



**CORPORATE  
CRIME  
OBSERVATORY**

## WIRECARD: SHORT-SELLING AS A TOOL FOR ETHICAL MARKETS

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# Lessons from Wirecard Germany's Largest Financial Scandal



THE COMPANY



THE SCANDAL



THE SHORT-  
SELLERS



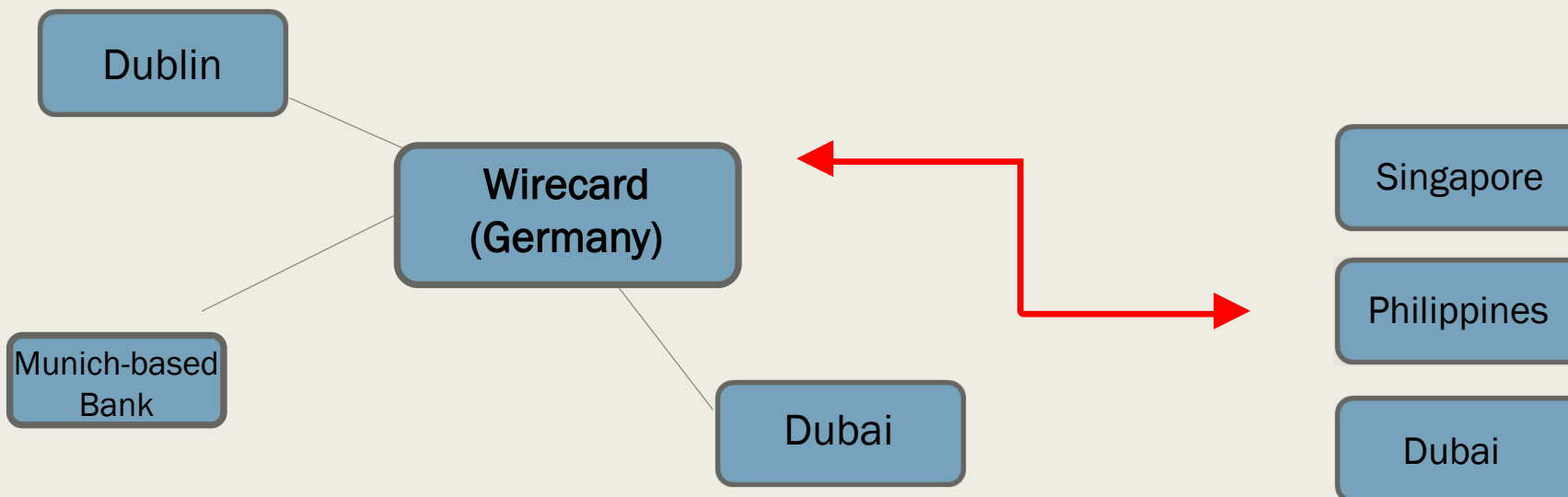
# WIRECARD: The Company



wirecard

## Beloved German FinTech Company

- Credit card processor settling funds between merchants and issuing banks
- Mission to create a cashless society
- Founded in 1999





# WIRECARD: The Scandal

- Global growth strategy
- Engaged in processing for questionable and high-risk sectors (i.e. illegal gambling, pornography)
- Challenges in obtaining foreign licenses; develops 3<sup>rd</sup> party partnership agreements
- WC earns commission on 3<sup>rd</sup> party transactions
- Commissions to “fund” escrow accounts
- Singapore whistleblower– unfunded escrows





# The Short-Sellers

- 2008 - German Shareholders Association files complaint with BaFin
- 2015 - Financial Times stories
- 2016 - Short-sellers Report claims money laundering
- 2016 - Wirecard complains to BaFin about market manipulation by short-sellers
- 2019 - BaFin halts shorts in Wirecard and short-sellers protest





# The Short-Sellers

- JPM study shows only 10% of trading volume is done by discretionary traders
- Bet against crime, fraud, and failure after exhaustive, independent inquiry
- Informed traders help correct overvaluations
- “No greater wealth destroyer than corporate deceit”
- Fraud detection rarely begins with corporate governance actors, but instead with those who have a monetary incentive to uncover and reveal fraud
- Greater transparency and information leads to healthier markets

*“Short-selling directionally informs valuations  
and is a key indicator for fraud.”*

*Fahmi Quadir, CIO Safkhet Capital Management LLC*



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