

WHITE PAPER

Know Your Business (KYB) For FinTechs

AML COMPLIANCE & SUPPLY CHAIN DUE DILIGENCE



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Know Your Business (KYB) for FinTechs: **AML Compliance & Supply Chain Due Diligence**

FinTechs continue to scale globally by reshaping key financial operations not only for the consumer sector but for businesses operating in *trade finance, supply chain finance, crypto, lending, and cross-border transaction management*. Digital solutions, including real-time invoice verification and automated document processing, enhance capital flows among exporters, importers, and financiers in the trade finance sector. Within supply chain finance, FinTechs introduce innovative early payment mechanisms that not only maintain liquidity for suppliers but also optimize working capital management for buyers, in the realm of accounts receivable and transaction management.

B2B FinTechs provide services such as invoice financing, real-time payment solutions, and comprehensive multi-currency transaction tracking. Regarding business lending, FinTechs utilize technical methods to expedite loan underwriting and disbursement by addressing the needs of underserved small and medium-sized enterprises (SMEs).

The effectiveness of providing these services to businesses in a secure manner relies heavily on strict **due diligence** to ensure appropriateness and to authenticate the legitimacy of counterparties.

FinTechs, particularly those catering to the **B2B** markets, require Know Your Business (KYB) checks to ensure compliance with Anti-Money Laundering (AML) regulatory frameworks, Sanctions regimes, fraud, and risk mitigation, depending on the scale, scope, and operations of their business.

FinTech Market Growth & Compliance Demands

In the past decade, the financial technology (FinTech) sector has experienced significant growth, fundamentally transforming how individuals and businesses engage with financial services. Mobile wallets, contactless payments, and cross-border payment platforms are accelerating the rise of e-commerce and the demand for real-time, frictionless payment experiences. FinTechs diversify service offerings from lending, crypto payments, supply chain finance, and trade finance, and need to ensure robust Know Your Business (KYB) Compliance for business clients.

A FinTech company specialized in digital trade finance solutions for small and medium-sized businesses (SMEs) has facilitated \$5 trillion across more than 100 countries, collaborating with over 9,000 sellers and buyers.

From 2017 to 2024, the value of customer deposits at digital banks has reached \$15 trillion, and it is forecasted to reach \$22 trillion by 2029



Need of Know Your Business Compliance in FinTechs

The COVID-19 pandemic brought a kind of revolution within the FinTech industry as it accelerated the adoption of digital financial services. Lockdowns and social distancing forced businesses to avail themselves of FinTech services to perform their daily transactions. Although the pandemic is over, FinTech is still the first choice of businesses for quick, streamlined, and automated transactions within the country and beyond. However, growing tech innovations bring various challenges to the FinTech sector as criminals exploit these platforms to conduct transactions to hide illicit money.

Just like traditional financial institutions, Fintechs are also vulnerable to financial crimes. Unknowingly dealing with a high-risk or sanctioned entity, or shell companies that operate for money laundering, would result in non-compliance with the sanctions regime and AML laws. ***It underlines a hard truth: regulators now expect FinTechs of all sizes, not just banks, to meet the same level of due diligence and compliance.***

KYB & Its Role in the FinTech Ecosystem

Know Your Business (KYB) is the process of verifying the identity of a business, determining whether it is authentic or not by doing the due diligence about its background and screening its ownership structure. Before assisting any business with the technical payment process, it is necessary for FinTechs to evaluate their background and verify all the details such as **company name, address, source of funds, ownership structure** (including shareholders and directors), and ultimate beneficial owners. Similar to Know Your Customer (KYC), Know Your Business (KYB) serves as a verification tool, also part of the Anti-Money Laundering framework. An effective KYB check and UBO verification help FinTechs screen entities against the **sanctions list** and other warnings and regulatory enforcements. Effective KYB protocols should be able to assist FinTechs with the following outcomes:

01 Automation

FinTechs are built on the promise of speed, offering seamless and near-instant financial transactions. However, manual KYB checks can create bottlenecks, slowing down onboarding and delaying service delivery. These time-consuming processes not only frustrate users but also hinder scalability. Automating KYB is essential to preserve speed without compromising compliance.

Automated KYB checks streamline business verification by instantly retrieving and validating data right from the official business registries. Unlike manual processes, which are time-consuming and error-prone, automation ensures accuracy, consistency, and compliance at scale. This enhances onboarding efficiency while minimizing regulatory risks, making it ideal for fast-paced FinTech operations.

02 Real Time Data Verification

If KYB fails to access data from real-time of businesses, its ownership structure, and ultimate beneficial owners, FinTechs cannot comply with regulations and are exposed to fraud. Ineffective Know Your Business (KYB) could lead to severe consequences, including non-compliance fines and a poor brand image. Hence, it is mandatory for FinTech to utilize a KYB service that ensures real-time screening by retrieving data from official business registries to verify the legitimacy of Ultimate Beneficial Owners (UBOs), incorporation details, and shareholders.

03 Regulatory Compliance

KYB protocols are critical for FinTechs to ensure compliance with global sanctions regimes such as **OFAC (Office of Foreign Assets Control) U.S.**, the **EU (European Union) Consolidated Sanctions List**, and the **UK Sanctions List**, and sanction regime of any country in which a business operates alongside **Anti Money Laundering (AML)** and **counter-terrorism financing (CTF)** laws. Doing **Know Your Business Due Diligence** helps mitigate exposure to illicit activity, safeguarding against regulatory breaches.

04 Supplier Due Diligence

FinTechs offering supply chain finance and lending solutions need to do the **due diligence of suppliers**, partners, and client businesses, depending on the nature of the services they offer, as some of them are listed below.



By handling payments, FinTechs reduce operational burden, improve payment accuracy, and ensure timely transactions.

However, it critically requires **supplier due diligence** measures. For these kind of FinTechs, verifying supplier, receiver, and lender accounts is essential to prevent financial crimes, fraud, and regulatory violations. Without proper due diligence, FinTechs risk facilitating money laundering, terrorist financing, or engaging in transactions with sanctioned entities. KYB and KYC protocols ensure all parties are legitimate, reducing compliance risks and protecting business integrity.

05 Risk Mitigation

When providing liquidity or financing to businesses, especially within complex supply chain networks, it's essential to verify the credibility and financial health of clients. Without proper Due Diligence, FinTechs expose themselves to:

Fraud Risks:

For instance, businesses could be misrepresenting their financials or intentions. By verifying the legitimacy of businesses, KYB ensures that entities aren't misrepresenting their financials or intentions, protecting FinTechs from fraud



Credit Risk:

With thorough screening, FinTechs can identify businesses that may be a bad credit risk, potentially leading to bad debts. KYB checks help FinTechs assess not only UBOs but also associated financial documents, which can lead to the financial stability and creditworthiness of clients, reducing the likelihood of extending credit to high-risk businesses that may default on payments.



Operational Risk:

Ensuring clients are legitimate and operate legally reduces the chances of being involved in risky or non-compliant supply chains. Proper KYB due diligence ensures that businesses operate legally and comply with regulatory requirements, reducing exposure to illicit or non-compliant supply chains, which can lead to fines or reputational harm.



Major Challenges that FinTechs Face in Know Your Business Due Diligence

FinTech companies are revolutionizing the financial sector with fast-paced onboarding, seamless cross-border operations, and high transaction volumes. Although they facilitate businesses with digital gateways and payment methods, they face various challenges in meeting regulatory requirements. There is a need for effective measures to ensure compliance and to be scalable by overcoming several critical barriers, such as the following:

01 Regulatory Compliance Challenge

FinTechs often operate across multiple jurisdictions, each with its own set of KYB, AML, and data privacy laws, creating a complex regulatory landscape. To comply with evolving requirements, such as the **FATF (Financial Action Task Force)** guidelines and the **EU's AML directives**, as well as country-specific **AML laws**. Failure to comply can result in severe consequences, such as hefty fines, license revocation, or erosion of trust, with penalties for lapses including poor UBO identification or insufficient sanctions screening.

Complex ownership structures and layered Ultimate Beneficial Owners (UBOs) pose significant challenges for identifying the true controlling individuals behind businesses, thereby increasing the risk of financial crimes, such as money laundering or sanctions evasion. Without proper detection, FinTechs expose themselves to legal risks and facilitate illicit activity. It mandates due diligence for businesses to identify the risk potential of entities. FinTechs must implement effective measures that enable them to meet compliance requirements.

02 Compromise On Speed Due To Manual Checking

Manual process for company verification, shareholders' identifications, and review of corporate structure is a serious challenge for FinTech. It slows down the onboarding process and frustrates potential clients, which affects overall growth and performance. Manual review also results in inconsistencies, oversight, and errors. There is a need for more streamlined verification measures, which allow for fetch data from official business registries through an automated API and complete the process.

03 Non-Compliance With Sanction Regimes

Compliance with sanctions regimes is a significant challenge for FinTechs due to the complex and dynamic nature of global regulations. FinTechs need to navigate multiple sanctions lists from organisations like the Office of Foreign Assets Control (OFAC), the EU, and the UN, which are constantly updated. Ensuring real-time compliance with these regulations is crucial, especially for those handling cross-border transactions, where exposure to sanctioned entities can result in hefty fines, legal repercussions, and poor reputation

Why Do B2B FinTechs Need to Ensure Know Your Business Compliance?

Global investments and deposits in digital banks underscore the rapid development of FinTech and its widespread adoption. This transformation is driven by a combination of digital innovation and the financial system, which makes the payment system quicker and more accessible. The global B2B payments market is expected to grow at a CAGR of 9.38% from 2024 to 2033.

9.38%

From 2024 to 2033



Many FinTech companies, especially payment processors, digital wallets, and peer-to-peer (P2P) lending platforms, face enforcement actions for facilitating businesses with less transparent ownership and hidden operational legitimacy. Inability to identify UBOs or detect PEPs (Politically Exposed Persons) makes FinTech vulnerable to heavy fines that regional regulators impose. Such cases are regularly published in enforcement databases and regulatory bulletins and highlight serious risks of non-compliance.

Here are some cases and scenarios that address challenges that FinTech platforms face in their operations:

Crypto-FinTechs Fined For Not Doing Due Diligence On Business Clients

In Latin America, a crypto payment firm was penalized after failing to recognize that one of its business clients was a front for a sanctioned mining company. Crypto outfit Payeer charged a record EUR 9.3 million for Russian sanction violations and money laundering failure. Automated KYB checks could have flagged the sanctioned entity and saved the firm from severe consequences.

Lack Of KYB Data Availability- Consequences For Cross-Border FinTech Lenders

A company may have unknowingly onboarded an entity whose real owner had ties to the financial terror network. Due to inconsistency, local KYB processes fail in verification, and due to limited access to international registries, the company can not find the risk potential. Global KYB solutions bridge the gap of limited access through automated registry connections and adverse media screening and ensure transparency of potential firms before onboarding.

Trade Finance & Supply Chain Finance (SFC) FinTechs

Trade finance and supply chain finance ecosystems typically connect exporters, importers, logistics companies, and financial institutions. FinTech operating and these sectors require KYB service to avoid fraud, sanctions noncompliance, and money laundering, which may take place through shell suppliers or fake invoice schemes.

Trade finance FinTechs often work with small and medium exporters across jurisdictions. When dealing with high-risk or sanctioned regions, it often becomes difficult to verify whether a supplier is a real entity or a front for illicit flows. FinTechs are increasingly facilitating SCF that connect buyers, suppliers, and finance providers. KYB checks allow global screening and evaluation to ensure transparency of all entities to protect FinTechs from noncompliance penalties and reputational damage.

The global supply chain finance market is expected to grow from \$11.54 billion in 2023 to \$17.16 billion in 2028 and is projected to reach \$ 26,308.57 million in 2033

In supply chain finance, FinTechs provide liquidity to suppliers based on invoices and purchase orders. If the supplier or buyer entity is not properly examined through KYB processes, the FinTech platforms are exposed to fraudulent transactions and dealing with blacklisted entities. FinTechs, particularly streamlining the trade finance and supply chain finance, need to ensure strict due diligence in determining the integrity of partners, suppliers, and other businesses.

Here are some FinTech Operations in Trade finance and supply chain that require Know Your Business (KYB):

01 Rise Of Supply Chain Finance (SCF)

FinTech innovations are transforming traditional trade finance by offering flexible, technology-enabled Supply Chain Finance (SCF) solutions that provide liquidity and working capital to suppliers and buyers. It mandates Know Your Business (KYB) to verify suppliers and buyers before onboarding, ensuring trust and regulatory compliance.

02 Receivables-Centric Financing Mode

Programs like Receivables Discounting and Factoring allow suppliers to sell outstanding invoices to FinTechs in exchange for early payments. These models reduce Days Sales Outstanding (DSO) and improve cash flow without waiting for buyer payments. Know Your Business (KYB) verification is required to confirm the authenticity of parties issuing the invoices and the legitimacy of suppliers before advancing funds.

03 FinTech Disruption Of Traditional Trade Finance

Non-bank financial institutions and digital platforms are now providing SCF services, lowering entry barriers for smaller suppliers and buyers while increasing market efficiency and transparency. To assess risk and validate entities lacking traditional banking relationships, there is a need for effective Know Your Business (KYB) checks to evaluate the appropriateness and credibility of businesses.

04 Increased Transaction Volumes & Cross-Border Risks

With multiple parties and cross-border flows involved, FinTech-led Supply Chain Finance (SCF) models require robust Know Your Business (KYB) protocols to verify entities and mitigate the risks of fraud, misrepresentation, and default. Global FinTechs handle high transaction volumes and multi-party deals, which need consideration and thorough verification of potential businesses.

05 Legal & Economic Ownership Transfer Of Receivables

Many SCF arrangements involve the complete legal and economic transfer of receivables. This amplifies the need for KYB checks to ensure that suppliers are legitimate, solvent, and authorized to assign such claims.

06 Trust & Compliance In Open Account Trade

FinTechs that support Open Account Trade by providing digital Supply Chain Finance (SCF) solutions that offer early payments to suppliers based on trade events like invoice issuance or delivery confirmation. These tech-driven platforms enhance transaction speed, transparency, and access to liquidity, particularly for small and medium-sized enterprises (SMEs). However, since open account models rely heavily on trust and lack upfront payment security, robust Know Your Business (KYB) verification is essential. KYB ensures that all entities, including buyers, suppliers, and intermediaries, are legitimate and compliant, thereby reducing the risk of fraud, defaults, and regulatory violations.

How “The KYB” Helps in Doing the Due Diligence for FinTechs

To combat growing financial crimes, such as money laundering and financial terrorism, regulatory bodies have mandated that FinTech platforms conduct **due diligence** on their business clients. The KYB automates the checking of official business registries before service deliveries and protects FinTechs from noncompliance and fraud.

The KYB solution ensures the following checks and serves FinTechs with enhanced security from financial crimes and noncompliance consequences by ensuring **Due Diligence**:

- Verification of a business's legitimacy by checking all the details by retrieving data from government registries in real time.
- Retrieval of business registry documents and filings to retrieve all necessary information, including business name, address, registration details, and representative identities, and perform a screening to verify its authenticity, to ensure transparency with rich data points against businesses.
- Identification of corporate structures to connect the dots between entities & uncover shareholders and directors.
- Trace the individuals who ultimately own or control a company, even through layers of ownership.

Are You FinTech Offering **Supply Chain Finance and Trade Finance** to Businesses?

Here's Why **The KYB** is the Perfect Solution for You.



Real Time UBO Verification From Government Registries



Sanctions Compliance



Anti-Money Laundering Compliance

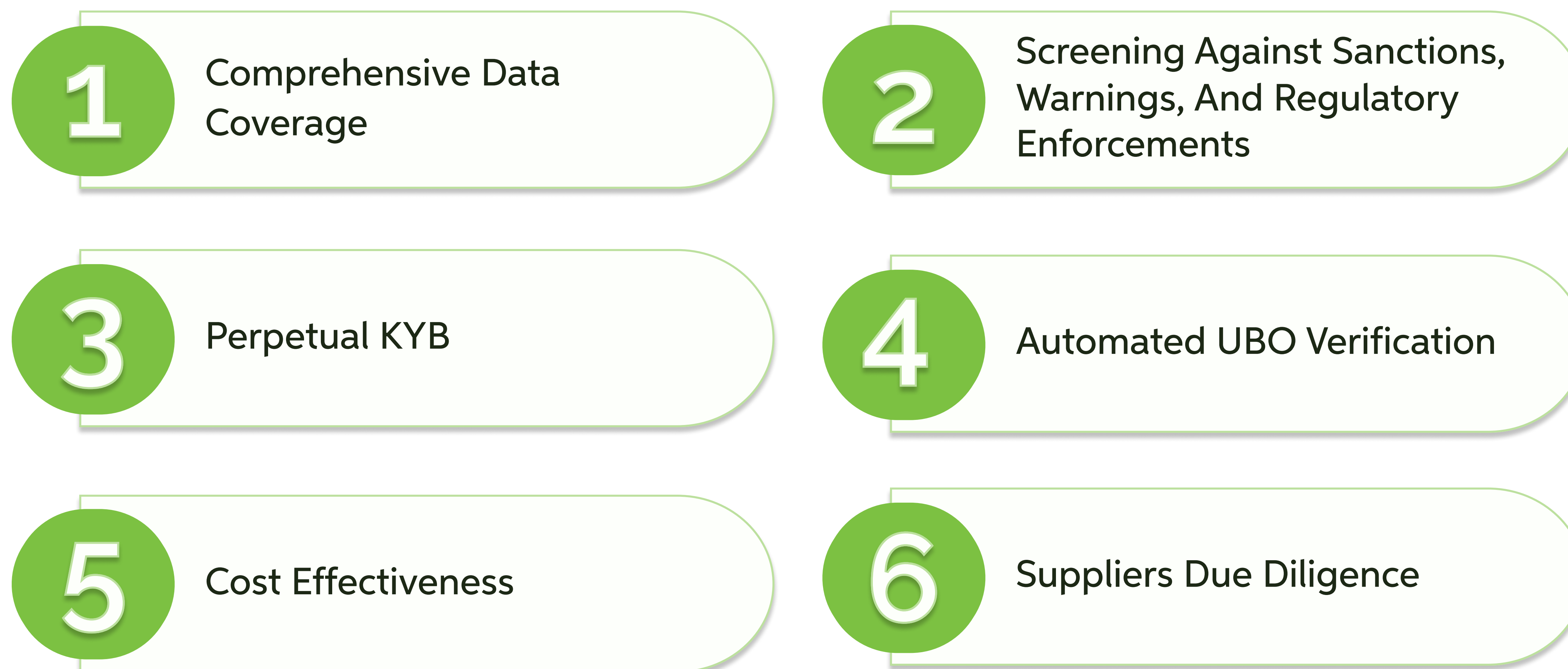


Access To Adverse Media, Warnings, And Regulatory Enforcements



Supplier Due Diligence

How is The KYB Different?



Obtaining data on ultimate beneficial owners is a serious challenge. **The KYB**, backed by real-time sourcing of *UBO information* from official business registries, enables FinTechs to conduct **due diligence** on business clients and partners. Real-time data source helps access and identify who owns the business. Hence, it enables FinTechs to identify hidden risks and establish trusted partnerships while staying ahead of regulatory demands.

With comprehensive data access, **The KYB** ensures screening against the latest *official records, government registries, global sanctions, warning lists, and regulatory enforcement databases*.

Additionally, with **perpetual KYB**, FinTechs receive instant alerts on changes in ownership, compliance status, or UBOs, ensuring ongoing regulatory compliance and faster fraud detection.

Apart from these advantages, **The KYB** stands out as a highly **cost-effective** solution for FinTechs with a higher volume of business clients as it integrates *PEP Screening, Sanctions Screening, Adverse Media Screening, and Warnings and Regulatory Enforcements Screening* along with the *UBO data* in the same suite.

The KYB empowers FinTechs offering supply chain and trade finance to assess the legitimacy, financial health, and risk level of their suppliers for due diligence. It ensures secure partnerships, minimizes supply chain risks, and supports regulatory compliance without the burden of high operational costs.

Request your free personalised demo today and see The KYB in action.



READY TO SECURE TRUSTWORTHY BUSINESS RELATIONSHIPS WITH COUNTERPARTIES ACROSS THE GLOBE?

Get a free [demo](#) of our powerful platform to experience automated business verification and adequate corporate due diligence integrated seamlessly into your processes.

About The KYB

The KYB serves as a leading data source for verifying businesses across more than 250 countries and states. Our real-time KYB data supports banks, payment processors, fintech firms, law firms, global trading entities, and orchestration platforms in achieving KYB compliance, conducting thorough corporate due diligence, and streamlining business onboarding processes.

With the most extensive geographical coverage available, The KYB provides real-time integrations with official registries, ensuring access to 100% authentic data. We work with clients across all scales and volumes.

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