

COMPLIANCE UPDATER

Regulatory and compliance news in brief

Issue: May 2020

HSBC reports suspicions over Singapore energy trading firm.

HSBC applied to Singapore's High Court to seek an independent third party to run ZenRock Commodities Trading which owes around \$214m, including \$49m to HSBC. HSBC alleges ZenRock issued duplicate invoices to enable it to raise finance.

BaFin looking into market manipulation and director dealing at Wirecard.

DAX-listed Wirecard is facing a market manipulation probe from German financial markets regulator BaFin in addition to an evaluation of the need for formal sanctions from the Frankfurt exchange for delayed publication of its full year results. The issues stem from allegations that Wirecard's revenues and cash reserves have been materially misstated, reinforced after accounting firm KPMG reported an inability to satisfy itself that the numbers had been appropriately reported in Wirecard's financial statements.

In a separate investigation, BaFin is looking at a €2.5m purchase of shares in Wirecard by its Chief Executive within the thirty-day closed period ahead of results. It appears that the transaction could have been taking advantage of an exception to the usual prohibition because the company had already published preliminary figures.

KPMG facing £250m lawsuit over Carillion audits.

Professional services firm KPMG is facing a claim of £250m from the UK's official receiver over the collapse of outsourcing group Carillion. KPMG gave a clean audit opinion on Carillion's financial statements just five months ahead of Carillion's collapse owing £1.3bn to banks, with a pension deficit of £800m and with just £29m in cash.

Whistleblower reports to UK's FCA increase.

In 2019, the UK's Financial Conduct Authority (FCA) received a total number of tip-offs from whistleblowers up 3.5% on 2018. Within this total, reports about breaches of standards of professional behaviour rose by 35%.

Deutsche Bank criticised by New York Fed.

The Federal Reserve Bank of New York has told Deutsche Bank its US business is suffering from meaningful weaknesses which have not been satisfactorily addressed by management. The weaknesses include concerns around anti-money laundering and compliance. Deutsche Bank has ninety days to respond to the Fed's notification.

Coronavirus inspires new performance measure - EBITDAC.

In an effort to highlight underlying performance, Germany's Schenck Process introduced a new measure it called EBITDAC – its earnings before interest, tax, depreciation and amortisation and the impact of Covid-19. The coronavirus impact added €5.4m to reflect the missing contribution due to the pandemic in the first quarter of 2020.

Judge rules in favour of LSE over manipulation claim.

A UK High Court judge rejected claims from litigation funding company Burford Capital that it was the victim of stock price manipulation. Burford claimed that the London Stock Exchange (LSE) should release trader information after its share price fell 60% over two days in August 2019. The two days followed a report from hedge fund Muddy Waters detailing a short position on an 'accounting fiasco' that did not reveal it related to Burford Capital. Burford claimed it had found evidence of 'spoofing' and 'layering'. The LSE said it had found 'no evidence whatsoever' of share price manipulation.

Softbank CEO says he is misunderstood – just like Jesus Christ.

In an attempt to defend his investment strategy surrounding a \$13bn annual loss, Masayoshi Son, the CEO of Softbank, noted that Jesus was also misunderstood and criticised. Several of Softbank's large investments such as ride hailers Uber and Didi and hotel company Oyo have been hit hard by the coronavirus crisis.

FCA urges fair treatment for customers from insurers.

The UK's FCA has told insurers that they must be flexible in the way they treat customers over changes brought about by the coronavirus pandemic. In guidance to the providers of travel, motor, home and medical policies, the FCA said it 'would not expect to see a customer's ability to claim affected by circumstances over which they have little control'.

Incoming head of world's largest sovereign wealth fund agrees contract.

Nicolai Tangen, the incoming Chief Executive of Norway's \$1tn sovereign wealth fund, has agreed an employment contract that attempts to manage conflicts of interest. Mr Tangen owns 78% of AKO Capital, an \$18bn hedge fund, and has agreed to reduce his voting stake from 78% down to 43%, appoint a trustee to control the stake and to donate all dividends to his charitable foundation. He has also agreed to place his personal wealth in a blind trust with a Norwegian fund manager.

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