

# Assess a company located everywhere in the world in a Due Diligence process

From definition of ownership chain, to financial crimes checks and cyber attacks risk, to innovation propension with patents.



Complex economic environment combined to requirements coming from legislation are asking companies to put an increased attention on Due Diligence Processes. From regulatory procedures to follow to mandatory information to support decisions. It's an approach involving companies located everywhere as every country is working in order to promote transparency inside businesses.

All checks related to Anti-Money Laundering and Anti-Bribery and Corruption are strictly connected to Beneficial Owner identification and a deep knowledge of Shareholders. But currently, an in-depth Due Diligence process requires, more than in the past, evaluate if business partner is exposed to cyber attacks and it's propension to innovation thanks to analysis of the patents.

Considering today's economic environment and interconnections between companies in different countries, simply verify that a business is registered into public sources is important but it's not enough. Know exactly a business partner, not only identity but also the ownership chain, is the right way to establish powerful and long-term relationship.



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Due Diligence process requires to analyze a company from different point of view. If understand the financial strength is of course crucial, as well connected risk, negative events or, firmographic, there are other information that can address future decision related to company itself. First of all, understand the Beneficial Owner and the ownership chain, then exclude any kind of involvement in Money Laundering, Corruption or Bribery. Then, if a company has a weak technological infrastructure and exposed to cyber attack can be a risk in achieving own results and at the same time not able to match partners' expectations in term of delivers solutions, with potential negative impacts. At the same time, thanks to an accurate analysis of patents, it's possible to know if a company is investing in research and development or not, with a consequent vision related to future. If knowing the Beneficial Owners allows to be aware of the real ownership of the subject, checks related to Money Laundering, Corruption and Bribery are focused in evaluating involvement in financial crimes. Both processes can be strictly interconnected as an unclear or unknown Beneficial Owner can hide actions connected to crimes or any kind of financial violations. In addition, don't forget company's propension to technological development: this is the reason why patents can give the right information related to innovation, but also allows to have a clear view about intangible assets. Then, it's also crucial know if the company itself is strong enough to protect research and development activities that's to a robust infrastructure able to avoid or at least mitigate cyber attacks.

Let's start from the first topic: ownership chain definition.

Considering definition in Business Dictionary, 'Beneficial Owner is entity that enjoys the possession and/or benefits of ownership (such as receipt of income) of a property even though its ownership (title) is in the name of another entity (called a 'nominee' or 'registered owner'). Use of a nominee (who may be an agent, custodian, or a trustee) does not change the position regarding tax reporting and tax liability, and the beneficial-owner remains responsible. Also called actual owner'.

If from one side compliance requirements are established by law, on the other side processes to find out a Beneficial Owner in a Know you Customer (KYC) and Know your Vendor (KYV) flow are a good practice to follow in day-by-day business activities.

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It's not only a matter to accomplish to legal requirements, it's a matter to preserve own business from third parties, customers and suppliers, from unknown ownership that could hide very critical aspect like money laundering, bribery and corruption. Shell companies are representing a high risk to firms that are dealing with them without any awareness of the ownership.

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Reputational impact is connected to economic one: discover to be connected to a shell company or other entity with Beneficial Owner unclear or not identified means a negative impact on the brand, with a linked lost in term of market share and lost in revenue. Anonymity of the Beneficial Owner can move towards illegal activities and complicate the identification of the subject.

Unfortunately, the availability on the data related to Beneficial Owner are not always available. Over the past years, FATF (Financial Action Task Force on Money Laundering) strongly suggested, as best practice, to always identify Beneficial Owner during onboarding process, as well as every business relationship.

A higher disclosing of Beneficial Owner it's essential to prevent corruption, fraud and money laundering: not only for financial institutions of public bodies. Also for companies it's essential to be in the position to know who they're really doing business with, reducing overall risks. In this way, knowledge of Beneficial Owner has an important positive effect also to prevent financial misconducts activities. It has a positive effect in a wider scenario in actions fighting crimes like corruption, bribery or money laundering.

Assets coming from money laundering or corruption can fund new industries, holdings or estates and dealing with these subjects can determines a threat if no checks on the real ownership is performed in advance starting doing business.

Understand ownership chain must be considered not as an additional step in bureaucracy activities, but a good practice in prevent money laundering, terrorist financing and fraud. A check done in advance allows to know customer and decide how to manage risks. It must become more and more a standard practice, to protect shareholders and investments in a specific company. It's good way to reduce risks and avoid to be involved, not aware or not fully aware, in illegal activities.

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Once identified Beneficial Owner, a step forward to a comprehensive Due Diligence process is represented by checks related to crimes in which companies can be involved. Most important ones are related to Finance environment, such as Money Laundering, Bribery and Corruption.

This area must be evaluated with care as risks connected to money laundering, fraud, corruption, bribery or other criminal activities are more and more present in the worldwide market. For this reason, at the same time, government requirements to implement appropriate actions to comply with regulations have been established all over the world.

Nowadays, companies must be able to check business partners, not just for evaluation purposes, but also for due diligence processes and need solutions to screen information required by regulatory processes.

Even if Anti-Money and Anti-Bribery and Corruption can be connected as criminal practices, definitions are different and area of interest too.

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Starting with Anti-Money Laundering (AML), considered as laws, regulations and procedures having the aim to prevent criminals to 'clean' funds obtained against law transforming into a legitimate profits. Even if Anti-Money Laundering legislation covers a limited number of transactions and criminal activities, implications are very important in term of rules to follow. For example, banks and financial institutions have to put in place specific procedures when a deposit account has to be opened to ensure no money laundering is in progress.

Moving to Anti-Bribery and Corruption, can happen anywhere in a company but it's more evident where business is also overseas and there is an interaction with government. It means that operate globally expose at the same time to new opportunities and risks. US Foreign Corrupt Practices Act (FCPA) and UK Bribery Act set the general parameters is defining bribery and corruption around the world.

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These acts are defining the guidelines for how to identify, avoid, report and prevent bribery and corruption, how they must be reported, awareness. This is very important for the organizations as a lack in these practices can cause reputation damages, unwanted media attention and consequent lack in trust with potential decrease in economic results. Only clear policies in bribery and corruptions can help in proceeding transparently.

After having analyzed ownership chain and exclude involvement in financial crimes, it's now time to evaluate company from two different point of view. Is the company able to protect business from cyber attack? Is the company approaching a long-term strategy with robust research and development project able to increase intangible assets?

Cyber attacks, in the last years, increased everywhere in the world affecting companies in different industries and of different sizes. This is a fact. A cyber attack can involve negatively a company from different perspectives. Thinking to a manufacturing company for example, imposes a production stop, with also data stolen that can affect years of research and development activities. A production stop impact of course on the economic results but also the impact is reflected of the customers that are obliged in some way to interrupt production also from their side. Both parties are damaged by a cyber attack: the 'victim' but also all the companies interconnected as supplier goods cannot guaranteed as in the past. In addition to economic impacts, also reputational effect can damage company's brand.

Value of a company is measured by financial index but also by intangible assets and the only reliable way to have a clear picture of them is understand, at worldwide level, patents. Having a clear picture about propension to innovation, is possible also to know, in a due diligence process, if the approach to business is conservative or is concentrated into long term strategies.

In any case, patents have an higher value also if company is able to protect them with all activities in place to avoid a cyber attack.

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As discussed, Due Diligence process must be considered from different perspective with the aim to achieve business decisions based on strong information. Starting from the identification of the real ownership connection to the full evaluation crucial to avoid any involvement in financial crimes or other crimes and, finally, evaluate cyber attack exposure and innovation approach . It's a matter of preserving economic results through the preservation of the external reputation.

This is why SkyMinder, CRIF platform giving access to in-depth credit and financial data on companies all over the world, has right solutions to cover all the information required.

There are some mixed reasons that are moving towards a more extensive check of Beneficial Owner in KYC and KYV processes, from legislation, to economic results, to reputational aspects.

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Due to the importance of this information and thanks to international presence and long-standing experience with local information providers, via SkyMinder, CRIF platform giving access to in-depth credit and financial data on companies all over the world, is possible to request KYC Report. Starting from company identification, then Shareholder list and % and Domestic Beneficial Owner, when available, is possible to obtain information on companies on the great majority of the countries.

KYC Reports are a crucial tool when a verification in a due diligence process is required and decisions must be taken on reliable and complete information.

Discover that a customer has a Beneficial Owner involved in financial crimes means be in the position to lose it as not anymore able to pay, with a consequent decrease in economic results. Discover that a supplier has a Beneficial Owner involved in financial crimes means have a high risk in not receiving goods crucial for production and not be able to sell them with a consequent negative effect in financial targets.

Through the integration of LexisNexis Risk Solutions, SkyMinder users are able to accede a sophisticated data analytics platform and identify patterns of subjects involved with companies and entities associated with financial crime risks in all countries. It's possible to choose between two different products , Compliance Check Report and Extended Check Report.

**Compliance Check Report:** makes possible to find any business entity worldwide and get information on whether the subject is on lists regarding fraud, terrorism, money laundering or other crimes.

**Extended Check Report:** allows to find companies worldwide and obtain information about the company itself, as well as its directors, shareholders and parent companies, as described in the Credit Report, and to check if the subject is on any lists of criminal activity.

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To understand cyber risk, via SkyMinder is KYND Cyber Risk Report. KYND utilises pioneering cyber risk technology and expertise to show simply and easily the cyber risks a company faces. KYND is a UK organisation focused on cyber risk with CRiF as a major shareholder in the company.

The KYND Cyber Risk Report is applicable to any kind of business, and requires only a website and company name to quickly show the cyber risks of a business partner.

Thanks to Patent Due Diligence Report available via SkyMinder and created by InQuartik is possible to obtain in-depth information about Patents allowing assess a business also in term of Research and Development approach. Available on companies worldwide, SkyMinder Patent Due Diligence Report includes registrations done everywhere in the world.

Information included in report are related to Overview, Geographical Coverage, Remaining Life, High Value, Technology/Deployment, Timeline, Peer comparison, Key Inventors.