

Dentons Flashpoint

Daily Global Situation Report

August 23, 2022

Global Situation Update: August 23, 2022

KEY TAKEAWAYS

Europe faces fresh disruption to energy supplies due to damage to the CPC pipeline pumping oil from Kazakhstan through Russia.

Business activity across the euro zone contracted for a second straight month in August, invoking recession concerns.

Indian farmers resume mass protests in New Delhi over price supports.

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WHAT WE'RE WATCHING

World Water Week, one of the largest global conferences on water issues, kicks off today with top business and government leaders meeting online and in-person in Stockholm. Attendees will explore new ways of managing water to tackle challenges, from food security and health to agriculture, technology, biodiversity, and climate.

Thought leadership from the conference will present new opportunities for business to support key water issues and tackle questions such as whether every company should have a policy on water management. Anheuser-Busch InBev and PepsiCo will lead a panel on corporate water strategy and how this can help in the fight against climate change.



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Global

Oil prices were volatile on Monday as markets weighed Saudi Arabia's warning that OPEC+ production could cut output against the possibility of a nuclear deal that could return sanctioned Iranian oil to the market.

- **Ukraine's** capital Kyiv banned public celebrations this week commemorating independence from Soviet rule, citing a heightened threat of Russian attack. Kyiv expects the Kremlin to escalate military attacks in retaliation for the killing of Darya Dugina, the daughter of one of Russia's most prominent nationalist ideologues.
- Europe faces fresh disruption to **energy supplies** due to damage to the Caspian Pipeline Consortium (CPC) pipeline system bringing oil from Kazakhstan through Russia, adding to concerns over a plunge in gas supplies. This disruption, which is expected to last a month, takes place as Gazprom plans to shut down Nord Stream 1 for maintenance.
- The EU's chief diplomat said he is against a blanket **ban on EU visas** for Russians, following demands from some bloc members to stop issuing travel permits.

Markets & Business

A former Apple employee has pleaded guilty after being accused by US authorities of stealing trade secrets before attempting to fly to China.

- The **IPO market** is on pace for its worst year in decades, leaving startup companies with few options but to burn through cash while they wait for the stock market to calm. traditional IPOs have raised only \$5.1 billion, a low not seen since 2009.
- The Australian government will not block a controversial A\$4.5 billion (US\$3.1 billion) fertilizer plant located near ancient rock art, which has pit multinational **Perdaman Industries** against Aboriginal groups.
- **British Airways** plans cut more than 10,000 flights from its winter schedule in a sign that the airline expects staff shortages and high-fuel price disruptions to last into next year.
- **TotalEnergies** and **Eni** have made a “*significant*” gas discovery off the coast of Cyprus as Europe intensifies its search for an alternative to Russian energy to prepare for winter.

Environment, Sustainability & Governance

A wildfire is threatening several villages in northern Portugal as the country prepares for more heatwave-level temperatures. Weeks of fires have destroyed more than 28,000 hectares in the Serra da Estrela mountains.

- **Environmental organizations**, including Greenpeace Africa, reported that they are **facing threats** because of their opposition to the auction of oil blocks in the Democratic Republic of Congo.
- A US federal judge rejected Goldman Sachs' bid to dismiss most of a 12-year-old class action alleging widespread **bias against women in pay and promotions** and said the case will finally go to trial next June.
- A US judge rejected Ben & Jerry's attempt to stop its parent Unilever from allowing its ice cream to be sold in the Israeli-occupied West Bank, which Ben & Jerry's said **undermined its values**.
- A California administrative agency declined to review Tesla's claim that the state's civil rights watchdog suing the company for **race bias** at an assembly plant is rushing to sue businesses without conducting full investigations.

Africa

- The head of the junta in **Mali** appointed another colonel as interim Prime Minister to replace civilian Choguel Kokalla Maïga, who was hospitalized a few days ago.
- A new UN report estimated that 22 million people in the **Horn of Africa** are at risk of starvation.
- More than four thousand households have been displaced from their homes due to flooding in the Gembella region of **Ethiopia**.
- A new case of Ebola virus has been confirmed in the city of Beni in eastern **Democratic Republic of Congo**.



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How do You Manage Incident Response?

2022 has already seen business disrupted by extreme weather, ransomware attack, the ongoing pandemic and more. The common refrain “It’s not if, but when” rings truer than ever for disruptive incidents that will impact business as usual.

Working with Dentons, you can effectively develop an organizational incident-behavior adopted by all your team members. Dentons will help you build muscle memory through tabletop exercises, which are crafted to fit the business strategy of every client.

Our team plays events and incidents of different severities and complexities and accounts for real-world factors such as inconclusive evidence, mistakes by responders, and the business impact of eradication steps. Our tech-savvy lawyers continuously revise the playbooks per the evolving sector-specific threat landscape.

Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

To learn more about the bespoke intelligence and risk services from Dentons, contact [Karl Hopkins](#).

Asia

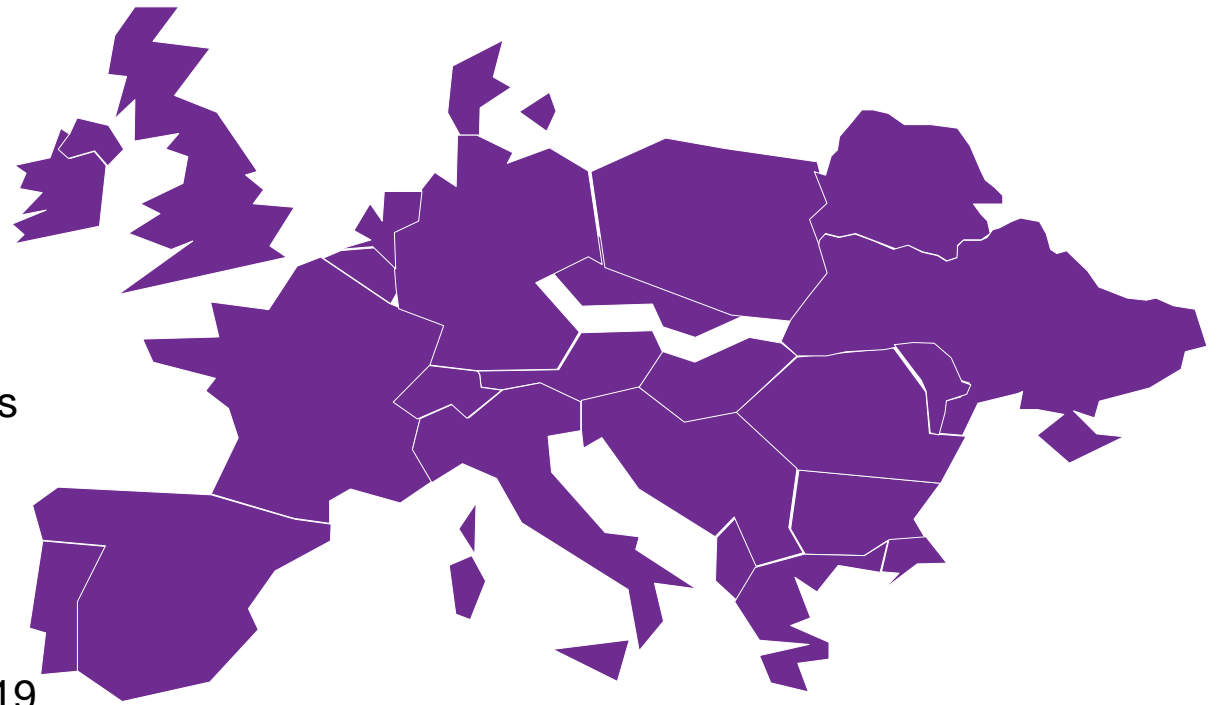
- Millions of children in the **Philippines** returned to school as the academic year started yesterday, with many returning to the classrooms for the first time since the COVID-19 pandemic hit.
- In New Delhi, thousands of farmers gathered to protest against **Indian** Prime Minister Modi for unfulfilled promises, eight months after ending their year-long protest that demanded the government guarantee a minimum support price for all produce and clear all farmer debts.
- **China's** coal imports from **Russia** jumped 14 percent in July from a year earlier to their highest in at least five years, as China exploited deep discounts caused by the Ukraine war and sanctions on Russia.
- **China's** National Health Commission said COVID-19 has contributed to the decline in the country's marriage and birth rates, with new births dropping below 10 million compared to last year's 10.6 million babies, 11.5 percent lower than in 2020.



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Europe

- Business activity across the **euro zone** contracted for a second straight month in August as the cost of living crisis forced consumers to curtail spending while supply constraints continued to hurt manufacturers.
- **Britain** recorded its biggest fall in output in more than 300 years in 2020 when it faced the brunt of the COVID-19 pandemic, as well as a larger decline than any other major economy.
- **Ukraine** restored a rail link to neighboring **Moldova** after a 23-year hiatus and the connection could carry 10 million tons of freight a year. The link provides an alternative route to the Black Sea port of Odesa for exports.
- The Kremlin extended its control over **Russian** media with the sale of Yandex's news aggregation services and Yandex.ru homepage to government owned rival VK.



Middle East



- **Pakistan's** cabinet approved a draft agreement that allows the government to provide troops for security at the FIFA soccer World Cup in **Qatar** later this year.
- The **EU** said that a possible meeting on resurrecting the **Iran** nuclear deal could be held “*this week*” after Tehran submitted its response to an EU proposal. The **US** said that it was still reviewing the response but was encouraged that some asks had been dropped.
- **Israel** warned **Lebanon's** Hezbollah that any attack on its gas assets could spark war, raising the temperature on already-tense gas field talks between Lebanon and Israel.
- **Egypt** hosted a five-nation summit in Cairo; the leaders of Egypt, **Jordan, Bahrain, the UAE and Iraq** met to discuss the Ukraine war-related energy and food crisis and other items.

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Americas

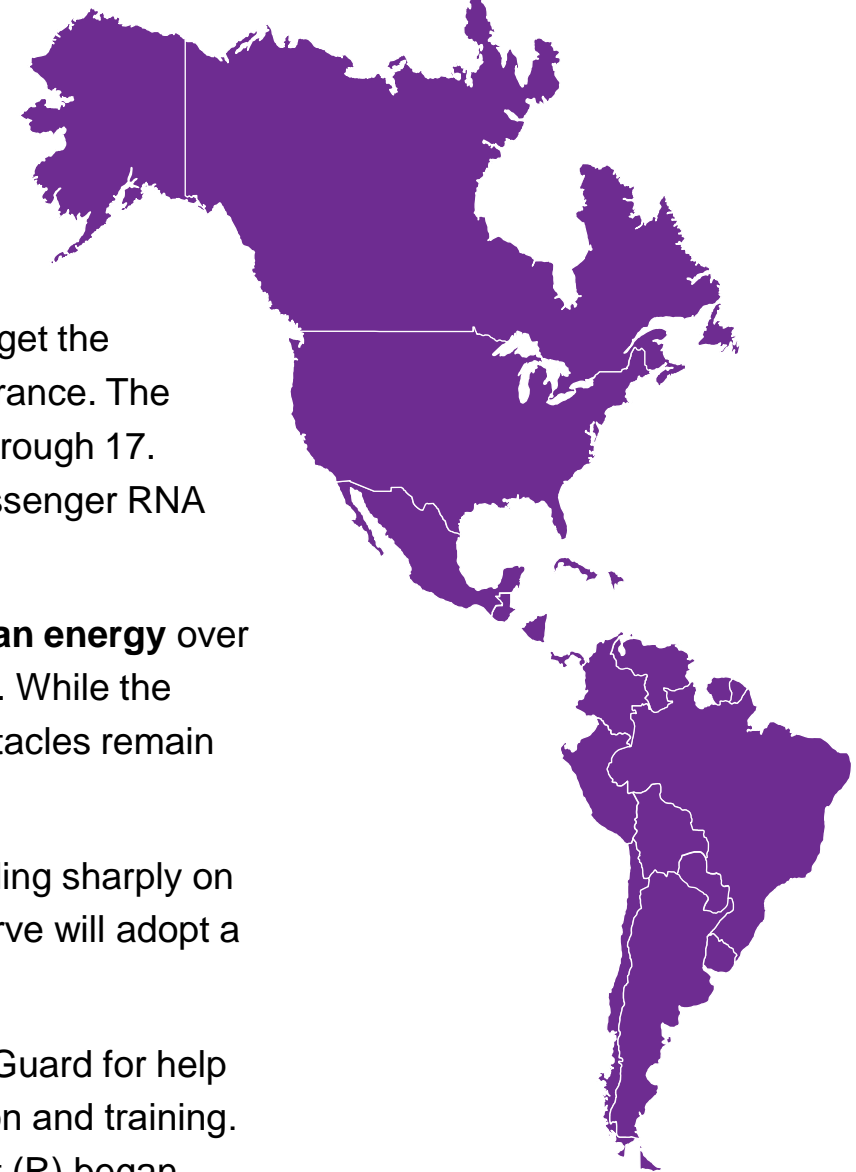
- Thousands of **Haitians** joined rallies around the country to protest rampant crime and soaring consumer prices as its central bank reported that inflation had hit a 10-year high.
- **Argentina's** new Economy Minister Massa announced the extension of a plan offering tax incentives to Argentines who use undeclared savings to invest in construction projects, part of a government effort to boost industry and employment. An Argentine federal prosecutor requested a 12-year prison sentence the country's former president and current vice president on corruption charges related to public works.
- **Brazilian** President Bolsonaro said he would respect the result of an October election regardless of the result, as long as the voting is "clean and transparent."
- Over a dozen former **Salvadoran** officials and two businessmen are under investigation for ties to the diversion of \$184 million from the state during ex-President Salvador Sanchez Ceren's administration.



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Americas: US

- Pfizer Inc is seeking FDA authorization for a **COVID-19 vaccine** booster retooled to target the Omicron variant and will have doses available to ship immediately after regulatory clearance. The CDC approved the use of Novavax Inc's COVID-19 vaccine for adolescents aged 12 through 17. Public health officials hope the approval will drive uptake among those skeptical of messenger RNA shots from Moderna and Pfizer Inc.
- The US government will spend more than \$500 billion on **climate technology and clean energy** over the next decade under three recently enacted laws, an analysis by non-profit RMI finds. While the legislation creates numerous incentives to transition to electric vehicles, significant obstacles remain due to short supplies, high costs and lack of charging infrastructure.
- US stocks suffered their biggest decline in two months on Monday, with tech shares falling sharply on worries about the **economic outlook** and concerns that members of the Federal Reserve will adopt a hawkish tone at the annual gathering in Jackson Hole this week.
- The Defense Department denied a District of Columbia request to deploy the National Guard for help with the thousands of newly arrived **migrants**, saying it was outside the Guard's mission and training. More than 7,000 migrants have arrived in the District on buses since Texas Gov. Abbott (R) began offering the free rides in April to highlight what he had called lax border enforcement policies by the Biden administration.



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The WhatsApp Crackdown: Personal Communication Tools and Compliance Risk

By Matthew Gardell

The use of personal messaging apps is now ubiquitous in the workplace. Many employees who believe using encrypted tools such as WhatsApp make the communications “safe” for business are unaware of the associated compliance risks. Fines levied by the US government on banks for violating regulatory requirements is wake-up call for the financial services industry. Asset managers, law firms or any business that has a legal requirement to log records and protect data and privacy could be in the crosshairs next.

On Friday, The Wall Street Journal reported that some of the country’s biggest banks are nearing agreements to pay as much as \$200 million each and admit that their employees’ use of personal messaging apps violated regulatory requirements. In some ways, the origins of the government’s probe is connected to the COVID-19 pandemic, which precipitated a dramatic change in the workforce, with companies adopting flexible work from home policies. As workers shifted to a remote or hybrid schedule, some started using messaging apps such as WhatsApp, Telegram or Signal for business. While this may be perfectly acceptable in some lines of work, there are a host of regulatory and compliance requirements companies in the financial services industry must follow. Moreover, any business or entity that has a legal requirement to track client engagement, preserve records and protect personal data and privacy should be aware of the compliance challenges these personal messaging apps present.

New Technology Creates Compliance Challenges and Risks

Pre-COVID, employees used company emails and desk phone communications to conduct business. These communications were often automatically logged and the record keeping and supervision rules were fairly simple. Personal messaging apps present a compliance challenge because they focus on privacy for the user and can be set up to automatically delete messages, which presents a clear risk for firms and

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The WhatsApp Crackdown: Personal Communication Tools and Compliance Risk

and potentially puts them in violation of legal requirements to track client engagement. There are also other challenges, such as the employee having the ability to more easily delete and tamper with messages, no central record keeping and the difficulty of searching for messages for audits. Once an employee leaves a company, they also take all their work-related messages on their communication apps with them, creating challenges for a firm to retrieve them. Additionally, encrypted messages may be stored and backed up in cloud services, and if hacked, companies are still responsible for protection of that data, even if they did not know it was there.

Although the record fines imposed on banks may be receiving the headlines, there are other risks of which businesses should be aware. The unauthorized use of encrypted apps by employees makes the actual work of compliance more difficult for firms internally. A chief compliance officer at a law firm, for example, will find it more difficult to ensure employees are compliant with their own internal policies should employees use encrypted apps for work purposes. In the legal field, these apps could make the work of discovery more difficult and therefore damage a lawyer's case in court. In the financial services industry, in addition to the monetary risk of potential fines, personal

apps make it harder for firms to guard against insider trading and embezzlement, opening them up to potential criminal liability. Employees using personal apps to handle proprietary or protected personal information is also a key data security risk. Personal messaging apps will also create problems for firms if the Internal Revenue Service pursues an audit; there may be gaps in the records provided, and management is relying on the employee to be forthright in providing business communications conducted on personal apps.

Firms are beginning think critically about the business risks of personal messaging apps and how to bring their employees into compliance. Companies are modifying internal policies, mandating training and stepping up enforcement (such as disciplinary measures against employees). Company policies should make clear the regulations and procedures associated with using personal apps to employees. One way to try to reduce the compliance risk of new technology like encrypted apps is to wean employees off tools like WhatsApp to other forms of communication tools providing such as instant messaging platforms that also have audit functions and secure cloud processing for archiving all encrypted communications for any compliance measures. It may be combination of old-fashioned

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methods (such as giving employees written notice of firm requirements on apps) and new software that helps firms tackle the emerging challenge of compliance.

Future Trends

Multiple news sources have reported that the Securities and Exchange Commission will next step up enforcement action against asset managers. Given that some form of remote work appears here to stay, and personal messaging apps remain popular, it is likely that compliance issues surrounding encrypted apps will not go away anytime soon. Asset managers are beginning to set aside funds to cover potential fines linked to investigations over use of encrypted apps. The marketplace for third-party software or apps that ensure compliance will continue to find a receptive audience at banks, investments firms, law offices and healthcare providers.

It is also important to note that the 'risks associated with personal messaging apps is not just a US concern, but an international issue. The US probe has ensnared European banks such as Barclays, and European regulators have shown to be aggressive on data protection issues, signally that future action may be taken. Additionally, using

personal messaging apps may risk violation of the European Union's General Data Protection Regulation (GDPR) rules because of a lack of transparency or control of where the data goes. In 2021, WhatsApp was fined a record 225 million euros (\$267 million) by Ireland's data watchdog for breaching EU data privacy rules by failing to tell EU citizens enough about what it does with their data.

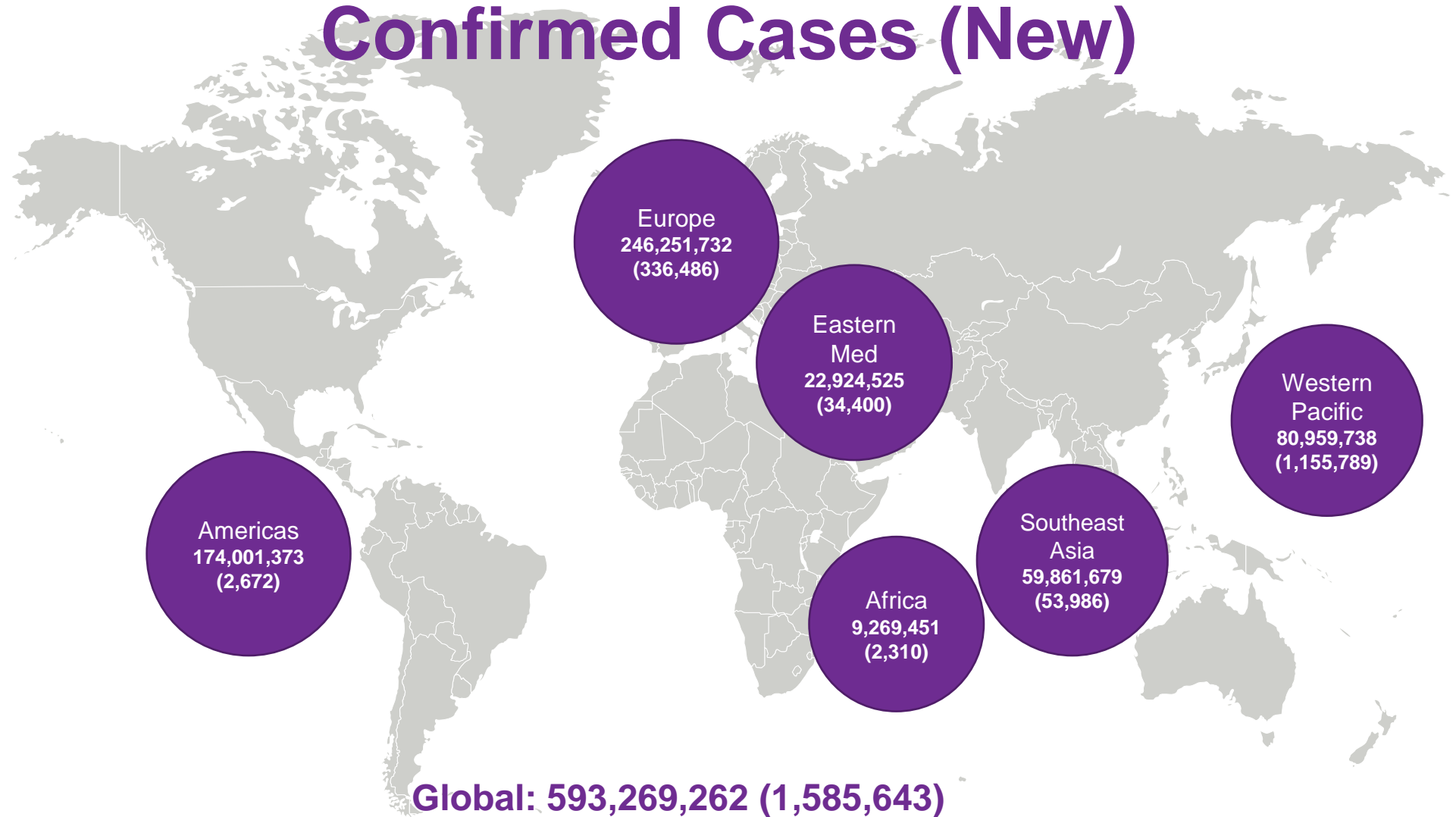
All companies that have a legal responsibility to retain records and protect data and privacy should anticipate increased government scrutiny and take concrete steps to mitigate the legal, financial and compliance risks of personal app usage by employees.

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Coronavirus Condition Updates

As of 4:42 pm CEST on August 22, 2022

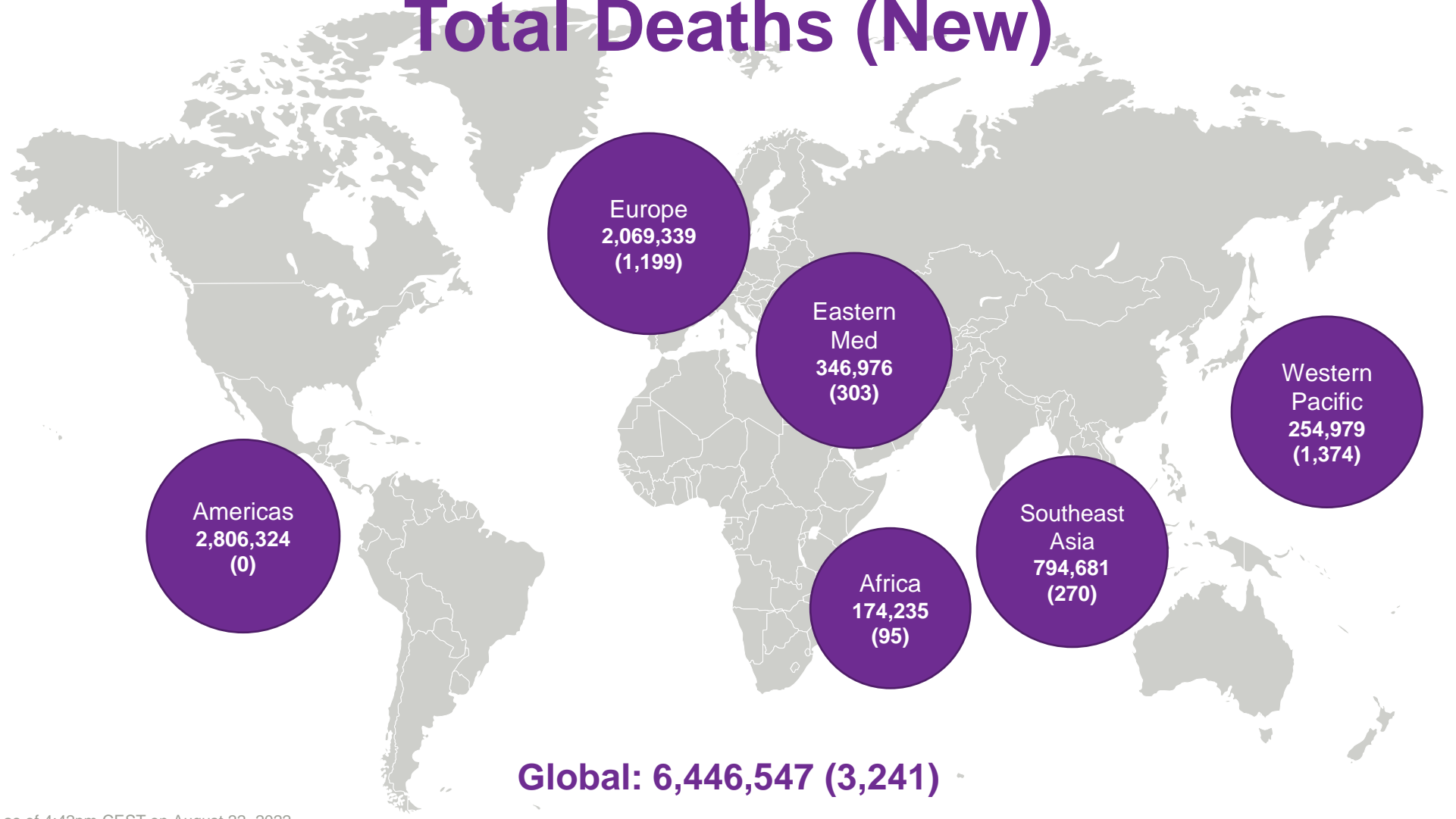
Confirmed Cases (New)



Reflects data as of 4:42pm CEST on August 22, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 4:42pm CEST on August 22, 2022.
Data Source: World Health Organization

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Contacts

This summary is based on reports sourced from among the 75 countries in which Dentons currently serves clients as well as from firms in other locations, some of which will formally join Dentons later in 2020. We are pleased to share this complimentary summary and contemporaneous assessment, with the caveat that developments are changing rapidly. This is not legal advice, and you should not act or refrain from acting based solely on its contents. We urge you to consult with counsel regarding your particular circumstances.

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