

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

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Moody's Analytics







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FURNITURE
OR
Anything of Value

LIBERTY FINANCE
LOANS
ON YOUR
SALARY
\$5⁰⁰ to \$50⁰⁰

CO.
Loans
Low
COST
prompt Service!

SALARY CHATTEL
LOANS



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

\$26B
Total

\$90M
Average



Annual bank spending on AML/KYC processes

\$60M
Average bank

\$1B
Large global FIs



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

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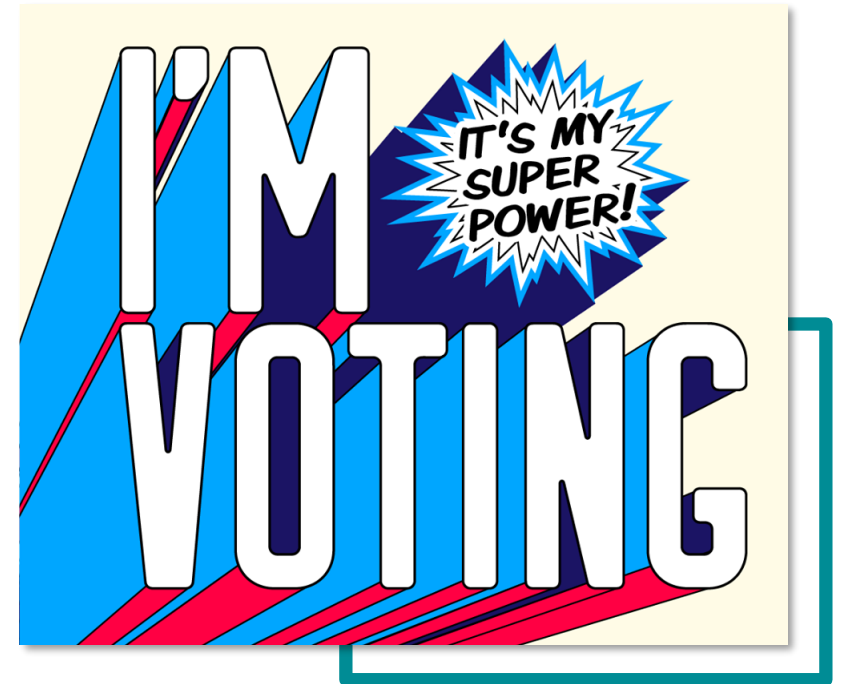


Challenge: Identifying Beneficial Owners



02
Next Gen

Shareholder power

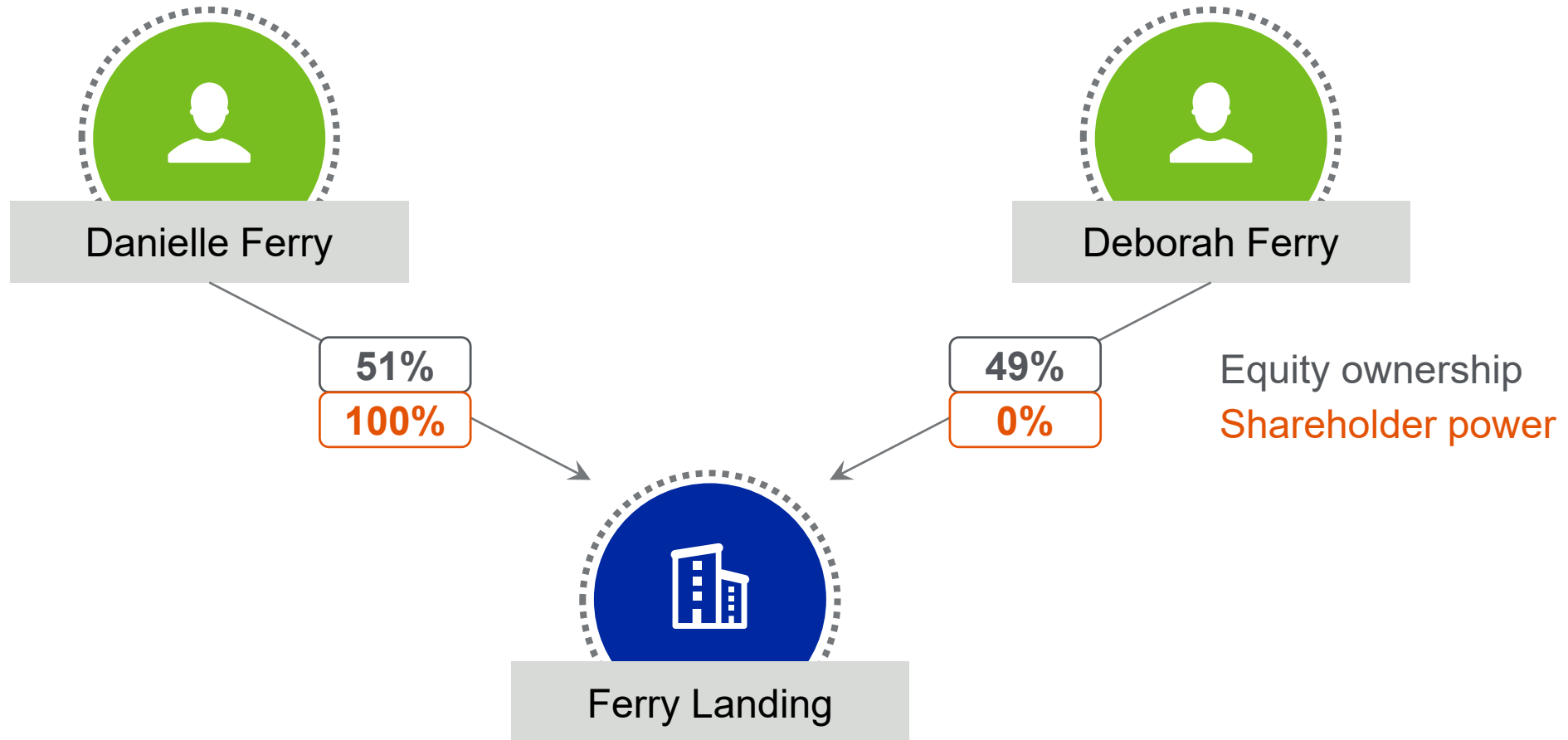


01
Current

Equity ownership

Ex 1: Direct Ownership, Maj. Shareholder

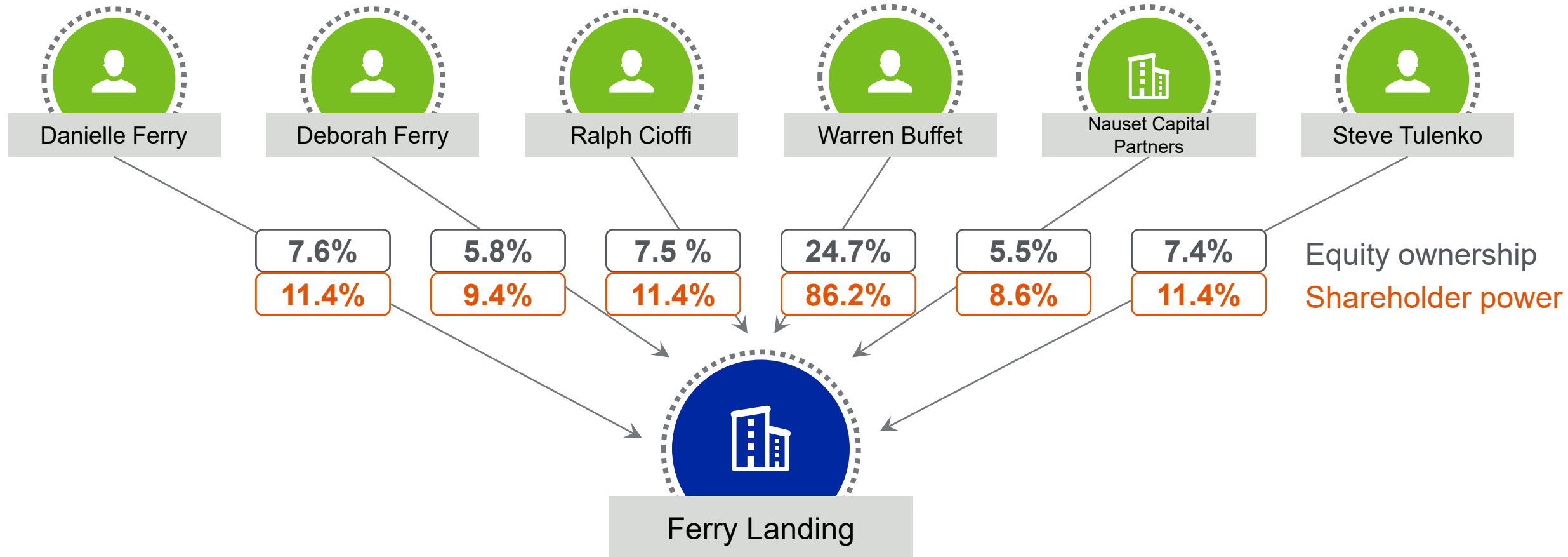
Current & next-gen solutions



Ex 2: Direct Ownership, No Maj. Shareholder



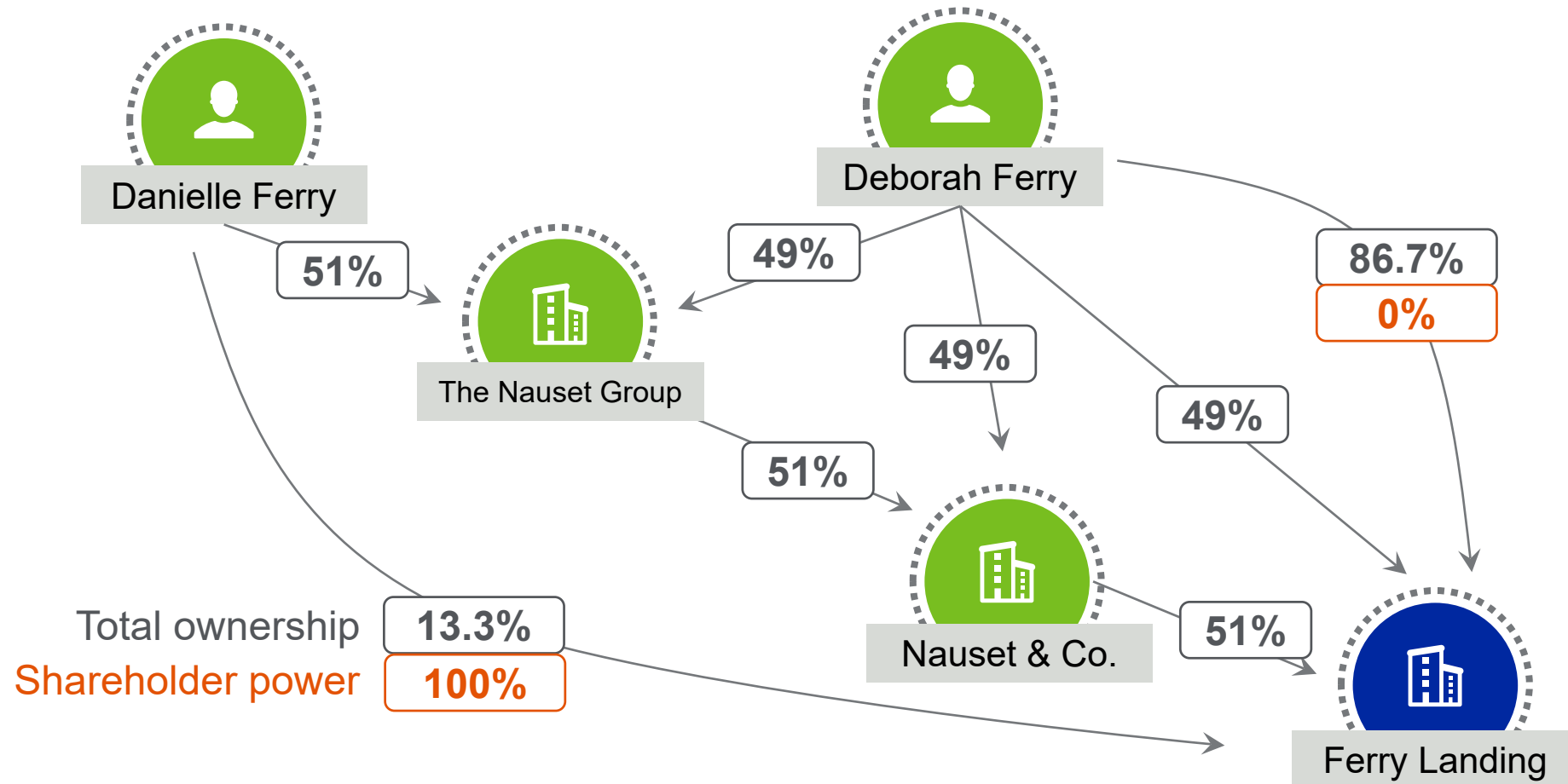
Current & next-gen solutions



orbis Based on the ownership structure of EDCO HEALTH INFORMATION SOLUTIONS INC

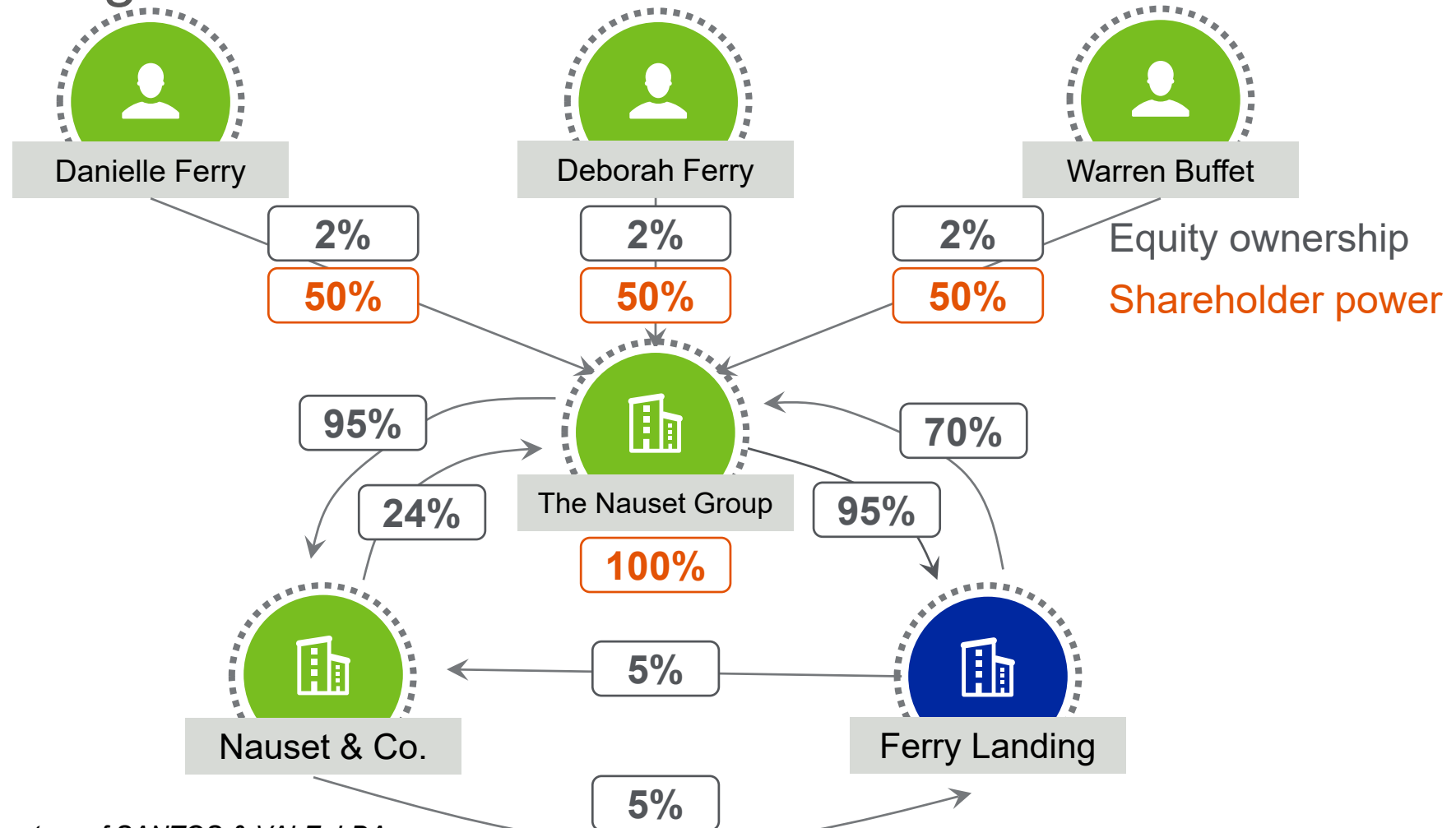
Ex 3: Indirect Ownership

Current & next-gen solutions



Ex 4: Circular Ownership

Current & next-gen solutions



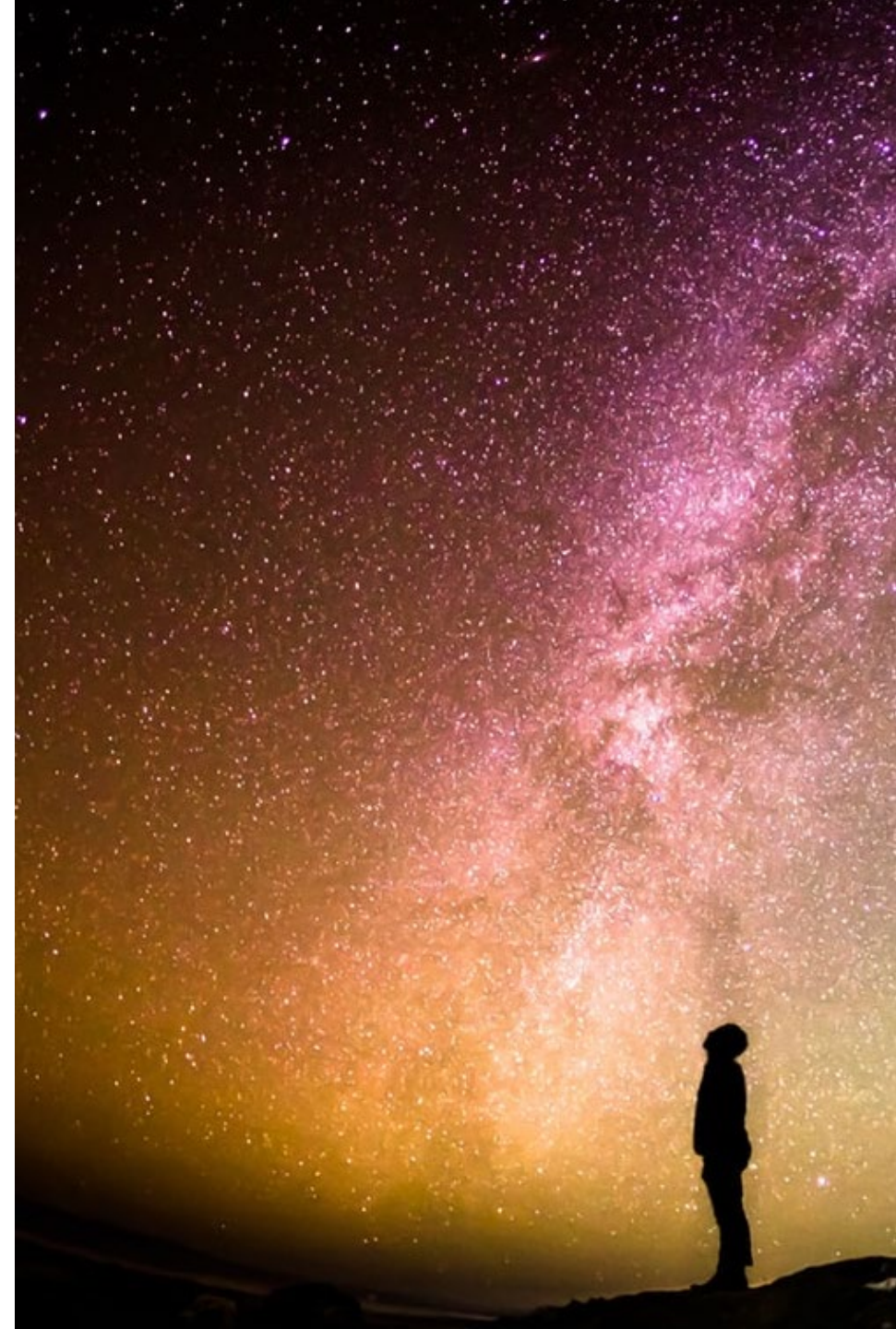
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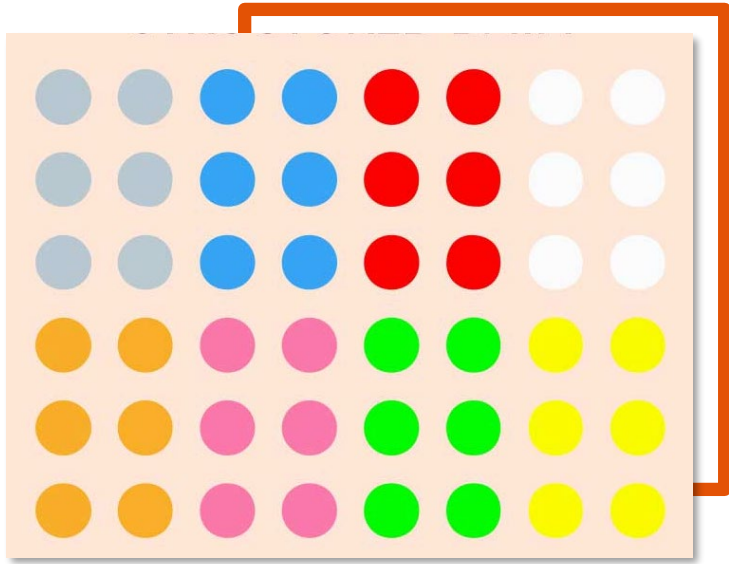
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- » *Inefficient processes*
- » *Complex relationships*

3. Key Take-Aways



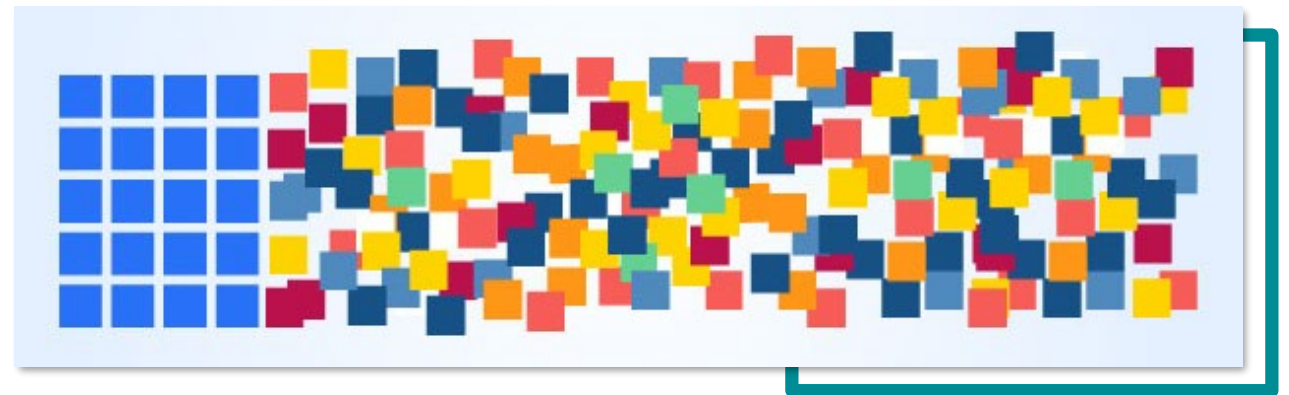
Challenge: Using ALL Relevant Information



01
Current
Structured data

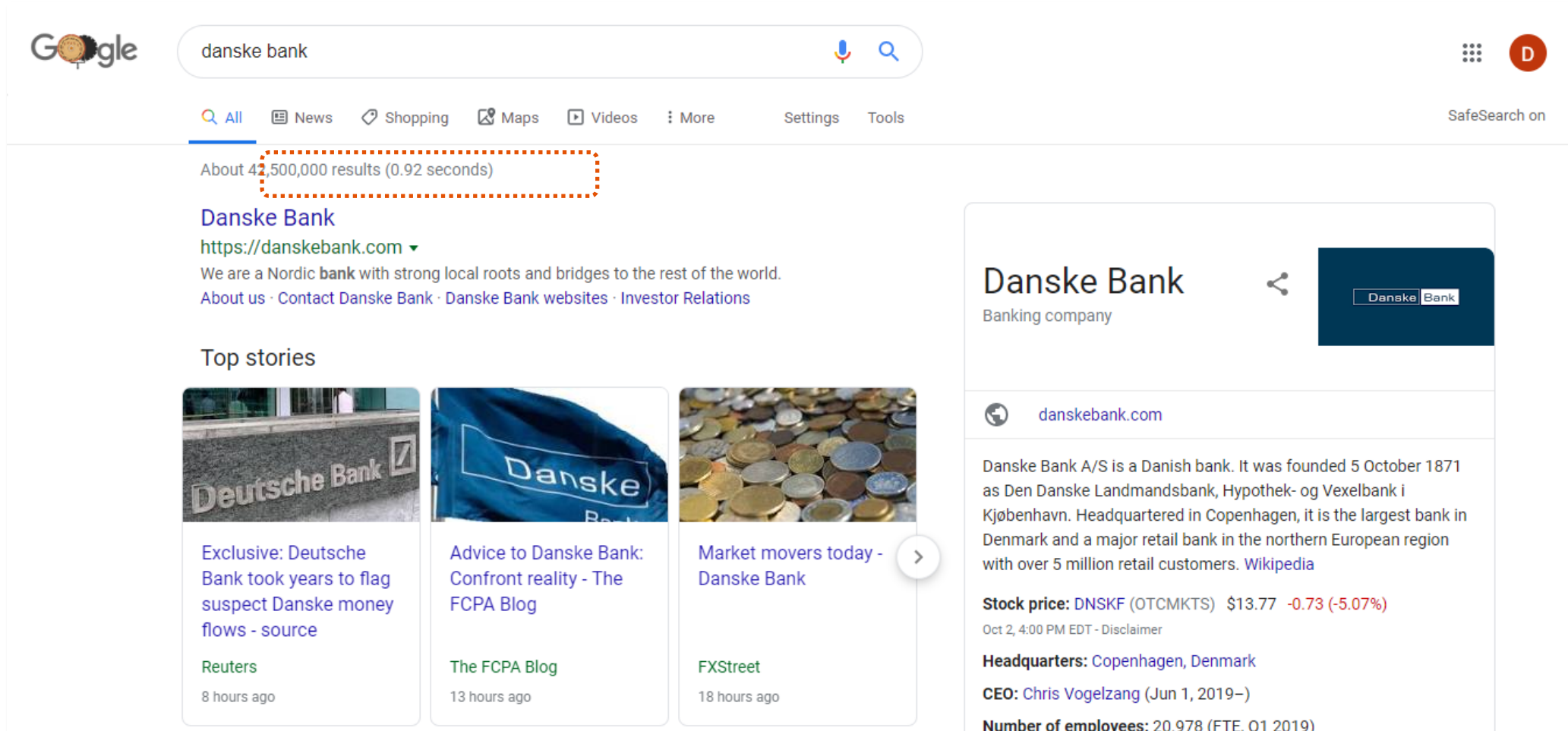
02
Next Gen

Structured + unstructured data



Ex: Adverse Media Screening

Current solution



The screenshot shows a Google search for "danske bank". The search bar contains "danske bank" and the search button is visible. Below the search bar, there are navigation tabs for "All", "News", "Shopping", "Maps", "Videos", "More", "Settings", and "Tools". The search results show "About 42,500,000 results (0.92 seconds)". The main result is for "Danske Bank" with the URL "https://danskebank.com". Below this, there are "Top stories" with three articles:

- Exclusive: Deutsche Bank took years to flag suspect Danske money flows - source** by Reuters, 8 hours ago.
- Advice to Danske Bank: Confront reality - The FCPA Blog** by The FCPA Blog, 13 hours ago.
- Market movers today - Danske Bank** by FXStreet, 18 hours ago.

On the right side, there is a knowledge panel for "Danske Bank" (Banking company) with the website "danskebank.com". The panel includes a description: "Danske Bank A/S is a Danish bank. It was founded 5 October 1871 as Den Danske Landmandsbank, Hypothek- og Vexelbank i København. Headquartered in Copenhagen, it is the largest bank in Denmark and a major retail bank in the northern European region with over 5 million retail customers. Wikipedia". It also displays the stock price: "Stock price: DNSKF (OTCMKTS) \$13.77 -0.73 (-5.07%)", the date "Oct 2, 4:00 PM EDT - Disclaimer", the headquarters "Copenhagen, Denmark", the CEO "Chris Vogelzang (Jun 1, 2019-)", and the number of employees "20.978 (FTE, Q1 2019)".

Ex: Adverse Media Screening

Next-gen solution



Results for: **Danske Bank** Adverse Media Score: HIGH MED LOW Timeline: 08/09/2017 to 08/09/2019

Other Entities Mentioned: (P) = PEP (S) = Sanctioned

Danske Bank

- People:**
 - thomas borgen (128) *money laundering* (P)
 - howard wilkinson (98) *financial crime*
 - jacob aarup-andersen (87) *fraud*
 - + See more
- Organizations:**
 - Swedbank (106) *money laundering* (S)
 - duetsche bank (97) *bank fraud* (S)
 - the danish prison and p... (75) *financial crime*
 - + See more
- Locations:**
 - estonia *money laundering*
 - denmark (98) *bank fraud*
 - tallinn (87) *money laundering*
 - + See more

Risk Categories:

- bank fraud (129)
- counterfeiting (98)
- bribery (83)
- money laundering (78)
- corruption (45)
- financial crimes (37)
- fraud (30)
- securities fraud (24)
- default (19)
- conspiracy (13)
- tax evasion (10)
- embezzlement (6)

News Feed (8 unread) Saved (23) Not Relevant (65) Sort by: Adverse Media Score: High to Low

HIGH CLASS ACTION UPDATE for DNKEY, YRCW, TAP and AMRN: Levi & Korsinsky, LLP Reminds Investors of Class Actions on Behalf of Shareholders 08/03/2019 Washington Post (via Thomson Reuters) 5 + 3 more

Risk Categories: bank fraud, money laundering, financial crime, fraud, corruption, insider trading...

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Challenge: Being More Efficient

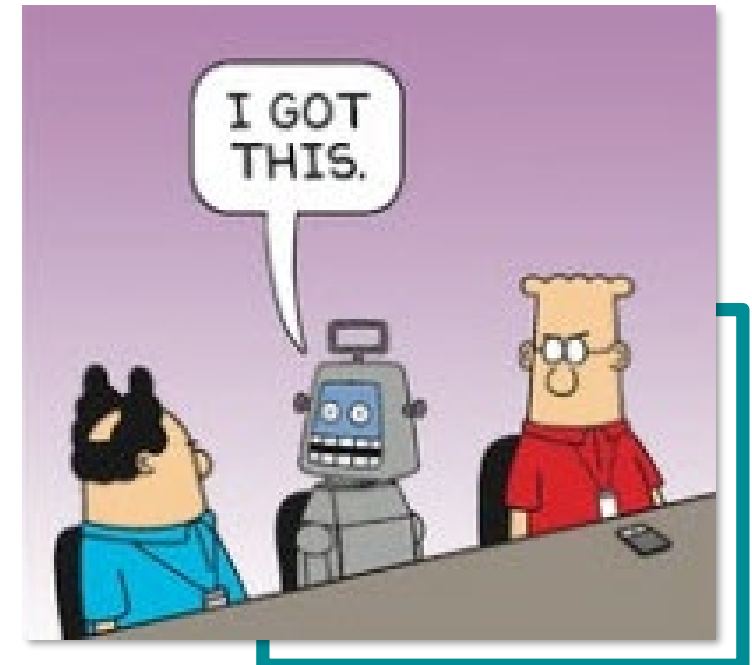


01 Current

Manual processes

02 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]



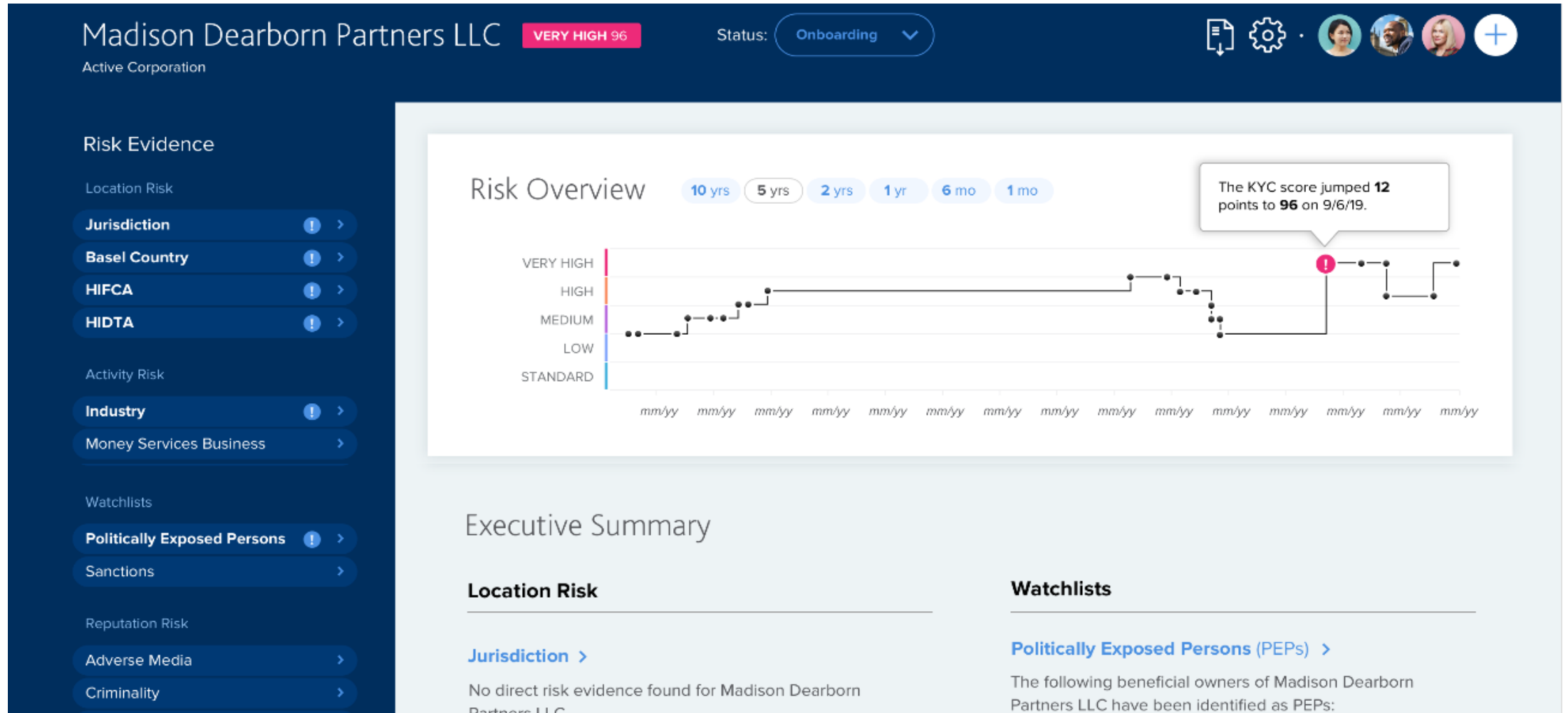
James Davis
Enforcement

Desist and Refrain order issued for engaging in securities fraud – March 6, 2012

Ex: ML-Generated KYC Risk Score



Next-gen solution



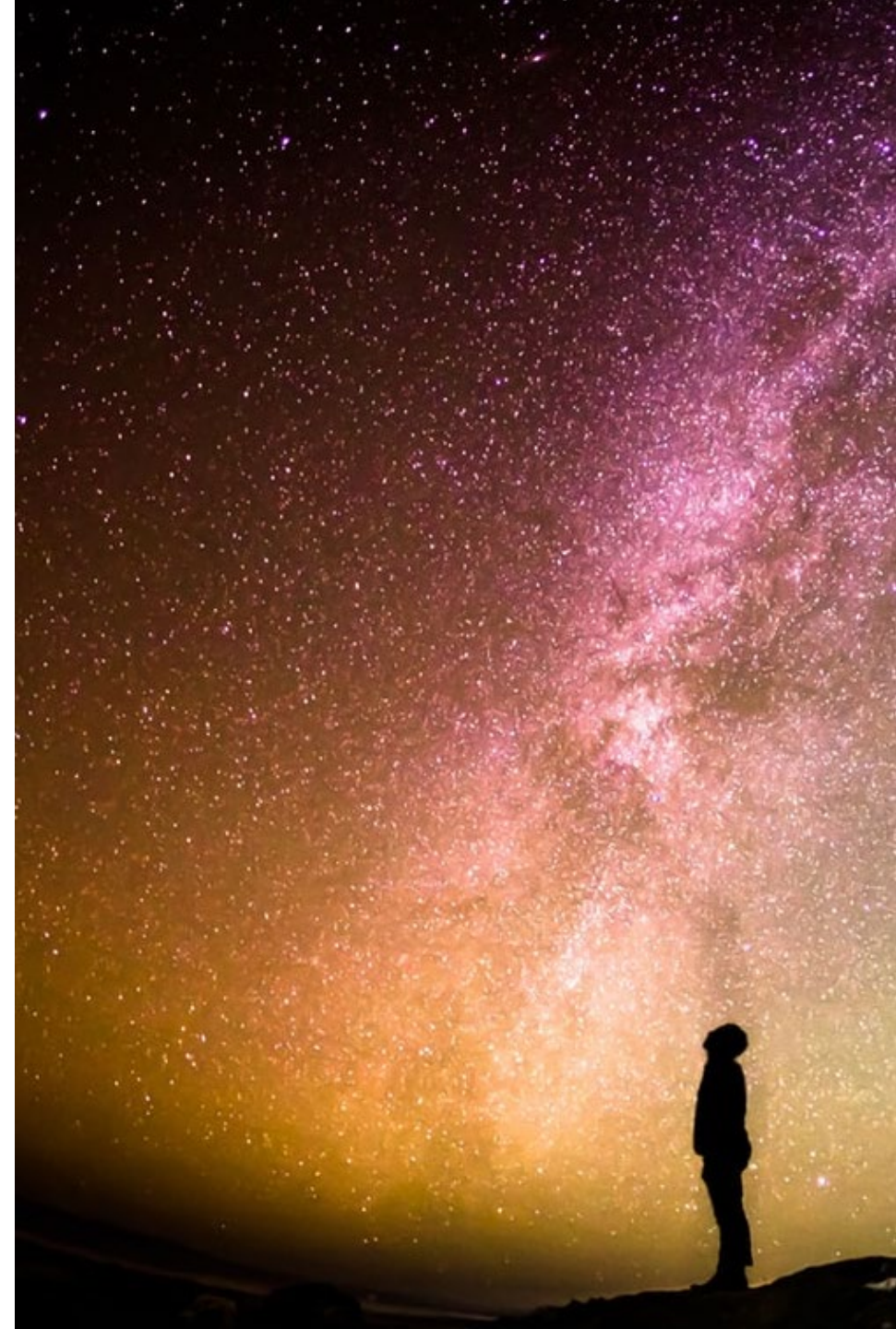
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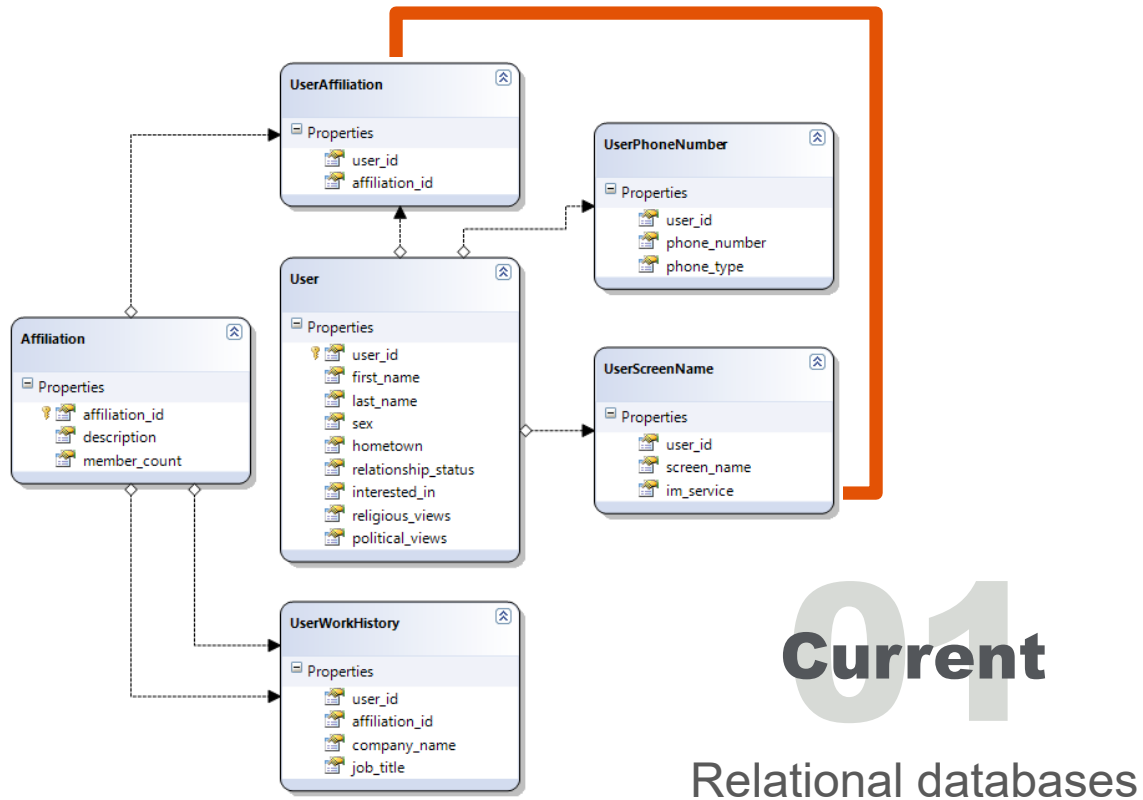
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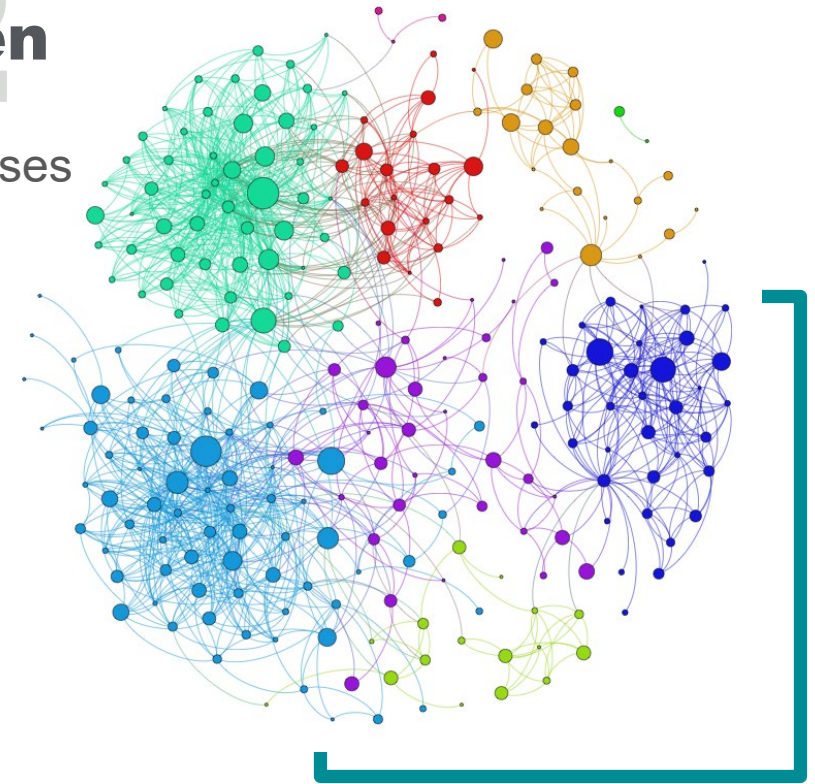
3. Key Take-Aways



Challenge: Deciphering Complex Relationships



02
Next Gen
Graph databases



Ex: Risk Via Indirect Relationships

Current & next-gen solutions



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Key Take-Aways



Opacity is growing



Technology and
innovation are
coming at it fast
and hard



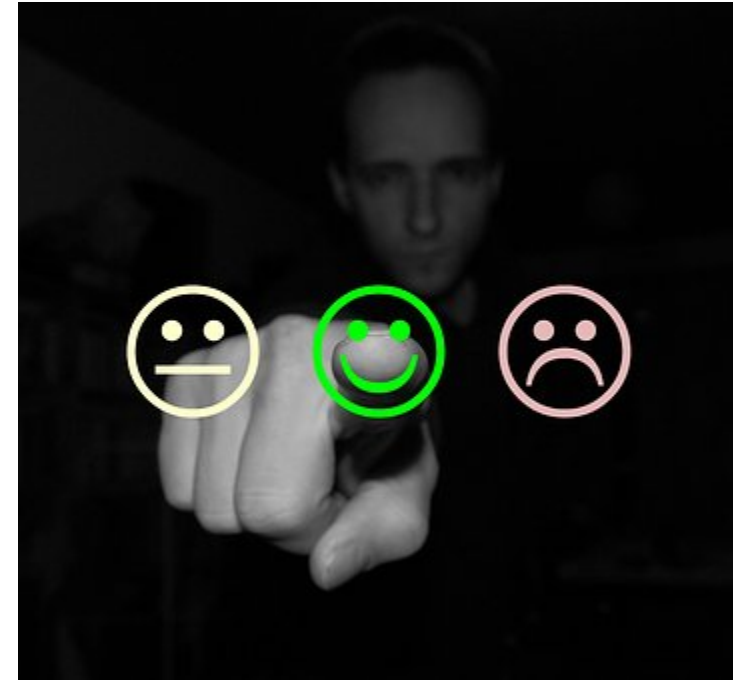
MA is utilizing AI/ML to bring efficiency to the AML/KYC process



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



Adverse Media Screening Tool
Rakesh Parameshwar



KYC Risk Score
Danielle Ferry

MOODY'S
ANALYTICS

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