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# Regtech gets a funding boost as investors see the benefits behind AML risk controls and AI

Article

**The trend:** This week saw **three fintechs specializing in fraud and money laundering detection rake in big funding rounds.** Here we round up their benefactors and discuss why this segment is hot.

**Sandbar**

- This New-York based fintech, which specializes in transaction monitoring software that detects suspicious transactions, fraud, and counter-terrorism risk, is launching after receiving $4.8 million in funding.
- It touts more than 45 investors, including executives from **Plaid**, **Stripe**, and **Square**.
- The software is implemented via API plug-ins, and the startup claims it reduces the need for additional headcount, saving firms time and money.

**Salv**

- Formed in 2018 by a group of former **Wise** and **Skype** executives, this Estonia-based startup won €4 million ($3.97 million) seed funding.
- Salv provides an API-integrated, collaborative anti-money laundering (AML) platform called **Salv Bridge** which allows for direct and instant communication between financial institutions. Currently, the 21 European companies in the network have worked together to prevent €6 million to €7 million ($5.95 million to $6.94 million) from landing in criminal-controlled accounts and solve 7,000 investigations.
- With its funding, Salv plans to expand to new geographic areas and further develop its technology.

**Hawk AI**

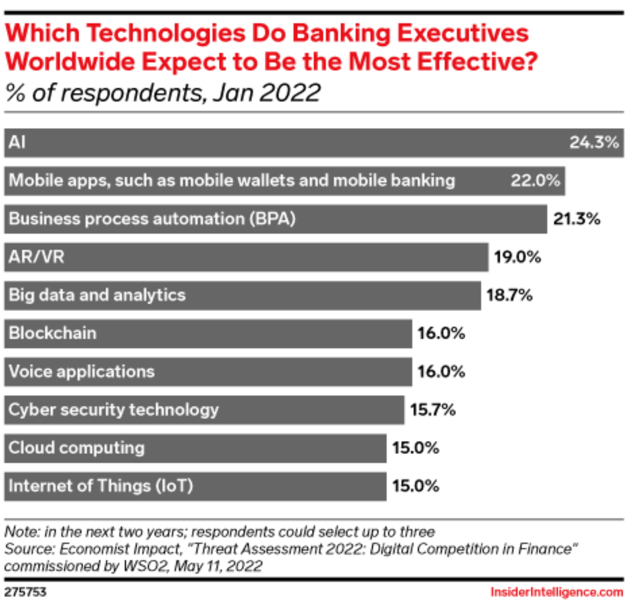
- Germany-based Hawk AI received $17 million in Series B funding to expand its artificial intelligence (AI)-powered, cloud-based AML software.
- The fintech was founded in 2018 and operates in 60 countries. Notable clients include **Mambu**, **Visa**, and **LexisNexis**. The company reports that 40% of its revenues come from the US.

**AML is top-of-mind:** Seventy-nine percent of financial institutions (FIs) surveyed in a ComplyAdvantage study on financial crime said that they deliberately choose to make AML violations and incur related fines as a cost of doing business. But recent financial events have caused regulators to crack down on money laundering offenders.

- The war in Ukraine brought a wave of new financial sanctions against Russian authorities, requiring FIs to get up to speed fast. Firms that can tap into cloud and API-powered AML solutions can worry less about time and set up and focus on speeding up compliance.
- Amid the ongoing crypto collapse, it's becoming clear that digital asset markets are a prime platform for financial criminals to move money. Regulators are now scrutinizing AML controls at crypto firms, as well as at digital banks, to ensure suspicious transactions are caught early.

**AI finds a place in banking:** AI has been identified as a powerful tool for the financial sector, but some of its applications are still controversial.

- The technology's use in lending has revealed that financial institutions haven't quite figured out how to handle associated risks. Feeding AI models flawed data and information could lead to lending approval results peppered with unintentional bias.
- But FIs and investors have embraced its application to fraud and AML controls. Though this use case can cause some friction for consumers, especially during on-boarding, the consequences don't typically lead to violations like running afoul of fair lending requirements.




**The big takeaway:** Though the fintech funding outlook for 2023 remains muted, it's worth keeping an eye on regtech and AI. The economic downturn and digitalization of the banking industry will provide new opportunities for fraudsters to take advantage of consumers.

Fintechs that are able to assist FIs with these problems are more likely to enjoy the little funding available.

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