The importance of protecting businesses against financial crime

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For the most part, cases of financial crime occur in secret and are therefore difficult to detect, even for auditors and compliance staff. Other times, the cases are due to ignorance of rules or a lack of awareness of the issues posed by a certain type of conduct. Once the internal controls, precautions or policies of a company fail, the company may find itself in trouble.

The result is often that the company, owners and investors incur significant financial losses while also facing the risk of severe harm to their reputation.

It is therefore important that companies put in place the compliance measures necessary to safeguard against financial crime in its various forms.

Most of these cases are quite complex to conduct and typically require a number of studies or actual investigations in order to uncover the details.

A key element in preventing these cases is that the organisation's employees know what the prohibited or problematic conduct is. This should therefore be analysed and described. Some companies need to focus on business conduct or ethics. In particular, this may involve limiting the risk of bribery and kickback cases.

Another area concerns losses resulting from the employee or third-party crime against the company. This type of case includes, in particular, cases of fraud, embezzlement, theft or deception.

Finally, in recent years – following the emergence of the Danske Bank case – there has been considerable focus on the involvement of companies in illicit money and payment flows. This type of case concerns issues such as the receipt or handling of proceeds of crime and money laundering.

The development of appropriate compliance measures for businesses to address financial crime depends partly on actual requirements, legislation and guidance from authorities, and partly on experience.

Increasingly, demands from insurance companies and banks also play a role, just as measures against bribery or corruption, GDPR and money laundering, among others, are not infrequently a theme of their own in connection with business transfers.

In addition, management makes various management declarations in a number of different contexts, including knowledge of cases and compliance with such rules. If such declarations are later found to have been made on an incorrect basis, it may lead to management liability proceedings against those concerned.

Typical actions for companies will include the design of policies and internal prohibitions, as well as the development of compliance programmes, investigation methodologies and due diligence requirements, including in the context of establishing customer or supplier relationships. The content of the different actions varies according to the size of the company, the sector, the countries in which it operates or trades, the location of its employees and its previous experience.

In any case, it is extremely important that companies address the risks of financial crime – and it will often be appropriate to use external assistance to do so.