

COMPLIANCE UPDATER

Trafigura flags up suspicious Gupta invoice.

Commodity trading house Trafigura appears to have warned Credit Suisse that its supply-chain finance funds (linked to collapsed Greensill Capital) contained a suspicious invoice from Sanjeev Gupta's business empire. The invoice indicated Trafigura owed Gupta's Liberty Commodities \$30m and Trafigura maintained the invoice was not genuine.

G7 heralds "starting point" on road to multinational tax reform.

The world's leading advanced nations, the G7, backed a global minimum corporate tax rate of fifteen per cent and agreed that countries should have the right to tax the largest, most profitable multinationals in the locations where the profit is generated. It was hailed as a "starting point" by the French finance minister.

Australia launches major money laundering probe, including at NAB.

Austrac, Australia's financial crime regulator, has begun formal investigations into compliance with money laundering and counter terrorism laws at casinos, cryptocurrency exchanges and financial institutions including National Australia Bank (NAB). Austrac has identified "serious concerns" over NAB's compliance, including identification and due diligence. The investigations follow similar issues with Commonwealth Bank of Australia and Westpac over recent years.

Lithuanian fintech loses licence over Wirecard.

UAB Finolita Unio, a fintech registered in Vilnius, had its licence revoked. It had treated anti-money laundering and counter terrorism rules "irresponsibly" by failing to assess risks of customers and inadequately checking identities and beneficial ownership. It is suspected of being used to steal more than €100m from Wirecard just before the German payment processor collapsed.

Basel proposes tough capital rules on cryptocurrency exposures.

The Basel Committee on Banking Supervision proposed that crypto-assets, including Bitcoin and Ethereum should be risk weighted at one-thousand, two-hundred and fifty per cent, meaning banks would have to hold capital equal to their exposure. The committee cited a multitude of risks including market and credit, fraud, hacking, money laundering and terrorist financing.

BNP Paribas facing allegations of mis-selling forex products.

Europe's largest wine exporter, J. Garcia-Carrion (JGC), is in dispute with BNP Paribas alleging mis-selling of forex derivatives between 2015 and 2020. JGC apparently conducted eight-thousand, four-hundred forex transactions over the five years (around six each working day) with BNP and incurred about €75m in cash losses. BNP Paribas made around €100m of revenue from the transactions. The allegation is that the deals were designed as bets on currency movements, rather than for hedging. It also appears that Deutsche Bank paid more than €10m to JGC to settle a dispute over alleged mis-selling of forex derivatives, apologising for the behaviour of its traders and salespeople. Furthermore, JGC is in a legal battle with Goldman Sachs seeking the partial refund of \$6.2m of losses linked to exotic currency derivatives.

UK's FCA research reveals drop in understanding of crypto.

Research by the UK's Financial Conduct Authority (FCA) found that four per cent of adults (two point three million people) in the UK owned a cryptocurrency in January. However, thirty per cent could not pick the correct definition of cryptocurrencies from a list of statements. The UK regulator has repeatedly warned that investors "should be prepared to lose all of their money" on cryptocurrency investments.

Failure to manage conflicts results in a fine for KPMG.

Professional services firm KPMG faces a fine of more than £15m after an independent tribunal ruled it had failed to manage a conflict of interests. KPMG acted as advisor to bed manufacturer Silentnight on the sale of the business to US private equity firm HIG Capital in 2011 and was ruled to have acted in a way to keep HIG "onside". KPMG appeared to have helped HIG force the insolvency of Silentnight to enable the purchase without the burden of its £100m pension scheme. Subsequent fees from HIG and related companies to KPMG exceeded £8.5m.

Home of Wirecard's ex-chair raided by police.

The home of the ex-chair of collapsed payment processor Wirecard was raided by German police. Wulf Matthias was chair for more than ten years from 2008 and is suspected of aiding the embezzlement by Wirecard's management.

Former Deutsche Bank trader jailed for "spoofing".

A former commodities trader at Deutsche Bank was sentenced to twelve months and a day in prison by a US court over manipulating metals markets by "spoofing". This involved placing bogus orders to create the impression of substantial supply or demand and then take advantage of the price changes.

Guggenheim censured for whistleblower restrictions.

Guggenheim Securities was censured by the US Securities and Exchange Commission (SEC) for prohibiting its employees from contacting regulators without approval. Guggenheim's internal manual required employees to seek prior approval from legal and compliance before contacting regulators – a breach of whistleblower rules. Guggenheim has agreed to revise its policy and pay a \$209k penalty.

UK accounting regulator probes Greensill audit.

In the wake of the collapse of supply-chain finance specialist Greensill Capital, the UK's Financial Reporting Council has started an investigation into the audit of the firm by Saffery Champness.

Two brothers deny insider trading and fraud charges.

A former Goldman Sachs analyst and his brother who worked at law firm Clifford Chance denied allegations of insider trading and fraud. The UK's FCA has charged the brothers with using confidential information gained from Goldman Sachs to make £142,000 in profits from trades including shares in Arm Holdings and Punch Taverns. The two are also alleged to have misrepresented loan applications to Tesco Bank as being for home improvements when the money was raised to buy shares.

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