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Identitii EX2010

Rising to the challenge

Innotribe, 22 June 2017 | 6 min read

Recognised by Innotribe's 2016 Industry Challenge on Compliance, identitii is addressing the difficulties banks face in sharing information effectively

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A new FinTech solution developed by technology startup identitii is set to improve the way in which banks share information by enhancing payment messages with detailed information. The solution, which uses tokens to exchange rich information between banks or branches, was selected during last year's Innotribe Industry Challenge.

The challenge within the financial industry

The issue of effective information sharing has become more crucial in light of the growing regulatory focus on financial crime compliance. Banks' back office systems need to keep abreast of increasingly stringent regulations in the areas of sanctions screening, anti-money laundering (AML) and Know Your Customer (KYC). Banking procedures have to adapt accordingly, while also factoring in customer demand for fast, cost-effective payments.

For financial institutions, the need for high quality data – and the drive to improve the back office systems used to process payments – can present considerable challenges. In the course of investigating payments flagged for attention by automated sanctions screening or AML detection systems, banks on both sides of the transaction are forced to make and respond to a growing number of requests for information (RFIs).

These requests tend to be managed manually via telephone, email or even fax, with the large teams required for this task resulting in a higher risk of human error. "We have certainly had to increase headcount with regards to managing correspondent relationships, which also comes with a degree of operational risk – and, of course, ongoing capability and capacity implications," says **Sybil Crasto, Head of Liquidity Product and Solutions, Global Transaction Services at Australia's Westpac Banking Corporation**.

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There is much to be gained by sharing information more efficiently – but banks' efforts to send the rich data required to meet compliance demands can be hampered by their existing manual processes and legacy systems. As such, banks are considering how they can use automation to build faster, more efficient systems.

> "We are constantly looking at ways to get additional information on payments, so we can improve not only our payment processing times but also our customers' experiences. If we can get more data in a structured way, we can put that into our screening and AML monitoring mechanisms."
>
> **Judy Stoldt, Global Head of Global Liquidity and Cash Management and Payment Services Financial Crime Compliance, HSBC**

Innotribe's Industry Challenge programme

These challenges were a focal point for Swift in setting up the Innotribe Industry Challenges in 2016. Whilst allowing Swift to support innovation by tapping into its ecosystem, the Industry Challenge programme also enables customers, startups, and specific Swift business units to work together to tackle common business problems. The premise is to start with the problem first, which is the way innovation with customers should be approached.

One of last year's Industry Challenges focused on Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) solutions to complement Swift's KYC Registry, a secured, shared platform for managing and exchanging standardised KYC data. The scope of the challenge included areas such as risk assessment, data aggregation, account opening and digital passport services.

Following a collaborative workshop facilitated by Innotribe, two startups were selected to develop their products in conjunction with Swift member institutions and Swift's financial crime compliance management team.

Introducing identitii

One of the chosen startups was identitii, a solution created to tackle the cost of compliance processes – particularly the operational costs arising from the increasing numbers of RFIs being sent in relation to AML and sanctions.

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identitii helps banks solve these compliance challenges by enhancing payments information with documents and attributes. Information which is required to clear remittances -such as 'purpose of payment' or KYC information on actors - can be attached directly to a standard payment message using a secure token embedded into the message. This means that banks can exchange detailed information using identitii's platform without making any changes to their core payment processing or settlement systems.

> "identitii was founded to lead the way in the next evolution of KYC and introduce a new concept of 'Know Your Transaction' (KYT). Innotribe gave us the ideal platform to demonstrate our technology and, most importantly, learn from the member banks which participated in the pilot."
>
> **Nick Armstrong, CEO, identitii**

After being selected by Innotribe to progress to the Proof of Value phase, identitii received support via resources, feedback and testing opportunities from both Swift and participating member banks over a 12-week period.

Banks have welcomed the solution with **David Fleet, Managing Director, Client Onboarding and Management at Standard Chartered**, highlighting the richness of identitii's platform. "If we have a query, we can use the identitii solution to share actual documents on the platform," he explains. "This gives us a very high level of assurance that what we are looking at answers our question and that it is valid and immutable. That is a very powerful tool."

> "Swift is in a unique place to help solve for industry issues such as standardisation on the formatting of the message or information. How Swift has collaborated with identitii could actually help the industry address the current problems."

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>
> **Sybil Crasto, Head of Liquidity Product and Solutions, Global Transaction Services, Westpac**

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The benefits of better information sharing are clear: technology can enable banks to reduce costly and time-consuming processes, as well as providing a superior experience for end customers. "If we can share information, we will know more about the investigations that we are conducting," says Stoldt. "The more we know, or the more pieces of the puzzle we have, the better the chances we will have of catching the bad guys."

Where identitii is concerned, the future looks bright with plans underway to take the proven solution beyond the pilot phase. "identitii plans to expand the initial group of eight banks to 15," says Armstrong. "As the benefits become clearer to the industry, we will look to add even more." He adds that by expanding the company's footprint, he hopes the technology will "help solve one of the core challenges facing the industry today."

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Next steps

Innotribe's work continues. Following the success of the 2016 Industry Challenges, consultation is underway with customers and Swift's business teams to identify the industry's top priorities for FinTech development for 2017 and create the equivalent portfolio of challenges. The first of this year's challenges is already scheduled, with FinTech participants invited to design overlay services built on top of the Swift global payments innovation initiative.

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