

AiteNovarica

DECEMBER 2021

AITE MATRIX: GLOBAL DOCUMENT IDENTIFICATION AND VERIFICATION

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This excerpt provided compliments of:



Socure

IMPACT REPORT

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INTRODUCTION

Digitalization in financial and consumer-facing services is expanding at a rapid pace, with more firms offering digital onboarding and customer interaction as a standard model. Within financial services, the COVID-19 pandemic has turned many business models on their heads, with brick-and-mortar banks having to adopt new digital channels as the only means of onboarding new customers and servicing existing customers. The pandemic has accelerated a move to digital services among traditional financial institutions (FIs), brought about by competition from challenger banks, fintech firms, and other payment providers that already provide a fully digital service to their customers. There is no turning back from this point. Even when societies “open up” post-pandemic, many customers will continue to use digital channels to obtain new financial services and manage existing ones. Bank branches are likely to see a continued decline in their numbers.

A key element of any banking and financial services relationship is document ID&V of proposed customers wanting to take out new products and services and existing customers. It is key for FIs to have an accurate picture of the person, or persons, attempting to enter into a business relationship, and confirm that they are who they claim to be. This identity proofing and user authentication is done using documents that people already have in their possession, such as driver’s licenses, passports, and documents showing the person’s address details. Ideally, the data contained in these documents should be compared to what is known about that person from government and commercially available data sources. Document ID&V is not restricted to financial services and is now required by many nonfinancial services firms, including many in the retail and leisure industry, as more consumers move to a digital engagement model.

METHODOLOGY

Leveraging the Aite Matrix, a proprietary Aite-Novarica Group vendor assessment framework, this Impact Report evaluates the overall competitive position of each vendor, focusing on vendor stability, client strength, product features, and client services. The following criteria were applied to develop a list of vendors for participation:

- Must have an in-house built document validation solution that does the following:
 - Validates the authenticity of the document
 - Validates the photo on the document against the person’s face

- Validates the liveness of the person
- Revenue from financial services of at least 75% of the vendor's revenue
- Revenue from document validation solution of at least US\$20 million

Participating vendors were required to complete a detailed request for information (RFI) composed of both qualitative and quantitative questions, conduct a minimum 60-minute product demo, and provide active client references.

THE PLAYERS

This section presents comparative data and profiles for the individual vendors that participated in this Aite-Novarica Group Matrix evaluation. This is by no means an exhaustive list of vendors, and firms looking to undergo a vendor selection process should conduct initial due diligence prior to assembling a list of vendors appropriate for their own unique needs. Table A presents basic vendor information for the participating vendors.

TABLE A: EVALUATED VENDORS

FIRM	HEADQUARTERS	YEAR FOUNDED	TARGET MARKET	SAMPLE CLIENTS
Acuant	Los Angeles	1999	Consumer, financial, security, government, healthcare, hospitality, gaming, auto, travel, and the sharing economy	Capital One, FIS, Equifax, Hertz
AuthenticID	Kirkland, Washington	2001	Banks, telecommunications, fintech firms, gig economy, background screening, government, e-commerce, and identity access management	Upon request
Daon	Dublin	2000	While its customers span a number of verticals, the largest and most successful market is financial services.	Atom Bank, Royal Bank of Scotland, NatWest
Intelligencecheck	Melville, New York	1994	Financial services, credit card issuers, automotive, access management, and Know Your Customer (KYC)	Axcess Financial

FIRM	HEADQUARTERS	YEAR FOUNDED	TARGET MARKET	SAMPLE CLIENTS
Jumio	Palo Alto, California	2010	Global enterprises, including financial service institutions (i.e., banking, payments, foreign exchanges, money transfers), online gaming/gambling, sharing economy, and cryptocurrency exchanges	Monzo, HSBC, United Airlines, 888.com, Stripe, Airbnb
Mitek Systems	San Diego	1986	Financial services, fintech firms, marketplaces, sharing/gig economy, hospitality/travel, technology, telecommunications, and utilities	Axos Bank, Varo, Nova Credit
Onfido	London	2012	Financial services, crypto, insurance, gaming, healthcare, automotive, and trusted marketplaces Seven out of the top 10 U.K. banks and three out of the top 10 U.S. banks are Onfido customers.	Revolut, Mettle by Natwest, Bunq, Drivy (by Getaround), Remitly
Shufti Pro	London	2017	Banking, government, financial services (fintech), gaming, travel, crypto, and foreign exchange	Natixis Bank Algeria, Zurich Insurance, ABA Bank, Global Blue
Socure	New York	2012	Financial services, gig economy, healthcare/telehealth, travel and hospitality, government, marketplaces, insurance, real estate, telecommunications, cannabis, regulated delivery/age verification, universities, online gaming, and cryptocurrencies	Capital One, Chime, DraftKings, Public, SoFi, Stash, Synchrony, and Varo

Source: Vendors

THE MARKET

Table B contains an overview of the market trends shaping the present and future of the document ID&V market. Each of these is described in further detail after the table.

TABLE B: THE MARKET

MARKET TRENDS	MARKET IMPLICATIONS
Consumers are embracing the digital channel	Increasingly, consumers are looking to deal with services online, moving beyond simple purchasing to transactions involving financial and other services.
Impact of the COVID-19 pandemic	The pandemic forced large proportions of global populations to stay at home, requiring a digital service model.
Increased digitalization of processes	The greater access to services through API cloud-based services utilizing machine learning has led to the automation and digitalization of many processes within financial services.
Growing scope across industries	Beyond the traditional financial services firms, more and more industries require document ID&V, including areas such as retail, gaming, healthcare, and government services.
Easier entry into the market for startups	Technologies such as cloud and image processing, with access to funding and a large potential market, have enabled startups to get a foothold in the market.
Availability of powerful and accurate handheld devices	Handheld devices have greater processing power, and mobile phones, in particular, have significantly improved the image quality of their cameras along with the ability to process images on the handset.
Cost pressures to reduce manual reviews	All organizations are seeking to reduce their costs, especially as they deal with the fallout from the COVID-19 pandemic. Manual processes in which people review and validate documents are expensive and time-intensive. The ability to deploy advanced data analytics and machine learning to reduce the dependency on humans is seen as a path to reducing costs.

MARKET TRENDS	MARKET IMPLICATIONS
<p>Increasing data protection standards</p>	<p>The General Data Protection Regulation (EU GDPR) brought in new, higher standards for the collection, use, and protection of personal data. In the U.S., the California Consumer Privacy Act (CCPA) brought in new standards, with many other states having similar pending legislation of their own. This trend is set to continue globally and forces firms, including financial services, to consider how they use and keep customer data.</p>
<p>Higher fraud rates via the digital channel</p>	<p>Fraudsters love the digital channel since it allows them to remain anonymous. That advantage, combined with the plethora of personally identifiable information (PII) and compromised login credentials, leads to increased attacks by fraudsters on the digital channel, requiring financial services to strengthen their authentication controls.</p>

Source: Aite-Novarica Group

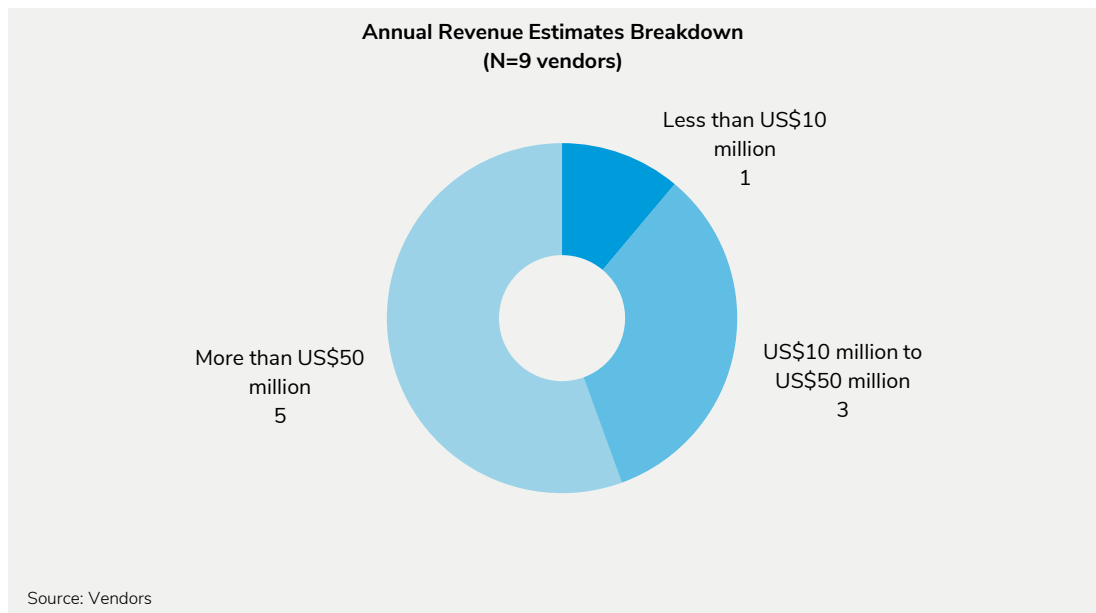
KEY STATISTICS

This section provides information and analysis on key market statistics as well as projected global revenue estimates of the document ID&V vendor market.

ANNUAL REVENUE ESTIMATES ANALYSIS

The document ID&V market has grown considerably over the past three years since the last time Aite-Novarica Group conducted an in-depth analysis of this space. Of the seven vendors who participated in the 2018 report, only four had prior year annual revenue greater than US\$25 million. In contrast, five of the nine vendors participating in this report had prior year annual revenue greater than US\$50 million (Figure 1), with another three reporting between US\$10 million and US\$50 million. This is noteworthy since some vendors have offered this type of solution for over 20 years, while a handful of vendors have been in business less than five years. This demonstrates the increasing adoption of these solutions across many industries.

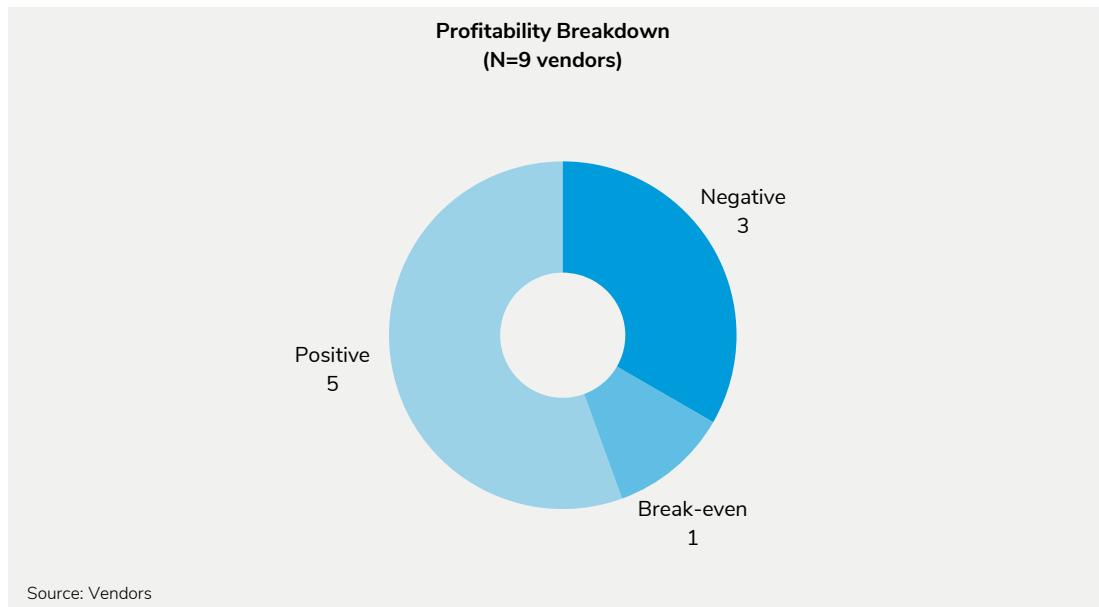
FIGURE 1: ANNUAL REVENUE ESTIMATES BREAKDOWN



PROFITABILITY ANALYSIS

While vendors report strong revenue growth since the last report, profitability paints a different picture. In the 2018 report, one of the seven vendors reported negative profitability, while in this year's report, three of the nine vendors report negative profitability (Figure 2). The vendors with negative profitability are a mix of new and established players, indicative of a young market where growth and market share are more important than profitability.

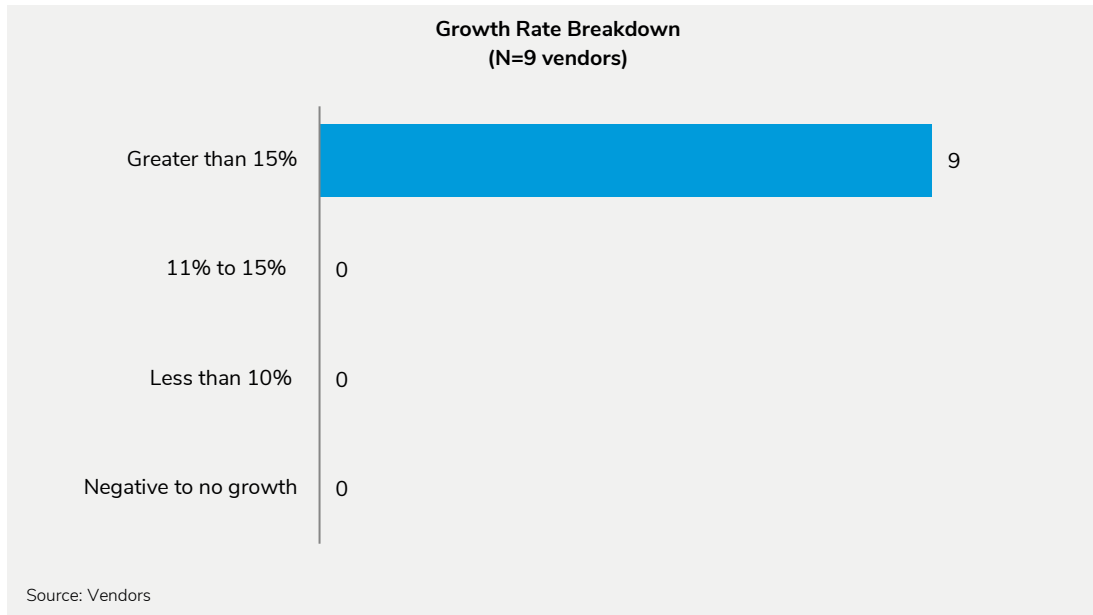
FIGURE 2: VENDOR PROFITABILITY



GROWTH RATE ANALYSIS

Growth rates are strong, with all vendors reporting annual growth rates greater than 15% (Figure 3). This reflects the growing demand for this solution not only within the financial services industry but also in other industry verticals. In the previous report, five of the seven vendors reported growth rates greater than 15%.

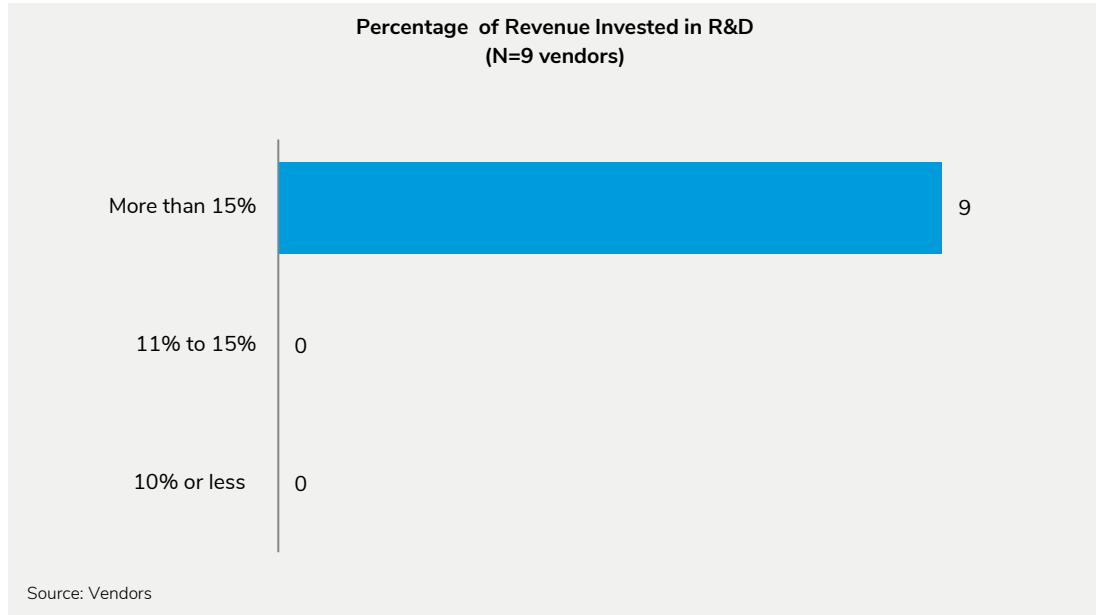
FIGURE 3: GROWTH RATE BREAKDOWN



R&D INVESTMENT ANALYSIS

With vendors reporting strong growth rates and annual revenue, all indicators of a strong and growing market, it is not surprising that vendors are investing in their technology. All vendors are funneling 15% or more of their annual revenue back into research and development (R&D; Figure 4). This is a strong indicator that the vendors are bullish on their futures and are investing in enhancing their solutions to retain and attract new clients.

FIGURE 4: PERCENTAGE OF REVENUE INVESTED IN R&D

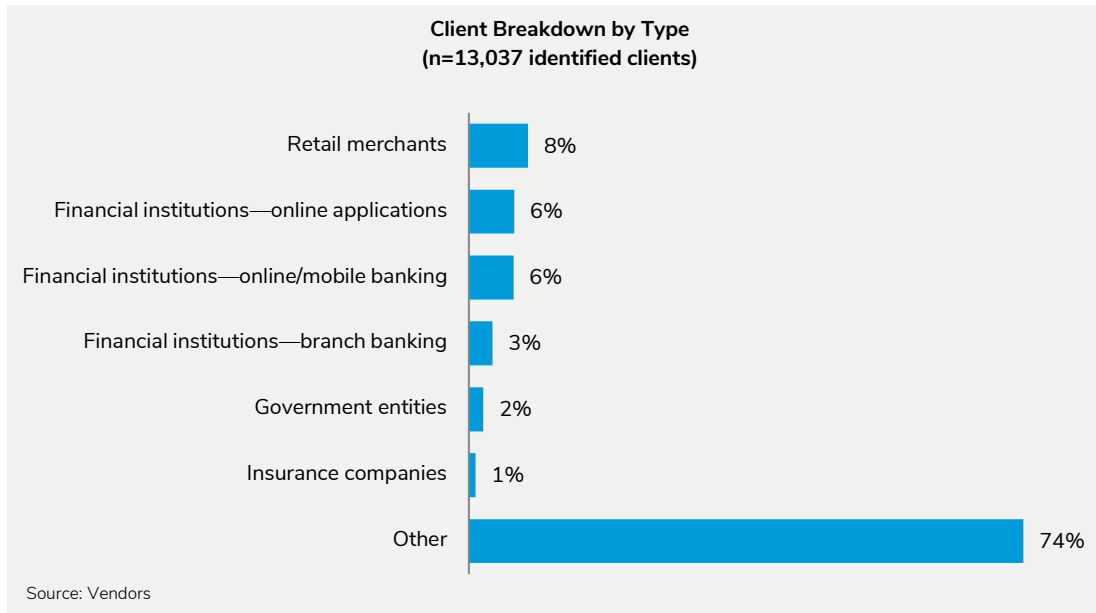


CLIENT BREAKDOWN BY TYPE

Vendors report 15% of their customers are financial services firms deploying this technology for online applications (6%), online/mobile banking (6%), and interestingly, in-branch (3%). Retail merchants are the next largest category at 8%. Notably, 74% of vendor clients are in the “other” category, a strong indicator of the broad interest in this technology across many industry verticals (Figure 5). The “other” category includes industries such as age-restricted products, automotive/transportation, crypto/virtual currencies, entertainment, gaming/gambling, gig economy, healthcare, hospitality, law enforcement, and utilities.

The good news for financial services firms is that with such broad interest, vendors have a strong customer base for future growth, enabling them to continue to enhance their solutions.

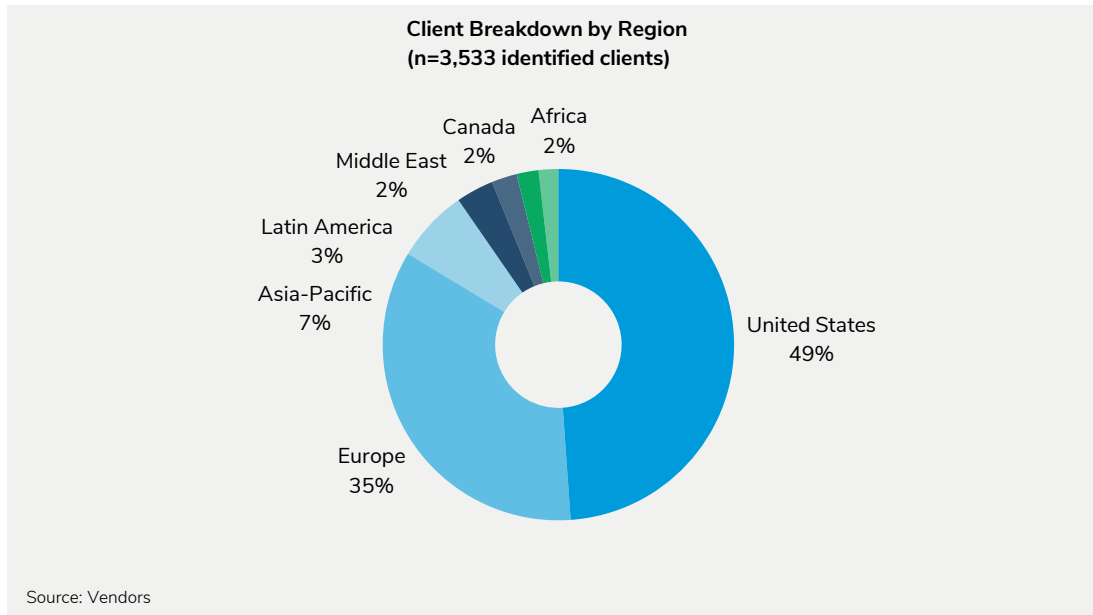
FIGURE 5: CLIENT BREAKDOWN BY TYPE



CLIENT BREAKDOWN BY REGION

The U.S. represents nearly half of all customers among the nine vendors participating in this research, which is fairly consistent with the results from 2018, wherein the U.S. represented 55%. Europe saw the largest increase in the installed customer base, from 26% in 2018 to 35% in 2021. The Asia-Pacific saw a modest increase, from 3% to 7%. The other geographical areas had slight differences of a couple of percentage points from 2018 to 2021 but remained relatively consistent over the past few years (Figure 6).

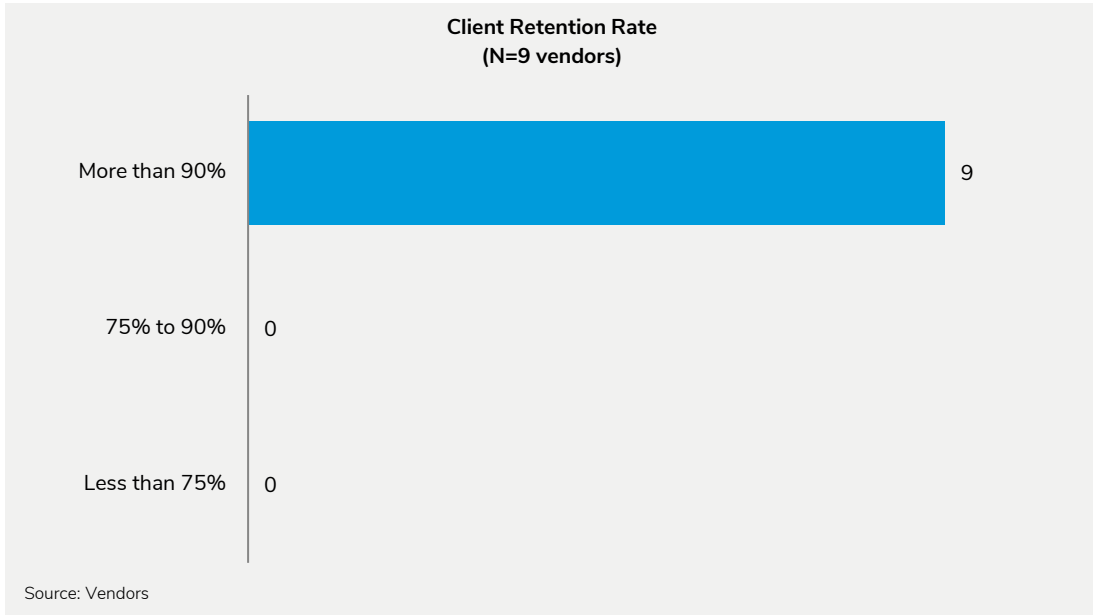
FIGURE 6: CLIENT BREAKDOWN BY REGION



ANNUAL CLIENT RETENTION RATE

All vendors report client retention rates of more than 90%, which indicates either a very happy client base or that it is a challenge to switch vendors (Figure 7). Based on the client interviews conducted for this report, clients are very pleased with their deployed solutions and do not have plans to replace their current vendor.

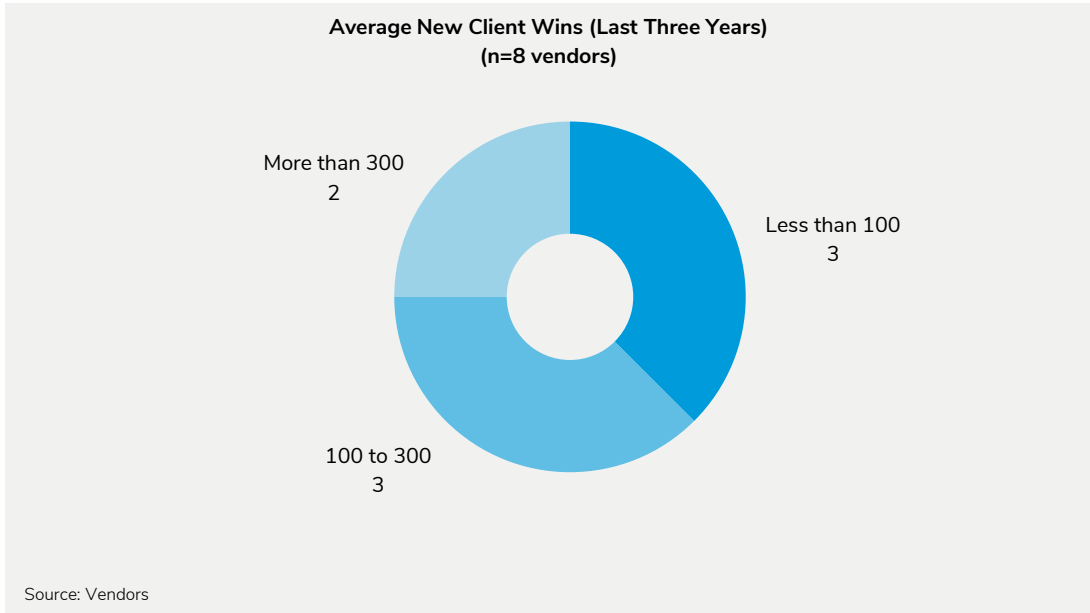
FIGURE 7: CLIENT RETENTION RATE



AVERAGE NEW CLIENT WINS

Adoption of document ID&V solutions is growing at a healthy pace. Five vendors are reporting an average of 100 or more new clients over the past three years, with two vendors reporting an average of 300 or more new clients (Figure 8). The break points for this year’s study are at 100 and 300. This is in sharp contrast to 2018, when the break points were at 15 and 30—another sign of the rapid adoption of these solutions in a short period.

FIGURE 8: AVERAGE NEW CLIENT WINS IN THE LAST THREE YEARS



When making a new sale, a vendor may be replacing an in-house client solution or another vendor solution or installing the client’s first document ID&V solution. Vendors are still identifying new opportunities to sell their solutions to clients with no existing solution, with an average of 44% of new client wins being in this category. The market is still competitive, with an average of 37% of new client wins being situations in which the client is replacing an existing vendor solution. Table C shows the percentages for replacements for the past year.

TABLE C: PERCENTAGE OF NEW DEALS WON FOR REPLACEMENT SYSTEMS

CLIENT’S LEGACY STATE WHEN SELECTING A NEW DOCUMENT ID&V VENDOR	AVERAGE AMONG VENDORS
Has an in-house system	19%
Has another vendor's solution	37%
Does not have this type of solution (new installation)	44%

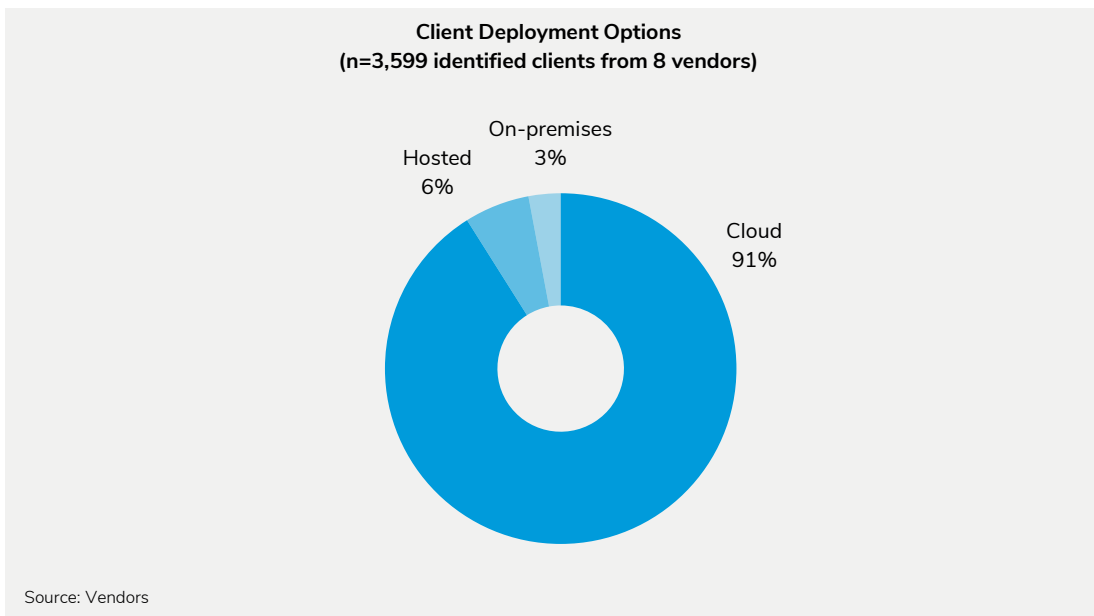
Source: Vendors

Some buyers deploy multiple document ID&V solutions. They tend to operate in many countries across the globe and select document ID&V vendors specializing in ID documents in specific regions of the world. In some countries, ID documents are still paper-based (as opposed to an ID card printed on plastic stock or a passport, which are more durable). Scanning and verifying paper-based ID documents presents unique challenges such as frayed paper, creases from folding, general wear and tear, and others. In such cases, a vendor specializing in that country may prove to be a better solution than a general-purpose document ID&V vendor.

DEPLOYMENT OPTIONS ANALYSIS

The vast majority of clients have a cloud deployment of the vendor solution. It is rare for clients to deploy this type of solution on-premises (Figure 9). With the proliferation of machine learning usage, support for new document types, and general product enhancements, it is much easier for clients to have a cloud implementation. In client interviews, many reported product upgrades were a non-event. The client did not have to do anything to deploy the new functionality, and, many times, it was completely transparent to them.

FIGURE 9: DEPLOYMENT OPTIONS



LEADING IMPLEMENTATION FIRMS

When considering an implementation project to deploy a document ID&V solution, most clients commonly work directly with the vendor and perform the implementation with in-house resources. Rarely is a third-party consulting or IT services firm required unless the client has selected such a firm to assist with the implementation.

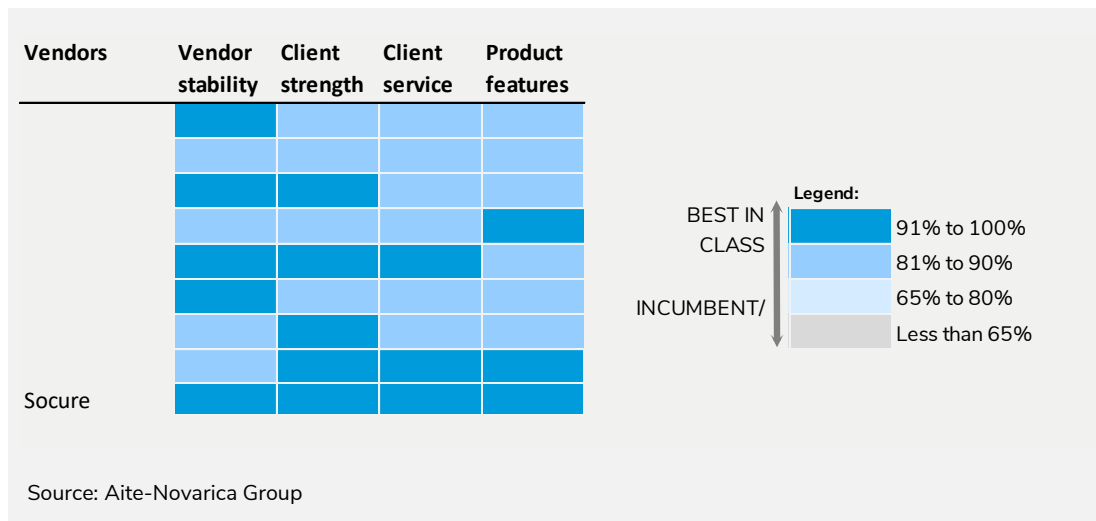
AITE MATRIX EVALUATION

This section breaks down the individual Aite Matrix components, drawing out the vendors that are strong in each area and how they are differentiated in the market.

THE AITE MATRIX COMPONENTS ANALYSIS

Figure 10 overviews how each vendor scored in the various areas of importance. Each vendor is rated, in part, based on data it provided when responding to the RFI distributed by Aite-Novarica Group as well as on product demos and follow-up discussions as part of the Aite Matrix process. Ratings are also driven by the reference clients of the examined vendors to support a multidimensional rating.

FIGURE 10: AITE MATRIX COMPONENTS ANALYSIS BY HEAT MAP



Vendor Stability

Socure is among the top performers in this category, scoring 91% or higher. The vendor has a strong representation combining the number of years in business, financial strength, and geographical base of offices and/or customers. Often, there is a strong correlation between the number of years in business, number of customers, and profitability. Other firms in the Matrix did not score as high primarily based on their fewer years in business and current state of profitability. All firms in the Matrix had a growth rate of over 15%, showing this is a continually growing market.

Client Strength

Long-term success demands being able to successfully maintain existing clients as well as attract new ones. This category evaluates vendor strength based on important factors, such as a total number of clients, the diversity of those clients, and client retention rates as well as feedback from clients regarding their likelihood to replace their solution and vendor reputation.

Socure scored highly on the client reference feedback—particularly the service and support and ability to deliver on promises, which are key considerations of any customer.

Client Service

Strong client service has become a must to achieve customer satisfaction and demonstrate how committed a provider is to the concept of ensuring that its customers receive the highest standard of products and services. Customers expect quick resolution of defects and issues as well as continual advancements in design, usability, and performance. Financial crime compliance executives view some vendors as extensions of their internal teams, often collaborating with them on risk-relevant matters. The ability to create customized content quickly can be a big differentiator.

Socure is among the vendors in this category with scores of 91% or higher. Client service brings together a number of factors, including the processes in place to support the customer, such as service-level agreements (SLAs), issue tracking and management, working groups, maintenance, implementation, and price structures. It is a complicated category, and to score well, firms need to have effective processes in place that revolve around the client. Client reference feedback also influenced this section.

Product Features

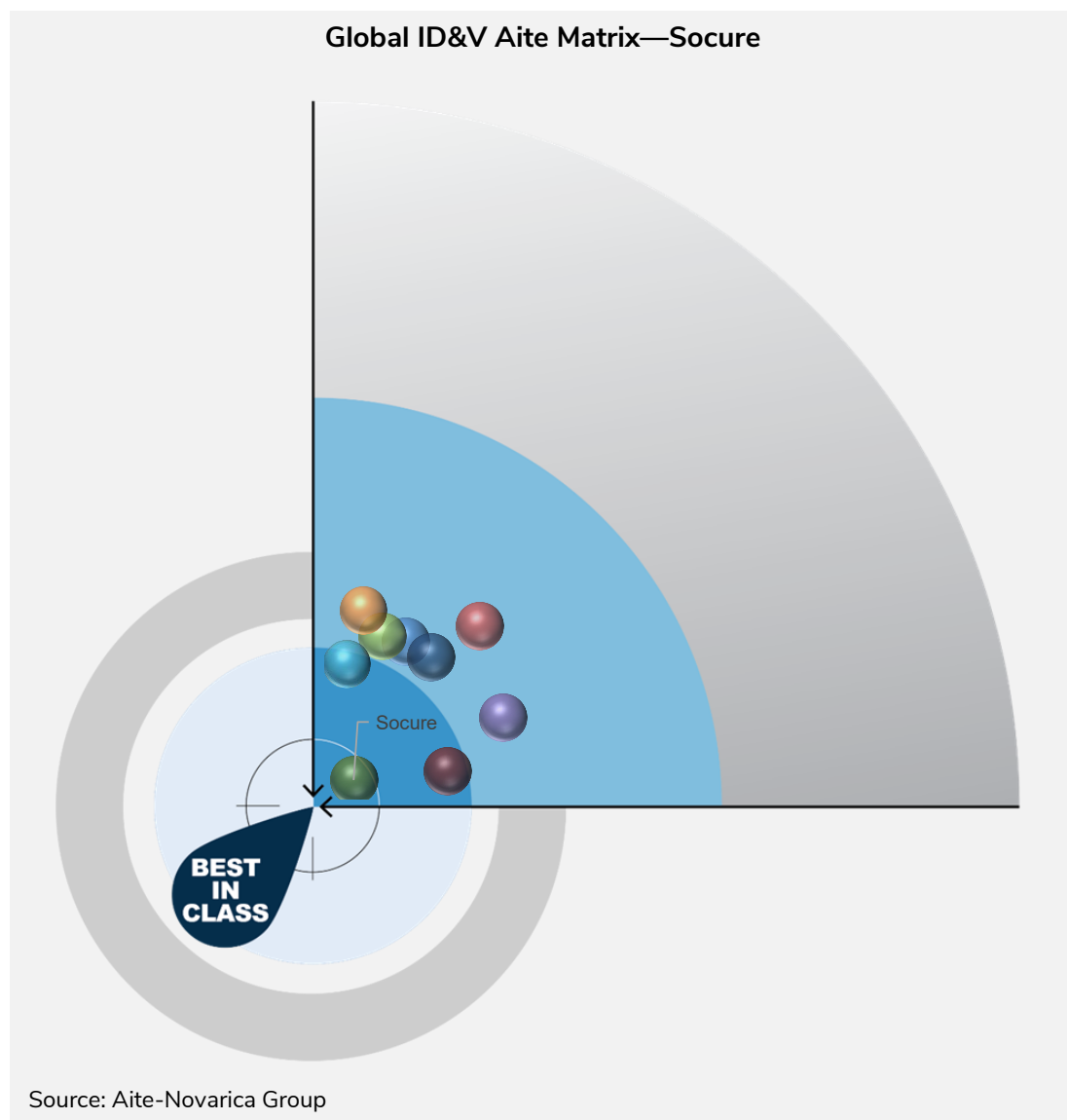
In this category, ease of integration, updates, the user interface, and supporting customization were key. Often, clients seek to embed the document ID&V functionality and software into their own end-user interface, or where applicable, the customer relationship management software. Vendors that scored high provided ease of integration, responsiveness to product changes, and the ability to customize its solution to meet customer requirements.

Socure achieved one of the highest rankings in this category. Contributors to the firm's placement are key features and functionality, such as the type and number of documents supported, the process of validation and user interaction, and back-end processes.

THE AITE MATRIX RECOGNITION

To recap, the final results of the Aite Matrix recognition are driven by three major factors: vendor-provided information based on Aite-Novarica Group's detailed Aite Matrix RFI document, client reference feedback or feedback sourced independently by Aite-Novarica Group, and analysis based on market knowledge and product demos provided by participating vendors. Figure 11 represents the final Aite Matrix evaluation, highlighting the leading vendors in the market.

FIGURE 11: GLOBAL DOCUMENT IDENTIFICATION AND VERIFICATION AITE MATRIX



Best-in-Class Vendor: Socure

Overall, Socure is the highest in the best in class and the only vendor within the best-in-class circle, with a high score in client strength and client service, a strong product offering, and a robust reputation for its product, customer service, and ability to deliver on promises. This has enabled it to grow to the point where it is now valued at US\$4.5 billion. It has continued to attract market interest with a 2021 injection of US\$550 million in investment that will enable it to continue to develop its product offering and build on its great customer service.

BEST IN CLASS: SOCURE

Socure is a well-established firm, having been in the market since 2012. It has over 450 customers for its DocV solution and more than 750 overall, including four of the top five banks and seven of the top 10 card issuers. In 2021, Socure raised a US\$450 million Series E transaction led by Accel and T. Rowe Price. It also included two additional investors, Bain Capital Ventures and Tiger Global, as well as participation from existing investors Commerce Ventures, Scale Venture Partners, and Sorenson Ventures. Socure is currently valued at US\$4.5 billion, making it the highest-valued private identity verification company in the industry. Socure customers have also become investors in the company, including Citi Ventures, Wells Fargo Strategic Capital, Capital One Ventures, MVB Bank, Voyager, and Synchrony.

In addition to its document ID&V, Socure provides a comprehensive digital identity platform, combining fraud and AML detection algorithms with regulatory compliance services, including global watchlist screening. It provides offerings through a single API and is powered by comprehensive back-end capabilities, including its Identity Trust Graph.

Aite-Novarica Group's Take

Socure provides a feature-rich set of products covering the identity life cycle, starting at account onboarding, and it also includes global watchlist screening. They support more than 3,500 document checks from more than 180 countries, PII checked against a database of more than 700 million known good and bad identities, and the largest concentration of third-party data sources. Both its user-facing and back-end user interfaces are easy to use, with high-quality image recognition and screening on the device. Socure has a lot to offer and is emerging as the market leader and the highest overall scorer in the matrix.

Basic Firm and Product Information

- **Headquarters:** New York
- **Founded in:** 2012
- **Number of employees:** More than 400 employees
- **Ownership:** Privately held

- **Key financial information:** Revenue and profit not disclosed; the company invests more than 15% of revenue back into R&D.
- **Key products and services:**
 - Socure DocV, Predictive Document Verification
 - KYC and fraud modules available through Socure ID+
- **Target customer base:** Financial services, gig economy, healthcare/telehealth, travel and hospitality, government, marketplaces, insurance, real estate, telecommunications, cannabis, regulated delivery/age verification, universities, online gaming, and cryptocurrencies
- **Number of clients:** More than 450 (DocV)
- **Average net new clients per year (new client wins minus client losses for the last three years):** 50
- **Average client tenure:** Two years
- **Global footprint:** The U.S.
- **Implementation options:** DocV is a cloud-based solution. Integration is available via mobile and web SDKs as well as through a direct API call with other Socure product modules.
- **Pricing structure:** There is a fee for the basic verification check, which is volume dependent, plus optional charges for data prefill and for age verification as part of the check. Note: most Socure clients pay a bundled fee that includes other product modules available from Socure and will lower the cost per check.

Key Features and Functionality Based on Product Demo

- Ease of use and ability to support customer or call-center initiated interaction
- Ability to link into additional services, such as global watchlist and sanctions screening
- Native risk scoring engine for different elements of the identity, including email, phone, device, and IP and physical addresses
- Native address verification to add an additional element of security

- Customer portal used for managing interaction with end customer and call center
- Liveness detection to detect whether the person is living, including NIST PAD L2 liveness detection

Top Strategic Product Initiatives Over the Past 12 to 18 Months

- **Capture App version 2:** Advancements in computer vision, liveness, and customization dashboard
- **Native integrations:** Device risk, phone risk, email risk, IP address risk, and global watchlist
- **Additional integrations:** KYC and fraud

Top Strategic Product Initiatives in the Next 12 to 18 Months

- **Next Generation Capture App:** Computer vision-driven model with no-code integration, plus non-government document capture and real-time image quality feedback
- **Predictive DocV 2.0:** Patent-pending ML models that utilize inputs from various dimensions of identity and selfie-to-document derived patterns, plus behavioral biometrics, velocity support, and IAL/AAL NIST certifications
- **DocV Lightning:** Lightweight checks with single-digit second response times and barcode extraction
- **DocV Flows:** Customer- and use-case-driven configuration to support a plethora of use cases via modular architecture

Client Feedback

Clients were satisfied with Socure and, in many categories, very satisfied. One slight area of improvement noted was around the ease of upgrades, though this was not reflected across all client responses.

Table D displays the vendor's strengths and challenges.

TABLE D: KEY STRENGTHS AND CHALLENGES—SOCURE

STRENGTHS	CHALLENGES
<p>Integrated end-to-end solution bringing identity, compliance, and operations</p>	<p>Keeping ahead of the pack, given the number of newcomers and the continual development of solutions and offerings in this space</p>
<p>Well-known and liked in the market with a good customer base that has enabled it to acquire more customers, attract significant venture capital investment, and reinvest profits into product development</p>	<p>Being able to show the wider value of its products and services beyond that of simple document ID&V, explaining to potential customers the ease of integration into business operations to provide wider benefits</p>
<p>A rounded risk approach to identity, not just focusing on the mechanics of identify and document identification</p>	

Source: Aite-Novarica Group

CONCLUSION

As the need to perform identity proofing and user authentication grow, it is important to find a solution that best meets the business needs and provides a streamlined user experience. Here are some recommendations for those purchasing and selling these solutions.

Buyers:

- Understand the end-to-end process, the consumer journey, and whether the software is embedded into your existing web and mobile applications.
- Do you require additional back-end processes—for example, fraud, PEP, and sanctions checks? Do you have these already, or would they be beneficial if provided as part of the service?
- Ensure additional back-end checks meet your standards and that the decisions can be presented to your regulator.
- Which geographies and documents do you need to scan? Does the prospective vendor include these as standard; are they core to its offering? Selecting multiple vendors that offer best-in-breed document recognition in specific geographies may be a better approach versus a single vendor solution.
- What level of comfort do you have with fully automated decisions as opposed to manual reviews? For solutions with a human in the loop, understand the frequency of use and the time it takes to perform the analysis with respect to your application and user expectations.
- Ensure you understand the level of due diligence performed by each vendor and its margin of error. The importance of this is commensurate with the level of risk you are exposed to by approving a fraudster.
- Test the vendors during the evaluation phase of the selection process. Find some counterfeit documents and see if your prospective vendors detect them. Local or national law enforcement may be a good resource for counterfeit documents.

- New versions of existing documents and new documents are launched by governmental bodies with some regularity. Understand how your prospective vendors update their systems and how closely those updates are released with respect to the introduction of new and updated documents.
- Common pitfalls of document ID&V solutions are poor lighting environments, older phones and webcams with lower-quality cameras, and blurry photos when users have to actively click a button to take a picture. Test prospective vendors under these circumstances to see how they perform.

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. The quality of our research, insights, and advice is driven by our core values: independence, objectivity, curiosity, and integrity.

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