



GLOBAL RISK PROFILE

TRUE DILIGENCE

A World of Intelligence

A Dive into the Information Market

Joël Pastre
Nicolas Giannakopoulos
Aurélien Vuilleumier



«It's easier to trust when you can verify»
- A former U.S President



Preface

In a world full of challenges, top managers and entrepreneurs have to deal with an ever-growing amount of risks. Following the crisis of 2008, the number of frauds, counterparts defaults and others hazardous situations have increased massively, forcing executives to be even more cautious about their business relations. Meanwhile, the legal requirements and consumers concerns for transparency and ethical conducts have also increase the need to know about the third parties involved in their activities. These broadening scope of threats and deepening legal frameworks force every manager and company to protect themselves through the use of quality information in order to to avoid considerable damages to their assets and reputations.

This increased demand of valuable information has led, in recent years, to a boom of the due diligence market and the emergence of new actors and new practices, including the investigative due diligence based on open-source information.

A 2009 study estimated the world's intelligence industry spends \$106,961,604,308.01, employs 1,130,104 people, and has at least 246 agencies.

Source: «A Study Into the Size of the World's Intelligence Industry», Christian Hippner, 2009.



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Overview: the Boom of the Intelligence Market

A World on the Move.

Since 1991, the evolution of the world economy has been characterized by a massive globalization and the increasing importance of transnational activities. Conducting businesses abroad and competing on emerging markets has been a priority, if not a necessity, for number of industries. As one could see through almost every country's statistics, international trade and foreign investments have widely increase in the last decade, insomuch the total volume of exchanges almost doubled between 2000 and 2011. Behind those numbers are the constant need for companies to find new customers, partners, resellers and suppliers, and to acquire new entities in order to expand their activities.

Due Diligence Needs for Business.

These last few years, the perception of the value and the subsequent needs for intelligence and information have constantly increased worldwide. Inspired by the (re)evolution of the world economy that placed large parts of companies' activities in foreign countries, often experiencing higher risk exposure, the new faces of business intelligence were essentially drawn by the quick development of new technologies and by the cultural shocks driven by the necessity to open new markets which were previously considered as too risky and/or incomprehensible.

The concept of business intelligence is making his way through a broader conception that includes more elements than just the classical economical ones. It also challenges a large panel of activities and professions. Without listing them all, one could think about monitoring, e-reputation, audits and many more. Among those activities, the investigative due diligence aims at gathering all possibly available public information on counterparts as a first bulwark against risks when it come to decide whether or not a third party is worth working with.

Between 2000 and 2011, the volume of Swiss direct investments in foreign economies increased over 20%, up to 2'663'501'000 CHF.

Source: Swiss National Bank



Facing New Risks

Troublemakers.

In the past few years, number of studies showed the alarming increase of risks challenging companies. Among those, the most threatening are undoubtedly corruption, intern fraud, money-laundering exposure, non-compliance affairs and counter-part defaults, responsible for almost all legal procedures and subsequent scandals one might heard about almost daily in every media

Golden Age for Intern Fraud?

As a matter of fact, the crisis of 2008 has acted as a powerful booster on unlawful behaviors. As a 2011 PwC's study shows, intern fraud has particularly increased. Thus, 34% of the 3877 companies that participated to the survey claimed to have been victim of fraud in the last 12 months. The percentage rises to 54% for large companies (more than 1'000 employees).

New Ways to Secure.

Beside the crisis, the main explanation for this increase of reported frauds lies in the progress of control and prevention tools implemented by companies, such as electronic surveillance, strengthened controls, MLA tools and external audits.

In a 2011 study from PricewaterhouseCoopers, 34% of the companies worldwide say they are victims of frauds.

Source: PwC «Global Economic Crime Survey 2011»

In a survey of more than 1,000 executives, almost one in five claimed to have lost business due to a competitor paying bribes.

Source: Ernst & Young, 'Corruption or Compliance – weighing the costs, 10th Global Fraud Survey' (2008)



Ad Hoc Solutions Programs.

Among the solutions that are currently on the market, we can divide between the target solutions and the process solutions. The first ones are aimed at solving one specific problem as the second ones refer to a set of actions aimed at avoiding and managing the problems. While investigators, external advisors or auditors are solicited to address specific issues, the processes are used to help managing, studying, verifying and delivering clearance to specific aspects of the life of a company. Investigative Due Diligence falls in with these processes.

Information is the Battleground.

Information is the core of all the processes countering any misbehavior and risk. But information is also a tricky matter. It can be manipulated, partial, partisan, true or false or partially false or true. The first challenge for any information is to be reliable, meaning being as close as possible to the effective facts. This opposition between the growing need for reliability and the quantitative explosion of available data is responsible for the growth of the information market, which spread larger and larger over these last 10 years, helped with the massive diffusion of Internet and social networks. The so-called "big actors" like Reuters, Dun and Bradstreet, Bloomberg and others have stepped on the market very soon and have continuously upgraded their offer.

Thus, the numbers of on-line databases offering due diligence information have first increased and then, since 2009, shrunken as mergers and acquisitions have decreased the numbers of actors on the market. These specialized databases offer information about politically exposed persons (PEP), governmental watch and sanction lists, litigation records, solvency data and negative news selections.

But a huge number of websites, especially in the US and UK offers background checks on individuals and references verification, online commercial registries, etc. Obviously, these are sometimes a fraud themselves. The open source information available on Internet have dramatically expanded, offering the possibility to learn a lot about almost everyone. And as all the available information continues to expand, the problem is not anymore to get the information itself but to select the right one out of a massive bulk of returns.



The Investigative Due Diligence Process.

In this context that enhances the need of an efficient and complete business intelligence strategy, the Investigative Due Diligence has become a cornerstone for compliance and risk mitigation programs. These activities aims at providing one single and comprehensive document that regroups all available open-source and database information. In order to provide such a document, the process is roughly always the same:

- 1) Dig out the information,
- 2) Check, cross-check and reliabilize,
- 3) Dig more,
- 4) Select the good information,
- 5) Place that information a defined template, and
- 6) Deliver the report.

Obviously, there are millions of ways to structure such a process, some more efficient than others. The key considerations to bear in mind when creating such a process are firstly to put forward human intelligence. There are so much sources with interconnections and backdoors in-between that such a work can only be reasonably completed by specialized and trained operators. It is then about avoiding to enclose the information search into something too astringent and thus increase the risk to miss one or more important information. Analysts might have the liberty, within the search process, to dig out all the necessary information.

Ultimately, information must not be considered as a stable situation but more as a continuous flow, just like merchandise. Especially in the field of Investigative Due Diligence, the term of flow has all its importance because an information available at a time N might be contradicted by an information available at a time $N+1$. Thus, if we want to stick on the reality, one might have on the exact same individual two different information according to the moment the due diligence was done. Designing the right process allows to avoid the limitations of a database and cut off the times and costs of a real in-deep investigation. But that is not so easy to do. A deep understanding of the information and of the market's needs is indispensable.



The process is obviously important to meet the markets needs in terms of predictability. Indeed, being able to provide the same quality of information at a fixed cost and within a fixed timeframe allows to secure the user of the report and allows him to be much more efficient in terms of decision making and other internal cross processes. Many compliance officers found in this kind of solution an easy way to obtain information they need or crosscheck the ones they already have.

New Game for Old Players.

From this observation, many providers, most of them already presents in the business intelligence market, have engaged themselves on this promising segment together with some new comers specialized in this kind of service.

The customers themselves are, for the most part, used to external providers. They only asked investigators to search information they couldn't find for themselves, but with the increasing number of sources and databases, open-source investigation has become a full-time job requiring investment and skills.

We thus have seen since 2007 a massive increase of both internal and external capabilities in all private sectors as well as in public sector. Today, one of the major employers of compliance officers in the U.S. is the Federal administration itself. Banks and large companies have (sometimes) developed huge departments with the necessity to have an in-house ability to meet their own demand according to their own processes. But all this increase of internal capabilities has also boosted the external providers: information providers, databases, specialized actors, IT tools developers, etc.

It appear today quite clear that no company can meet alone the regulatory and risk mitigation challenges. But it also appears that a wall divides the companies, usually multinationals, that can afford an effective in-house due diligence team and the other companies (SMEs or even public administration) that have no resources to do so.



Main Investigative Due Diligence Providers.

Open Source Investigators.

Below are listed fourteen from the largest OECD providers of Investigative Due Diligence. Number of them provides traditional investigative services, and developed an online Investigative Due Diligence service as a natural extend of their core business. Some of them also offer services in connected fields, such as personnel security, computer forensics, audit or crisis management.

	Other Services	Location	Price range
Global Risk Profile		Switzerland	USD1'000 - 3'000
Diligence Inc.	x	England	Not provided
Kreller Group	x	U.S.A	Not provided
KPMG Astrus		England	Not provided
BackTrackReports	x	U.S.A	Not provided
Navigant Consulting	x	U.S.A	Not provided
Kroll Advisory	x	U.S.A	Not provided
LightStone Solutions	x	U.S.A	Not provided
Freeh Group	x	U.S.A	Not provided
Steele	x	U.S.A	Not provided
Kessler	x	U.S.A	Not provided
Steve Vickers Associates	x	Hong Kong	Not provided
Salamanca Risk Management	x	England	Not provided
Red Flag Group	x	Hong Kong	Not provided



Is that a New Yorker's Business?

As we mentioned before, Investigative Due Diligence seems to be a need for all companies, small or big. Obviously, one may think that there might be a direct correlation between the number and the size of domestic companies and the number of Due Diligence providers in the same places.

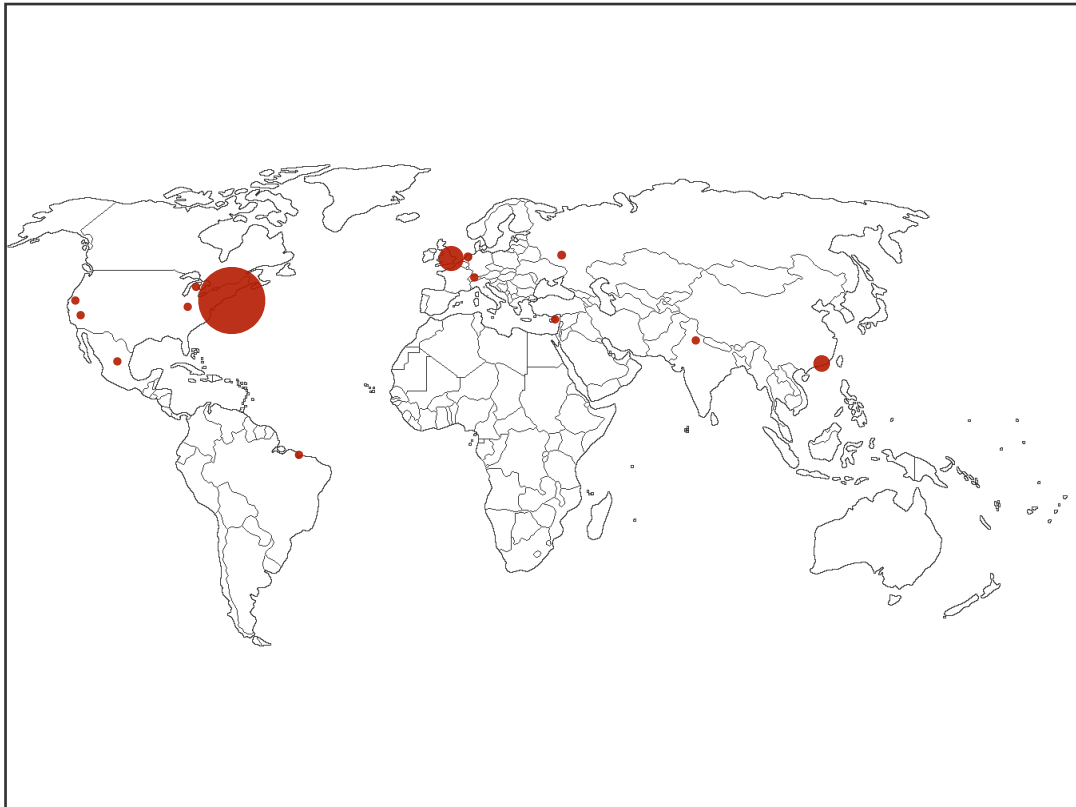
Assuming this point of view, it seems logical to assume that the providers would also be spread following the same distribution. We discovered that is absolutely not the case.

The map below pictures distribution of head quarters and main offices of providers listed on the previous page. The size of the red points is function of the total number of headquarters and main offices of such firms. As one can see, New York is the first center, followed by London and, to a much lesser extend, Hong Kong.

Thereby, the Investigative Due Diligence available online is mostly an anglo-saxon business, which only begin to spread, through some large providers with offices worldwide, to become an important tool for Compliance Officers or Risk Managers across companies all over the world.

In May 2011, the number of Compliance Officers in New York was estimated at 15'610.

Source: United States Department of Labor - Bureau of Labor Statistics



Why so Secretive ?

While presenting our company and services to potential clients from financial and industrial markets, we faced a growing discontent over other actors of the market that were providing what was considered by our counterparts as a competing service.

In the pure Swiss quality tradition, we started to benchmark our products and services, wanting confrontation and competition over the different elements that, together, create the excellence in Investigative Due Diligence: quality and reliability of the information, delivery support and time, transparency on the process and prices and confidentiality.

If we were able to find simply on Google a lot of possible or partial competitors, we certainly were amazed by the secrecy that surrounds the branch: we asked if there were any chance we could exchange some information about services, pricing and conditions before going any further. The answers, quite simple, were almost ever that no price would be given unless we mentioned which company we were working for, at which position, and after an indispensable telephone interview that looked like a police interrogation, as to ensure we were not... not what exactly ?

Protecting oneself from competitors is one thing, but our job, what everybody advertise, is to provide each of our client with the best possible information. How can this be possible by going into a wall of secrecy that fits for spy novels ?

We truly believe in confidentiality, which we apply in the relationship to our clients, but in no case against them. This (very short) benchmarking session led to one terrific finding: we are one of the very few to provide a clear information about our services, especially in terms of pricing and delivery conditions (time, mode and confidentiality). One of the second finding is that we might be one of the 10 company in the world that is specialized in Investigative Due Diligence and all of us have more or less the same size as we do. Thus, the specialized market is not the one of the large companies that provides other kind of services: databases, listings, news and medias etc. But our major added value is to gather all the necessary information that can lead our clients to get the right information in a comprehensive and adaptive form right on their desk.

«Who are you? Why do you want information about our prices? I can certainly not give you any information until I know for sure who you are and have talk to you».

Source: Mr. X, CEO for an undisclosed Investigative Due Diligence provider.
Oct. 2012.



Who Are We?

Swiss Made.

Global Risk Profile© (GRP) is the first and only Swiss-based company specialized in Investigative Due Diligence. Offering our services to large Swiss and European companies as much as smaller clients to secure their counterparts worldwide, we provide independent and valuable information, and benefit our customers with proximity, reactivity and confidentiality.

A large Scope of Public and Confidential Information.

Our searches are made through every legally available sources, through our own archives containing thousands of sources with specialized information partially gathered through the OCO (Organized Crime Observatory) Network. We also, on demand, gather information directly on the field.

Each research and report is produced by a trained specialist that gathers, analyzes and packages the information in an executive document which meets the highest international compliance standards within a secured confidential framework.

Our reports are delivered online, within ten business days and at a fixed cost.

For more information about our team, our services and pricing and our methods, please visit our site:

www.globalriskprofile.com

Joël PASTRE

M. Pastre spent four and a half years as Analyst, Portfolio Manager and Team Manager in a reputable Swiss Asset Management company. He was responsible for both traditional equity and absolute return oriented long-only portfolios. Mr. Pastre previously spent two years as an Analyst in the Hedge Fund Research team and two years as an Analyst in the Quantitative Research Department. He also worked for a three - years research program financed by the Swiss Confederation entitled "Swiss Corruption and Organized Crime" and co-founded the OCO, the Organized Crime Observatory, in which he still serves as treasurer.

Nicolas GIANNAKOPOULOS

M. Giannakopoulos was in charge of the three-year research program financed by the Swiss Confederation entitled "Swiss Corruption and Organized Crime". He has previously been active in many research programs and has carried out many analyses for large institutions. He has collaborated closely with magistrates and police services and has been rewarded with the medal of Merit from the Brazilian judicial authorities. Mr. Giannakopoulos has published significant material concerning the different facets of modern criminal organizations. He is also President and co-founder of OCO, the Organized Crime Observatory, and Director of the Geneva-based criminal investigation company Inside.CO S.A.

