The Morning Risk Report: Companies Shed Nazi Users to Protect Their Reputation

By Samuel Rubenfeld
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Tech companies from Spotify to OKCupid said they’re purging white supremacists from their user base. They are part of a larger exodus by Silicon Valley firms from allowing hate speech on their platforms in the days since the violence in Charlottesville, Va.

Experts on corporate reputation said the tech companies are stuck in the middle, trying to allow their users to express themselves but also trying to stave off criticism for giving a platform to white-supremacy groups to spread their views.

Nick Kalm, president of Reputation Partners, said the companies, while wisely scrubbing their client lists to get rid of hateful speech, will “find it challenging” to excise all such groups, and might find themselves having to defend retaining less-controversial clients, who may file a discrimination claim if their service is dropped. Andrea Bonime-Blanc, chief executive officer of GEC Risk Advisory, said companies purging their user base “might go too far,” with innocent parties getting caught in the dragnet. “Tech companies are damned if they do and damned is they don’t on this issue,” she said.

Ms. Bonime-Blanc said tech firms are increasingly being driven to find new algorithms and other methods to prevent hate speech and incitement from spreading in the first place, comparing it to what global companies do to comply with laws against bribery, money laundering and corruption. “Some tech companies may feel that this is the only way forward, given the exponential risk tech companies are taking in allowing such fringe groups from spreading violence and hate,” she said.

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EXCLUSIVE ON RISK AND COMPLIANCE JOURNAL

Former U.S. officials to help Qatar on money laundering. Qatari anti-money-laundering authorities have enlisted an advisory firm run by former U.S. Treasury Department officials to enhance the country’s fight against illicit financing. Under the partnership, the Washington, D.C.-based Financial Integrity Network will work with the Qatari National Anti-Money Laundering and Terrorism Financing Committee and its member agencies to review the implementation and effectiveness of the country’s legal framework preventing money laundering and terrorism financing. The group said it will ensure Qatari alignment with global anti-money laundering standards, including those established by the Financial Action Task Force.

U.S. penalizes Iran due-diligence work. A penalty issued last week by the U.S. Treasury Department on a risk-mitigation firm highlights the challenges of trying to perform due diligence work on Iranian businesses.
diligence for potential business in Iran, experts said. The penalty on Phoenix-based IPSA International Inc., according to a penalty notice issued by Treasury, concerned two contracts its foreign subsidiaries performed in 2012 that included conducting due diligence on various individuals, including some Iranians on the ground in Iran. Experts said the case highlights how difficult it can be for American companies, especially a small business, to completely fence themselves off from any involvement in Iranian business by a foreign unit, as is required by U.S. sanctions, and that the policy underlying the penalty could restrict legitimate Iranian trade.

COMPLIANCE

**Mylan settles overcharging claim.** Mylan NV has reached a deal with federal authorities to pay $465 million to settle claims that it overcharged the Medicaid program by millions of dollars for its EpiPen products, the WSJ reports. The drugmaker and Justice Department said Thursday that subsidiaries Mylan Inc. and Mylan Specialty L.P. will make the payment to settle allegations that Mylan misclassified EpiPen as a generic product, a move that cut the amount of rebates owed to Medicaid. The settlement doesn’t contain an admission or finding of wrongdoing, Mylan said.


**Sweden to charge Bombardier employee.** Reuters reports Swedish prosecutors said they would charge an employee of Canadian aircraft and train maker Bombardier Inc. with allegations of paying bribes to an official in Azerbaijani. A Bombardier spokeswoman said the alleged conduct doesn’t comply with its values or standards.

**U.K. Brexit proposals leave trade uncertainty.** The British government published proposals this week about how the U.K. might go about developing what it called “the freest and most frictionless trade possible in goods” with the European Union after Brexit. But they leave British exporters confused as ever about the future of trade across the English Channel, and importers with hints of heavy red tape to come, writes Stephen Fidler in the WSJ’s Brussels Beat column.

**Australia clears most banks over money laundering.** Reuters reports that Australian regulator Austrac has found other banks don’t have weaknesses in their anti-money laundering systems of the found it said it found at Commonwealth Bank of Australia.

**GOVERNANCE**

**Infosys CEO quits amid fight with founder.** Vishal Sikka resigned Friday as chief executive of Infosys Ltd., citing a resistance to change at the company that deteriorated into ugly accusations of impropriety at India’s second-largest software and outsourcing company, the WSJ reports. The Bangalore-based company said Mr. Sikka had the support of the board but had been harassed into leaving by Infosys founder N.R.
Narayana Murthy, who it claims tried to slander Mr. Sikka in letters to the media. Mr. Murthy said he has only been concerned about how the company he founded and left voluntarily in 2014 is managed, and hasn’t being trying to get money or control out of Infosys.

**Uber’s Kalanick rebuts shareholder.** Uber Technologies Inc.’s former chief executive fired back against a lawsuit from one of the ride-hailing firm’s biggest investors, saying Benchmark Capital is engaged in a personal attack that threatens to further damage the company, the WSJ reports. In a filing to the Delaware Chancery Court late Thursday, Travis Kalanick reiterated his call for the Benchmark legal dispute to be settled in arbitration, according to the terms of the voting agreement at the center of the case. Arbitration also would keep the deliberations private.

**U.S. investors express views over pay.** Bloomberg reports more U.S. investors are demonstrating a willingness to reject what they see as excessive executive compensation. Seven S&P 500 companies won less than 50% of shareholder votes for their executive-pay plans in the most recent fiscal year, up from six in 2015 and four in 2014.

**RISK**

**Uber wins ruling over customer fine print.** A federal court Thursday ruled that the often lengthy online agreements customers face when registering for sites and apps are binding, even if customers don’t fully understand or take the time to read them, giving a boost to companies seeking to avoid class-action lawsuits, the WSJ reports. The U.S. 2nd Circuit Court of Appeals found that Uber Technologies Inc. customers sign over their rights to sue in court when they click to agree to the ride-hailing company’s terms of service, which include a provision requiring arbitration.

**Judge rejects libel suit vs. Dow Jones.** A federal judge in Manhattan dismissed a libel lawsuit filed by a top Venezuelan official against Dow Jones & Co., ruling the official failed to show that a 2015 article in the WSJ about a money-laundering and drug-trafficking investigation contained falsehoods about him. In a May 2015 article, the WSJ reported that the official, Diosdado Cabello, was under investigation by U.S. prosecutors for his suspected role in trafficking cocaine and laundering money through Venezuela. Mr. Cabello hasn’t been charged with a crime.

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