SAS: RiskTech Quadrant® 2018
Financial Crime Risk Management Systems: Enterprise Fraud; Market Update 2018
Chartis Research is the leading provider of research and analysis on the global market for risk technology. It is part of Infopro Digital, which owns market-leading brands such as Risk and WatersTechnology. Chartis’ goal is to support enterprises as they drive business performance through improved risk management, corporate governance and compliance, and to help clients make informed technology and business decisions by providing in-depth analysis and actionable advice on virtually all aspects of risk technology.

Areas of expertise include:

- Credit risk.
- Operational risk and governance, risk and compliance (GRC).
- Market risk.
- Asset and liability management (ALM) and liquidity risk.
- Energy and commodity trading risk.
- Financial crime including trader surveillance, anti-fraud and anti-money laundering.
- Cyber risk management.
- Insurance risk.
- Regulatory requirements including Basel 2 and 3, Dodd-Frank, MiFID II and Solvency II.

Chartis is solely focused on risk and compliance technology, which gives it a significant advantage over generic market analysts.

The firm has brought together a leading team of analysts and advisors from the risk management and financial services industries. This team has hands-on experience of implementing and developing risk management systems and programs for Fortune 500 companies and leading consulting houses.

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1. In this research paper

This research paper is based on material originally published in the Chartis Research report *Financial Crime Risk Management Systems: Enterprise Fraud; Market Update 2018*. It includes the following:

- RiskTech Quadrant® for enterprise fraud solutions.
- SAS enterprise fraud solution – capabilities and market position.
- RiskTech Quadrant® methodology.
2. RiskTech Quadrant® for enterprise fraud solutions

Figure 1 describes Chartis’s view of the vendor landscape for enterprise fraud solutions.

The RiskTech Quadrant® is a proprietary methodology developed specifically for the risk technology marketplace. It takes into account the product and technology capabilities of vendors, as well as their organizational capabilities.

Appendix A sets out the generic methodology and criteria used for the RiskTech Quadrant®. Specifically, we have considered the following criteria as particularly important:

Completeness of offering:

- **Payment fraud**, including card, mobile and wire payment capabilities.
- **Internal fraud analytics**, including employee fraud.
- **Real-time detection capabilities**, with a focus on processing latencies and transactions per second.
- **Fraud detection techniques**, including account-based fraud, visualizations and analytics.
- **Libraries of pre-packaged fraud rules**, including specific pre-packaged rules for fraud types such as counterfeit fraud, hacking and spoofing.
- **Alert management**, including case management and workflow.

Market potential:

- **Customer satisfaction**, including references and case studies.
- **Market penetration**, including geographical and vertical (investment, retail) clients.
- **Growth strategy**, including recent expansion, targeted areas, and roadmap.
- **Financials**, including deal size, number of clients, and the financial strength of the company.
**Figure 1: RiskTech Quadrant® for enterprise fraud solutions, 2018**

* RELX Group acquired ThreatMetrix in early 2018 and incorporated it into LexisNexis Risk Solutions.
Source: Chartis Research
3. SAS enterprise fraud solution: capabilities and market position

SAS: company summary

Headquartered in Cary, North Carolina, analytics software developer SAS has more than 400 offices in 56 countries, and employs over 14,000 employees. It offers solutions that cover a range of enterprise risk management needs, including credit risk, market risk, asset liability management, operational risk and Governance, Risk and Compliance (GRC), liquidity risk, and financial crime.

Quadrant dynamics

Enterprise fraud is an increasingly broad category of technology, with a wide variety of solution options across several platforms, each with their own strengths and challenges. The market experience of the incumbent providers means that their solutions tend to have the deepest anti-fraud functionality. With backgrounds normally in specific areas of fraud, they have since expanded their capabilities to cover a wider section of the enterprise fraud landscape, across different types of fraud detection and prevention.

By virtue of their market potential and functional capabilities, a small number of category leaders – including SAS – have moved away from the cluster of providers that span the centre of the quadrant, reflecting a developing focus on new and emerging fraud detection techniques (in payments, for example) and more sophisticated analytics.

SAS Fraud Management

Operating on a single platform, SAS's enterprise fraud solution – SAS Fraud Management – is designed for users that manage and process transactions that may be affected by fraudulent behavior. It incorporates analytics and Machine Learning (ML) using multiple data sources with a variety of detection requirements. Users can monitor multiple channels and business lines (including payments and events), address instances of fraud in real time, analyze external data for behavior patterns that may indicate fraud, and respond quickly.

Fraud Management can be employed in a number of traditional and emerging use cases (across new accounts, authentication and transactions). The solution integrates with third-party data and payment messaging channels such as SWIFT, enabling flexible data integration and orchestration, while its Artificial Intelligence (AI) functions incorporate several modeling and ML techniques covering, among other things, supervised and unsupervised learning.

As reflected in its Category Leader status in Chartis' Enterprise Fraud 2018 market update report, SAS continues to develop its platform, notably in its orchestration and managed services/cloud approach, with further developments planned in data management and storage.
4. Appendix A: RiskTech Quadrant® methodology

Chartis is a research and advisory firm that provides technology and business advice to the global risk management industry. Chartis provides independent market intelligence regarding market dynamics, regulatory trends, technology trends, best practices, competitive landscapes, market sizes, expenditure priorities, and mergers and acquisitions. Chartis's RiskTech Quadrant® reports are written by experienced analysts with hands-on experience of selecting, developing, and implementing risk management systems for a variety of international companies in a range of industries including banking, insurance, capital markets, energy, and the public sector.

Chartis’s research clients include leading financial services firms and Fortune 500 companies, leading consulting firms, and risk technology vendors. The risk technology vendors that are evaluated in the RiskTech Quadrant® reports can be Chartis clients or firms with whom Chartis has no relationship. Chartis evaluates all risk technology vendors using consistent and objective criteria, regardless of whether or not they are a Chartis client.

Where possible, risk technology vendors are given the opportunity to correct factual errors prior to publication, but cannot influence Chartis’s opinion. Risk technology vendors cannot purchase or influence positive exposure. Chartis adheres to the highest standards of governance, independence, and ethics.

Inclusion in the RiskTech Quadrant®

Chartis seeks to include risk technology vendors that have a significant presence in a given target market. The significance may be due to market penetration (e.g. large client-base) or innovative solutions. Chartis does not give preference to its own clients and does not request compensation for inclusion in a RiskTech Quadrant® report. Chartis utilizes detailed and domain-specific ‘vendor evaluation forms’ and briefing sessions to collect information about each vendor. If a vendor chooses not to respond to a Chartis vendor evaluation form, Chartis may still include the vendor in the report. Should this happen, Chartis will base its opinion on direct data collated from risk technology buyers and users, and from publicly available sources.

Research process

The findings and analyses in the RiskTech Quadrant® reports reflect our analysts’ considered opinions, along with research into market trends, participants, expenditure patterns, and best practices. The research lifecycle usually takes several months, and the analysis is validated through several phases of independent verification. Figure 2 below describes the research process.

Figure 2: RiskTech Quadrant® research process

Identify research topics
- Market surveys
- Client feedback
- Regulatory studies
- Academic studies
- Conferences
- Third-party information sources

Select research topics
- Interviews with industry experts
- Interviews with risk technology buyers
- Interviews with risk technology vendors
- Decision by Chartis Research Advisory Board

Data gathering
- Develop detailed evaluation criteria
- Vendor evaluation form
- Vendor briefings and demonstrations
- Risk technology buyer surveys and interviews

Evaluation of vendors and formulation of opinion
- Demand and supply side analysis
- Apply evaluation criteria
- Survey data analysis
- Check references and validate vendor claims
- Follow-up interviews with industry experts

Publication and updates
- Publication of report
- Ongoing scan of the marketplace
- Continued updating of the report

Source: Chartis Research
Chartis typically uses a combination of sources to gather market intelligence. These include (but are not limited to):

- **Chartis vendor evaluation forms.** A detailed set of questions covering functional and non-functional aspects of vendor solutions, as well as organizational and market factors. Chartis’s vendor evaluation forms are based on practitioner level expertise and input from real-life risk technology projects, implementations, and requirements analysis.

- **Risk technology user surveys.** As part of its ongoing research cycle, Chartis systematically surveys risk technology users and buyers, eliciting feedback on various risk technology vendors, satisfaction levels, and preferences.

- **Interviews with subject matter experts.** Once a research domain has been selected, Chartis undertakes comprehensive interviews and briefing sessions with leading industry experts, academics, and consultants on the specific domain to provide deep insight into market trends, vendor solutions, and evaluation criteria.

- **Customer reference checks.** These are telephone and/or email checks with named customers of selected vendors to validate strengths and weaknesses, and to assess post-sales satisfaction levels.

- **Vendor briefing sessions.** These are face-to-face and/or web-based briefings and product demonstrations by risk technology vendors. During these sessions, Chartis experts ask in depth, challenging questions to establish the real strengths and weaknesses of each vendor.

- **Other third-party sources.** In addition to the above, Chartis uses other third-party sources of information such as conferences, academic and regulatory studies, and collaboration with leading consulting firms and industry associations.

### Evaluation criteria

The RiskTech Quadrant® (see Figure 3) evaluates vendors on two key dimensions:

1. Completeness of offering
2. Market potential

#### Completeness of offering

- **Depth of functionality.** The level of sophistication and amount of detailed features in the software product (e.g. advanced risk models, detailed and flexible workflow, domain-specific content). Aspects assessed include: innovative functionality, practical relevance of features, user-friendliness, flexibility, and embedded intellectual property. High scores are given to those firms that achieve an appropriate balance between sophistication and user-friendliness. In addition, functionality linking risk to performance is given a positive score.

- **Breadth of functionality.** The spectrum of requirements covered as part of an enterprise risk management system. This will vary for...
each subject area, but special attention will be given to functionality covering regulatory requirements, multiple risk classes, multiple asset classes, multiple business lines, and multiple user types (e.g. risk analyst, business manager, CRO, CFO, Compliance Officer). Functionality within risk management systems and integration between front-office (customer-facing) and middle/back office (compliance, supervisory, and governance) risk management systems are also considered.

- **Data management and technology infrastructure.** The ability of risk management systems to interact with other systems and handle large volumes of data is considered to be very important. Data quality is often cited as a critical success factor and ease of data access, data integration, data storage, and data movement capabilities are all important factors. Particular attention is given to the use of modern data management technologies, architectures, and delivery methods relevant to risk management (e.g. in-memory databases, complex event processing, component-based architectures, cloud technology, software-as-a-service). Performance, scalability, security, and data governance are also important factors.

- **Risk analytics.** The computational power of the core system, the ability to analyze large amounts of complex data in a timely manner (where relevant in real time), and the ability to improve analytical performance are all important factors. Particular attention is given to the difference between ‘risk’ analytics and standard ‘business’ analytics. Risk analysis requires such capabilities as non-linear calculations, predictive modeling, simulations, scenario analysis, etc.

- **Reporting and presentation layer.** The ability to present information in a timely manner, the quality and flexibility of reporting tools, and ease of use are important for all risk management systems. Particular attention is given to the ability to do ad-hoc ‘on-the-fly’ queries (e.g. what-if-analysis), as well as the range of ‘out-of-the-box’ risk reports and dashboards.

### Market potential

- **Market penetration.** Both volume (i.e. number of customers) and value (i.e. average deal size) are considered important. Also, rates of growth relative to sector growth rates are evaluated.

- **Brand.** Brand awareness, reputation, and the ability to leverage current market position to expand horizontally (with new offerings) or vertically (into new sectors) are evaluated.

- **Momentum.** Performance over the previous 12 months is evaluated, including financial performance, new product releases, quantity and quality of contract wins, and market expansion moves.

- **Innovation.** New ideas, functionality, and technologies to solve specific risk management problems are evaluated. Developing new products is only the first step in generating success. Speed to market, positioning, and translation into incremental revenues are critical success factors for exploitation of the new product. Chartis also evaluates business model or organizational innovation (i.e. not just product innovation).

- **Customer satisfaction.** Feedback from customers regarding after-sales support and service (e.g. training and ease of implementation), value for money (e.g. price to functionality ratio) and product updates (e.g. speed and process for keeping up to date with regulatory changes) is evaluated.

- **Sales execution.** The size and quality of sales force, sales distribution channels, global presence, focus on risk management, messaging, and positioning are all important factors.

- **Implementation and support.** Important factors include size and quality of implementation team, approach to software implementation, and post-sales support and training. Particular attention is given to ‘rapid’ implementation methodologies and ‘packaged’ services offerings.

- **Thought-leadership.** Business insight and understanding, new thinking, formulation and execution of best practices, and intellectual rigor are considered important by end users.

- **Financial strength and stability.** Revenue growth, profitability, sustainability, and financial backing (e.g. the ratio of license to consulting revenues) is considered as key to scalability of the business model for risk technology vendors.
Quadrant descriptions

Point solutions

- Point Solutions providers focus on a small number of component technology capabilities, meeting a critical need in the risk technology market by solving specific risk management problems with domain-specific software applications and technologies.
- They are often strong engines for innovation, as their deep focus on a relatively narrow area generates thought leadership and intellectual capital.
- By growing their enterprise functionality and utilizing integrated data management, analytics and BI capabilities, vendors in the Point Solutions category can expand their completeness of offering, market potential and market share.

Best-of-breed

- Best-of-Breed providers have best-in-class point solutions and the ability to capture significant market share in their chosen markets.
- They are often distinguished by a growing client base, superior sales and marketing execution, and a clear strategy for sustainable, profitable growth. High performers also have a demonstrable track record of R&D investment, together with specific product or ‘go-to-market’ capabilities needed to deliver a competitive advantage.
- Focused functionality will often see Best-of-Breed providers packaged together as part of a comprehensive enterprise risk technology architecture, co-existing with other solutions.

Enterprise solutions

- Enterprise Solutions providers typically offer risk management technology platforms, combining functionally-rich risk applications with comprehensive data management, analytics and BI.
- A key differentiator in this category is the openness and flexibility of the technology architecture and a ‘toolkit’ approach to risk analytics and reporting, which attracts larger clients.
- Enterprise Solutions are typically supported with comprehensive infrastructure and service capabilities, and best-in-class technology delivery. They also combine risk management content, data and software to provide an integrated ‘one-stop-shop’ for buyers.

Category leaders

- Category Leaders combine depth and breadth of functionality, technology and content with the required organizational characteristics to capture significant share in their market.
- Category Leaders demonstrate a clear strategy for sustainable, profitable growth, matched with best-in-class solutions and the range and diversity of offerings, sector coverage and financial strength to absorb demand volatility in specific industry sectors or geographic regions.
- Category Leaders will typically benefit from strong brand awareness, global reach and strong alliance strategies with leading consulting firms and systems integrators.
5. Further reading

- Financial Crime Risk Management Systems: Enterprise Fraud; Market Update 2018
- Financial Crime Risk Management Systems: Know Your Customer; Market Update 2018
- Financial Crime Risk Management Systems; Market Update 2017
- RiskTech100® 2019
- Spotlight on Cryptocurrencies
- Spotlight: quantifying cyber risk in financial institutions

For all these reports, see www.chartis-research.com