



Article

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Winners Circle: Data at the Core of Effective Risk Management

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Data is frequently referred to as the new black gold. For risk management to be capable of effectively identifying, assessing and prioritizing risks, sound infrastructure and powerful analytics are imperative, and accurate, reliable and timely data sits at its very core.

Modern technology is changing the data landscape dramatically. There is a proliferation of data, much of which comes from new, untested sources and remains unstructured. It is often held in disconnected systems and incompatible formats, making it difficult to use. Still, a growing number of companies are looking for efficient ways to manage this ever-increasing influx of information to meaningfully inform key business decisions.

Data - The Beating Heart of Moody's Analytics

Serving the global financial marketplace with world-class tools and risk management expertise, Moody's Analytics offers an unparalleled range of solutions. As a provider of financial intelligence and analytics, data underpins everything - and is the beating heart of the company.

Moody's Analytics certainly stands out for the breadth and depth of its comprehensive and varied proprietary data. It has one of the most extensive data offerings in the industry, spanning asset classes from commercial and industrial to real estate, project finance, and structured finance, and including financial, credit, entity and economic data.

Acquisitions such as Bureau van Dijk, a leading publisher of entity data and corporate ownership structures, and Reis, a leading provider of US commercial real estate (CRE) data, have recently bolstered the company's data offerings. Orbis, from Bureau van Dijk, aggregates, standardizes and distributes one of the world's most extensive private company datasets, with coverage exceeding 360 million companies. It has partnerships with more than 160 independent information providers and uses hundreds of its own sources.

Moody's Analytics data offerings include the following: its comprehensive economic data and forecasts, covering more than 180 countries and their subregions and containing upwards of 280 million economic, financial and demographic time series from over 600 sources; Data Alliance, a collaborative effort between leading financial institutions and Moody's Analytics to create the world's largest collection of private credit risk data; and Structured

Finance Data, which includes historical loan-, pool-, bond- and property-level data collected across asset classes.

Collective Strengths, Generating New Insights

While Moody's Analytics uses and sells an immense amount of data, it is keen to position itself as much more than a pure 'data provider'. Its goal is to help customers make use of all of the data that is available to them - whether from Moody's Analytics, internal sources, or third parties.

Although the company's individual datasets are powerful in their own right, Moody's Analytics is very aware that the strength of data lies in the whole, not in the parts. By connecting its data offerings, Moody's Analytics stands out from the competition, enriching its customers' risk analysis and delivering insights that were previously unattainable.

One clear example of this strategy is the steps the company has taken to become a standard-setter for CRE data and analytics. The 2018 acquisition of Reis by Moody's Corporation - of which Moody's Analytics is a subsidiary - laid the foundation for the launch of the Real Estate Information Services (REIS) Network, an ecosystem of connected applications that give market participants access to CRE solutions.

In 2019, Moody's also acquired a majority stake in Four Twenty Seven, which scores physical risks associated with climate-related factors and other environmental issues.

Moody's Analytics has since brought these disparate datasets together. Users of the REIS Network now benefit from climate risk scores from Four Twenty Seven to help them more fully evaluate over 7 million US CRE locations.

In addition to selling its data to clients, Moody's Analytics employs it in a vast number of different ways, including developing and integrating it into different innovative proprietary solutions.

Making Sense of the New Black Gold

The company has recently focused on enhancing traditional data with alternative data sources that were previously inaccessible or difficult to use, such as unstructured, synthesized or crowdsourced data. By making these sources available and usable, its customers can develop the insights they need to make better, faster business decisions. One example is its Adverse Media Tool, which uses artificial

intelligence (AI) to quickly find and categorize data from a sea of news sources for more efficient risk assessment.

In response to the growing number of companies seeking to extract valuable insights from their credit decisioning and analytics from these alternative data sources, including news, company reports and social media, Moody's Analytics launched two further solutions in 2019. The Moody's Analytics Credit Sentiment Score solution identifies entity-level credit events in news articles and assigns a credit sentiment score that reflects the strength of the adverse credit signal. Meanwhile, its new Commercial Location Score solution - part of the REIS Network - pairs traditional and alternative data with robust modeling capabilities to deliver a reliable scoring standard for commercially zoned parcels in the US.

Future Focus

Deriving benefits from alternative data will remain a significant focus for Moody's Analytics in the near future, particularly given the potential for unstructured data to offer more current and near real-time insights.

The company will continue to launch products that use AI and machine learning to help customers use such data more efficiently and to enable faster, data-driven decisions at scale. Moody's Analytics QUIQspread solution, which helps institutions automate the spreading of financial statements using AI, is highlighted as a clear example of the direction of travel. By incorporating more AI and machine learning in the future, Moody's Analytics is combating the risks of critical information being overlooked, as the largely manual processes traditionally required when working with unstructured data served to not only reduce timeliness, but also to limit how much data could be consumed and analyzed.

Moody's Analytics has a deep understanding of data and the expertise to help its customers confidently navigate an ever-evolving risk landscape and constantly changing marketplace. Continued investments in and innovations with more and better data promises benefits for both the company and its clients well into the future.

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