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Adverse Media: How and Where to Check for Negative News

Date: 27 August 2023

Adverse media checks are an integral part of every AML framework. Financial institutions and regulated businesses need to understand the landscape of negative news sources surrounding their customers, and use both technology and human insight to monitor and evaluate the risks. By doing so, they can ensure compliance with regulations, protect their reputation, and play a key role in the broader effort against financial crimes.
In this article, we look at what adverse media is, why it is important, and how to check your customers for any negative news.

What is adverse media?
Adverse media, often referred to as 'negative news,' refers to any negative reports or information about a person or entity that is published in the media.
This can include reports on criminal activities, financial wrongdoing, regulatory breaches, or any other types of negative publicity that might indicate a higher level of risk related to an individual or company.
Adverse media checks are vital for financial institutions, businesses, and regulatory entities to understand and mitigate the risks associated with their clients, partners, or stakeholders.

What impact does adverse media have on AML risk assessment?
Adverse media screening plays an important role in AML risk assessments. As part of their AML responsibilities, regulated firms must conduct Know Your Customer (KYC) checks and enhanced due diligence for high-risk customers. Identifying any negative news about a customer (be it an individual or a business) is often a trigger for EDD to take place. If a potential or existing client has been associated with adverse media, especially related to financial crime, corruption, or other illicit activities, more rigorous checks and ongoing monitoring may be required during the onboarding process.

Many regulated institutions often assign risk ratings to clients based on a variety of factors. Adverse media can influence this rating, leading an entity or individual to be categorised as higher risk, which can subsequently determine the frequency and depth of EDD checks.
This is due to the fact that being associated with entities or individuals that have been negatively portrayed in the media can expose a financial institution or regulated business to reputational risk. Adverse media can act as a warning sign and help firms to avoid dealing with parties that might damage their reputation.

What's more, most regulatory frameworks require financial institutions to perform adverse media checks as part of their AML/CFT (Counter-Financing of Terrorism) obligations. Failing to do so can lead to non-compliance and associated penalties.
Ultimately, screening for adverse media is a key step in a firm's decision making process and can affect client onboarding and the continuation of business relationships.

Where and how to conduct adverse media checks

- **Adverse media screening tools**
  There are various technology platforms designed specifically for adverse media screening. They use advanced technology to scour the web and media sources for any negative reports related to a given subject.

- **News aggregators**
  Platforms like Google News or Bing News can provide a vast range of news articles and reports from various sources. Regular searches using these tools can be effective, especially for smaller firms without access to specialised screening tools.

- **Public and private databases**
  Compliance professionals can check individuals and companies against law enforcement databases, regulatory authority publications, or international blacklists such as the UK Sanctions list, FATF's grey and black lists, or the Office of Foreign Assets Control (OFAC) list.

- **Subscription-based news services**
  These are professional news services that provide deeper insights and coverage than standard news outlets. Reuters, Bloomberg, and The Financial Times are some examples.

- **Manual monitoring**
  Designate a team or individual to regularly monitor leading newspapers, magazines, and broadcast news for relevant information. This method, while time-intensive, provides a human touch that can be essential for more complex situations.

The role of RegTech in adverse media screening
Given the rapid growth of the digital information landscape, the task of manually screening adverse media or negative news becomes increasingly impractical. This is where RegTech can step in, offering solutions that automate, optimise, and enhance adverse media screening.

With the use of RegTech tools, regulated firms can automate the screening of vast amounts of data against predefined parameters or watchlists. Instead of relying on human resources to manually check each customer against various media sources, RegTech solutions can scan millions of data points, news sources, and media outlets in real-time, flagging potential risks for review.

RegTech platforms often come with the capability to integrate multiple data sources, ensuring a more holistic screening process. They can pull information from news aggregators, law enforcement databases, international blacklists, and other essential resources, giving a complete view of potential risks at a glance.

These tools are a game-changer in AML compliance and risk management. RegTech provides tools that are not only efficient but also significantly more effective than traditional methods. As the regulatory environment continues to evolve and the digital information landscape expands, the adoption of RegTech solutions for adverse media screening will likely become standard practice for forward-thinking institutions.