Internal Control and financial market activities:
Fighting fraud

Bertrand Bréhier
Deputy Head
Banking and Financial Regulation Department
I. THE MAIN MEASURES TAKEN BY SG

A. The remediation plan includes about 20 specific and priority actions

- Front office supervision
- Control performed by middle and back offices
- Information security
- Internal control system monitoring
- Underlying actions
B. The transformation plan: medium term reflections

- "Organization and operation processing" work stream
- "Operations surveillance set-up" work stream
- "IT security, audit and strategy" work stream
- "Accountability and culture" work stream
II. FORTHCOMING LEGISLATIVE AND REGULATORY MEASURES

A. Legislative measures

- Creation of an audit committee
- Creation of a warning mechanism for operational and compliance risk
- Increase in the amount of the penalties which can be imposed by the Banking Commission
B. Regulatory measures

- Addition of a further mission to the internal control body
- The set-up of a « mapping of risks »
- Follow-up of operational risks
- Operational risk should include the risk of fraud
III. THE LIMITATIONS OF A PURELY REGULATORY APPROACH

A. Like any other financial market activity, dealing on own account is subject to very strict and extremely detailed rules

- Regulation on internal control of credit institutions and investment firms
- Regulation on prudential supervision of market risks
- General regulation of the AMF, in particular book III and book VI
- A bank’s trading activities are subject to many controls
B. Rendering more complex professional rules which are already extremely complex will unfortunately not completely eradicate the risk of fraud

- It is common knowledge that fraudsters are extremely skilled at adapting their behaviour to the regulatory context and inventing new strategies to avoid detection

- We all know that banking and financial regulation is governed by international standards