

STRATEGIC FINANCE
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Call in the Gumshoe

Just as many companies have outsourced functions that are not part of their core competencies, so many may decide that delving into their customers' past and current lives' just is not for them. Instead a company can hire private detectives to help tackle its KYC procedures, just as it might do for checking out a merger partner or a potential hire.

A private detective offers an independent way to check the background and reputation of people without them knowing about it. Any discoveries can be combined with conversations to make them tougher. For instance, if the potential customer is the subject of a fraud allegation, the bank may ask the customer for additional references who can explain the situation. The information that is found can also cause a company to walk away from a new customer relationship and prevent it from being burned. A typical search by a private eye can take between several hours and several weeks depending upon where in the world the search is being conducted.

James Mintz, head of the James Mintz Group in New York, suggests that bankers may want to have certain modest goals in mind for their searches on potential clients, such as making sure the individual or company is not notorious in hometown newspapers. "Sometimes that is checkable online and sometimes the banker or investigator needs to do it in the old-fashioned way by visiting the news morgues of the right publication with a pocketful of quarters for copying," he says.

A company may also want to check for publicly available enforcement actions against the individual or company by regulators or law enforcement agencies. When red flags occur, it could be a smart plan to talk to local sources who may know if the potential client has been in trouble with the local government. Securities commissions in many countries announce their actions, as does the US Securities and Exchange Commission.

An organisation may want to identify all the companies in which the potential customer is an officer or, director. This information can be found on a number of country specific databases that have been created in recent years – Teledata in Switzerland is a good example. Investigations can involve multiple Jurisdictions. "In the US we would look hard for past litigation involving a person or company as well as for bankruptcies by checking on-line databases," says Mr Mintz. "Each country has its own system for access to litigation records. In Hong Kong you can see who sued whom, but not the underlying filings, while in South America the only way to get access to litigation is through a notary public."
