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CRIF INDUSTRY WATCH

A monthly edition on Data, Risk and Economic Insights

INSIDE THIS ISSUE

- Analysis and Studies
- Import and Export Snapshot
- Product Analysis
- Article of the Month

Analysis and Studies

Prevent business risks by knowing in advance the financial crimes involvement of business partners

Crimes related to Money Laundering, Corruption Bribery and other financial crimes are strictly connected to regulation, which means that particular subjects are obliged to perform these checks

The worldwide economic scenario is more and more complex: the relationship between nations and geographic areas, conflicts involving countries, globalization attitude versus local one, regulatory requirements and many other aspects. The immediate impact is on company connections acting in different countries in various business aspects, such as customers or suppliers.

It means that a good knowledge of the company it's mandatory to have a reliable, safe and profitable relationship.

Starting from an evaluation based on risk assessment, financial strength, and company structure and excluding negative events, it's mandatory to seriously evaluate to extend check to the potential involvement of business partners to different crimes, such as financial crimes like money laundering, corruption and bribery, or terrorism and so on. In this last case, a check must be done on the company itself but also on shareholders, managers, owners, or other subjects that are involved in the management of the business or have in some way a connection

Crimes related to Money Laundering, Corruption Bribery and other financial crimes are strictly connected to regulation, which means that particular subjects are obliged to perform these checks. In addition, also for those companies that are not obliged by law, doing business with a company involved in crimes is massive reputational damage with an impact on economic results.

From a legislative point of view, Anti-Money Laundering (AML) activities are laws, regulations and procedures that aim to prevent criminals from 'clean' funds obtained against the law transforming into legitimate profits. Even if Anti-Money Laundering legislation covers a limited number of transactions and criminal activities, implications are very important regarding rules to follow.

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

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.

Placement: It's the movement of cash from its source and sometimes can be easily discovered. It's based on the circulation of illegal money through financial institutions, shops, casinos, bureaus the change etc. both domestically or abroad. This process can be done through different paths. First of all, smuggling is 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 liberalization of foreign exchanges giving laundering an important boost. Also, brokers and constitutions of big funds can support this system with funds themselves 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 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, the 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 of 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 connect money
- Anti-Money Laundering regulations are committed fight criminals in hiding illicit money
- Anti-Money Laundering regulations require financial institutions to monitor customers
- Transactions and report suspicious financial activities

US Foreign Corrupt Practices Act (FCPA) and UK Bribery Act set the general parameters defining bribery and corruption around the world

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 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 damage, 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.

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

Bribery: 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

Money Laundering and Bribery and Corruption represent a risk for companies both in terms of legal proceedings and reputational damages with consequent economic losses

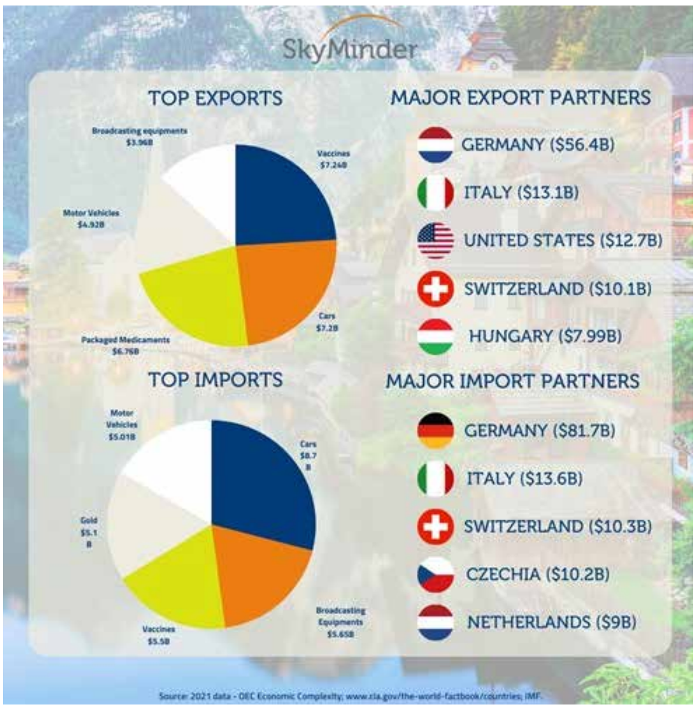
In this scenario, where Money Laundering and Bribery and Corruption can represent a risk for companies and organizations both in terms of legal proceedings and reputational damages with consequent economic losses, it's mandatory to be able to count on information useful to perform checks on business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

Import and Export

Austria: A Look at the Market

In 2021, Austria ranked as the 29th largest economy in the world in terms of GDP and the 15th highest in terms of GDP per capita

Austria, a former powerful empire within Austro-Hungarian Empire, became a small republic after its defeat in World War I. It was occupied by Nazi Germany in 1938 and subsequently by the Allies in 1945. Austria's status was uncertain for a decade until the signing of the State Treaty in 1955, which recognized its independence and prohibited reunification with Germany. The country declared "perpetual neutrality" in its constitution that same year as a condition for the withdrawal of Soviet forces. However, the meaning of neutrality changed somewhat after the collapse of the Soviet Union in 1991 and Austria's entry into the EU in 1995. Austria is now a prosperous democratic nation and joined the EU Economic and Monetary Union in 1999.



In 2021, Austria ranked as the 29th largest economy in the world in terms of GDP (current US$) and the 15th highest in terms of GDP per capita (current US$). It stood as the 31st largest exporter and the 28th largest importer globally. Austria's economy is known for its strength within the European Union and the Eurozone, with diversified trade portfolios and relations. The country has a significant trade economy and is heavily reliant on Russian energy but has been investing in alternative energy sources. Austria faces challenges such as an aging labor force but also has a sizable refugee population. Additionally, it carries a large government debt.

Austria's primary exports included vaccines, blood, antisera, toxins, and cultures (valued at $7.24 billion), cars ($7.2 billion), packaged medicaments ($6.76 billion), motor vehicles, parts, and accessories ($4.92 billion), and broadcasting equipment ($3.96 billion). The country predominantly exported these goods to Germany ($56.4 billion), Italy ($13.1 billion), the United States ($12.7 billion), Switzerland ($10.1 billion), and Hungary ($7.99 billion).

In 2021, Austria claimed the title of the world's largest exporter of flavored water ($3.49 billion), wood carpentry ($1.97 billion), iron railway products ($581 million), cigarette paper ($480 million), and handguns ($451 million)

Notably, in 2021, Austria claimed the title of the world's largest exporter of flavored water ($3.49 billion), wood carpentry ($1.97 billion), iron railway products ($581 million), cigarette paper ($480 million), and handguns ($451 million).

Regarding imports, Austria's main imported goods were cars ($8.7 billion), broadcasting equipment ($5.65 billion), vaccines, blood, antisera, toxins, and cultures ($5.5 billion), gold ($5.1 billion), and motor vehicles, parts, and accessories ($5.01 billion). The country primarily sourced these imports from Germany ($81.7 billion), Italy ($13.6 billion), Switzerland ($10.3 billion), Czechia ($10.2 billion), and the Netherlands ($9 billion).

Product Analysis

The Global Market for Cybersecurity: An Insight

The projected growth of the global cybersecurity market is significant, with an estimated increase from USD 173.5 billion in 2022 to USD 266.2 billion by 2027

The cybersecurity market is a rapidly expanding industry that plays a crucial role in protecting digital systems, networks, and data from unauthorized access, cyber threats, and malicious activities. With the increasing reliance on technology and the growing frequency and sophistication of cyberattacks, the demand for cybersecurity solutions and services has skyrocketed.

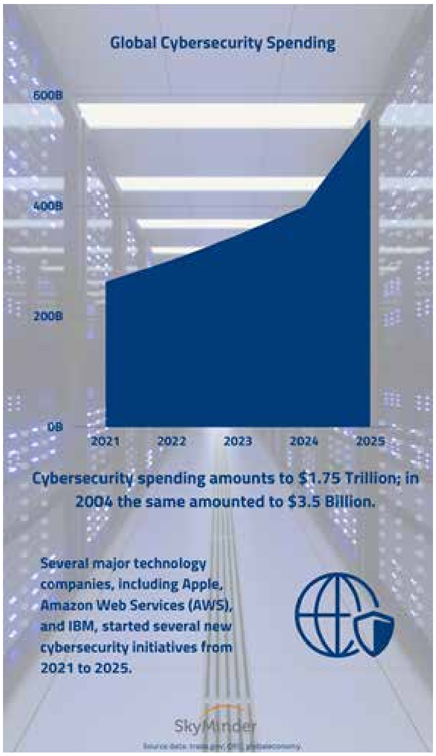
The global cybersecurity market encompasses a wide range of products, services, and solutions designed to address various aspects of digital security. This includes antivirus and antimalware software, firewalls, intrusion detection systems, encryption tools, vulnerability assessment services, threat intelligence, incident response, and more.

The market is driven by several factors. First and foremost, the escalating frequency and severity of cyber threats, including data breaches, ransomware attacks, phishing attempts, and other forms of cybercrime, have raised awareness about the importance of robust cybersecurity measures. Organizations and individuals alike recognize the need to safeguard their sensitive information and digital assets. Furthermore, stringent regulatory requirements and data protection laws imposed by governments and industry bodies have compelled organizations to invest in cybersecurity to ensure compliance and avoid potential legal and reputational consequences.

The projected growth of the global cybersecurity market is significant, with an estimated increase from USD 173.5 billion in 2022 to USD 266.2 billion by 2027, representing a Compound Annual Growth Rate (CAGR) of 8.9% during that period. Several factors are driving this growth, including the rise in data breaches worldwide, the global reach of malicious actors, the interconnectedness of cyberspace and physical systems, and the complexity of addressing vulnerabilities and consequences in cyber networks.

Europe, Asia Pacific, and Latin America witnessing significant growth and increased cybersecurity investments

However, there are challenges that may hinder the market's growth, such as the shortage of cybersecurity professionals and budget limitations faced by small and medium-sized enterprises (SMEs) and start-ups in developing economies. These factors can impact the ability to effectively address cybersecurity concerns and invest in comprehensive security measures.



Geographically, North America has traditionally been a dominant market for cybersecurity due to its strong technological infrastructure and high cybersecurity spending. Indeed, 39.4% of the total market revenue share is located in North America. However, the market is expanding globally, with regions like Europe, Asia Pacific, and Latin America witnessing significant growth and increased cybersecurity investments. The largest growing market is located in Asia Pacific regions, with countries like China, Japan, and Australia playing a big role.

In summary, the cybersecurity market is a vital sector that addresses the growing need for protection against cyber threats. It is a constantly evolving industry driven by the rising frequency of cyberattacks, digital transformation trends, and regulatory requirements. As technology advances and cyber threats become more sophisticated, the demand for robust cybersecurity measures is set to persist and create new opportunities for innovation and investment.

Article of the month

ESG assessment: guidelines for Banks and insurance companies

ESG assessment, why is so crucial for banks and insurance companies

Sustainability has become a key topic even for financial institutions, such as banks and insurance companies. Sustainability regulations, in fact, also require these entities to estimate and report risks related to ESG (Environmental, Social, and Governance) issues.

Just as for so many other companies, ESG assessment in banking and insurance companies must include both internal activities and, indirectly, those along their supply chains.

Assessing these risks requires, first and foremost, complete and accurate knowledge of the current situation. Achieving this level of knowledge can be difficult both for SMEs and financial entities.

Synesgy, through an innovative digital platform and an approach that combines standardization, localization, automation, and consulting, helps banks and insurance institutions meet this challenge.

Banks and insurance institutions may be exposed to ESG risks directly through their own operations and indirectly through the services they provide to their clients, for example by financing or insuring clients in controversial industries or entities that are not attentive to sustainability criteria.

If not managed properly, these risks can negatively affect the organization's financial performance and credit, as well as its reputation.

Increasingly, legislators and regulators are pressing banks and other financial institutions to better manage and disclose these risks.

In fact, the Corporate Sustainability Reporting Directive (CSRD) has enlarged the obligation to disclose ESG performances to large companies which are "public interest entities" - such as banks and insurance organizations - with more than 250 employees, a turnover of more than 40 million euros or more than 20 million euros on the balance sheet.

It should also not be overlooked that banks and insurance institutions are often entities characterized by branches in different cities and often different countries. The ESG assessment must therefore also consider the special obligations arising from national legislation. And that is exactly what Synesgy offers, thanks to an approach that combines standardization with a local focus.

The path towards ESG assessment, in fact, starts with a questionnaire made of two sections: the first one with questions referring to the Global Reporting Initiative (GRI) and focusing on the Business side and the Environment, Social, and Governance principles. A second section focuses on the target industry's specific requirements and the country in which the company operates.

An intuitive ESG assessment for banks and insurance companies

The result of the process is an intuitive and in-depth ESG assessment, shown through Synesgy's dashboard. With a few clicks, it is possible to view both the overall score and the score for each of the other four sections: Social, Governance, Environmental, and Business.

A reliable and certified assessment: in fact, Synesgy questionnaires are based on internationally recognized ESG standards and certified data, both through an automated Alert system that notifies the Synesgy team when inconsistencies are detected in the information provided, and through the support of the company's team of consultants in investigating any discrepancies.

The advantages of ESG assessment for banks and insurance companies

The evaluation conducted by Synesgy helps banking and insurance organizations to meet the challenge related to ESG assessment and best practices on both the internal and external fronts.

In fact, the assessment and the report obtained at the end of the process help companies identify critical areas of the business, where action can be taken to improve their sustainability performance.

In addition, Synesgy's extensive database helps banks and insurers evaluate funding opportunities based on the ESG assessment of the questioned companies. With all these features, Synesgy also helps companies in these sectors reduce the complexities associated with ESG reporting.

About CRIF India

CRIF India is one of India's leading provider of Credit Information, Business Information, Analytics, Scoring, Credit Management and Decisions Solutions.

CRIF's Business Information Report, commonly known as the BIR Report, is a new way of thinking about data and information and how they are linked to each other. Available in 230 countries and territories, CRIF'S Business Information Report contains up to date information collected from various data sources. The report helps in determining a company's profitability, financial trends, and risk. It also provides an in-depth profile of a company, including financial information, legal cases, history of business, ownership details, operational information, and details on related firms and special events that occurred in the past involving company management. It's an industry standard for evaluating both new and existing credit relationships, especially medium-to-high risk accounts. Additionally, it supports a company's other efforts, like marketing and purchasing.

CRIF India's Business Information Offerings

How is CRIF different?

We brought in new Sets of Data Points, First in the Industry at a TAT less than 48hrs.

Count on our TAT
Quality in expertise translates into efficiency in outcome

Global Data Environment
200 million companies across 230 countries,
2 Million directors on these companies,
400+ data points covered

Quality checks
We've set processes to ensure reliable information is coming your way

Unmatched expertise in analysis
Our vast experience gives us an eye for better assessment of information

Customized solutions for: Customer I Suppliers I Trade / Supply Chain solutions

CRIF Together to the next level

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