COMPLIANCE UPDATER

Regulatory and compliance news in brief Issue: April 2019

Banking Standards Board survey results published.

The UK Banking Standards Board published its annual review of the sector that involved questioning 72,000 employees across 26 banks. The key findings related to 'speaking up' or whistleblowing. Only 63% of staff with concerns chose to report them, and only 41% said when they raised concerns that they were listened to and taken seriously.

Two former Barclays traders jailed for roles in Euribor rigging.

A 40-year old former trader at Barclays was sentenced to 4 years in prison and a 62-year old senior rate submitter was given 5 years. Both had been found guilty of conspiracy in submitting false Euribor rates with the intention of benefiting trading positions. The judge accepted that the training of the 40-year old was modest and compliance supervision at Barclays 'was at best inadequate'. The decision follows earlier custodial sentences for star traders at Barclays – one of which is serving 5 years and 4 months after pleading guilty.

Socially responsible bribery?

Former executive at TPG Capital, Bill McGlashan raised $2bn alongside Bono of U2 for the Rise Fund that promises to enrich investors whilst tackling social problems. Mr McGlashan has parted company from TPG under a cloud as he faces criminal charges for bribing US colleges. FBI phone tapping suggests Mr McGlashan was 'in a heartbeat' ready to pay $250,000 to have his son admitted as a prized football recruit to the University of Southern California. His son did not even play football.

Treasury orders FCA to appoint independent reviewer over LCF collapse.

After the collapse of London Capital & Finance (LCF) – the UK's Financial Conduct Authority (FCA) authorised firm that inappropriately pushed mini-bonds onto consumers – the UK Treasury ordered the FCA to commission an independent review into the scandal.

FCA talking post-Brexit 'lower burden' regulation.

Andrew Bailey, head of UK regulator the Financial Conduct Authority (FCA) said Brexit would "clearly be a defining factor" in the future direction of financial regulation in the UK. In an interview Mr Bailey said that the FCA will look to pursue a "same outcome, lower burden" approach with EU-regulatory alignment in any post-Brexit deal.

StanChart agrees to pay $1.1bn settlement.

Standard Chartered settled a five-year probe into alleged sanctions breaches, particularly in relation to Iran. The settlement covers both UK and US regulators and centred on activities in Dubai and London. The UK's FCA settled for £102m and highlighted examples including an account opened in Dubai with AED 3m (around £500,000) of cash in a suitcase. The remaining settlements involved payments to the US Department of the Treasury's Office of Foreign Assets Control (OFAC), the New York State Department of Financial Services and the New York County District Attorney's office.

US DoJ recommending guilty plea from Goldman Sachs over 1MDB.

The US Department of Justice (DoJ) staff have recommended that any settlement with Goldman Sachs over 1MDB includes a guilty plea at parent company level. This internal recommendation is being considered by senior officials at the department. Goldman underwrote a series of bond issues for the Malaysian fund in 2012 and 2013 raising $6.5bn, much of which is thought to have been stolen. Two former Goldman Sachs bankers have been indicted for their involvement. Goldman has always insisted that any 1MDB misconduct was due to rogue bankers in its Asian operations.

Mergers fall by the wayside.

Two proposed mergers fell away. First, the UK's Competition and Markets Authority (CMA) blocked the £7bn proposed tie up between retail chains Sainsbury's and Asda after concluding shop prices would rise in the long term if the deal were allowed to proceed. It was the first time the watchdog has blocked a deal outright, usually just requiring the merging parties to agree to remedies.

Second, two giant banks in Germany decided not to proceed with their merger talks. Deutsche Bank and Commerzbank said there were too many hurdles to overcome to justify a complex deal that would have created Europe's second largest lender with €1.8tn in assets and 140,000 employees.

Inquiry into Danske Bank scandal still being pursued.

Despite the revelation that the European Banking Authority (EBA) had rejected an internal draft report recommending action after the Danske Bank money laundering scandal that involved around €200bn flowing through the Danish bank's Estonian branch, the EU has not closed its investigations. The EBA rejected a report that identified four breaches of EU law in the Estonian and Danish authorities' supervision efforts and made recommendations to the two countries for follow up action. After this became public knowledge, the EU's justice commissioner said, "the case of Danske Bank is not closed for us, regardless of the decision of the EBA".

Deloitte resigns as auditor of Ukrainian miner Ferrexpo.

UK-listed Ferrexpo has seen its auditor resign over sizeable contributions made to a Ukrainian charity which may have been stolen. Ferrexpo paid $33.5m to the charity over two years and Deloitte was not able to obtain satisfactory evidence that the cash had not been misappropriated.

AUTHOR
Martin Mitchell
Director, Training Services
MMitchell@cclacademy.com