



CLYDE&CO

Corporate Crime

How to help your insureds expect the unexpected:
Fraud, scams and regulatory investigations

Wednesday, 8 November 2023

Agenda

- Trends in internal fraud and employee theft
- Practical tips to help your Insureds respond when they discover fraud or theft
- An update on the latest trends in third party scams and social engineering
- Enforcement priorities of regulators
- Managing dawn raids and regulatory notices
- Trends in management liability insurance



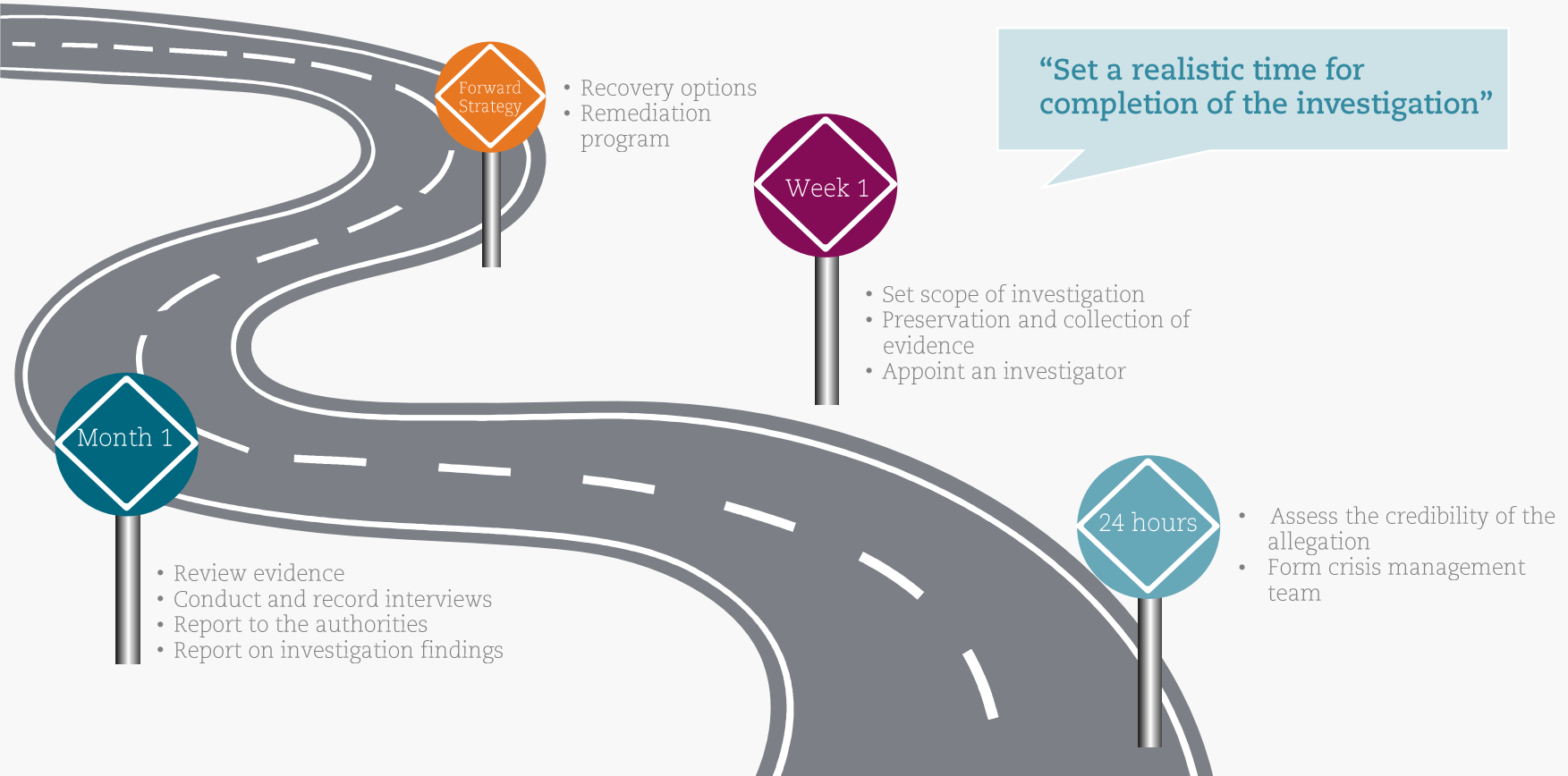
Trends in internal fraud and employee theft

Report to the Nations:*

- ❑ Analysed over 2,110 corporate fraud cases across 133 countries and 23 industries
- ❑ Organisations lose **5%** of revenue to fraud every year
- ❑ Owners / executives cause **23%** of fraud – cause largest losses
- ❑ Frauds most common in Operations / Accounting / Executive / Sales
- ❑ **Asset misappropriation and corruption** are the most common causes of fraud
- ❑ **42%** of frauds are **detected by tip off** – more than half from employees
- ❑ Companies with hotlines detect fraud more quickly and have lower losses



A roadmap for responding to corporate fraud



Latest trends in third party scams and social engineering

Amount lost

\$397 385 165

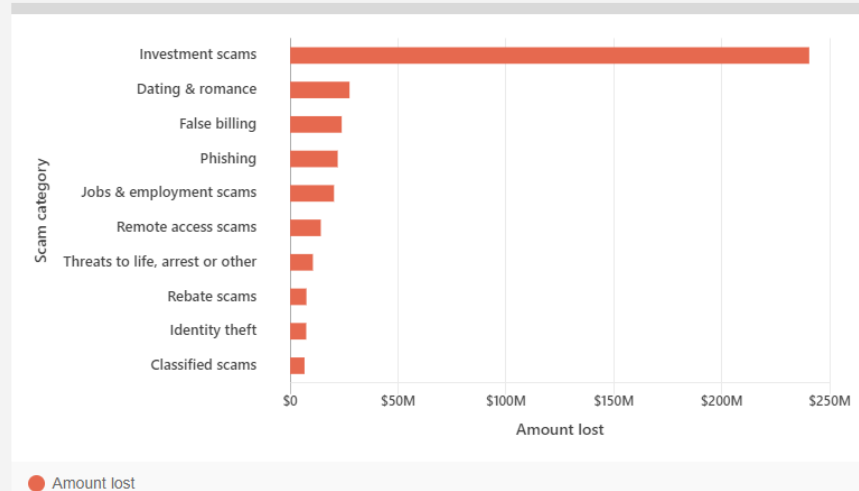
Number of reports

234 663

Reports with financial losses

10.3%

Top 10 scams by amount lost



According to Scamwatch data, the average investment scam victim is likely to be a man, aged 65 or over and living in NSW. He will meet the scammer on social media or respond to a scam advertisement and will have contact by phone. He is likely to be in the scam for several months and pay the scammer via cryptocurrency or bank transfer.

Source: National Anti-Scam Centre
www.scamwatch.gov.au

Enforcement priorities of regulators



- Design and distribution
- Greenwashing
- Crypto assets
- Investment scams
- Vulnerable customers
- Investment products
- Superannuation
- Pricing promises
- Governance and directors' duties failures
- Unfair contract terms



- Greenwashing
- Scam detection
- Digital economy advertising
- Unfair contract terms
- Consumer guarantees
- Consumer issues in transport and logistics
- Digital platforms
- Payment services
- Product safety



- Operational resilience
- Cyber resilience
- Recovery and exit planning
- Climate-related financial risks
- Board capabilities
- Insurance affordability and availability
- Poor trustee performance
- Retirement outcomes
- Management of problem assets



- Online platforms and social media
- Security of personal information
- Consumer data rights
- Disclosure of government-held information

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ASIC remains deeply committed to enforcement. We have a broad enforcement toolkit, and are committed to using the full suite of those powers. We consider a range of factors to ensure ASIC's finite resources are used to maximum effect and that any ASIC action taken is in the public interest.

Sarah Court, Deputy Chair, ASIC

Managing dawn raids and regulatory notices

Dawn Raids

- Unannounced inspection by regulators
- Plan ahead
- Contact Senior management
- Advise internal / external legal team
- Review investigation documentation / authority
- Have a lawyer present for questioning
- Shadow inspection team
- Get support from IT team
- Communicate with staff



Regulatory notices

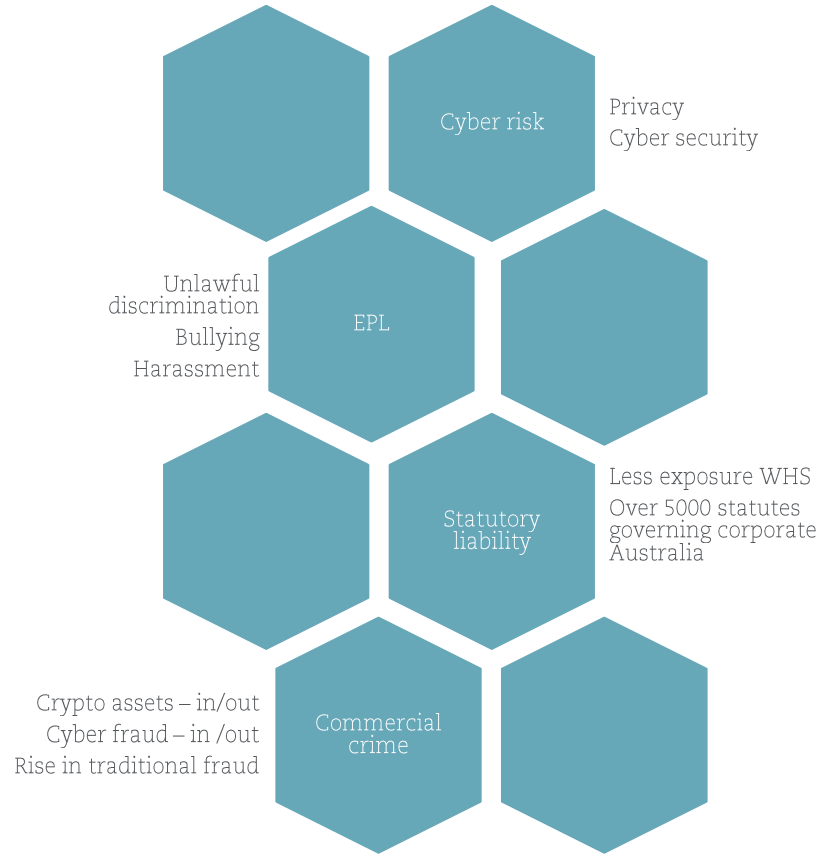
Documents

- Consider scope of request and timeframe
- Identify sources of responsive data (including personal devices)
- Put a response team in place
- Manage data retention
- What documents are privileged?

Examinations

- Consider nature of investigation
- Refresh memory but don't discuss examination
- Understand legal rights
- Consider independent advice

Trends in management liability insurance



Questions for our speakers?



Avryl Lattin

Partner, Sydney

+61 2 9210 4425

avryl.lattin@clydeco.com



Jehan-Philippe Wood

Partner, Perth

+61 8 6145 1725

jp.wood@clydeco.com



Liam Hennessy

Partner, Brisbane

+61 7 3234 3055

liam.hennessy@clydeco.com

Thank you



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