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Alloy raises a well-timed $100M to build out identity decisioning platform

Article

The news: US identity-decisioning platform provider Alloy has raised $100 million in a Series C funding round, attaining a valuation of $1.35 billion, TechCrunch reports.

- Lightspeed Venture Partners led the round and was joined by existing Alloy backers Canapi Ventures, Bessemer Venture Partners, Avid Ventures and Felicis Ventures.
- The new funding brings Alloy's total raised since its 2015 launch to $150 million.

What does it do? Alloy helps banks and fintechs with AML and KYC by automating functions like identity decision-making during new customer onboarding and transaction monitoring (and automated credit underwriting is in the works, per TechCrunch). It counts Ally Bank, Brex, and Evolve Bank & Trust among its over 200 clients.

Alloy plans to use its new funding to build out customer identity profiles that can be used to mitigate risk.

The timing of the fundraise is opportune: Digital account opening has surged on the back of the coronavirus pandemic. 2021 will be a high watermark year for accounts opened via digital channels, per Insider Intelligence forecasts, placing a premium on strong onboarding identity verification.

Furthermore, in recent months several high-profile fintechs have struggled with AML issues, which could raise awareness of the problems that come with not properly comply with money laundering regulations.

- UK neobank **Monzo** disclosed in July that it was under investigation by the UK's Financial Conduct Authority for failings in its anti-money laundering controls, per the BBC.
- German neobank **N26** was recently ordered by Germany's BaFin to pay €4.25 million ($4.85 million) for delayed reports of suspicious potential money laundering activity in 2019 and 2020, per Reuters.

Why it matters: Alloy's pitch to neobanks in particular may be strengthened by the digital-only banks' need to assuage consumers' wariness about making a neobank their primary bank.

A sizable swath of US consumers don't want to move their primary banking relationships to digital-only players due to security concerns, per a new survey from PYMNTS and Optherium.

- **At 47.4%, data security was the issue most widely cited by survey respondents** who are either just "slightly" or "not at all" interested in switching their primary status to a digital-only bank supported by a large company.

That concern could lead neobanks to put a higher premium on stronger compliance efforts and partnerships. They may also be open to working with third-party solution providers like Alloy that can help neobanks reduce fraud and money-laundering incidents harmful to their reputations.