



فنتك السعودية  
FintechSaudi

Wealth Management  
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Capital Market  
Cyber Security

Fintech Saudi Deep Dives:

# Digital Identity and KYC Solution Opportunities in KSA

Digital Identification

In collaboration with

**Deloitte.**

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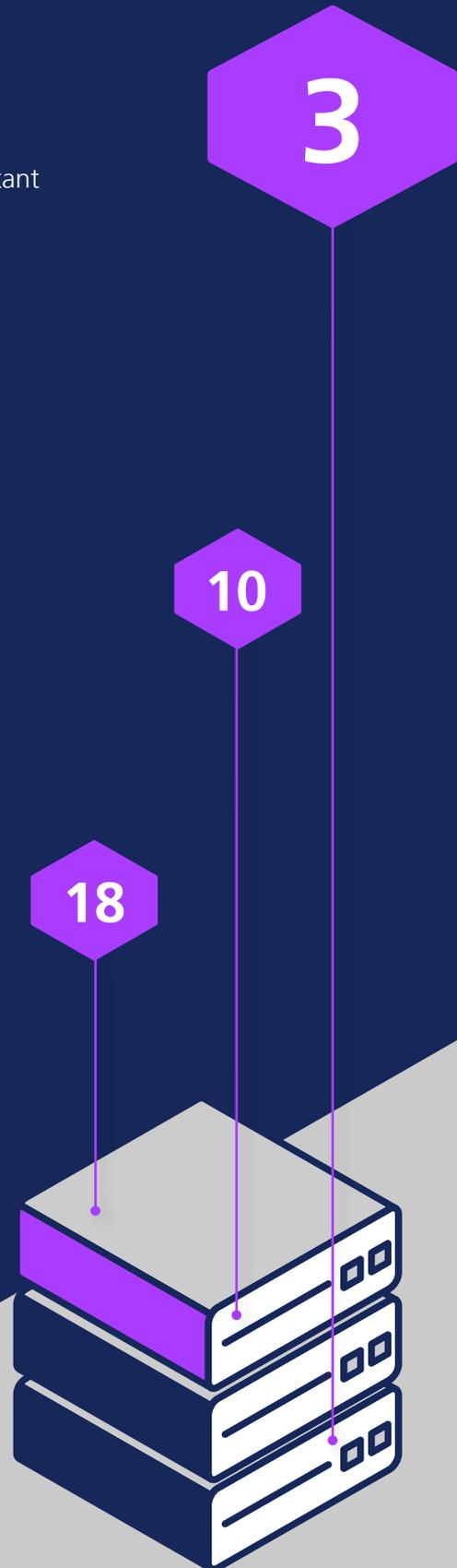
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# Introduction

This report was developed by Fintech Saudi in collaboration with Deloitte as part of a series looking at areas of opportunity in the Saudi fintech industry. We hope this report proves to be valuable to our community and early stage entrepreneurs looking to establish and scale fintech companies in Saudi Arabia

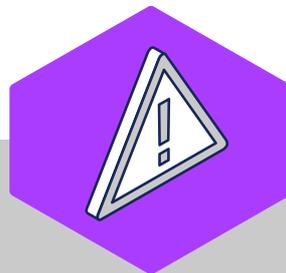
## What are KYC and Digital Identity and why are they Important to Financial Institutions?

Know Your Customer (KYC) is comprised of processes that support financial institutions in screening and verifying the identity of their customers during on-boarding and periodic refresh phases. KYC checks are essential in protecting financial institutions from the misuse of their services and reputational risk if linked to the perpetuation of criminal or fraudulent activities. Below are additional examples of why financial institutions conduct initial and periodic KYC checks:



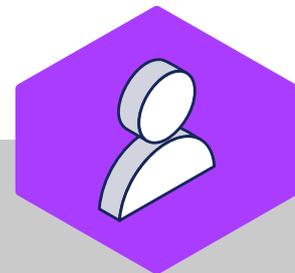
### **Prevention of criminal activities**

Including money laundering, identity theft, tax evasion and terrorist financing to protect the financial institution's reputation and ensure compliance with regulations.



### **Managing lending risk**

Require financial institutions to conduct stringent due diligence on customers, including the creation of risk profiles and assignment of risk categories to minimize the occurrence of adverse selection, defaults and financial fraud.



### **Understanding the customer**

Enable financial institutions to understand the legitimacy of their customers' activities, identity and financial dealings to serve them better and prudently manage risk.

## What are KYC and Digital Identity and why are they Important to Financial Institutions?

More broadly, digital identification is a secure method that allows financial institutions to authenticate and verify the identity of the individual through digital channels. To date, there are two widely used forms of digital identification:



**Biometric Identification** – where the fingerprint, iris, voice and/or facial recognition are scanned to authenticate the individual.

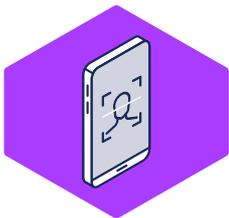


**Encrypted Passcode** – where a unique combination of characters verifies the individual.

There are three key factors which enable the usage of digital identification for financial services: a) have a legal basis and hence be recognized by the government, b) be unique to each individual and c) exist in a digital format.

## What are KYC and Digital Identity and why are they Important to Financial Institutions?

Digital identification presents opportunities for financial institutions to not only enhance their organizational performance, but also to elevate their customer relationships and impact the communities in which they operate. From an organizational perspective, digital identification has significant costs savings and operational efficiency potential while reducing risk:



**Operational and cost efficiency:** Creating digital attributes enable financial institutions to streamline and automate many processes by eliminating human error in complex compliance processes (e.g. facial recognition can enable banks to reduce call center costs by decreasing the number of calls related to account access due to misplaced or forgotten passwords)

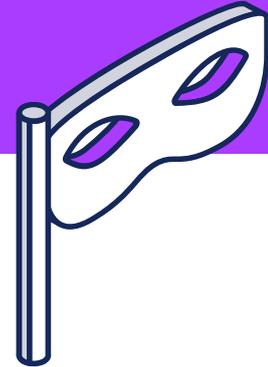


**Revenue generation:** Financial Institutions have the chance to increase revenue not only from improved products and services but also by providing an enhanced customer and user experience (e.g. digital identity can significantly increase customer experience with financial institutions, creating stickiness and the likelihood of recommendations to prospective customers)

According to the World Bank, roughly 1 billion people lack an official form of identification. Also according to the World Bank, within this group of individuals who are unable to prove their identity, millions have forms of identification that cannot be reliably verified or authenticated, resulting in exclusion from economic opportunities.

The absence of valid documentation is a critical barrier to accessing financial services, hence broadening the acceptability of digital ID can ultimately promote financial inclusion amongst this group.

## Why is this an Interesting Area for Entrepreneurs?



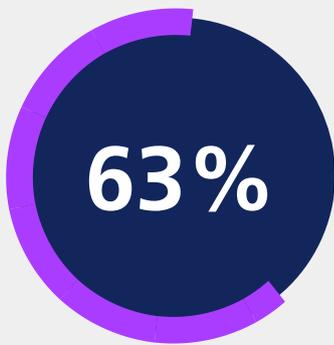
# 889 cases

889 cases of fraud worth over SAR 700 million (\$13 million) were reported in 2020 by Nazaha - The Oversight and Anti-Corruption Authority in the Kingdom<sup>1</sup>

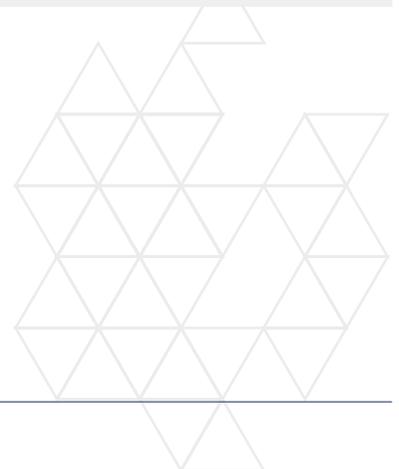


# US \$60 m

The average bank spends \$60 million a year on KYC Compliance<sup>2</sup>

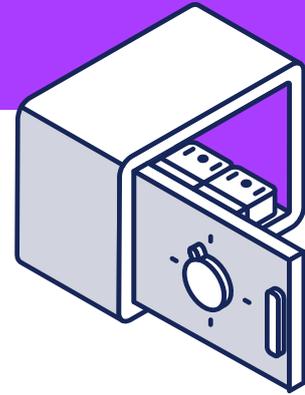


63% of banking customers abandon their application due to inefficient onboarding processes<sup>3</sup>



1. Nazaha – Oversight & Anti-Corruption Authority  
2. Thomson Reuters - Legal  
3. Signicat

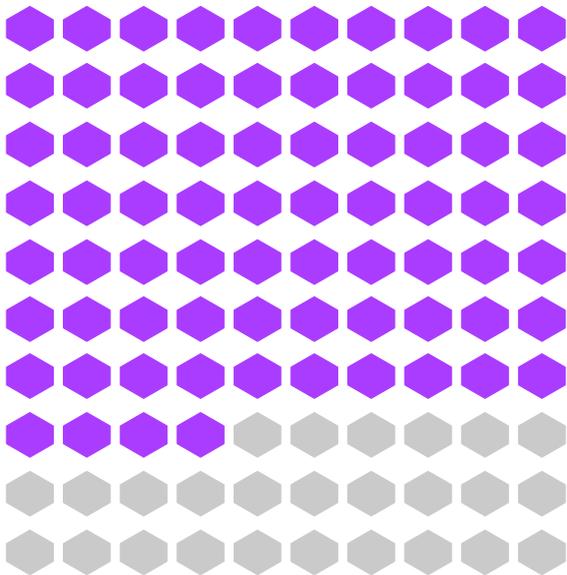
## Why is this an Interesting Area for Entrepreneurs?



Currently, approximately 24.4 million people in Saudi Arabia have a bank account (74% of the population)<sup>4</sup>. SAMA have set a 2030 target for 90% of the population to have a bank account.<sup>5</sup> This would lead to an additional 11 million people with bank accounts by 2030.

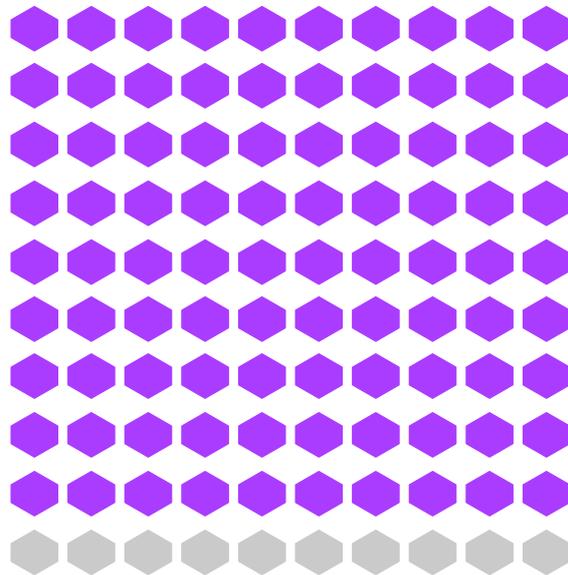
2019 **74%**

of the population in Saudi Arabia have a bank account



2030 **90%**

of the population in Saudi Arabia have a bank account



4. Vision 2030 - Financial Sector Development Delivery Plan 2020  
5. SAMA - Financial Inclusion in the Kingdom

## What are the Current Challenges?

Financial institutions need to comply with increasing regulation that varies from country to country. Regulation ranges from anti-money laundering (AML), fraud and counter terrorism financing to data privacy and protection of customer's personal data.

Currently, the efficiency of financial institutions in collecting, qualifying, storing, securing, monitoring and screening customer information is hampered by manual, time consuming processes. The implications of these challenges on financial institutions and their customers include:



- Balancing compliance and customer experience. Digital Identity and KYC processes still require the manual submission of documents, face-to-face verification and cumbersome validation, contributing to an overly extensive and time consuming onboarding journey
- Sophisticated forms of biometric forgery have been emerging, including printing facial images onto 3D masks and deep-fake videos. Financial Institutions require detection techniques for each type of biometric forgery, as well as a proactive monitoring of the evolving fraud technique
- Data privacy and controls are critical for any service capturing personal, biographic and biometric data of customers. Reputational risks have increased significantly as companies involved in data breach scandals suffer from severe scrutiny of the media and public
- Exposure to compliance violations or negative business impacts (e.g. theft, sabotage) in the absence of real-time identity solutions and the ability to swiftly adapt to regulatory change
- Paper-based processes, poor document management and technology constraints increase the likelihood of errors and delays
- Constrained revenue generation, as on-boarding and periodic refresh processes require significant manpower that would otherwise have been focused on business opportunities and relationship management

## How can Fintech Solutions Address Challenges?

Companies can leverage fintech solutions to enhance the efficiency of their business and accounting processes, freeing up time to focus on their business. The potential benefits to businesses using fintech solutions include:



- Reducing the cost and manpower allocated for verification, increasing the profitability particularly in servicing low-income customers
- Consolidating data and analytics to provide insights on customers and enable efficient and effective credit screening and decision making
- Enabling anti-impersonation liveness control (integrated AI to validate that the user is alive i.e. timed blink detection) through facial recognition to reduce the possibility of identity fraud
- Integrating and reconciling data from various sources to establish a single source of truth by utilizing a blockchain/ distributed ledger-driven decentralized digital identity and KYC approach
- Automating account updates during periodic refresh phases and leveraging AI to identify risk profiles and risk categories of customers to minimize fraud
- Automating KYC document gathering, assessment and filing through robotic process automation (RPA), enabling faster on-boarding of customers and reducing manpower

# Business Model Considerations

## Business Models to Consider for the Saudi Market



### Customer Onboarding Improvement

Banks across the world including Saudi Arabia suffer from high levels of customer abandonment due to the onboarding process. Fintech solutions can assist banks with improving the customer onboarding process. This could involve developing solutions that gamify the customer on-boarding experience, development of APIs with databases in the Kingdom that help banks to check information provided, providing a communication tool that keeps customers update on their application etc.

### Arabic Voice Recognition Software

Voice recognition software is being developed as a tool for client onboarding and authentication. However the voice recognition software needs to be able to pick up local sounds and dialects. There is therefore a need to develop an Arabic focused voice recognition software to support local financial institutions to use voice recognition software.



## Business Models to Consider for the Saudi Market



### Data Analytic Tools Analyzing Local Data

During an onboarding process financial institutions collect data on potential customers and often need to manually assess customers before approving their applications. There is therefore a need for fintech solutions that can analyze data (particularly local data collected which might be in English or Arabic) and provide compliance officers with an overview with a risk scoring or flagging high risk data points that may need to be investigated further.

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### Social Media Client Identification

Saudi Arabia is one of the largest markets for social media. This provides significant data on individuals. Fintechs could create solutions that use social media data to support financial institutions with KYC and digital identification.

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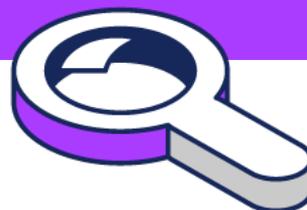


### Local Database Checks

During an onboarding process, financial institutions need to check potential customers against databases that they have access to in order to ensure the customers are not involved in criminal or high risk activities. In Saudi Arabia customers have a large number of informal data points such as through the use of social media. Financial institutions would therefore benefit from fintech solutions that aggregate information from third party databases and combine this with informal data points such as from social media to provide the financial institutions a more accurate overview of potential customers.

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## Case Studies



We have identified leading KYC fintechs from across the globe that are aligned with the regulatory landscape in KSA that entrepreneurs interested in this area can learn from..

KYC solution pricing follows two fundamental models, including:

- **Subscription based fees** – financial institutions pay annual subscription fees based on the selected bundle of the KYC solution offered
- **Data based fees** – financial institutions pay based on the data blocks requested (e.g. financial data blocks). The blocks are priced based on their importance to the financial institution.

The table below provides a high-level overview of leading KYC FinTech backgrounds, value propositions, target customers and pricing models used:

page <b>13</b> Trulioo	page <b>14</b> Onfido	page <b>15</b> Tink
page <b>16</b> Fenergo	page <b>17</b> Jumio	

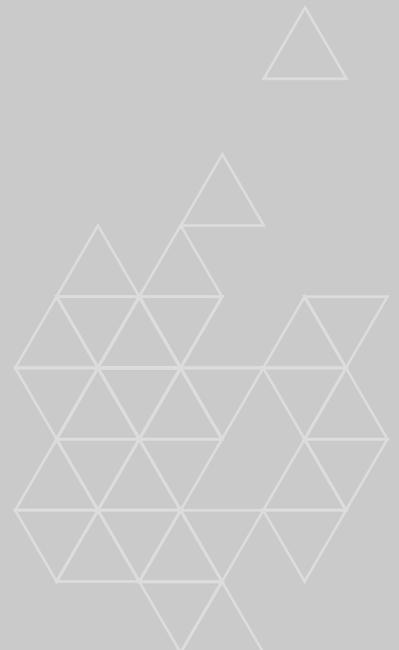
## Case Studies: Trulioo

<p><b>What is their mission?</b> Dedicated to building a framework of trust online, developing best privacy practices, and advanced financial inclusion</p>	<p><b>What has their growth looked like?</b></p> <ul style="list-style-type: none"> <li>• Three-year growth rate of 503%</li> <li>• Among top 100 growing companies in Canada for 2020</li> </ul>	<p><b>What is their pricing model?</b> Freemium and tiered pricing</p>
<p><b>What service do they provide?</b> Rapidly verify customers in real-time through one API</p>	<p><b>What is their value proposition?</b></p> <ul style="list-style-type: none"> <li>• Meet KYC requirements</li> <li>• Attain AML compliance</li> <li>• Mitigate the risk of identity fraud</li> <li>• Reduce customer abandonment</li> <li>• Drive customer acquisition</li> </ul>	<p><b>Data:</b></p> <ul style="list-style-type: none"> <li>• Serving over 195 countries</li> <li>• 330M companies on-boarded</li> <li>• 5B have used the service</li> </ul>
<p><b>How much funding have they received?</b> The company has raised a total of \$96.6 million from investors, including Goldman Sachs Growth Equity, American Express Ventures and Citi Ventures</p>	<p><b>Who are their customers?</b> Financial institutions</p>	

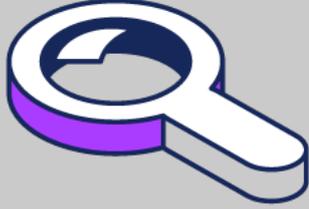


## Case Studies: Onfido

<p><b>What is their mission?</b> To create opportunities for people to connect with services they love, uncover deception, and empower their users</p>	<p>Microsoft's M12 Capital, Oxford University amongst others.</p>	<p><b>Who are their customers?</b> Financial institutions</p>
<p><b>What service do they provide?</b> Utilize an AI based technology to assess whether a government-issued ID is genuine or fraudulent</p>	<p><b>What has their growth looked like?</b></p> <ul style="list-style-type: none"> <li>• 20.22% monthly website visits growth</li> <li>• 82% global sales growth for its biometric digital identity verification software during the last quarter of 2020</li> <li>• Four-year growth rate of 3,857%</li> <li>• 130% year-over-year revenue growth</li> </ul>	<p><b>What is their pricing model?</b> Contact vendor for more details</p>
<p><b>How much funding have they received?</b> Reeled in \$100 million in a round led by TPG Growth. Salesforce Ventures, Microsoft's M12 Capital, and others also participated. The London-based company's total investment now sits at just over \$200 million funded by Salesforce Ventures,</p>	<p><b>What is their value proposition?</b></p> <ul style="list-style-type: none"> <li>• Fraud detection</li> <li>• Meet KYC requirements</li> <li>• Attain AML compliance</li> <li>• Increased trust and retention on client platform</li> <li>• Cloud based and scalable</li> </ul>	<p><b>Data:</b></p> <ul style="list-style-type: none"> <li>• 200 employees</li> <li>• &gt;1500 customers</li> <li>• 2 total IPs</li> <li>• Utilize 71 technology products (including Google Analytics, G Suite, Microsoft Office 365, Oracle Data Cloud, Stripe, etc.)</li> </ul>
		



## Case Studies: Tink

<p><b>What is their mission?</b> Changing the banking industry for the better by building Europe’s most robust open banking platform</p>	<p>and BNP Paribas’ venture arm, Opera Tech Ventures, also participating</p>	<p><b>Who are their customers?</b> Financial institutions, bank customers and developers</p>
<p><b>What service do they provide?</b> Offer the tools that allow anyone – from big banks and Fintechs to startups – to build the future of financial services across Europe</p>	<p><b>What has their growth looked like?</b></p> <ul style="list-style-type: none"> <li>• Acquired Instantor, Eurobits Technologies and OpenWrks’ aggregation platform in 2020</li> <li>• Valuation is up more than 60% from the 415 million euros it was worth at the start of the year</li> <li>• 195.5K monthly website visits</li> </ul>	<p><b>What is their pricing model?</b> Feature pricing</p> <p><b>Data:</b></p> <ul style="list-style-type: none"> <li>• 370 employees</li> <li>• &gt;250 million customers in over 14 markets</li> <li>• &gt;10 billion transactions processed per year</li> </ul>
<p><b>How much funding have they received?</b> More than \$308M in funding received to date with the latest round co-led by new investor Eurazeo Growth and Dawn Capital, with PayPal Ventures, HMI Capital, Heartcore, ABN AMRO Ventures, Poste Italiane</p>	<p><b>What is their value proposition?</b></p> <ul style="list-style-type: none"> <li>• Real-time data and intelligent insights for credit scoring and prevention of fraud</li> <li>• Instant ID verification Cloud based and scalable</li> </ul>	



## Case Studies: Fenergo

### What is their mission?

Empower financial institutions to deliver a faster, compliant, and digital customer experience while achieving a single client view across channels, products, business lines and jurisdictions

### What service do they provide?

Streamline the end-to-end client lifecycle management to ensure compliance

### How much funding have they received?

Fenergo has raised around \$155 million to date, with backers including strategists like BNP Paribas, Investec, Ergo, Insight Partners, ABN AMRO and DXC Technology.

### What has their growth looked like?

- 21% jump in annual revenue
- In the past year Fenergo added key global customers to its roster of over 75 clients including Anglo Gulf Trading Bank, Royal Bank of Canada, First Abu Dhabi Bank, Tricor, Exos Financial and Mizuho
- During the fiscal year, Fenergo doubled its spend on research and development to almost \$24M
- Headcount increased by 44% in FY20 with appointments made in all 14 offices around the globe

### What is their value proposition?

- Ensure regulatory compliance and entity

- data management requirements are met
- Reduce on-boarding time

### Who are their customers?

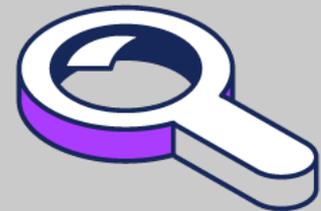
Financial institutions

### What is their pricing model?

Freemium, and contact vendor for further details

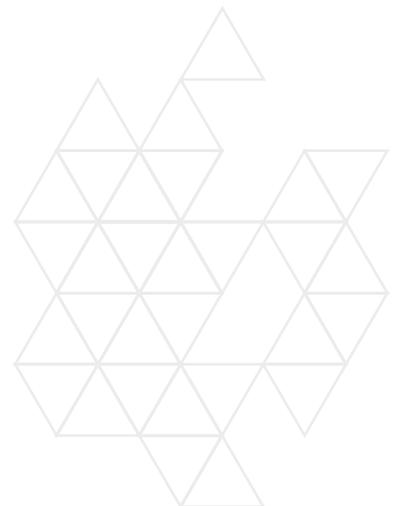
### Data:

- 26 of the top 50 banks use Fenergo
- 82% reduction in boarding time
- 34% saving in audit cost
- 30% ROI on technology
- 850 employees



## Case Studies: Jumio

<p><b>What is their mission?</b> Enable customers to fight fraud, maintain compliance, and onboard good customers faster.</p>	<p>onboarding fueled significant gains in new business growth, which collectively grew by more than 100% year-over-year</p> <ul style="list-style-type: none"> <li>• Jumio signed more new customers as well as record sales in the last quarter than in any quarter in the company's history as digital transformation initiatives became an economic necessity amid the COVID-19 pandemic</li> <li>• Acquired Beam Solutions' AML Platform to Deliver the First End-to-End Identity Verification and Compliance Solution in 2019</li> </ul>	<p><b>Who are their customers?</b> Retail banks</p>
<p><b>What service do they provide?</b> AI-powered trusted identity as a service which assists with verification of customer's real-world identities</p>		<p><b>What is their pricing model?</b> Contact vendor for further details</p>
<p><b>How much funding have they received?</b> Aggregated a total of \$55.4M to date in total funding</p>		<p><b>Data:</b></p> <ul style="list-style-type: none"> <li>• &gt;200M identities verified</li> <li>• 320 employees</li> <li>• Verify credentials issued by over 200 countries</li> </ul>
<p><b>What has their growth looked like?</b></p> <ul style="list-style-type: none"> <li>• Annual recurring revenue up by 289%</li> <li>• Market trends shifting to telehealth and remote new account</li> </ul>	<p><b>What is their value proposition?</b></p> <ul style="list-style-type: none"> <li>• Reduce on-boarding time</li> <li>• Ensure regulatory compliance</li> <li>• Optimize conversions</li> <li>• Simplify authentication</li> </ul>	



# Regulation

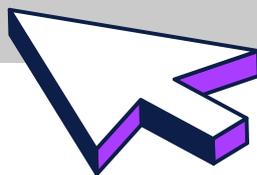
## How are Digital Identity Solutions Currently Regulated in KSA?

As long as they are offering their solutions to regulated entities, fintech companies offering digital identity solutions are not directly regulated by SAMA or CMA, and therefore, can immediately apply for a Commercial Registration (CR) with the Ministry of Commerce and begin operations once the CR is received.

However, they would still need to be compliant with existing regulation such as regulation related to the use and transfer of financial data.

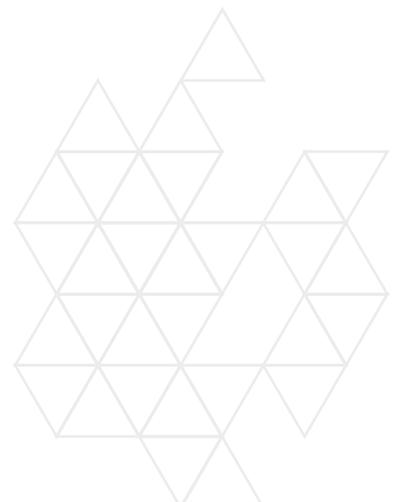
In KSA, electronic identification takes place through the National eID scheme.

For more information on regulation clarity, please refer to the Fintech Access Guide [here](#) and Fintech Regulatory Assessment Tool [here](#).



We hope this report was insightful for entrepreneurs and start-ups looking to create, establish, and scale their KYC solutions in KSA.

If you found this report to be helpful or would like to learn more, please reach out to us at [info@fintechsaudi.com](mailto:info@fintechsaudi.com)





#### About Fintech Saudi

Fintech Saudi is an initiative launched by the Saudi Central Bank (SAMA) in collaboration with the Capital Markets Authority (CMA) under the Financial Sector Development Program to support the development of the Fintech Industry in Saudi Arabia. Fintech Saudi's ambition is to transform Saudi Arabia into an innovative fintech hub with a thriving and responsible fintech ecosystem.

Fintech Saudi seeks to achieve this by supporting the development of the infrastructure required for the growth of the fintech industry, building capabilities and talent required by fintech companies and supporting fintech entrepreneurs at every stage of their development.

To learn more visit <https://fintechsaudi.com> or @fintechsaudi (Twitter)

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