

Build vs Buy Analysis: Transaction Monitoring

Buy Options

Transaction monitoring software is essential for financial institutions to manage risks, ensure compliance, and protect their reputation. The market offers a variety of solutions, each with unique features and benefits. Here are some notable options:

- **DataDome:** Known for its real-time anti-laundering bot protection, DataDome uses statistical and behavioral detection methods. It is user-friendly and integrates easily with existing systems, making it a popular choice for companies like TripAdvisor and Rakuten.
- **Arkose Labs:** This platform combines adaptive risk assessments and user experiences to prevent fraud. Its seamless integration and user-friendly interface make it a reliable option for businesses seeking robust security.
- **FICO TONBELLER:** Utilizing AI and behavioral analytics, FICO TONBELLER focuses on reducing false positives and improving operational efficiency. It is designed to

Build Options

Building an in-house transaction monitoring system offers control but presents significant challenges. Developing such a system requires technical expertise in transaction monitoring tools like Actimize and Mantas, as well as a deep understanding of regulatory compliance. The system must integrate key components such as data collection, analysis engines, and alert generation to effectively monitor transactions.

The potential benefits of an in-house system include tailored solutions that align closely with organizational needs and the ability to adapt quickly to regulatory changes. However, the challenges are substantial. These include the high costs of development and maintenance, the need for continuous updates to address evolving financial crime tactics, and the complexity of integrating advanced analytics and AI for effective monitoring.

A case study of N26 Bank highlights these challenges. The bank faced regulatory scrutiny due to deficiencies in its transaction monitoring, underscoring the importance of robust

Comparison of Build vs Buy

Building an in-house transaction monitoring system can be costly and time-consuming, while buying offers quicker deployment and scalability. Developing a custom system requires significant resources, including hiring skilled developers and ongoing maintenance, with initial costs reaching £3.1 million for a mid-tier bank. In contrast, purchasing a pre-built solution can be more cost-effective, with savings of up to two-thirds over three years.

Key considerations include:

- **Customization:** Building allows for tailored solutions to specific needs, but buying offers rapid configuration and adaptability to evolving regulations.
- **Scalability:** Outsourced solutions provide seamless scalability, accommodating growth without compromising performance.
- **Compliance:** Third-party providers offer expertise in regulatory requirements,

Conclusion

The analysis of build versus buy options for transaction monitoring systems reveals distinct advantages and challenges for each approach. Below is a comparison table summarizing the key findings:

Factor	Build Option	Buy Option
Cost	High initial and maintenance costs	More cost-effective over time
Customization	Highly tailored to specific needs	Rapid configuration and adaptability
Scalability	Requires significant resources to scale	Seamless scalability with growth
Compliance	Requires in-house expertise	Expertise provided by third-party