

Compliance & Risk

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Gold market comes under regulatory spotlight

As international investigations into the possible manipulation of prices in the foreign currency markets continue, the scope of the scrutiny is widening to take in the bullion markets.

Law suits have been filed by US class action lawyers alleging collusion between the five financial institutions that oversee the fixing of the London gold price, the twice-daily benchmark used by miners, jewellers and central banks to value bullion. The five banks concerned, HSBC, Deutsche Bank, Barclays, Bank of Nova Scotia and Société

Générale, all strongly deny any wrongdoing.

The US action, though, is given weight by the fact that Germany's financial regulator has also requested documents from Deutsche Bank as part of an investigation into potential manipulation of gold and silver prices.

Further, the focus on the bullion markets is likely to intensify following recent admissions by UBS, in its annual report, that its own internal review of its foreign exchange business has been extended to cover its precious metals operations.

UBS has consistently been at the forefront of revelations concerning recent regulatory investigations, in particular the probe into the fixing of LIBOR and other inter-bank lending rates.

The Swiss bank, which is one of the eleven market-making members of the London Bullion Association, has said, "A number of authorities also are reportedly investigating potential manipulation of precious metal prices. UBS has taken and will take appropriate action with respect to certain

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EU Commission describes levels of corruption as "breathtaking"

The EU Home Affairs Commissioner, Cecilia Malmstroem, has recently presented a report on the extent of corruption in Europe, describing the problem, said to cost the EU economy at least €120bn a year, as "breathtaking".

In the first survey of its kind, the Commission studied corruption in all 28 EU member states before producing the report which suggests there are high

levels of bribery in certain areas of the EU.

For example, in Croatia, the Czech Republic, Bulgaria and Greece, 6 to 29% of respondents said they had been asked for or expected to pay a bribe in the previous 12 months. The UK had the best result in Europe, with less than 1% of those surveyed saying they had been expected to pay a bribe.

National governments, which have the primary responsibility for fighting corruption in the EU, had joined with the European Parliament in commissioning the EU-wide survey which highlights a number of important issues.

The study showed that public procurement remains vulnerable to corruption and the

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