Politecnico di Milano

POLITECNICO
MILANO 1863

High Tech Startups: Creating and Scaling Up
A.Y. 2023/2024

Project: Gruppo MOL

New Market Entry in the AML

Professor: Piva Evila
University Tutor: Cecilia D'Agostino

Authors:
Matteo Cuccaro - 10604872
Marco Lodato - 10619424
Giuseppina Lana - 10580348
Giacomo Salani - 10653713
Hajar El Kacemy - 10935003
Emanuele Marzorati - 10724126

Contents

1   Executive summary

The aim of the following report is to provide an overview of the MOL group' opportunity to expand its activities into the Anti-Money Laundering market. The document involves perspectives obtained through discussions with industry experts, outlines legal prerequisites and responsibilities associated with anti-money laundering, and explores the exploitation of artificial intelligence and machine learning technologies within the AML sector.

Firstly, it is important to outline the Goal, Mission, Vision and Objectives, in order to give a representative picture of the group. In this context the group aims to be a market leader in providing complex business process outsourcing services for the financial sector, including entering the AML ecosystem in the Italian market. The objectives of Group include defining the requirements for a competitive AML software and delivering a functionally working prototype to initial customers for testing.

Then it is possible to appreciate the evaluation of the strategic analysis including an internal and external analysis. The external analysis is conducted by using the PEST method, which stands for Political, Economical, Social and Technologies aspects which will inevitably affect the AML market and its predicted growth. Such analysis paint a perfect breeding ground to expand the business. Moreover, the internal analysis is performed following the Value Chain scheme. The analysis identifies the group's strengths, such as a stable financial position, existing IT and machine learning capabilities, and an existing customer in base of the financial industry. However, it also acknowledges the weaknesses, including a lack of experience in AML software development, and the need for new human and physical resources. Consequently, the competitor analysis evaluates the competitive landscape and identifies potential strategic alternatives, which reveals a crowded AML market with international established players with a significant market share.

The result obtained from the strategic analysis has produced two valid product alternatives targeting different customer: big banks and financial groups or smaller activities and professionals. The latter is less crowded and may offer opportunities for the MOL group to differentiate its product. Additionally, MOL identifies the potential for introducing cloud computing and server services to smaller businesses and professionals, given their need for such infrastructure to support all the AML processes.

At last, the Test and Validation phase has been carried out on the new possible product. The received feedback has been, for the most part, extremely positive.

In short, the project aims to design a modular solution (SaaS Platform) powered by AI technology to cover the AML process end-to-end, with single modules that the client can activate on-demand. Moreover, the company extends its offerings by acknowledging the demand for infrastructure and legal support and providing cloud computing and server services to enhance the overall value proposition for smaller businesses and professionals in the Italian retail credit market.

2 Goal, Mission, Vision, Objectives

The paragraph aims to represent the picture of the MOL group analysis case. The following list identifies its Goal, Vision, Mission and Objectives.

Goal   The group goal is to be the most innovative financial service company capturing the opportunities stemming from the evolution of the underdeveloped Italian retail credit market.

Vision   The Anti-Money Laundering (AML) software ecosystem is considered a large and profitable expanding market. The business is expected to exponentially grow globally from 3.18 billion USD in 2023 to 16.37 billion USD by 2033. Europe and Italy are anticipated to be at the fore front of this expansion, facing thus the highest potential. [1]

Mission   The BPO division of MOL group wants to be the market leader in the provision of complex business process outsourcing services for the financial sector leveraging on technology, operational excellence, and superior execution. In this context, the opportunity to enter the Anti-Money Laundering (AML) ecosystem in the Italian market is being considered, to expand its broad set of products offered to financial institutions and other possible customers.

Objectives   The company considers as objectives:
- To define the set of requirements for a competitive AML software and service idea by 2023.
- To develop and deliver a functionally working prototype to initial customers for testing by 2024.

3 Strategic Analysis

3.1 External Analysis: PEST

The following paragraph aims to analyze the external elements shaping the AML market and equally affecting all its players. The tool used for this analysis is the PEST scheme which considers the environmental factors as divided into the following 4 categories: Political, Economic, Social and Technological.

Political: Various regulations have been established to fight money laundering and other related crimes:

- **EU Guidelines & Italian laws**:
  The Italian law (D.Lgs. 4 Ottobre 2019) for AML oblige banking, financial and insurance operators and different categories of professional (e.g notaries, lawyers, chartered accountants, auditors and auditors) to:
  - **Customer Identification and Verification**: it consists in the collection by the intermediary of customer identification data and information related to the operation. The aim is to acquire certainty regarding the identity and personal data of the customer.
  - **Data Recording and Storage**: The intermediary must store data regarding the operation, the date, the reason, the amount of money implied and the identification data of the customer for 10 years.
  - **Suspicious Operations Reports:** this phase implies the objective and subjective evaluation of operations.

  In the appendix, a more specific and complete overview of the EU and Italian legislation is reported.

- **Complex and Everchanging Regulations**:
  The regulation in the matter of AML is complex and continuously being updated, so it's up to the service companies to guarantee their compliance and to ease the procedures for their customers. This complexity represents a business opportunity for companies experts in the field who want to offer AML services to financial institutions or freelancers.

- **Country-dependant laws**:
  Laws being different from country to country can represent an obstacle for players wanting to offer their AML service internationally, making the competitive environment different for each nation.

Economical   The submerged market is huge. In 2022, the UIF reports the following data [2]:

- Globally, money laundering is around 4-7 % of a country's GDP for a year.
- The Italian money laundering is around 10-11% of GDP for a year.

Social Different social trends affect the AML software environment:

- **COVID-19 pandemic**
  The pandemic gave a great boost to the digitalization of services, AML services included. [3]

- **eWallets gaining popularity**:
  eWallets and e-commerce getting more and more popular increase the volume of virtual transactions that companies have to deal with. Moreover, the use of electronic methods of payment is growing, thus increasing the chance of illegal financial activities.

Technological New emerging technologies can be exploited as opportunities for the companies that decide to invest in them to improve their product.

- **Process automation and increased data flows**: Being the number of customers and transactions to monitor very large, the use of software is the key to reduce the workload of employees involved in the service. This would drastically reduce human errors linked to the manual insertion of inputs as well.

- **AI/ML/Biometry**: AI/ML can be very useful for the development of a competitive software. This is especially true for the "operations monitoring" activities, since it allows for the automation of many processes that previously required human intervention, therefore reducing the fraction of false positives. Moreover, the use of biometrical technologies allows for an automatic verification of the customer's identity by comparing a smartphone-made selfie to the SPID or an ID card.

- **Spread of Cryptocurrencies**: Cryptocurrencies are a new way to exchange money between users and they could represent a new method to launder money coming from criminal activities. For this reason, transactions being exchanged with crypto-wallets need to be monitored as well. This trend doesn't interest professionals-oriented services as they are usually not involved in this kind of transaction. [4]

3.2   Competitor Analysis: Blue Ocean

The AML "Competitive Landscape" is very crowded and its most important players were identified in the following diagram (credits to GruppoMOL). Competitors can be classified based on the size of the AML business concerning overall company activities and the type of customers that they choose to target. Most of the larger companies choose to target financial institutions with their services. On the other hand, much fewer companies of relatively smaller size are focused on offering services to freelancers and entrepreneurs. Furthermore, in terms of company core business, we can see how competitors completely focused on AML services are few and smaller while for the vast majority of others, AML represents just one of their many businesses.

"Blue Ocean Strategy" was considered the best tool to perform the analysis of the competitors. For the first step, it was necessary to look for information about most of the competitors from the list, in order to classify and compare them on many different levels. Doing so, it was possible to understand the differences in offered services and target customers. After that, the "Raise-Reduce-Eliminate-Create" approach was used to explore different ways how a potential new product could differentiate from the ones of competitors.
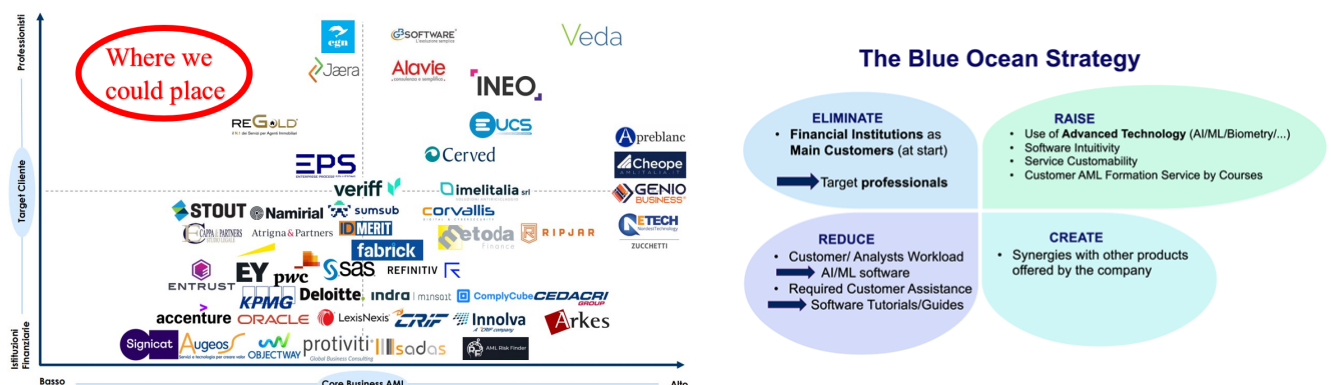
In the following bullets points the various considerations will be discussed and motivated:

- **ELIMINATE: Financial Institutions as Main Customer**
  Choosing larger financial institutions as target customer implies having to compete with well-established companies that had several years to refine their software/service while just offering a software/service that still needs verification and testing. Most likely, the offered service will start as a prototype and will face many iterations before actually becoming competitive in the environment.

MOL Group could differentiate from most of the other large groups by having professionals as its target. This environment faces less competition and will allow the company to have the time to refine its product through iterations before eventually expanding its service also to small and large financial institutions. Additionally, the professionals-oriented market has fewer competitors, but they are mostly small and very AML-sectorialized companies.

Professionals are obliged to fulfill the AML requirements but at the moment many of them do not make use of any software. We guessed that the main reason of this could be due to the excessive service fees with respect to the number of clients to monitor and the relative small cash flows, leading to cheaper and more rudimentary alternatives such as Excel sheets. This assumption will eventually be thoroughly tested. The main question remains whether the creation of a software that helps professionals to deal with large amount of data would actually be affordable for them or not. In other words, the risk would otherwise be creating a product there's no market for.

- **RAISE: Use of Advanced Technology & REDUCE: Customer Workload**
  Despite requiring larger investments the implementation of Advanced Technology in the solution, would allow the service modules to be more appealing to customers as they imply increased process automation and reduction of needed human workload. A first implementation could be the use of AI/ML for "Continuous Monitoring" and "SOS" (Segnalazione Operazioni sospette). This implementation allows for the software to automatize even more the monitoring process and to reduce the number of "false positives" (that are the people wrongfully signaled as suspicious by the software) brought to the customer's attention. A second implementation could be the use of "Biometry Technology" for "KYC" (Know Your Customer) and "Onboarding". This solution would allow a reduction of time needed, for both companies and clients and for ID checks that are needed when creating a new account/commercial-relation. Furthermore, it allows for evaluation of the risk of the client based on their track record, blacklists, and by checking if he/she is a "politically exposed person" or a company owner. This is done by looking at both proprietary and publicly available data.

- **RAISE: Formation**
  Furthermore, professionals are also obliged to participate by law in courses related to AML regulation. GruppoMOL could offer as one of its services "in-presence courses" related to the most recent regulation to fulfill this requirement. These courses could be also used as an opportunity to network with new potential customers and advertise all other professional-oriented AML services of the company.

- **RAISE: Customizability and Modularity**
  The software needs to be a modular "end-to-end" solution, meaning that it has to cover all functions linked to AML and at the same time the customer needs to be able to just purchase the modules of the services he's most interested in. The increased customizability of the service consists in understanding the single customer's needs and tune them to the software parameters and interface (without changing the underlying structure of the software) to satisfy each specific needs.

- **RAISE: Software Intuitivity & REDUCE: Customer Assistance**
  The interface must be user-friendly and easy to understand. The software has to come with a range of short, easy-to-follow video-guide that will help the user "get started" with the basics of the SW and also with a more-in-depth manual for more advanced functionalities. In this way the customer service requests should minimize. Occasional feedback can be asked to identify any concerns and improve the software.

- **CREATE: Synergies with other MOL Services**
  Gruppo MOL is a service company that offers its services in many different financial activity fields like finding the best assurance and finding the best loan in case of property purchase. The company could therefore integrate this AML service with professionals dealing with both assurances and purchase of properties or it could even target professionals like lawyers and notaries. In this way it could be possible to leverage company operative knowledge in those topics to add some specific features just a company such as GruppoMOL could offer. This way an hardly replicable competitive advantage can be achieved.

3.3 Internal Analysis: Value Chain

The following paragraph aims to analyze the internal elements shaping the AML product that BPO divisions want to launch in the market. The tool used for this analysis is the "Value Chain" scheme that considers both primary and support activities. The primary activities are those involved in the creation of the product: Inbound logistics, Operations, Outbound logistics, Marketing, Sales and After-sales Services. The support activities help primary activities become more efficient—effectively creating a competitive advantage—and are broken down into Procurement, Technological development, Human resources, and Management & Infrastructure.
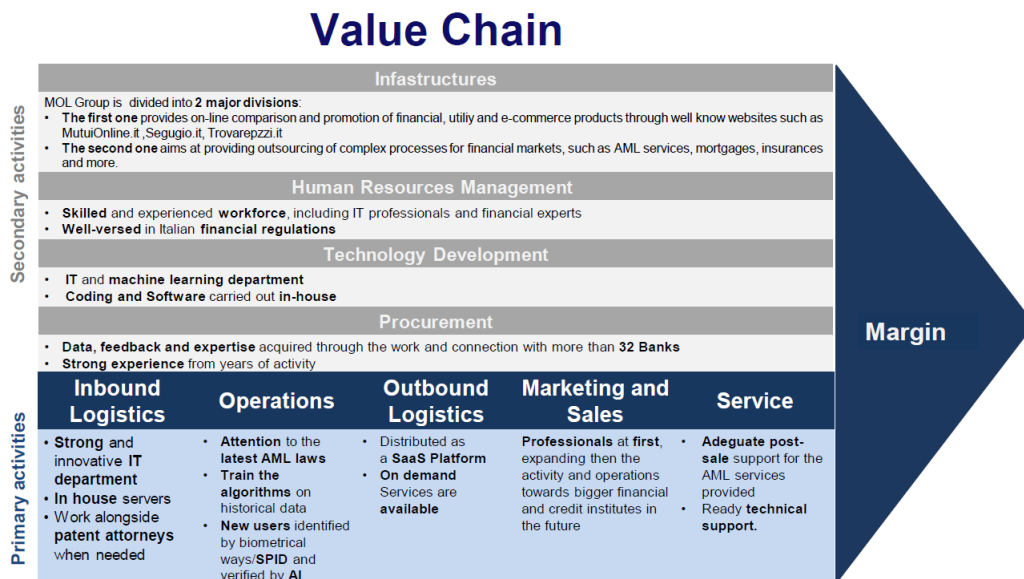
In the following list, the various considerations will be discussed and motivated:

- **Primary Activities**

  Inbound logistics: A strong and innovative IT department overviews the necessary data procurement and technology acquisition, as well as the integration required for its optimal usage. In-house servers are adopted so that all the information acquired is stored locally. Whenever necessary, software patent attorneys are contacted and embedded in the production process. Such decision allows newly developed programs and services to be properly covered by trade secrets. Almost 2 decades long developed expertise have allowed MOL Group to fully establish itself as the main player in the online financial and credit-related service distribution market.

  Operations: Once the proper data and information have been acquired, the development stage kicks in. Scrupulous attention is used to comply with the latest AML norms and regulations, which will inevitably shape the end product. Using ML technologies, the developers train the algorithms on historical data that will avoid redundancy in both the log-in and monitoring phases. Processes regarding new user subscriptions will be coded in such a way that they heavily rely on biometric and/or SPID identification, as well as AI automation to check the authenticity of documents/IDs and to compare them to user selfie.

  Outbound logistics: The end product will be sold and distributed as a SaaS platform along with all the needed BPO services. On-demand services will be at the disposal of the client and ready to be installed if needed.

  Marketing and sales: MOL has a marketing and sales team experienced in promoting financial services. Through its network developed over 15+ years of activity, MoL Groups aims at targeting a specific market segment composed mainly of professionals at first, expanding then its activity and operations towards bigger financial and credit institutes.

  After-sales services: MOL Group will offer proper an adequate post-sale support for the AML services provided, including technical assistance. Free-to-watch courses on Italian AML regulations will be uploaded to the company's website and, possibly, its YouTube channel, effectively promoting the services and software provided. Continuous updates will ensure that the software functions properly even years after purchase, maintaining its effectiveness.

- **Support Activities**

  Procurement: MOL Group relies on data, feedback, and expertise acquired and constantly updated through its relationships with more than 32 banks, with plans to acquire more as the software goes for sale and feedback starts coming in. The knowledge matured from years of activity comes into play in

this phase, where know-how and experience lead the way. The selection of key partners during software development is a crucial aspect that must not be overlooked and is done accordingly, following well-established and proven internal procedures.

Technological development: MOL group has an existing IT and machine learning department and experience in software development for its internal operations. All the coding and software development is therefore carried out in-house.

Human resources management: The group has a skilled and experienced workforce, including IT professionals and financial experts; it is also well-versed in Italian financial regulations and can navigate the regulatory landscape effectively.

Infrastructure: MOL Group is a well-established, Italian-based holding that could be divided into 2 major divisions: Broking and BPO. The first one provides online comparison and promotion of financial, utility, and e-commerce products through well-known websites such as MutuiOnline.it, Segugio.it, Trovaprezzi.it and more. The second one aims at providing outsourcing of complex processes for financial markets, such as AML services, mortgages, insurance, and more.

3.4 SWOT Analysis

The following table summarizes all the Strengths, Weaknesses, Opportunities and Threats that emerged from the external and internal analysis.

Strength	Weaknesses	Opportunities	Threats
MOL group has a stable financial position and a well-established revenue stream from its core mortgage brokerage business (313 millions of turnover and 17,8 millions of net profit). This may help innovation investments and adaptability.	Lack of experience in developing and selling AML software, which is a new area for the organization. May need to hire new human resources and buy new physical resources (servers, softwares ...)	The increasing need for AML solutions due to digitalization of transactions and rising money laundering concerns is a significant growth opportunity, especially in Italy	Changes in AML regulations could pose legal and financial risks to the company
MOL group has an existing IT and machine learning department and experience in software development for its products.	Lack of knowledge in the regulatory compliance of AML. Those softwares are subject to strict compliance requirements.	As AML regulations become stricter, there's a demand for more advanced software solutions to ensure compliance	Established AML software providers (big firms such as EY, KMPG...) have a significant market share, making it difficult for newcomers to compete
MOL can tap into its existing customer base in the financial industry to promote and sell the AML software	Lack of connections and knowledge with regard to potential professionals free-lancers customers.	The emerging of specific new technologies (AI, Blockchain...) is a great opportunity for developing efficient and original AML software.	

4 Strategic alternatives

The following paragraph describes the alternatives derived from our internal and external analysis.

Primary Customer Alternative

Two main alternatives are possible: create a platform for big banks and other financial groups, or instead orient the product towards smaller activities and professionals. When talking about smaller working groups, or even self-employed workers, a series of peculiar characteristics that distinguish them from bigger firms have to be considered. Moreover the competitors' field and the market environment are different for these two main groups. The differences in the design and implementation of services offered to the customers will be discussed further in the following paragraphs. Here the specific problems of entering one market or the other, derived specifically from the customer targeting, are presented.

The field of competitors offering products for bigger groups is far more developed than the other one. This observation can lead to multiple interpretations: in fact, on one hand it could be considered appealing to enter a market with less or no competition, but on the other, it could be that the absence of competition may be induced by scarcity of interest of the client for this type of products. Moreover, the profits coming from the more crowded group could overwhelm the ones guaranteed by the other sector. Another alternative possibility may be that the market for small businesses is relatively young and so still uncrowded.

Cloud Computing and Server Offering

The group of potential customers, comprehending smaller businesses and professionals, usually lacks the computing power and the storage requirements needed for AML; it is then a natural choice to offer server and remote-computing services to this category, as part of the final product.

In contrast, bigger firms are already acquainted with the use of computing resources provided by their own, moreover, their flux of data and computing power required will be far greater than the other customer, leading to a far greater requirement, and associated costs, for the MOL group. For this reason, a cloud computing choice will not be offered to them.

Archiving Support Used

Furthermore, when considering the needed archiving support the two client groups have different needs and resources. Big banks and groups must withstand Italian and European laws. In particular, in Italy, banks created an AUC (Archivio Unico Informatico) employing *Art. 37 del Decreto Legislativo 231/2007*, where the data can be shared between different banks and financial entities, enabling data sharing and circularity. Nowadays this archive is not mandatory anymore through *Decreto Legislativo 25 maggio 2017, n. 90*, but it seems not likely that banks will abandon this system. If the platform will be dedicated to this type of client, a complete and well-designed suite able to interact with the AUC, composed of several software, is mandatory to be included. Being the AUC a very complete and big dimension platform, the design and development of the managing software will be highly time and cost-consuming for MOL Group, leading to a bigger initial investment.

Being the AUC management time and cost-consuming, figures such as lawyers, notaries, and accountants, being not forced to use this system will hardly consider work on this platform, leaning towards a more intuitive and leaner archive, at the cost of fewer functionalities. The software developed by MOL Group should include, however, a certain degree of customization and parameter tuning from the client. By not employing the AUC anymore, MOL Group needs to find a digital way to archive the quantity of information about transactions for a ten years period, thus complying with the most recent law. This aspect could lead to a great expenditure from the group as well.

Software Modularity

The modules of the offered software must be differentiated as well for the two groups of customers. For banks, the software needs to be highly modular since the number of activities to be carried out is very high. Moreover, various people, belonging to different areas of the bank, will use the software, thus the creation of a package of programs, each one designed for a specific activity or type of personnel, is mandatory to be implemented.

Instead, a package developed for professionals is structured differently. The worker will use a single software. Despite this aspect, various types of occupations (lawyer, accountant, etc) must be covered, leading to the creation of a suite as well. Among the different software, the professional will choose, and pay, for the one, and only one, designed for his specific occupation.

Customer Support Type

The support requested differs widely for the two categories. Big groups,when facing operative problems, will need much more assistance in terms of size of the team and hours of work needed to fix the trouble,therefore leading to a much bigger effort from the MOL side compared to the one requested by single professionals.

In the last case a well-designed user manual, alongside a written assistance, paired with telephone or forum services for a fast aid intervention, will get the job done.

This difference will inevitably lead to a difference in pricing for the two offerings.

AML Formation Courses

When considering customer training, the extreme difference in specialization between the two groups has to be accounted for. When thinking of banks, the figures to be trained will already be skilled, with a decent level of specialization, needing deep information in their sector thanks to the common company internal formation courses.

In contrast, professionals usually lack this kind of AML formation since their main occupation a completely different one. Therefore, they are more likely to be interested in AML formation services. Furthermore, professional education will need a broader base and less deep level of knowledge. They will need to learn several functionalities from various areas of application of the software that will be provided to them.

In both cases, the training will be provided in the form of video lectures.

Not-Alternative Design Choices:

Hereafter are described the parts of the software that will remain very similar regardless of the choice of target customer, being the same design choice beneficial in both cases.

End-to-end SW

Having an end-to-end SW covering all 4 aspects of the AML regulation allows for a unique intercommunicating

environment so that additional external tools from other companies are not needed for tasks related to AML. This aspect of the software will also improve its usability and readiness to use.

Modularity

The AML-related SW services available in the market can be split into four fundamental pillars:

- **Adequate Client Verification:** All the new clients have to be identified and classified by the risk-based approach method (KYC) [5]. It is first required to verify who our customers' clients actually are and who they declare to be. Secondly, checks are carried out over blacklists, PEP, company owners, and additional titles.

- **Suspicious Activities Detecting (SOS):** During our customers' relations with their clients, those have to be continuously monitored in their transactions. In particular, it is requested to:
  - Standardise the behavior of those obliged to report
  - The obliged party must report when it knows, suspects, or has reasonable cause to suspect
  - Prohibition for obliged persons to give notice to the customer concerned or to third parties

- **Documentation Storage**
  - Elimination of registration obligations and the Single Computerised Archive [6]
  - Store customer data and information with any system
  - Deciding how to make data and information available to the authorities
  - Retention for ten years after termination of the relationship

- **Internal Checks and Education**
  - Recipients will have an organizational and control system
  - Broad involvement of all operational structures and corporate functions
  - Crucial is the role of line controls and the anti-money laundering officer

Having a modular SW means having four independent modules for the AML service that are interdependent. This allows customers that just need a piece of the overall service to avoid buying the entire package, thus guaranteeing additional flexibility. Since it is assumed that the choice of having an "end-to-end modular platform" is given, SW will bring just positive advantages to the service.

Adequate clients verification

In contrast to the topics analyzed above, where the differences between professionals and big firms were not negligible, here both parties must and will have to take appropriate measures to validate new clients. Safe and reliable KYC processes stand firmly as the first line of defense against potential fraudulent clients: by simply denying any service to them, both big and small businesses can protect capital and reputation. Therefore, the use of biometrics/SPID identification, as well as background checks and AI, will greatly benefit the two potential customers hereby discussed, highly speeding up and improving the accuracy of the submitted documents and IDs.

Suspicious Activities Signaling

No matter the amount of transactions taking place throughout the business activity and the size of the business itself, having software that autonomously estimates, flags, and signals suspicious activities is of extreme importance. Moreover, being the software MOL Group wants to offer fully customizable, the parameters that the transactions have to respect can be set autonomously since they can vary depending on the customer's request. This kind of offering allows the final product to be fully tailor-made to fit various needs, thus providing the optimal compromise for both professionals and corporations.

Conclusion and Final Design Choice

It is possible to notice how the banks and financial institutions option is way more expensive to develop and maintain when compared to the other one, even without accounting for the larger number of competitors. So a question naturally arises: if it is so difficult to operate there, why the vast majority of AML service providers are working in this environment? The answer is that the reward could be incredibly high, especially when compared with other choices. It could thus make sense for the MOL group to invest in this sector, but taking into account the difficulties inherent to this path, it is possible to imagine a more complex yet safer market strategy divided in different phases. The MOL group will also invest in the banking environment, but not immediately; firstly the group will mature experience in the less competitive and expensive market of professionals, which is newer and uncrowded, where MOL Group could have the chance to be one the first large group to invest in such sector and to iteratively improve its service.

In this first phase, the developed software will target professionals, especially notaries, lawyers and accountants. This is done since it has been found that very small professionals working with smaller cash flows and fewer clients probably will not be interested as much in the product, as for them the price to pay is not likely worth the expenditure. In contrast,our target categories will likely have the budget and the need for the developed platform since often involved in large transaction like property purchasing. This market will also be better suited for MOL's vision, since the group originated as an online financial service provider for common people.

5 Value Proposition

The following section reports the development phases of the Value Proposition.

5.1 Value proposition canvas

The value proposition canvas is the best way to summarize how the proposed product creates value for the target customer. The starting point is to analyze in a structured detailed way the customer profile, which was broken down in job, pain and gain. The job describes what the customer has to do. Anything that annoys the customers before, during, and after trying to get the job is under the pain. In contrast, the gains describe the outcomes and benefits that our customers want to achieve. The value proposition map illustrates the features of our products and services and how they respond to customer needs. The table below reports our value proposition canvas. In the appendix instead, it is possible to appreciate all the business models related to our product.

5.2 Value Proposition Test & Validation

Following the Lean start-up approach, the testing phase was carefully carried out by properly ensuring that the points below have been dealt with accordingly:

- Evaluation and Choice
- Implementation
- Control

5.2.1 Generation of falsifiable hypothesis

The assumptions hereby made must be tangible and testable, moreover, priority is given to the most uncertain and riskier supposition out of the ones present:

- The clients are willing to pay for software that speeds up the AML-related processes in their studies.
- The clients are willing to pay for software that implements biometric recognition for both themselves and the customers.
- The clients are willing to pay for software that deals with training/refresher courses for the employees.

5.2.2 Implementation

The implementation phase is done by a survey and interview.

Survey: The survey was provided to more than 600 professionals by sending as many emails as possible, targeting mostly notaries, accountants and small investment funds. All this firms were located in northern Italy, more specifically Milan and neighboring areas. The mail itself was sent using the e-mail academic account of group member's, containing a detailed explanation and a link to the course goals, in order to improve its credibility and hopefully avoid it being marked as spam. The survey was carried out in Italian because of the target audience, and was mainly composed of two sections: "state of the technology" inquiry and hypothesis validation.

In the first section, professionals were asked about their current way of dealing with AML, thus providing a satisfactory picture of their faults and needs.

Once that was established, the aforementioned hypothesis was validated in the second section by demanding whether or not they would be willing to purchase a software offering such features.

Interview with a lawyer: To further verify our hypothesis, an interview with a lawyer was carried out, where individual needs and AML-related issues were discussed.

If on one hand the software hereby proposed would greatly improve all the tasks that professionals have to deal with, no matter the amount of customers they work along, on the other hand investing in software while having very few customers wouldn't make any sense from the financial point of view. To this day, many accountants and notaries still use either paper supports or free-to-use software, which do not implement any sort of automated feature thus leaving them no option but to redact everything by hand. Even though this might be seen as extremely time-consuming, it is just an obvious consequence of the small amount of customers that such professionals are facing. Moreover, it became clear that in most cases, professionals carry out a detailed KYC process by themselves, before actually engaging in any kind of work activity with the designated customer. This sort of process, though quite rudimentary, is considered a safe enough approach for most of the threats the professionals have to face, thus further diminishing the interest in appropriate AML software.

5.2.3 Results and control

The results were collected anonymously through the Microsoft Form section, allowing the group to properly elaborate them. All the relevant material, such as questions asked, number of recipients and answers given can be found below under the "Appendix" section.

The feedback received was overwhelmingly positive, with almost all the professionals arguing in favor of the kind of software that is being offered and said to be willing to purchase such a suite. Special interest was observed in the biometric recognition features offered by the software, which most of the customers said to be interesting. On the other hand, as pointed out in the interview above, it became clear that not all clients would be interested in purchasing the software that is being offered. The reason should not be found in the lack of interest, but rather in the fact that the small number of clients that they deal with can be taken care of just by using free-to-operate software such as Excel and many others. In other words, for a good chunk of potential customers, the ease of use and improvement in AML performance don't justify the investment cost.

6 Appendix

6.1 Current legislation

The following paragraph aims to give a complete overview of the evolution of the AML legislation, both from Italian and European point of view. [7]

- 25/05/2017 "Decreto Legislativo n. 90/2017 in attuazione della Direttiva 2015/849/UE (IV Direttiva AML)

- 4/01/2018 "European AdV guidelines on measures simplified/strengthened due diligence of customers and the factors to consider in evaluate AML and CFT risks associated with relationships continuous and occasional operations"

- 28/03/2018 "Letter to the Market from IVASS regarding anti-money laundering obligations for insurance companies and insurance intermediaries"

- 30/05/2018 "EU Directive 2018/843 which amends the directive (EU) 2015/849 (See Directive)"

- 2/10/2018 "Letter to the Market from IVASS regarding self-assessment of risks money laundering and terrorist financing. Annual report of Anti-Money Laundering Function (formerly IVASS Letter to the Market of 25 July 2017)"

- 12/09/2019 "Regulation no. 44 IVASS containing the implementing provisions of the legislative decree. lgs. n. 231/07 as amended by Legislative Decree. lgs. n. 90/17, regarding organization, procedures, internal controls and adequate verification of customers"

- 4/10/2019 "Legislative Decree n. 125/2019 Amendments and additions to the legislative decrees of 25 May 2017, no. 90 and n. 92, implementing Directive (EU) 2015/849"

- 24/07/2019 "Opinion of the European Banking Authority on communications to institutions subject to supervision regarding money laundering and risk of terrorist financing in the supervisory context prudential"

- 7/02/2020 "IVASS letter to the market regarding self-assessment of the risks of money laundering and terrorist financing"

- 13/05/2020 "Communication from the Commission on an action plan for an integrated Union policy on prevention money laundering and terrorist financing"

- 16/04/2020 "UIF communication regarding the prevention of phenomena of financial crime connected to the COVID - 19 emergency"

- 16/07/2020 "Legislative Decree 176/2020 so-called Simplifications decree"

- 01/07/2021 "AML Package UE"

- 02/08/2021 "EBA Draft Guidelines on policies and procedures in relation to AML/CFT compliance management"

6.2 Business Model Canvas

The following scheme shows the whole business model canvas related to the value proposition canvas reported above. From this sketch it is possible to appreciate how the value proposition is created, delivered and finally captured. It is important to focus on the value creation, and so the key resources, key activities and partners.

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	COSTUMER RELATIONSHIPS	COSTUMER SEGMENTS
• Other GruppoMOL divisions	• Development of SW modules and updates • Buy a company • Service Sales Team • Customer Support	**Products & Services** • End-to-end modular software implemented with AI • Customer support team (doubts & complete outsourcing) • Website formation courses **Pain relievers** • Reliable AI driven Software for: AML Compliance & Accuracy in customer risk assesment (detect all suspicious activities and minimize false positive) • Time-saving intuitive software that can apply procedures based on their needs • Customer AML formation courses • Consulant support or complete outsourcing of activities **Gain Creator** • Time-saving intuitive software that can apply procedures based on their needs • Consulant support or complete outsourcing of activities	• Feedback Rating System • Software Customer Support	**Customer Jobs** • Being in compliance with AML regulations • Bureaucracy Activities and Customers Checks • Build a reputation of a trasparent and trustworthy professional **Pains** • Penalties and possible reputation loss in case of non-compliance to regulation and loss of profit/time/effort in case of false positives • Tasks requiring too long time and manual effort • Complex and changing regulations that could lead to mistakes • Not having support in ambiguous cases • Available SW may be not suited for the needs of specific professional type • Available services too expensive for small professionals with too few clients **Gains** • Save professionals time they can use to focus on main activities • Feeling listened and helped when in doubt (someone solving the problem) • Feeling eased and reducing time spent in: Bureaucracy and Customer Checks
	KEY RESOURCES • Established Company Reputation • Large Investments Opportunity • Network of Current Customers • Proprietary Software • IT Team: Software Engineers • AML experts		**CHANNELS** Channels per phase: 1. Awareness { Google Ads, Customers of other company services, In-presence events 2. Evaluation { Website, Get-to-know-you meeting 3. Purchase { Website 4. Delivery { Customization meeting, Videocalls, e-mails 5. After-Sales { Technical feedback and support	

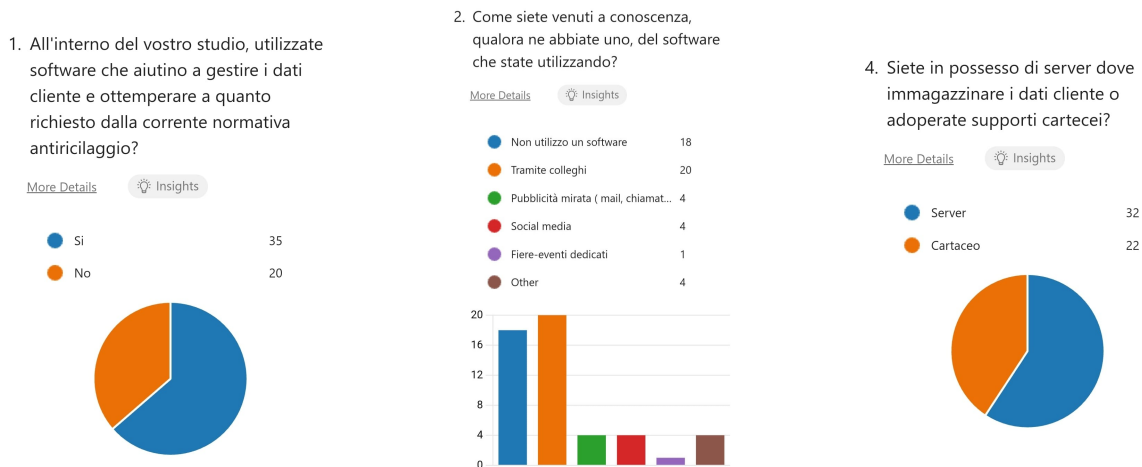| COST STRUCTURE	REVENUE STREAMS

Main costs per phase:
• **1st phase:**
  a. SW/Service Development
  b. Market Analysis
  c. Buy a company
• **2nd phase:**
  a. Customer Support
  b. Sales
  c. Marketing
  d. SW Maintenance
	• Software Modules
	• Formation Courses
	• Activities Complete Outcourcing

Furthermore, the group carefully assessed three different options for the implementation and development of the value proposition:

- Creation and delivery of all the SW modules & related service 100% in house.

- Completely activity of outsourcing. The group will acquire one or more small companies to cover all the modules offered.

- An intermediate solution. A part of the new product development in house and the remaining one generate by an absorption of another company.
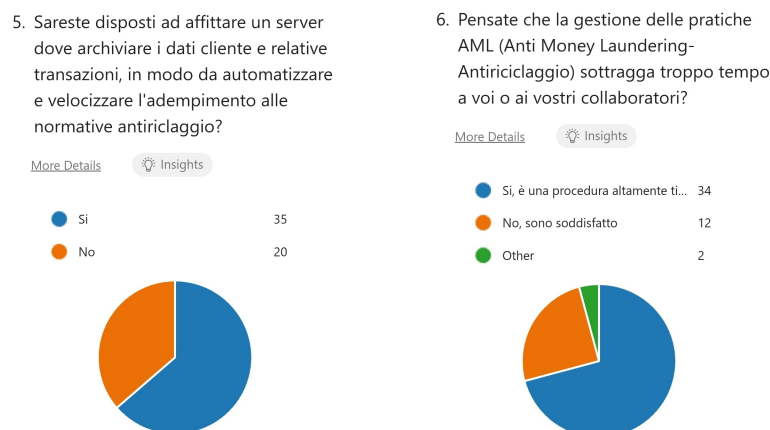
After different consideration the most convenient solution was considered to be the third one. In fact the acquisition of a **small AML-specialized professionals-oriented company** (like the ones placed in the extreme top-right in figure 3.2) could speed up the service development process. Acquisition would in fact imply acquiring proprietary patents, software, workforce and know-how from an established company in the target field. New developed SW could for example start from the structure of the one coming from the acquired company but could also be rebuilt completely thanks to the strong and well structured IT department. In both cases, the new technological features previously decided would need to be implemented anyway. The competitors analysis underlined different candidates companies for the acquisition. The most suited company selected was considered to be VEDA [8]. This company was chosen since it did match all the criterias above and it is also specialized in AML training course, a service we also want to offer ourselves.
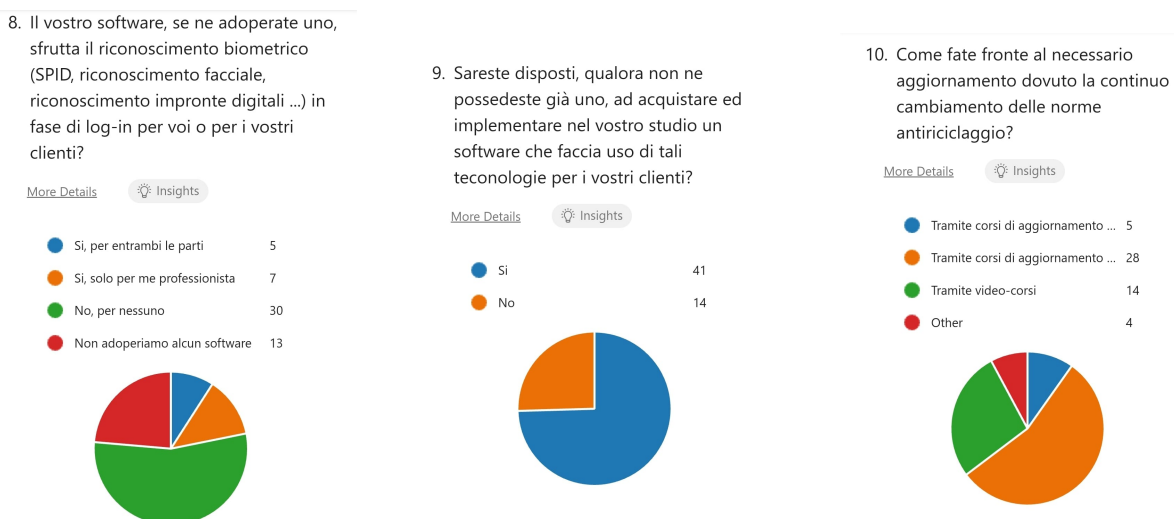
6.3 Testing questions and Results

The following pictures represent the questions presented in the survey provided to professionals, alongside pie charts highlighting the answers obtained. The total recipients of the survey were 55, mostly chosen between the metropolitan area of Milan. The numbers of clients they deal with could vary a lot, and it was up to them whether to disclose it or not as shown below.

1. All'interno del vostro studio, utilizzate software che aiutino a gestire i dati cliente e ottemperare a quanto richiesto dalla corrente normativa antiriciclaggio?

More Details   Insights

| Si | 35 |
| No | 20 |

2. Come siete venuti a conoscenza, qualora ne abbiate uno, del software che state utilizzando?

More Details   Insights

Non utilizzo un software	18
Tramite colleghi	20
Pubblicità mirata (mail, chiamat...	4
Social media	4
Fiere-eventi dedicati	1
Other	4

4. Siete in possesso di server dove immagazzinare i dati cliente o adoperate supporti cartacei?

More Details   Insights

| Server | 32 |
| Cartaceo | 22 |

As seen above, most of the potential clients already use some sort of software to deal with the AML process, however the percentage of those who don't shouldn't be overlooked. To this day, many still employs quite rudimentary methods of data storage, such as paper supports.

5. Sareste disposti ad affittare un server dove archiviare i dati cliente e relative transazioni, in modo da automatizzare e velocizzare l'adempimento alle normative antiriciclaggio?

More Details   Insights

| Si | 35 |
| No | 20 |

6. Pensate che la gestione delle pratiche AML (Anti Money Laundering- Antiriciclaggio) sottragga troppo tempo a voi o ai vostri collaboratori?

More Details   Insights

Si, è una procedura altamente ti...	34
No, sono soddisfatto	12
Other	2

Professionals admit that the AML-related processes are, for the most part, a time consuming task and that they would be willing to purchase a software to automate and speed up the whole procedure.

8. Il vostro software, se ne adoperate uno, sfrutta il riconoscimento biometrico (SPID, riconoscimento facciale, riconoscimento impronte digitali ...) in fase di log-in per voi o per i vostri clienti?

More Details   Insights

Si, per entrambi le parti	5
Si, solo per me professionista	7
No, per nessuno	30
Non adoperiamo alcun software	13

9. Sareste disposti, qualora non ne possedeste già uno, ad acquistare ed implementare nel vostro studio un software che faccia uso di tali teconologie per i vostri clienti?

More Details   Insights

| Si | 41 |
| No | 14 |

10. Come fate fronte al necessario aggiornamento dovuto la continuo cambiamento delle norme antiriciclaggio?

More Details   Insights

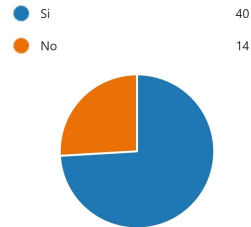| Tramite corsi di aggiornamento ... | 5 |
Tramite corsi di aggiornamento ...	28
Tramite video-corsi	14
Other	4

11. Sareste disposti, qualora non ne possedeste già uno, ad acquistare ed implementare nel vostro studio un software che, tra le altre cose sopra menzionate, fornisca corsi di aggiornamento per voi e per i vostri collaboratori?
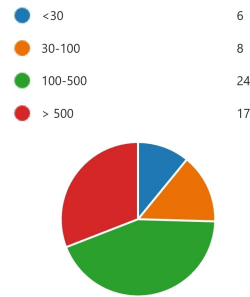
More Details   Insights

- Si   40
- No   14

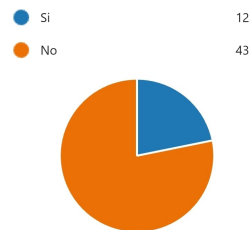12. Quanti clienti gestistite annualmente?

More Details   Insights

- <30   6
- 30-100   8
- 100-500   24
- > 500   17

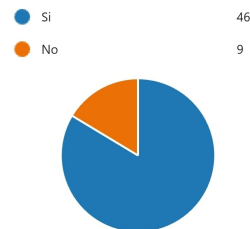13. Sebbene non sia più obbligatorio, registrate ancora i dati dei clienti sull' Archivio Unico Informatico?

More Details   Insights

- Si   12
- No   43

14. Effettuate controlli sui nuovi clienti che usufruiscono dei vostri servizi?

More Details

- Si   46
- No   9

Most of the potential clients admit that no biometric recognition tool is being exploited in their used software, and so they would be interested in acquiring a software that implements such feature. Regarding training courses, these are managed with different methods depending on the size and needs of the studies. It is interested to note that a good majority of the professionals would agree on buying a software that speeds up and deals with this specific aspect as well.

References

[1] Future Market Insight. Anti-money Laundering (AML) Market Outlook. URL: https://www.futuremarketinsights.com/reports/anti-money-laundering-market.

[2] Financial Intelligence Unit. Annual Report 2022, No. 15 - 2023. URL: https://uif.bancaditalia.it/pubblicazioni/rapporto-annuale/2023/index.html.

[3] The insight partens. Rapporto sull'analisi delle dimensioni del mercato e dell'analisi delle quote del software antiriciclaggio. URL: https://www.theinsightpartners.com/it/reports/anti-money-laundering-aml-software-market.

[4] European Security and Markets Authority. Markets in Crypto-Assets Regulation. URL: https://www.esma.europa.eu/esmas-activities/digital-finance-and-innovation/markets-crypto-assets-regulation-mica.

[5] Merkle Science. 3 Reasons Why the Future of Anti-Money Laundering Rests on Blockchain. URL: www.merklescience.com/3-reasons-why-the-future-of-anti-money-laundering-rests-on-blockchain.

[6] Sadas. AUI – Archivio Unico Informatico: cosa bisogna sapere. URL: https://www.sadasdb.com/aui-archivio-unico-informatico/.

[7] Deloitte. Next Generation AML: nuove sfide e trend evolutivi in ambito Antiriciclaggio e Financial Crime . URL: https://associazione-acora.it/wp-content/uploads/2021/10/Webinar_Trend-AML-Webinar-2610.pdf.

[8] Veda. Antiriciclaggio smart . URL: https://www.vedaformazione.it/antiriciclaggio-smart-con-le-nuove-regole-tecniche-organizziamo-lo-studio/.