

# HORIZON

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## HIGHLIGHTS

- *Money Laundering* dominated the headlines in January, to an extent not seen since we started The SKADI Sammendrag.
- Casinos under the microscope. In our Key Story this month we look at the crackdown on the casino sector in multiple jurisdictions.
- As anticipated in December, *LIBOR*-related news remained in the headlines.

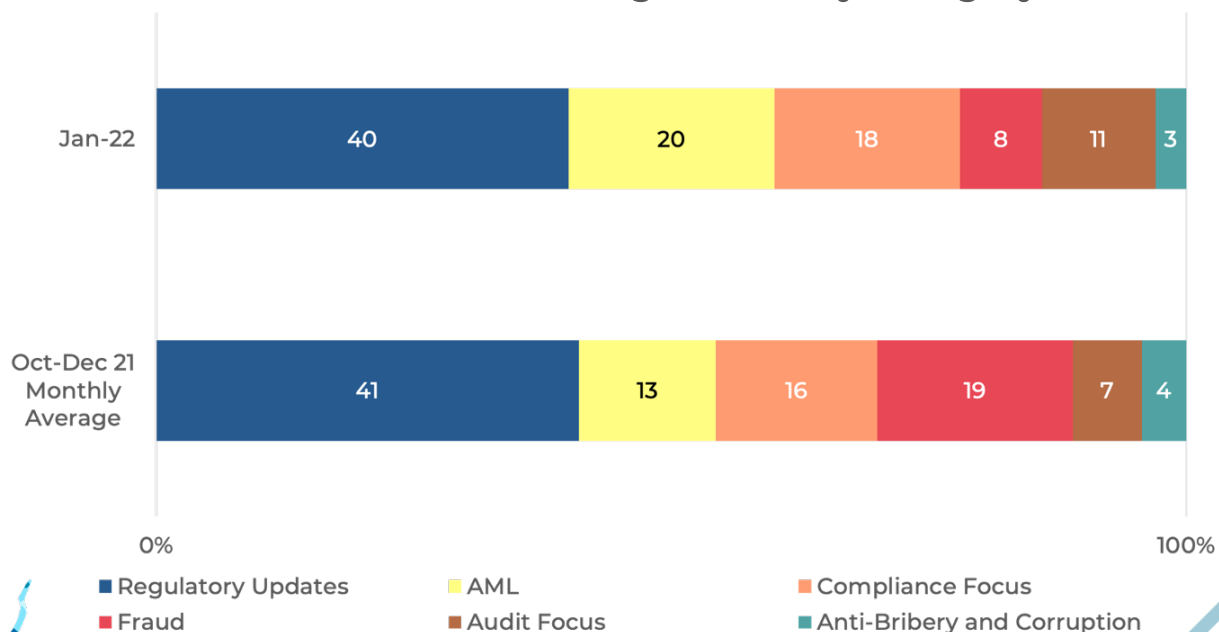
## CATEGORY OVERVIEW

After a slight drop-off in *Regulatory Updates* in December, they once again accounted for 40% of news stories featured in the SKADI Sammendrag in January.

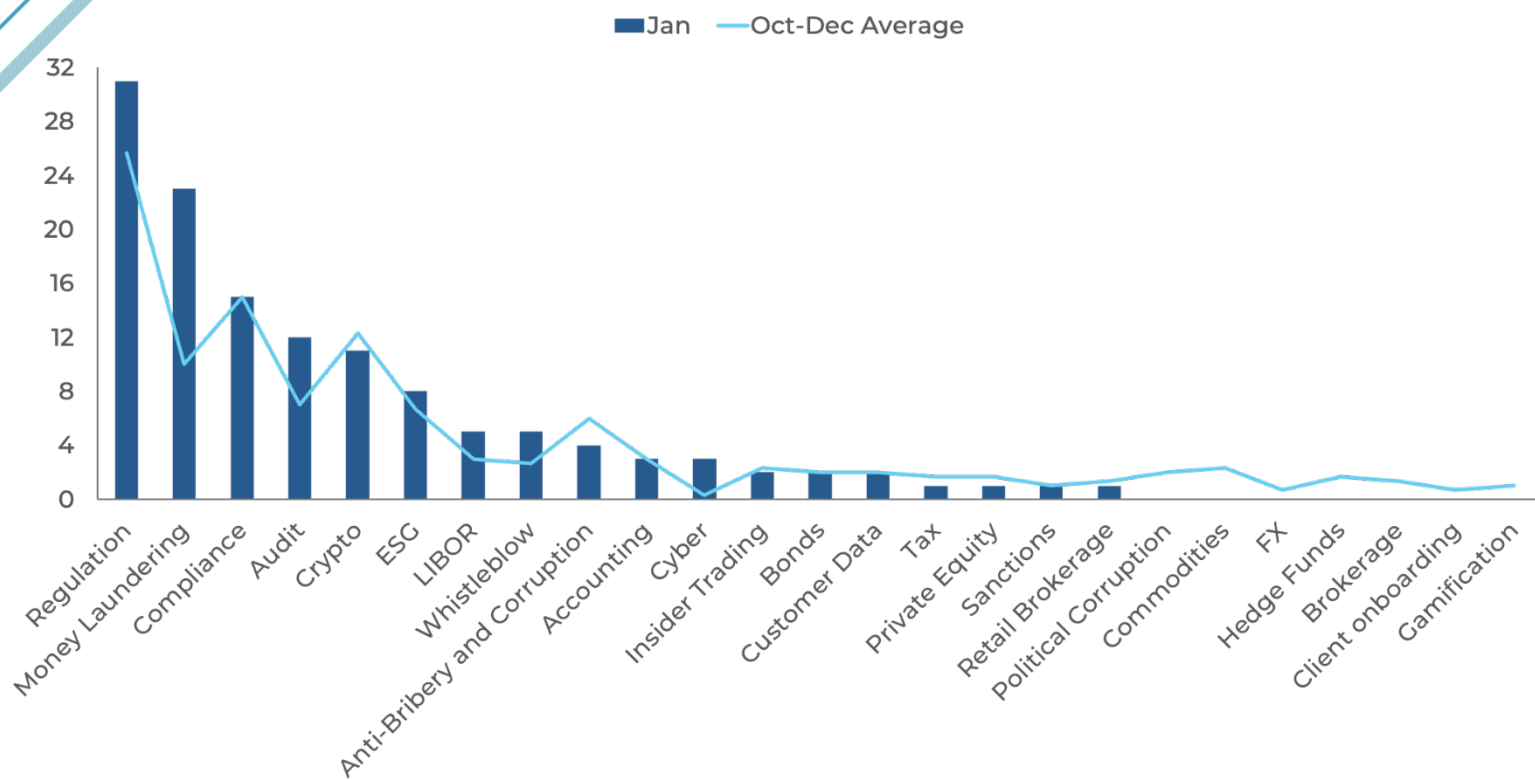
The rise in *Fraud* headlines in December appears to have been a temporary spike, as they fall to below half their 3-month average in January. This is surprising given the increase last month was the result of many unrelated cases, not just one or two anomalous cases that we would expect to drop out of the headlines one month later.

There were also substantial increases in stories relating to *AML* and *Audit Focus*, compared to previous months, which we discuss in more detail on the following pages.

SKADI Sammendrag Articles by Category



## SKADI Sammendrag Articles by Topic




### TOPIC DETAILS

Since we launched the SKADI Sammendrag, we have seen continual growth in prominence of stories relating to *Money Laundering*. January saw a third successive significant rise, from just 14 articles last month to 23 in January. In contrast, there were just 5 such stories in The SKADI Sammendrag in October. What is most striking about this month's rise is that only one of the articles referred to a specific case. Every other headline regarding money laundering discussed the increased risks and scale of money laundering in multiple jurisdictions, including the UK, the UAE, Australia, and Macau.

We expect this trend to continue far into 2022, for two main reasons. First, the Biden administration announced that two of its key enforcement priorities would be countering money laundering and corruption. The initiative, known as the *U.S. Strategy on Countering Corruption*, focuses on curbing illicit finance. The strategy centres on "following the money" to root out corruption and is likely to include imposing new regulations aimed at increasing transparency of corporate structures. It will also look at increasing gatekeeper accountability and strengthening collaboration between agencies and enhancing their powers to improve money laundering enforcement results.

Secondly, several headlines in January highlighted record amounts of money laundered using Decentralised Finance (DeFi) and cryptocurrencies. According to an FT story, a record USD 14bn flowed into crime-linked wallets in 2021. This should come as no surprise given the exponential increase in their use in 2021. We expect money laundering enforcement to be a key aspect of any future regulation efforts over the next year.





Another topic which saw a dramatic increase in January was *Audit*, featuring in 12 articles in January, compared to just 3 in December. This is unsurprising given the high-profile disciplinary tribunal against KPMG and several individuals that commenced on 10-Jan. The Financial Reporting Council's (FRC) formal complaint alleges misconduct over KPMG's audit of the financial statements of Carillion and Regeneris. Revelations made public during the tribunal have made headlines and also triggered further articles concerning the potential scale of the problem, with the FRC stating that they expect to pursue more enforcements over the next few years. As the tribunal continues into February, we expect *Audit* to remain in the headlines.

In addition, articles this month included news of the appointment of the new Financial Reporting Council president, Sir Jan du Plessis. In a similar sentiment to the aforementioned pledges by President Biden, he has vowed to shake up regulation of the audit and accounting sector. We expect to see more details of these policy implementations in the coming months.

As discussed in [last month's edition of HORIZON](#), *LIBOR* remained topical in January. This was the combined result of financial regulators making statements regarding LIBOR's cessation and a few significant deals shifting from using LIBOR to the relevant alternative rate. We expect *LIBOR* headlines to continue throughout the year.

*Compliance*, *Crypto* and *ESG* all remained among the most popular topics covered in The SKADI Sammendrag last month. As has been the case for a while now, the *Crypto* news was dominated by speculation and commitments made by authorities regarding their positions on imposing regulation. Unlike previous months, around half of the *ESG* articles in January were concerning Social and Governance issues rather than Environmental ones, which have accounted for the vast majority of stories since we started collecting this data. Some of these cases, such as the European Banking Authority's finding that asylum seekers are being shut out of the banking system, are unlikely to be one-off articles. We expect this issue to continue being featured in the news.

*Insider Trading* returned to its pre-December average after last month's spike. As predicted in last month's Horizon, December was an anomalous month due to several headlines over one large case - the deal reached between the SEC and the Swiss trader at the heart of an insider ring.

There was also a slight rise in *Whistleblow* and *Cyber* headlines in January. The former mostly reflects separate, unrelated pay-outs made by the SEC. The latter, however, was the result of SEC Chairman Gary Gensler indicating that further cyber-security regulations will be forthcoming. Towards the end of the month, Gensler remarked that he has looked into broadening and deepening the SEC's 2014 Reg SCI, stating that "a lot has changed" since the bill was passed.

The rest of the topics in last month's news were roughly in line or below their 3-month average. However, they are all the least common topics and as a result this is not unexpected.



## KEY STORY: CASINOS UNDER THE MICROSCOPE

An ongoing theme in January was the crackdown on money laundering through casinos across multiple jurisdictions. This has primarily been seen in Macau, where the cabinet drafted a new law concerning tightening of regulations on casino operators. The aim of these changes is to align the special administrative region with China's national security needs. This is the biggest overhaul in regulations in the last 20 years. However, some of the measures that were proposed initially have been dropped, such as having to seek government approval before distributing profits to shareholders.

A key motivation of these regulations is curbing illicit cross-border flows and money laundering. This was further demonstrated at the end of the month when the Macau Legend Development Ltd CEO was arrested on suspicion of illegal gambling activities and money laundering. According to Reuters, data released at the end of 2021 showed over 80,000 arrests were made by Chinese authorities over illegal cross-border gambling.

Interestingly, Macau was not the only jurisdiction to see AML crackdowns on casinos last month. The Australian Transaction Reports and Analysis Centre have broadened their investigation into Star Entertainment Group, Australia's second-biggest casino operator. The regulator is looking into customer due diligence failings and other compliance failures.

As more 'traditional' methods of laundering money are disrupted, launderers are seeking other avenues to move illicit earnings. As regulators such as the FCA have described ([TR19/4: Understanding the Money Laundering Risks in Capital Markets](#)), the wholesale financial markets offer liquidity, complexity, cross-currency conversion opportunities and many of the other qualities launderers desire. To address this problem, SKADI have developed a new AML trade surveillance software to identify suspicious trading activity that does not make economic sense. Find out more about ODIN [here](#), or contact us using the methods at the bottom of this page.

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### 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, finding themes and areas of focus for control functions.

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