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SBCMEDIA

Challenges in Compliance Survey

Commissioned by **IDnow.**

About **IDnow.**

IDnow is a leading identity verification platform provider in Europe with a vision to make the connected world a safer place. The IDnow platform provides a broad portfolio of identity verification solutions, ranging from automated to human-assisted from purely online to point-of-sale, each of them optimised for user conversion rates and security.

In 2021, IDnow acquired the French market leader for identity technology, ARIADNEXT, and the German identity Trust Management AG, enabling IDnow to offer its customers one of the broadest identification solutions through a single, integrated platform.

ROGER REDFEARN-TYRZYK
VP Global Gaming
IDnow.
roger.redfearn-tyrzyk@idnow.io
www.idnow.io

About **SBCMEDIA**

SBC Media is the largest B2B news network in the betting and gaming industry, with more than 100 stories published per day across 12 news websites, 2 premium magazines distributed digitally and across our calendar of events, and a podcast network reaching thousands of gaming executives each year.

With an ever-growing editorial team of more than 20 writers in the UK, and journalists in Europe, and North & South America, covering news in English,Spanish and Portuguese, SBC Media is well positioned to cover the biggest breaking news from across the global betting and gaming industry, as it breaks.

As the premier location for B2B news in the industry, SBC Media delivers a powerful content and advertising platform for operators, suppliers, service providers and affiliates to promote their brand, products and services, through written, video and audio content.

JOHN COOK
Commercial Director
SBC Media
john.cook@sbcgaming.com
www.sbcgaming.com

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Executive Summary.

The challenges faced by betting and gaming operators' compliance teams are many and varied. As the industry continues its move towards regulation in new territories and tighter regulation in established markets, and the technological revolution keeps speeding ahead, those issues are in a state of constant change.

With this study, IDnow and SBC Media set out to investigate what the biggest compliance challenges were at the start of 2024, and how they were likely to evolve during the year.

The study looked at four areas: compliance, fraud, onboarding and financial risk checks. It asked operators working in markets across Europe, the US and Latin America about their experiences and expectations in order to obtain an international perspective on the industry's biggest pain points.

The key findings included:
- Source of funds checks are the compliance challenge that operators find most difficult
- Bonus abuse was the most-common form of fraud attack identified by operators in 2023
- Operators expect to see a growth in social engineering attacks and document fraud in 2024
- Few operators in the Americas identified money laundering attacks in 2023, but many expect to see this type of fraud become more prevalent
- Security and data privacy, and accuracy are the most important factors for operators when implementing an onboarding procedure
- Submission of personal financial information documentation is the stage that sees the biggest drop-off rates in the onboarding process
- Two-thirds of operators expect the UK Gambling Commission's planned implementation of financial risk checks to lead to a reduction in customer sign-ups

One other thing that became clear is that technology is ever more important for compliance professionals. The results showed that robust systems have already seen tasks such as identity and age verification become operators' least difficult jobs, while AI-driven tools are playing an increasingly important role in fighting fraud.

With regulation in many markets becoming more detailed, the imminent introduction of financial risk checks in the UK, and the growing sophistication of fraud attacks, it is certain that having the right compliance and onboarding technology in place will become ever more crucial.

Methodology.

The purpose of this study was to understand the challenges faced by sportsbook and/or casino operator compliance professionals around the world and to create a benchmark for the industry.

The research phase saw SBC Media survey 104 industry compliance professionals via an online questionnaire. No incentives or payments were offered to complete the survey.

Of the 104 responses, 13 came from operators trading in a single market.

The remainder were from multi-territory operators that collectively covered 41 European countries, 37 US states and 13 Latin American nations, along with Ontario and Asia.

The top 20 markets covered were:

🇬🇧 UK

🇲🇹 Malta

🇩🇪 Germany

🇸🇪 Sweden

🇮🇪 Ireland

🇺🇸 New Jersey

🇺🇸 Ohio

🇬🇷 Greece

🇪🇸 Spain

🇺🇸 Pennsylvania

🇺🇸 Tennessee

🇺🇸 Colorado

🇺🇸 Kentucky

🇺🇸 Nevada

🇺🇸 West Virginia

🇵🇹 Portugal

🇷🇴 Romania

🇧🇷 Brazil

🇳🇱 Netherlands

🇺🇸 Arizona

Compliance.

This section of the survey was designed to identify the biggest pain points for operators' compliance teams in their current markets and when planning to expand into new territories.

The three questions focused on:
- Current challenges
- Speed of completing compliance requirements
- Important factors for entering new markets

The survey reveals that although there are minor regional differences, two of the most common compliance challenges were source of funds checks and coping with the differing requirements of jurisdictions.

When it comes to preparing to expand into new territories, the key factor identified by respondents was the ability to use existing compliance solutions in new jurisdictions, perhaps indicating a desire to continue working with trusted and reliable technology.

> The growth of the global gaming market shows no signs of slowing. However, with increased opportunity comes more competition, and greater scrutiny from regulators.
> In understanding the compliance challenges that betting and gaming operators face, we believe we can better address our clients' pain points, and empower them to provide the journey that their customers deserve.

Roger Redfearn-Tyrzyk
Vice President Global Gaming
IDnow.

Current Challenges.

How challenging for your business are the following compliance issues?

Compliance professionals in the betting and gaming industry face a wide range of challenges as they attempt to ensure all regulations are followed to the letter, without resorting to processes that detract from the customer experience.

At the top of the list of those challenges is **source of funds checks**, which was cited as one of the most difficult issues by more than a fifth of respondents globally, rising to nearly 30% of European-based compliance professionals.

In the Americas, dealing with the **differing requirements of jurisdictions** was named as the most difficult issue; perhaps reflecting the nature of trying to launch brands in multiple US states.

At the other end of the spectrum, **age verification** was the issue respondents found least difficult to deal with, followed by **identity verification**, reflecting the availability of robust third-party solutions to handle that crucial part of onboarding.

	LEAST DIFFICULT	MODERATELY DIFFICULT	REASONABLY DIFFICULT	FAIRLY DIFFICULT	MOST DIFFICULT
AGE VERIFICATION	40.91%	24.24%	16.67%	3.03%	3.03%
IDENTITY VERIFICATION	30.30%	27.27%	22.73%	6.06%	3.03%
DATA PROTECTION AND PRIVACY	25.76%	25.76%	28.79%	9.09%	7.58%
STAYING UP TO DATE WITH REGULATORY CHANGES	21.21%	34.85%	16.67%	19.70%	6.06%
RESPONSIBLE GAMBLING MEASURES	19.70%	25.76%	27.27%	12.12%	6.06%
DIFFERING REQUIREMENTS OF JURISDICTIONS	16.67%	24.24%	27.27%	15.15%	13.64%
LICENSING AND PERMISSIONS	16.67%	22.73%	30.30%	12.12%	7.58%
SOURCE OF FUNDS CHECKS	10.61%	19.70%	27.27%	7.58%	22.73%

Speed of Implementation.

How long does it typically take your business to fulfil compliance requirements (obtain licence; undergo audit; comply with regulatory requirements) before going to market in a new territory?

Whether trying to gain first mover advantage in a newly-regulated market, racing to launch ahead of a big sporting event or entering a first territory with a new brand, speed to market is a critical consideration for ambitious operators.

While off-the-shelf sportsbook or casino platforms can help speed up the product side of a launch, there are few, if any, effective shortcuts when it comes to compliance.

Two-fifths of operators said they typically take 6-12 months to fulfil the compliance requirements ahead of entering a new territory, while around 30% suggested the process took 3-6 months.

Global
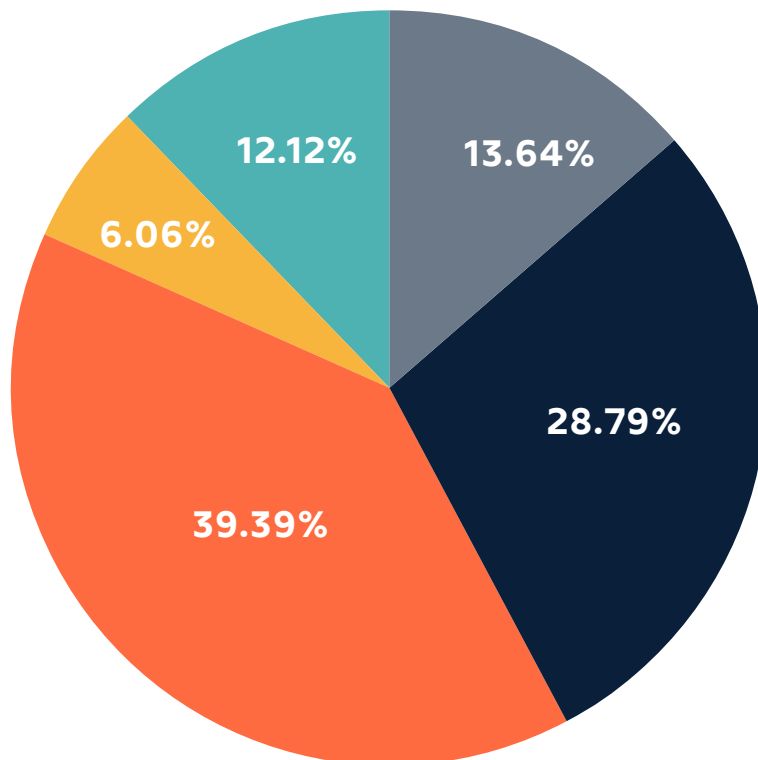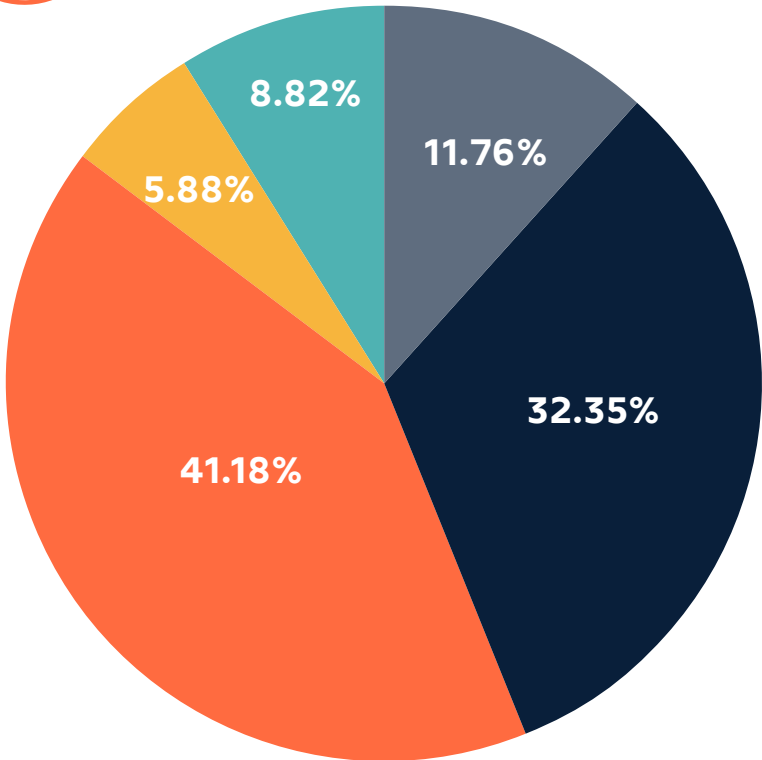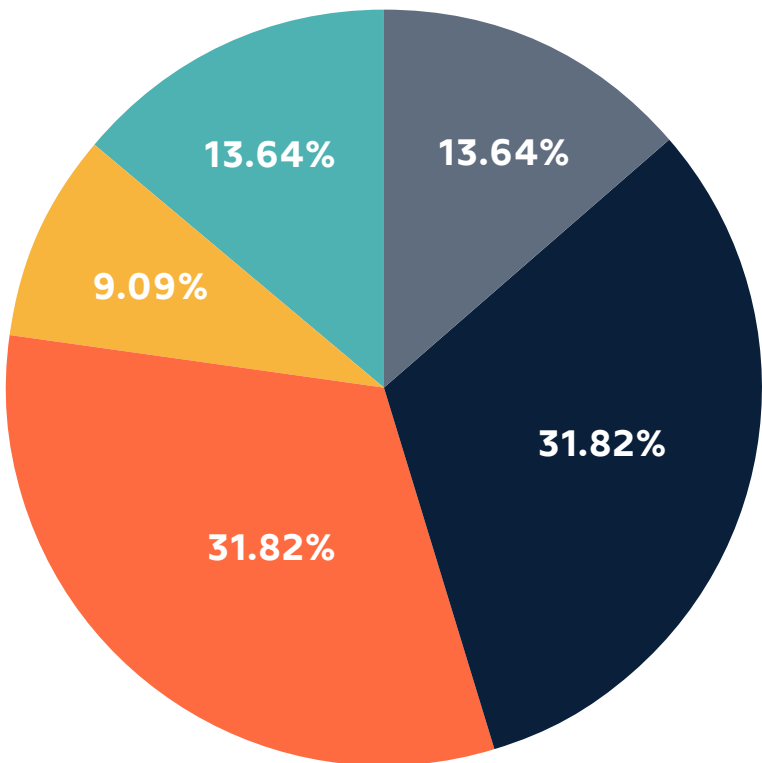
Pie chart segments:
- 13.64%
- 28.79%
- 39.39%
- 6.06%
- 12.12%

Legend:
- ■ Less than 3 months
- ■ 3-6 months
- ■ 6-12 months
- ■ 12 months+
- ■ N/A single market operation

Europe

- 11.76%
- 32.35%
- 41.18%
- 5.88%
- 8.82%

Legend:
- Less than 3 months
- 3-6 months
- 6-12 months
- 12 months+
- N/A single market operation

Americas

- 13.64%
- 31.82%
- 31.82%
- 9.09%
- 13.64%
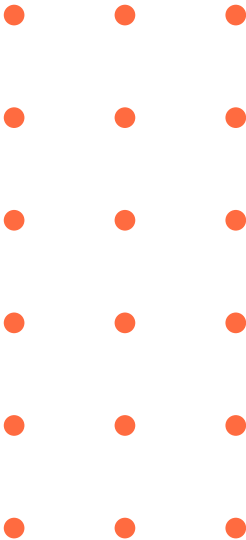
Entering New Markets.

Which of the following would you consider the most important when considering entering a new market?

When operators invest in compliance technology, such as identity verification, AML systems, and affordability checks, it appears that one of their major considerations is whether the solution is capable of working with the differing regulatory requirements of multiple territories.

More than 60% of survey respondents named **ability to utilise existing compliance solutions in new jurisdictions** as either the 'most important' or a 'fairly important' consideration when evaluating entry into a new market.

Speed of implementation of compliance technology and **access to market and regulatory expertise** were also crucial issues for operators around the world, while European companies also highly valued the **availability of a local language option**.

	MOST IMPORTANT	FAIRLY IMPORTANT	REASONABLY IMPORTANT	MODERATELY IMPORTANT	LEAST IMPORTANT
ACCESS TO MARKET AND REGULATORY EXPERTISE	33.33%	18.18%	24.24%	12.12%	6.06%
ABILITY TO UTILISE EXISTING COMPLIANCE SOLUTIONS (IDENTITY VERIFICATION, AML, AFFORDABILITY CHECKS ETC) IN NEW JURISDICTIONS	27.27%	33.33%	19.70%	6.06%	4.55%
SPEED OF IMPLEMENTATION OF COMPLIANCE TECHNOLOGY	24.24%	34.85%	21.21%	10.61%	1.52%
SIMILAR REGULATORY ENVIRONMENT	22.73%	19.70%	22.73%	21.21%	6.06%
AVAILABILITY OF LOCAL LANGUAGE OPTION	19.70%	25.76%	22.73%	9.09%	13.64%
SIMILAR LICENSING STRUCTURE AND PROCESS	16.67%	21.21%	30.30%	16.67%	7.58%

Fraud.

This section of the survey was designed to identify the prevalence and trends of different types of fraud and the prevention of fraud attacks.

The three questions focused on:
- Fraud attacks in the preceding 12 months
° Expectations of fraud attacks in 2024
° The adoption of AI-powered anti-fraud tools

The survey showed that attempts at document fraud and bonus abuse remain commonplace, despite improvements to identification and prevention tools.

Looking to the future, there is concern about the growing threat posed by social engineering and facial recognition spoofing attacks.

There was also broad consensus on whether AI-powered anti-fraud tools were the way forward. More than 70% of respondents either already have such tools or plan to implement them in the next 12 months.

"The results of this survey should act as a wake-up call for gambling operators in the UK and elsewhere to prepare themselves for the emerging fraud and compliance challenges. To address these challenges, operators will need a multi-dimensional approach to identity verification and fraud prevention, that enables seamless gambling experiences anytime, anywhere."

Roger Redfearn-Tyrzyk
Vice President Global Gaming
IDnow.

Attacks in Last 12 Months.

Which of the following types of fraud attacks has your organisation been subjected to in the last 12 months?

The survey, in line with reports from other sources, showed that most respondents had experienced multiple types of fraud attacks over the past year; what was interesting to note was that the trends were to an extent regional.

While more than three-quarters of European compliance specialists (77.4%) had experienced **document fraud,** that number fell to fewer than half among their counterparts in the Americas. Similarly, **bonus abuse** was much more commonly detected in Europe than the Americas, as was attempted **money laundering**.

However, **facial recognition spoofing** attempts were almost twice as common in the Americas as in Europe. A selection of other types of fraud attack were reported by respondents, including: account takeovers, credential stuffing, friendly fraud, collusion on live casino games, credit card fraud, attempted sportsbook market abuse and even fake banknotes.

Global

- 57.38%
- 65.57%
- 19.67%
- 16.39%
- 24.59%
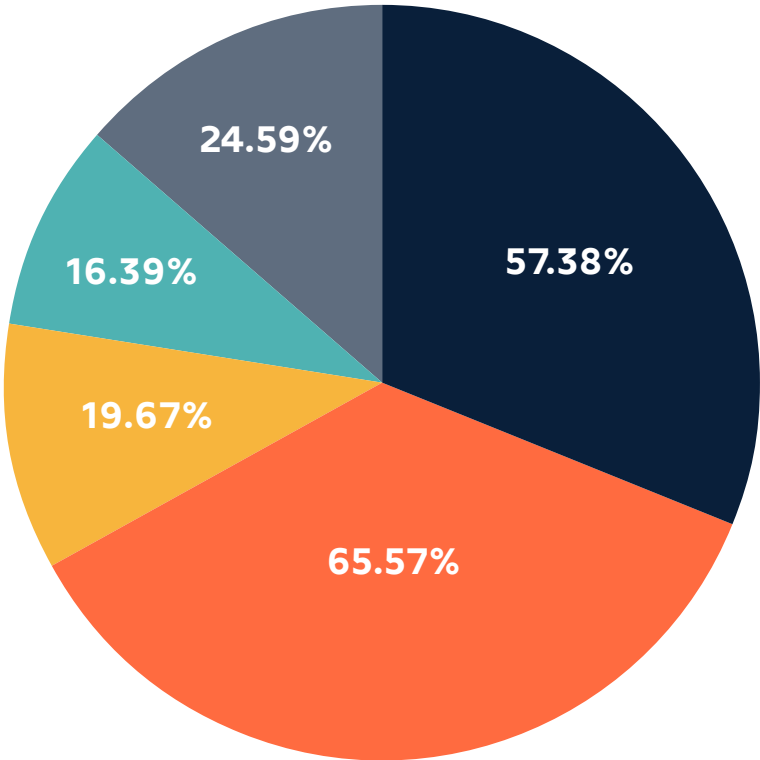
- Document fraud
- Bonus abuse
- Money laundering
- Facial recognition spoofing
- Other

Europe
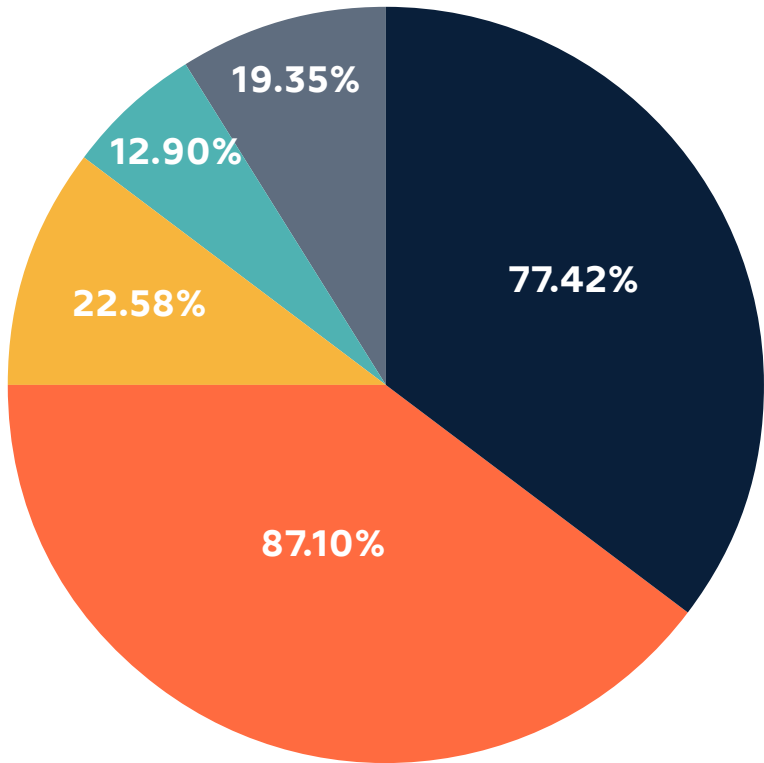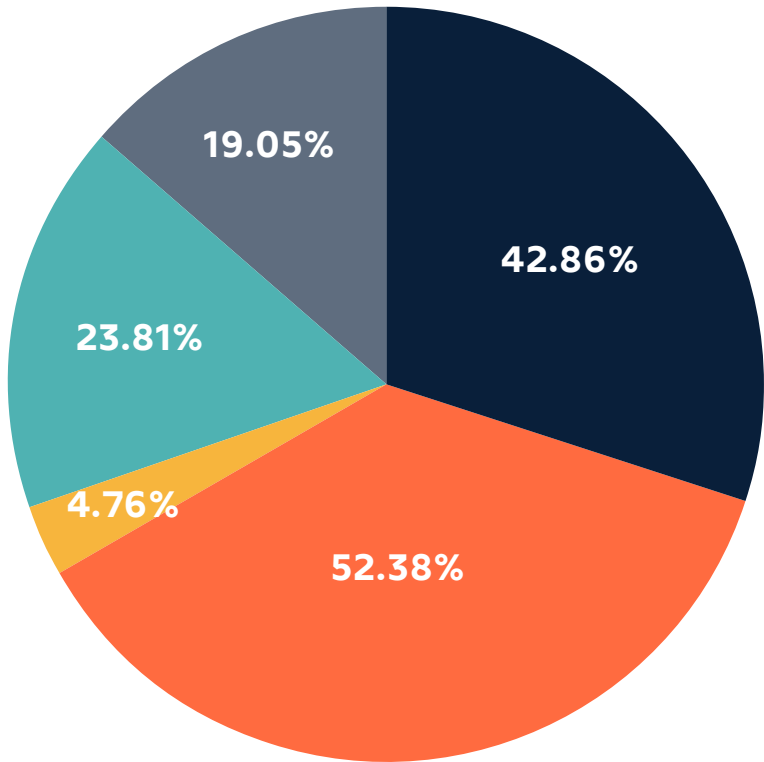
Pie chart (Europe):
- 77.42% — Document fraud
- 87.10% — Bonus abuse
- 22.58% — Money laundering
- 12.90% — Facial recognition spoofing
- 19.35% — Other

Legend:
- Document fraud
- Bonus abuse
- Money laundering
- Facial recognition spoofing
- Other

Americas

Pie chart (Americas):
- 42.86% — Document fraud
- 52.38% — Bonus abuse
- 4.76% — Money laundering
- 23.81% — Facial recognition spoofing
- 19.05% — Other

Trends for Next 12 Months.

Many operators expect social engineering attacks to grow in the next 12 months. Which types of fraud do you expect to see growing in the next 12 months?

The nefarious use of Artificial Intelligence (AI) tools has left betting and gaming operators fearing a surge in **social engineering** attacks in 2024. More than half of survey respondents in both Europe and the Americas said they expected this type of fraud to increase.

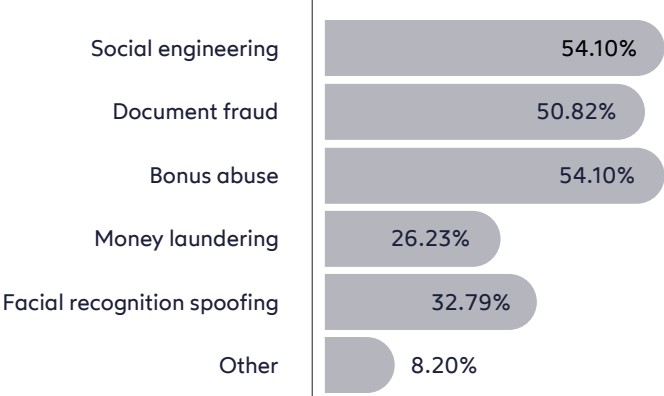There were also consistent results for **document fraud** and **bonus abuse**, with more than 50% of compliance professionals in both regions saying they anticipated an uptick in such attempts.

Interestingly, there was a major difference in how rapidly **money laundering** would grow, with just 16% of European respondents expecting to see growth, compared to 42% of their counterparts in markets in the Americas.

Global

Category	Percentage
Social engineering	54.10%
Document fraud	50.82%
Bonus abuse	54.10%
Money laundering	26.23%
Facial recognition spoofing	32.79%
Other	8.20%

Europe

Category	Percentage
Social engineering	54.84%
Document fraud	61.29%
Bonus abuse	61.29%
Money laundering	16.13%
Facial recognition spoofing	32.26%
Other	6.45%

Americas

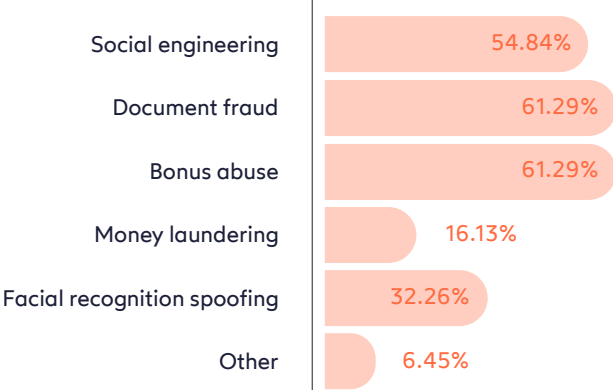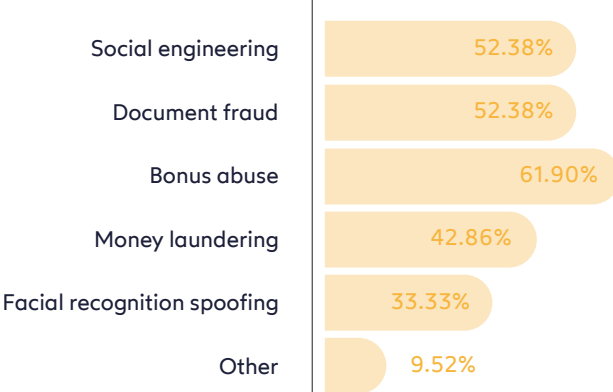| Category	Percentage
Social engineering	52.38%
Document fraud	52.38%
Bonus abuse	61.90%
Money laundering	42.86%
Facial recognition spoofing	33.33%
Other	9.52%

AI-Powered Anti-Fraud Tools.

Do you plan to implement AI-based tools to fight fraud in the next 12 months?

Attitudes to AI-driven anti-fraud tools were positive, with just over one-third of respondents having already implemented them and a further one-third planning to invest in them over the next 12 months.

The capabilities of AI fraud-detection tools are many and varied, with the fast-improving technology likely to become broader in scope over the coming months and years.

The wide-ranging possibilities were reflected in the reasons given by those planning to implement AI-based tools. They included detection of cyber attacks, fraud, credential stuffing and account takeovers, together with improved ID verification.

Only around a quarter of respondents (26%) said they were not planning to implement AI-based tools. Cost was the most common reason for not implementing such tools, although lack of trust in the technology was also mentioned as an issue.

Global

36.07%

37.70%

26.23%
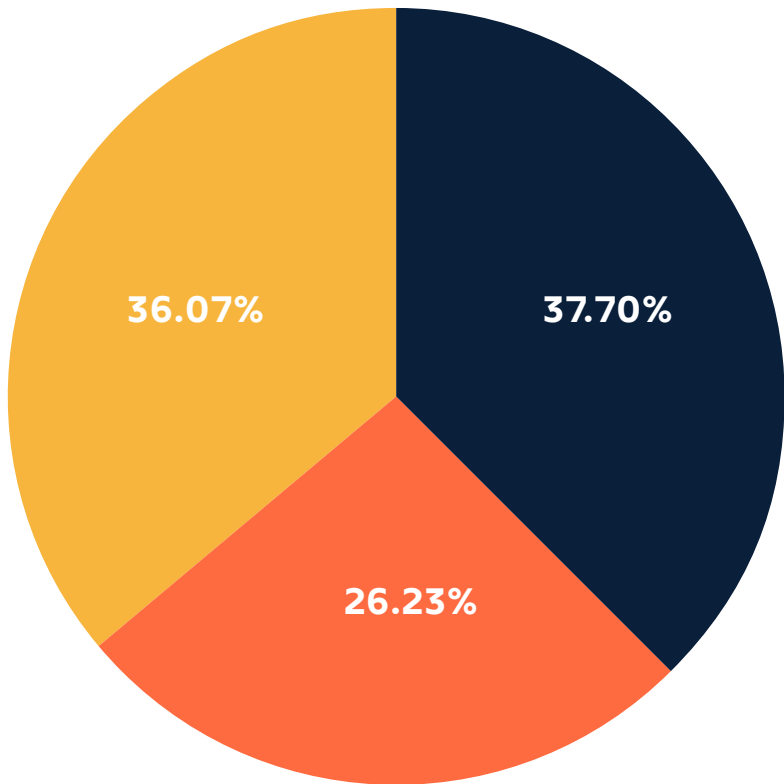
■ Yes
■ No
■ We already have AI-based tools implemented

Onboarding.

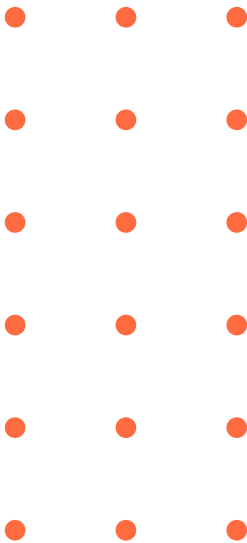This section of the survey was designed to identify the areas of the onboarding process most likely to result in customer drop-off.

The three questions focused on:
- The key factors in the onboarding process
- Actual customer drop-off rates
- Perceptions of why customers fail to complete the process

The findings indicate that document submission presented the biggest challenge for players, with both ID and personal financial information proving to be an obstacle to the completion of onboarding.

The responses to questions examining of why customers are lost during the onboarding process demonstrated that the perception that players do not like lengthy and complex registration processes is widespread. However, while players may not like time-consuming, multi-step processes, experience strongly suggests that a level of friction can enhance the onboarding procedure.

"Onboarding is the most crucial stage of the customer journey, so it should be as seamless as possible. However, at IDnow we also believe in the importance of 'good friction' as part of onboarding to reassure users that their data is being protected. In fact, we have found a correlation between good friction and higher conversion rates, leading to happier, more loyal customers who feel safe and secure."

Roger Redfearn-Tyrzyk
Vice President Global Gaming
IDnow.

Onboarding Process.

How important are the following factors when implementing a player onboarding process?

Regulatory compliance was at the forefront of operators' minds when considering the onboarding process.

The factors most commonly identified as 'very important' were **security and data privacy**, and **accuracy** – both of which could cause issues with regulators if not handled competently.

Compliance professionals also demonstrated an understanding of what players value in an onboarding process, with **speed, UX** and **automation** ranking highly as 'very important' or 'fairly important' factors.

Surprisingly, cost was further down the list, with just a quarter of respondents describing it as 'very important' and a further 21% stating that it was 'fairly important'.

	NOT AT ALL IMPORTANT	MODERATELY IMPORTANT	REASONABLY IMPORTANT	FAIRLY IMPORTANT	VERY IMPORTANT
SUITABILITY FOR MULTI-JURISDICTIONAL USE	11.76%	13.73%	31.37%	19.61%	23.53%
COST	9.80%	13.73%	29.41%	21.57%	25.49%
SPEED	9.80%	3.92%	15.69%	27.45%	43.14%
SECURITY AND DATA PRIVACY	9.80%	3.92%	5.88%	11.76%	68.63%
AUTOMATION	7.84%	5.88%	27.45%	23.53%	35.29%
ACCURACY	5.88%	3.92%	13.73%	15.69%	60.78%
UX	5.88%	5.88%	21.57%	23.53%	43.14%

Customer Drop-Off Rates.

At what stage do you currently see the biggest drop-off rates in the onboarding process?

Customer drop-off rates during the onboarding process was the area that revealed the largest regional differences. The most problematic phase of onboarding was the submission of personal financial information documentation, such as bank statements and utility bills. However, while 60% of European respondents identified this as the point of biggest drop-off, only 41% of their counterparts in the Americas said the same.

Plus, while a further 41% of compliance professionals in the Americas markets said the submission of ID documents was their biggest problem during onboarding, no European respondents had the same experience. Conversely, 24% of Europeans said registration was the biggest drop-off point, but 0% of those active in the Americas said the same.

These results may be symptomatic of the differences in the information collection requirements of regulators in different jurisdictions, although there are also differences in the availability of document types such as ID cards from country to country. Cultural differences may also be a factor here, as attitudes towards sharing personal information vary from country to country.

Global
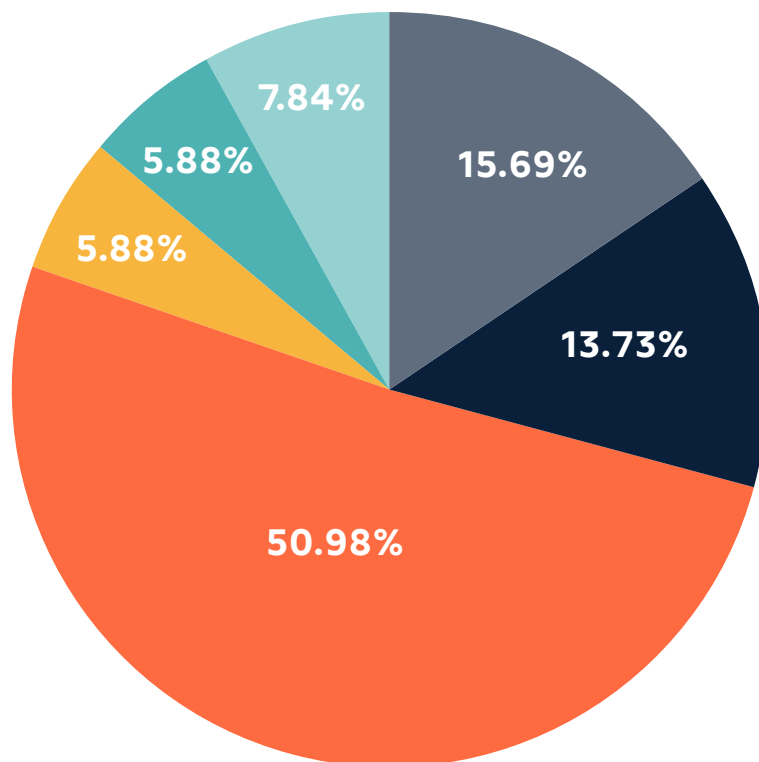
Pie chart values:
- 15.69%
- 13.73%
- 50.98%
- 5.88%
- 5.88%
- 7.84%

Legend:
- Registration
- Document submission – ID documents (passport; driving licence; ID card)
- Document submission – Personal financial information (bank statements; utility bills etc)
- Document verification
- Selfie checks
- Other

Europe

24.00%

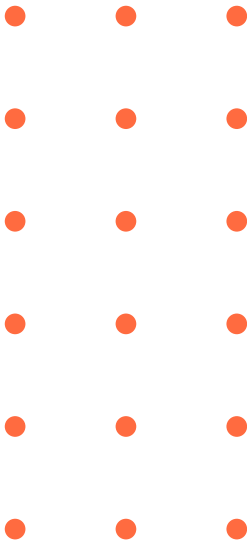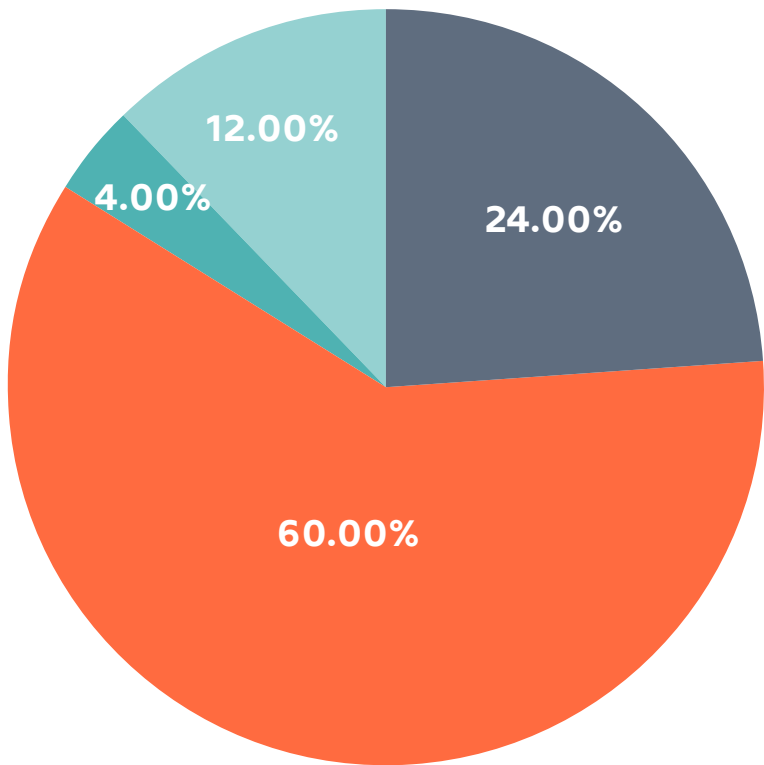**60.00%**

4.00%

12.00%

Legend:
- Registration
- Document submission
  – ID documents
  (passport; driving licence; ID card)
- Document submission
  – Personal financial information
  (bank statements; utility bills etc)
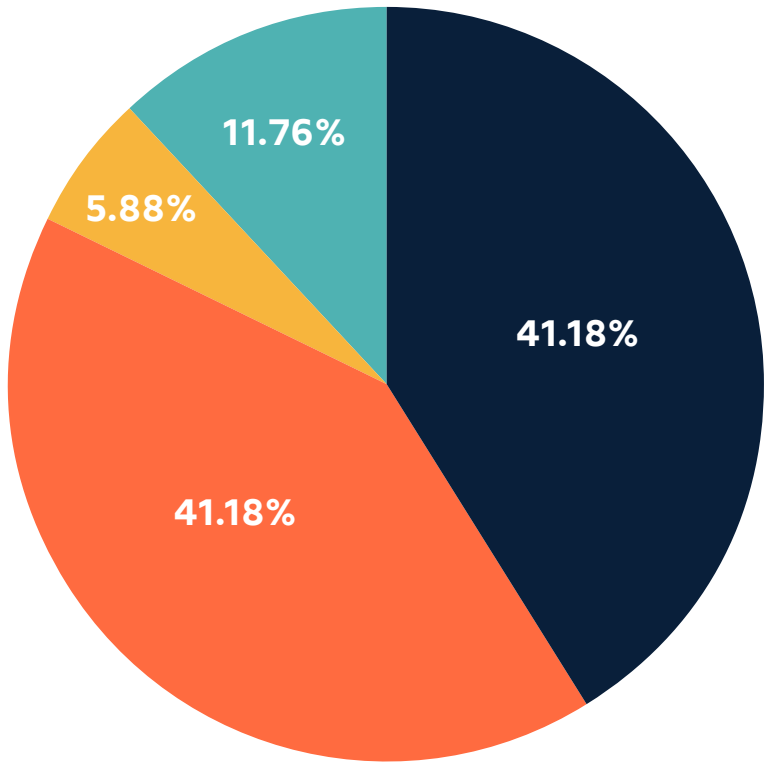- Document verification
- Selfie checks
- Other

Americas

41.18%

41.18%

5.88%

11.76%

Reasons for Drop-Offs.

In your experience, what factors commonly deter players from completing the onboarding process?

The importance of speed and simplicity in the onboarding process was emphasised by the responses, with regulatory requirements seen as less of a barrier to completion than a clunky user experience.

However, there were some regional differences. More than three-quarters of respondents in the Americas named an extensive KYC process as a factor that would deter players, compared with just under half in Europe. Similarly, almost two-thirds of those in the Americas identified complex and lengthy registration as an issue, but only just over half of respondents in Europe agreed.

These findings may reflect the fact many of the markets in the Americas are relatively recently regulated and operators are only now starting to see the impact of more stringent KYC checks on players who had become accustomed to the less rigorous standards of offshore sportsbooks and casinos. Respondents from long-established European markets appeared more comfortable with the checks. There was, however, a much closer relationship between the regional responses for intrusive affordability checks and excessive document requirements, with a little less than half of respondents in both continents citing them as factors that deterred players.
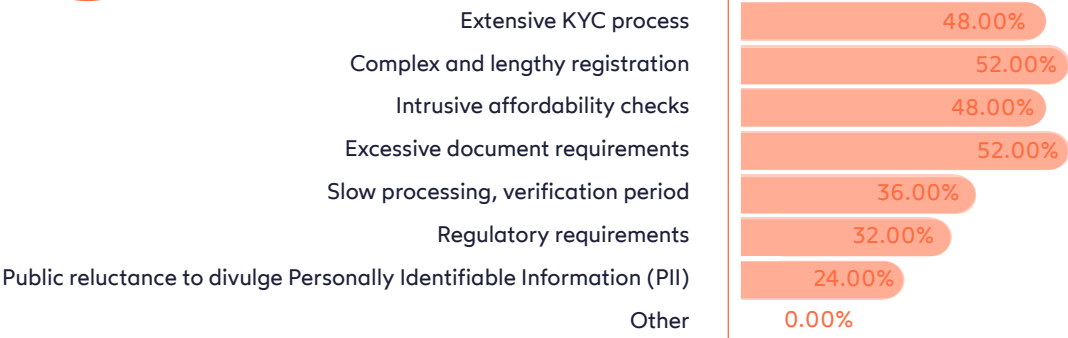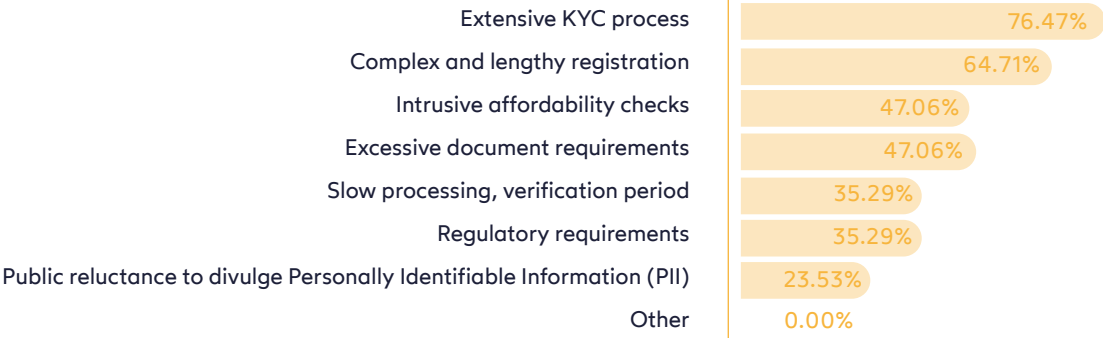
Global

Reason	
Extensive KYC process	60.78%
Complex and lengthy registration	54.90%
Intrusive affordability checks	41.18%
Excessive document requirements	47.06%
Slow processing, verification period	37.25%
Regulatory requirements	31.37%
Public reluctance to divulge Personally Identifiable Information (PII)	19.61%
Other	1.96%

Europe

Reason	
Extensive KYC process	48.00%
Complex and lengthy registration	52.00%
Intrusive affordability checks	48.00%
Excessive document requirements	52.00%
Slow processing, verification period	36.00%
Regulatory requirements	32.00%
Public reluctance to divulge Personally Identifiable Information (PII)	24.00%
Other	0.00%

Americas

Reason	
Extensive KYC process	76.47%
Complex and lengthy registration	64.71%
Intrusive affordability checks	47.06%
Excessive document requirements	47.06%
Slow processing, verification period	35.29%
Regulatory requirements	35.29%
Public reluctance to divulge Personally Identifiable Information (PII)	23.53%
Other	0.00%

Financial Risk Checks.

This section of the survey addressed one of the hottest topics for debate in the betting and gaming industry - the plan by the UK Gambling Commission (UKGC) to mandate financial risk checks.

The UKGC is currently running a consultation on what it describes as "frictionless financial risk assessments" for around 3% of players, and a second layer of "light-touch financial vulnerability checks" that would be applicable on 20% of accounts.

As no operator yet has experience of working within the scope of these checks, the survey posed two questions: what they expected the impact of such checks would be on the UK market and what effect they would have on the wider international industry. The majority of compliance professionals expressed concerns that the move would lead to lower sign-ups for licensed operators and, in turn, strengthen the black market.

It is worth noting that some of the answers were nuanced and a number of respondents were open to the idea that an affordability check could have some positives for the industry such as improving trust levels among players, reducing fraud and helping to create a level playing field for smaller operators.

"It is the responsibility of the operator to provide a safe and responsible gaming experience because it is good for their business model. However, this must be facilitated by a reliable regulatory environment that is proactive in its fight against fraud and the illegal market. So the regulator must be an ally of the licensed operators. In the end, this is how players are better protected."

Roger Redfearn-Tyrzyk
Vice President Global Gaming
IDnow.

Effect on UK Market.

Following the UK's decision to mandate financial risk checks (formerly known as affordability checks), what effect do you think they will have on the market?

Despite being described as frictionless, two-thirds of operators around the world revealed they feared that these affordability checks would reduce customer sign-ups, compared with just a quarter predicting they would have no effect on the market.

Asked to explain their view, the most common response was that the checks would act as a barrier that would ultimately benefit the black market, as customers either unwilling to share financial information or unable to pass the checks would simply migrate to offshore operators that do not adhere to UK regulations.

Interestingly, UK-based compliance specialists - who are perhaps more familiar with the credit reference file model that the UKGC plans to use - were slightly more optimistic, with 38% of them saying they expect the checks to have no effect on the market. This was in part because some respondents felt that the work many UK-licensed operators have already undertaken on affordability meant they were prepared for the change.
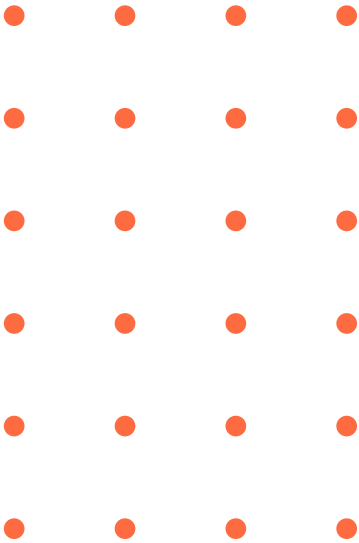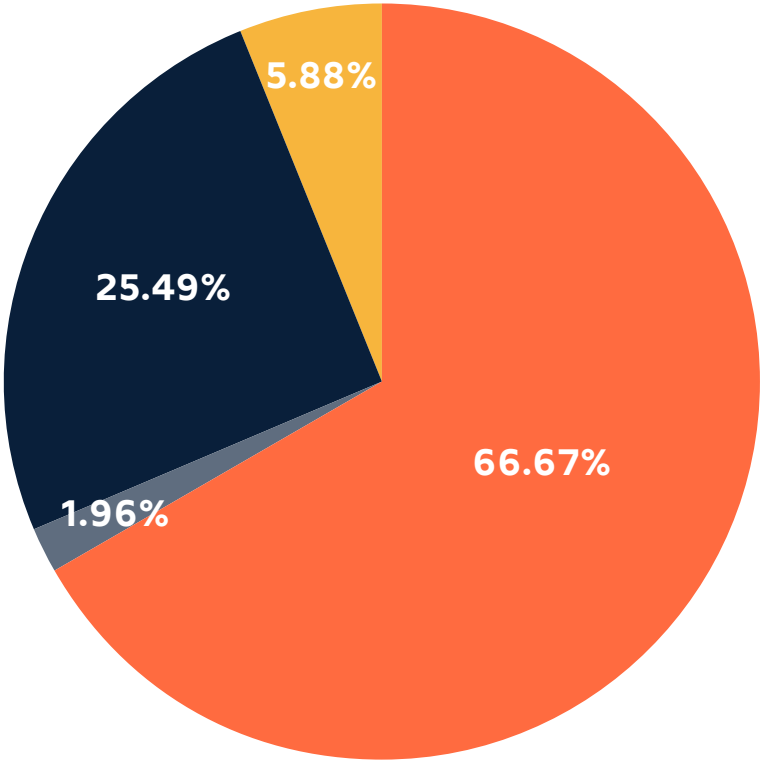
One respondent from a multinational operator with a UK licence suggested: "I think they will create a good process after the consultation. The proposed light touch check isn't good but the enhanced check is fantastic, if they only focus it on CATO (Current Account Turnover) data and remove the credit risk scoring."
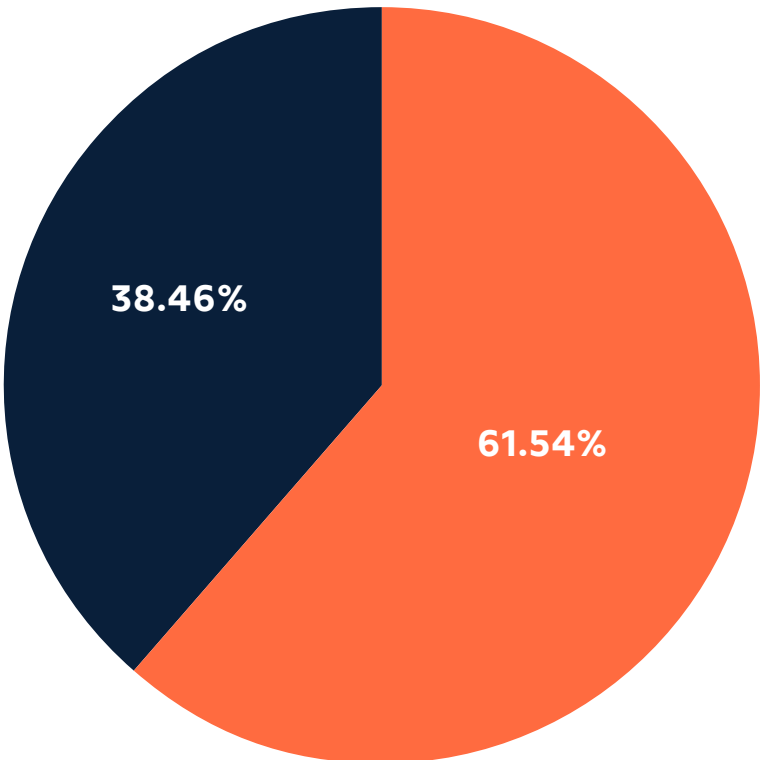
Global

- 66.67%
- 25.49%
- 1.96%
- 5.88%

United Kingdom

- 61.54%
- 38.46%

Legend:
- Reduce customer sign-ups
- Increase customer sign-ups
- No effect
- Other

Effect on International Market.

What impact do you foresee financial risk checks having on the wider international market?

When asked to assess the potential fallout from the implementation of financial risk checks in the UK on the wider international industry, more than half of respondents expressed concerns.

Chief among them was the idea that such affordability checks would lead to an outflow of players to the offshore market, which would in turn result in lower sign-ups for licensed operators and reduced gaming tax receipts for governments.

This view was expressed by compliance professionals based in markets including Brazil, Canada, Estonia, Germany, Poland and the US, who agreed that the section of players unwilling to share financial information would simply turn to black market sportsbooks and casinos in order to carry on playing.

One respondent from a multi-brand company licensed in multiple European markets went further and suggested: "More operators will close their doors [...] due to the huge loss in customer sign-ups, retention and revenue."

They added: "Businesses are not charities. There should be a clear guideline based on research and facts to justify why such financial risks checks are to be done at a specific stage. This is not a risk-based approach. Eventually the market will fail."

However, opinion was far from unanimous. 18% of respondents predicted the introduction of financial risk checks would have little impact outside the UK and 25% identified potential benefits, including the "elimination of fraud cases" and "less money laundering".

One UK-based specialist said the change "may just see players doing it purely as they don't have any choice", while a US counterpart suggested that mass market operators targeting recreational players might not need to worry. They said: "As these are normalised, only those who wish to gamble beyond their means will be upset by 'someone' impeding their chances of winning big [but] in the near term, high rollers will likely gravitate to markets where checks do not exist."

Another issue raised by respondents was whether regulators in other territories would follow the UKGC's example and bring in their own mandatory checks.

Compliance professionals based in Malta, Sweden and the US, among other markets, predicted that the practice would spread, but others expressed their view that it would remain limited to the UK.

Not everyone thought the checks being more widely adopted would be a negative.

One respondent predicted it could help operators to "identify and evaluate country-specific risks to determine the impact they might have on the business" and another suggested it could even encourage grey markets to regulate.