



FS Club



Getting Smarter About Scandals In The City

Tuesday 16 April 2019

Pewterers' Hall, City of London



@fsclub

Wi-Fi Username: Guest Wifi
Password: YQCEI-ZOCDF

A Word From Our Co-Chairman



Chris Skinner
Chairman
FS Club



Michael Mainelli
Co-Chairman
FS Club

Foreword By The Lord Mayor



The Lord Mayor's CIVIC Plan to restore trust in the City and the industries that work there, is much to be welcomed and deserves every support. Five principles have been put forward, using the mnemonic CIVIC:

- ◆ **C**ompetence and skills - doing what you do well;
- ◆ **I**ntegrity - being honest, straightforward and reliable;
- ◆ **V**alue to society - recognising and meeting wider societal needs;
- ◆ **I**nterests of others - respecting the interests of customers, employees and investors;
- ◆ **C**lear communication - being transparent, responsive and accountable.



Established 2004

**Networking, debates and
speakers you don't usually
meet elsewhere**

Chatham House Rule

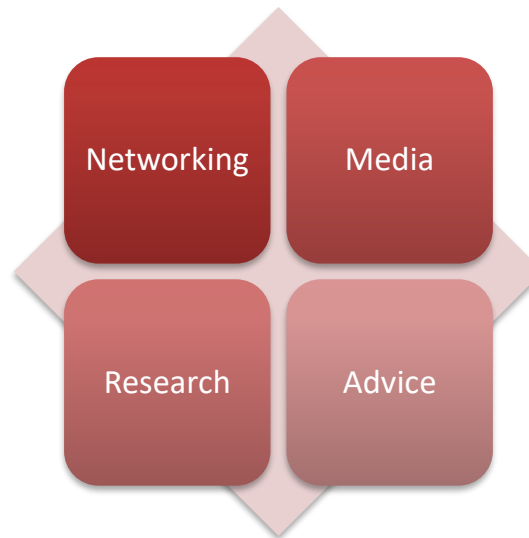
www.thefinanser.com

www.fsclub.net



Financial Services Club Meetings
Sponsored Events
Breakfast, Lunch
and Dinner
Roundtables

Daily Newsletter
Daily Blog
Social Media
White Papers
Speaking



Primary Research
Secondary Research
Quantitative and Qualitative

Workshops
Strategic Planning
Market and Business Development



CHRIS SKINNER'S BLOG



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BREAKING NEWS | [Welcome to The Finanser by Chris Skinner \(1/11/2019\)](#)



2 weeks ago
The new FinTech bank



2 weeks ago
The Finanser's Week: 7th January - 12th January 2019



2 weeks ago
My view of 2019



3 weeks ago
Crypto Forecasts for 2019



3 weeks ago
FinTech Forecasts for 2019

FEATURED POST

Welcome to The Finanser by Chris Skinner

Chris M Skinner | July 14, 2018 | Chris Skinner, Grid | 2 Comments



Welcome to The Finanser, the portal to the knowledge base of the Financial Services Club, chaired by Chris Skinner. To make an enquiry about a speaking engagement, just contact us and, if you are interested in Chris Skinner as a speaker, here's an illustration of his keynote presentations ...

[Read More »](#)

RECENT POSTS


[The Finanser's Week: 20th January - 27th January 2019](#)

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UK'S MOST INFLUENTIAL PERSON IN TECHNOLOGY



TOP FINANCIAL INFLUENCER OF 2018



The Financial Services Club

The number ONE networking group for senior executives in financial services in Europe

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Events: Focus

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Why Do We Need Standards For Smart Ledgers And How Could The Government Help?



Thursday,
21 February 2019
18:00

Speaker: Lord Holmes of Richmond

[Pewterer's Hall, City of London](#)

Background:

The Financial Services Club in Partnership with Z/Yen and Long Finance, is delighted to invite you to an evening seminar, which will be held at the Pewterer's Hall in the City Of London, from 18:00 to 20:45 on Thursday 21 February, 2019. The evening will include drinks and canapes. Our distinguished speaker for the evening Lord Holmes, Vice-Chairman, All-Party Parliamentary Group on Blockchain, will introduce us to Smart Ledgers and look to answer the questions:

Non-Member Register here!

£ 114.00 (inc. VAT)

Member Register here!

Why do we need standards, how do we manage the risks and how could the government help with the acceptance of standards?

The session will explore professional qualifications, voluntary standards and technical standards (ISO standards, sector specific taxonomies and performance standards) and will also look into the role the government could play in terms of legal frameworks, digital signatures and timestamping. Smart ledgers are based on a combination of mutual distributed ledgers (MDLs, aka blockchain: multi-organisational databases with a super audit trail, used since 2009 in cryptocurrencies) with embedded programming and sensing, thus permitting semi-intelligent, autonomous transactions. Smart Ledgers are touted as a technology for fair play in a globalised world. There are numerous projects building trade systems using this technology with announcements from governments, shipping firms, large IT firms, and the like.

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ALL PAST EVENTS

Events Calendar

2019

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2018

2017

2016

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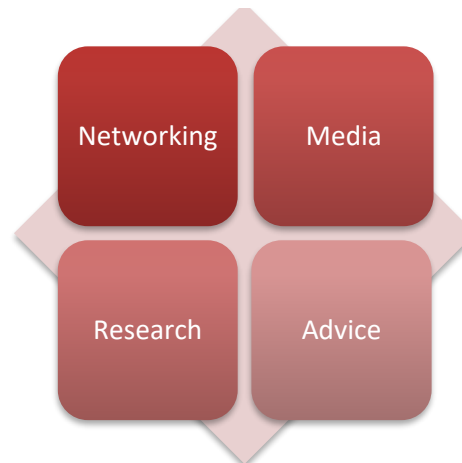
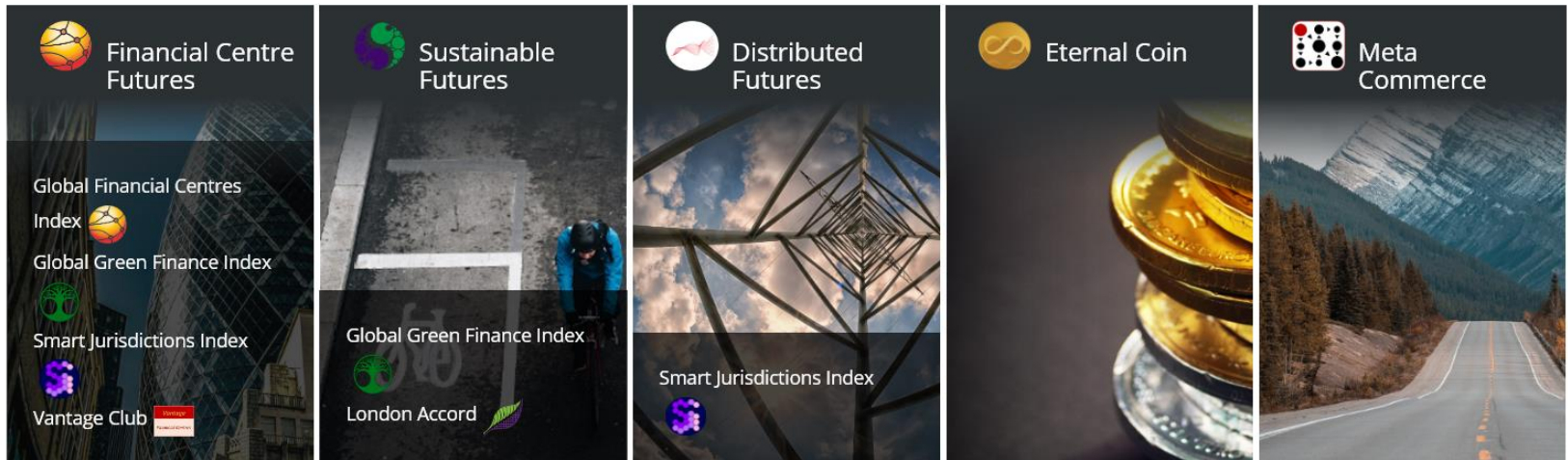
2014

2013

What Long Finance Does

“When would we know our financial system is working?”

This is the question underlying Long Finance’s goal to improve society’s understanding and use of finance over the long-term. In contrast to the short-termism that defines today’s economic views, the Long Finance time-frame is roughly 100 years.



Recent Research


Responsibility Without Power?
The Governance Of M.C.s - Distributed Ledgers And EWS/ESG



December 2016

CARDANO FOUNDATION

The Missing Links In The Chain?
Mutual Club Based Ledgers (aka Governance, Standards)



November 2016

CARDANO FOUNDATION

The Global Green Finance Index 1

MARCH 2016



December 2017

CARDANO FOUNDATION

Smart Ledger Geostamping
Steps Towards Interoperability & Standards



December 2017

CARDANO FOUNDATION

The Quantum Countdown
Custom Computing And The Future Of Smart Ledger Transactions



February 2018

CARDANO FOUNDATION

Get Smart about Blockchain's Past Lessons For Future Finance



MARCH 2018

CARDANO FOUNDATION

From Slips To Smart Contracts
Intelligent Technology In The London Wholesale Insurance Market




A Long Finance report prepared by ZYren Group
January 2017

Sponsored by the London Market Group

LMG

Liquidity Or Leakage
Training Programs With Cryptocurrencies



March 2018

CARDANO FOUNDATION


The Economic Impact Of Smart Ledgers On World Trade



April 2018

CARDANO FOUNDATION

Timestamping Smart Ledgers
Concepts, Use Cases, Tools, & Trends



May 2018

CARDANO FOUNDATION


Pensions and Distributed Ledgers



April 2018

CARDANO FOUNDATION

A Wholesale Insurance Executive's Guide To Smart Contracts

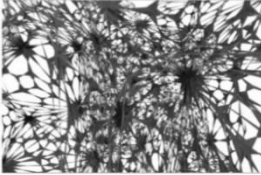


A Long Finance guide prepared by ZYren Group
January 2017

Sponsored by the London Market Group

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Chain Of A Lifetime:
How Blockchain Technology Might Transform Personal Insurance



December 2016

A Long Finance report prepared by ZYren Group

Smart Jurisdictions Index



October 2018

CARDANO FOUNDATION

SWIFT INSTITUTE

SWIFT Institute Research Paper No. 2017-007

THE IMPACT AND POTENTIAL OF BLOCKCHAIN ON THE SECURITIES TRANSACTION LIFECYCLE

MICHEL MANELLI
ALEXANDRE ME

PUBLICATION DATE: 09 MAY 2017

The views and opinions expressed in this paper are those of the authors. SWIFT and the SWIFT Institute have not made any editorial review of this paper. Feedback the views and opinions do not necessarily reflect those of SWIFT or the SWIFT Institute.

December 2017

CARDANO FOUNDATION

Color-Cash: Cryptographic Insurance for Smart Contracts On Smart Ledgers



October 2018

CARDANO FOUNDATION

The Role of Blockchain in the Architecture of Distributed Permissioned Ledgers



December 2018

CARDANO FOUNDATION

Chain Reaction:
How Blockchain Technology Might Transform Wholesale Insurance



July 2018

A Long Finance report prepared by ZYren Group
March 2018

Sponsored by the London Market Group

LMG

From March 2018



Get Smart About Scandals
Past Lessons For Future Finance



March 2018



Smart Ledgers Hold Immense Promise

Financial Instruments, Records, Models		Public Records		Private, Semi-Private/Semi-Public		Physical Keys, Intellectual Property, Other Records	
Currencies	Derivatives	Land & Property Titles	Vehicle Registries	Contracts	ID	Home Key	Hotel Key
Commodities	Insurance Policies	Shipping Registries	Satellite Registries	Signature	Will	Office Key	Car Key
Trading Records	Private and Public Equities	Business License	Business Ownership Records	Trust	Escrow	Deposit Box Key	Mail Box Key
Certificates of Deposit	Bonds	Incorporation / Dissolution Records	Regulatory Records	Other Classifiable Data	High School / University Degrees	Internet Of Things	Copyrights & Patents
Voting Rights (Financial Services)	Credit Data	Criminal Records	Passport	Professional Qualifications	Certifications	Licenses	Digital Rights Management
Collateral Management	Client Monies Segregation	Birth / Death Certificates	Voting ID	Human Resources Records	Medical Records	Trademarks	Proof Of Authenticity / Authorship
Mortgage / Loan Records	Crowd-Funding	Health & Safety Inspections	Tax Returns	Accounting Records	Business Transaction Records	Cultural Events	Historical Events
P2P Lending	Microfinance	Building & Other Types Of Permits	Court Records	Locational Data	Genome & DNA	Documentaries	Big Data
Account Portability	Airmiles / Corporate Tokens	Government / Listed Companies	Accounts & Annual Reports	Arbitration	Genealogy Trees	SIM Cards	Archives

Getting Smarter About Scandals In The City



Professor Tom Connell
Life Fellow
Gresham College

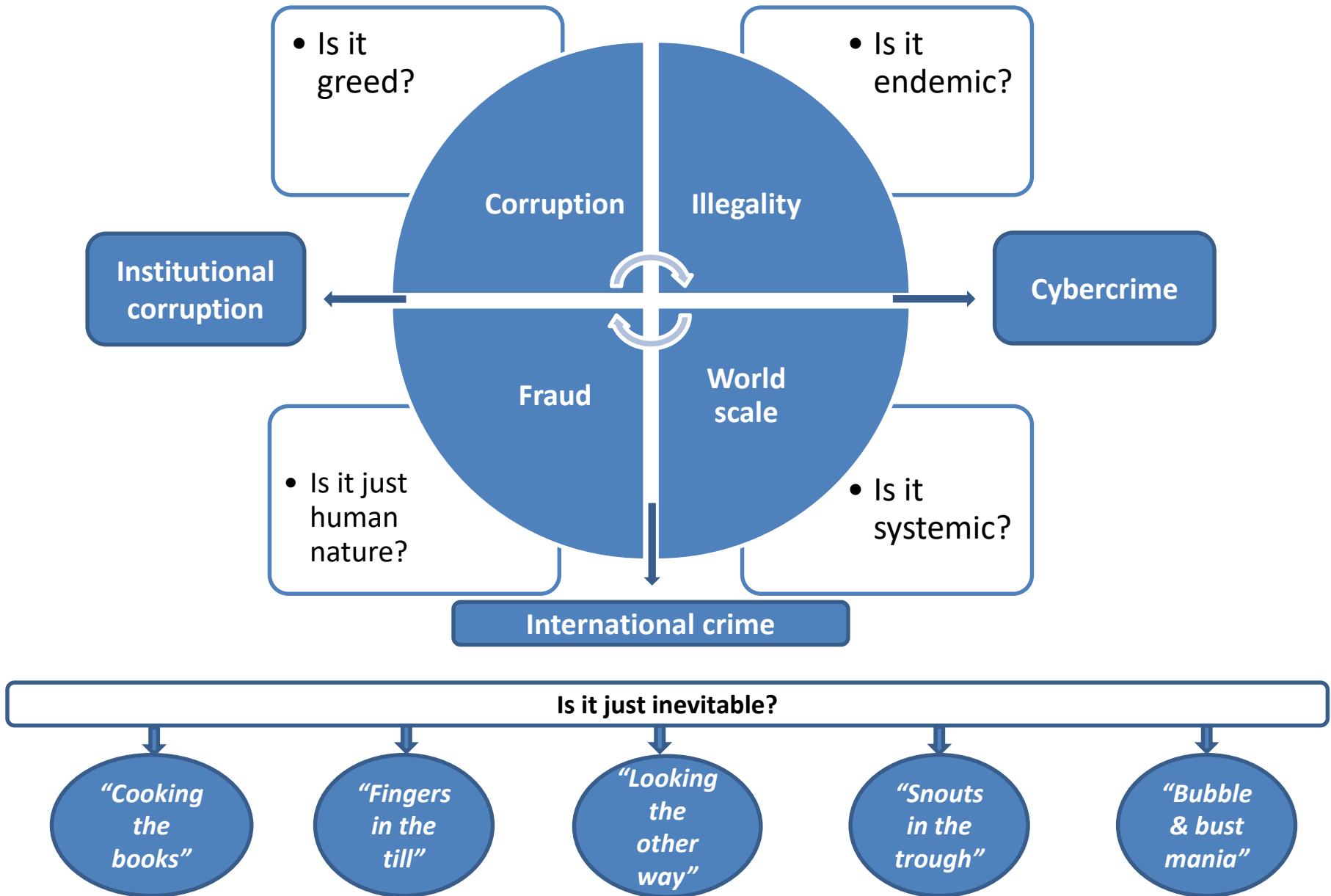


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Scandals: Approach

- ◆ Workshop
- ◆ Historical Context
- ◆ Scandals: How To Identify Them – And How To Stop Them
- ◆ Vehicles For Fraudulent Behaviour
- ◆ Corrupt Practices And Procedures
- ◆ Bubble, Booms And Busts
- ◆ The Good Guys: Scandals And How To Avoid Them
- ◆ The Future Direction And Dynamics Of Financial Scandals
- ◆ Conclusions & Recommendations

The Past



The Present...



Legal Sanctions, fear of detection

Reputational
damage

Shares
collapse

Financial
restitution

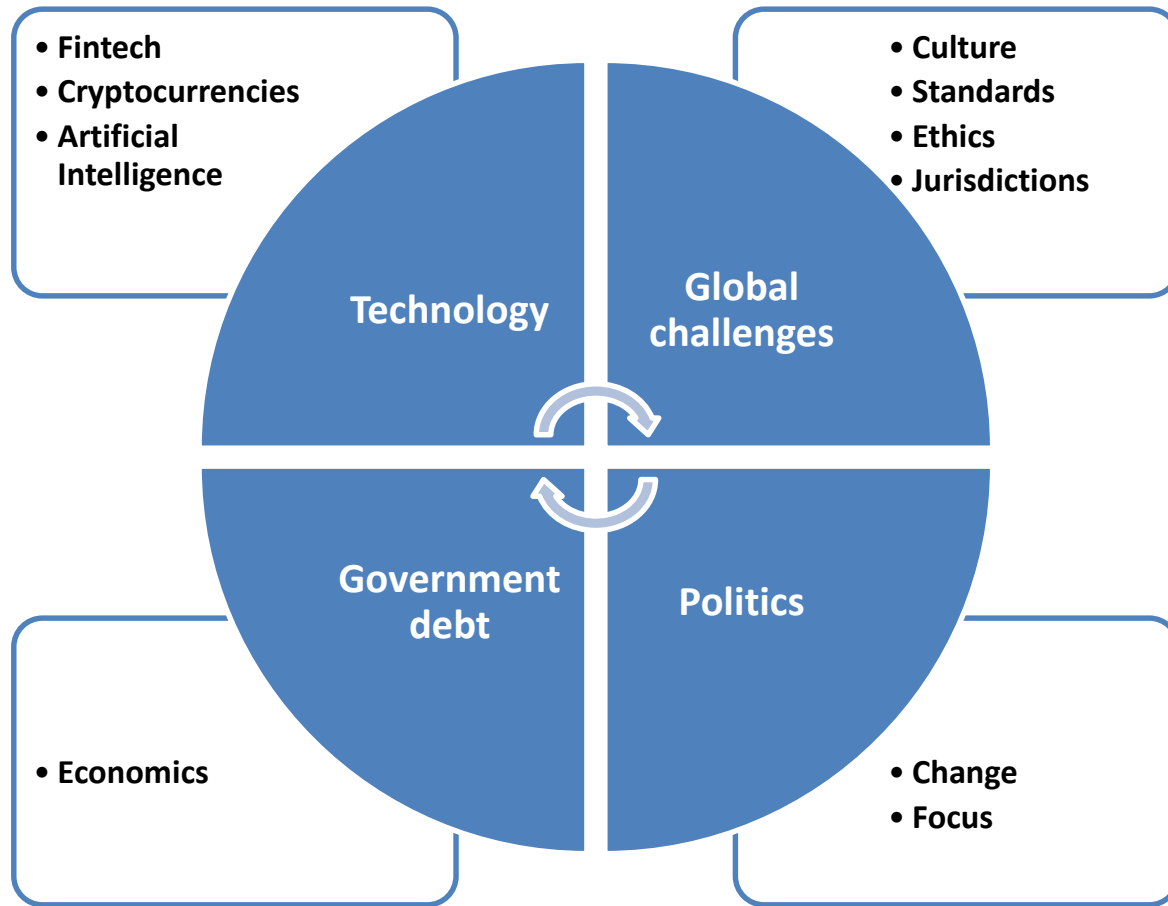
Fines

Sanctions

Company
failure

Jail!

The Future...?



Recommendations: For discussion.....

Policy

Procedures

Structures

Training

Scandals: Conclusions

1. There is too much detailed regulation
2. Regulations are too complex to detect or prevent financial scandals
3. One size of regulation does not fit all
4. Although current forms of sanction for violation of financial regulation are severe, they don't seem to deter scandals
5. Adherence is paid to the forms and processes of regulation as much as the substance
6. Advances in globalisation present complexity and conflicts across jurisdictions arising from differences of business culture and ethics
7. Major financial centres have to develop their own specific agents of change to address financial scandals

Recommendations - Policy

Encourage professional and commercial agencies working to maintain ethical standards to collaborate more closely in order to maximise effort and reduce costs while replicating their initiatives at international level for closer co-operation.

Review the financial regulatory and compliance procedures which have been implemented since the financial crisis of 2008 to gauge their effectiveness.

Anticipate improper or illegal responses to new commercial developments, electronic advances and changes in the law through the application of risk management skills and technologies.

**Competence and skills;
Integrity;
Value to Society;
Interests of others;
Clear Communication.**

More legal powers are probably unnecessary but current procedures and red tape are time consuming and frustrating. Fewer but more robust processes are needed for compliance in such a way that they can be embedded into operating functions rather than being seen as an irritating “box-ticking” exercise.

Review best working processes so they may be applied to the fast moving changes within professional services.

Strengthen identity and verification checks on new enterprises.

Competence and skills;
Integrity;
Value to Society;
Interests of others;
Clear Communication.

Recognise and reinforce the City of London by reference to its global financial reputation but understand that ethical attitudes, legal structures and commercial processes can vary across jurisdictions, which follow different political structures and business processes.

Draw on a wider range of skills and resources to pursue e-criminals with support from commercial and law enforcement agencies. These subject area specialists would be recruited, trained and supervised.

Establish projects in commercial, professional and higher educational institutions to review, consolidate and implement developments and changes in corporate governance.

**Competence and skills;
Integrity;
Value to Society;
Interests of others;
Clear Communication.**

Recommendations - Training

Review and develop programmes for teaching ethics as well as establishing operating procedures to combat fraud in the training curricula of commercial, professional and higher education institutions.

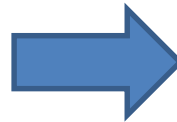
Revise Continuous Professional Development programmes through commercial, professional and higher educational institutions. Ensure that development programmes address current issues and requirements and provide financial and other resources for training staff and provide SMEs with tax relief on financial costs for both individuals and the companies for whom they work.

Encourage research into new technologies with acknowledged business application opportunities to ensure they meet security and operating standards. Where necessary, set out how external oversight might be applied.

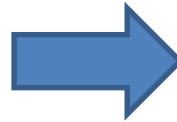
**Competence and skills;
Integrity;
Value to Society;
Interests of others;
Clear Communication.**

Scandals: For Discussion

1. **There is too much detailed regulation**
2. **Regulations are too complex to detect or prevent financial scandals**
3. **One size of regulation does not fit all**
4. **Although current forms of sanction for violation of financial regulation are severe, they don't seem to deter scandals**
5. **Adherence is paid to the forms and processes of regulation as much as the substance**
6. **Advances in globalisation present complexity and conflicts across jurisdictions arising from differences of business culture and ethics**
7. **Major financial centres have to develop their own specific agents of change to address financial scandals**



This may all appear obvious but, if that is the case, why have they not been addressed?



Is the industry so swamped by a plethora of detailed regulations, processes and procedure that it is unable to think with clarity?

Scandals: For Discussion

- ◆ It is difficult to “future proof” recommendations. Despite the conclusions and recommendations, will the industry and those who provide regulatory oversight continue to play catch-up over financial scandals?
- ◆ How many recommendations require cross-jurisdiction co-operation to be effective?
- ◆ To what extent is effective cross-jurisdiction co-operation effective?
- ◆ Do cross cultural differences provide a fundamental barrier to effective global co-operation on addressing scandals?
- ◆ Oversight of technology and code to prevent /limit financial scandals in future?
- ◆ Equipping the City of London to lead the way

Getting Smarter About Scandals In The City



Mary Inman
Partner
Constantine Canon



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**Unlocking the Power of
Whistleblowers (i.e.,
North American
Whistleblower Reward
Programs) to fight
Financial Fraud**

U.S. & Canadian Whistleblower Programs Geared at Detecting Financial Frauds

- U.S.
 - SEC: Securities & Exchange Commission
 - CFTC: Commodity Futures Trading Commission
 - IRS: Internal Revenue Service
- Canada
 - OSC: Ontario Securities Commission
 - OTIP: Offshore Tax Informant Program

How North American Whistleblower Programs Differ from European Approach to WBs

- Seek to do 3 Things:
 - PROTECT
 - EMPOWER
 - REWARD \$\$\$

A Uniquely North American Phenomenon

EU-Other Countries

- Reactive
 - ✓ Whistleblower protections against retaliation

U.S./Canada

- Reactive
 - ✓ Whistleblower protections against retaliation
- **Proactive**
 - ✓ **Report**
 - ✓ **Ability to assist**
 - ✓ **Pursue Independently**
 - ✓ **Share**

Government's primary tool for prosecuting fraud

Well-placed insider provides road map
to the fraud

VS.

Government audits from the outside

Government's primary tool for prosecuting fraud

Senator Chuck Grassley:

“Going after waste, fraud and abuse without whistleblowers is about as useful as harvesting acres of corn with a pair of rusty old scissors.”

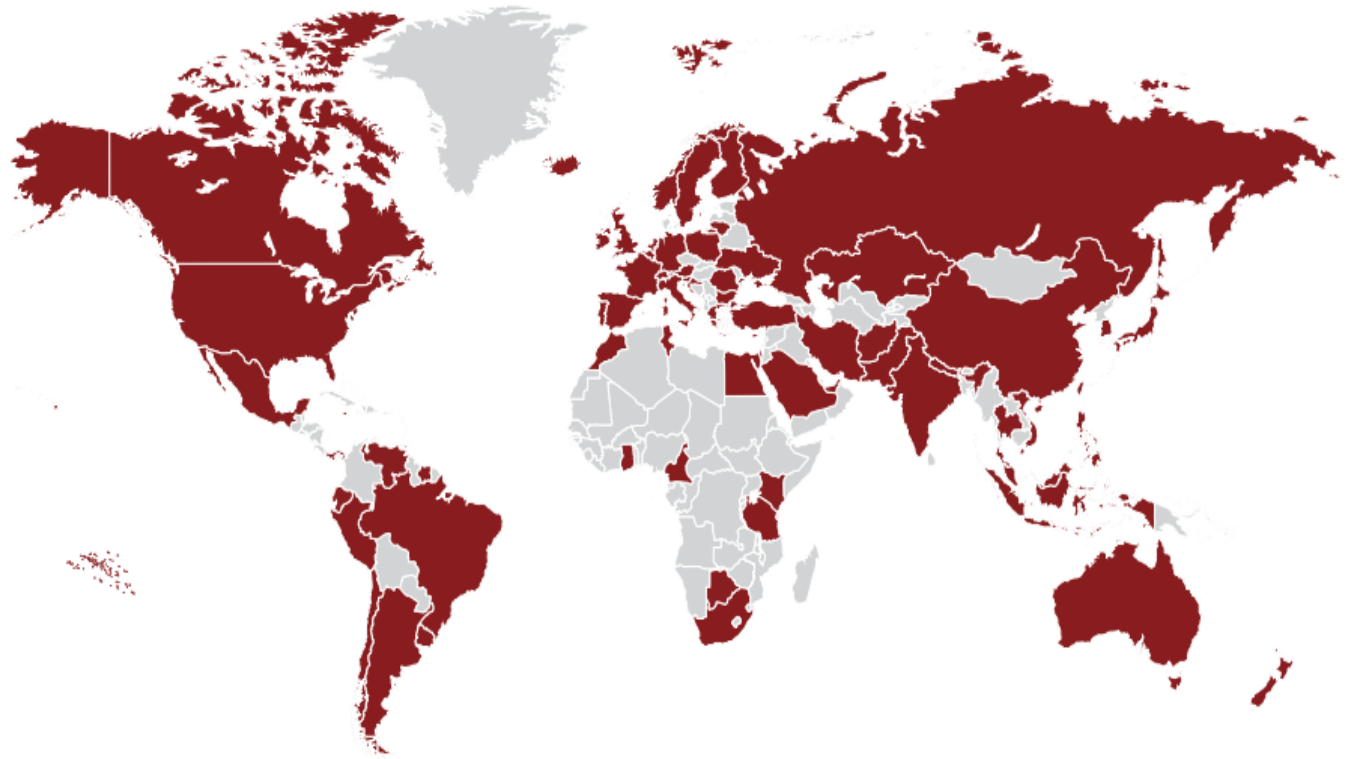
Former Acting Assistant AG Chad Readler:

“Because those who [commit fraud] often hide their misconduct from public view, whistleblowers are often essential to uncovering the truth.”

Whistleblowers Without Borders: International Application of U.S. Whistleblower Laws

- ❑ Need Not be U.S. citizen or resident to be a WB under American WB laws
- ❑ Fraud must have U.S. nexus – Need not occur in the U.S.

Sources of SEC tips in FY 2018



Source: SEC 2018 Annual Report to Congress on the Whistleblower Program, www.sec.gov/whistleblower

Countries (Outside US) with Most SEC Tips from WBs

Country	2011	2012	2013	2014	2015	2016	2017	2018	Total
U.K.	9	74	66	70	72	63	84	85	523
Canada	1	46	62	58	49	68	73	89	446
China	10	27	52	32	43	35	39	40	278
Australia	3	21	15	29	29	53	48	45	243
India	0	33	18	69	33	20	14	26	213

Increase in International Whistleblowers Filing Tips under SEC WB Program

London/UK: presence of financial services industry – securities fraud

- LIBOR manipulation
- Foreign Exchange rate (FX) manipulation

Increase in International Whistleblowers Filing Tips under SEC WB Program

Foreign Corrupt Practices Act (FCPA) violations

- VimpelCom
 - \$795M Global Settlement to win business in Uzbekistan
 - \$100M bribe to daughter of Uzbek President

Top SEC/DOJ Settlements in 2018 for FCPA Violations

Offender	Amount	
Petroleo Brasileiro	\$1.8B	Paying billions of dollars in bribes to Brazilian politicians
Société Générale	\$585M	Paying millions in bribes to Libyan “broker” in connection with Libyan state-owned financial institutions
Panasonic	\$280M	U.S. subsidiary offered a lucrative consulting position to a government official to entice him to give Panasonic more business
Credit Suisse	\$77M	Offered employment to family and friends of Chinese government official to garner more business
Legg Mason Inc.	\$64M	Subsidiary partnered with Société Générale in connection with investments in Libyan state-owned financial institutions (as above)
Sanofi	\$25M	Paid bribes to government officials, and kickbacks to healthcare providers, in Kazakhstan and the Middle East

Whistleblowing Works

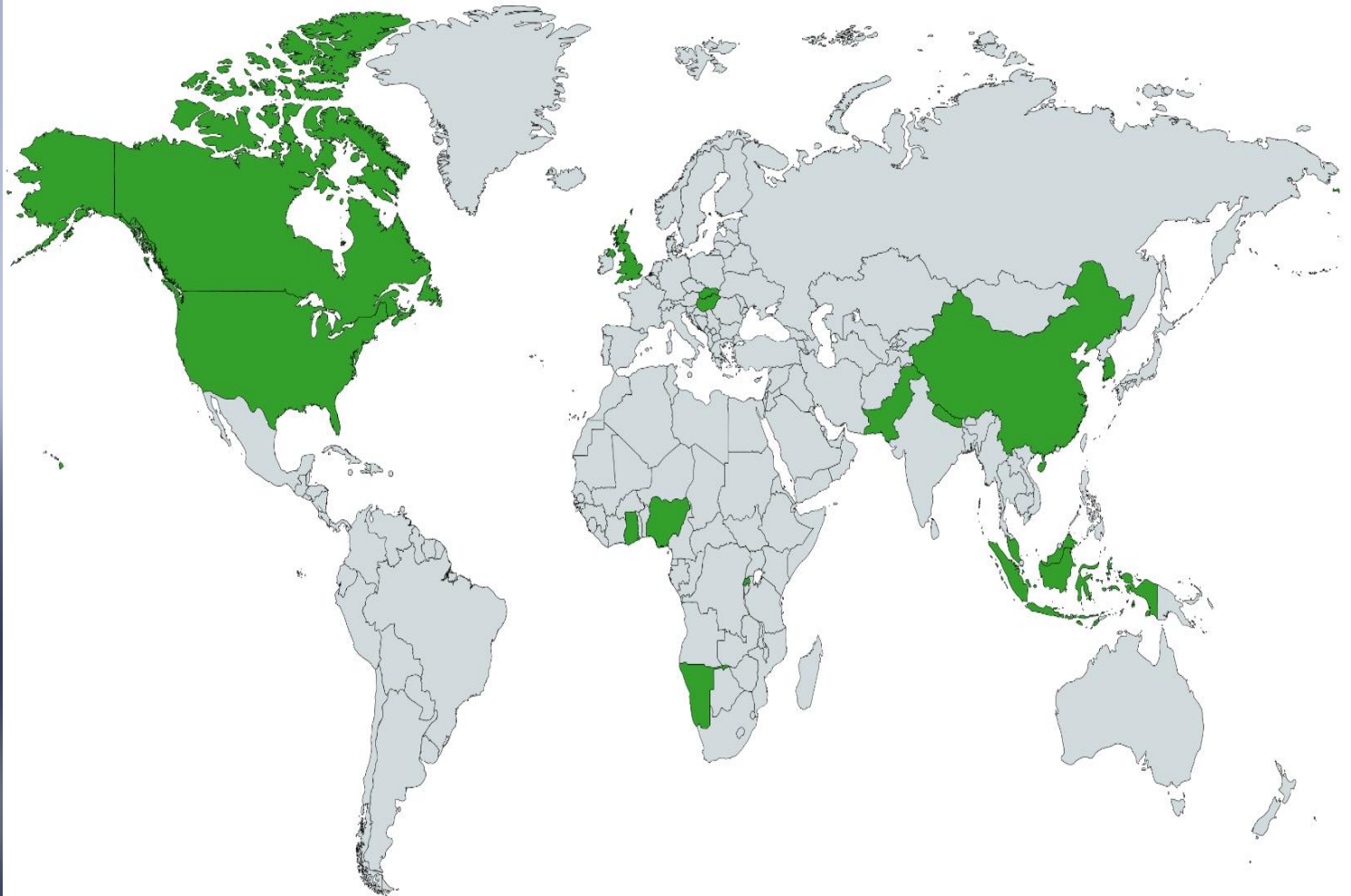
Improved Outcomes in
Government Enforcement

SEC WB Program

- Program Overall (2010 to 2018)
 - WB info helped SEC secure over \$1.7B in sanctions to wrongdoers (up from \$1B reported in FY 2017)
 - 59 WBs have received ~\$326M in awards
 - FY2018: \$168M paid to WBs

INTERNATIONAL WHISTLEBLOWER LAWS

Countries with some form of whistleblower reward



Canada

- **Ontario Securities Commission**
Largely identical to US SEC WB program
 - Awards range from 5% to 15%
 - Awards are capped at \$5M
 - March 2019, OSC paid \$7.5M to 3 WBs
- Expose violations of Ontario Securities law/securities
- Companies traded on Toronto Stock Exchange

Canada

- **Offshore Tax Informant Program (OTIP)**
WB rewards for exposing Offshore Tax Evasion
 - Tip must lead to at least CAD\$100K recovery
 - Award of 5-15% of tax recovered (ex. interest and penalties)
 - No award payment until full amount recovered and case finalized
 - As of 31 March 2018, the Canada Revenue Agency (CRA) has entered into 30 contracts with WBs and identified CAD \$29M in additional taxes and penalties, although no awards appear to have been paid (yet)

UK

- **HMRC**
 - pays discretionary awards
- **Competition Markets Authority**
 - up to £100,000 reward for reporting illegal cartel activity
- **Private Prosecutions**
- **CPS – pays informants**
- **PROPOSALS/MORE TO COME?**
 - Proceeds of Crime Act (POCA)
 - FCA – 2016 flirtation w/ incentives & rejected
 - Ongoing interest in Parliament – **APPG for Whistleblowing**
 - Stephen Kerr MP/Baroness Kramer/Andrew Mitchell MP

Panel Response



Brian Basham
CEO
Broad Street Group



Nigel Webb
Partner
FTI Consulting


Questions, Comments & Answers(?)



Getting Smarter About Scandals In The City
 Professor Tim Connell & Mary Inman, Partner at Constantine Canon LLP & Head Of International Whistleblower Panel
 18:00 Tuesday, 16 April 2019
 Pewterers' Hall, City of London



Conference: Belt, Road & Bridge: Creating New China-Europe Connections
 09:00 Wednesday, 01 May 2019
 Honourable Artillery Company, City of London



Gala Dinner: Belt, Road & Bridge: Creating New China-Europe Connections
 Professor Michael Mainelli, Mike Wardle
 18:00 Wednesday, 01 May 2019
 Honourable Artillery Company, City of London



Institutional Trading Liquidity
 Robert Barnes, Chartered FCSI Global Head of Primary Markets & CEO Turquoise, London Stock Exchange Group
 18:00 Wednesday, 15 May 2019
 Pewterers' Hall, City of London




The Journey From FCA Sandbox To Full Authorisation
 Myles Milston, CEO Globacap
 18:00 Wednesday, 29 May 2019
 Pewterers' Hall, City of London



The Future Of Financial Trade Associations
 Paul Smee, P2P Lenders Association & John Barrass, PINFA
 18:00 Tuesday, 11 June 2019
 Pewterers' Hall, City of London



Presentation, Book Signing & Exhibition: Gresham's Law
 Dr John Guy
 18:00 Monday, 17 June 2019
 Guildhall Library, Guildhall, City of London



Dinner: Smart Jurisdictions Index: The Regulatory Environment For BlockChain Technology
 Mike Wardle, Z/Yen Group
 18:00 Thursday, 27 June 2019
 Painters' Hall, City of London



The Past & Future Of Pensions
 Lesley Titcomb, Chief Executive of The Pensions Regulator
 18:00 Wednesday, 10 July 2019
 Pewterers' Hall, City of London



Blockchain & The Quantum Threat
 Maury Shenk & Guest TBD
 18:00 Thursday, 18 July 2019
 Pewterers' Hall, City of London



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FS Club



Thank You!