It’s 2019. Do You Know Who Your Borrowers Are?

Danielle H. Ferry, PhD
It’s 2019. Do you know who your borrowers are?
Agenda

1. Compliance Risk Matters
2. Challenges + Solutions
   » Beneficial ownership
   » Unstructured data
   » Inefficient processes
   » Complex relationships
3. Key Take-Aways
Have you ever had a situation where you wanted to extend credit but couldn’t because of a compliance check?
Do SCCL (single-counterparty credit limits) apply to your institution?
The Regulatory Imperative

OFAC

FCPA

CDD
The Financial Impact

Global fines for non-compliance with AML, KYC, and sanctions regulations:

- Total: $26B
- Average: $90M

Annual bank spending on AML/KYC processes:

- Average bank: $60M
- Large global FIs: $1B
The Reputational Impact

AN INITIAL ALLEGATION—THAT THE BANK HANDLED $10BN OR MORE OF DODGY MONEY IN THE BALTICS—WAS QUICKLY FOLLOWED BY OTHERS…SWEDBANK’S SHARE PRICE HAS FALLEN BY 28% SINCE MID-FEBRUARY, WHEN THE REVELATIONS STARTED COMING…
-- THE ECONOMIST, MARCH 28, 2019

DANSKE BANK SHARES HAVE FALLEN MORE THAN 40% OVER THE PAST YEAR, AFTER IT REVEALED IN 2018 THAT IT HAD CHANNELED 200 BILLION EUROS OF SUSPICIOUS PAYMENTS THROUGH ITS ESTONIAN BRANCH BETWEEN 2007 AND 2015.
-- CNBC, JULY 19, 2019
Compliance: Complex, Manual, Inefficient

Customer Due Diligence
- Identification
- Beneficial ownership
- Risk profile
- Watchlist screening

Enhanced Due Diligence
- Additional identification
- Business relationship
- Adverse media screening
- Source of wealth/funds

Ongoing Monitoring
- Activity monitoring
- Watchlist screening
- Adverse media
- Maintenance
Agenda

1. Compliance Risk Matters
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3. Key Take-Aways
Challenge: Identifying Beneficial Owners

Current

- Equity ownership

Next Gen

- Shareholder power
Ex 1: Direct Ownership, Maj. Shareholder

Current & next-gen solutions

Ferry Landing

Danielle Ferry
51%
100%

Deborah Ferry
49%
0%

Equity ownership
Shareholder power
Ex 2: Direct Ownership, No Maj. Shareholder

Current & next-gen solutions

Based on the ownership structure of EDCO HEALTH INFORMATION SOLUTIONS INC
Ex 3: Indirect Ownership

Current & next-gen solutions

- Danielle Ferry: 51%
- Deborah Ferry: 49%
- The Nauset Group: 49%
- Nauset & Co.: 51%
- Ferry Landing: 86.7%

Total ownership: 13.3%
Shareholder power: 100%
Ex 4: Circular Ownership
Current & next-gen solutions

Based on the ownership structure of SANTOS & VALE, LDA

orbis

Danielle Ferry
Deborah Ferry
Warren Buffet

2%
2%
2%

50%
50%
50%

Equity ownership
Shareholder power

Ferry Landing
Nauset & Co.
The Nauset Group

95%
70%
100%

24%
5%
5%

50%
24%
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Challenge: Using ALL Relevant Information

**Current**
Structured data

**Next Gen**
Structured + unstructured data
Ex: Adverse Media Screening

Current solution
Ex: Adverse Media Screening

Next-gen solution

Results for: Danske Bank

Other Entities Mentioned:
- thomas borgen (128)
  money laundering
- howard wilkinson (98)
  financial crime
- jacob asrup-andersen (97)
  fraud
- Swedbank (106)
  money laundering
- duetsche bank (97)
  bank fraud
- the danish prison and p... (75)
  financial crime
- Estonia
  money laundering
- denmark (98)
  bank fraud
- tallinn (87)
  money laundering

Risk Categories:
- bank fraud (129)
- counterfeiting (28)
- bribery (83)
- money laundering (79)
- collusion (16)
- financial crimes (67)
- fraud (36)
- securities fraud (24)
- default (19)
- conspiracy (13)
- tax evasion (82)
- embezzlement (6)

News Feed (8 unread)
- CLASS ACTION UPDATE for DNKEY, YRCW, TAP and AMRN: Levi & Korsinsky, LLP
  Reminds Investors of Class Actions on Behalf of Shareholders
  Risk Categories: bank fraud, money laundering, financial crime, fraud, corruption, insider trading...
1. Compliance Risk Matters

2. Challenges + Solutions
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   - Unstructured data
   - Inefficient processes
   - Complex relationships

3. Key Take-Aways
Challenge: Being More Efficient

Current
Manual processes

Next Gen
Automation, machine-learning, and AI
Ex: Watchlist Screening
Current solution

James Davis
PEP
Commissioner of Colorado Lottery (November 1, 2015 – July 1, 2019)

James Davis
PEP
Son of Tina M. Davis, Member of the Pennsylvania House of Representatives

James Davis
Enforcement
Sentenced to 121 months in prison for bribery, wire fraud, conspiracy, and tax evasion – March 1, 2019

Willie Evans III
Enforcement
Sentenced to 41 months in prison or fraud – May 20, 2016 [Aliases: James Davis, James Davies]

James Davis
Enforcement
Desist and Refrain order issued for engaging in securities fraud – March 6, 2012
Ex: ML-Generated KYC Risk Score
Next-gen solution

Madison Dearborn Partners LLC
Active Corporation

Risk Evidence
Location Risk
Jurisdiction
 Basel Country
HFCA
HIDTA
Activity Risk
Industry
Money Services Business
Watchlists
Politically Exposed Persons
Sanctions
Reputation Risk
Adverse Media
Criminality

Executive Summary
Location Risk
Jurisdiction
No direct risk evidence found for Madison Dearborn Partners LLC

Watchlists
Politically Exposed Persons (PEPs)
The following beneficial owners of Madison Dearborn Partners LLC have been identified as PEPs:

Risk Overview
The KYC score jumped 12 points to 96 on 9/6/19.
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Challenge: Deciphering Complex Relationships

Current Relational databases

Next Gen Graph databases
Ex: Risk Via Indirect Relationships

Current & next-gen solutions

- Danielle Ferry (CEO of Ferry Landing)
- Ralph Cioffi (Partner in Coral Hospitality)
- Current & next-gen solutions
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Key Take-Aways

Opacity is growing

Technology and innovation are coming at it fast and hard
MA is utilizing AI/ML to bring efficiency to the AML/KYC process

Schedule a meeting with us in the Solutions Corner for a demo!

Adverse Media Screening Tool
Rakesh Parameshwar

KYC Risk Score
Danielle Ferry
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