

COMPLIANCE UPDATER

Regulatory and compliance news in brief

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Baker McKenzie partner embarrassed over kissing episode.

The former managing partner of UK law firm Baker McKenzie is facing a Solicitors Regulation Authority (SRA) tribunal over an attempt to kiss a female lawyer in 2012. The managing partner faces a misconduct charge alongside two other charges – for the original misconduct, failure to report and the way the incident was subsequently handled. It is alleged that the managing partner attempted to kiss the female lawyer after a recruitment event that ended with a small group drinking in his hotel room. He allegedly asked her to stay behind and sought to “initiate intimate activity” with her. He later wrote in a statement that he was “terribly embarrassed, drunk and it was a moment of madness”.

FCA to ban promotion of mini bonds.

UK regulator the Financial Conduct Authority (FCA) is to use emergency powers to ban the marketing of mini bonds to retail investors from January 2020. Mini bonds are loans to small businesses often paying high rates of interest due to their high-risk nature. They have become particularly popular because of the low interest rate environment.

Ex-partner at Deloitte goes to court over misconduct claims.

An ex-partner in Deloitte’s Switzerland offices was dismissed after an investigation into his behaviour following whistleblowing complaints in 2018. He is challenging Deloitte in the high court in London. The probe into his behaviour claimed his “bullying” and “manipulative” behaviour led to a “toxic working environment”. He also charged business development trips to client accounts and his expense claims included a new scarf, health club membership, an iPhone 6 case and an iPad pro.

Japan’s public pension fund rules against stock lending.

The Japanese Government Pension Investment Fund (GPIF) that has a massive \$370bn overseas equity portfolio, decided it is good governance to stop lending shares to cover short sales. The arguments revolve around the prevention of proper stewardship along with a lack of transparency over both the identity of the final borrower and how the GPIF shares were being used.

M&G halts trading in its £2.5bn open-ended property fund.

Fund manager M&G halted trading in its £2.5bn property fund as the pressure of investor sales exceeded its ability to sell properties. There is no indication as to when the “gating” will stop, but in the interim M&G will waive thirty per cent of its annual charge.

UK SFO opens an investigation into bribery suspicions at Glencore.

Commodities giant Glencore is facing an investigation into suspicions of bribery by the UK's Serious Fraud Office (SFO). In particular, the investigation is to look at dealings with Dan Gertler, Glencore's former business partner in the Democratic Republic of the Congo (DRC). Mr Gertler, an Israeli billionaire, was placed on the US sanctions list in December 2017 over "opaque and corrupt mining and oil deals" in the DRC.

Morgan Stanley fined €20m over manipulative bond trades.

French regulator the Autorite des Marches Financiers (AMF) fined Morgan Stanley €20m for using bond futures purchases to manipulate bond cash prices and then offload its principal positions. The activities date back to 2015 and, after purchasing bond futures, Morgan Stanley offloaded some €815m of French bonds and €340m of Belgian bonds. Morgan Stanley plans to appeal against the decision.

UK auditing review published.

A review of the role of auditors by the former chairman of the London Stock Exchange, Donald Brydon, was published. The review, commissioned by the government, made a number of proposals including a widening of the audit beyond the traditional focus on financial statements to cover all reported information, altering the determination of whether accounts present a 'true and fair view' to one 'fairly in all material respects' and creating a separate professional body for auditors, rather than the current accounting and auditing combination.

BoE audio feed probe by the FCA.

The UK's FCA is looking at activity surrounding a high-speed audio feed of the Bank of England's (BoE) speeches. A little-known news provider Statisma News appeared to have provided high-speed access that gave traders the ability to place lucrative bets. The BoE referred itself to the FCA saying an unnamed third party had made 'wholly unacceptable' use of the feed.

EY transaction services improper conduct claims.

The transactions advisory services team at EY was subject to allegations about improper conduct. Amongst these was discriminatory behaviour by several partners over an associate partner who was transgender. Jennifer Fountain transitioned in January and one partner is alleged to have said the transition would "hold back her career by two years" as she would have to "prove herself" as Jennifer. Another said it would not be "suitable" for her to attend a client meeting in woman's clothing.

Andrew Bailey to become BoE governor.

Current head of the UK's FCA, Andrew Bailey, was announced as the new governor of the Bank of England replacing outgoing governor Mark Carney. The new Chief Executive to take over at the FCA is yet to be confirmed.

Finma to investigate Credit Suisse.

The Swiss regulator, Finma, is appointing an external auditor to investigate Credit Suisse after it emerged that it had been involved in a second surveillance activity. Credit Suisse had already admitted to spying on its Deputy Head of Wealth Management, Iqbal Khan, and it has been revealed that the bank's former COO also ordered the shadowing and monitoring of its former Head of Human Resources, Peter Goerke.

Lloyd's of London whistleblowing system failure.

The Prudential Regulation Authority (PRA) has enhanced its scrutiny of insurance market Lloyd's of London after it self-reported the discovery that a whistleblowing helpline had been allowed to lapse for 16 months.

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