

HORIZON

from
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December 2021 Edition

HIGHLIGHTS

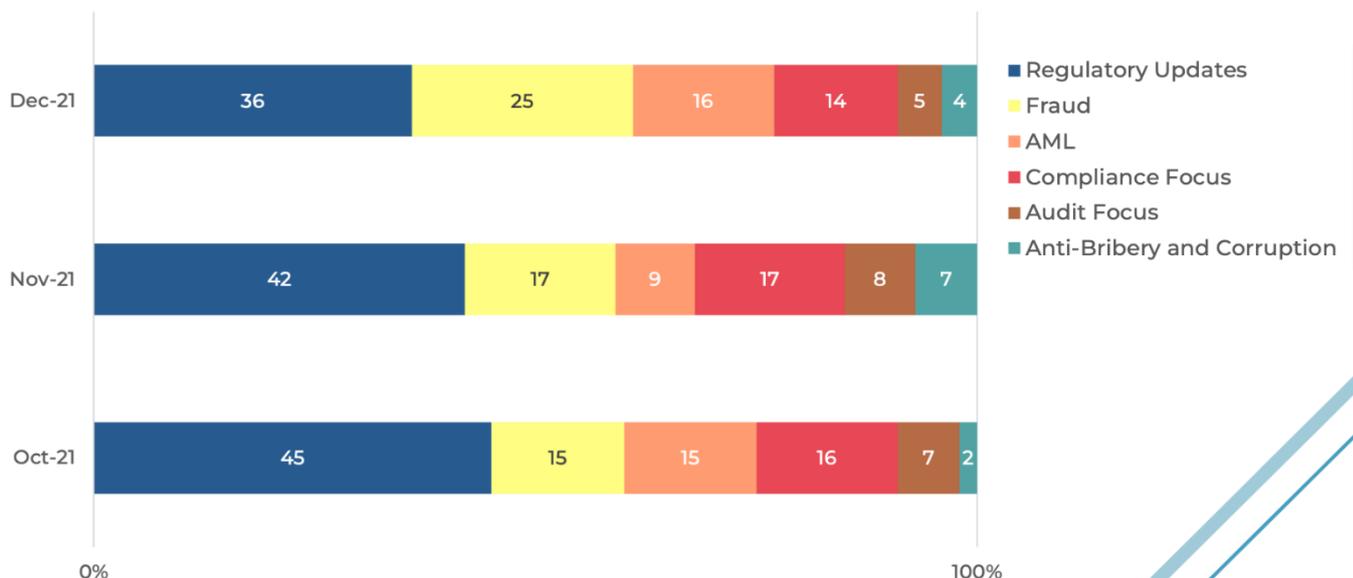
- Regulators levied a \$200m fine for employee communication monitoring failures. This is the second fine we have seen in this area in the last 3 months. We anticipate more focus on record-keeping within internal controls over the coming months.
- There was a spike in *Insider Trading* cases reported in December, including a deal reached between the SEC and a Swiss trader who allegedly made at least \$70m at the centre of an international insider trading ring.
- LIBOR*-related news increased as the 31-Dec-21 deadline for the bulk of tenors came and went.

CATEGORY OVERVIEW

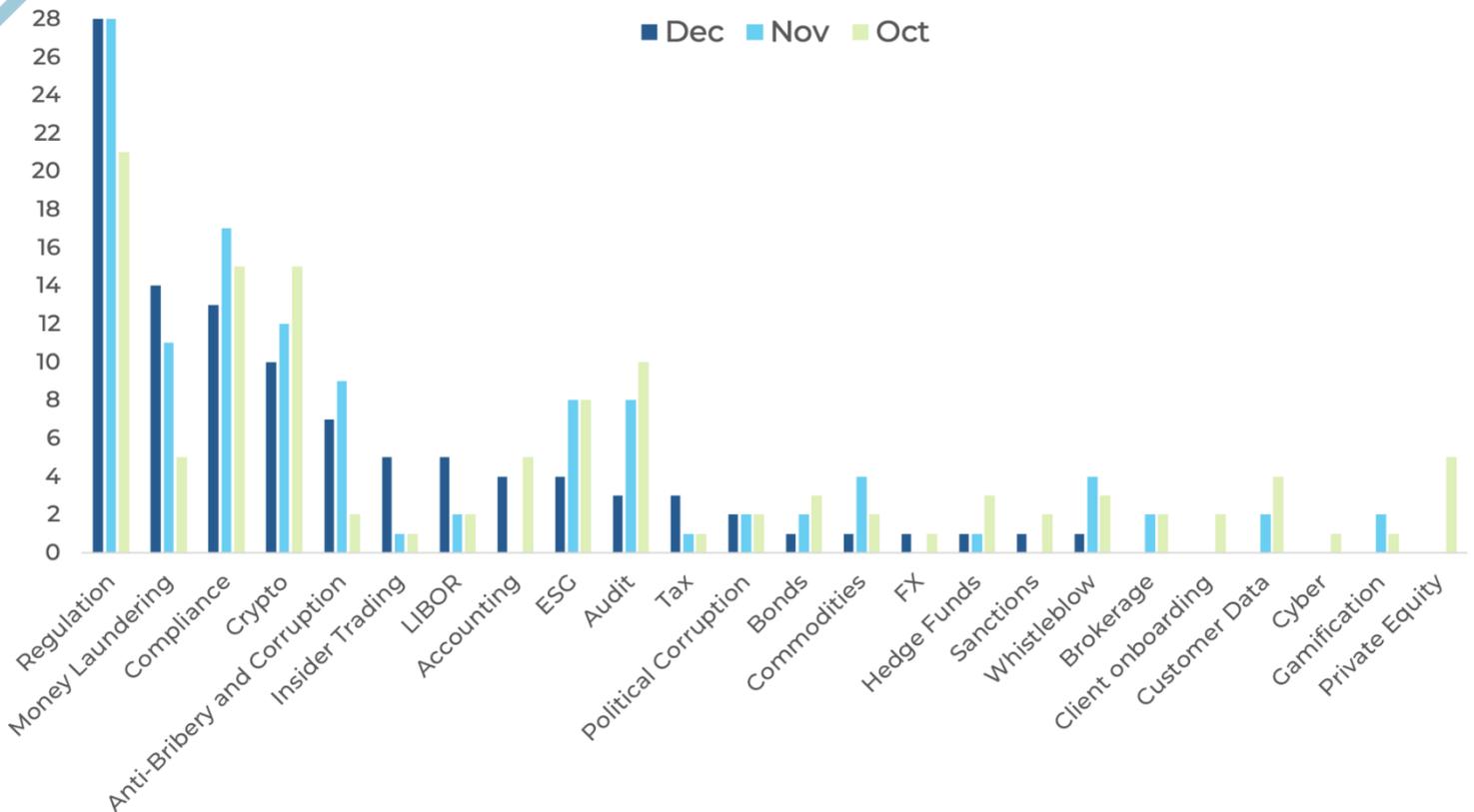
There was a relative drop-off in the share of the news relating to *Regulatory Updates* during the month of December. A reduction is understandable heading into the holiday period, which may also impact on January's numbers.

Conversely, there was an increase in news stories relating to *Fraud*. This increase in prominence in *Fraud* is not explained by one or two cases dominating the headlines, but rather a higher number of seemingly unrelated stories. December also saw *AML* return to its October level after a dip in November. Finally, *Audit Focus* and *Anti-Bribery and Corruption* remained roughly at the same level as seen through October and November, with only a very slight drop in *Audit Focus*.

SKADI Sammendrag Articles by Category



SKADI Sammendrag Articles by Topic



TOPIC DETAILS

Insider Trading saw the biggest change from our previous months' data, increasing to five articles from just one each month in October and November. This rise is mostly the result of one big case - the deal reached between the SEC and the Swiss trader at the heart of an insider ring. Consequently, we expect December was a one-off peak for *Insider Trading*, rather than a trend that will continue into the New Year.

There was an increase in articles relating to *LIBOR* in December, as the 31-Dec-21 deadline came and went. At the end of 2021, all EUR and CHF LIBOR rates, as well as the overnight / spot next, 1-week, 2-month and 12-month GBP, JPY LIBOR and the 1-week and 2-month USD LIBOR settings were concluded. We expect the frequency of this topic to continue into January, as institutions continue to adapt to the changes, coupled with delays and concessions already made by the FCA over usage of the synthetic LIBOR rate.

In the US, the final five USD LIBOR rates will not be fully phased out until June 2023. The US House approved legislation in early December to protect trillions of USD of assets by automatically shifting them to a new benchmark and providing "safe harbour". The bill now passes to the Senate, where the hope is it will be quickly ratified. Any delay here could be problematic for LIBOR transition, and we anticipate therefore that LIBOR-related stories will continue to feature until this is resolved.





On 22-Dec, a report was published by the U.S. Government Accountability Office detailing the shortcomings in the fight against trade-based money laundering. The key recommendations relate to increasing the sharing of data and information between different federal bodies. This report could result in an overhaul of the system for reporting suspicious transactions. This is certainly something to look out for over the coming year, and we expect to see more on this topic.

Regulation maintained its position as the most common topic for a third consecutive month. We expect to continue to see a high number of articles relating to *Regulation* this year following on from the European Commission's proposals regarding MiFID/R III announced at the end of October last year. This is likely to include the introduction of an EU-wide consolidated tape, as well as a potential ban on payments for forwarding client orders for execution.

This month there was a slight dip in *Compliance* and *Crypto* headlines in the financial news. This is most likely explained by the dip in news-flow coming into the holiday period. There was also a noticeable drop-off in ESG related articles, which was forecast in November's HORIZON after a prevalence in the news during the COP26 summit.

Money Laundering did not follow this pattern and saw a second consecutive month of substantial increases. As is typical with The SKADI Sammendrag, a wide range of news from across the globe is covered and thus this increase cannot simply be explained by several featured articles on one or two significant cases. This rise is not the result of the FCA settling two large cases in December, but rather news covering eleven different stories from across the whole spectrum of the financial markets, showing that regulators globally continue to focus on this threat.

There were no featured stories relating to *Private Equity* during December. The prominence in October was due the FCA finalising new rules for investment funds. This helps explain why there is such a contrast between October and the subsequent months. That being said, we might expect to see a return in January, as investment decisions are being made ahead of a new calendar year.

Coming into the New Year, the underlying driver for change remains the outlook for interest rates and inflation.

KEY STORY / THEME

On 17-Dec, JPMorgan agreed to pay a \$200m fine (\$125m to SEC and \$75m to CFTC) relating to lapses over monitoring employee communications.

From at least Jan-18 to Nov-20 JPM admitted that some of its employees communicated about securities business matters on personal devices, including texts, WhatsApp and personal email. Such communications are required to be maintained under CFTC-mandated recordkeeping requirements.



Managing directors and senior supervisors who were responsible for ensuring compliance with the Banks's policies also used non-approved forms of communication. The CFTC found that JPMorgan did not maintain adequate internal controls, whilst the SEC highlighted the recordkeeping failures prevented the SEC being supplied evidence, hindering their ability to investigate potential violations.

The JPMorgan fine follows a similar settlement in October 2021, where the CTFC sanctioned UBS with a \$500,000 fine for failing to maintain audio recordings pertaining to over 1,000 hours of audio data. Such recordings are required to be held for one year under CFTC regulations.

Given that both of these fines relate to periods pre-lockdown, and that record-keeping challenges will have been further exacerbated when workers were told to work from home, we anticipate further stories around recordkeeping and internal controls in the coming months. Indeed, at the end of the 17-Dec ruling, the SEC announced that it "...has commenced additional investigations of record preservation at financial firms." As firms have adapted to this "new normal", the excuse of hybrid working practices will no longer wash!

What is it we're doing here?

Released every morning, the SKADI Sammendrag covers headlines to assist Compliance, Internal Audit and control teams. In this monthly research document, HORIZON, we collate and analyse these 100 or so articles. Last month's research can be viewed [here](#).

The methodology we use in HORIZON is simple. Each headline we publish is tagged with a broad "category" label, and a more detailed "topic" tag, to allow us to run detailed analysis. We understand that there is a certain amount of human judgement in these tag choices, but as the dataset builds, the human judgement on an individual story level will be diluted and (we hope) themes will start to emerge.

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