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WHITEPAPER · INTELLIGENCE TO GO

The Future of **Enhanced Due Diligence**

Overcoming AI aversion in due diligence — how KYCopilot AI delivers tiered, lightning-fast EDD reports for every risk level, from quick KYC/AML screening to high-stakes M&A.

$51.7B	95%	50%+	3–5 min
Projected global AML compliance spend by 2028	Of investigative time wasted on false positives	Of M&A deals fail on inadequate due diligence	KYCopilot EDD report turnaround

EXECUTIVE SUMMARY

Traditional EDD is buckling

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 — built for demanding regimes such as Australia's Tranche 2 AML/CTF reforms while serving global needs — emerges as a transformative solution, leveraging artificial intelligence to deliver tiered, lightning-fast EDD reports tailored to diverse use cases. Drawing on Moody's study of AI in compliance and the NIST AI Risk Management Framework, this whitepaper explores the pitfalls of conventional EDD and positions KYCopilot as a tool that slashes report compilation from weeks to 3–5 minutes, with embedded AI for automated data synthesis, risk scoring and audit trails.

THE EDD REVOLUTION

A $10 million lesson in hidden risk

Imagine a fintech racing to onboard a promising vendor, only to discover post-contract that the supplier's supply chain harbours sanctions risks — a $10 million fine and reputational damage. Drawn from real-world AML failures, this scenario underscores the critical role of EDD in today's interconnected economy, where manual searches across siloed databases simply fall short.

> *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

The numbers behind the pressure

$51.7B by 2028
Projected AML compliance spending (Juniper Research).

Up to 95% false positives
In traditional screening systems (Datos Insights).

50%+ M&A failure
Deals failing on poor diligence (DealRoom).

35% productivity boost
After adopting AI-driven due diligence tools (TRACT).

55–61% specialising
Increased specialisation in compliance roles (LSEG).

49–53% tech-driven
Adoption of technology-driven solutions (LSEG).

THE CHALLENGE

Traditional EDD: a deep dive

Traditional EDD is plagued by outdated methodologies that amplify risk and inefficiency — taking anywhere from hours to weeks per case, with periodic reviews alone consuming 2–3 days. 90% of respondents say EDD request volumes have risen over three years, with high volumes (43%) and high costs (42%) the most prominent concerns.

- Search-driven data collection: fragmented web searches miss hidden risks.
- Multiple systems and siloed reports cause inconsistencies and duplicated effort.
- Minimal time for hidden risks: rushed processes miss subtle red flags.
- Copy-paste work invites human error and inaccuracy.
- Insufficient assessment of third- and fourth-party risks across supply chains.
- No search history for audits: untraceable work hinders regulatory proof.

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

THE SOLUTION

Tiered intelligence for every risk level

KYCopilot AI redefines EDD with an AI-powered platform that rapidly analyses vast amounts of publicly available information to find hidden risks and associations — automating data aggregation, risk scoring and report generation in 3–5 minutes.

Tier 1: Essential

Fast, cost-effective KYC/AML screening for low-risk clients: instant checks on sanctions, PEPs and adverse media, reducing costs by up to 80%.

Tier 2: Enhanced

Best-value tactical insights for medium-risk vendors, including ESG overviews and supply-chain teasers that flag risks early.

Tier 3: Elite

Full-spectrum risk intelligence for banks and deal-makers: UBO tracing, fourth-party risks, heatmaps and mitigation strategies for high-stakes M&A.

INSIDE THE SOLUTION

How KYCopilot works: AI at the core

KYCopilot employs advanced AI models to crawl, analyse and synthesise data. Users input entity details; AI generates structured reports with transparent scoring — 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

Illustrative scenarios across the tiers

Startup onboarding

A fintech screens 50 clients in under an hour with Tier 1, avoiding a PEP-linked vendor and potential fines of $500K.

SMB vendor diligence

An e-commerce firm's Tier 2 ESG teasers flag a supplier's labour issues, rerouting procurement and averting reputational harm.

M&A mastery

A bank's Tier 3 deep-dive identifies fourth-party sanctions risks in minutes, protecting a $200M cross-border acquisition.

Scenarios are hypothetical, echoing findings from ASIFMA's KYC best-practices whitepaper, where AI reduces diligence failures by 70%.

BENEFITS

Speed, accuracy — and a human-centric core

KYCopilot's 3–5 minute turnaround contrasts sharply with manual EDD's multi-day cycles. AI eliminates up to 95% of false positives, cuts human error, and extends coverage to third- and fourth-party risks via network analysis — at up to 50% lower cost than legacy systems, with built-in audit histories for regulatory readiness. Our key finding aligns with industry consensus: a human-centric, AI-enriched approach to KYC EDD is favoured.

CONCLUSION

Embrace the KYCopilot revolution

As AI evolves toward perpetual KYC, KYCopilot positions users ahead of the curve, fostering a proactive compliance culture. By blending speed, depth and intelligence across tiers, it empowers organisations to navigate risk confidently — transforming due diligence from burdensome to breakthrough.

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

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