

# COMPLIANCE UPDATER

Regulatory and compliance news in brief

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## **Deutsche Bank investigating sales of complex currency products to SMEs in Spain.**

Deutsche Bank is internally investigating whether it sold sophisticated derivative products to Spanish SMEs that they did not understand. The European Central Bank, German and Spanish regulators await the outcome. The products are foreign exchange swaps called 'targeted accrual redemption notes and forwards' (Tarn and Tarf) and are thought to have generated Deutsche €10m to €100m of annual sales for more than a decade until 2019.

## **Greensill Capital and Greensill Bank near collapse.**

Greensill Capital, a supply chain finance group, filed for insolvency protection in the UK and its German subsidiary, Greensill Bank, is facing a criminal complaint over suspected balance sheet manipulation. Greensill Capital, with Softbank's Vision Fund amongst its shareholders, arranged supply chain finance through its German bank or by packaging up bills into bond-like investments that were then sold via Credit Suisse funds. Credit Suisse has frozen the funds and Greensill Bank appears to have overconcentrated its balance sheet with debts from companies linked to metals magnate Sanjeev Gupta.

## **Deloitte agrees \$80m settlement over 1MDB.**

The Malaysian government announced an \$80m settlement with Deloitte that will resolve all claims linked to auditing the accounts of 1MDB and its subsidiary. The 1MDB state investment fund is at the centre of an embezzlement scandal and Goldman Sachs has already agreed a \$3.9bn settlement over its role in arranging three bond sales for the fund.

## **Report published on the UK listings regime.**

Lord Jonathan Hill published a report on boosting London's global standing as an equity market, making recommendations to allow dual-class share structures to be included in the LSE's 'premium' segment and lowering the free float requirement from twenty-five per-cent to fifteen per-cent. Hill also laid out proposals to make the UK more attractive for blank-cheque companies known as special purpose acquisition companies or SPACs.

## **Irish stockbroker stripped of primary dealer status over conflicts breaches.**

The Central Bank of Ireland fined Davy Group €4.13m after finding that sixteen of its staff purchased bonds from a client in a personal capacity. At the same time the National Treasury Management Agency withdrew J&E Davy's authority to act as primary dealer in Irish government bonds.

**Provident facing FCA investigation over complaints.**

Subprime lender Provident Financial is being investigated by the UK's Financial Conduct Authority (FCA) over its plans to close a division that is contending with a surge in customer complaints, primarily from professional claims management companies.

**NatWest facing criminal proceedings over £365m of cash deposits.**

The UK's FCA has commenced legal proceedings against NatWest for failing to comply with anti-money laundering rules. The charges relate to a customer - Bradford-based jewellery wholesaler Tower Oldfield - that was shut down in 2016 and paid £365m of cash deposits into its NatWest account between 2011 and 2016. NatWest's systems allegedly failed to 'adequately monitor and scrutinise' £264m of these.

**UK government proposes reform of corporate governance and audit market.**

The UK government published a white paper - 'Restoring trust in audit and corporate governance' - that included proposals to end the possibility of reward for failure by making it mandatory to be able to clawback bonuses or share awards of executive directors of listed companies that fail to protect customers' or employees' interests. The proposals also include major reform that will see smaller 'challenger' audit firms share audits of FTSE 350 companies to end the dominance of the Big Four.

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