

COMPLIANCE UPDATER

Regulatory and compliance news in brief

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Second Wirecard Executive held on suspicion of fraud.

Oliver Bellenhaus became the second Wirecard Executive to be arrested over suspicion of fraud that led to the collapse of the former German fintech champion with €1.9bn of missing cash. Mr Bellenhaus joined former Chief Executive Marcus Braun under arrest. Mr Bellenhaus ran the unit at the heart of the alleged fraud – CardSystems Middle East – the Wirecard subsidiary operated from Dubai’s Burj Khalifa.

Deutsche agrees to \$150m fine for compliance failings in dealing with Epstein.

Deutsche Bank agreed a \$150m fine with the New York State Department of Financial Services. The German bank had processed millions of dollars of potentially suspicious transactions for convicted sex offender Jeffrey Epstein including payments to alleged co-conspirators and \$800,000 of suspicious cash withdrawals. “Onboarding (Epstein) as a client was a critical mistake and should never have happened” said Deutsche’s Chief Executive Christian Sewing.

Trump imposes sanctions on China.

US president Donald Trump authorised sanctions against eleven Chinese and Hong Kong officials including the Hong Kong Chief Executive Carrie Lam. The sanctions followed executive orders banning US companies from dealing with We Chat, the messaging app owned by China’s Tencent, and with ByteDance, the owner of video app TikTok. The sanctions and bans were a response to China’s enactment of new security laws in Hong Kong.

Singapore charges businessman over Wirecard fraud.

A Singaporean businessman suspected of playing the role of trustee for false bank accounts for Wirecard has been charged with falsification of accounts. Mr R Shanmugaratnam ran Citadelle Corporate Services and appears to have ‘wilfully’ falsified letters to Wirecard stating that the company held millions of euros in escrow accounts for Wirecard. Mr Shanmugaratnam was also a Director of Senjo – a ‘partner’ business to whom Wirecard outsourced payment processing.

Former Coutts banker found guilty of breaching AML laws.

A former Compliance Officer at Coutts in Switzerland was fined SFr50,000 for breaching anti-money laundering laws. The banker repeatedly ignored internal warning signs surrounding a transfer of \$700m made by Jho Low, the alleged mastermind behind the 1MDB scandal, into a Swiss account from an offshore company.

Eastman Kodak stock option grants probe.

The US Securities and Exchange Commission is understood to be looking at stock option grants to Executives at Eastman Kodak that happened just a day prior to the announcement of a US federal government loan of \$765m. The loan, made under the Defence Production Act, was to facilitate the production of chemicals to be used in COVID-19 drugs. The announcement led to a fifteen-hundred per cent increase in Eastman Kodak's share price, but the shares fell back some thirty per cent when the government said the loan would be held back until allegations of wrongdoing were cleared.

Malaysia's former PM sentenced to twelve-year jail term.

Najib Razak, Malaysia's former Prime Minister, was found guilty of corruption linked to the state investment fund 1MDB and faces a potential twelve-year jail term. He was also fined \$49m after being found guilty of seven charges including money laundering, criminal breach of trust and abuse of power. Both sentences have been suspended until an appeal is heard.

BA may pay just £20m for data breach.

British Airways' £183m fine for one of the first breaches of the EU's GDPR law is expected to be reduced to just over £20m according to the airline's latest accounts. The regulatory process involving the UK's Information Commissioner's Office is still 'ongoing'.

Morgan Stanley suspended from French primary dealer role.

Agence France Tresor, the French government's debt agency, revoked Morgan Stanley's status as a primary dealer for at least three months. It cited trades from five years ago that 'had the effect of seriously undermining the liquidity' of French sovereign bonds. The trades occurred at the time of fears around a Greek exit from the eurozone when Morgan Stanley aggressively purchased futures contracts in an alleged attempt to boost the market price and avoid losses on its French and Belgian bonds.

Two-hundred and thirty-five million users' details compromised.

A freely available database containing sensitive data from two-hundred and thirty-five million users of Instagram, TikTok and YouTube showed the extent of the challenge in relation to data protection and cybercrime. The database was created by web scraping the users' details, apparently with the aim of selling the personal data to marketers.

PwC pledges to 'aggressively' hunt for fraud.

After the collapse of Wirecard saw fellow big four audit firm EY repeatedly fail to uncover what appears to be a significant fraud, PwC's Global Chairman pledged that his firm will 'aggressively' search for fraud over the coming years.

Conflict management agreed for incoming CEO at Norway's \$1tn SWF.

In order to become CEO at Norway's \$1tn sovereign wealth fund, Nicolai Tangen is to sell his shareholding in the hedge fund he founded. In a revised agreement aimed at removing conflicts, Mr Tangen will sell his entire holding in AKO Capital to a charity he set up – the AKO Foundation. He will also sell out of all of his personal investments totalling around \$780m and hold the proceeds in bank deposits.

Citigroup's \$900m payment blunder.

Citigroup mistakenly wired \$900m of its own money to creditors of cosmetic group Revlon. As administrator for Revlon's corporate loans, a Citi employee attempting to make an interest payment mistakenly paid the loans in full. Some of the hedge funds that hold the loans are refusing to pay the money back, arguing that Citi had previously been involved in a scheme that allowed Revlon to take on more loans in a manipulative fashion.

SEC widening the requirements for accredited investor status.

The US Securities and Exchange Commission announced a widening of the requirement to be classed as an accredited investor and be able to purchase unregistered securities such as private company equities. The previous requirements based on income and wealth will be supplemented to include those with qualifications gained by passing exams set by Finra, the self-regulatory agency. The 'modernisation' of the requirement is aimed at enabling more investors to access companies that are tending to stay private for longer, by purchasing unregistered offerings.

NYSE given go-ahead for capital raising direct listings.

The US Securities and Exchange Commission (SEC) has allowed the NYSE to let companies issue new shares in so-called 'primary direct floor listings' which could be used as an alternative to IPOs. Previous direct listings have only allowed existing investors to sell shares. NYSE rival Nasdaq has filed an application to allow it to do the same.

Chair of Australia's AMP steps down over sexual harassment issues.

The Chairman of Australia's AMP resigned after overseeing a board decision to promote a Senior Executive previously disciplined for sexual harassment. David Murray resigned over AMP's appointment of Boe Pahari as Chief Executive of AMP Capital, the group's infrastructure arm. Mr Pahari has been fined a substantial sum – reported to be A\$500,000 – in 2017 in relation to a sexual harassment claim. Mr Pahari will immediately step down and return to his previous role.

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