



BUSINESS INTELLIGENCE

# DUE DILIGENCE :

## New responsibilities for companies

France began the transposition of the European Union's third anti-Money Laundering Directive into French legislation one year ago. The directive included new requirements for financial institutions and companies and aims at protecting the financial system from being misused for money laundering and financing of terrorism purposes. The attacks of September 11, 2001, greatly influenced lawmakers who opted for a policy comprising both regulatory compliance and due diligence. The resulting legislation imposes restrictions on business dealings. In brief, the directive enlarges the scope of « know your customer » requirements mandating increased customer due diligence for company directors who must vet the identity of business associates, employees and

clients using the legal means. They need to verify that such third parties do not have connections with criminal organisations. Already in 2002, European corporations had to comply with the newly introduced International Accounting Standards (IAS), and financial institutions had to learn how to manage in compliance with a raft of new regulations (Bâle II, ECB, Sarbanes Oxley on financial and accounting disclosure information).

### The risk of oversimplification

The introduction of new standards brings more restrictions for companies and financial institutions. However, compliance procedures have been automatized using technology allowing an organisation to electronically verify checklists to quickly determine whether a

potential client represents a threat or not. To take an example from another area of the world of security, the passenger who attempted to attack the flight from Amsterdam to Detroit had been subject to a prior identity checklist procedure. It emerges that he was on a blacklist of potentially high-risk business partners. It seems that simple compliance procedures, though they allow users to meet legal requirements, do not provide comprehensive security. To be truly effective, such compliance procedures must be coupled with due diligence measures. Risk-based due diligence involves the use of legal human intelligence procedures and provides the only sure way to verify potential business relationships and to detect anomalies and threats.

### GEOS EDITORIAL

BENOÎT MERCIER,  
PROJECT DIRECTOR,  
HEAD OF DUE DILIGENCE UNIT

▶ The search for new areas of growth has led both the industrial sector and financial institutions to turn to developing markets, increasing their risk exposure. The first players to enter emerging markets sometimes paid a high price by going into business with firms that proved deleterious from an economic and security point of view.

It became apparent that protection measures were required. Due Diligence conducted by GEOS has two objectives: compliance with « know your customer » requirements and to reduce investment risk. The first type of Due Diligence ensures regulatory compliance for our clients with applicable OECD agreements, anti-money laundering directives, or the Sarbanes Oxley legislation and Patriot Act. Our methods for vetting information on individuals or organisations, identifying the threat of money laundering, financing of terrorism or trade with countries subject to embargo, are tried and tested. The second type of Due Diligence is a decision-making tool based on a comprehensive investigation. We probe all the types of possible risk (legal, financial, reputational, etc.) prior to an acquisition or partnership deal, in particular in developing countries where risk is varied and extensive. Due Diligence enables our clients to avoid risky investments and the financial losses that can ensue.

### WISHES 2010 THANKS TO OUR READERS

▶ We would like to thank you for your continued interest and we look forward to providing you with news on international current events throughout this new year. Best Wishes for 2010 !

### SPONSORSHIP COMPUTER FOR AFGHANISTAN DEMAIN

▶ The association "Afghanistan demain" has worked in Kabul since 2001. It is soon to receive 46 additional computer towers for its IT training centre where some forty students

train. This project was made possible through a joint operation led by Geos which provided the equipment and one of our clients which took charge of the transport. For more information: <http://nouvellesdekaboul.blogspot.com> et [www.afghanistan-demain.org](http://www.afghanistan-demain.org)

### TRAINING EXPATRIATE SECURITY, MEXICO

▶ The Risk Advisory Bureau, with the Country Risk Tracking Centre, will give a training session on « Travel security, Ciudad Juarez, Mexico » to employees of an international utilities firm.

#### SPAIN THREATS MADE AGAINST EU PRESIDENCY

▶ Spanish domestic intelligence agencies are concerned about the current strategy of the Basque separatist organisation, ETA. It is alleged that the terrorist organisation is planning to perpetrate an attack against Spanish interests or kidnap a Spanish dignitary for maximum media effect during the EU Spanish presidency.

#### PHILIPPINES SEVENTY-FIVE HOSTAGES FREED

▶ Seventy-five people, including seventeen schoolchildren, were taken hostage in a village in the province of Agusan del Sur, to the south of the archipelago, by a group of Manabo guerilla tribesmen. The police and the army launched a joint large-scale operation in the region as negotiations began.



The communist rebels of the Manabo tribe finally released their hostages in stages in return for all legal proceedings against them being dropped. Filipino authorities in the region face guerilla fighters, like Maoist CPP-NPA, Islamic radicals, like Abu Sayyaf or sea pirates.

#### GREECE INSURANCE COMPANY BOMBED IN ATHENS

▶ The headquarters of the National Insurance Company were damaged in a homemade bomb blast in central Athens. The terrorists warned a newspaper of the attack an hour before the explosion. The authorities suspect far-left group «Revolutionary Struggle» of being behind the attack.

#### LEBANON ATTACK ON SYRIAN BUS

▶ One person was killed and several others seriously wounded during an attack on a bus transporting Syrian workers in northern Lebanon, near Deir Emar. The village is located near the refugee camp of Nahr al-Bared where the Lebanese army clashed with Islamic radicals of the Fatah al-Islam group, closely connected to al-Qaeda, in 2007.

#### BOLIVIA SENATOR ATTACKED IN ELECTORAL CAMPAIGN

▶ Lourdes Millares, senator from the Democratic and Social Power Party (Podemos) was beaten near her home by unknown men. This incident comes after she had voiced criticism of the government. The assault occurred as Ms. Millares works on her campaign for the upcoming general election, to be held at the same time as the presidential ballot.

#### MAURITANIA ITALIAN COUPLE KIDNAPPED

▶ The spokesperson of al-Qaeda in the Islamic Maghreb (AQIM), Abu Muhammad Salah, in a recording, justified their abduction because of the presence of Italian troops in Afghanistan and Iraq as part of the US-led coalition forces.

#### SAUDI ARABIA NAVY SECURES SOUTH OF PENINSULA

▶ The Saudi Royal Navy deployed two warships, Hitain and Badr, to fight trafficking of weapons and supplies in the Red Sea, the Gulf of Aden and the Sea of Oman as part of Operation Strangling Belt. The operation is aimed primarily at cutting off support from Houthi rebels in Yemen.

## SECURITY

# Governor kidnapped and assassinated by FARC

## Rebel movement continues to radicalise

**L**uis Francisco Cuéllar, Governor of Caquetá, was found dead several hours after being kidnapped near Florencia, the capital of Caquetá Department. Both the 2,000 soldiers deployed in the south of the country to participate in the manhunt and the billion peso (340,000 euros) reward offered by President Alvaro Uribe were not enough to save him from the kidnappers. Wearing official army uniforms, the attackers (most probably members of «Teofilo Forero» one of the most lethal commando units of the FARC, Fuerzas armadas revolucionarias de Colombia) attacked the home of the governor, using explosives to blast their way in. A police officer was killed and another injured in the assault. It was the fourth kidnapping of Governor Cuéllar since 1987. He is the highest ranking official to be

assassinated since the election of Uribe in August 2002. The governor's relatives have criticised the inadequate levels of protection as well as the low number of military servicemen stationed in the region. According to the Colombian authorities, the man behind the attack is Milton de Jesús Toncel, one of the most senior leaders of the FARC who took over from Raul Reyes after Reyes was killed in 2008 in a bombing raid. ***This tragic kidnapping confirms our previous assessment that the FARC is in decline. The organisation has abandoned its traditional theatres of operation where it has lost control and it is now focusing on reorganisation. This policy has led to a new alliance with the pro-cuban ELN, an even more radical guerilla and terrorist strategy.***

## More atrocities by Mexican gangs

**D**rug cartels in Mexico perpetrated a series of murderous and barbaric acts towards the end of 2009, seeking to spread terror and win the media war being waged against the federal government. One of the country's largest criminal gangs, La Familia, has appointed a deputy commander named Dionisio Loya Plancarte, aka «El Tio», to take charge of propaganda. Among the victims of the cartels, the decapitated bodies of a prosecutor and five police officers were found inside plastic bags dumped in front of a church in Durango. In all likelihood, the victims were killed by the Gulf Cartel. Several high ranking members of this cartel were killed during recent operations led by the Mexican Army. Drug traffickers in Tijuana, a city that lies on the border with the

State of California, killed more than twenty people in the space of 24 hours, decapitating and dismembering the bodies of their victims. The naked body of one victim was found hanging from a bridge. A unit from the anti-kidnapping division of the Attorney General's Office in Tijuana was also fired upon in an ambush. A fourteen year-old girl was killed in the ensuing gunfight. ***Since 2006, the federal government, with the support of the majority of the Mexican population, has engaged in an all-out war against the narco-traffickers and aims to continue the fight into 2010, despite the party in power losing seats during the general elections held in July 2009, which significantly reduces its clout.***

**BRAZIL  
CHINESE  
TALKS FOCUS  
ON VALE**

▶ The world's largest iron ore supplier, Brazilian firm Vale, is at the centre of a power struggle between Anglo-Australian major Rio Tinto BHP Billiton and Beijing. The Chinese are seeking to block an agreement on prices and have sent a delegation to Brazil. The negotiations are likely to be tense especially since iron ore prices have doubled in the last six months.

**TELECOM  
G.S.M  
ENCRYPTION CODE  
CRACKED**

▶ At the aptly-named «Chaos Communication Congress» held last month in Berlin, German engineer Kartsen Nohl claimed to have cracked the security code used by G.S.M operators worldwide. The news concerns some 3.5 billion cell phones (80 percent of mobile calls worldwide). Calls made using 3G devices are not affected.



**FRANCE  
TEOREM,  
NEW THALES  
ENCRYPTED PHONE**

▶ 14,000 models of this device that ensures ultra-secure communications will be manufactured. The new handsets will be used by the French President, French government ministers and the French military.

**CANADA  
JEFFREY MINE  
HIT BY  
INDUSTRIAL SPIES?**

▶ The director of Jeffrey Mine Asbestos, Bernard Coulombe, has explained how his company fell foul of a classic trick used by industrial spies. Chinese investors came to him promising a 40 million dollar investment in a mining project. They asked him to draft several market studies before disappearing.

**INDIA  
INTELLIGENCE  
CONCERNS AFTER  
COPENHAGEN**

▶ The New Delhi intelligence community has concerns about the results of the Copenhagen Climate Conference. With new «green» measures for exported goods, delegations of experts will begin screening products «made in India». New Delhi fears that such delegations will be used to spy on local industry.

# US launch massive anti-counterfeit operation

## Federal agencies seize 26 million counterfeit items

Operation «Holiday Hoax» was launched before the Christmas holidays in 41 cities and across 26 States in the US as well as in Mexico. Over one week, Immigration and Customs officials seized 708,250 counterfeit items with a retail value of 26 million dollars. The items included Christmas decorations, electronic devices, cell phones, clothing, cosmetics, medication and nearly 160,000 CDs and DVDs. Seven people were arrested by federal agents in the States of Texas and New York. In Mexico, where some of the contraband was produced and where other products arrived from Asia, volumes seized were also high, reaching 272 tonnes. The numbers were deemed very positive by the Mexican authorities who view the operation as an excellent example of their cooperation with Washington. The seizures

also satisfied industry leaders and their spokespeople, especially in the music and entertainment business, which employs 2.4 million people in the United States. Fake products are highly competitive because they are generally sold at a third of the price of the original items. The decision to launch such an operation at this time of the year is justified by the increased demand for this type of merchandise during the holiday season which means that larger numbers of products can be seized. Pirated goods are sold either directly to the consumers or to shopowners who are often unaware of the origin of the product. ***The fight against counterfeiting is considered to be crucial for the American economy and industrial lobby groups are working closely with the Federal agencies to curb it.***

# Patent violation, Nokia versus Apple

Since the launch of its famous iPhone, the Cupertino-based firm has attracted much attention. In particular, it has provoked the ire of an equally inventive firm, Finnish cellphone maker Nokia, which finds itself backpedalling in its own area of expertise, the top-of-the-range mobile phone market. Nokia has decided to attack and has filed a lawsuit against Apple with the International Trade Commission of the United States. The suit claims that Apple has violated seven patents, including technologies for power management, user interface, camera, encryption and antenna. The Californian company's legal team retaliated by countersuing for violation of thirteen of their own patents. The case could have stopped there, but the Finns then claimed that

further Apple devices, other than the iPhone, also contain Scandinavian technology, in particular the iPod, Apple's mp3 player. Nokia thus enlarged its lawsuit to include ten other patents. In this case, the technologies under legal scrutiny concern such features as wireless transmissions, teleconference software and touch sensitive screens, one of the features of the iPhone that Apple is getting ready, in great secret as usual, to apply to its new tablet device. At Nokia, they declare that they will be at par with Apple and RIM in smartphone sales by 2011. ***These legal battles are a distraction and may delay the work of engineers at both firms. However, there is also the possibility that the two companies will reach an out-of-court settlement.***

**FRANCE  
BERCY TO SUPPORT  
BUSINESS INTELLIGENCE  
TRAINING PROGRAMS**

▶ The French Minister of Finance hosted the 3<sup>rd</sup> Annual Economic Intelligence Meeting where corporate business intelligence training requirements were reviewed. In his closing speech, Olivier Buquen, inter-ministerial delegate for economic intelligence, underlined the importance of such training for managers.

**INDIA  
25 MILLION  
CELL PHONES  
BLOCKED**

▶ The Indian government has been giving clear signals for the last few weeks that it seeks to boost the security of the country's telco networks. China is the first country to be singled out by this new policy. 25 million Chinese-made mobile phones have been blocked by Indian operators upon orders from the Telecom Ministry. The reason given is the lack of an identification number (phones without a 15-digit International Mobile Equipment Identification (IMEI) on the handsets. Such numbers allow calls to be traced. In addition, the government is conducting an inquiry to determine whether Chinese telecommunications equipment in border regions constitute a security risk.



## DUE DILIGENCE

### Introduction

Since 2002, GEOS Business Intelligence (GBI) has assisted a range of clients in industry and the financial services seeking high-value information acquisition support. Our services enable companies to expand their business while mitigating the risk. With its Due Diligence services, GBI allows clients to protect themselves against certain risks involved in takeover or merger operations that could prove detrimental to their company.

### Your requirements :

- » Risk identification and management to mitigate threats to your acquisition projects or business relationships.
- » National and EU-wide regulatory compliance.

### GEOS Key deliverables

#### Regulatory Due Diligence

- » Verification of the provenance of assets of organisations
- » Identification of individual beneficiaries and reputational screening
- » Identification of Politically Exposed Persons (PEPs)
- » Verification of Identity Checklists of individuals and entities suspected of participating in financing terrorism
- » Verification of ties between individual beneficiaries and countries subject to embargo
- » Verification of Suspected Money Laundering Identity Checklists



#### Investigative Due diligence

- » In-depth study of capital structure
- » Examination of activities of company and business partners
- » Analysis of the reputation of individuals and companies
- » Cartography of networks and business environment
- » Identification of key players
- » Confirmation or invalidation of rumours concerning company practices
- » Research on all types of risk linked to the client's issues



### Case study

A company in the IT industry wanted to set up a Joint Venture with a Ukrainian firm to facilitate its entry strategy into the market. It sought to dispel doubts about its future business partner.

GEOS Business Intelligence conducted a Due Diligence Investigation, collected and analysed all information relative to the reputation of the target company and its Board, conducted a cartography of the company's business relations to shed light on all related areas of risk.

The investigation uncovered instances of fraud and a network of offshore companies set up for tax evasion purposes. These shell companies represented a legal risk. GBI also uncovered ongoing lawsuits and hostility in economic and political circles likely to cause market instability to the detriment of our client.

### GEOS LEADING THE INDUSTRY

A wholly-owned subsidiary of the GEOS Group, GBI is dedicated to business intelligence and investigation. The subsidiary is managed by a team of project managers with a specialised monitoring centre, and support from an international network of experts and correspondents.

[www.groupegeos.com](http://www.groupegeos.com)

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- Each month, ALERTES provides insight into one of the services proposed by the five main divisions of the GEOS Group details of which can also be found on our web site : [www.groupegeos.com](http://www.groupegeos.com). Through a selection of articles culled from world wide current affairs, ALERTES illustrates the relevance of the services we offer to companies and organisations to enable them better manage international business and competitive risk.

« GEOS, the professional security risk prevention and management solution »



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