

COMPLIANCE UPDATER

Regulatory and compliance news in brief

Issue: April 2021

Does the oversight of family offices need to be strengthened?

After the collapse of Archegos, the family office of former hedge fund manager Bill Hwang, questions are being asked about the need for more regulatory oversight. Despite not managing any outside capital, Archegos Capital Management managed \$10bn and the leverage and individual positions created multi-billion-dollar losses for banks including Credit Suisse, Nomura and, to a lesser extent, Morgan Stanley, MUFG and Mizuho.

Doubts over invoices factored by Greensill Capital.

Greensill Capital, the collapsed supply chain finance specialist, may have factored invoices that were not valid. It appears that several invoices from Sanjeev Gupta's Liberty Commodities trading firm that were discounted by Greensill are disputed.

"Worst IPO in London's history" is a blow to regulatory plans.

Deliveroo, the food delivery app that listed in London, closed almost £2bn below its opening market cap of £7.6bn on its first day of trading. Dubbed "the worst IPO in London's history" by one of its bankers, the failure places question marks over plans to bring more flexibility to listing standards in London in relation to different classes of shares.

Biden presents plans for taxes based on sales.

The US Biden administration presented its proposals for OECD countries to adopt a sales-based tax for the biggest companies including the big US tech groups. The plans would see taxes based on the revenues generated in each country, regardless of physical presence.

Denmark charges six with dividend tax fraud.

Three US nationals and three UK nationals were charged by Danish prosecutors with defrauding Denmark of \$175m by reclaiming dividend tax that was never suffered. The scheme involved repeated trading of shares around dividend payment dates to give the appearance of multiple owners who could claim tax refunds.

Irish Data Protection Commission investigates Facebook over online leak of five-hundred and thirty million users' data.

A possible breach of the General Data Protection Regulation (GDPR) by Facebook is being investigated by the Irish supervisory authority, the Irish Data Protection Commission. It appears that personal information in relation to five-hundred and thirty million users was circulating on hacker forums.

Bernie Madoff, the Ponzi villain, dies in prison.

The architect of a \$65bn Ponzi scheme that was uncovered in 2008, Bernard Madoff, died in prison aged eighty-two. He was sentenced to one-hundred and fifty years in prison for running a fraudulent investment management operation that involved sending out false statements that depicted consistently solid and steady returns for years. He pleaded guilty to “one big lie” in 2009.

Turkey bans the use of cryptocurrencies for payments.

Turkey, in the grip of double-digit inflation and a collapse in the value of its currency, banned the use of cryptocurrencies to pay for goods and services. The central bank said that the use of virtual money “may cause non-recoverable losses” and “undermine the confidence in methods and instruments used currently in payments”.

German investigation identifies serious flaws in EY's Wirecard audit work.

A special investigator reporting to the German Bundestag about the audits of collapsed payment processor Wirecard found that EY had failed to spot risk indicators and were too willing to accept the verbal assurances of executives on key questions.

BaFin alleges insider dealing in Wirecard by Deutsche Bank board member.

The German regulator BaFin filed a criminal complaint against a Deutsche Bank supervisory board member alleging insider trading in Wirecard shares. The board member, Alexander Schutz, was a confidant of former Wirecard CEO Markus Braun, and BaFin suspects he used insider information in 2019 and 2020 when trading Wirecard shares.

Credit Suisse facing Finma enforcement proceedings.

Credit Suisse is facing two enforcement proceedings from Swiss regulator Finma. The first is a probe into the losses it suffered (estimated at \$3bn) due to the collapse of supply chain finance company Greensill Capital and the second is into the estimated \$5.4bn of losses suffered in the fallout from the failure of family office Archegos. Finma has also ordered short term measures including reducing risks and capital surcharges.

Standard Chartered hit with fine from Guernsey regulator.

Standard Chartered was fined £140k by the Guernsey Financial Services Commission for “inadequate controls to manage risk” in its trust operations on the island. The failings included StanChart allowing a \$1.4bn transfer of funds from Singapore on behalf of Indonesian clients of its private bank shortly before the introduction of the Common Reporting Standard. The standard is designed to uncover tax evasion.

Lebanese bank governor facing embezzlement allegations.

The governor of the central bank in Lebanon is facing allegations of embezzling more than \$300m using a mysterious offshore company. The allegations are being investigated by Switzerland’s attorney general and centre around transactions amounting to \$330m from an account at the Banque du Liban to an HSBC Switzerland account. It is alleged that the account was controlled by the central bank governor’s brother and that the money was then funnelled to the two brothers’ own Swiss accounts.

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