



A Guide for Payment Providers

5 Ways to Automate Your Merchant Risk Operations



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Introduction

Merchants expect underwriting decisions in minutes—not hours or days. Yet, traditional merchant underwriting and onboarding is notoriously complex and time-consuming, requiring:

- + Thorough KYC and KYB due diligence to vet merchants
- + Labor-intensive underwriting reviews and decisions
- + Continuous monitoring to ensure ongoing regulatory compliance
- + Careful oversight throughout the merchant lifecycle

Payment providers must streamline and automate their end-to-end merchant risk operations to compete successfully. Implementing AI solutions into the merchant lifecycle shortens the merchant application decision process, resulting in faster merchant onboarding and early detection of bad actors. Implementing automation tools and services at each stage of the merchant lifecycle is no longer a nice-to-have but a necessity to keep up with merchant demand.

How to maximize inefficiency and risk

Manual labor

Some payment providers handle some, if not all, of the complex set of merchant-lifecycle tasks with costly and error-prone manual labor.

If you process a few dozen merchant applications each month, you can get away with doing things manually, but—whether you're just starting out or an established player—it's important to remember that manual processes are:

- Labor intensive, slow, and expensive → ***Reduces profit***
- Difficult to scale → ***Impedes growth***
- Inconsistent → ***Opens you to significant regulatory risk and penalties***

Solutions

More advanced payment providers pair in-house human labor with technology solutions to streamline isolated components. Before 2020, acquirers were limited to contracting separate vendors to address specific parts of the merchant lifecycle, often with minimal integration options. Projects integrating multiple solutions were typically expensive, slow to market, and had a high failure rate, all while adding complexity and management overhead.

Automation

An easy application process paired with a fast-underwriting decision is key to attracting merchants. In contrast, quality data, solid risk models, and ongoing merchant monitoring are foundational to risk mitigation and compliance. Payment providers who get these things right win more merchant business, reduce risk, and maximize revenue. Automation technologies speed up the process and ensure consistent, repeatable results. In today's highly competitive landscape, those who automate *win!*

5 ways to automate your merchant risk operations

1

Simplify merchant applications

Don't ask merchants to fill out multiple paper applications, and especially don't ask them to fill in the same basic information (like name and address) more than once. Instead, use an application automation solution. Look for a provider that consolidates applications for multiple offerings into a single, efficient online process. Providing a stress-free experience will attract more merchants and reduce abandonments.

2

Automate KYC and KYB due diligence checks

Validating merchant-supplied information is your first and best defense against boarding bad actors. Manual Know Your Customer (KYC) and Know Your Business (KYB) checks are slow, wasting precious time and blocking the underwriting decision. Large or small, you should immediately automate all KYC/KYB due diligence. Look for a solution that meets card brand and ETA requirements, allows you to customize search terms and reports, and returns complete and accurate merchant KYC/KYB reports within minutes, 24/7/365.

3

Auto-decision as many merchants as possible

Auto-decision with proper scoring models. Roughly half of your merchant applications could be automatically approved or declined. Auto-approving the best applicants helps win their business. Immediately declining obvious bad actors frees underwriters to focus on legitimate merchants that require additional review before approval. Look for a solution that allows you to customize your scoring model by merchant type and adjust the "risk flag" threshold to fit your unique business needs and risk appetite.

4

Streamline your workflow

You're not alone if your workflows need improvement. On the front end, you may be managing multiple forms to sell multiple products, while on the back end, coordinating sales, compliance, underwriter-to-final-signer flow, back-office systems, and your CRM further increases complexity.



Replace cobbled-together processes with a coordinated and automated underwriting management system. Look for a solution with configurable applications and workflows to accommodate various merchant processing agreements, and make sure CRM integrations work with your existing tech stack.

5

Outsource compliance monitoring

Crooks are clever and looking to fool you into approval. While pre-boarding KYC/KYB checks are a snapshot, continuous monitoring identifies potential transaction laundering and ensures ongoing compliance with regulatory and card network rules. Since bad actors are always on the move, look for a solution that allows you to track merchants across multiple acquirers.

Automate smarter with seamless integration

While automation is critical to streamlining operations and winning clients, choosing unrelated point solutions can land you with many tech-integration issues, not to mention the headaches of managing multiple vendors.

When you think of automation, the magic sauce is integration!

Look for an integrated tech ecosystem that addresses the entire merchant lifecycle—including KYC/KYB checks, underwriting, and ongoing compliance monitoring.

A coordinated and technologically integrated end-to-end solution allows you to:

- + Accelerate time to revenue with faster underwriting decisions
- + Mitigate losses by quickly disqualifying problematic merchants
- + Scale back-office work by reducing repetitive tasks
- + Ensure persistent compliance with regulatory and card network rules
- + Manage a single vendor across merchant underwriting, KYC, KYB, and risk processes

Conclusion

Signing new merchant accounts is a race to see who approves the merchant first. You can't just be fast; *you must be fast and careful*. Payment providers who can meet merchant expectations for speed while conducting effective KYC/KYB due diligence and underwriting win new, legitimate customers while weeding out the bad actors. Those who use automation to keep tabs on merchants once they've been boarded ensure ongoing compliance and protect their reputations.

To win, you need to automate. To win big, you need automation tools and processes that seamlessly integrate to address all steps in the merchant lifecycle.

About G2 Risk Solutions (G2RS)

G2 Risk Solutions is the definitive expert in risk and compliance business intelligence for financial institutions and online platforms. We are industry pioneers providing market-leading solutions for merchant risk, digital commerce risk, bankruptcy risk, and credit risk and regulatory reporting. We are driving innovation and shaping the future of risk management through unprecedented data, technology, and global compliance and risk expertise, providing the financial services and digital commerce ecosystems with the tools needed to navigate complex and ever-changing regulatory requirements and mitigate risk.

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