The global fight against financial crime and corruption

Speakers: Che Sidanius, Global Head of Regulations and Industry Affairs, Refinitiv
Josie Stewart, Senior Governance Adviser and Illicit Finance Lead, Department for International Development (DFID)
Ruby Hamid, Partner, Ashurst
Helena Wood, Associate Fellow, Centre for Financial Crime & Security Studies, RUSI

Managing the risk of non-compliance in AML whilst reducing total cost of ownership

Speakers: Neil Marshall, Data & Screening Specialist, FinScan
Jacob Thompson, Head of Market Development - Risk, Refinitiv

Coffee Break
11:20-12:00 **Session 3 - Ultimate Beneficial Ownership**
Speakers: Jorg Schaper, Global Head for the Customer Risk Business, Refinitiv
Sylwia Wolos, Head of Enhanced Due Diligence Proposition, Refinitiv

12:00-12:30 **Session 4 - High risk customers and third parties**
Speaker: Sylwia Wolos, Head of Enhanced Due Diligence Proposition, Refinitiv

12:30-13:00 **Session 5 - Bringing together the power of World-Check with a Digital Identity solution**
Speaker: Aravind Narayan, Risk Solutions Consultant EMEA, Refinitiv

13:00-14:00 **Networking Lunch**
The Global Fight Against Financial Crime and Corruption

Che Sidanius
Global Head of Financial Crime & Industry Affairs, Refinitiv
For discussion

- Financial, trafficking and sanctions crimes are still prevalent and pose risks for business, the public sector and citizens.

- Public and private sectors are urged to take a quick stance in this fight. Building trust and promoting collaboration is the way forward.

- Information sharing and the use of technology needed to uncover criminal networks.

- This is not just a compliance issue but poses a risk to the integrity of the financial system.
Money laundering continues to dominate the headlines...

‘EU drafts new money laundering laws following bank scandals’

‘Danske Bank implicated in $234 billion money laundering scandal’

A crackdown on financial crime means global banks are derisking

Cyber attacks, fraud hit nine of 10 finance firms in past year: Kroll global survey
Collectively, we’re 1% from total failure...there’s a crisis of confidence

Money laundering is truly a global phenomenon

Proceeds from criminal activity in some regions appear to be increasing exponentially

‘Technical’ compliance, rather than effectiveness, is at the center of the current AML system

Data protection rules will impede information sharing between the public and the private sector

**Chart:** Estimated earnings from criminal activity in the US, billions (tax evasion excluded)

Source: UN
Let's not forget the human cost.

The current number of modern-day slaves is higher than the number of legal slaves in past centuries. It also exceeds the population of some of the world’s largest cities.
Criminal networks are increasingly interlinked and operate globally

Source: World Check
The Global Fight Against Financial Crime and Corruption

Ruby Hamid
Partner, Ashurst

Helena Wood
Associate Fellow, Centre for Financial Crime & Security Studies, Royal United Services Institute (RUSI)

Josie Stewart
Senior Governance Adviser and Illicit Finance Lead, Department for International Development (DFID)

Che Sidanius
Global Head of Financial Crime & Industry Affairs, Refinitiv
Managing the risk of non-compliance in AML whilst reducing total cost of ownership
**Tension in AML Compliance**

Effective Compliance & cost of non-compliance

Total Cost of Ownership

A typical AML Process
The customer screening process

AML reference data

Customer data

Matching Engine

Matches?

Multiple

Resolve matches, eliminate false positives

Single match

Confirm match

No match

Missed matches (False negatives)

Risk Assessment / Onboarding

Upstream & downstream
Total cost of ownership

THE COSTS YOU DON’T SEE …

OPERATIONAL COST

INDIRECT COSTS

TECHNOLOGY COST

Customer data preparation Cost

AML Reference data Cost

THE COSTS YOU DON’T SEE …
The operational cost of a screening programme is proportional to \textit{alert volume} and \textit{operational staff efficiency}. 

\begin{itemize}
  \item Initial alert volume
  \item Total names screened
  \item Size of AML database
  \item Probability of pairwise match
  \item AML data updates
  \item Number of names screened
  \item Probability of pairwise match
  \item Existing customers
  \item Size of AML database screened
  \item New names screened & rescreened
  \item Probability of pairwise match
  \item New & updated customers
\end{itemize}
Alert volume: realities
*Ceteris paribus – “All else being equal”*

1. The more names* you screen the **more** alerts you get
2. The more AML data you screen **against** the **more** alerts you get
3. The better and more complete your KYX data, the **fewer** alerts you get
4. The better quality AML data you use, the **fewer** alerts you get
5. The fuzzier your matching the **more** alerts you get
6. The fewer secondary identifiers you use to eliminate matches, the **more** alerts you get

**Take a risk-based approach to deciding what you screen against which lists using what parameters.**

*Clients often screen things other than names, e.g. ISINs*
The problem of overscreening

Overscreening occurs when you screen more than is required by regulation (“compliance view”) or what is required to manage AML, CFT or sanctions risks (“risk view”). This is a major contributor to operational cost.

Examples include:

- Screening against sanctions from **geographically distant** or **irrelevant** sanctions bodies
- Screening all PEPs and not developing **an institutional PEP definition** informed by applicable regulatory requirements and risks
- Screening all **adverse media or all watchlist lists**, regardless of relevance or risk
- **Inappropriate screening**: e.g. screening payments prior to execution against PEP data
AML Reference data

The core requirement for an AML reference dataset is to provide a comprehensive, de-duplicated, consistent, accurate, configurable and up-to-date set of data across (1) sanctions, (2) PEPs, (3) law enforcement lists, (4) regulatory lists and (5) adverse media records that are explicitly geared to sanctions compliance, AML & CFT.

In more detail:

• Find a provider that is **reliable** and **accurate**
• Ensure your provider is **global** and **comprehensive**
• Look for a dataset that has a **highly analytical** set of inclusion criteria
  • E.g. who *exactly* is a PEP? Can’t just use a list of all public officials
• Ensure data are **de-duplicated**
• Find a provider that allows extensive “slicing and dicing” and **configuration**
• Look for a provider that **takes operational cost issues seriously**, and provides ways to manage these costs systematically
Managing operational cost in World-Check
The features and structured fields designed to help you manage operational cost

- **Update categorisation** for managing ongoing screening alert volume
- **PEP sub-categories** for risk-ranking and PEP filtering (e.g. PEP level with country)
- **Advanced Dynamic download** to simplify data ingestion

- **PEP expiration** for managing both initial and ongoing alert volume
- **Secondary identifiers** for reducing false positives
- **Field updates** for efficient remediation of AML data deltas

- **Highly structured data** that allows extensive configuration
  - Category
  - Keywords
  - Country
  - Position
  - Etc.

- **Native Character Aliases** for accurate native name screening (without machine transliteration)
  - >2M native names
  - 49 languages
  - Arabic, Chinese, Russian, Japanese, Hebrew, etc.

*Requires World-Check Advanced
Compliance-specific Data Quality Issues

- FinScan helps clients prepare their internal customer data - specifically for effective compliance screening

- Over 50 years experience of providing high-accuracy data quality technology to leading organizations worldwide

- Knowledgebases built and continually updated via crowdsourcing across thousands of data quality implementations involving billions of records for financial institutions around the globe.
### The Challenge – Recent Survey Results

How would you describe the current condition of your data being used for compliance/screening purposes?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have fundamental issues in our data</td>
<td>33%</td>
</tr>
<tr>
<td>Not good even with procedures to address data issues</td>
<td>30%</td>
</tr>
<tr>
<td>We have no issues in our data</td>
<td>12%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>22%</td>
</tr>
</tbody>
</table>

**FinScan Survey Results**  
**January 2019**
The Challenge

- Core Challenges
  - Data quality of internal data is often ignored
  - Poor quality data poses the biggest challenge to successful compliance screening – data is the foundation
  - Compliance officers have no control over the quality of their data, yet are responsible for the consequences of bad data
    - Namely, too many false positives, unnecessary due diligence, and the ultimate risk of missing a true hit
  - How do you empower compliance professionals to easily achieve better data quality which in turn will produce more accurate screening results?
Your data may be perfectly fine for the purposes of your core applications, but is it fit for compliance?
How to Improve Your Data – Deduplication

De-duplicating Customer Data

Our Experience

- Duplicate rates of 7% to 50% across clients’ multiple data sources

Why Duplicates Exist

- The same customer/vendor/supplier exists in multiple sources that feed into the compliance system
- Lack of appropriate data controls at onboarding

Benefit of De-Duplication

- Prevents reviewing the same alerts several times
## Resolving Duplicate Alerts

### Review DUPLICATE Alerts

<table>
<thead>
<tr>
<th>Alert</th>
<th>Name</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
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</thead>
<tbody>
<tr>
<td>Appl_1000</td>
<td>ERICK JORAH</td>
<td>12 EAST BOND STREET</td>
<td>DOYLESTOWN</td>
<td>PA</td>
<td>US 18648</td>
</tr>
<tr>
<td>Appl_1001</td>
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<td>US 18648</td>
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<tr>
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<td>12 EAST BOND STREET</td>
<td>DOYLESTOWN</td>
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<td>18648</td>
</tr>
</tbody>
</table>

### Review ONLY ONE Alert

<table>
<thead>
<tr>
<th>Alert</th>
<th>Name</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
</tr>
</thead>
<tbody>
<tr>
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<td>12 EAST BOND STREET</td>
<td>DOYLESTOWN</td>
<td>PA</td>
<td>US 18648</td>
</tr>
</tbody>
</table>

- Show only ONE alert.
- Show audit trail back to related alerts.
Joint Accounts

- This could be perfectly clean data for an account-based system, but what screening results will “Elina and Stepan Sukhorenko” generate?

- Screening each person individually ensures that:
  - No matches are missed
  - Reduction in false positives caused by multiple unrelated names

<table>
<thead>
<tr>
<th>Name line</th>
<th>Address line</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elina Sukhorenko</td>
<td>Homyel Voblasc</td>
<td>Belarus</td>
</tr>
<tr>
<td>Stepan Sukhorenko</td>
<td>Homyel Voblasc</td>
<td>Belarus</td>
</tr>
</tbody>
</table>
Fit for Purpose – Case Study

Understanding Organizations & Hidden Names

- Perfectly clean for a supplier management system
- Block unnecessary words from screening – e.g., “Corporation” → Reduces false positives
- Screen the holding company → Mitigates the risk of missing a true hit

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<tr>
<th>Sel</th>
<th>Status</th>
<th>Reason</th>
<th>Match Summary</th>
<th>Name</th>
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<th>Countries</th>
<th>List Code</th>
<th>List Profile Id</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>New</td>
<td>New</td>
<td></td>
<td>ADVANCED TECHNOLOGIES HOLDING COMPANY</td>
<td>Iran</td>
<td></td>
<td>OFC</td>
<td>11287</td>
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</table>
Identify the Right Names to Screen from the Input Data

**Input Record**
- Bank Refund
- Al-Rahmah Welfare Org
- C/O James McClintock

**Identify the true names that should be screened**
- James McClintock
- Al-Rahmah Welfare Org

**Screened Record #1**
- OFAC Hit

**Screened Record #2**
- OFAC Hit

- **Wasted effort**
- **Missed alerts**

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<td></td>
<td>Iran</td>
<td>OFC</td>
<td>2523</td>
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<tr>
<td>New</td>
<td>New</td>
<td></td>
<td>BANK ROSSIA</td>
<td></td>
<td></td>
<td>Russia</td>
<td>OFC</td>
<td>7915</td>
</tr>
<tr>
<td>New</td>
<td>New</td>
<td></td>
<td>BANK RUBLEV</td>
<td></td>
<td></td>
<td>Ukraine, Russia</td>
<td>OFC</td>
<td>10174</td>
</tr>
</tbody>
</table>

<table>
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<th>Set</th>
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<th>Match Summary</th>
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<tbody>
<tr>
<td>New</td>
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<td></td>
<td>AL RAHMAH WELFARE ORGANIZATION</td>
<td>Pakistan</td>
<td>OFC</td>
<td>9212</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>New</td>
<td></td>
<td>AL RAHMAH WELFARE ORGANIZATION</td>
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<td>OFC</td>
<td>9550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>New</td>
<td></td>
<td>AL RAHMAH TRUST</td>
<td>Pakistan</td>
<td>OFC</td>
<td>4856</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>New</td>
<td></td>
<td>JAMES ALEXANDER MCCINTOCK</td>
<td>19640325;19640325;Pakistan</td>
<td>OFC</td>
<td>9219</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Fit for Purpose – Case Study

Standardize the Data Elements

- Minimize missing a true hit/ False Negative
Warning Signs

Indicators of data quality issues

- Difficulty preparing data for screening
  - “We are waiting on IT to send us appropriate data for screening system”

- Keep clearing the same alerts

- Undergoing merger/ IT transformation

- Adding a new data source for screening

- Difficulty in keeping track of all the data sources within your organization
Why is a Data Analysis Important?

- First step to improving your data and making it fit for Compliance purposes
- Diagnoses the current condition of your data – identifies types of data issues including duplicate records and what needs to be done to your data before using it for the compliance process
- Quantifies the benefit and the business case for fixing your data in terms of screening accuracy, productivity and risk
  - Expected decrease in false positives, and resulting savings in review time and resources
  - Potential risk of missed hits
Sample Data Condition Checklist

- Identify missing data
  - attribute completeness
  - record completeness
- Remove dummy data
- Remove duplicates
- Remove “noise words” to get to the true customer names
  - e.g. ITF, Benef, ATTN, Cust
  - e.g. Company, LLC, Org
- Standardize address and country data
- Split multiple names in name lines
  - joint accounts (e.g. John and Mary Smith)
- Derive matching fields (entity/individual)
  - Record type from name
  - gender from name
  - country from address lines
- Extract names hidden in address lines
Refinitiv and FinScan Extend Our Partnership

Solving Compliance-specific Data Quality Issues

- FinScan provides turn-key solutions to help clients prepare internal customer data for effective compliance screening

- Built upon 50+ years experience worldwide by crowdsourcing across thousands of clients and billions of records

- Produces extremely high quality data and overcomes compliance-specific data quality issues in a fraction of the time of other methods

- Proven to dramatically reduce false positives and the risk of missing true hits
No Giveaways Here
The Freedom Fund is a leader in the global movement to end modern slavery.

„We identify and invest in the most effective frontline efforts to eradicate modern slavery in the countries and sectors where it is most prevalent. Partnering with visionary investors, governments, anti-slavery organizations and those at risk of exploitation, we tackle the systems that allow slavery to persist and thrive. Working together, we protect vulnerable populations, liberate and reintegrate those enslaved and prosecute those responsible.

Committed to achieving the greatest impact, the Freedom Fund draws on the investment heritage of our founders, investing in new initiatives and replicating and scaling-up proven programs globally.“

https://freedomfund.org/
Ultimate Beneficial Ownership

The power of establishing a risk-based approach for UBO, from screening to enhanced due diligence checks designed to fit your specific needs
Agenda

1) Introduction  - problem scale
2) Requirements
3) Solutions for Risk Based Approach
$1 trillion paid in bribes

$2.6 trillion stolen

$1.6 to $2.2 trillion in transnational crime

$1.3 trillion spent in fighting financial crime
Almost every economic crime involves the misuse of corporate entities – money launderers exploit cash-based businesses and other legal vehicles to disguise the source of their illicit gains, bribe-givers and recipients conduct their illicit transactions through bank accounts opened under the names of corporations and foundations, and individuals hide or shield their wealth from tax authorities and other creditors through trusts and partnerships, to name but a few examples.”

“Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes” (OECD, 2001)
Data is just the beginning – Ownership information availability and limitations

- **237** countries, territories or jurisdictions where companies can be incorporated
- **79%** company verification if available online or in person
- **62%** company verification can be performed online

51% of these jurisdictions (40% of total) provide directorship information

57% of these jurisdictions (45% of total) disclose direct shareholders
From policy to practice
The legal requirements

What is a UBO? FATF glossary definition:
“Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise \textbf{ultimate effective control} over a legal person or arrangement.”

Note 1: A UBO is technically always a natural person (“warm body”)
Note 2: Ultimate effective control can happen by means other than ownership (e.g. golden shares)
Note 3: It’s not just ownership of entities or legal arrangements but also applies to situations where proxies act for principals (e.g. fronting)

The core requirement is in Recommendation 10:
“The CDD measures to be taken are as follows:
\textbf{Identifying the beneficial owner}, and \textbf{taking reasonable measures} to \textbf{verify the identity of the beneficial owner}, such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include financial institutions understanding the ownership and control structure of the customer.”

Note: the requirement is to \textbf{verify the identity} of the BO
Screening and UBO

Screening is one of the key controls our clients impose to detect and prevent money laundering and terrorist financing.

Screening allows our clients to:

• Identify PEPs (Recommendation 12 – ultimately from Article 52 of UNCAC)
• Identify individuals or entities that are sanctioned by the UN (a “designated person” per Recommendations 6 and 7)
• Comply with other sanctions regimes that explicitly require an understanding of ownership – e.g. OFAC 50% rule and EU sanctions
  • “This settlement demonstrates that an enforcement response may be particularly appropriate [when]… the apparent violator is an institution that maintains direct customer relationships for entities that are beneficially owned, directly or indirectly, 50 percent or more by one or more SDNs”
  • “Various administrative actions taken by OFAC involved improper or incomplete due diligence by a company… on its customers, such as their ownership, geographic location(s), counter-parties, and transactions”
• Identify other money laundering risks (Recommendation 10 read with Recommendation 1)
• Adverse media screening
• One of the key ways FATF has identified that corporate structures get misused is in concealing “the identity of known or suspected criminals”
Organizations struggle to verify ownership hierarchies

- Ownership information may be fragmented, stored in different locations, or difficult to find
- Legal entities that are established in high secrecy jurisdictions
- Different jurisdictions often have different methods of defining and recording ownership
- Documentation held in varying languages
- Financial criminals may deliberately create layers of opacity
Solutions for Risk Based Approach
### Methods of obtaining UBO data

<table>
<thead>
<tr>
<th><strong>Ask the client</strong></th>
<th><strong>Data aggregators</strong></th>
<th><strong>Individual search / EDD</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The simplest and seemingly easiest way to obtain UBO information is to ask.</td>
<td>Consulting data aggregations (like Dun &amp; Bradstreet) to identify UBOs.</td>
<td>Using a wide-variety of secondary sources &amp; registries to identify UBOs.</td>
</tr>
</tbody>
</table>

**Benefits:**
- In theory should always be able to get an answer
- Can be integrated into existing KYX processes and systems

**Benefits:**
- Data aggregators provide global data, tracking ownership across multiple jurisdictions
- Provides more assurance and independence than asking
- No need to “bother clients”

**Benefits:**
- Will be more up to date in some circumstances
- Allows UBO identification in a wider set of circumstances
- Ability to detect fronting (where good investigative journalism exists)

**Limitations:**
- Manual, time-consuming and costly
- Lack of standardisation
- Those with something to hide can and will simply lie
- Sometimes entities in complex structures don’t know their UBOs

**Limitations:**
- Coverage is partial and not perfect
- Depends on company registries doing due diligence
- May be out of date

**Limitations:**
- Manual, time-consuming and costly
- Secondary sources may not allow identification
- Access may be limited
Our solution: Market-leading data sets combined in one platform

Dun and Bradstreet UBO data has over 30,000 data sources in more than 215 countries to support UBO identification and validation

And

Refinitiv’s market-leading World-Check Risk Intelligence data, with over 4 million structured records, including more than 700 sanctions, watch and enforcement lists to screen names against, to reveal possible regulatory or reputational risk

Integrated in to our award winning World-Check One screening platform with time and cost saving workflow solution tools to help you make informed business decisions faster
About Dun & Bradstreet data

• Nearly ninety percent of the Fortune 500, and companies of every size around the world, rely on Dun & Bradstreet data, insights and analytics

• Covers companies in over 215 countries

• 100 million connections and beneficial ownership calculations down to 0.01%

• A truly global view

• Information is kept up-to-date and relevant through automated data capture process

• More than a century of experience
About World-Check Risk Intelligence

- Over 400 highly trained researchers
- Expertise in more than 60 languages
- Over 4 million highly structured records
- Over 700 sanctions, regulatory and law enforcement lists
- Screen for PEP, watch list or sanctions exposure, as well as negative media
- Thousands of media sources, company information and regulatory filings
- Exclusive features to help you work more efficiently
Integrated workflow for verifying and screening beneficiary owners

- Combining world-leading data sources

- Integrated workflow enables greater efficiency in AML operations through seamlessly importing UBO data into the screening process

- Innovative visualisation capabilities help identify hidden relationships and potential risk

Advanced Case Manager functionality uses parent case logic that allows linked entities to be grouped to build a holistic view of ownership and potential risk
UBO Check in Action
Screen for entering your search criteria note the fields with * are compulsory fields to activate your search.
## UBO Check in Action

**Results for UBO data/matches**

![Screen capture of UBO Check in Action](image-url)

*The screenshots will be replaced from time to time.*

### Table: UBO Check Results

<table>
<thead>
<tr>
<th>Name</th>
<th>Country Code</th>
<th>Territory Name</th>
<th>Primary Town</th>
<th>Address</th>
<th>Postal Code</th>
<th>Operating Status</th>
<th>Family Tree Role</th>
<th>SIC</th>
<th>Registration ID</th>
<th>Trade Style Name</th>
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</tr>
</tbody>
</table>

*The screenshots will be replaced from time to time.*
UBO Check in Action
Visualization of relationship and ownership

The screenshots will be replaced from time to time.
UBO Check in Action
Screen against World-Check Risk Intelligence

The screenshots will be replaced from time to time.
UBO Check in Action
Taking it one step further with Enhanced Due Diligence (EDD) reports

The screenshots will be replaced from time to time

Order EDD report
Enhanced Due Diligence

EDD Research for Ultimate Beneficial Owners
Sources of EDD UBO Research

Primary Sources

- Official corporate registry documents
- Official stock exchange information
- The US Securities and Exchange Commission (SEC)

Secondary Sources

The secondary sources include reliable free and paid Internet resources which provide reliable shareholding information in respective jurisdiction, including:

- Financial market news portals,
- Financial documents, reports etc.
- Corporate information databases,
- SEC's Investment Adviser Public Disclosure website – CLEAR reports
- Database aggregators
- Eikon
- ZAWYA
- OpenOwnership
- Other media and Internet sources found via searches
Research Techniques

- Reverse Search Method
- Sideway Search Method

John Smith

100% ownership in target company
Nationality: UK
DOB: 1/1/1980
World-Check hit: no

Person with significant control

Company A

Location: UAE
Reg. no.: Not identified
World-Check hit: no

Parent company

Company B

Location: UAE
Reg. no.: Not identified
World-Check hit: no

Target company

Company C

Location: UK
Reg. no.: 123545ABC
World-Check hit: no

Fellow subsidiary
“So-called ‘anonymous companies’, in which the corporate veil is used to conceal illegal activities, have no place in a modern economy and bring the entire business sector into disrepute.”

Simon Walker, Former Director General of the UK Institute of Directors

The Institute of Directors (IoD) is a professional Institute with 30,000 Member through 48 regional branches across the UK, that has been supporting businesses and the people who run them since 1903.
Sylwia Wolos
Head of Enhanced Due Diligence Proposition, Refinitiv
Enhanced Due Diligence

High risk customers and third parties: Who are they and how you can partner with Refinitiv to know all about them
Enhanced Due Diligence for Corporate Business

Agenda

1. **What is Enhanced Due Diligence:**
   - Elements of EDD Background Checks
   - Best Sources of Information
   - Practical Research Tips

2. Who EDD can help?
   - Cross-Sector Application of EDD

3. Why Refinitiv – how we can help manage risk through DD.
   - Knowledge and Coverage
   - Data security
   - API facility
Enhanced Due Diligence (EDD) reports provide detailed background checks on individuals and entities as part of wider anticorruption, anti-money laundering, or other compliance programs.

EDD Reports are used to:

- Enable compliance with global regulatory statutes such as KYC, AML/ CFT legislation, anti-bribery legislation and any legal obligations associated with Politically Exposed Persons, or PEPs.
- Protect against reputational damage
- Ensure the security and integrity of a supply chain
- Comply with legislation such as FCPA and the UK Bribery Act
- Protect organizations from unwitting association with heightened risk individuals and entities.
- EDD Reports are often bundled with other Risk products to provide a complete compliance package.
A structured approach to EDD

**BASIC ELEMENTS OF A BACKGROUND SCREEN**

- Sanctions and other compliance database screening
- Adverse media/Internet search for reputational assessment
- Confirmation of subject company status. Verification of key individuals
- Identification of beneficial owners/shareholders
- Director search and associated entities
- Local searches for litigation/bankruptcy/regulatory breaches
- Possibly reputation analysis
- Importance of local language searches
- Local business intelligence
- Consistency and thoroughness is key
Sources of Information

Open Sources
- Internet/News Aggregators/Foreign Press/Social Media
- Media Monitoring

Databases
- Commercial Information Databases
- Litigation/Regulatory/Bankruptcy Databases
- PEP/Sanctions/Blacklists

Public Records/Official Gov’t Sites
- Company Registrars/Tax Bureaus/Gov’t Ministries
- Court Records

Human Intelligence
Adverse media tips

### Media and Internet searches – naming combinations

**Subject 1: Sadam Hussain (based in Iraq)**

<table>
<thead>
<tr>
<th>ENGLISH VERSION</th>
<th>ARABIC CHARACTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saddam Hussein / Hussain / Hoessein / Husayn</td>
<td>صدام حسين</td>
</tr>
<tr>
<td>Saddam Hussein / Hussain/ Hoessein / Husayn Al Tikriti</td>
<td>صدام حسين التكريتي</td>
</tr>
<tr>
<td>Saddam H Al Tikriti</td>
<td>صدام التكريتي</td>
</tr>
<tr>
<td>Saddam Al Tikriti</td>
<td>صدام التكريتي</td>
</tr>
<tr>
<td>Al Tikriti Saddam</td>
<td>التكريتي صدام</td>
</tr>
<tr>
<td>El Tikriti / Tikriti / alTikriti / eltikriti</td>
<td>التكريتي</td>
</tr>
</tbody>
</table>

**Subject 2: Barack Obama (based in U.S.)**

Naming combinations as per naming convention and spelling variations

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Barack Obama</td>
<td></td>
</tr>
<tr>
<td>Barack Hussein Obama</td>
<td></td>
</tr>
<tr>
<td>Barack H Obama</td>
<td></td>
</tr>
<tr>
<td>Obama Barack</td>
<td></td>
</tr>
<tr>
<td>Barack Hussain Obama</td>
<td></td>
</tr>
<tr>
<td>Barack Hoessein Obama</td>
<td></td>
</tr>
<tr>
<td>Barack Husayn Obama</td>
<td></td>
</tr>
<tr>
<td>B H Obama</td>
<td></td>
</tr>
</tbody>
</table>
Google® and news aggregators

Searches in Google are essential and a part of due diligence. However, Google has certain limitations. It is indispensable to use additional sources of information, in particular, news aggregators. In the course of research, our EDD team uses several such databases.

The below table present the most important advantages and disadvantages of usage of Google and news aggregators.

<table>
<thead>
<tr>
<th></th>
<th>GOOGLE</th>
<th>NEWS AGGREGATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>+</strong></td>
<td>• Available in multiple languages</td>
<td>• Access to an extensive number of paid sources</td>
</tr>
<tr>
<td></td>
<td>• Offers access to:</td>
<td>• Valuable access to reliable sources (e.g. major newspapers)</td>
</tr>
<tr>
<td></td>
<td>- company websites</td>
<td>• More relevant results</td>
</tr>
<tr>
<td></td>
<td>- blogs and forums</td>
<td>• More possibilities to refine searches</td>
</tr>
<tr>
<td></td>
<td>- local news sources</td>
<td>• Possibility to limit research to a specific time period / duration</td>
</tr>
<tr>
<td></td>
<td>- trade registries/yellow pages</td>
<td></td>
</tr>
<tr>
<td><strong>-</strong></td>
<td>• Considerable information noise (numerous irrelevant results)</td>
<td>• Available in a limited number of languages</td>
</tr>
<tr>
<td></td>
<td>• Fewer possibilities to refine searches</td>
<td>• Limited to a certain number of sources</td>
</tr>
<tr>
<td></td>
<td>• No access to paid sources</td>
<td>• No access to social media sources</td>
</tr>
</tbody>
</table>


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   - API facility
## EDD reports support customers across multiple use cases

### Customer Need
- **Third Party Risk**
  - All Medium/High Risk suppliers, distributors or vendors
  - Information on Financial or Labour Crimes
- **KYC/Private Wealth Management**
  - Where a risk is identified (eg. PEP) in Onboarding/KYC
  - Information on Source of Wealth and Financial Crime connections
- **Pre-Transactional**
  - Before IPOs, M&A or equity investments
  - Information on Financial, Environmental, Labour Crimes (alongside the legal and financial investigations)
- **Citizenship/Residency by Investment**
  - All applications
  - Detailed background checks on the applicants and their spouses and children including Source of Wealth and Funds verification

### Drivers
- **UKBA, FCPA, UK Modern Slavery**
- **Reputational Risk**
- **AML/CTF Regulation**
- **Reputational Risk**
- **Reputational Risk (Bribery & Corruption and AML)**

### Report Type
- **Lite**
- **Standard**
- **Standard/Premium**
- **Premium**
- **Source of Wealth**
- **Premium**

### Customers
- **Corporates**
- **Financial Institutions**
- **Wealth and Asset Managers**
- **Banks**
- **Private Equity**
- **Payments**
- **Investment Banks**
- **Private Equity**
- **Law Firms**
- **Government Agencies (CIU)**
- **Agents**

### Benefits
- Protect their business from reputational and financial damage
- Accelerate time to revenue
- Greater insight into counterparty identity to increase confidence in risk decisions
- Supports profitable growth through supporting businesses manage dynamic demand and complete due diligence checks in new markets and opportunities
High risk customers may include:

- Politically Exposed Persons or Entities (PEPs)
- Money Services Businesses (MSBs)
- Gaming Companies
- Correspondent Banks
- Bearer Shares
- Customers from higher risk jurisdictions or restricted countries
- Customers whose source of wealth originates from higher risk industries
- Customers with significant adverse media coverage
- Associations to higher risk related parties
Transparency and challenges in high risk areas

**Transparency in high risk areas**
- Organizations such as the World Bank and The International Finance Corporation (IFC) are supporting transparent disclosure of corporate data to facilitate due diligence.
- China, India and Russia offer ownership information online. Brazil is partially online, but needs to be retrieved by someone with a Brazilian National ID.
- Information is generally available in Eastern Europe, South America and Asia.
- Rwanda and Liberia recently launched online registry retrieval portals including shareholders and directors.

**Challenges in high risk areas**
- Offshore jurisdictions continue to be barriers: the Caribbean, Cyprus, Mauritius, Panama and Delaware in the U.S.
- Mexico remains the most challenging emerging markets economy with a decentralized registry system and security concerns affecting access to information.
- Central America, Africa and the Middle East tend to have the poorest levels of transparency. Shareholder information is not even available in South Africa.
- Countries where ownership and directorship information were previously available are ushering new rules limiting the disclosure of information like Hong Kong and Mainland China.
- In 2012, Azerbaijan signed in new law limiting the disclosure of corporate information.
- Cumbersome retrieval processes require in-person requests and manual searches like Indonesia or parts of Africa.
When is BI most valuable?

Strong case for BI

- Developing markets
- High risk environment
- Lack of independent institutions
- Lack of reliable public domain records
- Limited media coverage
Enhanced Due Diligence for Corporate Business

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**Our EDD Research Teams Provide Local Intelligence on a Global Scale**

+430 highly trained in-house research analysts, case managers, and support personnel situated across the globe in 10 locations.

Bolstered by a large trusted vendor network in 85 countries.

Speaking 60 languages, servicing 214 geographies we have global coverage combined with local knowledge.

- Open Source Media
- Commercial Databases
- Public Records/Primary Source
- Litigation/Regulatory/Bankruptcy
- Hard-to-Obtain Information
- Refinitiv/World-Check
- Company Ownership Data
Key points of differentiation

### Unparalleled knowledge and experience

We are the only provider with Knowledge Management, Audit and Content teams who identify the best sources in each location, enabling our researchers to spend less time searching and more time analysing. AI powered tools allow more precise and faster process.

Our staff are Counter Fraud Specialist and Certified Anti-Money Laundering Specialist.

### PWC ISAE 3000 Security certification

We are the only EDD provider with ISAE 3000 certification. Our technology and process is of outmost security standards, certified by external auditor. Our secure online portal makes it easy to order, track and administer. API facility allows integration with 3PR management systems.

EDD data is hosted in ISO/IEC 27001 certified data centers in Singapore and London.

### Consistent quality and ethical practices

We average 120+ reports per day globally, yet we have a proven track record of 99.7% quality success consistently. Year on year. No one else does.

Highest ethical standard of collecting human intelligence via the most comprehensive network of sources in the market provides access to original intelligence not available through the public domain, giving our clients a crucial competitive advantage.

### A proven and trusted supplier to the corporate and financial industry

In corporate sector we work for:
- one of the top 5 automotive company with over $80 billion revenue
- four of top 10 technology companies by revenue
- third globally largest pharmaceutical company

We have hundreds of clients across all sectors, including extractive, retail, energy, defence, aerospace, construction and education.
Enhanced Due Diligence API

The EDD API allows our clients and third parties to directly connect with our EDD ordering portal, which enables users to order, check statuses and retrieve their reports.

Why EED service?

Best in class security features:
- Data management centers and fully trained staff working on EDD workflow
- ISO27001 certified with regular code of conduct ethics and data security training
- Externally authenticated systems
- Reduced log-in burden, saving you time and simplifying user management

Best in class user experience:
- Integrated with existing applications, providing a simplified solution
- Filter information with the EDD platform
- Check reports status and retrieve up to date EDD reports
- Retrieve risk summary directly to your system

WORKFLOW OF EDD API
Aravind Narayan
Risk Solutions Consultant EMEA
Refinitiv
Bringing together the power of World-Check & Digital Identity

Is it FRED OR FRAUD?
In 2013, the United States Department of Justice charged 18 people in one of the biggest, most complex credit card fraud schemes to date.

+$200M stolen

10 years 8 countries 28 states

80 sham companies 1800 drop addresses +25k credit cards +7k synthetic identities
The Problem
FOR REGULATED BUSINESSES OPERATING IN A BORDERLESS WORLD

Increasing digitalisation & disruptive technology
BOTH AN OPPORTUNITY AND A THREAT TO BUSINESS MODELS & PROFITABILITY

Rapidly evolving & volatile regulatory landscape
TENSIONS & CONFLICT CREATE COMPLEXITY & VULNERABILITIES

Increasingly demanding consumer expectations
INCREASING DEMAND FOR DIGITAL + HEIGHTENED CONCERN OVER SECURITY
Increasing digitalisation..... and disruptive tech

+126% volume of PII data exposed by data breaches between 2017 and 2018

145 million eBay (2014)
110 million Target (2013)
148 million Equifax (2017)
3 billion + 500 million Yahoo (2013, 2014)
50 million Facebook (2018)
412 million Adult Friend Finder Networks (2016)

+446 records exposed million
A rapidly evolving regulatory landscape

**PSD2 & GDPR intertwined**

Access to bank account details by AISPs and PISPs results in processing of personal data – subject to GDPR legislation

**Data permissions & privacy**
Account holders are empowered to share data; yet real-world evidence suggests consumers may not attach the same value and sensitivity to certain data

Where legitimate basis is consent, PSD2 does not define “explicit consent” even though consent is required

**Distinguishing categories of data**
The duty to redact “sensitive data” in certain circumstances as well as third-party providers’ obligations to delete/destroy data after a period

Different data categories warrant different levels of security, and informed consent requires understanding the implications of sharing before approving

**The right to be forgotten**
Explicit consent is required from the account holder; however, does a right to privacy exist for the corresponding payor/payee? The consent process becomes infinitely more complex—particularly when parties to the transaction bank with different institutions and there is no central repository of permissions granted
Increasing expectations

38% Customers abandon the account creation process if deemed too long or complex.

74% Customers expect same-day access to bank accounts online.

50% Customers expect to be able to prove identity online.
A solution starts with **digital identity**

Digital Identities should be based on individual attributes which fall into four (4) main categories, and these attributes vary in availability, and restrictions under evolving privacy frameworks.

<table>
<thead>
<tr>
<th>INHERENT TRAITS</th>
<th>Attributes an entity inherits purely because of their existence. Static and do not change over time (e.g. biometrics)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Age, Height, Date of Birth, Biometrics</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LEGAL ASSERTIONS</th>
<th>Attributes that a 3rd party issues and assigns to an entity, normally based on their inherited and acquired attributes (e.g. passport)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Passport, National ID Number, Address</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BEHAVIOURS</th>
<th>Attributes and patterns that an entity accumulates over time as a result of activities (e.g. credit card usage)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Job History, Credit Card Usage, Social Media, Geolocation Patterns</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ELECTRONIC TRAITS</th>
<th>Attributes derived from activities on the internet and other electronic platforms (e.g. email address)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Email Address, Phone Number, Device Behaviour</td>
</tr>
</tbody>
</table>

**Refinitiv Focus**

An individual’s, digital identity is the sum of all digitally available information about it, irrespective of its validity, form, or accessibility.

Focusing on **individuals** and helping regulated FI’s **identify, verify, screen and authenticate** their customers in a world with fragmented regulation, conflicting privacy frameworks and increasingly sophisticated financial criminals.
Introducing Qual-ID powered by Trulioo

What is Qual-ID?
Refinitiv have partnered with market leading ID verification company, Trulioo, to deliver a best-in-class digital identity verification, document proofing and risk screening tool.

A holistic, integrated solution that ensures that companies over the world are confident in their third parties identity, authenticity and legitimacy prior to transacting.

How does it work?
Our Digital Identity solution provides our clients with confidence and our clients’ customers with convenience.

Why are our customers using it?
✓ Uniquely integrated with Refinitiv’s market-leading World-Check Risk Intelligence
✓ Zero footprint technology to meet data privacy requirements
✓ Secure and reliable to give banks and their customers confidence and peace of mind
✓ Flexible API to enable a seamlessly integrated solution with one contract
✓ A long-established trusted provider of data to power informed decisions
✓ Enhanced customer experience
✓ Reduced abandonment rates
✓ Increased revenues
✓ Reduced costs
✓ Increased efficiencies
✓ Effective mitigation of fraud risks
THANK YOU