

Trust and Reputations Are No Longer Acceptable Currencies for Financial Markets, Says Datanomic

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Need for better due diligence and assurance of clean capital are elevating the value of accurate, live data that is fit for purpose

Trust and reputations are no longer acceptable currencies for the financial markets as Know-Your-Customer and risk management protection initiatives become defensive strategies in protecting financial institutions, according to compliance and screening specialists Datanomic Ltd. As the industry scrambles for better insight in the wake of high profile scandals and the collapse of institutional giants, the need for better due diligence and the assurance of clean capital are elevating the value of accurate, live data that is fit for business purpose.

In the wake of Bernard Madoff, former chairman of the NASDAQ stock exchange, being charged with one of the world's largest cases of financial fraud, the market is braced for yet more regulation, expected also to affect wider areas of the industry. Financial regulation has been exposed as being completely insufficient to guarantee the kind of protections that were intended. The likely impact will be much greater compliance reporting, which in turn will dictate the need for much deeper, thorough accuracy and analysis of all customer and transaction data.

"You simply cannot afford to trade with individuals or institutions based on reputation alone – not even the former chairman of the NASDAQ," said Dr Jonathan Pell, CEO of Datanomic Ltd. "As we predicted last month, fraud levels are increasing as the global economic crisis hits, placing additional pressures on financial institutions. Trust in the financial markets has evaporated and retrenchment through improved risk management is in full force. Enterprise screening is a vital part of such a proactive risk management strategy – it's essential to know who you're transacting with, beyond the confines of your customer base. "

Datanomic believes that Enterprise Screening, the systematic screening of employees and internal contractors, as well as external partners, agents, third parties, and distributors, will become standard business practice for large organizations over the next three years.

"What the Madoff case has shown us is that reputation and trust are currencies which no longer have any value in the Financial Services industry, whilst the current legislation simply doesn't afford adequate protection," continues Dr Pell. "No-one can risk transacting with anyone – customers, partners or agents – without fully and properly evaluating the risks involved. We see Enterprise Screening as increasingly important as organizations look to protect their capital assets, and indeed themselves from litigation."

Client Screening has largely been a mandated requirement in the financial services industry and considered best practice in the legal sector. However, large organizations are starting to use the same technology as part of their proactive fraud and risk management strategies, particularly multi-national companies with a global presence, companies with large customer bases, and those with extended supply

chains and partnerships.

“Until trust is rebuilt and reputations represent meaningful value again, there is no replacement for a belt-and-braces technological approach to protection in how institutions trade with each other,” concludes Datanomic’s CEO. “The impact of this case will have ripple effects in elevating the importance of Enterprise Screening beyond the just the financial markets. We expect to see all industries adopt this as standard industry practice over the coming years in order to better protect themselves from latent risk.”

About Datanomic

Datanomic’s holistic approach to delivering fit-for-purpose data and screening accuracy enables its growing list of European and North American blue chip clients to achieve a rapid Return on Investment, by exposing and correcting deficiencies in information their businesses rely upon, and by discovering potential regulatory and legislative compliance data issues in line with proactive risk management. Our clients come from a wide spectrum of industries including financial services, telecommunications, government, healthcare, utilities, professional services and engineering.

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