

44TH IAFEI WORLD CONGRESS

GLOBAL RECOVERY AMIDST REFORMS

15-17 October 2014 . Manila 2014

Ethics, Governance & Anti-Corruption.

Luis F. Ortiz (Mexico)

President

Ethics & CSR National Committee -IMEF

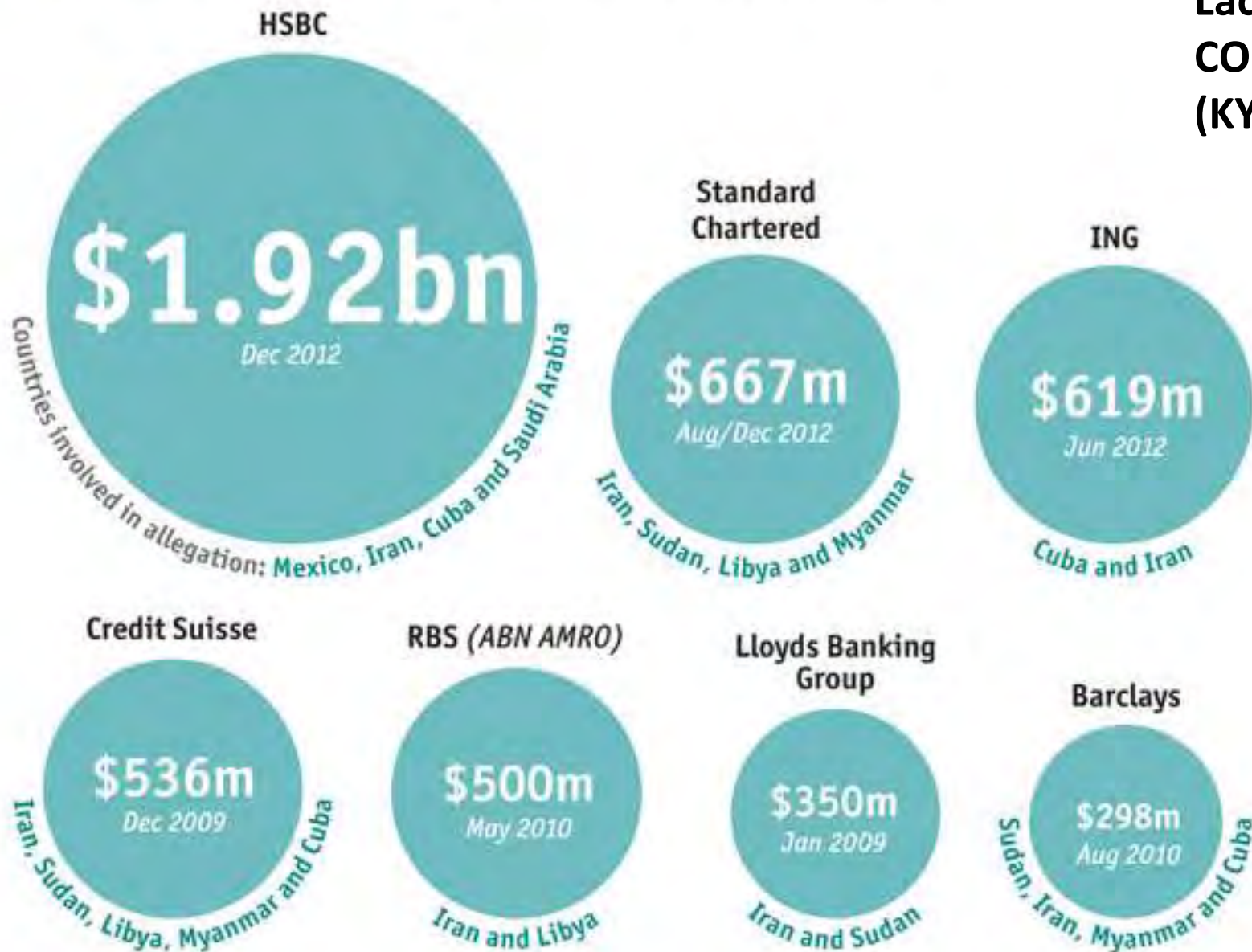


Main Topics

1. GOVERNANCE - Corruption: a world-class cancer, sanctions.
2. Latin America scared by the ghost called 10% & Growth.
3. Ethics, Finance and Bribing and Money Laundering.
4. CFO Welcome Onboard: Ethics and his Role in Fight v. Corruption.
5. The IBA Case Study and implementing on An Anti-corruption Code for the *Legal Profession*.
6. Conclusion & General Proposal IAFEI.

Biggest money-laundering settlements with US authorities

Lack of
CONTROLS
(KYC)



Current Investigations Latin America

- **México** – Wal-Mart, Tyson Foods, Lufthansa, BizJet
- **Costa Rica** – Alcatel, Aon Corporation
- **Argentina** – Ralph Lauren, Ball Corporation, Biomet, Siemens
- **Brasil** – Panalpina, Nature's Sunshine, Bizjet
- **Bolivia y Ecuador** – Willbros
- **Panamá** – BizJet
- **Venezuela** – Siemens
- **Honduras** – Latin Node
- **Chile** – Bizjet

USD\$2mil.
up to
1.2billion

I. GOVERNANCE

GOOD GOVERNANCE

- ✓ Eradicating Poverty
- ✓ Protecting the Environment
- ✓ Gender Equality
- ✓ Providing Sustainable Livelihoods

I.- About Governance:

1. Voice and Accountability.
2. Political Stability and Absence of Violence.
3. Government Effectiveness.
4. Regulatory Quality.
5. Rule of Law.

6.- Control of Corruption.

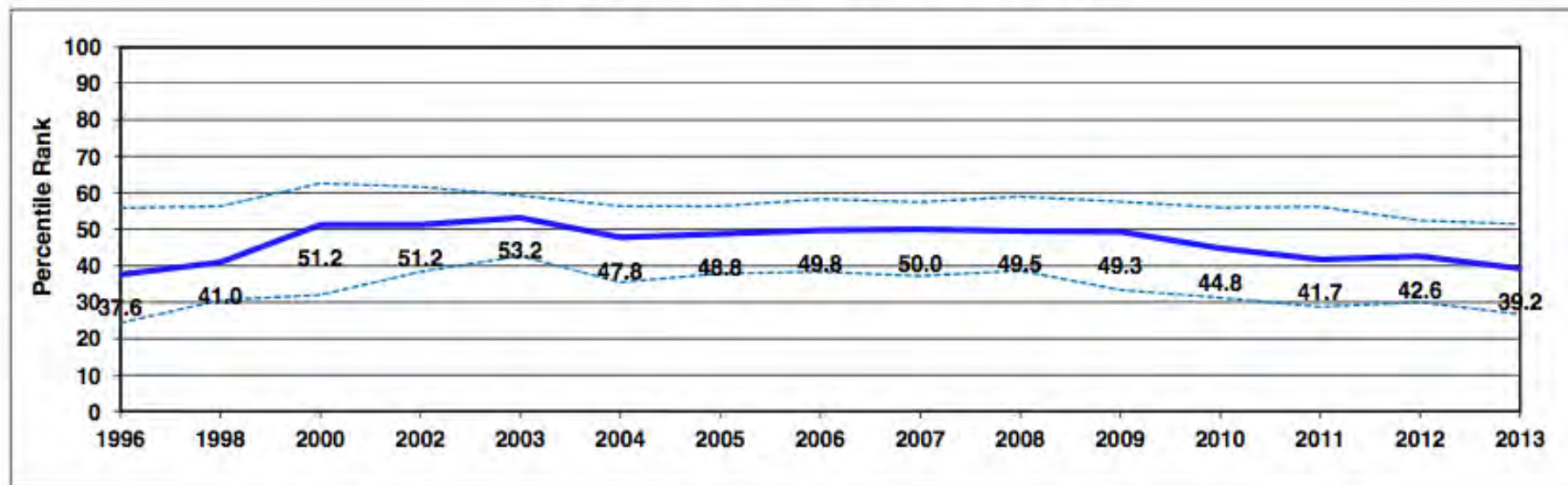
SOURCE: The Worldwide Governance Indicators (WGI)



Numbers Don't Lie.

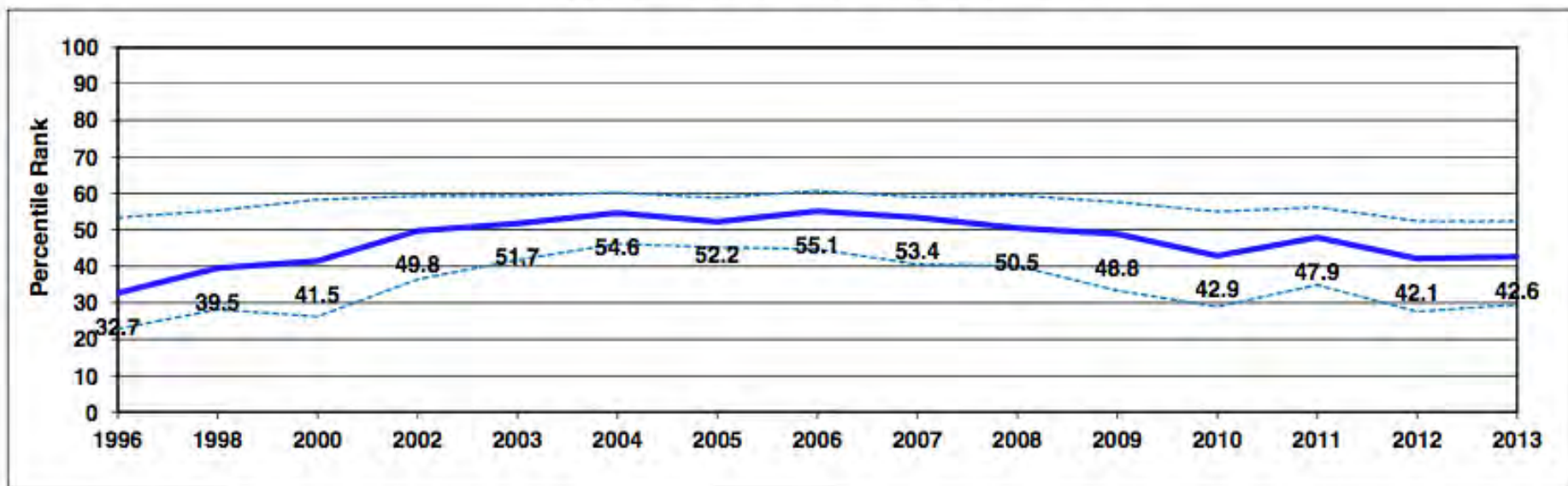


Mexico, 1996-2013
Aggregate Indicator: Control of Corruption



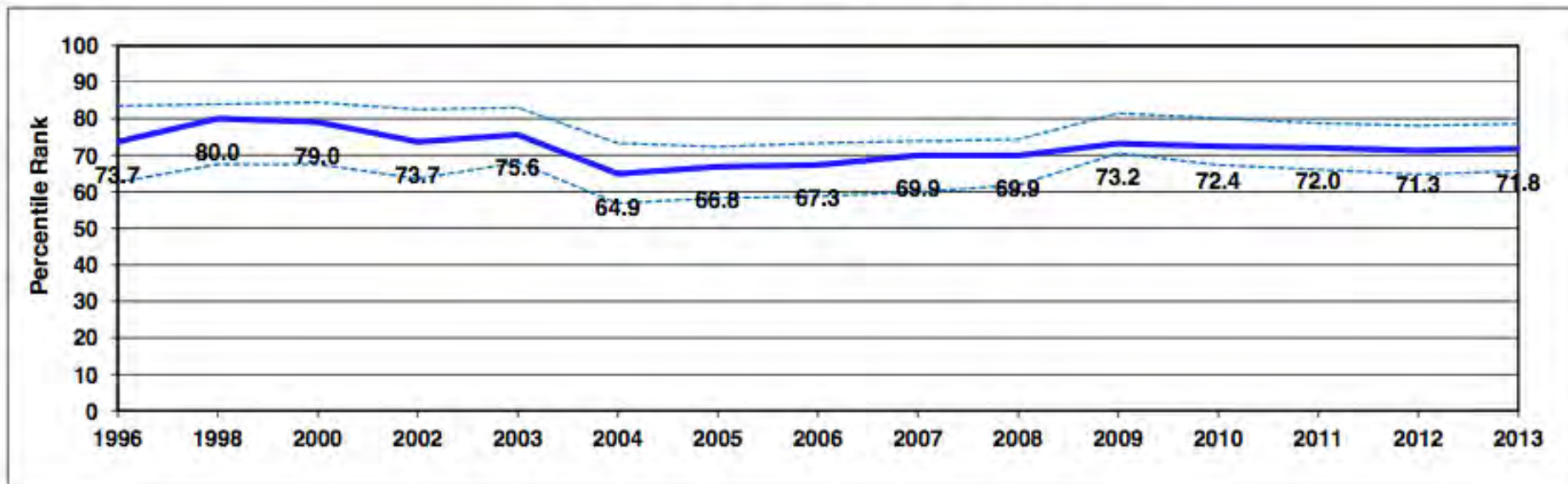
WORLD WIDE GOVERNANCE INDICATOR: **México** (corruption)

Colombia, 1996-2013
Aggregate Indicator: Control of Corruption



WORLD WIDE GOVERNANCE INDICATOR: **COLOMBIA** (corruption)

Costa Rica, 1996-2013
Aggregate Indicator: Control of Corruption



WORLD WIDE GOVERNANCE INDICATOR: **COSTA RICA** (corruption)



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CORPORATE GOVERNANCE

1. Lay solid foundations for management and oversight.
2. Structure the board to add value.
3. Act **ethically** and responsibly.
4. Safeguard integrity in corporate reporting.
5. Make timely and balanced disclosure.
- 6. Respect the rights of security holders.**
7. Recognise and **manage risk**.
8. Remunerate fairly and responsibly.

+ 29 specific recommendations intended to give effect to these general principles

MISSING:

#3.- Act ethically and responsibly.

#7.- Recognise and manage risk.

To Improve:

#3.- ethically -- INTEGRITY

#7.- manage risk CONTROLS & Preventions.

FINANCIAL Consequences:

GOVERNMENT

- Increased Social Security.
- Increase in IRS and VAT.
- Excessive Reporting Controls i.e. Money Laundering.

Unethical CORPORATIONS Reaction

- Window for Illegal Outsourcing Schemes.
- Window for Illegal Invoicing Schemes.
- Use of Cash and Sophistication of “LENDING” & Non-REGULATED CORPS.



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II.- Latin America scared by the ghost called “10%”

350 international companies surveyed in 2006 (Latam).

43% of respondents reported that they had failed to win business in the last 5 years because a competitor...

... **had paid a bribe**,
and one-third had lost business to bribery
in the previous year.

Source: Control Risks and
Simmons & Simmons

10% CLUB

- 10% their income is destined to bribes.
- 10% of the profits could be the “side-business” of the head of the administrative unit (bribe). **40%**
- Not even 10% of the denounced cases have had due process, a final ruling or criminal conviction.



WhitePaper

INTEGRITY & GOOD GOVERNANCE

E.G.A. STATEMENT FOR CFOs.

ETHICS & GOVERNANCE Standard.

SAY IT

MEAN IT

PRACTICE IT

**Empower your
People
(accountable)**

**Be
Contagious**

**Create
Confidence**

SENSE OF URGENCY

EGA STATEMENT FOR CFOs.

ETHICS & GOVERNANCE

- *i.e. “...we understand that bribery and corruption are damaging to legitimate business interests. We conduct all our business, across the globe, with integrity; in an honest and ethical manner and we want to ensure that all our associates and business partners do the same.”*

IV.- Ethics, Finance vs. Bribing and Money Laundering.

- Ethics for Professionals
- Bioethics: a new trend
- A,B,C on Risks, Bribing, and
- Money Laundering.

APEC

“To overcome the lack of political will, there needs to be more emphasis on the economic case for anti-corruption initiatives.”

Money Laundering: Stages



DIRTY \$

Introduce: casinos,
banks, loans, Exchange
establishment, invoices.

INTEGRATION

“legally” in the market as a car,
jewel, yacht or watch

3.- RE-enters

ALLOCATION

**1.-ENTERS
Financial System**

**2.- Money is
Diversified**

STRATIFICATION

Sequence of complex operations Hard
to Track. Simulation of transfers.. Etc..

CFO Welcome Onboard: Ethics and his Role in Fight v. Corruption

- ✓ Senior Management = tone @ the top
- ✓ Ownership + Accountability
- ✓ Detecting and Reporting: Macro and Micro.
- ✓ [Value by Reinventing](#)

HOW?

A.D.U.P. Formula:

Assess

Detect

USE to **P**revent

While **Creating Value** to Stakeholders!

Compliance

NYSE:
+0.2%

Value?

Compliance
+

Protocols
&
Controls +

Communication
& Policy
Review +

i.e. LOAN. +
Culture of
Integrity +
Good
Governance

NYSE:
+0.2%



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The IBA Case Study and implementing on An Anti-corruption Code for the Legal Profession.



Anti-Corruption Guidance For Bar Associations

Creating, Developing and
Promoting Anti-Corruption
Initiatives for the Legal
Profession

Adopted on 25 May 2013
by the International Bar Association



the global voice of
the legal profession

The Basics.

1. Prohibition of bribery and extortion (both public–private and private-to- private).
2. I.D. Agents and other intermediaries.
3. Joint ventures and outsourcing agreements.
4. Political and charitable contributions and sponsorships.
5. Gifts, hospitality, and expenses.
- 6. Facilitation payments.**
7. Corporate policies.
8. Financial recording and auditing.
9. Responsibilities.
- 10. Whistleblowing Provisions.**

Our Statement Our Commitment, Our Contribution to the world.

(i.e.) “...we recognize that bribery and corruption are damaging to legitimate business interests. We conduct all our business, across the globe, with integrity; in an honest and ethical manner and we want to ensure that all our associates and business partners do the same.”

Source: Finex.

“If you only do what worked in the past, you will wake up one day and find that you have been passed by”

-Clayton Christensen

innovation

Disruptive

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MUCHAS GRACIAS
AMIGOS!

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