

The Importance of **KNOW YOUR BUSINESS**



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The reality of coronavirus landed in the United States in March 2020. The NBA and NHL seasons were suspended, and the NCAA basketball tournament was canceled. Students from grade school to college were sent home. We were all told to quarantine in our homes. It was sudden and unprecedented.

The public health crisis was also sudden and unprecedented. Doctors warned that the country was dangerously low on masks necessary to stop the spread of the disease. Ventilators were needed to keep many of those who caught the virus alive. And the United States was in short supply.

What followed was a massive health equipment spending surge, both at the federal and state levels. The White House spent hundreds of millions of dollars in the early days of the pandemic — and some \$25 billion to date — on equipment meant to be delivered by businesses from China to India to Germany. Much of this spending was done without proper checks on the legitimacy of the business or their ability to deliver on their promises.

New York State, which, at the start of the pandemic was among the worst hit in the country, authorized spending of \$686 million for medical supplies in the middle of a fierce global competition to obtain them. Just like the federal government, this money was contracted to businesses the state knew little about. And because of the urgent need for supplies, it didn't have time to properly vet them.

At both the state and federal levels, the outcomes of this spending are shocking.

The \$25 billion

THE FEDERAL GOVERNMENT SPENT WENT TO MORE THAN 250 COMPANIES

that got contracts worth *more than \$1 million* without going through competitive bidding processes.

Sixteen of the companies had only registered to do business with the government for the first time in 2020. And at least three companies formed just days before they obtained the contracts.

In New York, the state paid \$116 million to a small company in Brooklyn for ventilators that did not arrive. It paid \$69 million to a business in California that ended up being a lone individual with no experience in health care equipment. A third company was paid \$56 million for ventilators; that contract was cancelled after it failed to deliver.

GLOBAL NATURE OF BUSINESS DEMANDS THAT PROCUREMENT KNOWS WHO THEIR SUPPLIERS ARE.

Billions of dollars are at stake.

For instance, the Defense Department recently announced that it has lost \$875 million in a scheme where a contractor set up shell companies that passed themselves off as vendors.

The need to know who you're in business with is not limited to government; hospitals must know who they are getting their supplies from. In 2019, a hospital in Florida announced it has lost millions due to vendor fraud. Hospitals are also responsible for knowing who they're using as laboratory partners, whether that lab is located in South Carolina or South Africa.

Tech companies also aren't immune. In 2017, Facebook and Google lost \$100 million when a company, run by a Lithuanian man and posing as a vendor, improperly billed the tech giants. In a recent report, Statistica.com found that between 2018 to 2022, global digital fraud would grow from \$19 billion to \$44 billion.

There's a reason this kind of fraud is so widespread. It's hard to verify new and small companies as well as private companies. It's difficult to find ownership information. Banks often put up walls of secrecy around their clients.

Cultural norms also make checking businesses difficult. Privacy regulations vary from country to country. In some countries, like Japan, business is very cash-heavy, so it's difficult to get a true sense of a company's finances. Some countries don't require businesses to update corporate files often.

Money launderers and fraudsters have also been known to manipulate company information to their benefit; some have even stolen the identities of business owners to move illicit cash. And many companies have complex business structures that warrant enhanced customer due diligence.

ALL OF THIS IS EVIDENCE FOR WHY A COMPANY DOING BUSINESS AT HOME OR ABROAD NEEDS A KNOW YOUR BUSINESS (KYB) SOLUTION.



**GLOBAL DATA CONSORTIUM (GDC)
IS THE RIGHT COMPANY TO PROVIDE IT.**

WHAT IS KYB?

Know Your Business answers 3 questions:

- 01.** “Is this a real business?”
- 02.** “Is this an active business?”
- 03.** “Is there a risk transacting with this business?”



Business Verification answers only the first question — whether the business is real and legitimate. Business verification verifies a combination of business name, address, dates of incorporation, and business IDs against in-country data providers until a match is made and all three questions are answered.

The Owners, Directors, & Officers (ODO) check is an extension of the KYB Check. This is used when customers require verification of a business via KYB, Know Your Customer (KYC)/KYB of an owning entity, and the confirmation or establishment of a threshold based on a connection between the two. Based on Anti Money Laundering (AML) laws, regulations, and procedures, this is a regulatory requirement aimed at preventing criminals from disguising illegally obtained funds as legitimate income.

GDC's Worldview platform is already a leading global solution for KYC. Our expertise in the KYC compliance space makes us an excellent partner to meet a organization's KYB needs as well. The processes are very similar, as is GDC's approach — in each use case, we use a waterfall & broadcast approach to checking diligence and authoritative data sources, in market, to provide industry-leading match rates.

The launch of our Business Verification Solution has been in the works for over a year. GDC has conducted multiple proof of concepts (POCs) for Business Verification & KYB covering over 23 countries with a focus on establishing business activity/reality. These efforts resulted in average verification rates above 50 percent, primarily in challenging, global markets.

The success of these POCs centers on a strategic investment in name matching and cross-alphabet search and match technology resulting in optimized results. Further, data quality performed during the verification — address parsing, geocoding, and standardization — provided for accurate location matching. During these POCs and experiments, the sources were primarily government and business registries. With our upcoming release, we'll be expanding coverage by country, increasing data depth in critical markets, and expanding our data sources.



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WHY GDC IS THE RIGHT CHOICE FOR YOUR KYB NEEDS

The global nature of supply chains and vendors requires global reach. GDC has the ability to conduct business checks around the world, and our network of KYB data providers continues to expand.

**WE PROUDLY POINT TO OUR EXPERIENCE PROCESSING KYC DATA
AS PROOF OF OUR GLOBAL NETWORK MADE UP OF LOCAL PARTNERS.**