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# The Morning Risk Report: Silver Arrest Shows Risks of Hiring Politicians

The accusations that comprise the arrest and complaint filed against New York state Assembly Speaker Sheldon Silver stem from employment outside of his role as one of the state's so-called "three men in a room." But the case illustrates the pitfalls of companies employing or hiring sitting elected officials–even if it's legal in some states, such as it is in New York, where legislating is considered a part-time job.

While Mr. Silver's case is unique to New York, where the local chapter of the Public Interest Research Group found in 2011 that two-thirds of state lawmakers hold outside jobs, it raises significant issues for companies as they make hiring decisions, experts said to Risk & Compliance Journal. Andrea Bonime-Blanc, chief executive and founder of GEC Risk Advisory, said she told companies while working as a general counsel that hiring a sitting politician as an adviser, a board member or a staff member was "a blatant conflict of interest on its face," and it should be avoided. "What may be legal in New York might not be legal in the state next door," she said.

Conflicts of interest among state lawmakers run rampant across the country, a 2013 Center for Public Integrity report found. But the blowback over any scandal involving the elected official could be contained to the official himself or herself, depending on the facts of a case, according to Kenneth A. Gross, who leads the political law practice for Skadden Arps Slate Meagher & Flom LLP. "As long as the allegations of wrongdoing relate to public service, and not to services provided to the firm, the reputational damage to the firm is limited," he said.

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**EXCLUSIVE ON RISK & COMPLIANCE JOURNAL**

**Banks grapple with PEP definitions**. Data compiled by Dow Jones Risk & Compliance illustrate the wide differences in PEP counts around the world, a reflection of marked differences in who's counted as a PEP in each country. Spain has by far the largest number of PEPs, more than 100,000, because of its expansive definition that extends far into local government. Yet other nations define PEPs much more narrowly.

**SEC settles with engineering company**. The Securities and Exchange Commission said Thursday it reached settlements with a Tampa, Fla.-based engineering firm and its subsidiary's former president over allegations of bribery to secure Qatari government contracts.

**COMPLIANCE**

**Insider-trading defendants can retract guilty pleas**. A federal judge allowed four men to withdraw their insider-trading guilty pleas on Thursday, the latest fallout from a pivotal appeals court ruling in December that has put new limitations on prosecutors' ability to pursue such cases, the WSJ reports. The four men, who allegedly traded on tips about International Business Machine Corp.'s 2009 $1.2 billion acquisition of software company SPSS Inc., pleaded guilty in 2013 and 2014 to insider trading. But they asked to withdraw those pleas after a three-judge panel in the Second U.S. Circuit Court of Appeals overturned two insider-trading convictions in December and said prosecutors had been too aggressive in their interpretation of the law.

**EU nears agreement to reinforce sanctions**. The European Union is expected to approve a legal overhaul that would strengthen its sanctions on Iran, Syria and Russia by offering the bloc's member states a channel for offering confidential evidence to judges, the wSJ reports. The approval, expected next month, follows more than a year of consultations among EU capitals after a series of defeats in the bloc's top courts. U.S. officials also were pushing the EU to take action to reinforce the bloc's sanctions. Another such defeat came Thursday when the European Union's second-highest court struck down sanctions on a leading Iranian bank and a string of Iranian shipping companies, although judges gave the EU more than two months to respond before the decisions take effect. The latest legal setback for the EU's sanctions regime involves the lifting of an asset freeze and restrictions on Bank Tejarat, with the court saying the evidence presented by the EU to support its decision was insufficient. The shipping firms affected were subsidiaries of the Islamic Republic of Iran Shipping Lines, or IRISL.

**Obama adviser slams brokers over 401ks**. One of President Barack Obama's top economic advisers said abusive trading practices are costing workers billions of dollars in retirement savings each year and called for stricter rules on Wall Street brokers, Bloomberg reports. Jason Furman, chairman of Obama's Council of Economic Advisers, drafted a Jan. 13 memo citing research that says some broker practices, such as boosting commissions with excessive trading, cost investors $8 billion to $17 billion a year. The document was circulated to senior aides and indicates the White House may support tighter oversight of brokers who handle retirement accounts.

**Comcast faces fight over net neutrality rules**. Comcast Corp. believes President Barck

Obama's strong "net neutrality" proposal, if enacted, could threaten future investment in its fast-growing Internet business and cast doubt on the logic of its proposed $45 billion merger with Time Warner Cable Inc.—a deal currently being chewed over by antitrust regulators, the WSJ reports. Comcast boasts one of the biggest corporate lobbying operations in Washington, spending $17 million in 2014, second only to Google Inc. That presence is being tested now like never before. In addition to the threat of new Internet restrictions, Comcast is facing intense scrutiny from regulators on its merger.

**U.S. alleges insider trading by analysts**. U.S. securities regulators have accused two former Capital One Financial Corp data analysts with engaging in insider trading based on sales data the credit card issuer had collected from millions of its customers, Reuters reports.

**Taiwan levels new charge against ex-president.** Taiwanese prosecutors on Friday indicted convicted former president Chen Shui-bian on an additional charge of money laundering, less than three weeks after he was freed from jail on a medical parole, AFP reports. Mr. Chen, who had been serving a 20-year jail term on multiple graft and money laundering convictions relating to his time in office, was released on medical parole early January after being diagnosed with severe depression, suspected Parkinson's disease and other conditions.

**India business council offers wish list**. As U.S. President Barack Obama heads to New Delhi, American multinationals hope Indian Prime Minister Narendra Modi will improve conditions for business in India, according to the U.S.-India Business Council, the WSJ reports. Mr. Modi and his government have brought in the past six months "the belief that change can happen," Dianne Farrell, acting president of USIBC, told The Wall Street Journal. The priorities listed by Ms. Farrell are chianging tax laws, fixing patent rules, making it easier to do business and removing obstacles to obtaining business from government procurement.

**GOVERNANCE**

**Dimon, Blankfein land bigger pay packages**. The chiefs of two of the biggest U.S. banks are set to receive more attractive pay packages for 2014 as both J.P. Morgan Chase & Co. and Goldman Sachs Group Inc. logged banner years, the WSJ reports. J.P. Morgan said Chief Executive James Dimon will receive $20 million in total compensation for 2014, in line with what he received the previous year, though his bonus mix includes a cash component and less stock. Goldman Sachs, meanwhile, awarded its chairman and chief executive, Lloyd Blankfein , salary and bonus worth up to $24 million for his performance this past year. That payout represents a 4% raise from a year ago, and stands as Mr. Blankfein's biggest compensation package since the financial crisis.

**Icahn targets spinoff takeover defenses**. Carl Icahn thinks that eBay Inc.'s PayPal and

Gannett Co.'s publishing business will be prime takeover targets when they soon become independent. And he is trying to make sure nothing gets in a suitor's way, the WSJ reports. In a corporate-governance double punch that began this week with a pact with eBay and a missive Thursday to Gannett, the billionaire joined other activist investors pushing back against a recent trend in which spun-off companies are cloaked with tough takeover defenses. Working with Mr. Icahn, eBay agreed to a set of governance rules for its PayPal electronic-payments business that leaves open the door to corporate suitors. Mr. Icahn urged Gannett, which plans to separate its publishing business from its broadcasting business this year, to establish similar rules to leave both pieces wide open to a potential sale.

**Qualcomm pays up for senior executives**. Smartphone chip maker Qualcomm Inc. disclosed Thursday it had awarded $95 million worth of special stock grants to its two top executives last year, citing aggressive attempts by rivals to recruit its senior managers, the WSJ reports. The company, in a proxy statement filed Thursday with the Securities and Exchange Commission, said CEO Steve Mollenkopf received what the company called "front-loaded" restricted shares vesting over five years that the company valued at $30 million, or $6 million annually. He received additional restricted stock units, valued at $20 million, that vest on the third, fourth and fifth anniversaries of the grant dates, the company said.

**Apple's Cook could land $500 million in pay**. Last year's sharp rise in Apple's share price has put Chief Executive Tim Cook in line to receive more than half a billion dollars' worth of stock if he remains chief executive and hits targets over the next six years, the Financial Times reports. The increase in the value of Mr Cook's incentive scheme, awarded when he was appointed chief executive in August 2011, reflects the iPhone maker's significant gains since then.

**Activist sets terms for Biglari truce**. A Minneapolis-based investment firm that owns shares in Steak n Shake parent Biglari Holdings Inc. is offering to withdraw its slate of directors if Biglari's board adopts a list of reforms to improve corporate governance, the Indianapolis Business Journal reports. Groveland Capital LLC is seeking to replace CEO Sardar Biglari and San Antonio-based Biglari Holdings' other five directors with its own slate of nominees at the company's annual meeting in April.

**DATA SECURITY**

**Sony to miss reporting deadline after breach**. Sony Corp. said Friday that it will miss a stock-market deadline for issuing its third-quarter results due to the hacking attacks that hit its movie unit late last year, the WSJ reports. The Japanese electronics giant said it still plans to hold briefing sessions for the media and analysts on Feb. 4, the original date scheduled for its earnings report, but would only provide estimated figures for the performance of its movie subsidiary Sony Pictures Entertainment Inc.

**Kenya may extradite cybercrime suspects to China**. Kenya is considering a request from Beijing to extradite 76 Chinese nationals charged with cyber crime for trial in their homeland, Kenya's attorney-general said on Thursday, Reuters reports.

**REPUTATION**

**Fifa loses sponsors**. Three of Fifa's biggest sponsors revealed they had joined Sony and Emirates in abandoning football's beleaguered world governing body, the Daily Telegraph reports. Castrol, Continental and Johnson & Johnson all confirmed to Telegraph Sport that they had severed their ties with the Sepp Blatter regime when their contracts expired last year – which proved to be among the most turbulent 12 months in its scandal-hit history.