

Case Study

# Paxos

**Paxos Trust Company** is a financial technology company modernizing finance by mobilizing assets at the speed of the internet.

**Industry:** Financial Technology, Blockchain

**Products:** Customer Screening & Ongoing Monitoring, Transaction Monitoring



*“Our number one priority was to get rid of manual processes and automate as much of the work as possible.”*

Edward Luo  
BSA/AML Officer – Compliance  
Paxos Trust Company

Paxos is a financial institution specializing in blockchain technology whose goal is to facilitate the movement of digital and physical assets. With the company in a period of rapid growth and expansion, Paxos needed a compliance solution that could scale with it. The company was using cutting-edge technology to deliver its core products and was looking for innovative solutions to streamline their compliance operations.

## Problem

Paxos needed to fully automate their customer screening and monitoring process to handle the growing number of new customers that were being onboarded. In addition, monitoring transactions had become an arduous task and slowed the compliance operations at a company that otherwise used an agile growth mindset.

The firm’s compliance team was using outdated solutions: customer screening was being performed using a mix of disparate manual and automated processes, and transaction monitoring relied on an entirely manual approach.

Paxos exists in a highly competitive space, so being able to onboard customers at pace was vital for their future plans. But on top of that, the company also had to find a way to handle the increasing volume of transactions that were coming in each day. The compliance team was forced to work in batch processes on a monthly basis. This defensive transaction monitoring meant Paxos was unable to proactively mitigate risk.

## Solution

ComplyAdvantage was able to immediately tackle several issues that Paxos faced. The suite of FinCrime products were built using cutting-edge technology that integrates via a 2-way RESTful API. The API was able to seamlessly fit into Paxos’ AML screening and monitoring workflow.

Rather than having to manually monitor for any changes in risk status for new and existing customers, Paxos’ compliance team was able to automate the process with ComplyAdvantage’s search algorithms and dynamic AML risk database. That freed up the company’s compliance team to focus on whether those customers flagged by the screening solution fit within Paxos’ risk appetite.

*“In addition to your standard sanctions lists, ComplyAdvantage was heavily screening for warnings, watchlists, and adverse media/negative news. We found that not all vendors out there did this in such a complete and holistic manner. We want to make sure that our products, our platform, and our company are protected from any type of financial crime. By having ComplyAdvantage’s Adverse Media focus on all sorts of different segments of crime that are negative in any way, we are able to identify those instances and take it on a case by case basis.”*

Edward Luo

BSA/AML Officer – Compliance

Paxos Trust Company

*“What took one of our associates one full week to do can now be done in a matter of hours. With ComplyAdvantage, Paxos saw an 80% improvement in efficiency.”*

In determining their risk appetite, Paxos also wanted a customer screening solution that included adverse media / negative news. The breadth of coverage and categorization were important elements when selecting a vendor. ComplyAdvantage’s structured profiles, FATF aligned categorization, and entity-based alerts gave Paxos the additional insights needed to screen and monitor clients.

While Customer Screening and Monitoring was the original product that Paxos implemented, they quickly found themselves needing a transaction monitoring product. Their overly manual transaction monitoring workflow had become unmanageable. The company’s in-house tool was unable to track metrics or deliver a sophisticated audit trail, and it was reliant on batch processing, which meant that Paxos had to devote extended periods of time analyzing transactions each month. Paxos wanted a solution that had built in logic and automated their monitoring processes.

Using ComplyAdvantage’s Transaction Monitoring solution, Paxos was able to reduce the time spent reviewing transactions and remediating alerts. With ComplyAdvantage, Paxos saw an 80% improvement in efficiency.

## Outcome

Paxos was on a mission to increase their onboarding efficiency, reduce customer wait times, and streamline monitoring processes. Paxos assessed ComplyAdvantage on automation, criteria and methodology logic, user interface design, and the ability to integrate into their existing systems. As a regulated entity, Paxos needed solutions that would streamline their processes while passing annual audits on their monitoring and filtering programs. With ComplyAdvantage, Paxos was able to reduce their manual processes and completely automate their onboarding workflow. Paxos continues to utilize ComplyAdvantage as they expand their geographical footprint and product offerings around the world.

*“From where we were two years ago, it is night and day. Our screening and monitoring process is completely automated.”*