

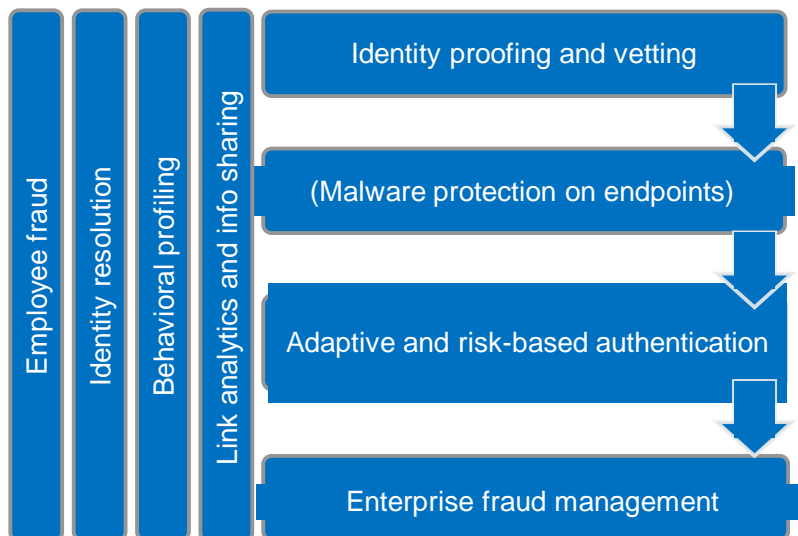
FORRESTER® EVENTS

Privacy & Security 2018

Blockchain In Anti-Money Laundering And Fraud Management

Andras Cser

Technology: fraud management landscape



What is identity verification/proofing/vetting?

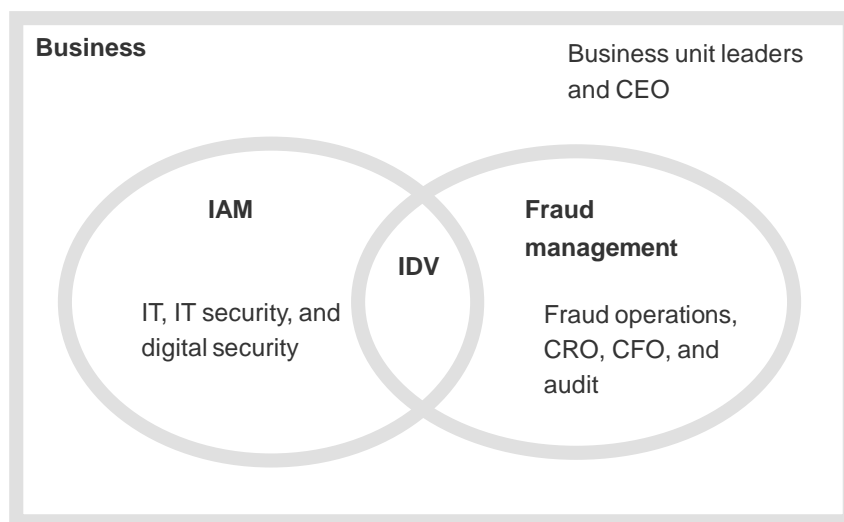
“Identity verification is linking real-world humans reliably to online identities.”

It is *not* just authentication; it is the establishing process of an identity.

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3

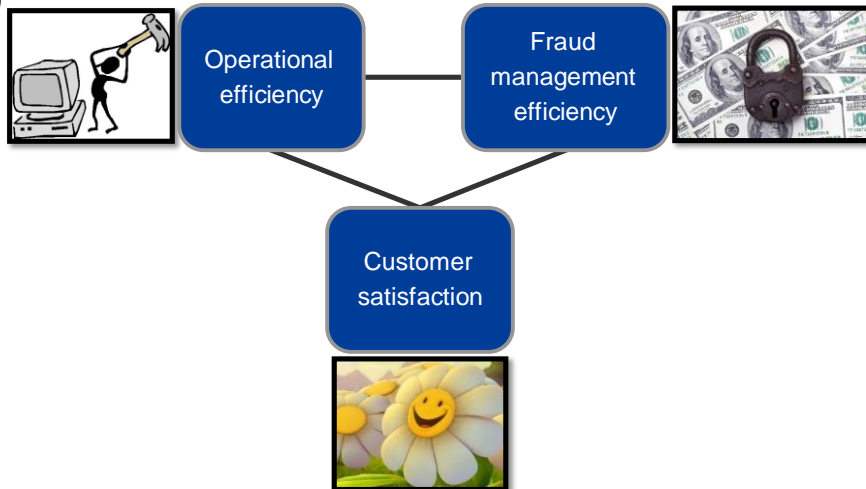
Stakeholders put IDV in the intersection of IAM and fraud management



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Customer experience and satisfaction is king



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Why is ID verification (IDV) more important now?

- › There is an increased remote access to services through online and mobile commerce.
- › Cost of doing business needs to decrease; fewer humans interact with customers.
- › Consumers are on a faceless channel (focus on online).
- › Data breaches have compromised user names, passwords, and CC numbers.
- › There is a rising ID theft, which IDV mitigates at:
 - Registration/online enrollment.
 - Authentication.

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6

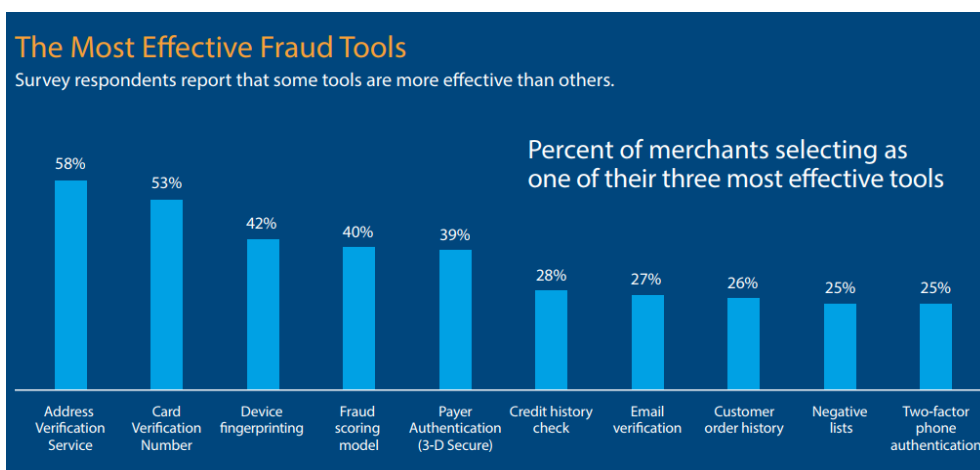
IDV is different from other IAM methods

- › IDV positively identifies a user who is approaching.
- › ID should be tied to a reusable credential.
- › IDV works well with risk-based authentication or 2FA.
- › Web SSO improves the user experience.
- › IDV works well for identity disambiguation and resolution.

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Verification is the most effective against fraud



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AML and KYC requirements are getting tougher

- › Compliance regulations are becoming more stringent (PSD2, GDPR, and the Fifth EU AML Directive [5AMLD]).
- › Beneficiary ownership
- › Consortium information is required.
- › Personal liability

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9

Blockchain already secures payments

- › Bitcoin already secures:
 - Bitcoin.
 - Ethereum.
 - Ripple.
 - P2P payments.
- › It tampers evidency of blockchain:
 - Consensus, nonrepudiation, and proof of work/stake.
- › Traceability speeds up investigation.
- › Blockchain is an auditable technology.

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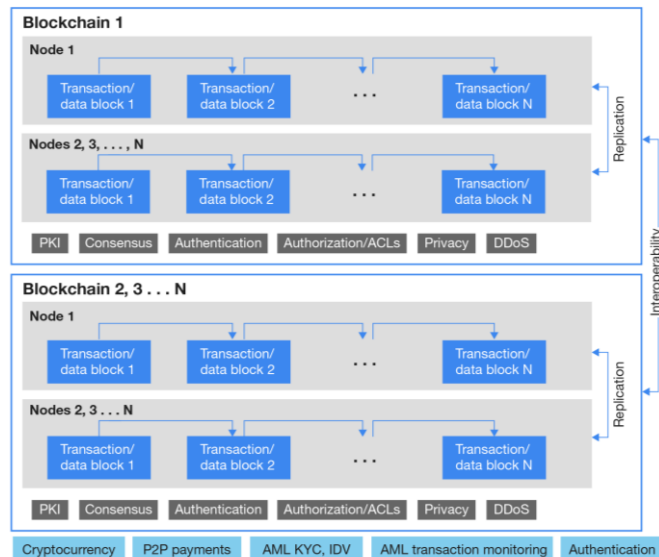
10

Both The Critics Say That...

- › Blockchain (BC) is just a new database model
- › Privacy concerns will top shared data models (regardless of whether the data is shared in BC or other methods)
- › BC has been hacked
- › BC is a ledger/supply chain tracking technology, not an Identity Store for IDV/IAM

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11



Note: ACL (access control list), DDoS (distributed denial of service), IDV (identity verification), KYC (know

Source: [A Secure Blockchain Will Transform Security And Risk Management](#)

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12

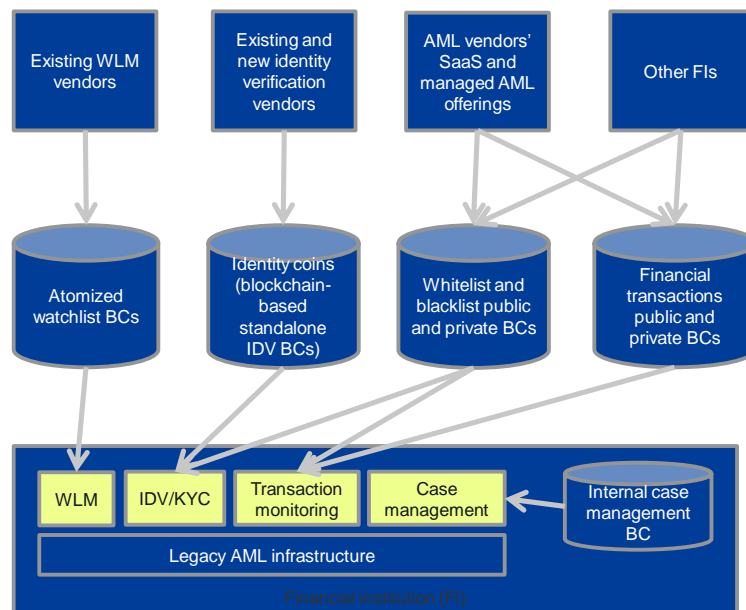
IDV and watchlist (WLM) in AML will benefit most from blockchain

- › Multiple parties are able to contribute to IDV and watchlists:
 - Existing and new vendors and FIs themselves.
- › Atomized WLM leads to better accuracy and less work.
- › IDV and KYC will augment existing data with identity coins:
 - AuthenticID, ICO Pass, KYC Legal, etc.
- › Transaction monitoring in AML will use and provide blockchain blacklists/whitelists.
- › Case management will benefit from blockchain.

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13

Blockchain in IDV future

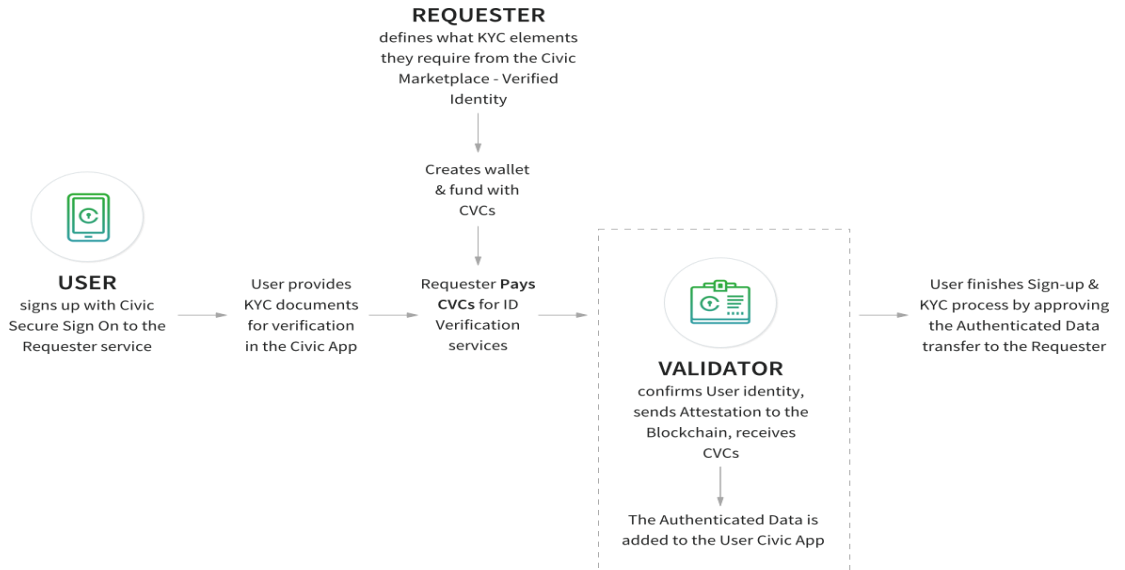


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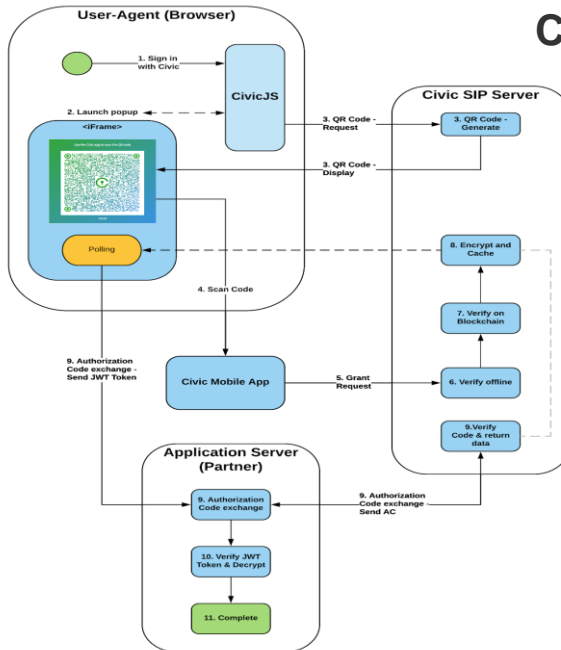
14



Civic BC Architecture

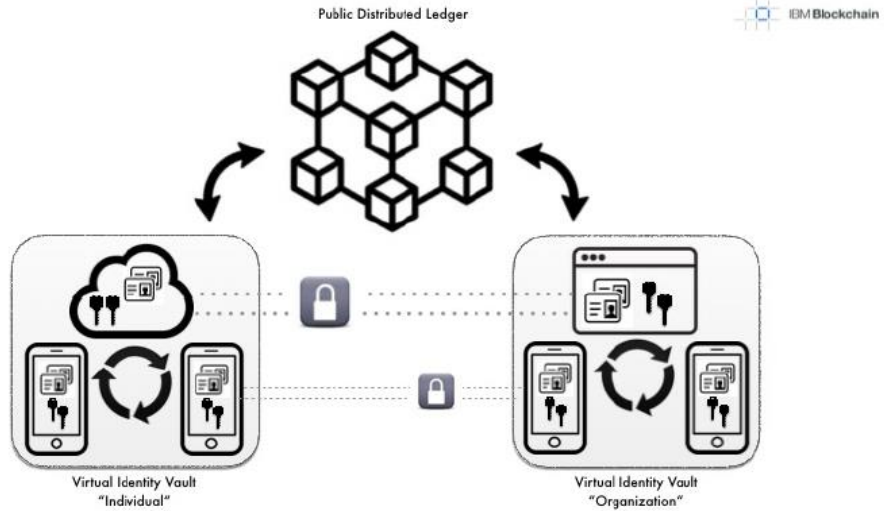


Civic BC Architecture



IBM BC Architecture

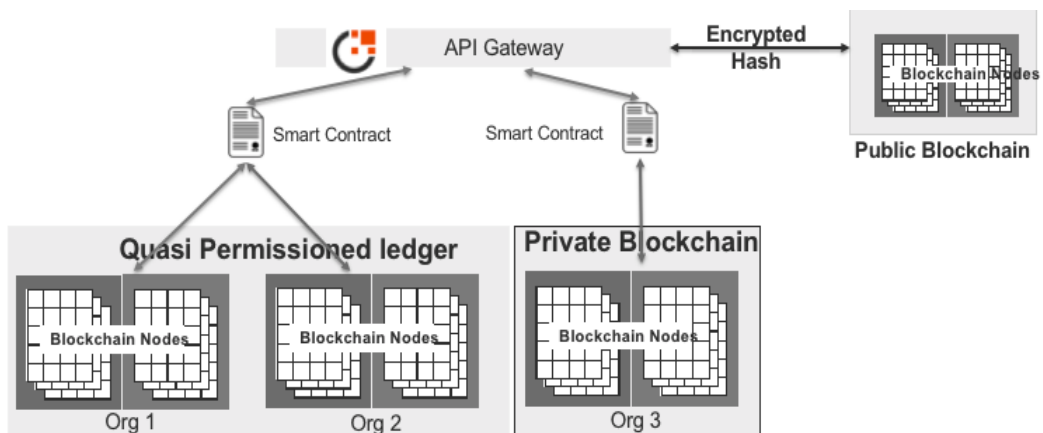
IBM Blockchain: Identity architecture



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17

1kosmos architecture



Forrester recommends . . .

- › Expanding your network of trusted and friendly FIs.
- › Getting your privacy policies in order (GDPR).
- › Looking beyond existing IDV vendors.
- › Using identity coins.
- › Unifying and externalizing transaction data to prepare for P2P payment disruption.



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19

Forrester expects . . .

- › IDV lightweight based on BC.
- › IDV for specific verticals: government and healthcare.
- › IDV for B2B use cases.
- › IDV for B2E use cases.
- › IDV to incorporate risk-based authentication.
- › Social identity verification taking ground.
- › IDV and KBA use cases to merge.
- › Mobile-device-based IDV.
- › Linking offline and online attributes.



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20

Thank you

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