The Morning Risk Report: BP’s Oil-Slicked Reputation Remains Despite Settlement

By Samuel Rubenfeld

Billions of dollars can’t always fix a tarnished brand. BP PLC agreed Thursday to pay $18.7 billion to settle all federal and state claims arising from the 2010 Deepwater Horizon oil spill, which killed 11 crew members and leaked millions of barrels of crude into the Gulf. The agreement, if approved by a judge, would avert years of litigation over the environmental impact of the spill, according to The Wall Street Journal. A company official says the deal provides a “path to closure.” But an expert says BP won’t be able to avoid a reminder of its oil-slicked reputation.

The settlement “reminds everyone of what happened,” said Andrea Bonime-Blanc, chief executive of GEC Risk Advisory and author of the “The Reputation Risk Handbook.” People will forever remember the images of oil-slicked dead birds and fouled Gulf wetlands, she said. “The whole handling of that event was less than perfect. They had a major reputation hit at the time, and this reminds people of that history,” said Ms. Bonime-Blanc.

She said, however, that BP can take some solace from the fact that, from a short-term markets perspective, investors already factored the company’s reputation into their valuation of the company. “They’re always going to have a stained reputation,” said Ms. Bonime-Blanc, but “I don’t think they’re going to suffer any further damage.”

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EXCLUSIVE ON RISK AND COMPLIANCE JOURNAL

Univision: Immigration policy pose a potential risk. The growth of the U.S. Hispanic population has propelled revenues for Spanish-speaking broadcaster Univision Holdings Inc. But that market niche also means that future shifts in U.S. immigration policy could hurt Univision’s bottom line, the company warned potential investors Thursday in its IPO filing.

U.S. imposes sanctions on Sudanese commanders. The U.S. Department of the Treasury said
Thursday it imposed sanctions on both sides of a civil war in South Sudan, targeting a military commander and an opposition commander. The U.S. move follows United Nations sanctions imposed Wednesday on them, as well as on four others who Treasury previously targeted.

**COMPLIANCE**

**Greek finance minister resigns, a day after Greece rejects referendum.** Greece’s confrontational finance minister resigned after the country voted to reject creditors’ bailout terms, keeping up his defiant stance even as he acknowledged he was stepping aside to smooth negotiations. Saying the country’s prime minister had judged it helpful if he was absent from future talks with international creditors, Yanis Varoufakis also insisted he would “wear the creditors’ loathing with pride.”

Greek Finance Minister Yanis Varoufakis arrives to make a statement in Athens on July 5.

**Eric Holder:** Big penalties changed bank culture. Eric Holder, the former US attorney-general who oversaw the biggest post-crisis financial investigations in history, said the culture of banks improved during his tenure, as he insisted that prosecutors had been right to level “record-setting penalties” against institutions rather than “trying to make examples of people.” Mr. Holder, who will return to private practice at the law firm Covington & Burling to advise on litigation and complex investigations, netted multiple multibillion-dollar settlements against a series of US and overseas banks.

**Regulators probe marketing of hot private tech shares.** Securities regulators have launched a broad investigation into whether hedge funds and other investors are improperly selling hot private technology stocks amid a boom in the trading of such shares, people close to the probe say. The regulatory scrutiny, which is at an early stage, follows a March article in The Wall Street Journal that delved into the role of middlemen in the burgeoning market for private shares.

**Civil asset-forfeiture laws raise concerns.** Authorities say the forfeiture laws—which also exist at the local level in most states—are a vital tool for police to disrupt criminal activity before it occurs. But critics argue the laws are unfair, forcing people who haven’t been charged to prove their innocence while making it difficult for them to ever retrieve their possessions.
U.S. sides with tax-avoiding companies on contracting ban. The Obama administration quietly handed a victory to U.S. companies that avoid taxes by claiming a foreign address, suggesting that virtually all of them are still eligible for government contracts. The Department of Homeland Security last year endorsed a legal memorandum that argued in part that a 2002 law banning such companies from federal contracts was invalid, according to a copy of the memo obtained by Bloomberg News.

Ofcom fines EE over handling of complaints. Britain’s largest mobile phone company EE has been fined £1m by Ofcom over its handling of customer complaints. The fine, one of the largest penalties ever handed out by the UK’s telecoms regulator, marked a clear signal from Sharon White, who took over as Ofcom chief executive in April, of her intent to crack down on all telecoms companies with allegedly poor customer-service records.

DATA SECURITY

U.S. agencies join companies in cyberwar games. The Pentagon, Department of Homeland Security, National Security Agency and a host of other agencies joined British officials and a number of private companies for a three-week cyber war game, testing 14 teams on a range of simulated attacks on two continents. The exercise, held in June at a military facility in Suffolk, Va., aimed to prepare the U.S. military, security officials and others for what some believe is the next frontier in warfare: cyberattacks.

GOVERNANCE

New Credit Suisse CEO reins in hopes for a quick fix. Credit Suisse Group AG’s new chief executive, who took over this week, is already playing down optimism he can quickly lift the Swiss bank out of its recent malaise. “Expectations have kind of run away,” said Tidjane Thiam in a recent interview in Zurich.

Blackstone Group hires China chairman. Private-equity firm Blackstone Group LP said Saturday it has hired Zhang Liping, a senior Credit Suisse Group AG banker, to head its operations in China. Mr. Zhang, who served as co-chief executive of Greater China at Credit Suisse, will become a senior
managing director and chairman of Greater China at Blackstone, the private-equity firm said in a statement. He will manage senior relationships for Blackstone in China, fulfilling a role left vacant since Antony Leung decided to leave Blackstone in 2013 for a senior role at a Hong Kong property company.

REPUTATION

New Honda CEO won’t fund Takata recalls. Honda Motor Co.’s new chief executive said the Japanese automaker has no plans for now to provide financial aid to Takata Corp., the air bag supplier at the center of a costly global safety recall that has dented Honda’s public image as well as its earnings.

RISK

Uber invests in India, suspends service in France. Uber Technologies Inc. promised to invest $50 million over the next five years in India’s technology hub Hyderabad. The proposed investment comes as the company faces regulatory uncertainty in the city. Separately, Uber said Friday it would suspend the service called Uberpop immediately in France, while awaiting a constitutional court decision due in late September on the service’s legality.

Car-repair notices feed lawsuits. Class action lawyers are seizing on service bulletins as they look for new cases to bring against auto makers, raising the risks for manufacturers when they notify dealers of possible vehicle problems. The so-called technical service bulletins have surfaced in purported class action lawsuits accusing BMW AG of leaky roofs; Honda Motor Co. of defective torque converters; Land Rover of tire alignment problems; Mazda Motor Corp. of faulty engine valves; and Ford Motor Co. of spark plug issues; as well as in dozens of other cases in recent years.

Toshiba accounting errors may hit $800 million. Japan’s Toshiba Corp. may need to mark down past earnings by over 100 billion yen ($814 million), more than double earlier estimates, after an investigation into past accounting practices found more irregularities, a source familiar with the matter said on Saturday.

OPERATIONS

China’s military goes to war against corruption. China’s military says it is moving to close loopholes in its financial regulations as part of a two-year crackdown on corruption that has snared more than 200 senior officers. The People’s Liberation Army said it had found in the regulations 69 loosely worded areas it termed “vague” and “unclear”, and which experts said meant misappropriation of funds often went unpunished.