

COMPLIANCE UPDATER

Regulatory and compliance news in brief

Issue: January 2019

UK's FCA probing work culture at RBC.

Royal Bank of Canada's London unit is being investigated by the Financial Conduct Authority over culture. It is thought that the probe includes the treatment of whistleblowers - several individuals claimed to have been dismissed after highlighting legal and compliance issues - plus the handling of complaints and processes used to dismiss staff.

Danske now facing a French investigation.

Danske Bank, the Danish bank whose Estonian branch is thought to have enabled €200bn of money to be laundered from former Soviet states, is facing investigation by French courts. The investigation revolves around providing misleading information to the French authorities. Danske is already facing charges in Denmark and Estonia.

Former StanChart employee to plead guilty to Iran sanction breaches charge.

An ex-Standard Chartered employee in the US is preparing to plead guilty to sanction breaches involving Iran-linked companies. If it happens, the admission could pave the way for further fines against Standard Chartered. The bank paid \$667m in 2012 to avoid criminal charges.

Four former Barclays executives deny fraud charges.

A trial commenced in London against four former Barclays executives, including former Chief Executive John Varley, who faced charges of conspiracy to commit fraud by false representation in two capital raisings in 2008. The case brought by the UK's Serious Fraud Office (SFO) involves issues over what the bankers told the market when Barclays raised a total of £11.8bn, including £6.1bn from Qatari investors, to enable it to avoid a government bailout. The SFO alleges that side deals were struck with Qatar that were not properly disclosed and were used to funnel secret fees to the Qataris. All four bankers deny the charges and the trial is scheduled to last up to 6 months.

UK moves out of the top 10 in the anti-corruption ratings.

The UK has dropped three places to 11th in this year's Corruption Protection Index compiled by Transparency International. Denmark moved above New Zealand to the number one slot. Syria and Somalia are the two lowest ranked countries.

Malaysia rejects Goldman Sachs apology for 1MDB scandal.

Malaysia's finance minister rejected an apology from Goldman Sachs saying it was not sufficient unless it was accompanied by \$7.5bn in reparation. The \$7.5bn represents the sum of three 1MDB bond issues arranged by Goldman in 2012 and 2013, plus a further \$600m to cover the fees paid to Goldman and excessive coupons. The proceeds of the bond issues were not used for national development but instead 'siphoned out' according to Malaysia. Tim Leissner, a former senior partner in Goldman's Asian operations has pleaded guilty to participating in the fraud and Goldman's current chairman said, "for Leissner's role in that fraud, we apologise to the Malaysian people".

US plan to lift sanctions on Deripaska companies.

The US Treasury has put forward a plan to lift sanctions on three companies controlled by Russian billionaire Oleg Deripaska. Deripaska was placed under sanctions along with 24 other Russian executives and officials by the US in April 2018 to punish Moscow for alleged interference in the 2016 US presidential election. The plan will lift sanctions on three companies – EN+, Rusal and EuroSibEnergO – in exchange for governance changes reducing Deripaska's control. He will agree to cut his stake in EN+, his main holding company – from around 70% currently to 44.95% by transferring his former holdings to VTB (the Russian state-owned bank), a charity founded by Mr Deripaska and London-listed mining company Glencore.

Google fined €50m for GDPR breaches.

The first big US technology company to be fined under the recent EU General Data Protection Regulation (GDPR) is Google. The French data protection regulator CNIL found the search engine guilty of breaching the GDPR because its disclosures were too 'generic and vague' and issued a €50m penalty. Particular concern was expressed around Google's approach to seeking consent for targeted advertisements where the regulator stated, "it is not possible to be aware of the plurality of services, websites and applications involved in these operations (Google search, YouTube, Google Home, Google Maps, Playstore, Google Pictures etc.) and therefore the amount of data processed and combined". The investigation and fine follows complaints raised by not for profit organisations including the Austrian-based None of Your Business. None of Your Business has also raised complaints against Netflix, Amazon, Apple and Spotify.

Barclays gets High Court approval to shift assets to its Irish entity.

Barclays has been granted permission to transfer ownership of €190bn worth of assets, including its branches in European cities like Frankfurt, Paris and Milan, from the UK to Barclays Bank Ireland. The plan will enable Barclays to continue to serve its EU-based clients beyond 29 March regardless of whether a deal is reached on the UK's exit from the rest of the European Union.

UK's FCA proposes clearer disclosure of pension drawdown charges.

The UK's Financial Conduct Authority (FCA) is proposing clearer disclosure of charges for individuals in pension drawdown, revealing that some drawdown plans currently have as many as 44 charges included within them. The use of drawdown pensions has grown hugely since the UK introduced more freedom into how individuals are able to access their pension pots. The FCA has found that consumers are finding it difficult to appreciate the range of charges they will face. As a result, the regulator is suggesting consumers are told the charges they have actually paid and may move towards capping fees if transparency does not solve the issues.

UK government to boost the suspicious activity reporting regime.

In response to criticism from the Financial Action Task Force (FATF) that suggested the UK's suspicious activity reporting regime 'requires a significant overhaul to improve the quality of financial intelligence' and 'suffers from a lack of available resources (human and IT) and analytical capacity', the UK government announced £3.5m to support work to reform the regime. The project will be in conjunction with UK Finance, the industry trade body. In 2018 the number of suspicious activity reports (SARs) filed with the National Crime Agency reached a record level of almost 464,000, including 22,600 consent SARs.

OECD's plan for revenue-based corporate tax is progressing.

The Organisation for Economic Co-operation and Development (OECD) has 127 countries behind its proposals that companies are taxed on their sales rather than where their offices, staff and assets are located. The planned changes will impact all multinationals, not just technology companies, and already has major nations like the US, China, India and EU countries in agreement. The proposed introduction of a unified approach is the end of 2020.

AUTHOR

Martin Mitchell
Director, Training Services
MMitchell@cclacademy.com