Daon | Case Study

Securing Branchless Banking:
Tonik Bank uses Identity Continuity to counter mobile account access fraud

BUSINESS OBJECTIVE

To give their customers a highly secure, branchless banking experience, Tonik, the first digital-only neobank in the Philippines, wanted to implement a digital identity ecosystem that would grow with their customers—from onboarding, to authentication, to high-risk transactions, to account recovery, and back again. To achieve all of these goals, the bank needed to implement a full-featured platform that offers fully compliant, fraud-resistant biometric solutions that are also frictionless for their customers.

SOLUTION

A cloud-based identity platform for digital IDV, authentication, and account recovery that meets AML and KYC regulatory requirements for identity verification during account opening. Customers use Fast Identity Online (FIDO) standards compliant on-device authentication, as well as server-based face biometrics, and Secure Remote Password (SRP) matching for ongoing authentication.

BENEFITS

Daon Identity Continuity via IdentityX® in Tonik Bank offerings

- Provides server-based face biometric authentication for account recovery to prevent account takeovers.

- Meets full compliance requirements, including but not limited to face biometric duplication checks

- The most secure, passwordless access to bank accounts available on the market leveraging FIDO standards, device-, and server-based biometrics

- Multi-factor authentication (MFA) to ensure each and every transaction is secure and to give customers options for the factors they choose to identify themselves

- Full control and flexibility to manage payment and credit card limits

- Self-service account recovery leveraging face biometrics

- More proactive fraud management via real-time data insights, fraud watchlist check capabilities, and customer analytics

- Complete, SLA-driven cloud hosting services without any unplanned downtime reported so far

- Server-side passive liveness algorithms that are iBeta-certified (level 1 & 2) and conform to ISO/IEC 30107-3 presentation attack detection standards

- Support for more documents than any other provider in the country.

<90
seconds to onboard

30+
Philippines ID documents supported

2.6M
customers onboarded since April 2021

38M
authentication transactions per month

THE CHALLENGE

A disruptor in the financial services industry, Tonik was created to lead the charge in neobanking with a customer experience that was as safe as it was accessible. A mobile-only solution, they needed to address both onboarding and authentication through entirely digital channels. As a start-up, the extra costs and implementation challenges brought on by the fact that most vendors only support half of this need was a point of concern.

Beyond the basic identity verification (IDV) and authentication functionality, they also had to solve for compliance challenges including deduplication checks and high availability requirements. To make sure that they could address fraud at the level they believed was necessary, they also required advanced reporting and rules engine control.

THE RESPONSE

Daon implemented its xProof™ identity verification and xAuth™ multi-factor authentication (MFA) application on its IdentityX cloud platform for digital onboarding, account access, and recovery, providing a simple, seamless path for Tonik's customers entire lifecycle. IdentityX meets stringent AML and KYC regulations for identity verification during account opening and allows customers to use FIDO standards compliant on-device authentication as well as server side face biometrics for ongoing authentication.

During onboarding, IdentityX facilitates seamless digital capture of required identity documents, performing OCR and various ID document authenticity checks, including photo substitution, screen replay, photo copy, and enhanced liveness detection. Daon also offers Review Portal on IdentityX, which helps override auto-decisioning or manual review of all data checks whenever the reliability or authenticity of a user's submitted biometric and personal data is flagged as risky.

The IdentityX platform facilitates the use of face biometrics captured during the onboarding process for seamless facial recognition during subsequent account access and recovery processes. It also uses patented AI algorithms to perform face checks against watchlists, allowing Tonik to easily view and manage reduplicate onboarding attempts and repeat offenders. Daon's passive liveness algorithms have been iBeta tested ISO 30107-3 Level 1 and 2-compliant and been third-party validated for protection against injection, 3D artifacts, and other presentation attacks.
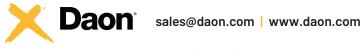
> *"Daon's comprehensive identity verification and multi-factor authentication solutions have allowed us to scale rapidly while maintaining the highest standards of security and compliance. With their advanced technology, we've been able to tackle complex challenges like fraud prevention and customer authentication head-on, ensuring our customers enjoy a smooth and safe banking journey."*
>
> — Greg Krasnov, Founder and President, Tonik Bank

Once the Tonik customer has been onboarded through the digital channel, they have their choice of multi-factor authentication modalities for accessing the Tonik Bank app, including Touch ID, Face ID, and on-server authentication data (face and SRP). Identity Continuity focuses on providing the highest level of account and transaction security—and the lowest amount of customer friction. Performing a high-risk transaction (like sending a large sum or changing account details) and account recovery are as easy as presenting the biometric MFA factor(s) originally chosen during onboarding.

THE BENEFITS

Tonik Bank secured more than USD $100M in deposits within 8 months of launch. Tonik has also been able to venture into consumer loans, making credit accessible to more Filipinos. The reliability, speed, convenience, and market-leading security of IdentityX has allowed Tonik to widen the reach of its cloud-native digital banking app, creating not only more revenue for Tonik but fostering financial literacy in the Philippines—a country where approximately 44% of the population is unbanked before Tonik began offering their services. The mobile-first nature of digital-only banks like Tonik, and the company's use of biometrics, means a wider range of customers from different backgrounds and with different levels of ability can access banking services, perhaps for the first time.

Seamless integration between IDV and authentication across all channels with Identity Continuity has simplified and streamlined Tonik's internal processes and created a top-tier user experience for its banking customers.

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