

# COMPLIANCE UPDATER

Regulatory and compliance news in brief

Issue: September 2019

## **Sweden state pension fund fires CEO over internal rule breach.**

AP1, a Swedish state pension fund with around \$36bn in assets under management, fired its CEO for breaking the firm's own rules on holding and trading financial instruments. The CEO had privately subscribed to an IPO that the fund had also participated in. The incident came to light when the CEO registered the personal transaction on AP1's system.

## **Banker in insider dealing investigation charged for deleting messages.**

A former banker at VTB under investigation by the UK's Financial Conduct Authority for suspected insider dealing is alleged to have deleted his WhatsApp application from his mobile. The WhatsApp messages were required to be made available under the investigation. The banker now faces up to two years in jail for destroying evidence.

## **Ex-Goldman banker told to pay £7.3m in corruption case.**

Ellias Nimoh Preko, a former Goldman Sachs banker already convicted of laundering the ill-gotten gains of a former Nigerian state governor, has been ordered to pay £7.3m in a confiscation order. Preko already faces a four and a half year sentence for laundering nearly \$4m of dirty money. Preko dealt with the client initially at Goldman until it cut its ties over worries around the origins of wealth. He then dealt with the client in a private capacity.

## **Clearing house agrees to \$20m penalty for risk failures.**

US regulators SEC and CFTC handed a \$20m penalty to the Options Clearing Corporation (OCC) for failing to meet tougher risk management standards introduced after the financial crisis. The OCC is the sole US clearing house for exchange-traded options on stocks and benchmarks such as the Vix volatility index. The regulators alleged that the OCC 'failed to establish and enforce policies and procedures involving financial risk management, operational requirements and information systems security'. In addition to settling the \$20m in penalties, the OCC has implemented remediation plans.

## **Three JPMorgan metals traders charged with market manipulation.**

US prosecutors charged three JPMorgan metals traders with market manipulation. The charges allege that the traders engaged in 'widespread spoofing, market manipulation and fraud' for years whilst working at JPMorgan. Deceptive orders were allegedly used to move prices and create the impression of liquidity in gold, silver, platinum and palladium futures prices on CME exchanges, including Nymex and Comex.

**KPMG sees others leave in the wake of conduct issue.**

Two further Senior Financial Consultants have quit KPMG in the wake of the removal of their boss Tim Howarth for misconduct. Mr Howarth, formerly the Head of UK Financial Services Consultancy at KPMG, left the partnership in August after an investigation into conduct that centred on WhatsApp messages. His departure has now been followed by the departure of the two further senior consultants – the Head of Capital Markets Consulting and the former Head of Compliance at Barclays.

**Deutsche Bank facing possible ECB probe into unapproved purchases of its own bonds.**

It appears that Deutsche Bank employees failed to get the necessary approvals from the European Central Bank (ECB) to trade its additional tier 1 (AT1) bonds between 2014 and 2017. The AT1 trades were undertaken to create a liquid market for the bonds but should have only taken place after gaining the necessary approval of the ECB.

**Lack of regulations on 'green' investment vehicles.**

Two ETFs explicitly marketed as excluding fossil fuels are holding thousands of shares in companies with significant coal operations, raising questions about the need to tighten the definitions of what should count as 'green' investments. Both funds are managed by State Street Global Advisers – the SPDR MSCI EAFE Fossil Fuel Reserves Free ETF contains more than three thousand shares in German energy company RWE that runs coal-fired plants, and SPDR MSCI Emerging Markets Fossil Fuel Reserves Free ETF owns nearly fifty thousand shares in Brazilian miner Vale and seven and a half thousand shares in Sasol, a South African miner. Both companies mine significant quantities of coal.

**Rogue trader loses \$320m for Japan's Mitsubishi.**

A rogue trader at a Mitsubishi subsidiary in Singapore has lost \$320m through oil derivatives. The employee apparently carried out repeated unauthorised trades and disguised them to look like hedges for transactions with customers. The employee has been sacked and reported to the police and Mitsubishi has closed out the loss-making transactions.

**Three VW executives charged with market manipulation.**

German prosecutors have charged three existing and former executives of Volkswagen (VW) with market manipulation over the diesel emissions scandal of 2015. They have been accused of holding back information on the issue for too long and thereby manipulating the company's share price.

**Mastermind behind 1MDB scandal facing extradition to Malaysia.**

Jho Low, the alleged mastermind behind the misappropriation of \$4.5bn from Malaysia's 1MDB sovereign wealth fund, is facing extradition back to Malaysia. Although his location has not been disclosed, Malaysian authorities announced extradition negotiations are in progress to bring Mr Low back to face trial.

**Reverberations continue around Danske Bank's Estonian branch money laundering.**

Danske Bank, the Danish bank that is alleged to have moved around €200bn of often suspicious money from the former Soviet states via its Estonian branch between 2007 and 2015, continues to hit the news. Aivar Rehe, the man who ran the branch between 2006 and 2015, was found dead in an apparent suicide in the Estonian capital Tallinn. Elsewhere, criminal prosecutors in Frankfurt launched an investigation into Deutsche Bank's involvement in the scandal. Deutsche acted as correspondent bank to Danske's Estonian branch.

**Ongoing scandal in the normally sedate world of Swiss wealth management.**

The current CEO at Credit Suisse, Tidjane Thiam, has been in a standoff with its former Head of Wealth Management, Iqbal Khan, for some time. They fell out over the fact that Mr Khan redeveloped a property next door to Mr Thiam's own home in Zurich. This resulted in Mr Khan being allowed to leave Credit Suisse despite running an extremely successful wealth management operation. Now Mr Khan has agreed to move to UBS and has had a physical confrontation with private investigators hired by Credit Suisse. The investigators were hired to report on people Mr Khan is meeting in an attempt to minimise the likelihood of other key personnel following him from Credit Suisse to UBS.

**Court blocks extradition for Azeri banker's wife from the UK.**

UK courts blocked the extradition of an Azeri banker's wife who was the subject of the UK's first Undisclosed Wealth Order (UWO). Zamira Hajiyeva faces allegations of defrauding the International Bank of Azerbaijan where her husband was Chairman. Having lived in the UK since 2010 and facing revelations of spending £16.5m in Harrods between 2006 and 2016, Ms Hajiyeva is facing an extradition request from Azerbaijan to stand trial in Baku. The UK court ruled against the extradition on the basis that she will be unable to get a fair trial in Azerbaijan.

**Suggestions that incoming SM&CR for asset management firms will better protect investors.**

An FCA representative suggested that the increased focus on personal responsibility and clearer emphasis on treating customers fairly may have resulted in 'different outcomes' in recent cases. The reference related to the gating of funds by Woodford Investment Management, GAM and several property funds just after the Brexit referendum decision.

**ABN reveals Dutch money laundering investigation.**

ABN Amro revealed that it is under investigation by the Dutch public prosecutor over potential money laundering and financing of terrorism prevention failures. It is alleged that the bank failed to carry out sufficient due diligence or monitoring of customers, failed to report all suspicious transactions and reported others too slowly.

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