

CHAPTER -8 GLOBAL CORPORATE SCAMS

Comparative Analysis of Global Corporate Scams

Particulars	BCCI	Maxwell	Enron	WorldCom	Vivendi	Lehman Brothers
Year of scam	1991	1991	2001	2002	2002	2008
Nature of fraud	Massive banking fraud, money laundering	Pension fund fraud and misappropriation	Accounting fraud using SPEs	Accounting fraud via expense manipulation	Financial misreporting and aggressive acquisitions	Financial misrepresentation and risky leverage
Major corporate lapses	Fake accounts, shell companies, weak regulation	Illegal diversion of pension funds	Off-balance sheet financing, hiding debt	Capitalizing operating expenses	Overexpansion, inflated earnings	Excessive leverage, subprime exposure, Repo 105
CEO / Managing Director	Agha Hasan Abedi	Robert Maxwell	Jeffrey Skilling	Bernard Ebbers	Jean-Marie Messier	Richard Fuld
Chairman	Agha Hasan Abedi	Robert Maxwell	Kenneth Lay	Bernard Ebbers	Jean-Marie Messier	Richard Fuld
Auditors	Ernst & Young (various)	Coopers & Lybrand	Arthur Andersen	Arthur Andersen	Various auditors	Ernst & Young
Key people involved	Agha Hasan Abedi, bank executives	Robert Maxwell	Lay, Skilling, Andrew Fastow	Ebbers, Scott Sullivan	Messier, executives	Richard Fuld, executives

Governance failure	Lack of global regulatory control	No oversight on pension funds	Weak board oversight, auditor failure	Internal control failure	Poor financial discipline	Risk management failure
Regulatory action	Bank shut down globally	Investigations, asset recovery	SEC action, bankruptcy	SEC action, bankruptcy	Leadership removed, restructuring	Bankruptcy, global reforms
Whistleblowers / exposure	Investigative journalists	Internal investigations after death	Sherron Watkins (Enron vice-president)	Cynthia Coopers (Internal audit team member)	Market analysts, regulators	Market collapse signals
How detected	Media investigations and audits	Discovery after Maxwell's death	Financial discrepancies exposed	Internal audit findings	Financial distress and falling stock	Collapse due to liquidity crisis
Corporate governance lessons	Need for global banking regulation	Protection of pension funds	Transparency and auditor independence	Strong internal controls	Avoid overexpansion	Risk management and capital adequacy