



Request for Information (RFI)

Know Your Business

Know Your Customer

1. Introduction

The Hellenic Development Bank (HDB) is a national promotional bank that was developed to provide financial services towards micro, small and medium-sized enterprises (MSMEs) by collateralising the fraction of business risk not considered acceptable by the banking system. The HDB aims to promote the fair, sustainable and holistic development of the economy at a regional and national level. The main mission of the organization is to support micro, small and medium enterprises by facilitating their access to funding sources to address and cover any market failures. The role of the HDB is quite simply a means to mobilise private finance for projects with high public good value added when the private sector is unwilling to finance them.

The HDB aspires to become a reference institution by utilising a focused and continuously adjusted business agenda. The organisation's highest priority mission is to counterbalance and reform the MSMEs sustainability in a difficult macroeconomic context. The HDB is determined to introduce an ambitious growth model for the local economy and provide supplementary funding towards the Greek MSME market.

The HDB has developed a business ecosystem through a solid cooperation framework with several international financial institutions and organisations such as the European Investment Bank and the European Investment Fund.

Further information on the HDB can be found at hdb.gr/en/ and all prospective vendors are encouraged to visit the website to gain an insight into the organisation.

2. The Project Brief

Summary

The HDB as a progressive and innovative financial services organisation wishes to procure a digital and remote customer onboarding system that verifies the identity of a client in which a series of controls are applied to identify businesses having commercial relations with people related to tax evasion, corruption or money laundering, among others. The HDB wishes to expand its service offerings that cater to specific needs towards underserved businesses, while the aforementioned loan portfolio growth requires that the bank acquires new technologies.

The HDB anticipates a platform that will serve as an intermediary between banks, MSMEs and the HDB per se. Prospective borrowers will be able to submit documents to the platform that certify the awareness of their businesses and introduce their business plans to the stakeholders. Thus, the HDB will generate a fundamental source of information that can be employed for proposal evaluation by the entire banking system.

We expect that the project would comprise two major stages:

- 1) A Know-Your-Business (KYB) solution that unravels multiple layers of ownership, identifies companies and suppliers on one hand and consumers or customers on the second hand to pinpoint activities such as money laundering, terrorist financing, etc tax crimes, phishing.
- 2) A Know-Your-Customer (KYC) solution that offers complete remote identity verification and management tailored for the HDB for online client acquisition. Relevant technical specifications include profiling connected entities (i.e. shareholders), onboarding a new customer online and identifying verification, fulfilling KYC requirements, collecting and managing financial and alternative data, minimize the risk of identity fraud.

3. Background

Despite their importance to Greece's economy and employment, some MSMEs may encounter difficulties when accessing finance for their business growth and operations. Compared with large corporations, MSMEs may not have sufficient credit history and readily available financial records. Without such data and visibility of their business operations, it may be difficult for the HDB to assess MSMEs' creditworthiness. As a result, MSMEs may find it more challenging to obtain financing than larger corporations, which impedes their business expansion.

The HDB needs to carry out due diligence to identify the businesses it finances and identify money laundering and other tax crimes, in addition to ensuring that the HDB works with organisations with security and guarantees. The HDB has a responsibility to identify its customers and comprehend the risks they pose before providing credit services. When prospective customers lack formal identification, or when their identification is difficult to authenticate, the HDB cannot easily verify their identities or perform customer due diligence (CDD) on them.

Given that the HDB offers financial services to companies and constantly finances MSMEs, must establish KYB procedures to identify the legal representatives of these businesses and verify their connection with their client companies. By showing an entity's or business owner's preferences and habits, alternative data can enable an extensive evaluation of the borrower's credit risk profile.

Besides, the dynamic regulatory environment is asking more of compliance teams and the only way to stay in line with these demands is through KYB/KYC. Automating the verification process is not just a tool – its meaning to the HDB goes well beyond onboarding clients faster.

KYC is by its very nature a tedious process. Managing to turn it into a quick, seamless procedure will only win us credibility and reliability. KYC solutions should utilise artificial intelligence, machine learning and other forms of predictive algorithms to ensure accurate identification and verification. This could result in the automation of

the decision-making process for customer identification and verification, thus reducing the need for human intervention.

KYB process shares all the reported features reported in defining the KYC process; however, the identified user is different. While in the KYC standard process potential clients or users are identified to register them in a company, the KYB process is the one in which the person responsible or legal representative of a business is identified. The KYB process should enable the HDB to examine the entities that it is dealing with and help the organisation to determine whether they are authentic or are being used to conceal the identities of owners for illegitimate purposes. KYB solutions should utilise financial networks, graph theory, artificial intelligence, machine learning and other forms of predictive algorithms to ensure accurate identification and verification.

Accordingly, KYB should focus on ultimate beneficial ownership (UBO) to reveal who is benefitting from the financial activities of suspect businesses. UBO refers to the person (or persons) that ultimately benefits from a given financial transaction. While it may be straightforward to identify individual customers as the beneficiaries of transactions, UBOs may not be immediately identifiable because they are concealing their identities or hidden by corporate infrastructure.

4. Key requirements

A list of the major issues the KYC system could potentially face along with advice on how to deal with them when they arise.

- How to perform linguistic-based matching?

A large number of databases are getting connected to exchange relevant information between the administrations. However, those databases are often tailored to the service provided by each administration. Different information is collected about businesses and may identify them differently. This means that when databases are connected, it may be difficult for an administration to match the identity of a person in one database to their record in another database. The KYB/KYC should perform identity matching.

- How to address false positives?

False-positive consists in creating links between identities that do not correspond to the same person. The current trend of innovation is implementing artificial intelligence techniques and in particular machine-learning algorithms to reduce the number of false positives and allow for auto-resolution. This approach has been adopted by the other EU Member States, where probability calculations are made to reduce the chances of false positives in the national database.

The HDB needs an online system that provides the following functionality:

- a. Integrates with eGov-KYC to check the status of all digital documents submitted by potential borrowers.
- b. Interlinks with state sources of information of AADE, EFKA, and the interbanking system of TEIRESIAS
- c. Be able to accommodate external sources of information
- d. Eliminates the burden of limiting future operations by providing a scalable open-source software
- e. Employs a combination of Automation, Optical Character Recognition (OCR) and Artificial Intelligence to digitise the key manual steps

- f. Allows for batch upload of external source borrowers list via csv upload allowing the HDB to check the credibility of potential lenders.
- g. Employs transparent definitions of bankability which permit future refinement by the HDB for all classes of data input.
- h. Publicly displays aggregate rankings to encourage positive behaviour change and highlight cases of good practice.

The HDB generally requires KYB to perform suitable due diligence, collecting and analysing a range of data and information on the businesses with which the organisation have relationships. In order to establish beneficial ownership, KYB requires identifying information as follows:

- Company address
- Registration documents
- Licensing documentation
- Identities of directors and owners

The HDB refers to a range of official and private resources in order to conduct KYB checks. These include publicly available government registries and records and global corporate registries. In establishing the identities of individuals that are employed by or associated with businesses, it will be necessary to collect official materials such as passports, driving licenses, and bank statements, along with proofs of addresses and dates of birth.

KYB goes beyond the need to establish UBO and should be potentially considered an ongoing AML process. This means that the HDB, in future, needs the option to conduct KYB throughout a business relationship, regularly checking businesses for any indication that they might be involved in financial criminal activity (not considered as a prerequisite). For example, the EU's Fourth Anti-Money Laundering Directive (4AMLD) confers UNO upon ownership or control of more than 25% of the shares or voting rights in a legal entity and/or senior management officials in cases where the above criteria cannot be determined.

The HDB needs to be aware of the following data points, processes, and resources to establish ultimate beneficial ownership:

- Shareholdings and subsidiaries
- Direct and indirect ownership
- Ultimate owner – actual and perceived, independent of the company
- Corporate group – all companies with the same UBO
- Company tree diagrams
- Beneficial ownership vs. perceived ownership
- Ownership assessments conducted from top-down or bottom-up approaches
- Varying definitions of ownership

Alternative and conventional data should be used to give HDB a better appreciation of the bankability, eligibility, and creditworthiness of MSMEs and finally a competitive edge in decisions about lending. Conventional and alternative data include but are not limited to:

- Module 1 - State Variables
 - General Commercial Registry (GEMH)
 - Insurance-ratified (EFKA)
 - State Aid
 - No of employees (ERGANH)
 - Industry Class - KAD
 - Tax-ratified (AADE)
 - Credit Rating Agency (TEIRESIAS)

- Module 2 - Financial Variables
 - Current assets
 - Current liabilities
 - Total liabilities
 - EBIT
 - Total assets
 - Net sales
 - Retained earnings

- Book value of equity
- Net debt
- Gross profit
- Revenue
- Interest
- Free cash flow

- Module 3 - Corporate Governance Variables
 - Cash flow data
 - Bank cashflow activity profiles
 - POS payment transaction profiles
 - Supply-chain payment data
 - Utility transaction profiles
 - Shipping records and logistics data
 - ERP database: Invoice records, A/R records
 - Non-cashflow data
 - Target customer profile
 - Quality of customers
 - Quality of transactions
 - External Reports
 - Company's credits analysis reports
 - Personal credit reports
 - Data from business lending partnerships
 - 3rd party business/products/services review
 - Behavioural traits
 - Sentimental analysis
 - Other reference data
 - Intellectual properties: patents, trademarks, etc.
 - Physical asset value
 - ESG criteria
 - Industry recognitions: awards, innovation
 - Size of customer base
 - Social networks

5. RFI Questions

Before commissioning the development of the tool described above, the HDB wishes to solicit the views of potential suppliers and other informed parties regarding the feasibility of this procurement, and the likely approach suppliers would take to satisfy the brief. To that end we would greatly appreciate your responses to the following questions:

1. Is the supplier aware of any work about developing a structured KYB/KYC as input for assessing bankability and eligibility? If so, please provide details and if not, set out how this piece of work might be taken forward.
2. Is the supplier aware of a system containing - in whole or part - the key functionality described in this document that already exists or is currently being developed? If so, please provide details and if not, set out how this piece of work might be taken forward.
3. What are the supplier's comments regarding the general feasibility of developing the product described above, given the current digital ecosystem?
4. Can the supplier suggest any refinements to the project brief which would add value to the final product?
5. Can the supplier describe the general approach they would undertake to deliver the products, including any refinements stipulated in question 3?
6. Following the development of the tool - how would the supplier recommend the tool be maintained in such a way as to permit persistent access and use by any party who wished to make use of it?
7. What timescale would be necessary for the supplier to deliver the products as described?
8. What approximate budget would be necessary for the supplier to deliver the product/service as described and what terms and conditions for the payment?
9. Which element of the product would you be most capable of developing: the KYC; the KYB or both? If your skillset is only in one area, outline the approach you would take for supporting the other elements of the work.

6. Method of sending the reply

- The Reply to the Request for Information should be sent by electronic mail, to the contact person's e-mail address. The title of the email will be "Reply to RFI KYC number #1"
- The Reply should be received by the Requester before the date mentioned in the Timetable in section 7 below.
- The Reply shall contain documents in both PDF format and WORD format, in English or Greek.
- The Informant is requested to ascertain with the contact person that the Reply has been received.

7. Timetable

Below are indicated the timelines which this RFP exercise is planned to run against:

1. RFI issue to suppliers: The RFI document will be uploaded to the website and circulated to the potential supplier representatives for review. - HDB - 3/Mar/2022
2. Response to RFI – Supplier: Suppliers will submit any questions they have about the RFI exercise to the HDB contact. - 21/Mar/2022
3. RFI Evaluation – HDB: HDB will evaluate the responses submitted by suppliers and potentially compile a Request For Procurement. - 18/Apr/2022
4. Potential RFP - HDB – Q2/2022

8. Non-Disclosure and Confidentiality

Prospective suppliers should be aware that inappropriate publicity could have a serious effect on HDB's business. The information contained within this document or subsequently made available to prospective suppliers is deemed confidential and must not be disclosed without the prior written consent of the HDB unless required by law.

9. Independent Proposal

By submission of a proposal, prospective suppliers warrant that the prices in the proposal have been arrived at independently, without consultation, communication, agreement or understanding to restrict competition, as to any matter relating to such prices, with any other potential supplier or with any competitor.

10. Costs Incurred by Prospective Suppliers

It should be noted that this document relates to a Request for Proposal only and not a firm commitment from the HDB to enter into a contractual agreement. In addition, the HDB will not be held responsible for any costs associated with the production of a response to this Request for Information or Request for Proposal.

11. HDB Contact Details

The single point of contact within this RFI exercise for all communications is as indicated below;

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