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## The Big Interview

Steve Meirink, EVP & General  
Manager, Wolters Kluwer  
Compliance Solutions

## In Focus

Naturalising AI in banking

## Opinion

What the B2B community can learn from  
embedded finance

## News Analysis

UK to become 'a global cryptoasset  
technology hub'

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# The time is now: Convergence of real-time Enterprise Fraud Management and real-time AML into a singular platform working as one.

*Real-time payments need to be backed up with real-time fraud and anti-money laundering measures. Rivi Varghese, CEO of Clari5 (CustomerXPs) tells us what tech vendors and financial institutions need to be doing to tackle fraud and money laundering*

**Robin Amlôt**

Managing Editor, IBS Intelligence

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Fraud and money laundering are hot topics for banks at the moment, as the speed at which payments may be made has increased the potential risks around transactions. The answer is real-time 'twin FRAML', combining real-time fraud detection with real-time anti-money laundering (FRaud detection and AML) done together when a transaction is in flight. The move towards real-time-twin-FRAML constitutes a reimagining of the way banks work to minimise financial crime, improving both risk management and operating efficiencies. It is about automating data sharing and insights that will not only reduce financial crime, but also ensure a frictionless experience for customers. IBS Intelligence sat down with Rivi Varghese of Clari5 (CustomerXPs) to discuss how institutions may adopt a FRAML approach.

"The way forward as the name suggests is a completely integrated, real-time unified fraud risk and anti-money laundering operation, working together rather than looking at fraud and money laundering as two separate problems. If you look at how both fraud risk management and AML evolved, the primary end goal and needs have remained the same – what is changing is the means to achieve the ends, or rather change is being thrust upon the users.



Rivi Varghese, CEO & Co-Founder, Clari5 (CustomerXPs)

## “...you need to be able to analyse the humongous deluge of transactions, make calculations and decisions in real-time

“Previously, from an AML perspective, a bank would have been compliant with the regulator by using a T+1 approach, where things were much slower. Covid in a way has changed this phenomenally! The transaction speeds, the customer anonymity, the 24X7 nature of transactions driven by the rise of online channels, neobanks and FinTechs means that we have to do this when the transaction is in flight. Nothing else can make a bank compliant.”

### Is the problem the fact that regulatory frameworks have not kept pace?

“The post-covid world, is creating a lot of pain for the regulators and, when regulators are in pain, it gets pushed back on to banks. It is always for the banks to implement in spirit, what the regulator has instructed in letter. So, frameworks are not the issue, but rather how the banks comply with the same. Some regulators, especially in those countries where the impact of digitisation is highest, are already talking about giving technology directions in SPIRIT also.”

### What needs to be done, what systems need to be put in place?

To get into a mode of real-time twin FRAML: ‘Technology vendors need to think differently to address three key points.

“First, the tech vendor must be ‘present’ at the split second, when a transaction happens in the bank. If not, you are neither aware of the transaction, nor able to control/shape the transaction in flight. This causes a fundamental difference to the way AML and fraud management was carried out in the past when reporting was typically done at the end of the day. That time doesn’t exist anymore; we’re now talking about blink of an eye to get this data out. Second, the right technologies must be put together to analyse transactions. Presence is one thing, but you need to be able to analyse the humongous deluge of transactions, make calculations and decisions in real-time. We have to move away from the dated profile based, ‘Old data intelligence used in real-time’ to ‘Real-time intelligence used in real-time’. Even when it comes to managing alerts using true AI the focus is

on re-applying the collection human wisdom of the bank. Third, the technologies available today can make the bank push intelligence back to the regulator in real-time rather than in the conventional model of once in a month, so the regulator can decide whether or not to intervene – that too in near real-time.

“All these technologies are fundamentally different to what people have been used to. Older generation tech was all based on ‘delayed’ reporting, whether end of the day, end of the month, end of the quarter. What is needed in today’s world is a different kind of technology, more contemporary in nature.”

### Has the focus on faster payments in banking meant risks were overlooked?

“Innovation, by its very nature will always be ahead of the regulator – however the best regulators don’t stymie innovation but rather keep pace with it or even better, participate in the innovation. One can see this happening already in multiple markets.

“However, we’ve been pleasantly surprised by the number of banks in APAC and Africa that have proactively gone live with our real-time twin FRAML. This was driven by their innate need to be at the top of futuristic compliance every day.”

Rivi Varghese is the Chief Executive Officer and Co-Founder of Clari5 (CustomerXPs). It was his vision of the need for a ‘human brain’ -like real-time central nervous system in banks for fighting financial crime that led to the creation of the company’s flagship [Clari5](#) banking products. Clari5 offers both a real-time Enterprise Fraud Management System (EFM) and a real-time Anti-Money Laundering System for real-time Financial Crime Management.

He has spent over 25 years perfecting the end-to-end art of conceiving, delivering, marketing and selling new products. Varghese has interacted extensively with the senior leadership of more than 250 banks. Previously, during his time at Infosys Finacle as Head of Product Management – Delivery Channels, he conceptualised and delivered 12 pioneering products which continue to be used by leading banks globally. As an omnichannel expert, he has enabled banking in all possible channels. He holds an MBA from IIM-Bangalore and a B-Tech from IIT-BHU.