Shufti

A Comprehensive Guide to Address Verification in Complex Markets
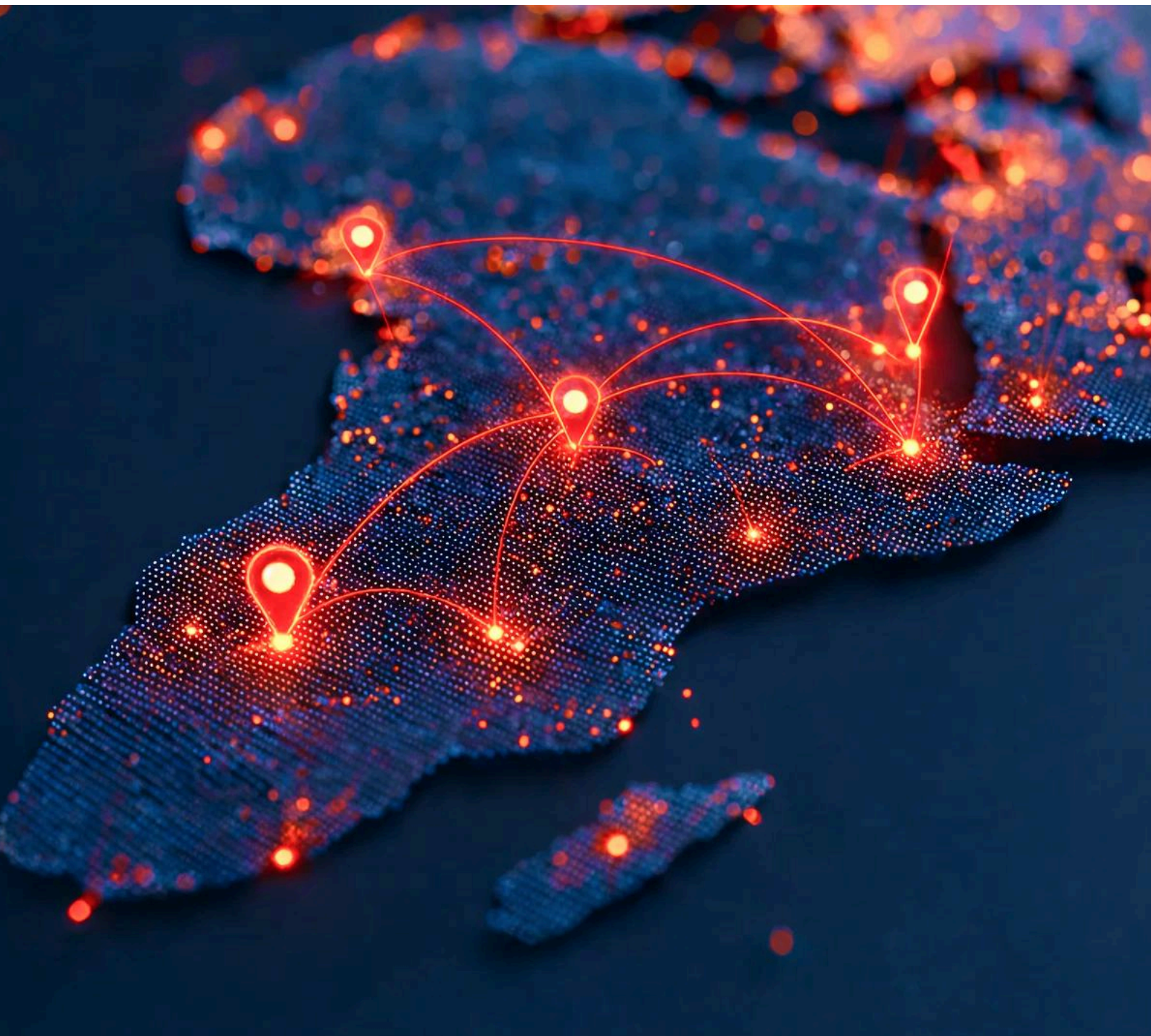
Table Of Contents

Who this guide is for

Compliance & Risk Officers

Professionals ensuring adherence to KYC, AML, and regulatory requirements.

Fraud Prevention Teams

Specialists monitoring and preventing onboarding and transactional fraud.

Operations & Customer Onboarding Managers

Teams responsible for efficient and secure customer verification workflows.

Product & Technology Leaders

Decision-makers implementing verification solutions within digital platforms.

Executive Leadership & Decision-Makers

Stakeholders evaluating risk mitigation and compliance strategies for the organization.

Why Address Verification Is a Core Compliance Requirement in Customer Due Diligence and Fraud Prevention?

- ⊙ **Deters high-risk or prohibited customer onboarding,** ensuring customers from sanctioned, restricted, or high-risk jurisdictions are properly screened.

- ⊙ **Supports Enhanced Due Diligence (EDD) for high-risk customers,** by validating declared residence and strengthening risk-based monitoring.

- ⊙ **Prevents jurisdictional misuse and location masking,** stopping customers from using VPNs or proxy networks to misrepresent their country or region of residence.

- ⊙ **Mitigates bonus abuse and promotional fraud,** particularly in igaming, by detecting multiple accounts from restricted or ineligible locations.

- ⊙ **Stops multi-account fraud,** preventing the reuse of identities with different or fabricated addresses.

- ⊙ **Reduces account takeover and identity manipulation,** blocking attackers from changing address details to bypass security controls or reroute sensitive communications.

- **Verifies tax residency accurately,** supporting compliance with the Foreign Account Tax Compliance Act (FATCA) or Common Reporting Standard (CRS) obligations.

- **Minimizes payment fraud and chargeback risk,** ensuring billing address information aligns with transactional and behavioral data.

Address verification is a core KYC and CIP requirement under AML regulations in major jurisdictions such as the U.S., U.K., and Germany.

Address Verification under Money Laundering Regulations 2017 (MLR 2017) – United Kingdom

In the UK, the **Money Laundering Regulations 2017 (MLR 2017)** require firms to collect and verify a customer's residential address as part of customer due diligence:

"Customer due diligence means taking steps to identify your customers and checking they are who they say they are. In practice, this means obtaining a customer's: name, photograph on an official document which confirms their identity, residential address, and date of birth."

Address Verification under Geldwäschegesetz (GwG) Money Laundering Act - Germany

The Geldwäschegesetz (GwG), under the **Money Laundering Act**, requires obliged entities to collect and verify a customer's residential address as part of customer due diligence:

"In the identification, the obligated entity is to collect the following information: ... a residential address or, if no fixed abode and legal residence in the European Union exists, the postal address under which the contracting party and the person dealing with the obliged entity can be reached."

Address Verification Requirements under FinCEN Customer Identification Program (CIP) for AML – United States

FinCEN sets customer identification and verification requirements under the **Customer Identification Program (CIP) Rule (31 CFR §1020.220)**, requiring financial institutions to verify customer identity using reliable procedures:

"The CIP must contain procedures for opening an account that specify the identifying information that will be obtained from each customer. Except as permitted by paragraphs (a)(2)(i)(B) and (C) of this section, the bank must obtain, at a minimum, the following information from the customer prior to opening an account:

1. Name;

2. Date of birth, for an individual;

3. Address, which shall be:

For an individual, a residential or business street address.

The Cost Of Weak Address Verification

Neobank case study

Negligence in Verifying Addresses

A fast-growing UK neobank allowed customers to register with implausible addresses, including 10 Downing Street, Buckingham Palace, and their own headquarters. Between October 2018 and August 2020, its customer base ballooned from around 600,000 to over 5.8 million, but its compliance controls did not keep up with this rapid growth.

What Went Wrong

The bank's financial crime controls were deemed inadequate by the FCA because it failed to design and maintain proper onboarding, customer risk assessment, and monitoring systems. Customers were onboarded using limited or obviously implausible information, and the bank repeatedly breached requirements by onboarding more than 34,000 high-risk customers without adequate safeguards.

Regulatory Fine

The **Financial Conduct Authority (FCA) imposed a £21.1 million fine on the bank** for these systemic failings. The fine was discounted from about **£30.1** million after that neobank agreed to resolve the issues and cooperated with the regulator.

Address Verification in Fintech

In fintech and digital banking, address verification is used to confirm customer jurisdiction, manage risk exposure, and prevent fraud across the customer's life cycle.

Digital Onboarding & Jurisdiction Eligibility

During remote onboarding, address verification is used to confirm a customer's declared country of residence and service eligibility. It helps fintechs enforce geographic restrictions and apply enhanced due diligence if the customer is from a high-risk jurisdiction.

Multi-Account Fraud

Address verification is applied to detect multiple accounts linked to the same physical location or fabricated address details. It helps fintechs prevent incentive abuse by users registering from ineligible or masked locations.
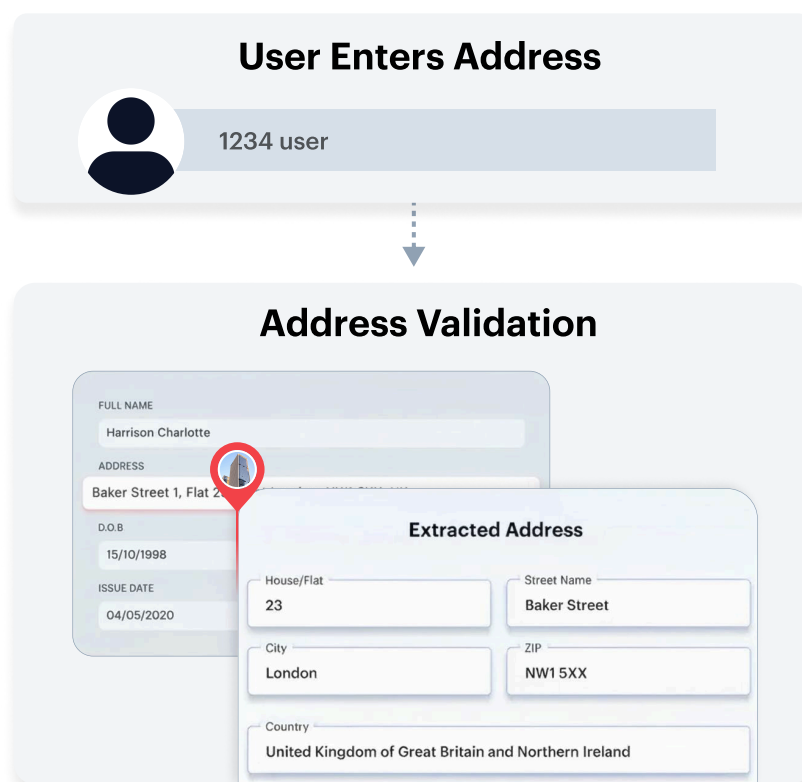
Account Takeover (ATO) & High-Risk Account Changes

While proof-of-residence address verification applies to due diligence, geolocation and device fingerprinting extend address-based controls to ATO prevention, flagging risky address changes and anomalous account behavior.

Address Verification in e-Commerce & Online Marketplaces

In regulated marketplaces, address verification is increasingly a legal requirement, not just a fraud control.

In the United States, the INFORM Consumers Act requires online marketplaces to collect and verify seller information—including physical business addresses—for high-volume third-party sellers to prevent counterfeit sales and consumer harm

In the European Union, the Digital Services Act (DSA) mandates trader traceability, requiring platforms to verify seller identity and location details before allowing them to operate.

User Enters Address

1234 user

Address Validation

FULL NAME
Harrison Charlotte

ADDRESS
Baker Street 1, Flat 2

D.O.B
15/10/1998

ISSUE DATE
04/05/2020

Extracted Address

House/Flat
23

Street Name
Baker Street

City
London

ZIP
NW1 5XX

Country
United Kingdom of Great Britain and Northern Ireland

Address Verification in Hospitality & Travel

In hospitality and travel, address verification supports guest identity validation, payment security, and regulatory compliance across remote bookings, digital check-ins, and cross-border stays.

Reservation & Payment Fraud Prevention

At the booking stage, billing address information is validated to assess reservation legitimacy. This reduces card-not-present fraud, limits fraudulent bookings, and lowers chargeback exposure associated with stolen payment credentials.
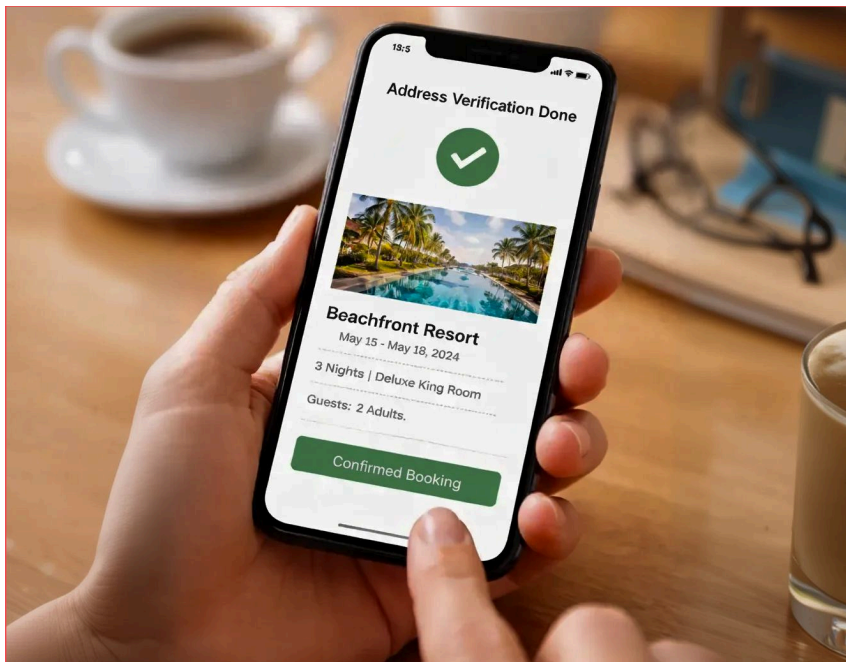
Address Verification in Insurance

In insurance, address verification is used to support accurate underwriting, prevent claims fraud, and ensure policy eligibility across the customer and policy lifecycle.

Underwriting & Risk Classification

During policy issuance, address information is validated to confirm risk location and eligibility. This supports accurate pricing, prevents misclassification of risk, and reduces exposure arising from incorrect or misrepresented policyholder addresses.

Claims Fraud & Misrepresentation

At the claims stage, address data is reviewed to identify inconsistencies between the insured risk, historical records, and submitted claim details. This helps detect staged claims, false loss locations, and organized fraud linked to address manipulation.

Policy Servicing & High-Risk Changes

When policyholders request address changes, verification is applied to ensure legitimacy and prevent unauthorized updates. This reduces policy abuse, limits account compromise, and helps insurers maintain accurate records throughout the policy lifecycle.

Address Verification for Tax Residency Determination under FATCA/CRS

Accurate address verification ensures correct tax residency classification for FATCA and CRS compliance, reducing misreporting risk and supporting regulatory due diligence.

Residency Classification at Onboarding

At the claims stage, address data is reviewed to identify inconsistencies between the insured risk, historical records, and submitted claim details. This helps detect staged claims, false loss locations, and organized fraud linked to address manipulation.

Ongoing Monitoring and Change Detection

Periodic reviews and address updates are assessed to detect changes in residency status. Using verified addresses, institutions can trigger re-assessments, maintain accurate records, and comply with obligations for reporting changes under FATCA/CRS frameworks.

Regulatory Reporting and Audit Readiness

Verified addresses provide supporting evidence for regulatory reporting and audits. Accurate address verification reduces a business's exposure to penalties, enforcement actions, and reputational risk while ensuring institutions can justify residency determinations to tax authorities.

Address Verification in iGaming & Online Gambling

In iGaming, verifying a customer's residential address is critical to comply with licensing requirements, prevent fraud, and ensure responsible gaming across jurisdictions.

Player Onboarding & Licensing Compliance

During account registration, address verification ensures players are located in jurisdictions where the operator is licensed. This prevents unauthorized access, supports location checks, and maintains compliance with gaming authority regulations.

Bonus Abuse & Multi-Account Fraud Prevention

Verified addresses help detect users creating multiple accounts to exploit promotions or deposit bonuses. This reduces financial losses and prevents abuse of loyalty schemes, ensuring fair play and operator profitability.

Responsible Gaming & High-Risk Monitoring

Address data is used alongside transaction and gameplay behavior to flag unusual activity, enforce deposit limits, and monitor high-risk players. This strengthens anti-money laundering controls and aligns with responsible gaming obligations.

Proof of Identity Vs Proof of Address

While proof of identity documents confirm who a customer is, proof of address documents confirm where they live. Both are critical components of customer due diligence and regulatory compliance.

Proof of identity

Identity documents verify the customer's name, date of birth, and nationality.
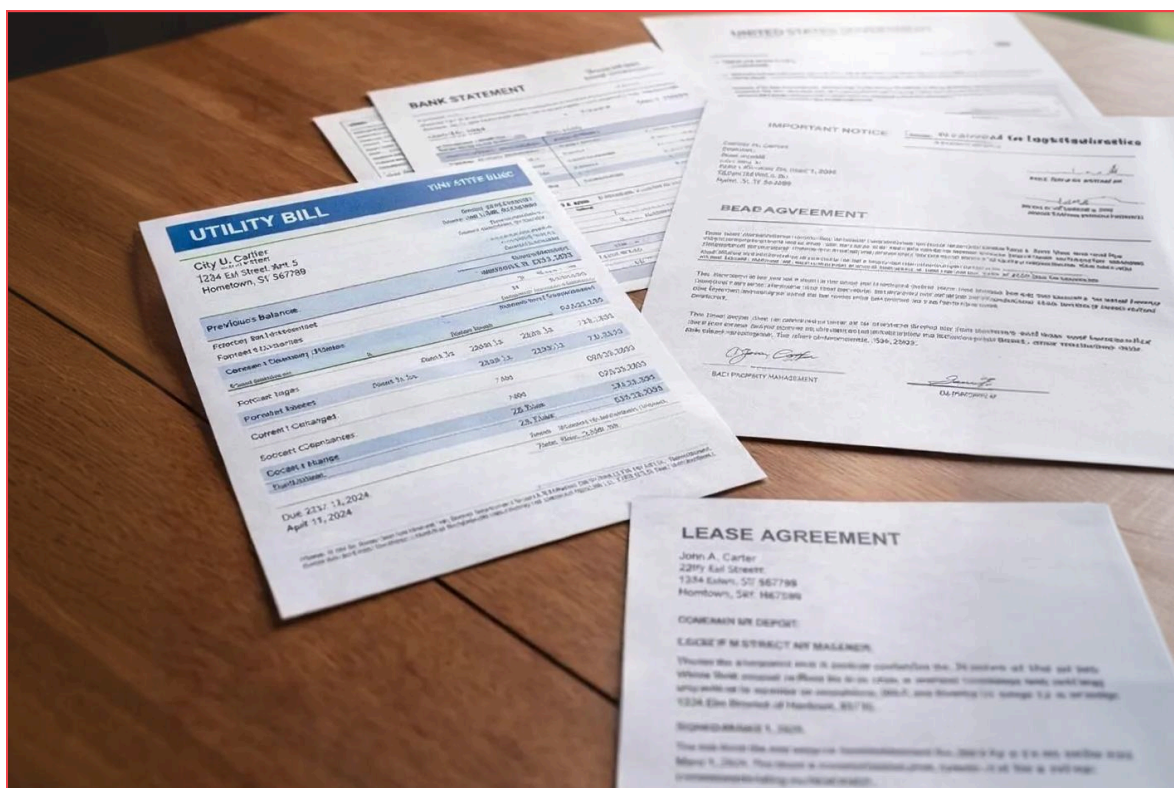
- Passports
- Driver's licenses
- Government-issued ID cards

Proof of address

Address documents confirm the customer's residential location for due diligence checks.

- ◉ Utility bills
- ◉ Bank statements
- ◉ Lease agreements or rental contracts
- ◉ Government correspondence

Using Identity Documents for Address Verification

Certain identity documents, like driver's licenses, contain both identity and address information, allowing institutions to verify proof of address while completing identity verification workflows efficiently.

List of Acceptable Documents for Address Verification

This list reflects UK requirements; other countries may accept more, fewer, or different documents based on local regulations.

- Mortgage statement – UK only (issued in the last 3 months)
- Financial statement (e.g., pension or endowment) – UK only (issued in the last 12 months)
- Statement from central or local government showing entitlement to benefits – UK and Channel Islands only (issued in the last 3 months)
- Bank or building society account opening confirmation letter (must be a paper copy)
- Original utility bill (must be a paper copy; issued within the last 3 months)
- Benefit statement – UK only (issued in the last 3 months)
- P45 or P60 statement
- Council Tax bill – UK and Channel Islands only (issued in the last 12 months; must be a paper copy and dated from the current year)
- Current full or provisional photo card driving licence issued in the UK, Isle of Man, or Channel Islands (the address listed must be the current address)

Major Challenges in Address Verification

1. Complex and Evolving Address Structures

In many regions, official address formats are not static. Changes driven by governance updates or regional restructuring can create gaps between how addresses are issued and how verification systems interpret them, resulting in valid addresses being misclassified.

2. Document Diversity and Inconsistent Layouts

Address information is presented across a wide range of documents, each following different visual structures and design conventions. Verification systems that depend on uniform patterns often struggle to adapt to this variability at scale.

3. OCR Limitations and Field Extraction Errors

Visual noise, security elements, dense formatting, or unclear separation between fields can reduce the accuracy of automated extraction. These limitations increase the likelihood of incomplete or misaligned address data.

4. Name and Address Mismatches Across Systems

Variations in language, formatting, and data representation can cause discrepancies between user-submitted details and extracted document information, leading to unnecessary friction in verification and compliance checks.

Why do customers choose shufti for their address verification process in complex markets?

Many regulated businesses switch to Shufti after experiencing low pass rates and high false declines with other vendors in complex markets such as Vietnam, Brazil, and Mexico—issues driven by country-specific address formats, document variability, and OCR limitations that generic KYC systems fail to handle.

Shufti overcomes these challenges by combining four address verification methods with stronger OCR capabilities. In Vietnam, this improves OCR accuracy and also helps achieve higher CPF extraction accuracy in Brazil.
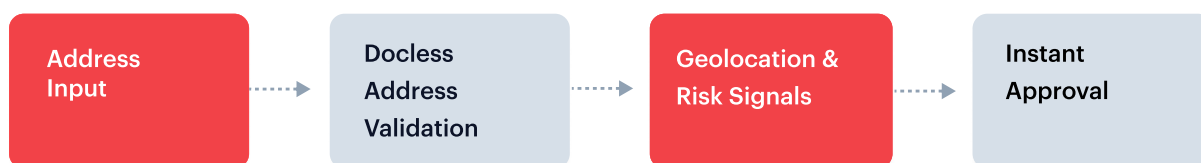
Shufti's Four-Tier Address Verification

While other vendors rely on just two or three verification methods, Shufti uses four methods for address validation, ensuring stronger accuracy and regulatory compliance.

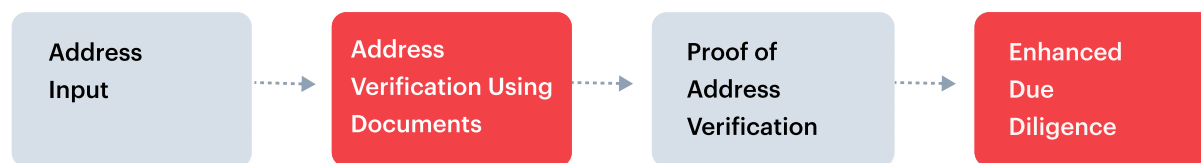| Feature	Shufti	Others Vendor
Proof of Address	✅	✅
Docless Address Verification	✅	✅
Address Validation	✅	❌
Geolocation & Risk Signals	✅	✅
Address Verification from Non-Latin Documents	✅	❌

Risk-Based workflow for faster, accurate address verification

Risk-based address verification helps businesses onboard more customers with less friction. By applying document checks only when risk signals appear, Shufti minimizes manual reviews and false declines. The software supports risk based address verification flows that can begin with document free checks against trusted third party databases and, when needed, step up to address verification using documents and additional controls such as geo location verification.

Flow for Low-Risk users

Address Input	→	Docless Address Validation	→	Geolocation & Risk Signals	→	Instant Approval

Flow for High-Risk users

Address Input	→	Address Verification Using Documents	→	Proof of Address Verification	→	Enhanced Due Diligence

Challenges in verifying addresses in Vietnam

In 2025, Vietnam's administrative reforms simplified the address hierarchy (Province/City → Commune/Ward), but most IDs still use the old formats, causing frequent mismatches during verification. Vietnamese names, often 3–5 words long and using complex diacritics, are misread or improperly split by generic OCR, leading to low pass rates, false declines, and AML mismatches.

How Shufti ensured accurate address verification

- In-house OCR accurately recognizes multi-word names and diacritics, normalizing characters like Ă, Ô, Ư, and Đ.
- Correctly maps legacy address formats to updated administrative structures.

Performance

Shufti's Accuracy

96.79%

Other vendors

82.36%

Challenges in verifying addresses in Brazil

In Brazil, low-quality printing, worn IDs, and multiple active formats often cause overlapping or merged fields, making extraction difficult. Additionally, the CPF (Cadastro de Pessoas Físicas) number is essential for fetching user data, but its validity depends on a checksum.

The checksum is calculated from the first nine digits using a modulus-based formula: if the last two digits don't match the calculation, the CPF is invalid. Generic OCR often misreads digits due to poor print quality or stamps, producing an incorrect checksum and preventing reliable address verification, lowering pass rates and operational efficiency.

How Shufti ensured accurate address verification

- Deep template coverage handles multiple ID versions with different layouts.
- Advanced OCR resolves overlapping text, stamps, and printing inconsistencies.
- Default CPF checksum validation ensures extracted numbers are correct before database queries.

Performance

Shufti achieves

~98.85%

CPF extraction accuracy, reducing false declines and verification failures.

Challenges in verifying addresses in Mexico

Address verification in Mexico is challenging due to dense document designs and decentralized issuance. Many official documents prioritize security features over clear field separation, making automated extraction difficult.

The main issue is optical distortion, not print quality. Holograms, reflective films, and micro-patterns often overlap address fields, causing characters to fragment or disappear during scanning. As a result, generic OCR frequently produces partial or misaligned addresses, especially with Mexico's long address formats that include interior numbers and neighborhood references.

How Shufti ensured accurate address verification

- Specialized OCR isolates text from holograms and security overlays.
- Layout-aware recognition accurately separates address fields from surrounding graphics.
- Language- and structure-aware parsing preserves complex, multi-part address formats.

Shufti

Strengthening Address Verification for Global KYC Compliance

Accurate address verification plays a critical role in meeting global KYC and regulatory obligations. As address formats, document standards, and jurisdictional requirements continue to evolve, institutions must ensure their verification processes remain reliable, defensible, and scalable across markets.

Shufti enables organizations to perform address verification with greater accuracy and consistency, supporting compliant onboarding, ongoing customer due diligence, and regulatory audit readiness—even in complex and high-risk regions.'

REQUEST A DEMO!