

HLBNGA
Insight2Grow

The Future of Enhanced Due Diligence

**OVERCOMING AI AVERSION IN DUE
DILIGENCE**



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EXECUTIVE SUMMARY

In an era where regulatory scrutiny intensifies and global risks evolve rapidly, traditional Enhanced Due Diligence (EDD) processes are buckling under inefficiencies, high costs, and human limitations. Financial institutions, fintechs, and enterprises face mounting challenges: from onboarding high-risk suppliers due to incomplete risk assessments to regulatory fines stemming from overlooked third-party vulnerabilities. KYCopilot AI, developed in South Africa to address local regulatory hurdles like FATF Grey List implications while serving global needs, emerges as a transformative solution, leveraging artificial intelligence to deliver tiered, lightning-fast EDD reports tailored to diverse use cases—from quick KYC/AML screenings for startups to comprehensive risk intelligence for high-stakes M&A.

Drawing inspiration from Moody's [A Study on AI in Compliance](#) and the [NIST AI Risk Management Framework](#), this whitepaper explores the pitfalls of conventional EDD, backed by key statistics, and positions KYCopilot as a revolutionary **tool that slashes report compilation time from weeks to 3-5 minutes.**

With embedded AI for automated data synthesis, risk scoring, and audit trails, KYCopilot not only mitigates errors but empowers agile decision-making across low-, medium-, and high-risk scenarios.

THE EDD REVOLUTION

Imagine a fintech startup racing to onboard a promising vendor, only to discover post-contract that the supplier's supply chain harbors sanctions risks—leading to a \$10 million fine and reputational damage. This scenario, drawn from real-world AML failures, underscores the critical role of EDD in today's interconnected economy.

According to a [2025 LSEG report](#) on rising KYC/EDD costs, global AML compliance spending is projected to hit \$51.7 billion by 2028, driven by escalating regulatory demands and false positives that waste up to 95% of investigative time.

Yet, traditional EDD methods - reliant on manual searches across siloed databases - fall short.

In high-risk sectors like banking, over half of M&A deals fail due to inadequate due diligence, per historical studies. As AI reshapes compliance—evidenced by Oracle's [whitepaper on Dynamic Customer Due Diligence](#)—innovative platforms like KYCopilot are essential for proactive risk management.

A [Thomson Reuters survey](#) highlights that 68% of compliance professionals cite data silos and human error as top challenges, resulting in incomplete risk profiles.

KEY STATISTICS AT A GLANCE

Challenge	Statistic	Source
Compliance Costs	AML spending to reach \$51.7B by 2028	Juniper Research
False Positives	Up to 95% in traditional systems	Datos Insights
M&A Failure Rate	Over 50% due to poor diligence	DealRoom
Boost in Productivity	35% boost in productivity after adopting AI-driven Due Diligence Tools	TRACT
Top Trends in Adaptation	Increased specialization in compliance roles (55-61% of responders) Adoption of technology-driven solutions (49-53% of responders)	LSEG Report

CHALLENGES IN TRADITIONAL EDD: A DEEP DIVE

Traditional EDD is plagued by outdated methodologies that amplify risks and inefficiencies. Industry benchmarks indicate it can take anywhere from several hours to weeks, depending on complexity—far exceeding the rapid pace of modern business. For instance, periodic reviews alone may consume **2-3 days** per case, per Reddit insights from AML professionals.

Other Core problems include:

- **Conventional Search-Driven Data Collection:** Reliant on fragmented web searches, leading to incomplete insights and overlooked hidden risks.
- **Multiple Systems and Siloed Reports:** Teams juggle disparate tools, causing data inconsistencies and duplicated efforts.
- **Minimal Time for Hidden Risks:** Rushed processes miss subtle red flags, like adverse media buried in obscure sources.
- **Copy-Paste Work and Human Error:** Manual aggregation invites inaccuracies, with studies showing high error rates in traditional diligence.
- **Insufficient Assessment of Third- and Fourth-Party Risks:** Limited scope fails to map supply chains or entity associations, exposing firms to cascading vulnerabilities.

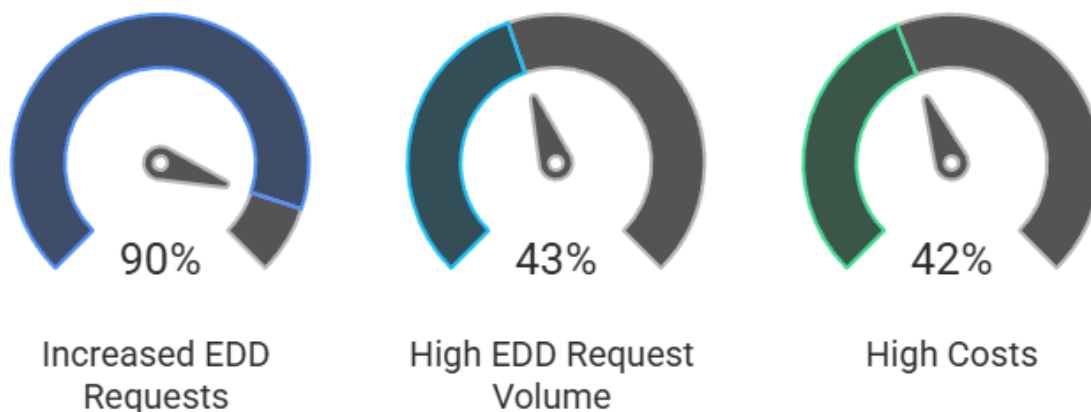
- **Lack of Search History for Audits:** No traceable logs hinder regulatory proof, increasing compliance risks.

A significant **90%** of respondents say that the volume of EDD requests has risen over the last three years, contributing to escalating pressures. When asked about their biggest challenges relating to KYC EDD reporting, high volumes of EDD requests (cited by 43%) and the associated high costs (cited by 42%) emerge as the most prominent concerns. Moreover, respondents revealed a range of other challenges, including pressure to make customer onboarding decisions quickly.

These flaws culminate in dire consequences: onboarding high-risk suppliers, cutting corners on ESG checks, and facing penalties.

A [FATF report on new technologies](#) notes that siloed systems exacerbate AML/CFT inefficiencies, leading to undetected financial crimes.

Challenges in KYC EDD Reporting



Made with Napkin

TIERED INTELLIGENCE FOR EVERY RISK LEVEL

KYCopilot AI redefines EDD with an AI-powered platform that leverages and quickly analyzes vast amounts of publicly available information to find hidden risks and associations, automating data aggregation, risk scoring, and report generation in just 3-5 minutes - a fraction of traditional timelines. Our solution integrates real-time AI analytics for seamless, scalable diligence.

<p>Tier 1: Fast, Cost-Effective KYC/AML Screening</p> <p>For startups and compliance teams handling low-risk clients, KYCopilot delivers instant screenings with core checks on sanctions, PEPs, and adverse media. Priced affordably, it automates what once took hours, reducing costs by up to 80% while ensuring accuracy.</p>	<p>Tier 2: Best-Value Tactical Insights with ESG/Supply Chain Teasers</p> <p>Fintechs and SMBs gain agile insights for medium-risk vendors, including ESG overviews and basic supply chain mapping. AI-driven teasers highlight potential risks like environmental lapses or third-party exposures, enabling quick pivots without exhaustive manual research.</p>	<p>Tier 3: Full-spectrum risk intelligence for banks and deal-makers mastering high-stakes M&A and complex supply chains.</p> <p>Banks and deal-makers access deep dives for high-stakes M&A, covering UBO tracing, fourth-party risks, and predictive analytics. With AI synthesizing data from public sources, reports include risk heatmaps and mitigation strategies,</p>
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		transforming complex chains into actionable intelligence.
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HOW KYCOPILOT WORKS: AI AT THE CORE

At its heart, KYCopilot employs advanced AI models to crawl, analyze, and synthesize data. Users input entity details; AI generates structured reports with transparent scoring (e.g., weighted factors for likelihood and impact). Audit trails log every query, addressing regulatory gaps, while natural language processing uncovers hidden associations overlooked in manual processes.

REAL-WORLD IMPACT: HYPOTHETICAL CASE STUDIES

- **Startup Onboarding:** A fintech uses Tier 1 to screen 50 clients in under an hour, avoiding a PEP-linked vendor that traditional methods missed—saving potential fines of \$500K.
- **SMB Vendor Diligence:** An e-commerce firm leverages Tier 2 ESG teasers to flag a supplier's labor issues, rerouting procurement and averting reputational harm.
- **M&A Mastery:** A bank employs Tier 3 for a cross-border deal, identifying fourth-party sanctions risks in minutes, ensuring a smooth \$200M acquisition.

These scenarios echo findings from ASIFMA's [KYC Best Practices whitepaper](#), where AI reduces diligence failures by **70%**.

BENEFITS: SPEED, ACCURACY, AND BEYOND

KYCopilot's 3-5 minute turnaround contrasts sharply with manual EDD's multi-day cycles, minimizing opportunity costs. AI eliminates 95% of false positives, cuts human error, and extends to third/fourth-party risks via network analysis.

Cost savings?

Up to 50% lower than legacy systems, per LSEG insights. Plus, built-in audit histories ensure regulatory readiness. Whilst at first glance AI appears to offer an immediate solution, our key finding aligns with industry consensus that a human-centric, but AI-enriched approach to KYC EDD is favoured.

THE FUTURE OF EDD: AI-DRIVEN RESILIENCE

As AI evolves—per NIST's framework—KYCopilot positions users ahead of curves like perpetual KYC. By addressing traditional pitfalls head-on, it fosters a proactive compliance culture, reducing risks of high-risk onboarding and corner-cutting.

CONCLUSION: EMBRACE THE KYCOPILOT REVOLUTION

In a world of escalating threats, KYCopilot AI isn't just a tool - it's a strategic imperative. By blending speed, depth, and intelligence across tiers, it empowers organizations to navigate risks confidently. Contact us today to transform your due diligence from burdensome to breakthrough.

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-GET IN TOUCH-

**Discover how we empower companies
to streamline their compliance.**

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