

MOODY'S

Shell Company Indicator

UNCOVERING HIDDEN RISKS WITHIN COMPLEX CORPORATE STRUCTURES

Bringing hidden shell company risk to the surface through insightful, analysis-driven indicators during customer and third-party onboarding and investigations for better and faster decisions.





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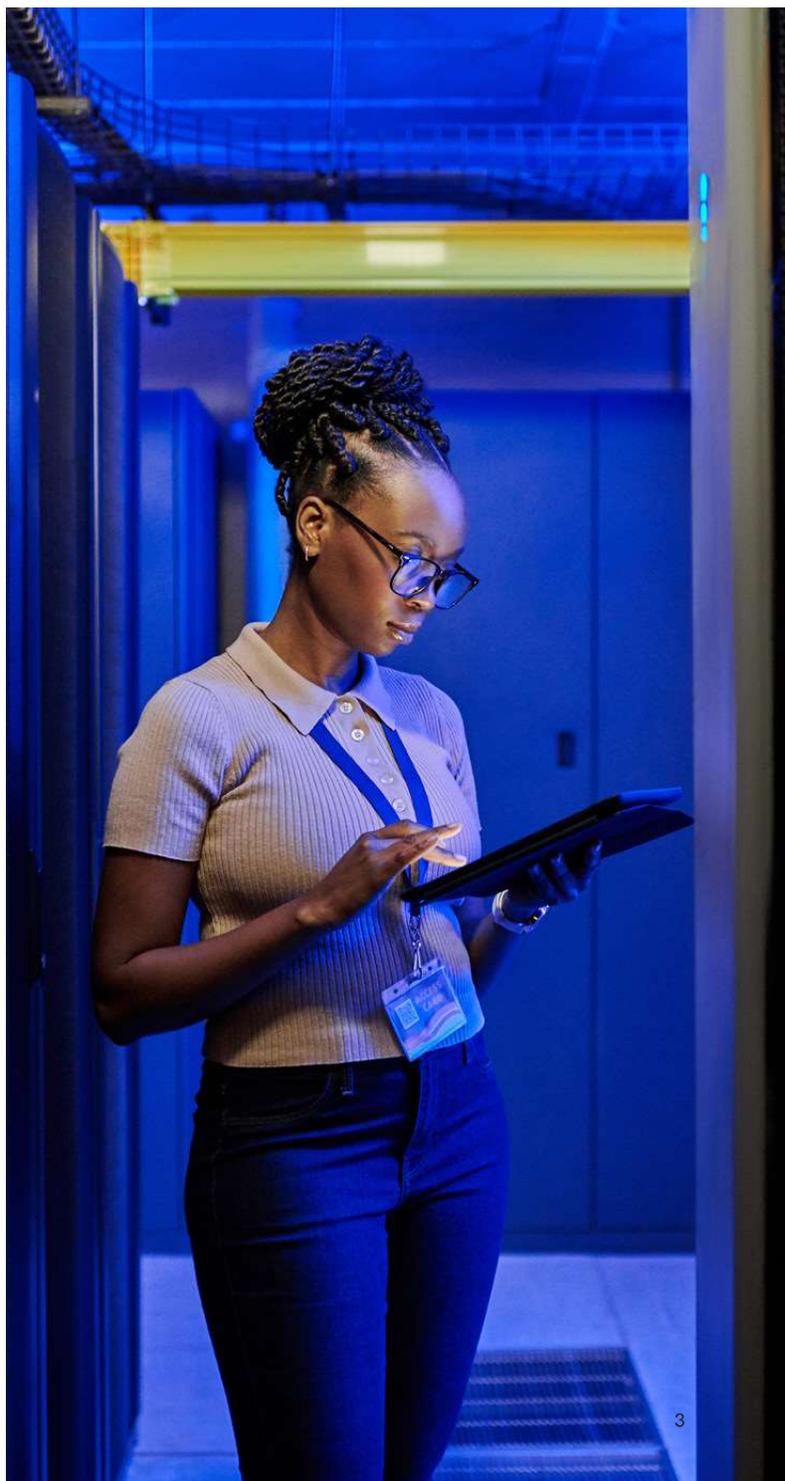
Shell Companies

corporations without active business operations or physical presence – are not by definition used for nefarious reasons, but they can be used to disguise illicit activities and the money generated from them.

There is growing public scrutiny and regulation to curb corruption, create and enforce sanctioned regimes, and detect money laundering, fraud, and criminal network activity where shell companies are often used to obscure beneficial ownership and corporate control. Moody's Analytics Shell Company Indicator uncovers shell company risk within complex corporate structures of potential customers/third parties during onboarding and investigations.

WITH SHELL COMPANY INDICATOR, YOU CAN:

- **Mitigate financial crime risk**
Identify risks throughout the customer life cycle, including documentation of rationales as to why a prospect, customer, or supplier may no longer be suitable to consider retaining.
- **Enrich due diligence processes**
Easily uncover signs of circular ownership, atypical directorships, mass registrations, abnormal dormancy, jurisdictional risk, and beneficial ownership and financial anomalies, when greater scrutiny is needed. Investigate and document decisions to accept a new customer or supplier based on KYC findings and report suspicious behavior to regulators as necessary.
- **Reduce workload**
Typology-driven flags harness Moody's subject matter expertise and data. Access insights through an easy-to-use, task-based tool that enhances an organization's ability to detect shell companies while dramatically decreasing the hours needed for laborious research and investigation work from months and days to minutes.
- **Speed up onboarding and investigation**
As part of a standard compliance/KYC workflow, reduce manual work and immediately understand shell company risk associated with any entity for faster decision-making and more efficient onboarding and investigative processes.





Shell Company Indicator

Use our data insights and typology-based rules engine for screening shell companies during supplier due diligence, customer due diligence (CDD), and further investigation as part of enhanced due diligence (EDD).

BEST IN CLASS DATA

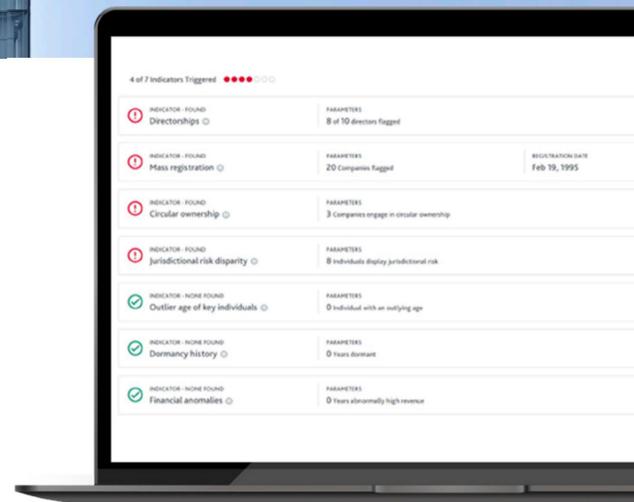
→ Leverage Moody's Analytics insights derived from our market-leading data on over 460 million corporate entities from our Orbis database. The database also includes extensive corporate ownership structures and a holistic view of companies. Weekly updates ensure our pre-processed indicator flags are based on the most up-to-date data available while getting you the necessary answers within minutes.

UNPARALLELED INSIGHTS DELIVERED IN A SIMPLE INTERFACE OR DATA FEED

→ In the interface, a summary page lists all indicators reviewed to determine shell company risk; each is color-coded to recognize risk level quickly. A simple click from the summary page brings you to details of risk-relevant data, such as directorships, circular ownership, and repeated registration. The data feed can be easily configured to suit your business needs to access Shell Company Indicator flags and underlying data via Moody's Analytics DataHub, a cloud-based delivery platform.

A COMPREHENSIVE AND CONFIGURABLE SOLUTION

→ The solution gives you the tools to verify and assess the individuals and entities you do business with so you can understand where risks lie across your network. It is easy to incorporate a check for shell companies in your compliance workflow on our client lifecycle management platform, Passport, or used as a standalone research tool.



The Seven Indicators of Shell Company Risk

Shell Company Indicator finds patterns in data that are suspicious because they deviate from the norm. Anything that deviates from the norm is deemed an outlier. Each indicator below shows outlier characteristics when the data suggests the presence of shell company risk:



DIRECTORSHIPS

When directorship outlier patterns are observed based on counts for current directorships, previous directorships, and associations with inactive companies.



OUTLIER AGE OF KEY INDIVIDUALS

When company owners are implausibly young or old.



CIRCULAR OWNERSHIP

When instances of circular ownership are observed.



DORMANCY

When the company has been dormant for more than five years within its history.



JURISDICTIONAL RISK DISPARITY

When the nationality/residency of the individual director or BO is different from the company's registration, and at least one of these jurisdictions is defined as high risk.



FINANCIAL ANOMALIES

When operating revenue is higher than normal, based on the number of employees.



MASS REGISTRATION

When registration patterns indicate mass or bulk creation, as they share similar attributes within the registration date window.



About Moody's Analytics Compliance & Third-Party Risk Management

Moody's Analytics is transforming risk and compliance, creating a world where risk is understood so decisions can be made with confidence.

Our customers build their own unique KYC ecosystem using our flexible workflow orchestration platform, award-winning datasets, analytical insights, and integrations with global providers to create powerful risk management solutions.

Harnessing our innovative technology and industry expertise, our customers automate accurate screening and swift onboarding of customers and third parties. We continue our support throughout the customer lifecycle by enabling the perpetual monitoring of counterparty risk across global business networks in near real-time.

Moody's Analytics is helping customers automate onboarding journeys in 197 countries, across 211 jurisdictions: completing 800M+ new customer and third-party checks each day on average in 2022, including screening against our database of 20M+ risk profiles, 460M+ entities, and 34K+ sanctioned entities.

Our configurable solutions empower risk and compliance professionals to deliver compliance efficiency and excellent customer experiences with no compromise.



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