



*Internal Control and financial market  
activities:  
Fighting fraud*

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## **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