

WHY SIZE MATTERS IN

MERCHANT ONBOARDING

WHY SIZE MATTERS IN THE CONTEXT OF RISK AND COMPLIANCE

PROCESS STEPS	RISK LEVEL		AUTOMATION IS NEEDED	
	LARGE MERCHANTS	SME MERCHANTS		
KYC/AML	low	high	AUTOMATION IS NEEDED	Large merchants tend to have audited financials, compliance department, public information
Merchant Fraud	low	high		Distressed smaller merchants with limited oversight are more susceptible to fraud than larger, established players with governance structures
Consumer Fraud	high	low		Consumer fraud can less easily be detected at larger merchants that have lots of transactions (transparency issue)
Counterparty Credit Risk	high	low		The outstanding balances with large merchants are material and usually more concentrated, SMEs are run like a portfolio of risks, less risk management needed during the lifetime

THE COMPLEXITY OF THE MERCHANT ONBOARDING PROCESS

ONBOARDING NEW CUSTOMERS

CUSTOMER DATA VERIFICATION (KYC)

- Collection of all necessary documents, supporting information (ID, corporate registration documents)
- Verification static data such as address, location, account information
- commercial history (how long in business)
- Merchant Industry (MIC)
- Basic KYC checks (OFAC, PEP checks)
- Ownership structure / ultimate beneficial ownership
- Blacklist checks
- In eCommerce: web crawler to detect negative traffic

COUNTERPARTY CREDIT CHECK

- Credit score (e.g. Fico, internal models)
- Merchant Industry Code (determines risk of non-delivery exposure) such as travel, leisure and non-physical goods
- Assessment of transactions volume, geographic footprint, FX risk
- Risk based pricing
- Commercial background of managers and corporations (how long in business, in industry)

ACTIVATION

- Capture of all data
- Upload of supporting documents
- Check if all data is complete, accurate
- Does KYC and Counterparty credit check both point to approval?
- Activation of customer, ready to accept and transact payments in cards

A background image of three business professionals in an office setting. A woman stands on the left, smiling, while a man in a suit and glasses leans over a desk on the right, pointing at a tablet held by a seated woman. A computer monitor is visible on the left side of the desk.

2 CAPABILITIES TO LOOK FOR IN A SOLUTION

1

Simplified Data
Integration

2

Operationalized
Risk Models



Simplified Data Integration

Consider all the data sources needed
to complete the verification
requirements for just one merchant.

PROCESS STEP	INTEGRATION REQUIREMENTS
Customer data, commercial data, bank account information	Input in mainframe system (e.g. SAP BP), also connected to EMR system such as Salesforce.com
Address verification	Web services that offer addresses and ZIP codes (web interface)
Internet check (Negative entries about business, owners, managers)	System such as Webshield, external services via web interface
Supporting documents	Document Management System as part of mainframe or stand alone
Scheme blacklist check and Merchant Industry Code assignment	Schemes database via web, blacklist via Match or VMAS
KYC – Politically exposed persons	Government databases (BSA/OFAC in USA, AML Anti-Terrorism Directive) via 3 rd party provider such as Dow Jones, Experian
KYC – AML and Terrorist blacklist check	Government databases (BSA/OFAC in USA, AML Anti-Terrorism Directive EU) via 3 rd party provider
KYC – Ultimate beneficial ownership information	3 rd party providers via web or batch that provides such information (D&B, Bisnode, BvD) and from boarding form

This is by no means an exhaustive list of data that must be collected and processed. Once the customer verification process is done, the acquirer must tap FICO systems, internal or external risk models, fraud and treasury systems, MasterCard and Visa payments infrastructure, the acquirer's payments processing platform and more to determine credit worthiness, activate the merchant and monitor the account.

THE BEST SOLUTIONS OFFER

- Pre-built adaptors built on industry standards
- Visual integration interfaces that eliminate programming
- Enabling both IT and business analysts to quickly configure the data elements needed from each system.

2

Operationalized Risk Models

Acquirers make sizeable investments in developing risk models or purchasing them.

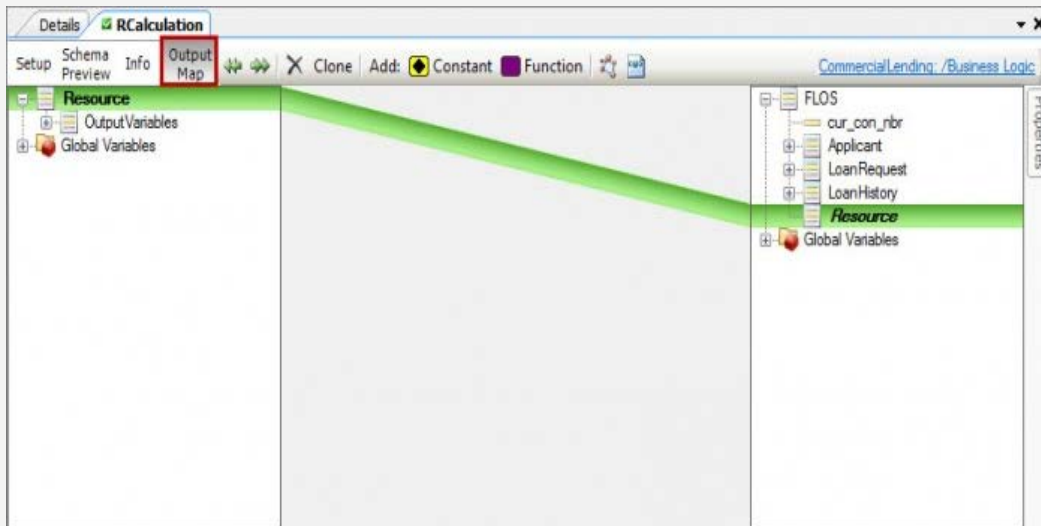


Without a way to integrate these models
into the onboarding process,

THE RISK DECISIONING POINT BECOMES
ANOTHER BOTTLENECK,

slowing down onboarding and increasing
risk with **manual, error-prone credit checks.**

OPERATIONALIZE INDUSTRY STANDARD RISK MODELS SUCH AS SAS, EXCEL AND R MODELS IN MINUTES



A visual interface lets business users quickly establish the relationship between the risk model and the automated onboarding process.

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