

COMPLIANCE UPDATER

Regulatory and compliance news in brief

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Germany's BaFin warns Binance over "stock tokens".

Binance, the cryptoassets exchange, has been warned by German regulator BaFin that its issues of "stock tokens" may require an accompanying prospectus. BaFin has launched stock tokens linked to a number of well-known company shares including Microsoft, Apple and Tesla. The stock tokens can only be purchased in cryptocurrency and then give the owner a non-transferable asset that generates a return equivalent to a share in the underlying company. Binance did not include any prospectus with the stock token issues.

Archegos preparing for insolvency.

Family office Archegos Capital is preparing for insolvency and is about to face a legal battle with its prime brokers. The family office of former hedge fund professional, Bill Hwang was trading on leverage of \$50bn when it failed to meet margin calls that resulted in its prime brokers closing out positions to crystallise around \$10bn of losses. Six banks – Credit Suisse, Nomura, Morgan Stanley, UBS, MUFG and Mizuho – are expected to launch legal claims against Archegos. Credit Suisse is thought to have made just SwFr16m of revenue and lost \$5.4bn on its Archegos involvement.

Malaysian state fund suing banks for breach of duties.

1MDB, the Malaysian state fund that was plundered to buy property, art, and jewellery at a cost of more than \$23bn is suing Deutsche Bank, Coutts, JPMorgan and more than twenty individuals over misconduct including fraudulent breach of duties, conspiracy, and breach of trust. The banks are accused of acting as conduits for the corrupt practices.

FCA formally investigating Greensill Capital.

A House of Commons Treasury Select Committee probe into collapsed supply chain finance company Greensill Capital revealed that the Financial Conduct Authority (FCA) is formally investigating what happened.

SFO investigating Gupta Family Group Alliance.

The UK Serious Fraud Office (SFO) is investigating Sanjeev Gupta's Family Group Alliance for suspected fraud, fraudulent trading, and money laundering. The investigation of the metals empire that includes Liberty Steel and employs thirty-five thousand globally will include its financing arrangements with Greensill Capital.

Credit Suisse facing pressure to compensate clients over Greensill.

Credit Suisse is facing calls to compensate investors in the supply-chain finance funds linked to collapsed Greensill Capital. More than one-thousand customers invested in the \$10bn suite of funds described as low-risk products. Credit Suisse suspended the funds and investors, including a former Qatari prime minister, and many other ultra-high net worth individuals and pension funds are estimated to be facing around \$3bn of losses.

FCA instructs FinTech firms to warn customers over risks.

The UK's FCA ordered more than three-hundred e-money licence firms to write to their customers within six weeks to remind them that their accounts are not covered by the Financial Services Compensation Scheme (FSCS).

US crackdown on cryptocurrency transfers proposed.

The US government is proposing to require transfers of more than \$10,000 worth of cryptocurrency to be reported to the tax authorities. The proposal is part of the Biden administration's attempt to curb tax evasion.

Goldman Sachs invests in anti-financial crime AI firm.

Goldman Sachs invested \$20m in Comply-Advantage, a seven-year-old artificial intelligence firm that uses machine learning to detect and analyse potential financial crime risks.

EU fines UBS, Nomura and UniCredit €371m over bond trading cartel.

The EU antitrust regulator fined UBS, Nomura and UniCredit for collusive and manipulative behaviour. The total fine of €371m was for acting as a cartel by providing each other with trading strategies and bidding details in the euro-denominated bond market.

Special investigation report into EY and Wirecard filed.

A confidential report was filed with the German parliament about EY's audit of collapsed payment processor Wirecard. It is understood to be highly critical saying that EY failed to scrutinise Wirecard's Asian operations that lay at the heart of the fraud. The Asian operations appeared to generate half of Wirecard's revenues and all of its profits.

Three money launderers sentenced after cash seizures.

Three individuals were sentenced in London for money laundering after the London Metropolitan Police's largest ever single cash seizure. A Fulham flat was found to contain £5.082m of cash "under the beds, in cupboards and on the floor". Subsequent related seizures involved a further £300k or so. The large cash pile was put down to the Covid pandemic exacerbating the difficulty of getting rid of dirty cash.

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