Exclude involvement in financial crimes to protect business

Focus on Anti-Money Laundering (AML) and Anti Bribery and Corruption (ABC) checks to drive worldwide business decisions

The risk connected to money laundering, fraud, corruption, bribery and other criminal activities is more and more present in the worldwide market. At the same time, processes followed to evaluate and better understand the overall profile of a company can be very complex and also related to local legislation. Governments all over the world are requiring to implement appropriate actions to comply with regulations.

Nowadays, companies must be able to check business partners, not just for evaluation purposes, but also to exclude participation connected to money laundering or bribery and corruption.

Starting from checks related to company performance, firmographic data, negative events, management and so no, it's becoming more and more important to know in advance if there is an involvement in criminal activities or financial fraud in order to avoid legal issues and reputation damage. Of course, in order to obtain an overall picture, it's necessary not only to get information related to the company but also ones related to management and shareholders. Only proceeding in this way is possible to obtain a complete picture of the subject.

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Discussing Anti-Money Laundering (AML) and AntiBribery and Corruption it's necessary to consider two different topics. First of legal aspects, the data content.

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

Starting with Anti-Money Laundering (AML), considered as laws, regulations and procedures having the aim to prevent criminals from 'clean' funds obtained against law transforming into legitimate profits. Even if Anti-Money Laundering legislation covers a limited number of transactions and criminal activities, implications are very important in terms 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.

Money-Laundering crime can be summarized in three different stages: placement, layering and integration.

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Placement: it's the movement of cash from its source and sometimes can be easily discovered. Its based on the circulation of illegal money through financial institutions, shops, casinos, bureau the change etc. both domestic or abroad. This process can be done through different paths. First of all smuggling, an illegal movement of currency or other monetary instruments out of a country. Then, when a bank is controlled by criminals linked for example to drug dealers. In this case, a complete liberalization of the financial sector can help laundering. Another important point is the liberalizations of foreign exchanges giving laundering an important boost. Also, brokers and constitutions of big funds can support this system with funds itself in which original sources cannot be tracked. The classical method in money laundering is the purchase of assets with cash: from illegal money to valuable goods.

Layering: the purpose of this stage is to make it difficult to detect a laundering activity and methods are first of all cash conversion into monetary instruments. Then, material assets are bought with illicit funds and sold both locally or abroad. In this case, is quite difficult to trace the origin of the money.

Integration: money previously laundered is now available through normal banking systems as 'normal' earnings coming from businesses. Different from layering, in the integration processes, detection and identification of laundered funds are done by informants. Methods are sales of property to integrate laundered money back into the economy using shell companies so the sales would be considered legitimate. Also 'front companies and false loans are used by criminals for apparently legitimate transactions. The complicity of foreign banks represents a high level of sophistication, showing very often protection. Release false Import/Export invoices is a very effective method of integrating illicit proceeds back into the economy.
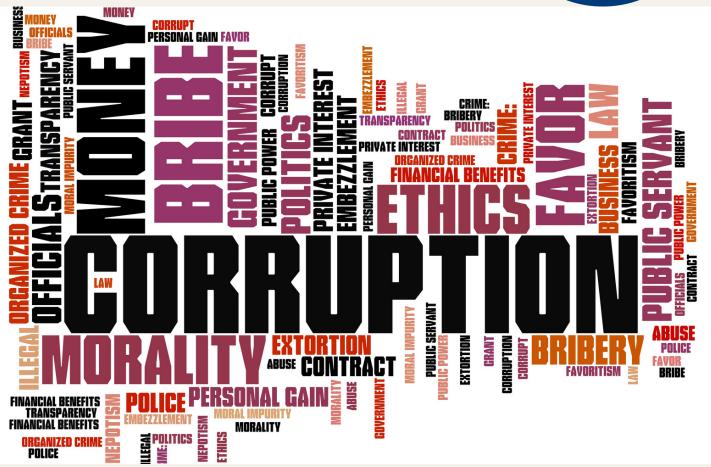
It's very important to take into account:

- Criminals use money laundering to hide their crimes and connected money
- Anti-Money Laundering regulations is committed fight criminals in hide illicit money
- Anti-Money Laundering regulations require financial institutions to monitor customers transactions and report suspicious financial activities

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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 the government. It means that operating globally exposes 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.

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

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Bribery and corruption have two different definitions even if are representing a very similar crimes.

Bribery: as the offering, giving, receiving, or soliciting of any item of value to influence the actions of an official, or another person, in charge of public or legal duty.

Corruption: is more generic and can be considered as the abuse of entrusted power for private gain.

Operating in a global market the risk of being a victim of bribery and corruption exists. This is why every time a relationship with a business partner is in place is required to have in place a robust due diligence flow in order to avoid such risks.

Main Anti-bribery and anti-corruption acts and regulations are:
- Organization for Economic Co-operation and Development (OECD) Anti-Bribery and Corruption
- Foreign Corrupt Practices Act (FCPA)
- United Kingdom (UK) Bribery Act
- Modern Slavery Act, UK
- United Nations Convention against Corruption

In this scenario, where Money Laundering and Bribery and Corruption can represent a risk for companies and organizations both in terms of legal proceedings and reputational damages with consequent economic losses, it's mandatory to be able to count on information useful to perform checks on business partners.

Having access to these data means protecting your business from reputational, operational, financial and legal risks.

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For these reasons, SkyMinder, CRIF platform giving access to in-depth credit and financial data on companies all over the world, represents a critical driver of financial transparency, providing instruments to prevent fraud and make proper compliance checks.

Through the integration of LexisNexis Risk Solutions, Skyminder users are able to accede to a sophisticated data analytics platform and identify patterns of subjects involved with companies and entities associated with financial crime risks in all countries.
Risk Categories Coverage.

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Risk Categories Coverage

SANCTIONS DATA
Aggregated information from the most important sanctions lists (OFAC, EU, UN, FBI, Bureau of Industry and security etc.)

ENFORCEMENT
Data published by official government agencies, industry regulators, and disciplinary. Included bribery, burglary, corruption, money laundering, terrorism, pollution, terrorism, tax evasion, a war crime, financial crime etc.

PEP (politically exposed persons)
Individuals with a prominent government or an international function, and their family members, included heads of states/government, senior politicians, judicial or military offices, and important political party officials. Followed FATF (Financial Action Task Force) definition on PEP, including primary and secondary.

ADVERSE MEDIA
Publically available media sources publishing news describing a crime, are classified in 49 categories. Included local and international newspapers, broadcasts, and press releases in 59 different languages for 35,000 media sources

SOE (state-owned entity)
Government-owned corporations (% owned > 50%) and government-linked corporations (% owned by governments < 50%. FATF recommends knowing % owned by a Government.

REGISTRATION
Data is posted by the government in compliance with the government body's rules and regulations. Can be included in FATCA Registered Institutions (Foreign Account Tax Compliance Act), IHS Registered Ship (especially if flag associated to high-risk and non-cooperative jurisdiction list. Marijuana Registered Business, issued by the U.S. includes officially licensed marijuana businesses for recreational use.

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Via SkyMinder is possible to choose between two different products integrating LexisNexis Risk Solutions Compliance Check Report and Extended Check Report.

Compliance Check Report: makes it 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 many lists of criminal activity.

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