



BUREAU VAN DIJK

A Moody's Analytics Company

Increasing automation and standardization for an enterprise view of risks associated with vendors and third parties

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Welcome to the business of certainty

Topics

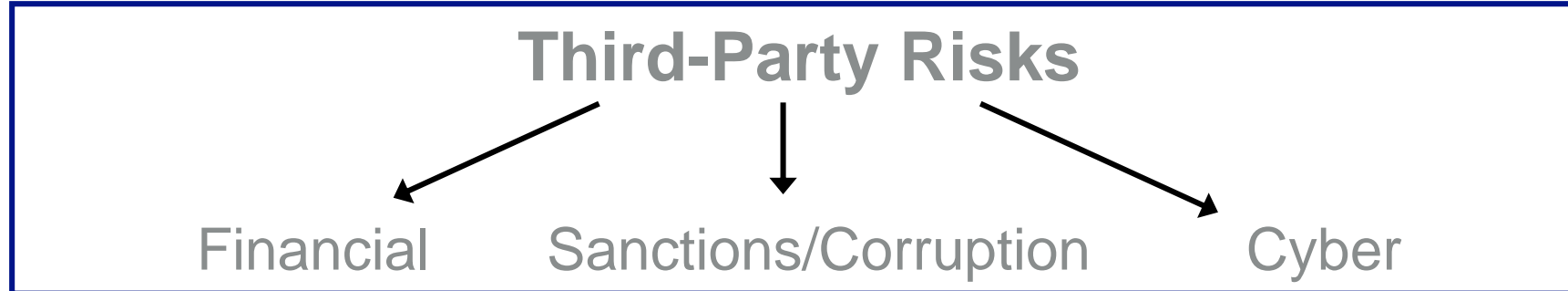
- Automation and Standardization
- Major Compliance Concern
- External Data Capabilities
- Use Case: Onboarding and Risk Analysis
- Data Reality
- Unstructured Datasets: Corroborating Primary Source Data





Automation and Standardization of Third- Party Due Diligence

Need for automation and standardization



Ownership creates multiple linked targets where same risks need to be assessed

- For multiple targets you have to use automation
- Validated structured data required for automation

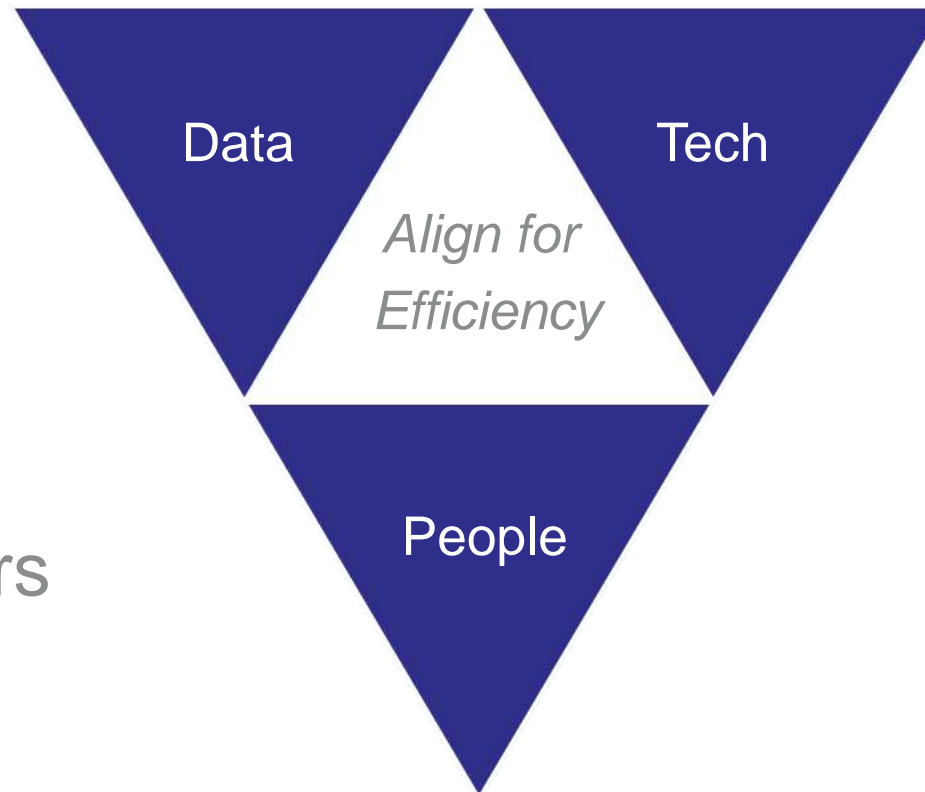


The due diligence dilemma

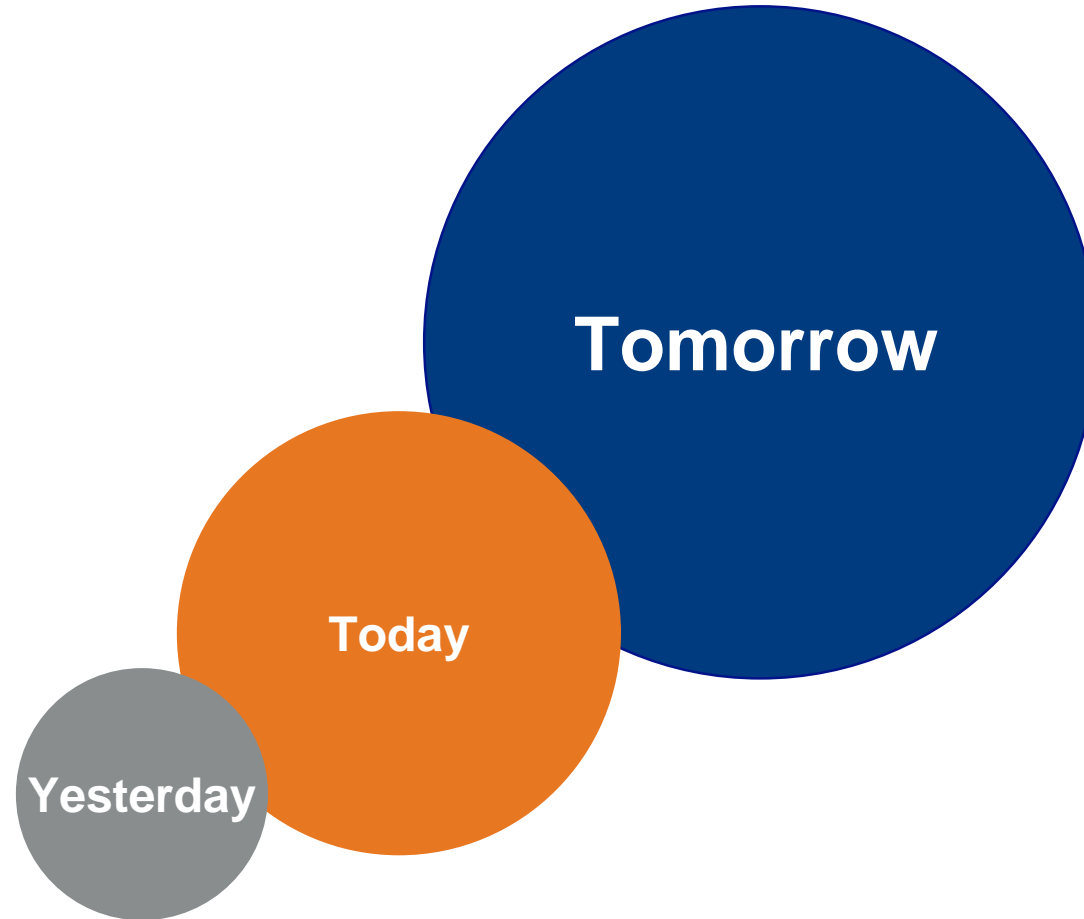
Efficiently align resources for maximum risk and cost reduction

Data and Automation

Analysts and Investigators



Amount of questions in questionnaires over time



Data for 3rd party due diligence - 2018

The current belief

External data

Questionnaire



100 %



Data for 3rd party due diligence - 2018

The reality

External data

Questionnaire as needed



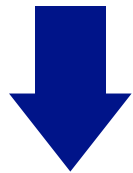
100 %



Traditional questionnaire approach prevents automation of risk assessment

- **Traditional self-disclosed information:** annual report, business certificate, tax filing, articles of incorporation...
- **Source** is third party or manual research by onboarding teams
- Unstructured data → copy paste / screen shot → **manual process**

... eventually even negatively impact the ability to be compliant with sanctions and corruption



Compliance concerns for Beneficial Owner identification and change!

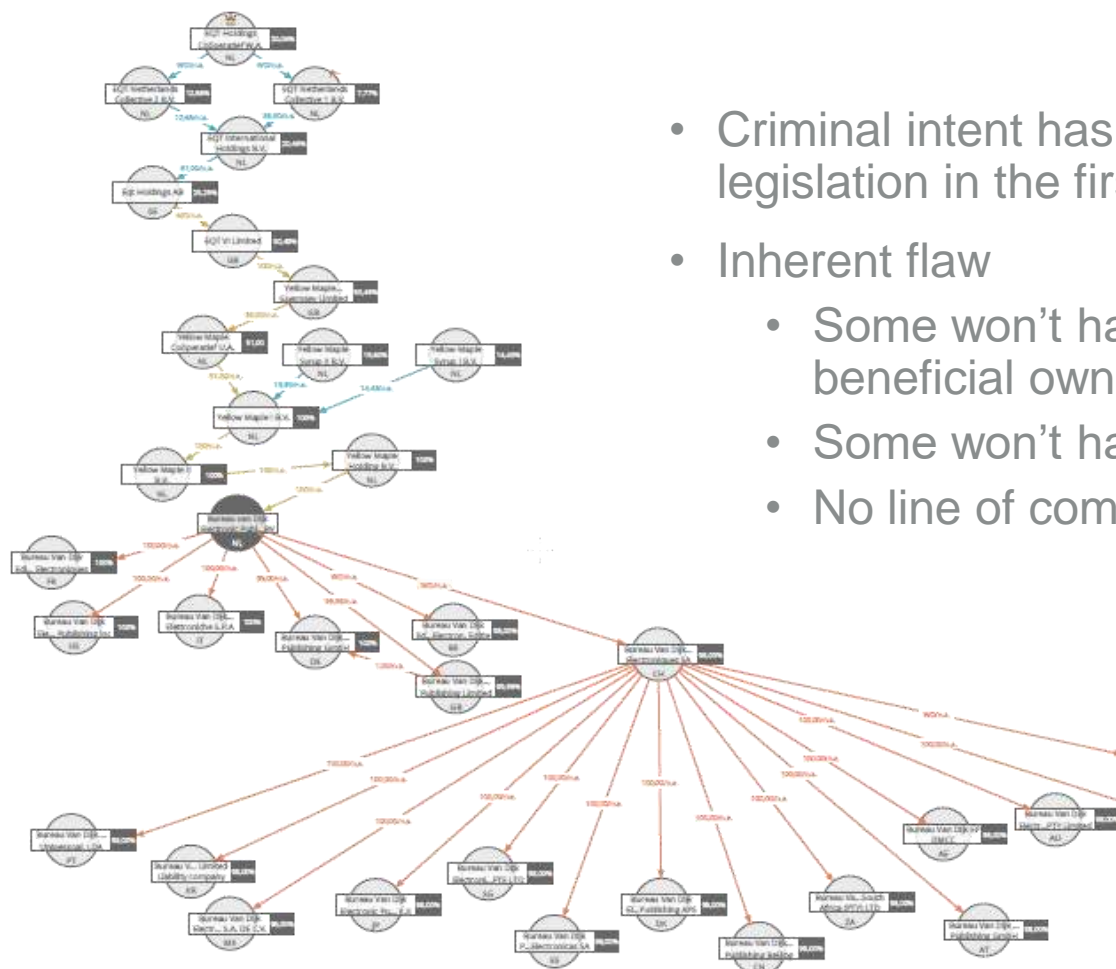
- Manual identification of Beneficial Ownership often leads to incorrect data = **decrease in compliance**
- Changes in ownership data without updating = **decrease in compliance**





Compliance Concern 1:
Identification of
Beneficial Owners

Issues with manually identifying beneficial owners



- Criminal intent has given rise to AML and Sanction legislation in the first place
- Inherent flaw
 - Some won't have the knowledge of their beneficial owner
 - Some won't have the authority to disclose
 - No line of communication when change happens





Viktor Feliksovich Vekselberg

Russian
SDN/PEP

Cayman Islands

British Virgin Islands

Bahamas

Bahamas

Bahamas

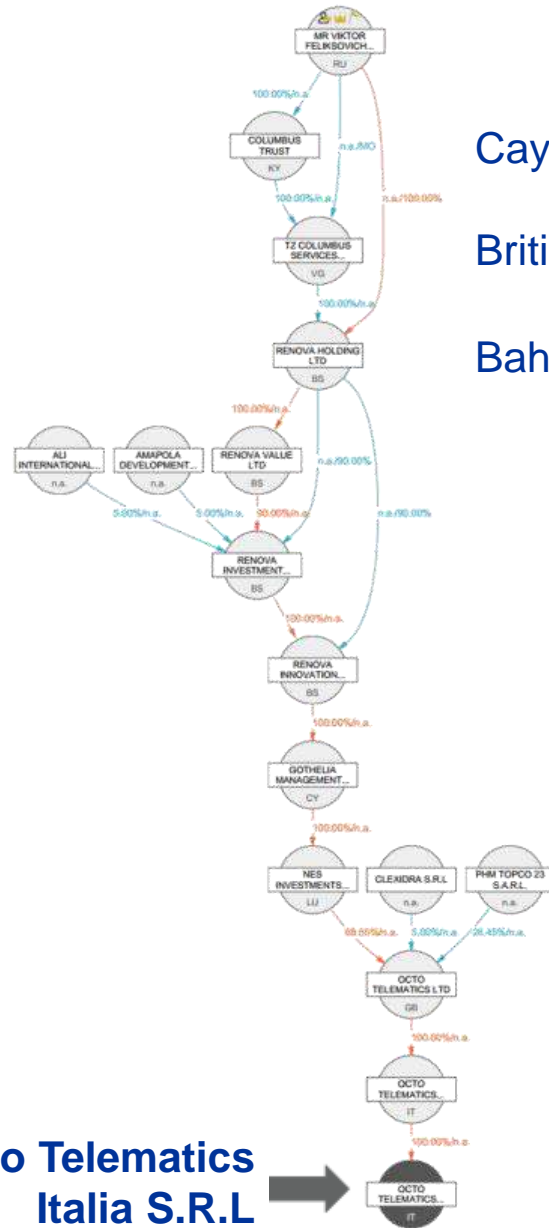
Bahamas

Cyprus

Luxembourg

Great Britain

Italy



Octo Telematics
Italia S.R.L





Compliance Concern 2: Change in Ownership

In one month, we recorded
6.4M companies with
ownership changes

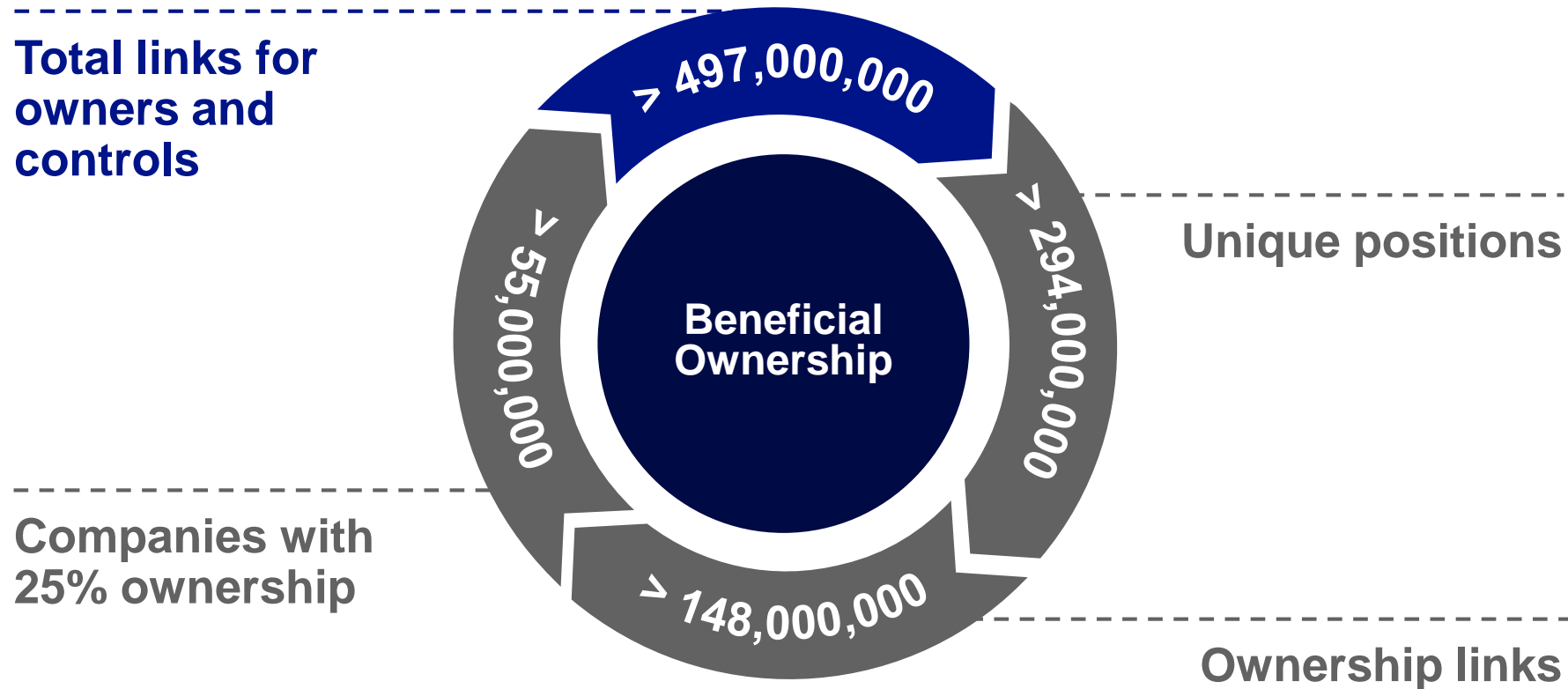
These changes equal:

- 200,000 changes per day
- 8,800 changes per hour
- >2 changes per second

Imagine collecting and maintaining this data manually...



Beneficial ownership includes “control” making manual updating almost impossible





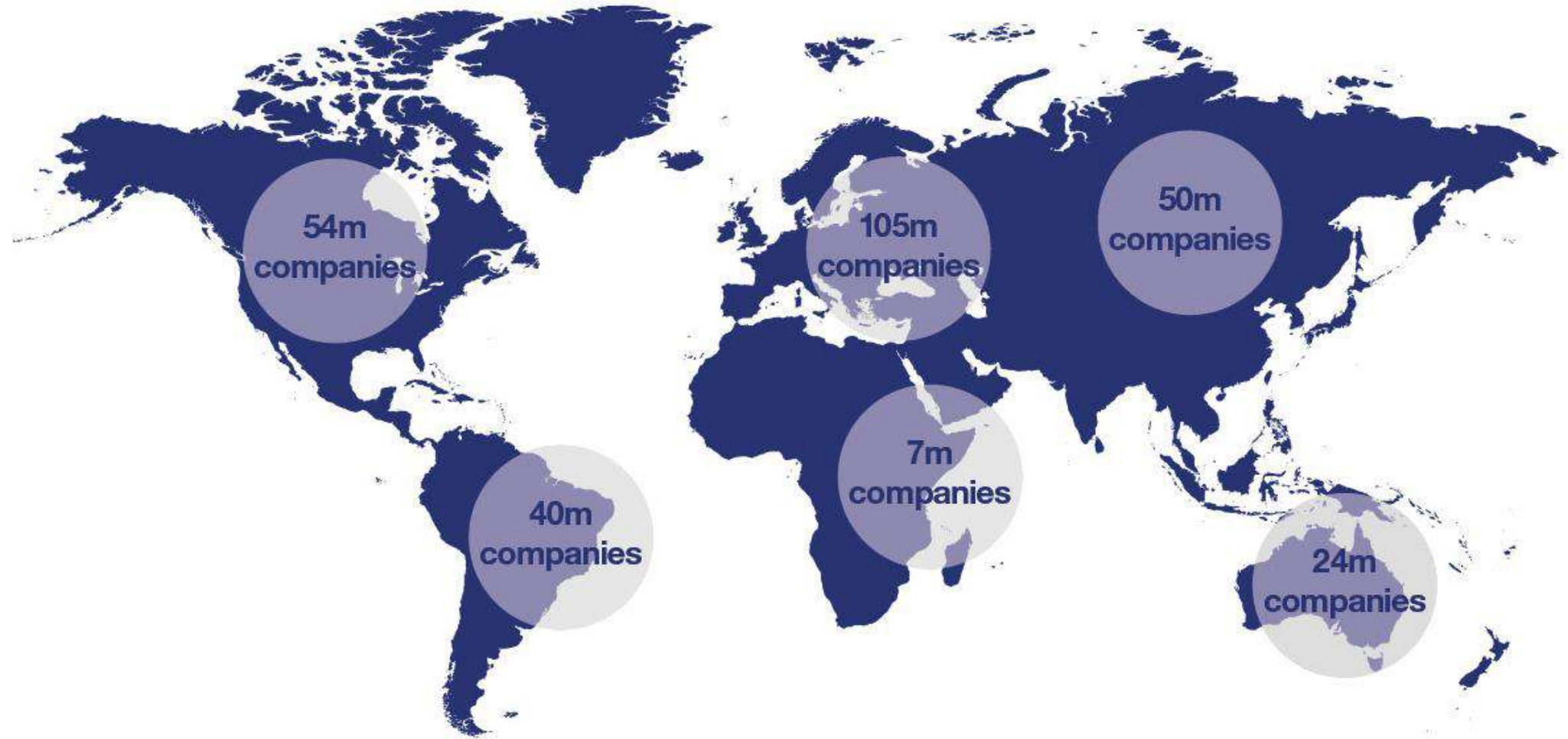
External Data

Data for risk assessments

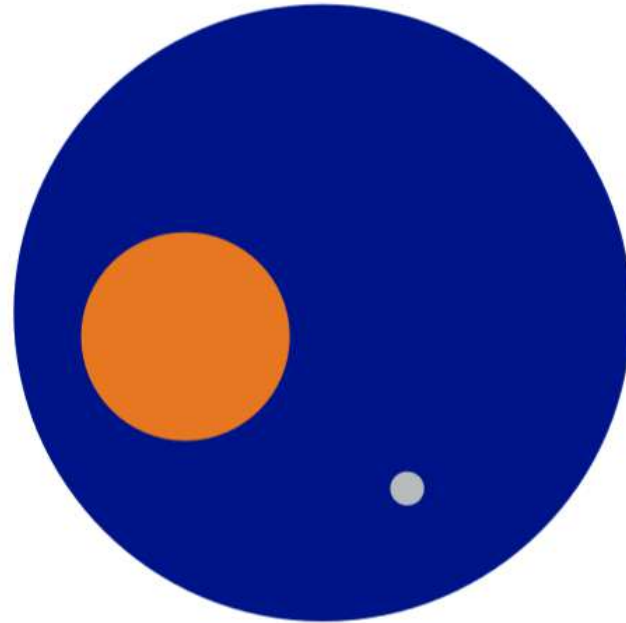
- Core third-party data
- Financial
- Sanctions
- Corruption – PEP
- Adverse media
- Cyber risk ratings
- Ownership



Global standardized KYV data exists



Data for financial strength analysis



~300m

Companies

23m

Private companies
with detailed financials

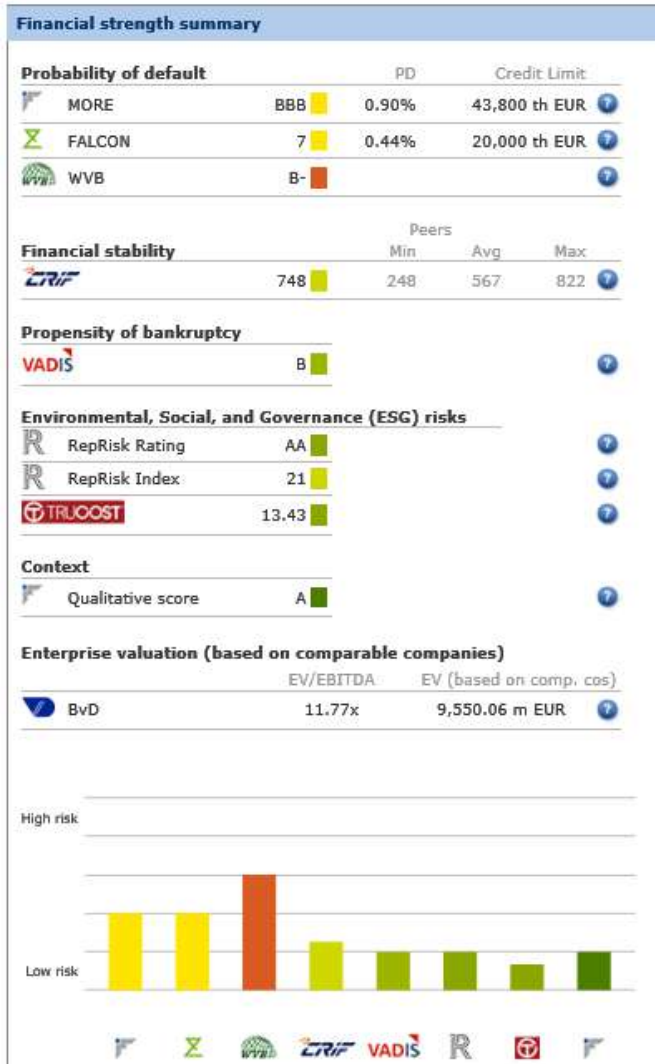
71k

Listed companies

Compare companies across borders plus financial strength metrics to assess financial viability of companies

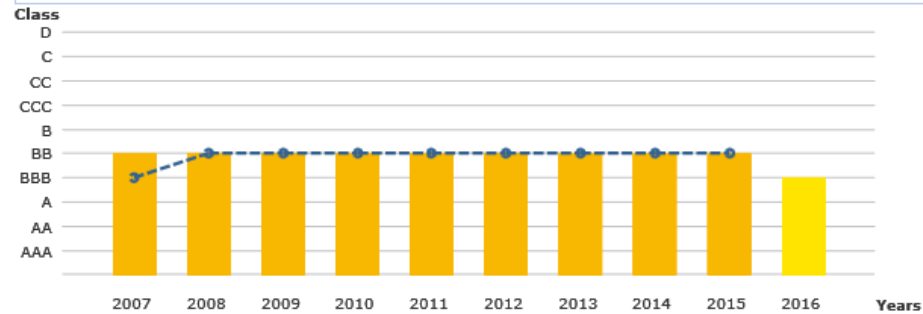


Financial strength indicators



More evaluation

	2012	2013	2014	2015	2016
Class:					
Company	BB	BB	BB	BB	BBB
Peer Group	BB	BB	BB	BB	n.a.
Probability of Default(%):					
Company	1.70	1.40	1.70	1.60	0.90
Peer Group	2.60	2.50	2.30	2.20	n.a.
Confidence level(%):					
Company	100	100	100	100	100
More credit limit (EUR):					
Company	n.a.	n.a.	23,100,000	22,600,000	43,800,000



--- MORE comparison peer group

The modeFinance More credit risk analysis assigns companies an evaluation class from D to AAA, where D is the most risky profile and AAA the least one

MORE Explanatory ratios

	2012	2013	2014	2015	2016
Solvency ratios					
Leverage ratio	Red	Red	Red	Red	Red
Assets to debt	Yellow	Yellow	Yellow	Yellow	Yellow
Liquidity ratios					
Current ratio	Orange	Orange	Orange	Orange	Orange
Quick ratio	Orange	Orange	Orange	Orange	Orange
Cash conversion Cycle (CCC)	Green	Green	Green	Green	Green
Profitability and economic ratios					
Return on Investment (ROI)	Orange	Orange	Orange	Orange	Orange
Return on Equity (ROE)	Orange	Orange	Orange	Orange	Orange
Asset turnover	Orange	Orange	Orange	Orange	Orange
Profit margin	Orange	Orange	Orange	Orange	Orange
Interest coverage ratio					
Interest Paid coverage	Yellow	Yellow	Yellow	Yellow	Yellow



Complex ownership, made simple

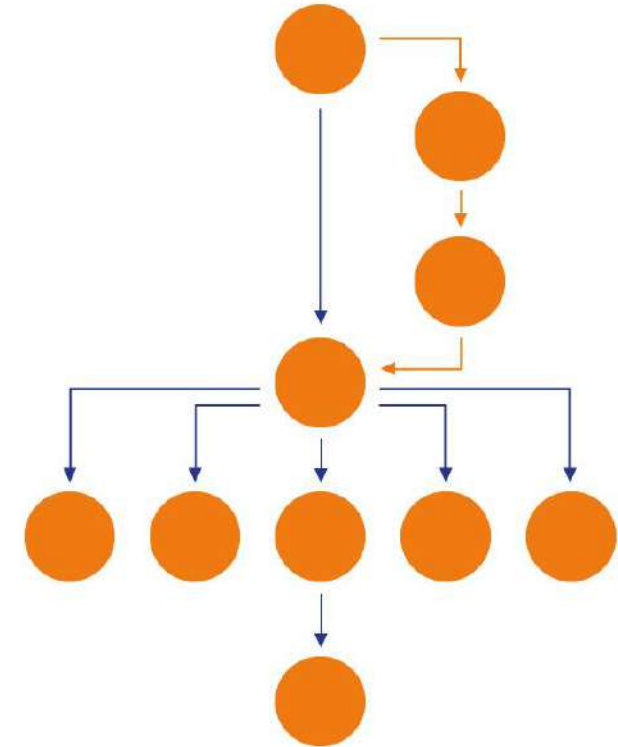
Ownership Explorer, our ownership visualization tool, shows you extensive ownership structures within a corporate family.

We are masters of corporate ownership, and the way we treat our ownership data reflects this.

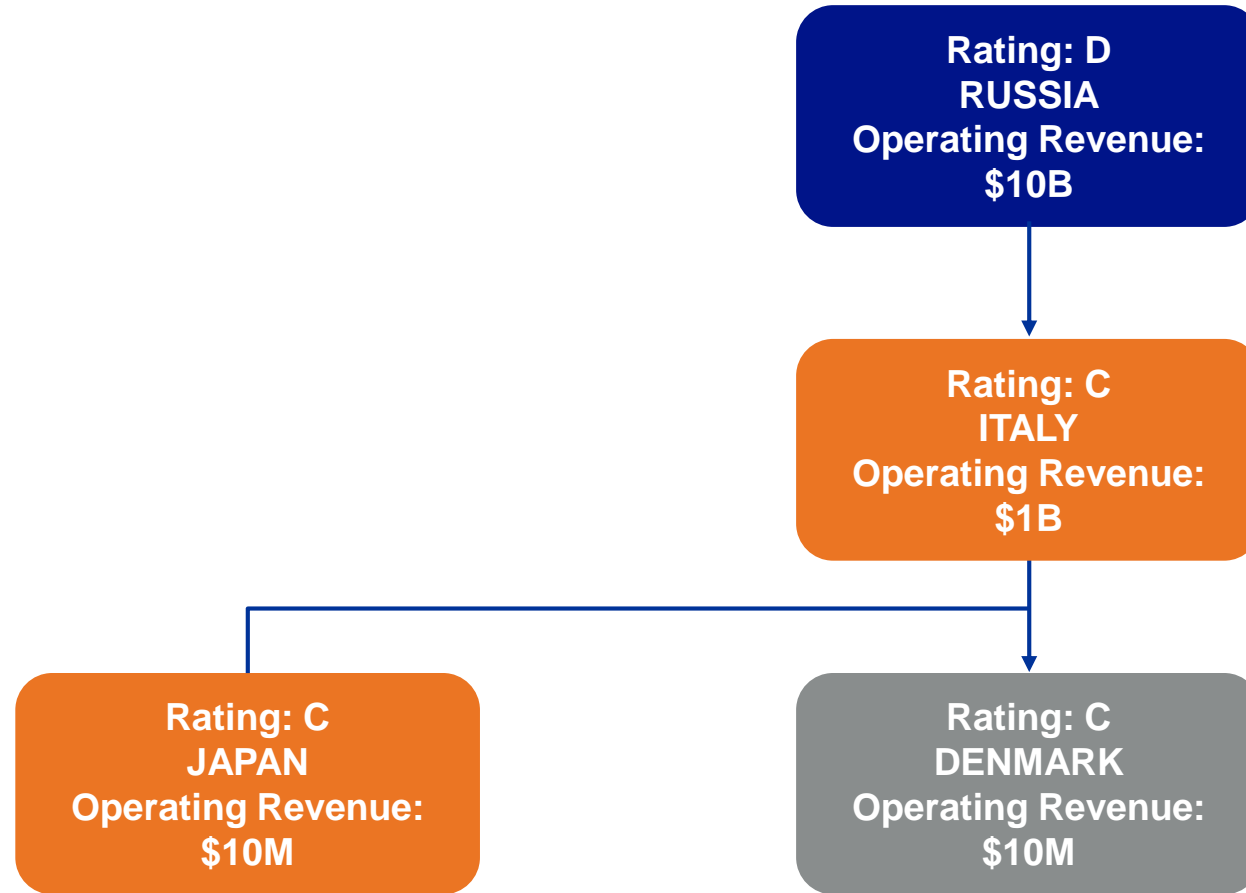
- 7,000 updates an hour
- 456 million ownership links since 2012
- 43 million beneficial owners identified
- 5 million edits, every month

The added detail Ownership Explorer gives means you can be more efficient and make better informed business decisions about the companies you work with.

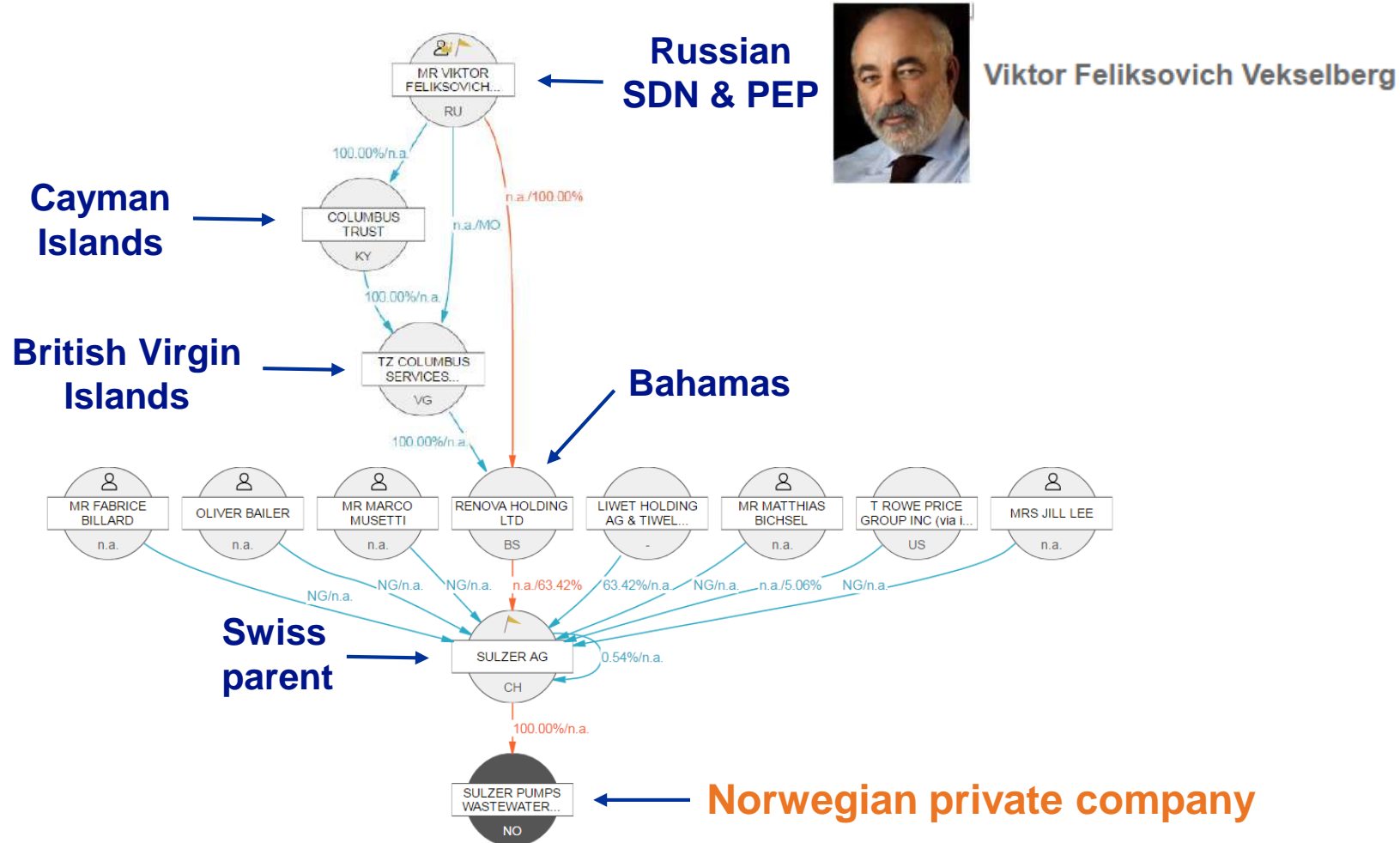
- Highlight both domestic and international ownership
- Combine direct and indirect ownership
- Find out who, and where, the beneficial owners are
- See sanctioned companies and the businesses they have shares in
- Customize the structures to highlight key information
- Change the definition of ownership according to percentage levels
- Upload your customers and third party companies



Credit risk cannot be viewed in isolation in a global world



Sanction and corruption example

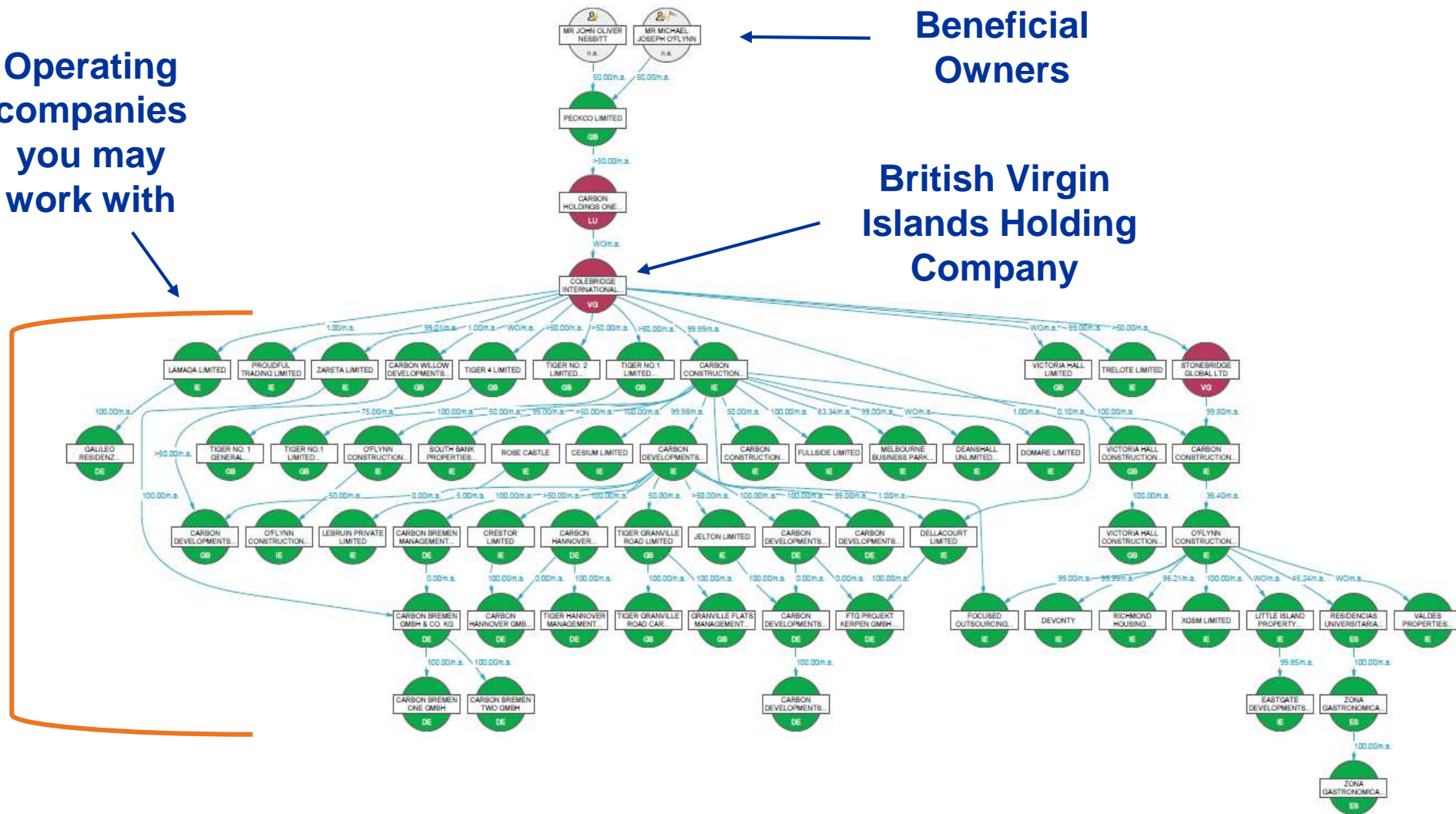


Cyber risk

Operating companies you may work with

Beneficial Owners

British Virgin Islands Holding Company





Use Case: Onboarding and Risk Analysis

Blending internal and external data for risk management

Market data from Bureau van Dijk

- Financial strength metrics
- Company reports
- News
- PEPs and sanctions
- Corporate structures



Your data is blended with our detailed intelligence

Easy to interpret dashboard views delivering instant insight...

Risk across your portfolio

1

- + Your supplier data
 - Business unit
 - Segment
 - Spend
 - Category
 - Supplier ID

2

3



Due diligence onboarding process

Select

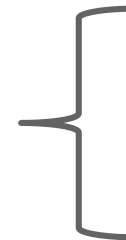


BvD appends enriched, validated Orbis data:

- Official legal name
- Beneficial owner(s)
- Shareholders
- Directors/Managers
 - + Sponsor inputs

Assess

- Sanctions
- PEPs
- Adverse media
- Country
- Function
- Sponsor data inputs

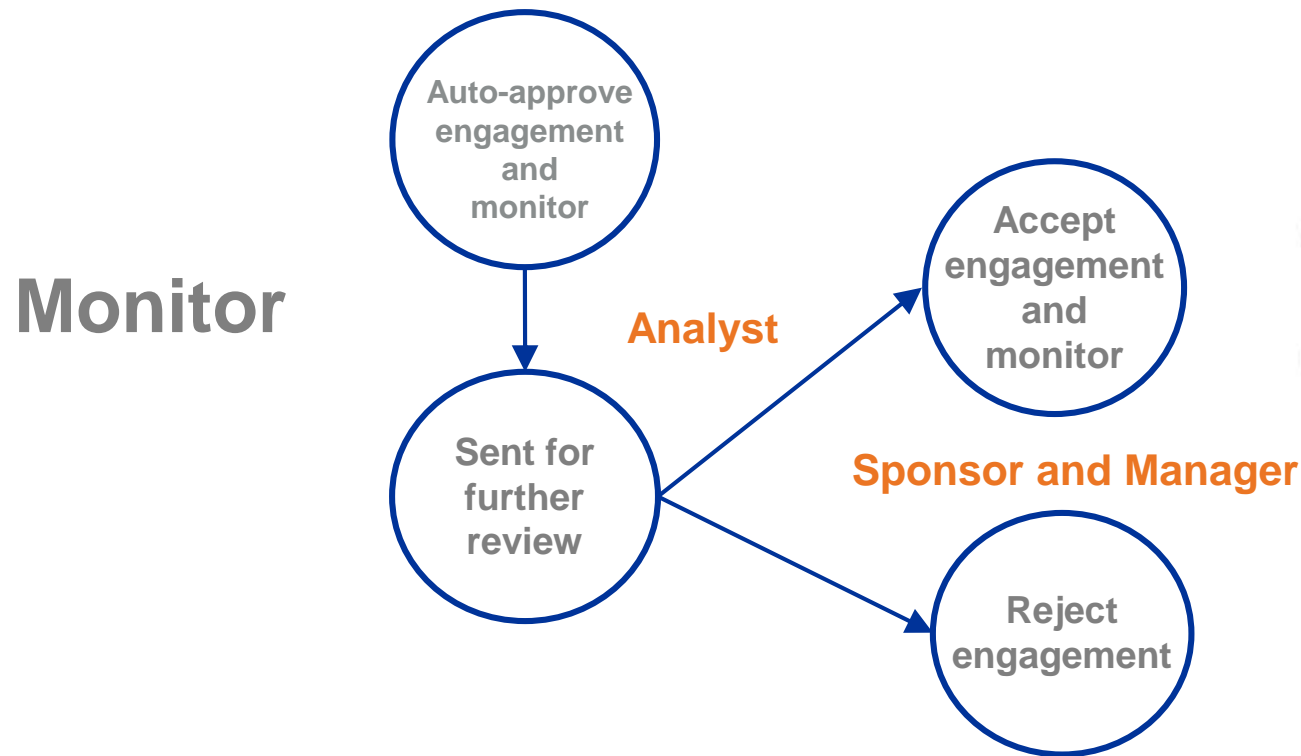


or



Monitoring + management workflow

Compliance Catalyst



6 Monitoring Dimensions

- All Orbis data is optionally monitored daily for changes in:
 - Beneficial owners
 - Shareholders
 - Directors/Managers
- Against all configured negative information:
 - Sanctions
 - PEPs
 - Adverse media

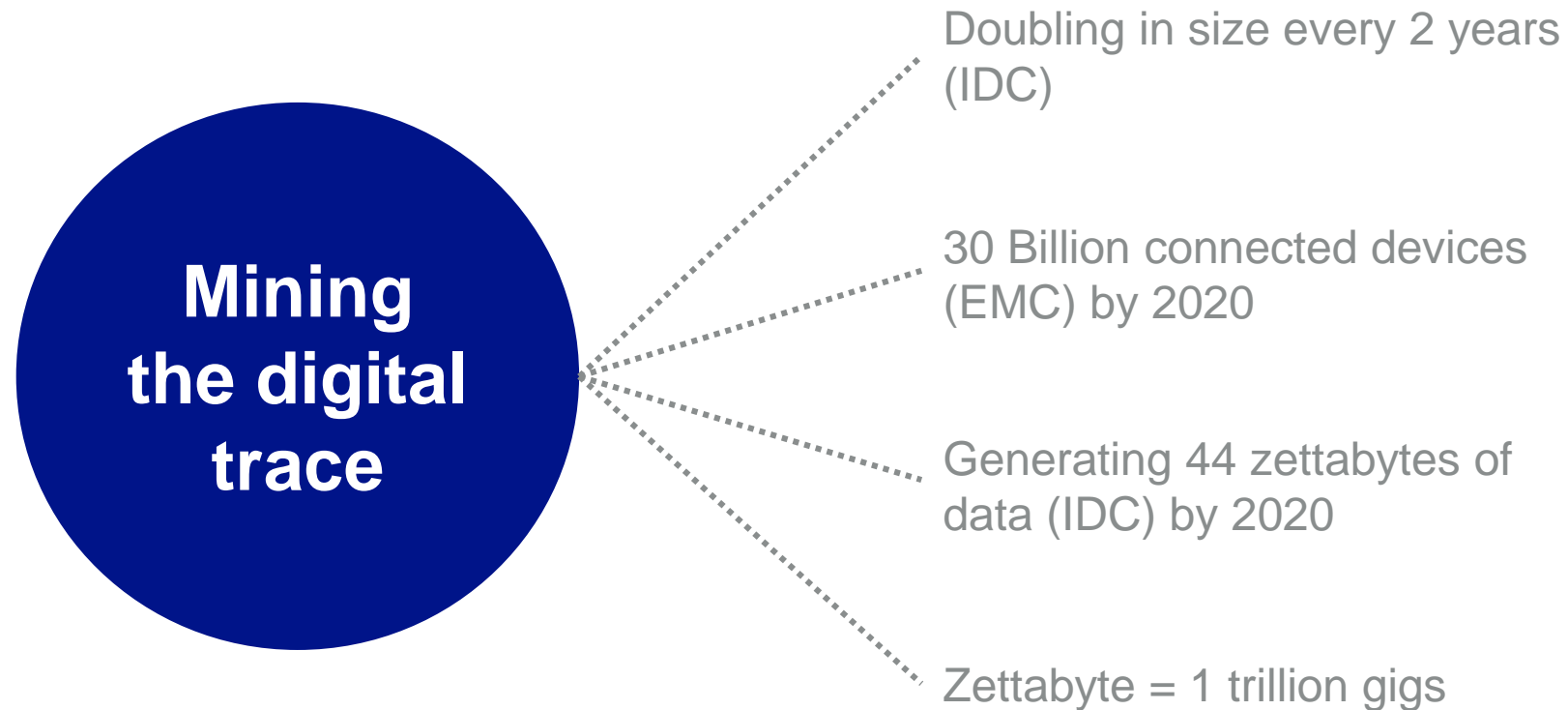
FTP or API integration with other third-party management tools is available





Data Reality

Automated approach to corroborating KYC information



There are two major issues when utilizing the digital trace for KYC corroboration

1. Understanding the role and value of different datasets
2. Getting access to the valuable datasets as an integral part of the KYC process



The datasets for KYC corroboration



- Digital trace
- Structured datasets
- Unstructured datasets
- Unstructured NEWS
- Unstructured blogs/posts





Unstructured Datasets: Corroborating Primary Source Data

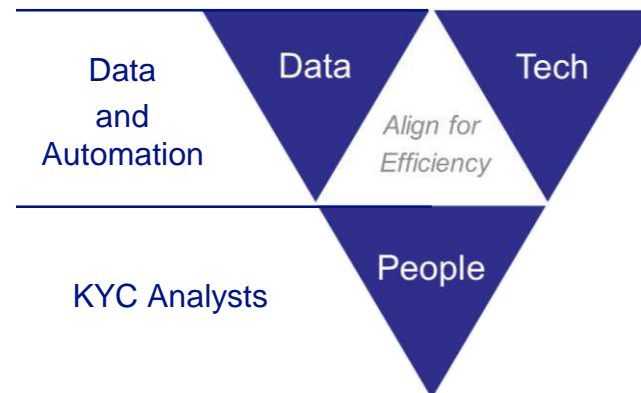
Finding truth in unstructured data: the “fake-news” paradigm

1. Exponential growth of unstructured data, but does this de-value unstructured data as a truth resource?
2. Make the most of “Human Intelligence” to identify truth with the application of smart tools and human judgment.



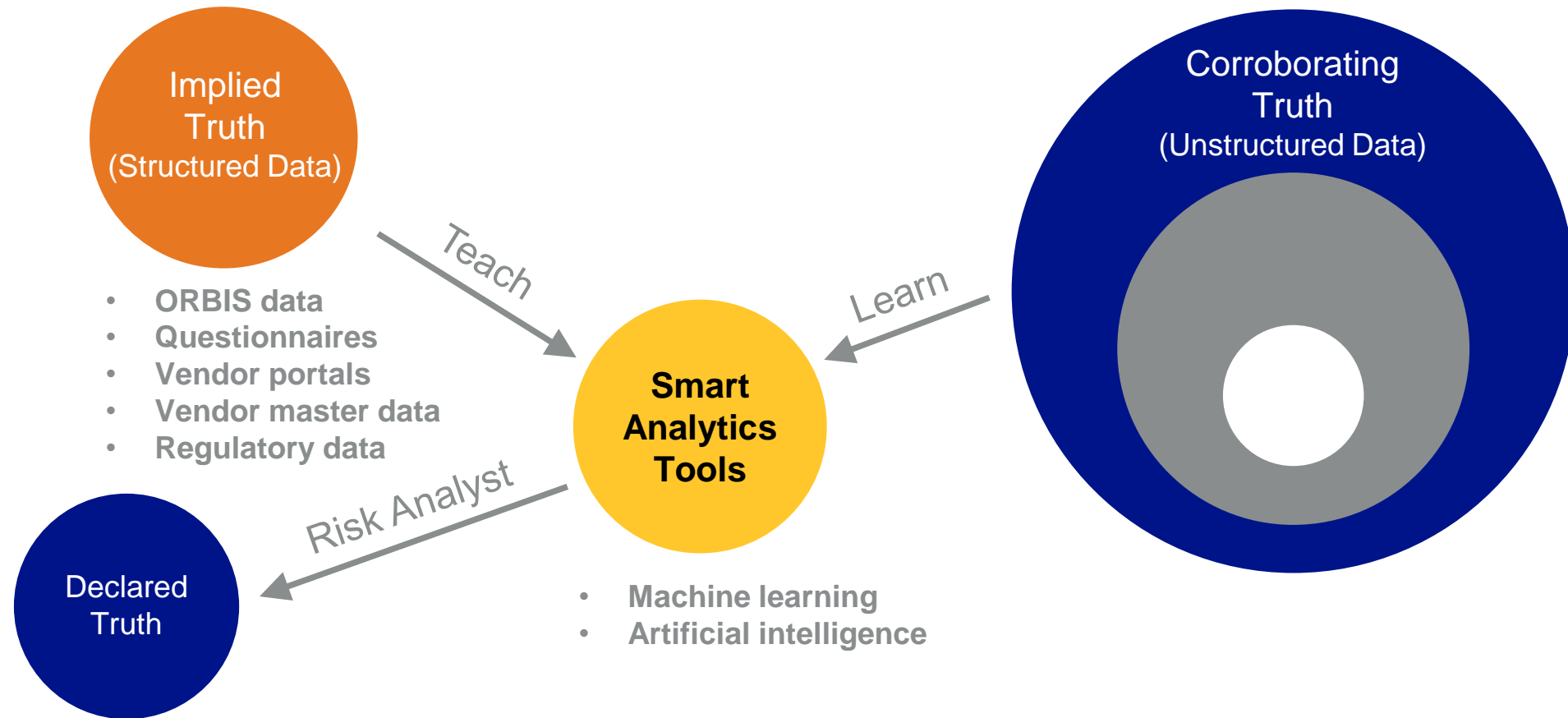
News Uncategorized

Facebook is hiring more than 10,000 Employees to Fight Fake News



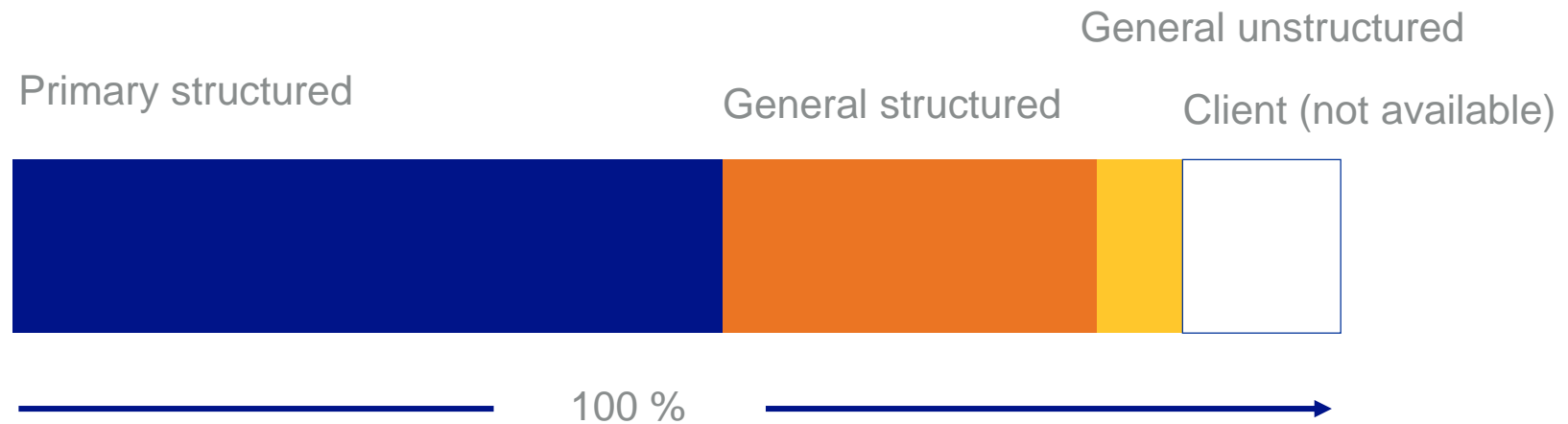
The evolving KYV framework:

Utilize structured and unstructured data for faster decisions



Data for KYV automation - 2020

The future





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