

Let us speak about compliance

Compliance deals with two major scourges. The fraud aims to circumvent rules and laws; corruption consists of offering value (money, gift, donation, participation in an election campaign) to obtain an undue advantage. Corruption and fraud include conflict of interest and insider trading.

Triggering events have gradually placed compliance under the spotlight.

The first is the Lockheed affair, an international scandal revealed in the mid-1970s. Then, in the early 2000s, Enron, one of the world's largest energy brokers, was involved in a major scandal for having put in place a false financial communication. The bankruptcy of Enron (\$ 40 GUS) is the fourth in the history of Industry. Five years later, the world is undergoing the subprime crisis. Initially a real estate crisis, it turned into a banking and a financial crisis, then extended to the real economy and ended in a sovereign debt crisis. In three years, France will see its debt rise from 60% to more than 90% of its GDP.

To these major crisis, which brought to light many dysfunctions in the global financial system, we should also mention other collateral financial scandals, such as the Kerviel and Madoff cases in 2008 and, more recently, the Petrobras affair, a mega scandal of corruption involving the Brazilian Major, many construction companies as well as politicians like the former president Lulla and the fallen president Dilma Rousseff.

Fraud and corruption are economically and socially "*very expensive sports*" mainly developed in the poorest countries. According to the OECD, their annual cost is estimated at US \$ 2.5T, including US \$ 1US of tax losses. Deleting them would double "in one click" the global growth. Public procurement (57% of cases) is the leading cause of tax clearance (12% of cases), favorable tax treatment (6%) and access to confidential information (4%). Fraud and corruption outweigh the cost of development in the poorest countries of Africa and Asia by 25% and increase the cost of international contracts by 10%. **Fraud and corruption are therefore large destructive of value.**

The degree of corruption of states is assessed by the NGO Transparency International on a scale of 0 (maximum corruption) to 100 (minimum corruption). Scandinavian countries (Denmark -92- and Sweden -89-) are by far the most virtuous of the European countries, while Italy and Greece (43) are the most corrupted. With a score of 69, France is below the European average (Germany and Great Britain are both at 79). There is a clear relationship between the degree of corruption and poverty : **the more corrupted are the poorer**".

The disastrous consequences of fraud and corruption in economic and social terms have prompted States to further control economic actors in relation to their legal obligations and ethical duties. This has resulted in more repressive laws and more cooperation between countries. Thus, it may be mentioned:

- ✓ in 1977, the Foreign Corrupt Practices Act (FCPA) following the Lockheed case,
- ✓ in 2003, the Sarbanes-Oxley Act following the ENRON case, to impose new standards on accounting and financial transparency,
- ✓ in 2010 the UK Bribery Act (UKBA 2010), considered to be the most stringent anti-corruption law in the world,
- ✓ in 2016, the Sapin 2 law promulgated in France to fight against corruption and modernize economy

The awareness of public opinion has also been largely precipitated through digital communication and social networks. "What was not known, is now known instantly". Consequently the intermediate bodies and the public opinion demand more transparency and conformity in the financial activities of the business world.

Companies have therefore set up compliance as a new business value in order to control rising risks including judicial sanctions, loss of business, stock market decline, image loss, damage to reputation and deterioration of relations with the authorities.

To become a true business value, the compliance must be installed in the culture of the company, which requires the exemplarity of the managers. This "Tone from the top" goes through strong messages from the general and middle management, zero tolerance, penalties in case of failure, training for all employees and external communications with subcontractors. Gifts, invitations, donations and possible conflicts of interest needs to be transparently recorded and closely supervised.

Forget morality and highlight performance

Taking into account the compliance value in companies does not result from a sudden moralization of the Society but from triggering events. It must not be seen as a moral constraint but as a vector of performance and growth, enabling the company to win new market shares, reduce costs, improve reputation and even to recruit more easily talent.