

CONCERNING CONDUCT: QUARTERLY CASES

Recent cases concerning culture and conduct **ISSUE 4 • Q3 2020**

Deutsche agrees to \$150m fine for compliance failings in dealing with Epstein.

Deutsche Bank agreed a \$150m fine with the New York State Department of Financial Services. The German bank had processed millions of dollars of potentially suspicious transactions for convicted sex offender Jeffrey Epstein including payments to alleged co-conspirators and \$800,000 of suspicious cash withdrawals. "Onboarding [Epstein] as a client was a critical mistake and should never have happened" said Deutsche's Chief Executive Christian Sewing.

Grant Thornton fined £3m over ethical and objectivity failures.

Accounting firm Grant Thornton was fined £3m by UK regulator the Financial Reporting Council (FRC). The fine related to failures in ethics and objectivity in its work done for drinks retailer Conviviality around its listing on AIM in 2014. The partner on the Conviviality audit instructed a manager to conceal the fact that she had worked on the audit as she had also taken a role advising and assisting the firm in preparing its financial statements. Grant Thornton agreed to improve its ethical controls including establishing an ethics board.

Barclays boss accused of making sexist remarks.

The ongoing court case surrounding Barclays emergency fundraising in the midst of the financial crisis revealed that the former Chairman of Barclays Middle East, Roger Jenkins, referred to financier Amanda Staveley as a "tart" and "dolly bird" according to telephone transcripts presented in court.

Twitter hack generates more than \$100,000 for scammers.

Bitcoin scammers sent tweets from the hacked Twitter accounts of the likes of Apple, Uber, Barack Obama, Joe Biden, Bill Gates and Elon Musk promising that they would double any donations for funds sent to a bitcoin address. The scam reaped more than \$100,000.

McDonald's sues former boss.

McDonald's started a legal action to reclaim the \$40m payoff it made to Steve Easterbrook, its former CEO. It appears that Mr Easterbrook, who was dismissed after exchanging sexually explicit text messages with a colleague with

whom he was not in a physical relationship, lied to the company about sexual relationships with three other employees. He is also accused of giving McDonald's shares worth hundreds of thousands of dollars to one of the employees. McDonald's maintains it would not have agreed the severance deal had it known about Mr Easterbrook's additional concealed wrongdoings that violated company policies on work relationships.

Eastman Kodak stock option grants probe.

The US Securities and Exchange Commission is understood to be looking at stock option grants to executives at Eastman Kodak that happened just a day prior to the announcement of a US federal government loan of \$765m. The loan, made under the Defence Production Act, was to facilitate the production of chemicals to be used in Covid 19 drugs. The announcement led to a fifteen hundred per cent increase in Eastman Kodak's share price, but the shares fell back some thirty per cent when the government said the loan would be held back until allegations of wrongdoing were cleared.

Malaysia's former PM sentenced to twelve-year jail term.

Najib Razak, Malaysia's former prime minister, was found guilty of corruption linked to the state investment fund 1MDB and faces a potential twelve-year jail term. He was also fined \$49m after being found guilty of seven charges including money laundering, criminal breach of trust and abuse of power. Both sentences have been suspended until an appeal is heard.

Hedge fund manager charged with indecent assault.

UK high profile hedge fund manager Crispin Odey was charged with indecent assault over an incident that occurred over twenty years ago, in 1998. A complaint was raised by a woman that is denied by Mr Odey.

Former Coutts banker found guilty of breaching AML laws.

A former Compliance Officer at Coutts in Switzerland was fined SFr50,000 for breaching anti-money laundering laws. The banker repeatedly ignored internal warning signs surrounding a transfer of \$700m made by Jho Low, the alleged mastermind behind the 1MDB scandal, into a Swiss account from an offshore company.

Four arrested over 'We Build the Wall' crowdfunding.

Four individuals heavily involved with raising more than \$25m in crowdfunding to build the wall between the US and Mexico were

charged with fraud and money laundering. The four, including Steve Bannon, a former advisor to Donald Trump, raised the money to build the wall Mr Trump had campaigned for, but Congress had blocked the funding. The indictment says that despite pledging to return 'every single penny' if the campaign was unsuccessful, the four diverted money for other purposes including one individual's home renovations, boat, luxury car and cosmetic surgery.

Conflict management agreed for incoming CEO at Norway's \$1tn SWF.

In order to become CEO at Norway's \$1tn sovereign wealth fund, Nicolai Tangen is to sell his shareholding in the hedge fund he founded. In a revised agreement aimed at removing conflicts, Mr Tangen will sell his entire holding in AKO Capital to a charity he set up - the AKO Foundation. He will also sell out of all of his personal investments totalling around \$780m and hold the proceeds in bank deposits.

Chair of Australia's AMP steps down over sexual harassment issues.

The Chairman of Australia's AMP resigned after overseeing a board decision to promote a Senior Executive previously disciplined for sexual harassment. David Murray resigned over AMP's appointment of Boe Pahari as Chief Executive of AMP Capital, the group's infrastructure arm. Mr Pahari has been fined a substantial sum - reported to be A\$500,000 - in 2017 in relation to a sexual harassment claim. Mr Pahari will immediately step down and return to his previous role.

UN-backed fund facing wave of misconduct complaints.

The UN-backed Green Climate Fund that has raised more than \$17bn and financed more than one-hundred and forty projects, is facing a wave of internal misconduct complaints. Seventeen complaints allege witnessing or facing misconduct including abuse of power, racism, sexism, harassment, and inappropriate relationships at the fund's HQ in South Korea. The fund said only two of the cases had been substantiated, with fifteen still in progress.

Citigroup's \$900m payment blunder.

Citigroup mistakenly wired \$900m of its own money to creditors of cosmetic group Revlon. As administrator for Revlon's corporate loans, a Citi employee attempting to make an interest payment paid the loans in full. Some of the hedge funds that hold the loans are refusing to pay the money back, arguing that Citi had previously been involved in a scheme that allowed Revlon to take on more loans in a manipulative fashion.

Short seller's report on Nikola Motor.

US electric truck start up Nikola Motor threatened legal action against short seller Hindenburg Research. Hindenburg published a report that alleged that Nikola faked a product video and raised questions about the past ventures of its founder. Nikola's shares fell twelve per cent on the day of the report's release and the founder has subsequently resigned.

EY expresses “regret” over failure to spot Wirecard fraud.

The Chairman of EY sent a letter to clients expressing “regret” at its failure to spot the €1.9bn fraud at German payment processor Wirecard. EY audited Wirecard for ten years until it collapsed after the fraud was uncovered, spurred by journalist investigations. All EY auditors are now to be provided with forensic accounting training each year.

Deloitte fined for audit lapses.

After a failure to act with integrity, objectivity, or professional scepticism in the audit of Autonomy, an independent tribunal concluded Deloitte should pay a fine of £15m plus legal costs of £5.6m. The serious misconduct also saw two audit partners fined £500,000 and £250,000 - both have already left Deloitte.

Citigroup director put on leave over conspiracy theory.

A director of Citigroup’s information technology department was placed on leave after he was found to operate a website dedicated to a conspiracy theory that President Donald Trump is fighting a Satan-worshipping paedophile ring that has penetrated the US government.

BlackRock’s new policy re personal relationships.

Asset management giant BlackRock has widened an existing policy that required employees to inform HR of romantic relationships with colleagues to include employees of BlackRock’s clients and service providers. In an effort to prevent conflicts, the new policy requires disclosure of “personal relationships with employees of a service provider, vendor or other third party (including a client), if the non-BlackRock employee is within a group that interacts with BlackRock”.

Top execs at Canary Wharf Group ignoring quarantine.

Employees have raised concerns that two top Executives at Canary Wharf Group have ignored Covid 19 quarantine requirements and returned to work after overseas trips without self-isolating. Employees used the complaints process to raise worries about “the lack of care for colleagues”.

Ex-VW boss to face trial over Dieseltgate.

Former boss of Volkswagen Martin Winterkorn is to face trial in Germany on charges of market manipulation. Mr Winterkorn is accused of failing to inform investors in a timely manner of VW’s defeat devices that could cheat pollution tests.

Mars renames Uncle Ben’s.

Acknowledging that its name and packaging may have perpetuated racial stereotypes, Mars Food decided to rebrand its Uncle Ben’s rice range as Ben’s Original. The rebrand will see the removal of the image of the black farmer from the packaging.

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