

Know Your Customer: Organized crime vs Disorganized compliance

Between 2-5% of Global GDP is laundered annually*.

The Moody's Analytics Know Your Customer business detects and deters bad actors by curating the world's most comprehensive risk intelligence data sets.

We deliver actionable insights through advanced analytics to bring transparency to global business relationships.

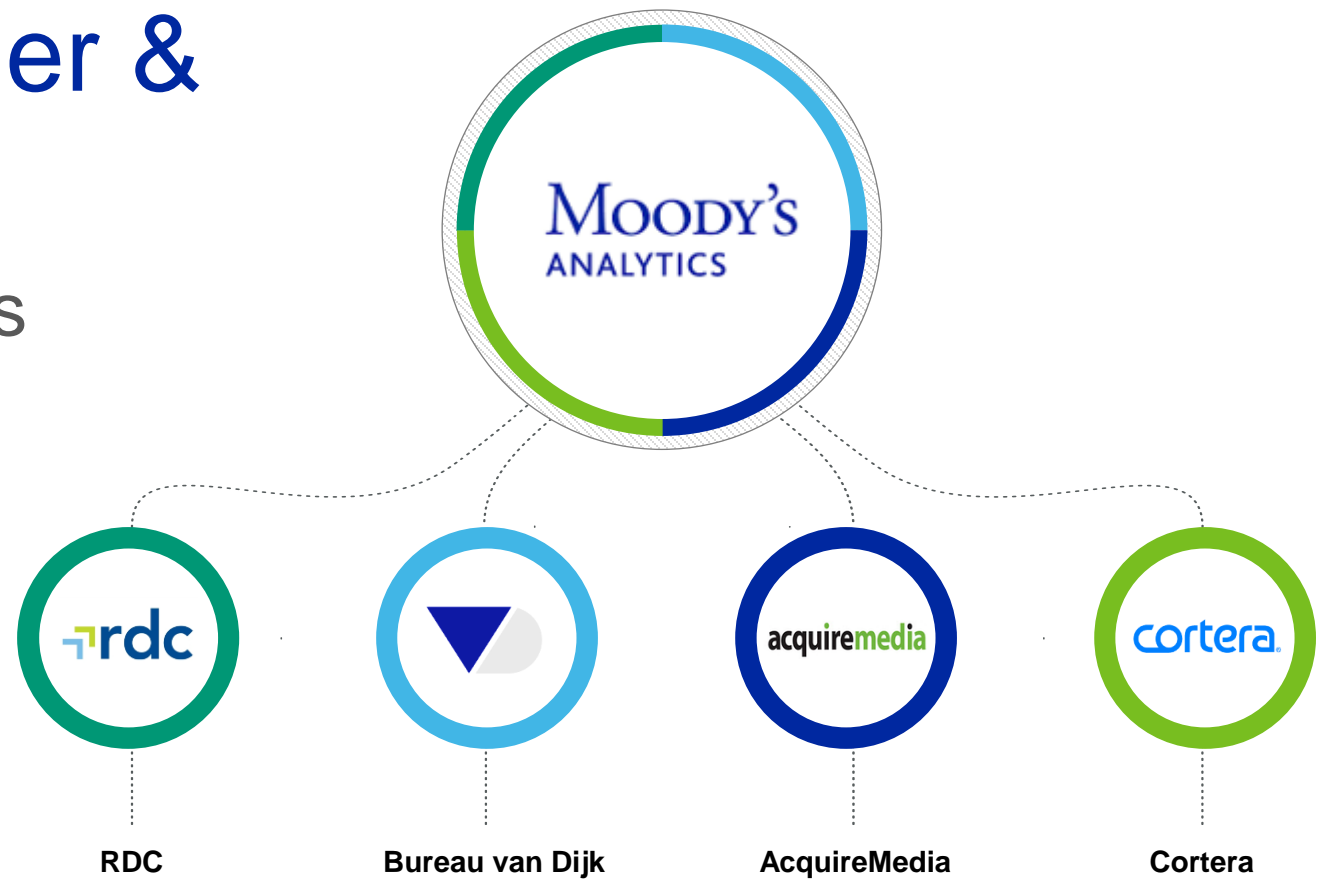
Our work detects, disrupts and prevents fraud, terrorism and financial crime, empowering customers to make better, faster decisions.

*United Nations, 2020

Know Your Customer & Compliance

Market Leading Capabilities

- » Moody's deep entity information and analytics expertise combined with best-in-class acquisitions, creates a global leader in KYC data and due diligence services
- » Provide the most innovative and valuable technology solutions that empower customers to make better, faster decisions
- » Curating the most comprehensive and contextually rich risk intelligence database in the industry



RDC
Leading provider of anti-money laundering (AML) and know-your-customer (KYC) data, due diligence services and adverse media.

AI-enabled screening capabilities, curated profile data on 13m+ individuals.

Bureau van Dijk
Capture and treat private company information for better decision making and increased efficiency.

Information on around ~400m companies across all countries, *the* resource for company data.

AcquireMedia
Aggregator and distributor of curated real-time news, multimedia, data, and alerts.

Strengthens adverse media capabilities to provide early warning and real-time insight, turning unstructured data into actionable insights.

Cortera
Largest database of credit interactions attributable to businesses their vendors.

Over a trillion and a half data points available across 45 supplier categories and down to the company level.

KYC Data Capabilities

Broader coverage. Deeper quality. Greater transparency.



Global coverage of
~400M Companies



Corp hierarchy and
beneficial ownership
information



Risk profiles on
14M+ individuals
and companies

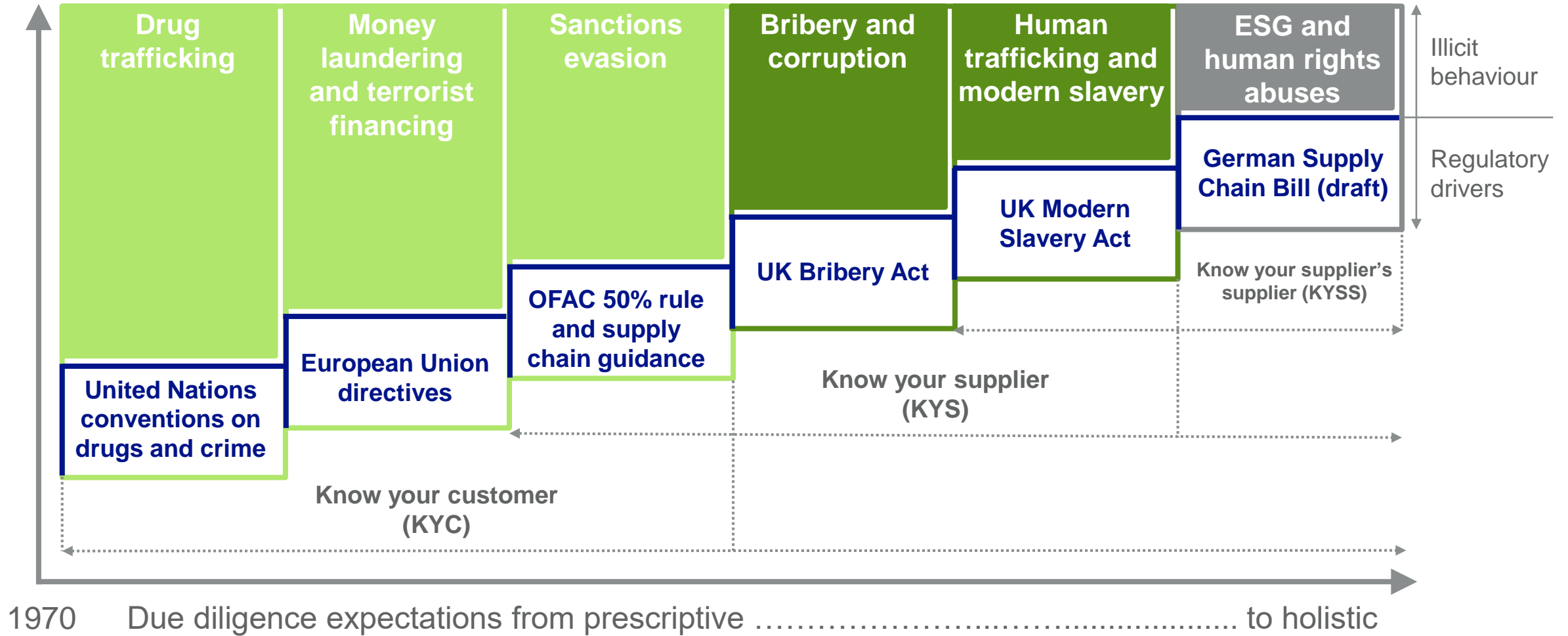


News, Sentiment
Scores and Alerts

- The combination of the Orbis, GRID & Cortera databases enables enhanced compliance functions
- Offers fast validation and precise screening of entities and people
- AcquireMedia's database is fully integrated with GRID for enhanced adverse media capabilities
- Offers enhanced adverse media screening and portfolio monitoring

Evolving due diligence expectations

Today



Current challenges in the Due Diligence Process

The market forces that matter

Customer challenges

6AMLD

- » 22 Predicate Offences
- » Company accountability
- » Cooperation
- » Severe punishment - dissuasive

Customer Satisfaction

- » Transparency
- » Accessibility
- » Onboarding time

Digitalization

- » Multichannel
- » Business Model coherence
- » New technologies



Regulatory Scrutiny



Due Diligence time



Poor Data Quality



High Error Rate (False Positive)

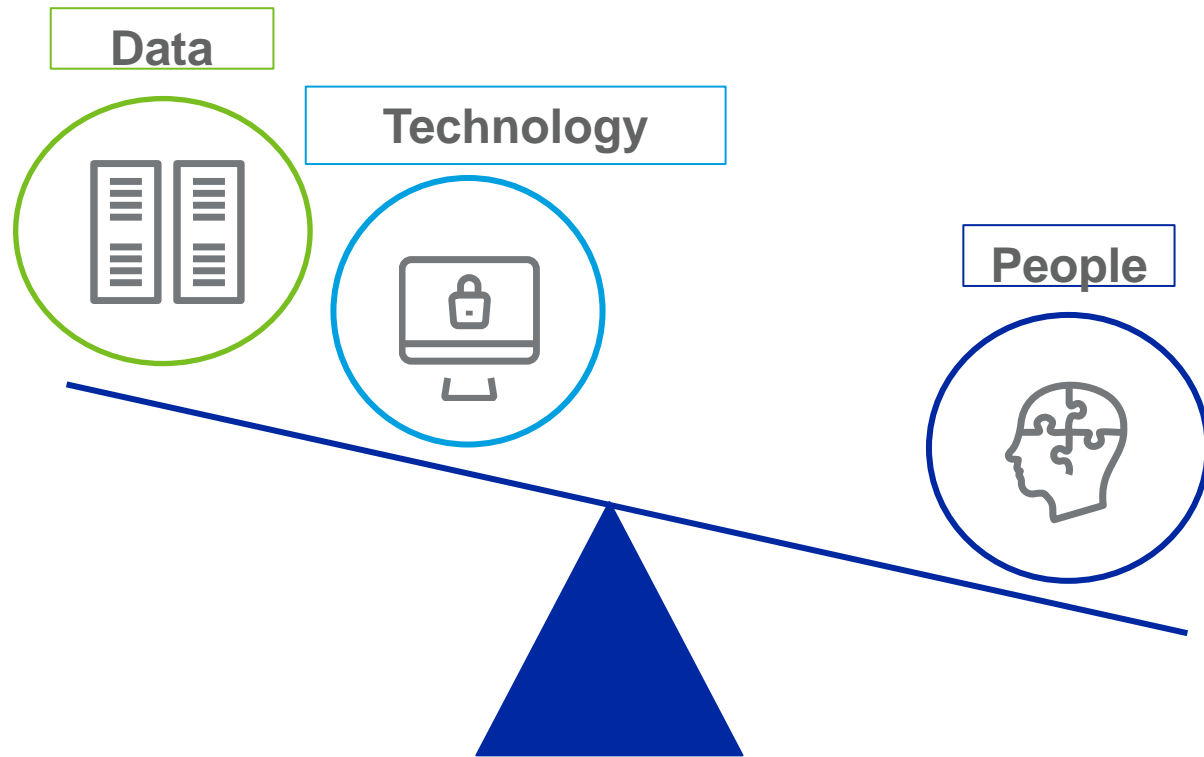


High cost of Compliance

Today's due diligence dilemma

What is the optimum balance?

How can we get there?



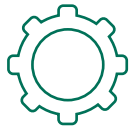
Some questions for your organization (not exhaustive):

- **Current situation** – which level of opaqueness can your organization deal with?
- **Goals** – are you defining clear and achievable targets?
- **Target picture** – do you want to optimize your process or are you embracing a major transformation?
- **Governance** – is your governance framework robust?
- **Process map** – to which extent are your current processes optimized?
- **Skillset** – to which extent is the necessary expertise covered?

In many organizations, the current balance can hardly leverage data in an efficient and effective way.

How to get there – Technology as an ally

New and emerging financial crime technologies:



AUTOMATION

Financial institutions can leverage automation in their services to reduce cost, time, and manual intervention.



NATURAL LANGUAGE PROCESSING

Natural language processing can be used to pool data from many sources and to normalize the data in a structured method.



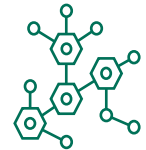
MACHINE LEARNING

Leveraged by financial institutions to profile users based on their financial spending patterns to detect anomalies, prevent fraudulent activities, and unauthorized access to user accounts.



ARTIFICIAL INTELLIGENCE

An artificial intelligence (“AI”) tool makes more cognitive and dynamic decisions rather than following a pre-defined set of instructions for financial transaction related scenarios. This improves customer experience and reduces false positives.



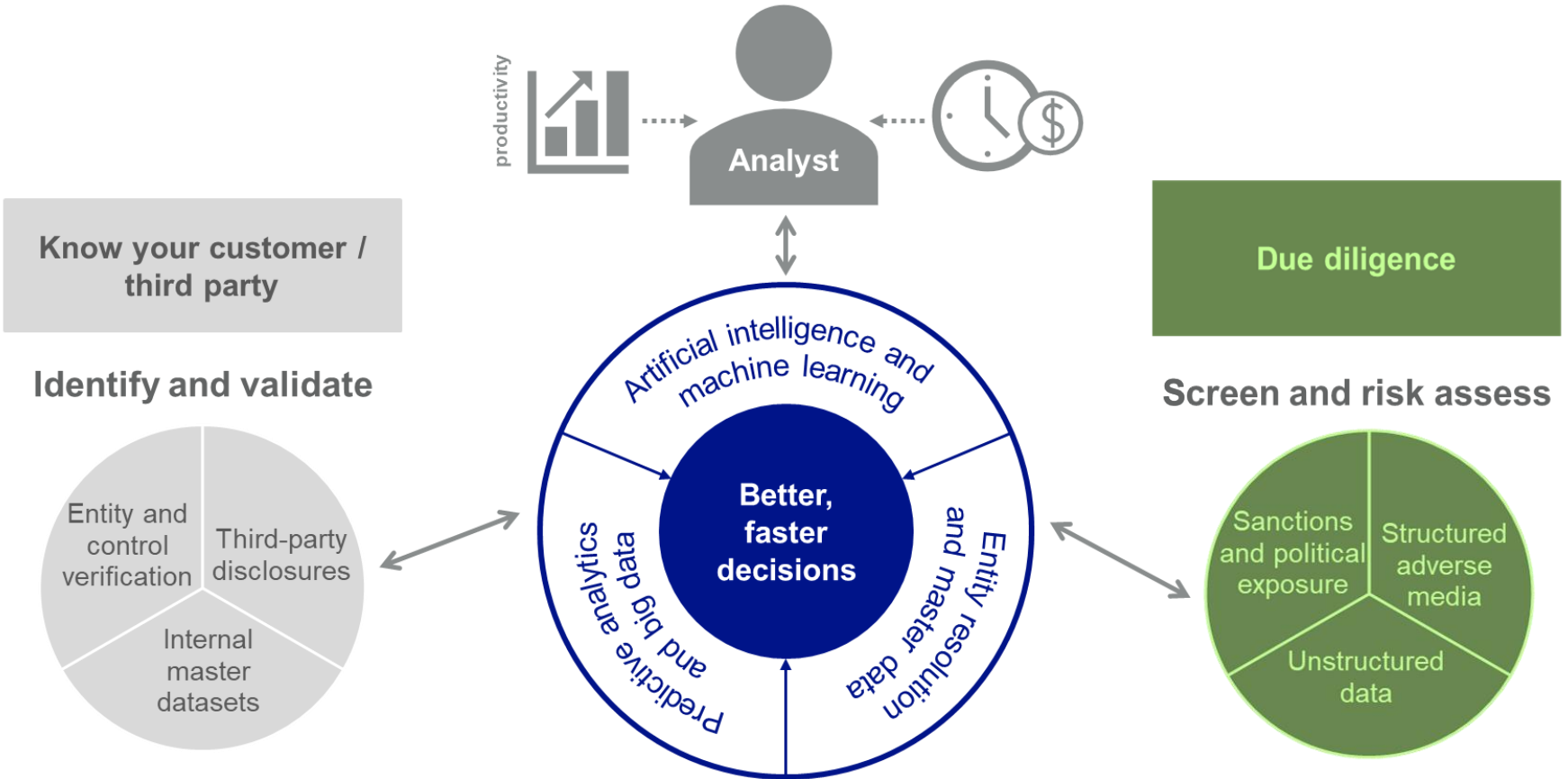
BEHAVIORAL ALGORITHMS

Financial institutions can analyze human-device interactions to profile individual users. Behavioral algorithms can identify anomalous individual account usage and keyboard/mouse movements to prevent unauthorized account usage.

Technology is the answer to find the balance between effectiveness & efficiency.

Target picture: Integrated, perpetual KYC/CDD

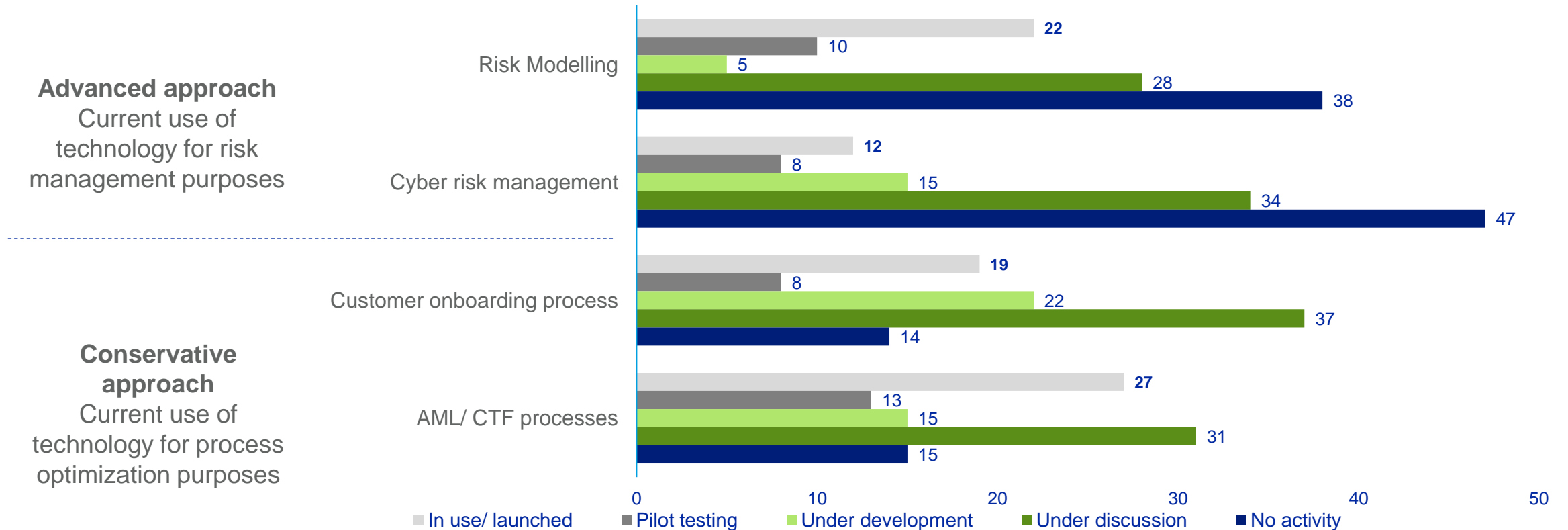
The compliance Analyst is more than a user, he/she drives the model:



The goal: leverage organization's data and allow people to focus on more value adding tasks.

How to get there - Technology as ally

The market indicates a lack of strategy, not initiatives:



Through Advanced Analytics, FIs are exploring more efficient ways to save costs and ensure compliance.

Source: EBA Report on Big Data and Advanced Analytics (January 2020)

Conclusions and Q&A sessions

Conclusions

COMPLIANCE FUNCTION IS CHANGING

- » Not a “tick of the box” approach
- » More awareness across departments
- » Compliance is not anymore just a cost

KYC AS FIRST STEP

- » KYC processes are central
- » A digital journey cannot overlook “catchy” & effective onboarding procedures

EMERGING TECH

Technology as opportunity:

- » To enhance the link between compliance and business
- » To free resources and decrease organizational complexity
- » To increase transparency and achieve a more sustainable business model (risk-based approach)

Effectiveness (e.g. **less false negatives**) & **efficiency** (e.g. **less false positives**) depend on your **KYE procedures**. This is an **essential step** for a mature **risk-based approach**.

Major Take-Aways

- ✓ **BALANCE:** *have we got the right balance of people, technology and data based on my organization's risk appetite?*
- ✓ **SETTING THE BAR:** *can we enhance our technology footprint implementing a Reg-Tech solution (setting the bar between organization tech-maturity and expected output)?*
- ✓ **STRUCTURED DATA:** *how do we manage the quality of our structured data, prior to feeding it into a Reg-Tech platform?*
- ✓ **UNSTRUCTURED DATA:** *could we improve our customer risk model by ingesting external data?*



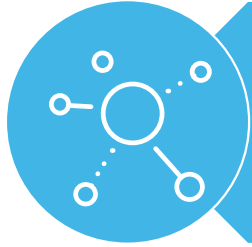
Q&A



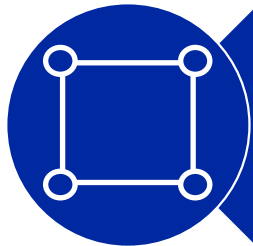
Appendix

Financial Crime Due Diligence

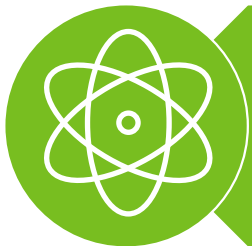
Three Components



Orbis | Entity Data



GRID | Risk Data



**Compliance Catalyst |
Assessment**

Better Together | Orbis & GRID

The world's most comprehensive, risk relevant data set

Two best-in-class data sets deliver new levels of certainty on your customers, third parties and the individuals behind them.

The most extensive data set of company information and corporate structures combined with the risk database of adverse media, sanctions, watchlists and PEPs gives you access to ~400 million entities and 13million+ risk profiles.

Explore Corporate Structure

Orbis offers the most extensive company information and detailed corporate structures to deliver new levels of certainty on your third parties.

Beneficial Ownership & Control

The absolute authority to determine beneficial ownership. Know who ultimately controls an organization with Orbis' direct and indirect ownership data.

Screening

Use Orbis to verify companies or for detailed research and third-party screening.

Third Party Verification

The ideal tool to verify a company exists. In cases where full financial information is not available Orbis provides a financial strength indicator.

A Growing Database

We capture and treat data from more than 170 separate information providers, and hundreds of our own sources.

Data from Every Jurisdiction

Standardized data enables you to instantly search for and compare businesses across the globe.

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Effective Risk Assessment

Identify risks you were not aware through a consistent assessment process. Information is curated into detailed profiles, by individual or organization, so you can see risk-relevant data.

Meet Due Diligence Obligations

Accurate and reliable information meeting your requirements under KYC screening, anti-money laundering and more.

Adverse Media

Global curation of adverse media delivered with precise granularity. Surfacing timely, de-duped, actionable information.

Sanctions By Extension

Identify parties related to sanctioned individuals with GRID's advanced network data.

Effective Screening Capabilities

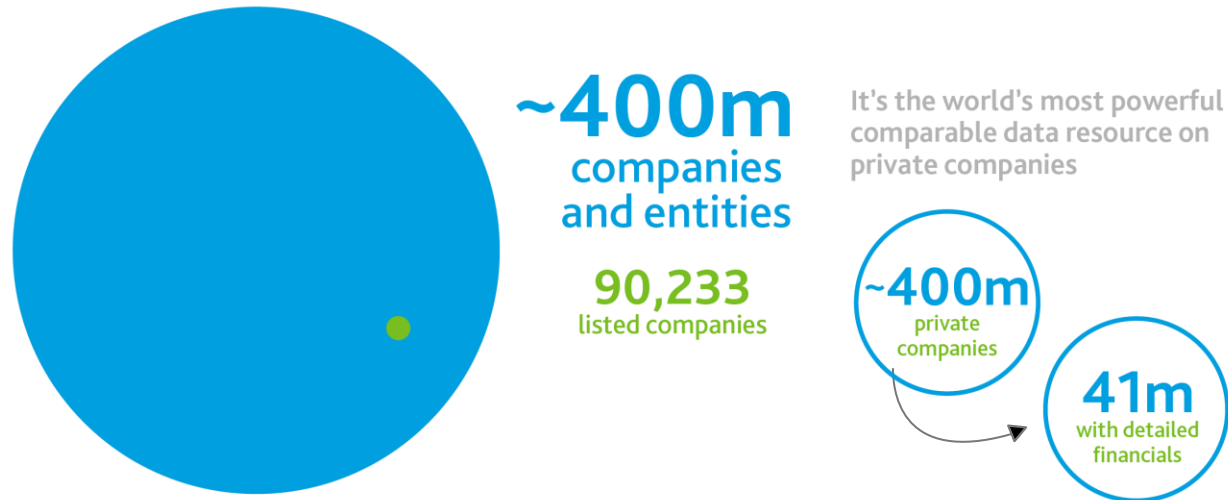
Combination of comprehensive data and categorization means more precision, fewer false positive results and more efficiency.

Unmatched Breath & Depth

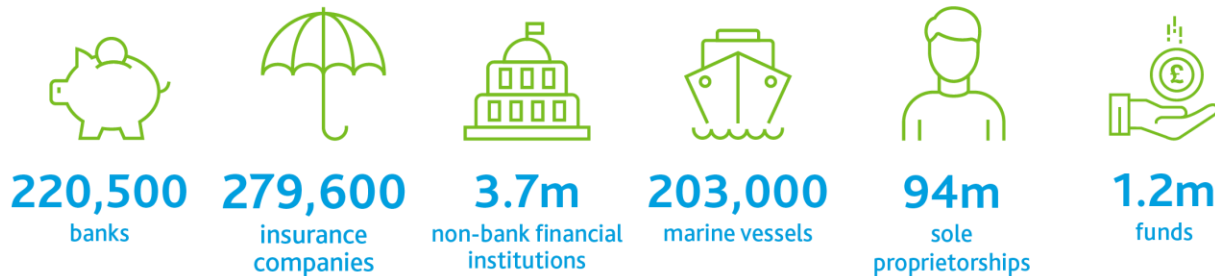
Risk database of adverse media, sanctions, watchlists, PEPs and other focused datasets. GRID takes information from over 120,000 sources, covers 240 countries and territories and over 3 billion articles from the last 10 years.

Orbis is *the* resource for entity data

Companies and entities



Including



Note: Figures collected January 2021. Figures are rounded.

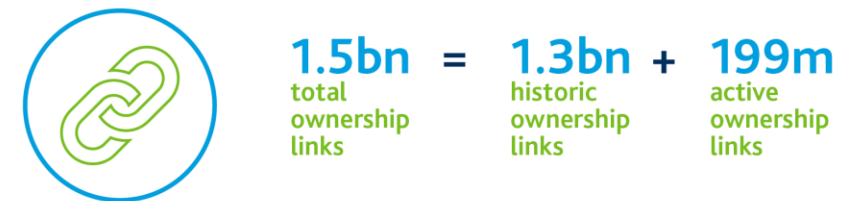
People



Ownership structures



It links people and entities



Global Risk Intelligence Database (GRID)

13 million + curated risk profiles

Monitored lists

- » 1,400+ global lists
- » International sanctions
- » Regulatory bodies' actions
- » Fugitive lists
- » Fraud warnings
- » Debarment lists
- » Disciplinary/enforcement actions
- » Law enforcement press

Politically exposed persons

- » 2 million+ global PEPs
- » Complete PEP profiles
- » Categorized by type, level, country and risk rankings
- » Names, aliases, date of birth, position history
- » Links to profiles of family members and close associates



Adverse media

- » 3 billion+ screened media articles
- » Always current – daily media scanning of newspapers, magazines, TV and radio transcripts
- » Deduplication, article prioritization
- » Standardized categories with 50+ risk codes and 30+ risk stages

Special collections and high-risk industries

- » Marijuana-related businesses
- » Money services businesses
- » Virtual currency exchanges
- » Gaming industry lists
- » Sanctions Connect
- » Iran Connect, Panama Papers
- » Registered foreign agents
- » State Owned Entities (extension >25%)

CVIP™: a unique engine for customizable risk screening

	Stage One		Stage Two				Stage Three				Stage Four				Match Score		
	ACCUSED	CHARGED	ACCUSED	CHARGED	CONVICTED	ACCUSED	CHARGED	CONVICTED	ACCUSED	CHARGED	CONVICTED	ACCUSED	CHARGED	CONVICTED			
Critical																	
BSE - Bribery, Graft, Kickbacks, Political Corruption																	<10
BUS - Business Crimes (Annuity, Bankruptcy, Price Fixing)																	90
DEN - Denied Entry																	<10
FCF - Former OFAC List																	ALL
FOS - Former Sanctions																	ALL
FSD - Fraud, Scams, Swindles																	ALL
MLA - Money Laundering																	ALL
OCG - Organized Crime, Criminal Association, Racketeering																	<10
PEP - Person Political																	<10
REG - Regulatory Action																	ALL
SEC - SEC Violations (Insider Trading, Securities Fraud)																	<10
SNK - Sanctions Connect																	ALL
TER - Terrorist Release																	ALL
WULT - Watson List																	ALL
Valuable																	90
CFT - Counterfeiting, Forgery																	90
DTF - Trafficking or Distribution of Drug																	90
FUG - Fugitive, Escape																	90
GAM - Illegal Gambling																	90
HUM - Human Rights, Genocide, War Crimes																	90
IMP - Identity Theft, Impersonation																	90
LMD - Marijuana Dispensaries																	90
MOR - Mortgage Related																	90
MSB - Money Services Business																	90
MUR - Murder, Manslaughter (Committed, Planned or Attempted)																	< 7
OBS - Obscenity Related, Child Pornography																	90
PRJ - Perjury, Obstruction of Justice, False Filings, False Statements																	90
RES - Real Estate Actions																	90
SMG - Smuggling (Does not include Drugs, Money, People or Guns)																	90
SPY - Spying (Treason, Espionage)																	90
TAX - Tax Related Offenses																	90
Investigative																	< 5
ARS - Arson																	< 5
AST - Assault, Battery																	< 5
BUR - Burglary																	< 5
CON - Conspiracy (no specific crime named)																	< 5
CPR - Copyright Infringement (Intellectual Property, Electronic Piracy)																	< 5
CYB - Computer Related, Cyber Crime																	< 5
OPS - Possession of Drugs or Drug Paraphernalia																	< 5
ENV - Environmental Crimes (Poaching, Illegal Logging, Animal Cruelty)																	90
FOR - Forfeiture																	< 5
IGN - Possession or Sale of Guns, Weapons and Explosives																	< 5
KID - Kidnapping, Abduction, Held Against Will																	< 5
POS - Possession of Stolen Property																	< 5
TFT - Theft (Larceny, Misappropriation, Embezzlement, Extortion)																	< 5
TRF - People Trafficking, Organ Trafficking																	< 5
ABU - Abuse (Domestic, Elder, Child)																	< 5
PR - Illegal Prostitution																	< 5
LS - Loan Sharking, Usury, Predatory Lending																	< 5
MS - Misconduct																	< 5
NSC - Nonspecific Crimes																	< 5
ROB - Robbery (Stealing by Threat, Use of Force)																	< 5
SEX - Sex Offenses (Rape, Sodomy, Sexual Abuse, Pedophilia)																	< 5

sample risk stages
(for example: accuse, charged, convicted)

sample risk event types
(for example: bribery, money laundering, murder)

exclude by age

precision of name match by risk severity

20+ years of tagged data

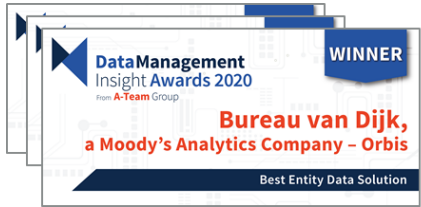
50+ risk code and 30+ risk stage filters

customized to type, stage, age and matching threshold

unlimited screening configurations

reconfiguration at any time

Awards and accolades



3 years running



2 years running



Moody's Analytics
Credit data provider of the year



orbis +



grid +



compliance catalyst



Recognized



orbis +



grid



orbis +



compliance catalyst



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