



Beyond Traditional Banking

A New Era of Financial Risk

- Amruta Raje



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The global financial landscape is in the midst of a profound transformation, driven by the explosive growth of FinTech firms and Non-Banking Financial Companies (NBFCs). These innovators have reshaped the sector, expanding financial access and delivering unprecedented convenience. However, this disruption brings with it a new frontier of risk. The very attributes that make these entities successful – speed, global reach, and digital-first operations – also create new and complex vulnerabilities to money laundering and terrorism financing. The inadequacy of static Anti-Money Laundering (AML) frameworks is no longer a theoretical risk. It is a present-day reality, with regulators imposing multi-billion dollar penalties and severe operational restrictions on firms that fail to adapt.

The New Frontier: Why Modern Profiles Differ

To appreciate the scale of the challenge, one must understand the core operational differences that distinguish FinTechs and NBFCs from traditional banks. Their risk profiles are inherently different due to a confluence of factors:

- **Speed and Scale:** The digital-first model enables instantaneous, high-volume transactions on a global scale. While excellent for customer experience, this velocity can overwhelm legacy monitoring systems, making it difficult to distinguish legitimate activity from illicit flows.
- **Digital Onboarding:** Accelerated, remote customer onboarding processes can undermine thorough Customer Due Diligence (CDD) and Know Your Customer (KYC) checks if not managed with sophisticated controls, creating openings for illicit actors.
- **Global Regulatory Maze:** A FinTech platform can have users in dozens of countries, each with its own nuanced AML regulations. Navigating this complex, often shifting, international compliance landscape is a monumental task.
- **Novel Risk Indicators:** New product categories such as Buy Now, Pay Later (BNPL), Decentralized Finance (De-Fi) linked services and digital assets introduce novel risk indicators that pose a significant challenge to legacy systems. As established money laundering typologies often do not account for these products, a forward-looking approach is required to proactively define new red flags as they emerge.

The Modern AML Toolkit: The Shift to a Dynamic Risk-Based Approach

In response to these challenges, the approach to AML is shifting from a reactive Risk Based Approach model to a proactive Dynamic Risk-Based Approach, underpinned by technology that can match the pace of modern finance. This involves:

- Near Real-Time Data Ingestion and Monitoring: To counter high-velocity transactions, compliance systems must operate in near real-time. By ingesting and analyzing transaction data almost instantaneously, firms can identify and flag suspicious activities the moment they occur, rather than days or weeks later.
- AI/ML and agentic AI: This is the core of a modern framework. Artificial Intelligence (AI) and Machine Learning (ML) models enable the continuous, re-assessment of a customer's profile. A customer's behavioural pattern can be automatically re-calibrated based on changes in transaction patterns, geographies, or counterparty risk, allowing for a truly adaptive defence and better anomaly detection..
- Enhanced Screening with NLP: Natural Language Processing (NLP) and fuzzy matching logic dramatically improve the accuracy of screening against sanctions lists and watchlists of Politically Exposed Persons (PEPs), reducing false positives and the risk of missing a critical match.

Insights from Regulatory Actions: Global Case Studies

Regulators globally are intensifying their oversight, and recent enforcement actions offer valuable lessons on specific areas of compliance risk.

- When Global Growth Outpaces Controls. In 2023, a major global cryptocurrency exchange was ordered to pay over \$4.3 billion in penalties for AML and sanctions failures. The core issue was that its compliance infrastructure did not keep pace with its explosive global expansion. By failing to implement effective KYC and transaction monitoring, the platform was exploited by illicit actors. This case underscores that for global FinTechs, growth strategies and compliance investment must be intrinsically linked.
- The Primacy of KYC. The Reserve Bank of India's (RBI) decision in early 2024 to place severe business restrictions on a prominent Indian payments bank

highlights a fundamental compliance pillar: KYC. The regulatory action stemmed from "persistent non-compliance," reportedly linked to improperly verified accounts. This serves as a critical reminder that robust customer identification and verification is the foundation of any AML program, a non-negotiable requirement for market access and operational continuity.

The Future of Compliance is Agile and Intelligent

The evolution of the financial sector, led by FinTechs and NBFCs, is irreversible. For these institutions, the path forward requires a dual commitment: to continue innovating while embedding a culture of compliance at their core. The future of AML is not about stifling growth with cumbersome rules, but about enabling it with agile, intelligent, and scalable frameworks. By marrying advanced RegTech solutions with an unwavering commitment to a strong compliance culture, firms can not only mitigate risk but also build a foundation of trust with customers and regulators, ensuring their sustainable and successful future in a complex financial world.



[Quantum Data Engines](#) is a reg-tech company that helps financial institutions detect, manage, and report financial crime more effectively and efficiently.