

# Corruption in the financial sector (?)

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# Basic principles and participants of the research

- Carried out as a beginner researcher, with the support of the **Geopolitics Council Public Benefit Foundation**
- **Anonymous** respondents
  - 9 banks, 2 insurance companies, 2 leasing companies, 1 credit institution, 1 savings cooperative (total of 15 organizations)
    - Companies with a revenue exceeding HUF 200 million
    - Organizations with less than 100 and over 1000 employees both represented
  - 13 interviews (1 person declined and 1 interview was cancelled due to a conflict of schedules)
    - 10 men, 3 women (aged 33 to 55 years, 9 with university and 4 with college degrees, positions ranging from team leaders to CEOs)
- The role of foreign owners/shareholders (in 11 out of the 13 cases)
  - They allow subsidiaries to decisions entirely on their own (a lot of help, although there is consultation)
  - Total control by owners/shareholders (even stricter rules if allowed by national provisions of law)

# Main findings of the research

## According to the interview subjects:

- there is corruption in the financial sector (extent: 3 to 5 on a scale of 10)
- corruption shows a **decreasing** tendency because:
  - The financial sector is better protected, and is extremely regulated in comparison with the other sectors
  - The effects of the economic crisis (cost cutting)
  - Financing, purchasing and outsourced activities decreased
  - People appreciate their jobs more
  - The introduction of new controls, regulations, increasing the level of supervision
  - There are several foreign executives working in the bank who bring with themselves the culture of rejecting corruption
- Corruption shows an **increasing** tendency because:
  - There may be a connection between the degree of regulation and corruption (“it is hard to get into the system, one must work harder for it”),
  - The reason may be more difficult access to credit and the decrease of the real value of the bank clerks (“they work you to death”)

# Main findings of the research

## **According to the interview subjects:**

Corruption is clearly a negative phenomenon

## **Can corruption have a positive effect?**

- Corruption has no positive effects (we must do our work in such a way that it should have no such effect – by way of ensuring the necessary expertise, salaries, technology and resources)
- Reaching the positive effect is clearly a question of culture (it is not an illegal act everywhere)
- corruption and lobbying are border areas that are hard to differentiate
- We see /make others see the efficiency of the control points (it holds up a mirror and shows where change is needed)

# Forms of corruptive conduct

## 2 approaches

- abuse of position and scope of influence (benefits, compensations that are incompatible with the financial service provider)
- gaining unfair financial benefits
  - Purchases, assets necessary for business processes, operation (supply contracts, during the permit-issuing processes for constructions)
  - IT consultancy (the monopolistic position of bank-specific service providers)
  - Taking advantage of conflicts of interest
  - The role of intermediaries (e.g. falsifying data)
  - The provision of bank information (documentary collections...)
  - Marketing (“we only work with this company...”)
  - Conferences, travel (“discounted notebooks or conference invitations)
  - Credit officer (favorable and quick decision vs. money)
  - Any kind of political donations

# Tools of prevention in the financial sector

- Anti-corruption regulations
- Anti-corruption officer – **GAP analysis**
- The commitment of the management (also in code of ethics)
- Reporting obligations (within the organization, to the parent company)
- Violations of the rules – penalties
- Transparent purchasing system (e-tender), examining intermediaries, agents, suppliers, contractual partners
- Gift policy (gifts, hospitality), donations, charity
- Acquisitions
- Conflict of interest, clause of integrity (contracts)
- Information on complaint management
- Monitoring, “clean desks” principles
- Whistle blowing / the investigation of suspicious cases
- Zero tolerance – regular training

# Anti-corruption measures

Type of measure	Yes, used	Not used and/or not known
Compliance regulations	11	2
Code of ethics	9	4
Regulating intermediaries	11	2
Closed auction system	9	4
Examining conflicts of interest	10	3
Examining suppliers	8	5
Annual audits, risk assessment	3	10
Part of education and training	10	3
Integrity (anti-corruption) clause	4	9
Whistle blowing	8	5
Rules applicable to accepting gifts	12	1
2nd level controls	5	8
Anti-corruption officer	3	10

Thank you for your attention!

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