



# Enrich your analysis and reduce fraud exposure with bank transaction data



October Connect – Business Case

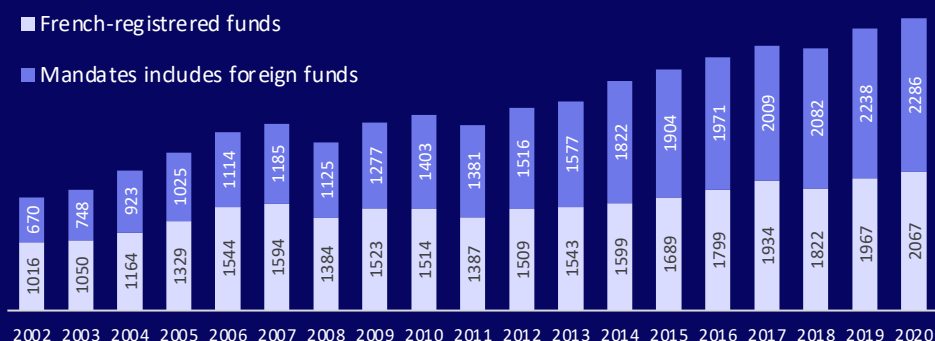


# 1. The context

# Asset managers: poised to deploy capital at an accelerated rate

Despite the global 2020 Covid-19 crisis, the asset management industry is going strong, if not stronger. Total assets under management in France rose by +3.5% over the year to nearly €4,355 trillion. Over the longer period since the 2008 crisis, the annualised growth rate of assets under management has been a strong +4.7%.

Assets under management on behalf of third parties in the French market



Source AMF/BDF/AFG calculations.

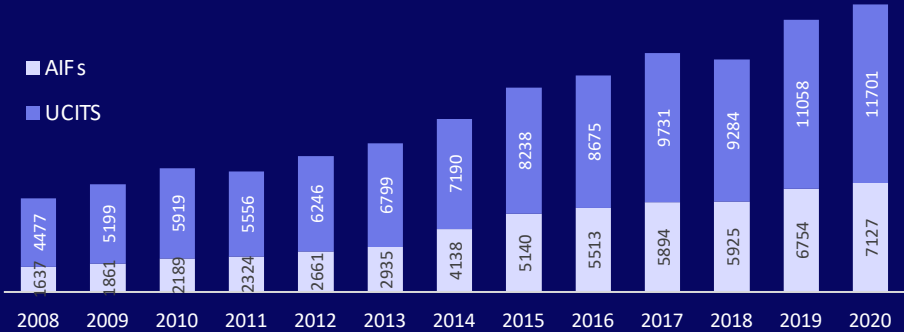
The number of asset management companies jumped again to 680 at the end of 2020, following the creation of +43 companies in 2020 (after +45 in 2019). In addition to the Brexit effect, this positive trend can be attributed to the creation of entities focused on managing non-listed assets (real estate, private equity, etc.).

In terms of AUM (Asset Under Management), French Asset Managers rank first in continental Europe. The market share of the French asset management companies is estimated at **28%** in Europe (excluding the UK).

In France, cumulative **net subscriptions in 2020** for the four main categories of Investment funds (money market, bond, diversified and equity) were positive at +€73 billion, following two years of net outflows in 2019 and 2018.

At the European level, net inflows reached an impressive +€622 billion in 2020, compared with an annual average of +€587 billion over the 2015–2019 period.

Growth in AuM invested in funds in Europe (billions of euros)



All Europe Asset Managers benefiting of this growth trend

Growth will also be supported in the coming months from European and / or State Funds:

- The European Recovery fund set up by the European Commission after Covid-19 outbreak: 800 billion euros to be invested in the economy
- In France, in addition to their traditional activities, 7 Asset Managers representing 33 entities has been chosen by Insurers to deploy state-guaranteed *rebound* funds - which are part of the 6 billion euros fund for SMEs recovery - before June 2022

Source:

Annual Overview of the Asset Management Market - 2021 Edition

# Digitalisation: an opportunity for fraudsters too

One of the major consequences of Covid-19 is **the acceleration of the digital transition** for all industries.

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*« We have undeniably gained in one year, five to seven years of adoption of digitalization. »*

**Virginie Morgon, CEO of Eurazeo**

Asset Managers need to invest in their own digitalization in order to:

1. Deploy at a **faster pace funds while protecting performance** and
2. **Match digitalisation and technological expectation** from both their Limited Partners (LPs) and portfolio companies

**Urgency to transform the Asset Managers processes** : unfortunately fraudsters have also benefited from this digitization trend, being **always one step ahead** of the anti-fraud process of institutions. In recent years, we have seen an escalation of financial scandals due to high-end frauds on one hand facing unsecured management processes on the other hand. This increasing fraud exposure can lead to significant financial and credibility losses for Asset Managers.

In conclusion, the pressure to deploy has also stressed the need for **automated tools** not only to speed due diligence processes but also to improve digital security and thwart even the most sophisticated fraudsters.

**For most Asset Managers, the solution is to make a technological leap.**

***But how?***



## 2. The Solution

# October Connect: data-empowered investors



October Connect is an opportunity for Asset Managers to **enrich their analysis** with a complete set of indicators that scans companies and managers informations. With October Connect's **Company Scan**, our Scoring-As-A-Service solution, any Asset Manager can generate 4 indicators on their target or portfolio company directly in one dashboard:

- **Magpie**, our Explainable Machine Learning (EML) default predictor based on behavioural and financial data
- **Bank X-Ray**, our automatic report on banking transactions
- **Manager X-Ray**, our report on the manager and the company's backgrounds
- **Doc X-Ray**, our report on document integrity

Company Scan identifies signs of window dressings and enriches the analysis with new indicators, especially based on banking transactions, thanks to open banking and automated document extraction.



With October Connect, asset managers are able to:

- Focus on **interesting targets** and reject fraudsters or companies with high probability of default
- **Protect portfolio performance**
- Limit **reputational risk** and meet Limited Partners' tech & data requirements

# Cash doesn't lie

One of our 4 indicators, **Bank X-Ray** automatically extracts and analyses information from bank statements; it detects signs of economical distress (late fees, overdraft, direct debit rejections, late or missed payments, etc.) or fraud and **generates cashflow ratios**. Bank X-Ray can process:

- Bank statements covering from 3 to 12 months of transactional information, in Open Banking or PDF format
- From all the banks the target company has an account with, to aggregate all the data in one report

Bank X-Ray is a real time view of the cash management of the company and gives the opportunity to cross check the financial statements. The report can also showcase misbehaviour from the management, which could be, in the most dramatic case, a sign of an attempted fraud.



**BANK X-RAY** Rapport complet

Bank flag color	Red
Missed salary	Bad
Missed social security	Bad
Missed tax	Bad
Alert number	Neutral
Alert amount	Neutral
Over draft	Neutral
Round number	Good
Debt stress	Good
Balance change	Good

DEBITS (TBT)	
Total	€ 2,800,337.26
Annualized	€ 4,368,047.44
Max	€ 102,761.70
Average	€ 4,763.01
Number	664
CREDITS	
Total	€ 2,728,657.46
Annualized	€ 4,256,239.20
Max	€ 103,919.05
Average	€ 9,843.81
Number	314
OTHERS	
Cash generated	€ -112,314.80
Annualized	€ -175,191.89
Debt payments	€ 262,162.75
Annualized	€ 408,929.08
Salaries	€ 1,030
Intercompany transfers	€ 362,300
90% balance level	€ 72,776.98
Monthly income to expense	1.18
balance to daily expense	13.91

*No imprecise and generic categorization, we know the specificities related to investment and we know how to emphasize them.*



# Use case: from origination to monitoring

## Origination

Asset Managers use Company Scan throughout the investment process. They use the module as **the first filter on a deal**. With the indicators overview, the Asset Manager sees in a glance the strengths and pain points of an operation, allowing them to discard uninteresting opportunities and focus on the right ones

## Add a layer of transparency

Company Scan enriches the **AML / KYC reports** as it adds a layer of transparency to every deal. During closing, the Compliance and Internal Control teams screen, via October Connect, all the information provided to check its consistency and accuracy before disbursing funds.

## Monitoring

October Connect customers also use the Company Scan module:

- To **monitor their portfolio's performance**
- To make tangible feelings of economical distress on a deal and take needed actions with the management of the company
- To evaluate fraud



### Common frauds Company Scan helps detect

- Window dressing of financial statements to avoid reporting covenant breaches
- Managers using the company to pay personal expenses
- Managers embezzling funds via a multitude of small transfers
- Straw managers
- Shell companies

## Testimonial.

# Zencap chooses October Connect's Company Scan to protect its performance



Zencap  
Asset Management

x



october  
connect

Zencap Asset Management is specialised in unlisted corporate debt and small & mid-cap assets. Zencap lends from 5 to €30M to all sized companies. **The company was looking for a tool to accelerate the analysis of smaller opportunities and protect its strong track record.**

**Adoption of the tool:** “After an onboarding session (1 hour demo) the tool was really easy to use”. It doesn't require any tech configuration from the customer, who simply logs in to their October portal to create a request and upload the documents provided by the target or portfolio company. The reports are automatically available on the portal.

### Use case?

Company Scan can be used for both origination and portfolio monitoring.



*“Aggregating indicators on financial data and banking data in one place helps us make better decisions in a simple and fast way”*

**David Spira, Chief Risk Officer at Zencap AM**

### Results

Zencap has already used the tool to unveil information which wasn't disclosed by the target company during due diligence. By spotting this before funding, Zencap was able to avoid risk reputation and protect its funds performance.



*“It feels like an added security layer. We show stakeholders our determination to protect performance and our reputation, both our LPs and companies. After a potential transaction was rightfully red-flagged by October Connect, we decided to plug the tool into our due-dil process to bring fraud detection to a new level through powerful and systematic technology.”*

**Victoire Blazsin, Co-CEO Zencap AM**



# Contact us

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