



CASE STUDY

Modulr

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BACKGROUND



Modulr is the Payments as a Service API platform for digital businesses and can be integrated into any product or system.

Once integrated, getting paid, reconciliations and making payments is fully automated and can be managed in real-time, 24x7 through existing software applications. In addition to this there is the opportunity for certain clients to open additional accounts to support their business or via introduced clients. Modulr combines its API enabled platform with authorisation from the UK's Financial Conduct Authority (FCA) as an Authorised Electronic Money Institution to deliver a regulated service.

Regulated by the FCA, Modulr operates within a heavily regulatory environment across both Payments and Financial Crime regulation. Modulr must meet stringent requirements, including European Union's second Payment Services Directive (PSD2), the United Kingdom's Open Banking regulation, Money Laundering regulations, and the United Kingdom Data Protection Regulation of 2018.

Modulr Finance Limited (FRN: 900699) is registered with the Financial Conduct Authority as an EMD Agent of Modulr FS Limited (FRN 900573). Modulr FS Limited is an Authorised Electronic Money Institution, regulated by the Financial Conduct Authority.



COMPANY
Modulr



INDUSTRY
Payments as a Service



LOCATION
United Kingdom

THE CHALLENGES



Modulr faced several significant challenges. The company needed to fulfill comprehensive regulatory compliance requirements. As a business-to-business (B2B) financial platform, the company needs to conduct a cybersecurity review and ongoing monitoring of its vendors and potential customers. Modulr needed to provide assurance that they have compliance controls in place to protect customer data.

Legacy Processes

The old due diligence process was time consuming, leading to higher operational costs, while only providing point-in-time views, using questionnaires. Although Modulr evaluated vendors and customers, reviews lacked full visibility into overarching ecosystem risks. These manual reviews exponentially increased the risk of human error. Without continuous monitoring over their entire ecosystem, Modulr looked to improve the gathering of real-time documentation necessary to prove assurance and governance to the regulators.

Continuous Monitoring

Modulr's Head of IT Security, Kenneth Ord previously used several tools to conduct monitoring activities. Aggregating the multiple tools' technical details into a single actionable risk report took one or more days. Kenneth would then analyze the information and determine the vendor's or customer's individual risk to Modulr. Despite being able to establish the necessary baselines, the process needed to be improved so that Kenneth, the Head of IT Security, could perform continuous monitoring in a more streamlined way.

Reporting

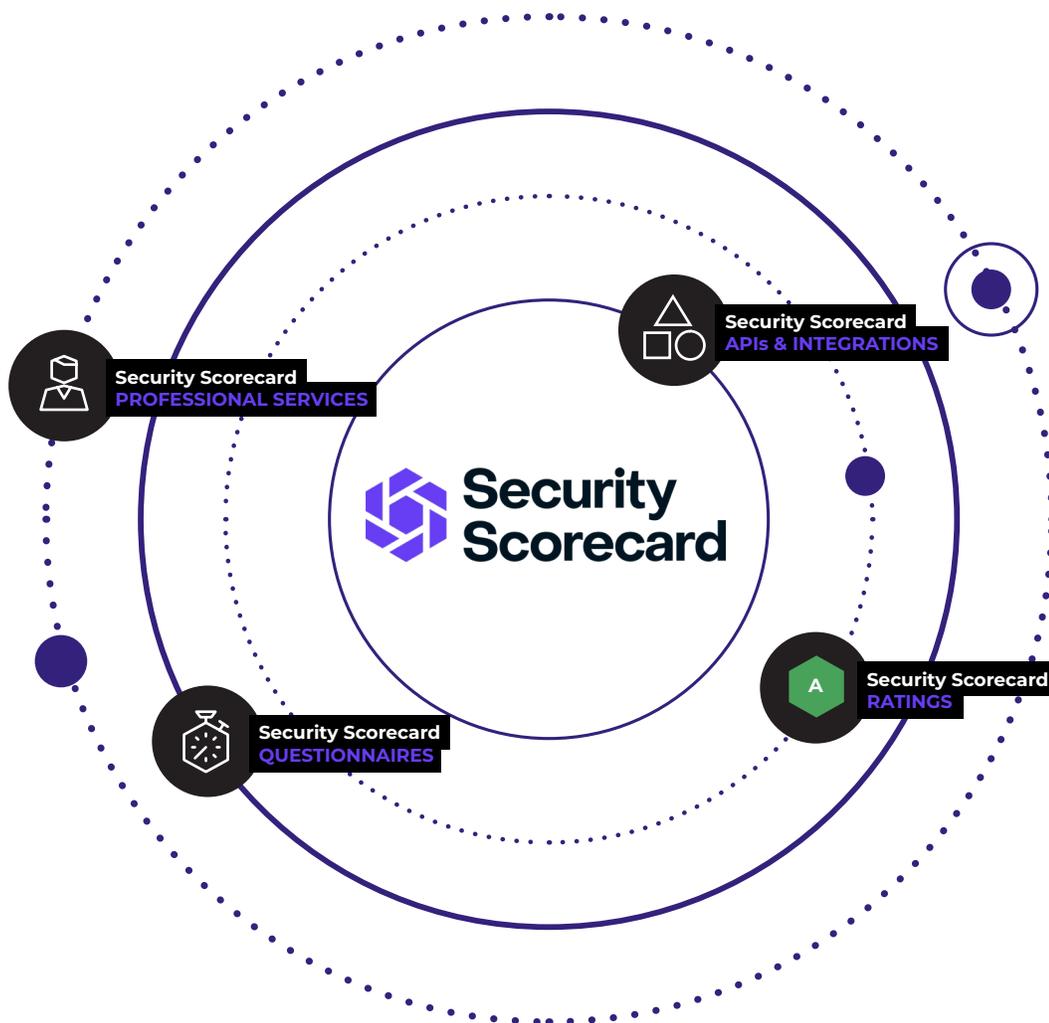
Additionally, generating reports the manual way often stayed within the security team due to their technical nature. The toolset used provided point-in-time detailed information, but creating a high-level version of the reports to provide senior executives and Board of Directors was another operational challenge. As such, while Kenneth, the Head of IT Security, could report on the potential cybersecurity risks, the senior executives and Board needed to rely on his judgment as proof of governance. Furthermore, using multiple tools increased the operational costs associated with audits, leading Kenneth to seek out a more streamlined, cost effective approach for monitoring and documenting activities in a single location.



THE SOLUTION

Trusted Source of Accurate Data

SecurityScorecard's platform enabled Modulr to accurately review their cyber risk posture. As part of the company's evaluation process, they compared SecurityScorecard's security ratings for several vendors to the tool set they used. When they compared the results, they found that SecurityScorecard's cybersecurity ratings matched the toolsets' results. Modulr was able to trust SecurityScorecard's dataset and was pleased that the platform incorporated enough detail for due diligence and provided a historical audit trail.



Streamlined Communication with Internal Stakeholders

Citing The SecurityScorecard Ratings product, when compared to other vendors, packages the information in a user-friendly manner that streamlines evaluation processes. While other solutions also provided deep technical information, Kenneth Ord, the Head of IT Security, noted that the other products did not package the information **“into a nice, clean A, B, C. They don’t give you a categorization of network security and email security and application security. They don’t give me the high level clear view.”** The high-level, easy-to-digest Scorecards streamlined the process, lowering operational costs.



By sharing SecurityScorecard’s comprehensive reports across the organization, the Head of IT Security, Kenneth, better communicates risk to senior executives and the Board of Directors. **He explained,**

“we review the reports at the Board level and within the risk committee. I’m struggling to think of another example of what’s basically a technical report being shared at the Board level.”

Continuous “Inside-Out” and “Outside-In” Verification

The SecurityScorecard Questionnaires product enables Modulr to send electronic cybersecurity questionnaires that incorporate a real-time comparison between responses and the SecurityScorecard Ratings product’s external monitoring technology. Modulr then uses the SecurityScorecard Questionnaires responses and documentation to prove governance over their vendor and customer relationships. All new engagements receive a security questionnaire, and then Modulr will annually renew the questionnaire based on the level of information security or fraud risk that the vendor or customer poses.

Company	Security Score	30-Day	Industry	Status	Date Added	Evidence	Public Tags	New score in 3.0	Difference in 3.0
Agoric agoric.com	84	0	Financial services	Inactive Invite	Mar 21, 2022	Request evidence		84	20
Altana altana.nl	81	0	Information services	Inactive 1 Pending	Mar 3, 2023	Request evidence		87	6
Amazon amazon.com	65	2	Retail	Inactive Contact	Mar 21, 2022	Request evidence	BIT Listed BMV Listed ETR Listed FINRA NASDAQ Listed OTCMKTS List... + 1	69	4
Avigunds avigunds.com	79	0	Financial services	Inactive Invite	Mar 21, 2022	Request evidence		76	3
Bank of America bankofamerica.com	95	0	Financial services	Active Contact	Mar 21, 2022	Request evidence	ETR Listed NYSE Listed OTCMKTS List...	90	5

Key Performance Indicators and Benchmarks

Using SecurityScorecard’s security ratings as benchmarks, Modulr created a “Partner and Service Provider Due Diligence Procedure.” If a vendor scores an A, the company removes the third-party from the continuous monitoring cycle and re-reviews them at a later date to ensure a continued security posture. A company with a security rating of B is considered moderate risk and has to address the particular issues on their Scorecard before Modulr considers moving forward with the relationship. Based on Modulr’s risk tolerance, a security rating of C or less indicates a high risk such as significant issues in their infrastructure or security management. If a partner scores a D or F, then Modulr considers terminating the relationship.



Questionnaires

On-going Partnership

During the onboarding process, Modulr worked closely with SecurityScorecard’s Customer Success Team and described it as a “partnership.” Onboarding was completed quickly after an initial launch and follow-on discussions. Modulr continues to provide user feedback on the development of the SecurityScorecard platform, especially regarding the Questionnaires product. Feedback given by Modulr is marked as accepted and resolved by the Questionnaires team on an agile basis.



THE RESULTS & BENEFITS

MARKET DIFFERENTIATION

As a payments as a service API platform, Modulr uses SecurityScorecard to provide assurance to potential customers that they offer a secure, scalable platform. Modulr's ability to minimize its data from third-party risk enables them to provide a trusted financial service technology to their customers.

DECREASED OPERATIONAL COSTS

Using SecurityScorecard, Kenneth reduced the review and analysis time from several days to less than one day. Reducing the review time enabled Modulr to decrease the human error risk inherent in the previous analyses. Additionally, with SecurityScorecard as a single source of continuous monitoring and vendor risk management documentation, Modulr reduced the costs associated with gathering audit documentation..

INCREASED OBJECTIVITY AND REDUCED HUMAN ERROR

SecurityScorecard's security ratings enabled Head of IT Security, Kenneth, to streamline his reviews and increase their objectivity. The accurate, easy-to-read ratings with categorizations provide thirdparty, independent assessment. According to Kenneth, **"I can base all my assessments off the security ratings because they're very accurate. I have no part to play in assessing what score they should be. I trust SecurityScorecard to do it properly."**

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KENNETH ORD
HEAD OF IT SECURITY, MODULR

STREAMLINED KYC PROCESS

Regulated as a financial institution, Modulr must engage in “Know Your Customer” (KYC) due diligence. If Modulr onboards a customer who later commits any form of financial crime (bribery & corruption, data security, fraud, financial sanctions, money laundering & terrorist financing), they can be held responsible for not engaging in appropriate KYC procedures which form one control in the compliance control framework. Kenneth, the Head of IT Security, explained that **“there’s quite a high bar in terms of the level of due diligence we’re expected to do on our customers. I’m expected to either refuse to have them as customers or, as part of our ongoing due diligence, tell them that we will no longer allow them to be a customer if their standards are slipping.”**

In the financial services industry, regulators reprimand companies for not discovering cybersecurity weaknesses. As such, Modulr uses the SecurityScorecard platform to have continuous monitoring for due diligence over their clients’ data security control effectiveness.

SCALABILITY WITH SECURITYSCORECARD QUESTIONNAIRES

For new engagements, Modulr assumes a minimum of 30 IT security questionnaires per year. Modulr also recognizes Questionnaires’ value in other areas such as KYC, which means the number of questionnaires sent will increase significantly. Sales and other non-IT employees have access to the Questionnaires product so that as the company scales its use, Kenneth can focus on reviewing the responses rather than the administrative task of sending the questionnaires via email and spreadsheets. By streamlining their questionnaire process with Questionnaires, Modulr will be able to scale its business operations.

THE CONCLUSION

As data increasingly becomes a commodity, financial services companies need to prove their security to their clients, vendors, and regulators.

Customers rely on financial services providers to secure their data, and SecurityScorecard's continuous monitoring and documentation enables companies to provide assurance. Whether documenting vendor risk management for internal stakeholders or regulatory agencies, companies can leverage SecurityScorecard's categories and ratings to standardize their policies, processes, and procedures for a holistic approach to cybersecurity..



ABOUT SECURITYSCORECARD

SecurityScorecard offers an exclusive security rating platform able to determine the security risk of any organization on the internet. Our proprietary SaaS offering helps enterprises gain operational command of their security postures and across all of their partners, and vendors.

SecurityScorecard provides continuous, non-intrusive monitoring for any organization including third and fourth parties. The platform offers a breadth and depth of critical data points not available from any other service provider including a broad range of risk categories such as Application Security, Malware, Patching Cadence, Network Security, Hacker Chatter, Social Engineering and Leaked Information.



TO RECEIVE A FREE, INSTANT SECURITYSCORECARD REPORT ABOUT YOUR COMPANY, VISIT [HTTPS://INSTANT.SECURITYSCORECARD.COM](https://instant.securityscorecard.com).

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