up a number of smaller firms, then fails to suitably (and profitably) integrate them, leaving the parent company with a portfolio of disassembled pieces. For firms in the data space, these barriers are smaller, and integrating an acquired firm's data assets can lead to quick wins through application programming interfaces (APIs) and links to the acquired data sets.

Thanks to a combination of binary capabilities, network effects, and the relative ease in bringing together assets, the data space has historically

seen many acquisitions. Many market-leading firms have long histories of acquisitions that combine multiple companies. These firms have tended to cluster in the upper right of the quadrant.

We should point out that, by necessity, Figure 1 represents a relatively simplified view of what in reality is a large and complex market. In particular, several smaller niche firms belong in the Point Solutions and Best-of-Breed quadrants.

LexisNexis Risk Solutions: KYC/AML data offering

As a category leader, LexisNexis Risk Solutions scored strongly on the quadrant for KYC/AML data solutions, providing a deep set of features in its services offerings. In helping customers manage KYC/AML processes, it combines its vast data resources with Big Data technology, advanced proprietary linking, analytics insight and integrated decisioning.

The trend to acquire more proprietary data is one of the most effective paths to profitability in risk technology. Over the past two decades, LexisNexis Risk Solutions has built a comprehensive proprietary database, which includes information on sanctions, watchlists, adverse media and politically exposed persons (PEPs). It holds more than 78 billion public records, and can digest and manage massive volumes of data from public, proprietary and digital profiles.

Each year the vendor performs more than 100 million identity verification checks, and more than 100 billion customer- and transaction-screening requests. Its datasets also include special collections such as marijuana-related businesses, Foreign Account Tax Compliance Act (FATCA) companies and money service businesses. By specializing in more specific and exotic data sets, LexisNexis Risk Solutions has established itself as the industry standard for that type of information.

LexisNexis Risk Solutions scored well across the completeness of offering criteria, and was especially strong in sanctions and watchlist data, electronic and digital IDs, geographical coverage and data management. Its global document

coverage spans over 200 countries, and its LexisNexis® TrueID® has enabled users to rely far less on exception handling and manual review. Furthermore, through LexisNexis® ThreatMetrix® it leverages real-time dynamic device profiling, along with deep-link analysis technology, enabling users to make more accurate and informed decisions.

LexisNexis Risk Solutions has invested significantly in technologies such as artificial intelligence (AI) and machine learning to help compliance teams onboard customers faster and reduce false positives. It recognizes that quality risk data is the foundation of successful AI models, and maintains high standards in ensuring that input data is accurate and regularly updated.

4. Appendix A: RiskTech Quadrant® methodology

Chartis is a research and advisory firm that provides technology and business advice to the global risk management industry. Chartis provides independent market intelligence regarding market dynamics, regulatory trends, technology trends, best practices, competitive landscapes, market sizes, expenditure priorities, and mergers and acquisitions. Chartis' RiskTech Quadrant® reports are written by experienced analysts with hands-on experience of selecting, developing, and implementing risk management systems for a variety of international companies in a range of industries including banking, insurance, capital markets, energy, and the public sector.

Chartis' research clients include leading financial services firms and Fortune 500 companies, leading consulting firms, and risk technology vendors. The risk technology vendors that are evaluated in the RiskTech Quadrant® reports can be Chartis clients or firms with whom Chartis has no relationship. Chartis evaluates all risk technology vendors using consistent and objective criteria, regardless of whether or not they are a Chartis client.

Where possible, risk technology vendors are given the opportunity to correct factual errors prior to publication, but cannot influence Chartis' opinion. Risk technology vendors cannot purchase or influence positive exposure. Chartis adheres to the highest standards of governance, independence, and ethics.

Inclusion in the RiskTech Quadrant®

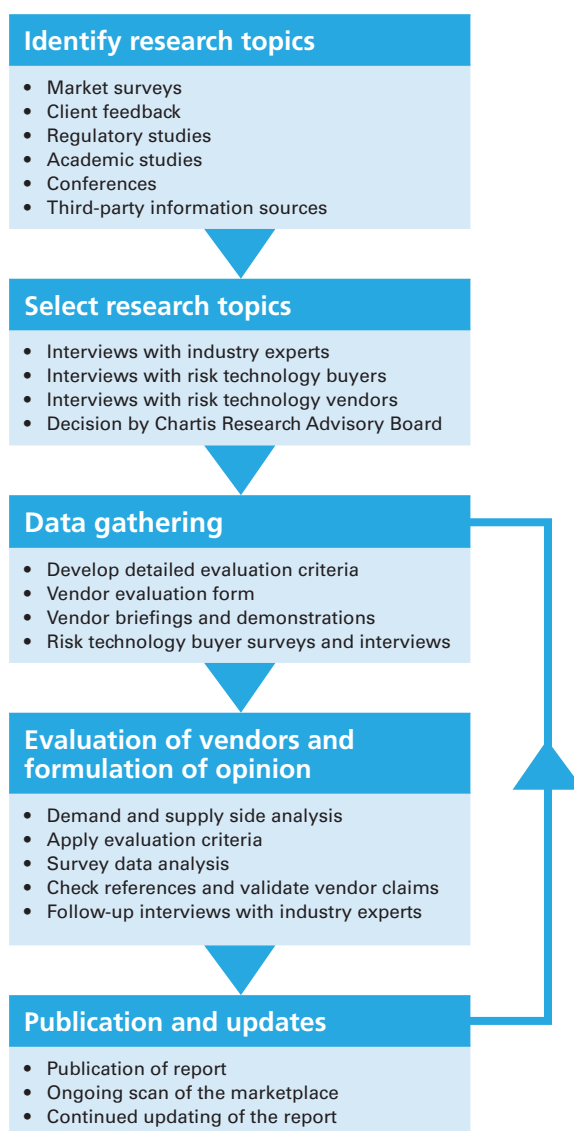
Chartis seeks to include risk technology vendors that have a significant presence in a given target market. The significance may be due to market penetration (e.g. large client-base) or innovative solutions. Chartis does not give preference to its own clients and does not request compensation for inclusion in a RiskTech Quadrant® report. Chartis utilizes detailed and domain-specific 'vendor evaluation forms' and briefing sessions to collect information about each vendor. If a vendor chooses not to respond to a Chartis vendor evaluation form, Chartis may still include the vendor in the report. Should this happen, Chartis will base its opinion on direct data collated from risk technology buyers and users, and from publicly available sources.

Research process

The findings and analyses in the RiskTech Quadrant® reports reflect our analysts' considered opinions, along with research into market trends, participants, expenditure patterns, and best

practices. The research lifecycle usually takes several months, and the analysis is validated through several phases of independent verification. Figure 2 below describes the research process.

Figure 2: RiskTech Quadrant® research process



Source: Chartis Research

Chartis typically uses a combination of sources to gather market intelligence. These include (but are not limited to):

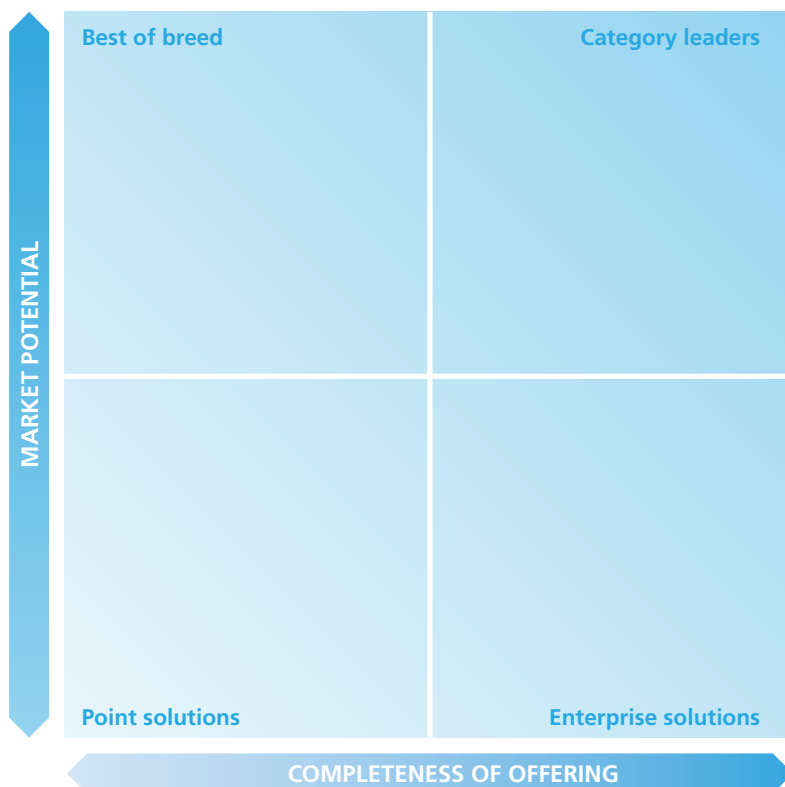
- **Chartis vendor evaluation forms.** A detailed set of questions covering functional and non-functional aspects of vendor solutions, as well as organizational and market factors. Chartis' vendor evaluation forms are based on practitioner level expertise and input from real-life risk technology projects, implementations, and requirements analysis.
- **Risk technology user surveys.** As part of its ongoing research cycle, Chartis systematically surveys risk technology users and buyers, eliciting feedback on various risk technology vendors, satisfaction levels, and preferences.
- **Interviews with subject matter experts.** Once a research domain has been selected, Chartis undertakes comprehensive interviews and briefing sessions with leading industry experts, academics, and consultants on the specific domain to provide deep insight into market trends, vendor solutions, and evaluation criteria.
- **Customer reference checks.** These are telephone and/or email checks with named customers of selected vendors to validate strengths and weaknesses, and to assess post-sales satisfaction levels.
- **Vendor briefing sessions.** These are face-to-face and/or web-based briefings and product demonstrations by risk technology vendors. During these sessions, Chartis experts ask in-depth, challenging questions to establish the real strengths and weaknesses of each vendor.
- **Other third-party sources.** In addition to the above, Chartis uses other third-party sources of information such as conferences, academic and regulatory studies, and collaboration with leading consulting firms and industry associations.

Evaluation criteria

The RiskTech Quadrant® (see Figure 3) evaluates vendors on two key dimensions:

1. Completeness of offering
2. Market potential

Figure 3: RiskTech Quadrant®



Source: Chartis Research

We develop specific evaluation criteria for each piece of quadrant research from a broad range of overarching criteria, outlined below. By using domain-specific criteria relevant to each individual risk, we can ensure transparency in our methodology, and allow readers to fully appreciate the rationale for our analysis.

Completeness of offering

- **Depth of functionality.** The level of sophistication and amount of detailed features in the software product (e.g. advanced risk models, detailed and flexible workflow, domain-specific content). Aspects assessed include: innovative functionality, practical relevance of features, user-friendliness, flexibility, and embedded intellectual property. High scores are given to those firms that achieve an appropriate balance between sophistication and user-friendliness. In addition, functionality linking risk to performance is given a positive score.
- **Breadth of functionality.** The spectrum of requirements covered as part of an enterprise risk management system. This will vary for

each subject area, but special attention will be given to functionality covering regulatory requirements, multiple risk classes, multiple asset classes, multiple business lines, and multiple user types (e.g. risk analyst, business manager, CRO, CFO, Compliance Officer). Functionality within risk management systems and integration between front-office (customer-facing) and middle/back office (compliance, supervisory, and governance) risk management systems are also considered.

- **Data management and technology infrastructure.** The ability of risk management systems to interact with other systems and handle large volumes of data is considered to be very important. Data quality is often cited as a critical success factor and ease of data access, data integration, data storage, and data movement capabilities are all important factors. Particular attention is given to the use of modern data management technologies, architectures, and delivery methods relevant to risk management (e.g. in-memory databases, complex event processing, component-based architectures, cloud technology, software-as-a-service). Performance, scalability, security, and data governance are also important factors.
- **Risk analytics.** The computational power of the core system, the ability to analyze large amounts of complex data in a timely manner (where relevant in real time), and the ability to improve analytical performance are all important factors. Particular attention is given to the difference between 'risk' analytics and standard 'business' analytics. Risk analysis requires such capabilities as non-linear calculations, predictive modeling, simulations, scenario analysis, etc.
- **Reporting and presentation layer.** The ability to present information in a timely manner, the quality and flexibility of reporting tools, and ease of use are important for all risk management systems. Particular attention is given to the ability to do ad-hoc 'on-the-fly' queries (e.g. what-if-analysis), as well as the range of 'out-of-the-box' risk reports and dashboards.

Market potential

- **Business model.** Includes implementation and support and innovation (product, business model and organizational). Important factors include size and quality of implementation team, approach to software implementation, and post-sales support and training. Particular attention is given to 'rapid' implementation methodologies and 'packaged' services offerings. Also evaluated are new ideas, functionality and technologies to solve specific risk management problems. Speed to market, positioning, and translation into incremental revenues are also important success factors in launching new products.
- **Market penetration.** Volume (i.e. number of customers) and value (i.e. average deal size) are considered important. Rates of growth relative to sector growth rates are also evaluated. Also covers brand awareness, reputation, and the ability to leverage current market position to expand horizontally (with new offerings) or vertically (into new sectors).
- **Financials.** Revenue growth, profitability, sustainability, and financial backing (e.g. the ratio of license to consulting revenues) are considered key to scalability of the business model for risk technology vendors.
- **Customer satisfaction.** Feedback from customers is evaluated, regarding after-sales support and service (e.g. training and ease of implementation), value for money (e.g. price to functionality ratio) and product updates (e.g. speed and process for keeping up to date with regulatory changes).
- **Growth strategy.** Recent performance is evaluated, including financial performance, new product releases, quantity and quality of contract wins, and market expansion moves. Also considered are the size and quality of the sales force, sales distribution channels, global presence, focus on risk management, messaging, and positioning. Finally, business insight and understanding, new thinking, formulation and execution of best practices, and intellectual rigor are considered important.

Quadrant descriptions

Point solutions

- Point solutions providers focus on a small number of component technology capabilities, meeting a critical need in the risk technology market by solving specific risk management problems with domain-specific software applications and technologies.
- They are often strong engines for innovation, as their deep focus on a relatively narrow area generates thought leadership and intellectual capital.
- By growing their enterprise functionality and utilizing integrated data management, analytics and BI capabilities, vendors in the point solutions category can expand their completeness of offering, market potential and market share.

Best-of-breed

- Best-of-breed providers have best-in-class point solutions and the ability to capture significant market share in their chosen markets.
- They are often distinguished by a growing client base, superior sales and marketing execution, and a clear strategy for sustainable, profitable growth. High performers also have a demonstrable track record of R&D investment, together with specific product or 'go-to-market' capabilities needed to deliver a competitive advantage.
- Focused functionality will often see best-of-breed providers packaged together as part of a comprehensive enterprise risk technology architecture, co-existing with other solutions.

Enterprise solutions

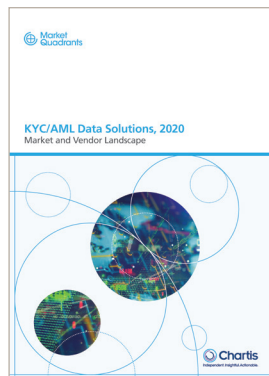
- Enterprise solutions providers typically offer risk management technology platforms, combining functionally-rich risk applications with comprehensive data management, analytics and BI.
- A key differentiator in this category is the openness and flexibility of the technology architecture and a 'toolkit' approach to risk analytics and reporting, which attracts larger clients.
- Enterprise solutions are typically supported with comprehensive infrastructure and service

capabilities, and best-in-class technology delivery. They also combine risk management content, data and software to provide an integrated 'one-stop-shop' for buyers.

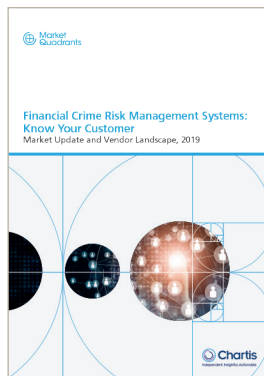
Category leaders

- Category leaders combine depth and breadth of functionality, technology and content with the required organizational characteristics to capture significant share in their market.
- Category leaders demonstrate a clear strategy for sustainable, profitable growth, matched with best-in-class solutions and the range and diversity of offerings, sector coverage and financial strength to absorb demand volatility in specific industry sectors or geographic regions.
- Category leaders will typically benefit from strong brand awareness, global reach and strong alliance strategies with leading consulting firms and systems integrators.

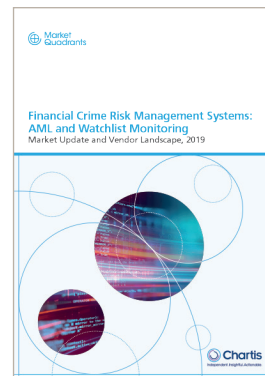
5. Further reading



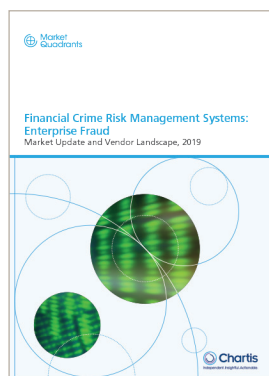
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**Financial Crime Risk
Management Systems: Know
Your Customer; Market Update
and Vendor Landscape, 2019**



**Financial Crime Risk
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and Watchlist Monitoring;
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**Financial Crime Risk
Management Systems:
Enterprise Fraud; Market Update
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