

FRAUD TALK – EPISODE 112

A Conversation with the Authors of “The Key Man”- Simon Clark and Will Louch

In this episode of the ACFE's monthly podcast *Fraud Talk*, John Warren, Vice President and General Counsel of the ACFE met with the two *Wall Street Journal* reporters who played a large part in uncovering the fraud in the Arif Naqvi case.

Transcript

John Warren: Welcome to *Fraud Talk*, the ACFE's monthly podcast. I'm John Warren, Vice President and General Counsel of the ACFE. Today, we are going to have a discussion about the fascinating case of Arif Naqvi. Now, as late as 2017, Arif was a global financial rock star. He was one of the world's leading impact investors. He was a billionaire. He worked with and socialized with people like Bill Gates, and Richard Branson, and Prince Charles and many others.

Then in a matter of months, it all fell apart. Joining us today are the two *Wall Street Journal* reporters who covered this story and who played a big role in uncovering the fraud at Arif's investment company, which was called The Abraaj Group. They've recently written a book about the case which is called *The Key Man: The True Story of How the Global Elite Was Duped by a Capitalist Fairy Tale*. Simon Clark and Will Louch, welcome. Thank you for joining us.

Simon Clark: Thanks, John. Good to be here.

Will Louch: Yes, thanks very much for having us.

John: Thank you so much for being here. Before we begin, let me say, and I mentioned this before we started recording, but the book is terrific. For anybody listening, I can't recommend it enough. Personally, I took it, I read it on my vacation on the beach. It reads like a really well-researched piece of financial journalism, but also like a novel, a bit of a page-turner.

Really is an interesting story, so well done, congratulations on the book. Before we jump into the story of Arif, can you each just introduce yourselves to our audience and talk a little bit about your background as financial journalists, just in general. Simon, let's start with you.

Simon: Sure. I've been a financial journalist for 21 years based in London, but traveling around Europe, Middle East, and Africa. Working most of the time for US news organizations for the last seven and a half years at the *Wall Street Journal*. I've specialized in writing about private equity and in doing investigations of financial situations that have gone wrong.

Before I became a journalist, I did spend some time teaching in emerging markets in Pakistan and in Gaza. Those experiences were very helpful to me in understanding developing world and in telling stories such as Abraaj's, which spans the developed economies of North America and Europe, and also into Africa and South Asia.

Will: In terms of me, I've been a financial journalist probably about three years when I started working on this story. I was reporting for Dow Jones in the *Wall Street Journal*, focused on private equity as well. I was based in London initially, then went to New York. Now I've come back to London, and I'll be starting a new job working at Bloomberg at the end of the month.

John: Wonderful. Great. Okay, so let's dig into the case itself. As I said, it's a really fascinating case, and Arif is a fascinating individual. I think to begin, can you talk a little bit about his background and rise and how he came to the position of prominence where he was able to commit the fraud that he did?

Simon: Yes. At the end of 2017, Abraaj, Arif's company, was the largest emerging markets private equity firm in the world. At that time, it was raising \$6 billion for its latest investment fund. It had raised about \$3 billion of that \$6 billion target. It was raising money from US pension funds, Washington State Investment Board, Louisiana teachers, Texas teachers, pension fund in Hawaii.

They were all committing hundreds of millions of dollars to this fund. Abraaj also had a number of other funds, including a billion-dollar healthcare fund to buy and build hospitals in Africa and South Asia. The Gates Foundation had invested a \$100 million in that fund. The US government had committed to that fund, as had the British and French governments, and also the World Bank.

Abraaj had started in 2002 as a private equity firm based in Dubai. It did do some successful deals and it got a strong track record initially. It expanded geographically across Africa and Asia. Then it started to pitch itself not just as a private equity firm, but as an impact investing firm. The pitch to investors was, "We will make you money and we will end poverty at the same time by investing in companies in the developing world in Africa."

Providing jobs, expanding companies, schools, and hospitals in poorer countries. Because of this pitch, it was able to raise money from banks and pension funds, but as I said also, from governments, from the development finance institutions of Western governments. At the end of 2017, Arif and Abraaj were really at the peak of their powers and their reach in terms of gathering money to invest and investing that money. It all looked like it was going so well until things started to fall apart.

John: Until it didn't, right? I got the sense from reading the book that a big part of his success came from the fact that Arif himself was a very charismatic figure that he seemed to have this ability to convince people that he had this mission that-- You talked about people in his-- I think at one point in the book, you referred to the cult of Abraaj or something where people felt very motivated by him and by the mission of his organization. Could you speak to that a little bit?

Simon: Sure. Will, do you want to say something about that?

Will: Yes. Arif, from a very young age, from his school days, basically, he was a very talented public speaker. What he did in terms of his organization, he imbued with everyone an incredible work ethic. Arif was, people say, capable of going to bed at three o'clock in the morning, having drunk bottle of whiskey, and then he'd be up at seven o'clock getting ready to go into meetings where he then talk all day.

I think he expected as much over his employees as he gave himself. I think to that point, the difference with his employees and himself was that he was adding vast sums of money more than they were. Then in terms of his charismatic personality, a big part of how he was able to raise money and how his firm was so successful was he was constantly touring the world in his private jet, flying into private equity conferences, like the Milken conference he spoke at a number of times.

He was a fixture at Davos. When he was there, he would get up on stage and he would deliver a simple but very intoxicating message to largely Western business executives. He would say to them, "I'm a Pakistani. I've worked in lots of different markets. My investment fund is based in Dubai. We've got offices on four continents around the world. Give us your money, and I'll help you provide exposure to these markets which you've never had exposure to."

He'd go to big healthcare companies and say, "Invest in our funds, and we can help you grow your market share in Africa or Asia markets switch if they've been your focus or your aspect," because they've never had exposure to. This message, "Give your money to me. We're top class in terms of our corporate governance," even though people traditionally perceive emerging markets to be risky.

He just drawn this message home again and again, go and talk at, I don't know, a dozen conferences at minimum a year. That was really a key part of how the firm became, at least on the surface, so successful.

John: Yes, I think that's right. You talk about, I thought it was interesting in the title of your book, you use the term capitalist fairy tale. It was this idea that you can have it all. You can invest in these companies, you can make money, but you can also solve problems like poverty, and hunger, and so forth. That helped him draw in a lot of really sophisticated high-level investors.

Could you talk about some of the groups and the organizations? You already touched on it, but who he was dealing with, and who he was operating with. I'll go back to Simon for this.

Simon: Yes. It's a very seductive idea that an investor can make money and solve the world's problems at the same time. It is possible, but it's very difficult. It's difficult to invest profitably. It's also difficult to solve social problems, such as poverty or environmental degradation or lack of power or access to health or education services. That's difficult, too. It's even more difficult to do those things at the same time. That is broadly the pitch of impact investing, and that was the pitch that Arif and Abraaj were making that.

He seize the zeitgeists. Globalization was the name of the game for the global economy in the last 30 years, and Arif coming out of the developing world, he didn't like the term emerging markets. He would constantly correct Westerners that use that term. He would say these are global growth markets, and he was right. They are growth markets. They are also emerging markets.

They are markets where regulators have less experience and less reach. Yes, there are financial frauds in North America and Europe all the time, but there certainly are financial frauds in the developing world, too. Arif is a very intelligent person. He did do some good deals, and that helps him create a track record which he sold very effectively to Western investors.

The problem was that behind the scenes of Abraaj, there was a lot going on that was not made public. The firm was spending way beyond its means. As the whistleblower who came to us initially in January 2018, who I think we should stop talk about now, revealed there was a whole hidden story to Abraaj.

Behind the great showmanship of Arif at conferences and all the glitzy documents and the claims of 18% annual IRRs, there was another story to Abraaj which was being completely hidden from view. That's the story which we started to learn about in January 2018 and to report. This all started for us-- I had written about Arif and Abraaj before I first met him in 2007 in Dubai. I knew people at the firm.

The story of the collapse of Abraaj really started in January 2018 when Will was contacted by an anonymous whistleblower by email, someone who we still don't know the name of. Will is going to talk about that. The important thing to remember here is this person told us what they thought was going on, but we couldn't use that information to write articles because we didn't know who they were.

Then we subsequently have to go and corroborate this information. Will, why don't you tell everyone what happened.

John: Yes, that was actually-- [crosstalk] I'm sorry to cut you off, Will, but that was going to be my next question because I think it's such a dramatic thing in the book is that you're just sitting there one day and this email pops up. Can you talk to us about what happens that sets this whole thing in motion?

Will: Yes, sure. I think it's probably mid, maybe early January 2018. I wake up in the morning, check my emails as I did every day. Most of them are pretty boring press releases. Then I had one which had a slightly odd email address. The sender, I think it was from a ProtonMail account. It was with w.Abraaj@protonmail.com. I was like "this looks kind of interesting", clicked on it.

The email initially didn't have a particularly important piece of information, that it just told me that someone was leaving the firm. I was like, "Okay, that's kind of interesting, but not really." Responded, said, "This person is leaving. Is there anything else going on?" Then I received a, I don't know, about an

800,000 word email, saying that multiple investors in a \$1 billion fund, including the Bill and Melinda Gates Foundation, CDC, Proparco, US government were investigating where hundreds of millions of dollars of their money had gone.

I read this and I was like, "Well, that's quite an interesting piece of information, if it is true." I wasn't that familiar with Abraaj. I hadn't really written about them much before. I shared this information with Simon and other colleagues. That was really the beginning of the whole process because a lot of the allegations that been on a source made, that was one-- I mean, there was bribing politicians in Pakistan was another.

It was all pretty heavy stuff, but as I didn't know who the person was, we couldn't report any of it. It could very easily have just been a pissed off foreign employee, or it could have been a competitor looking to besmirch Abraaj's name. We basically had to get that information confirmed. The thing that we started with was looking at the healthcare fund.

How we were able to do that was just trying to contact as many different people involved in the case as possible. Employees, investors, advisors, anyone that might be familiar with the information, and yes, that was really how it all began.

John: That's really interesting. Myself and our audience are not journalists. One of the things that's interesting to me, or a question I have is, as financial journalists, and you're working at the *Wall Street Journal*, right, which is the most, or among the most prestigious financial newspapers in the world. Is it common to get emails like this? Do you get a lot of anonymous things like making allegations against, or was this really unusual when it popped up?

Will: In my albeit brief period at that time, I'd reckon I probably had about four or five other anonymous tips. What the other anonymous tips would typically know when they're as interesting as this one, they'd normally be stuff about bullying, a firm, or a boss being sexist or something like that. This allegation of theft and fraud for a private equity firm, it's just something that I've never really come across.

It actually took me a while to get my head around what they were alleging. They said that the money had been stolen because the firm was a billion dollars in debt, and private equity firms typically own a huge amount of money from management fees alone. A PE firm in debt almost didn't make sense to me. Yes, it was pretty extraordinary.

Then how my relationship with this anonymous person develops was even weirder because this person-- Before when I've had a tip off on something, they'd speak to me, or you go and meet them for coffee or something like that so you could then substantiate who they were and what they're saying and why they're saying it.

This person never spoke to him on the phone, told me who they were, or met me. I basically interacted with him on a daily basis for about three months without knowing who they were. It was a very strange period of my life because I would look forward to seeing what they're going to send me next, for instance. Then it will all just become a game- not a game, we'd have to then go and confirm it, which was difficult every time.

Simon: When the email arrived, Arif was at Davos, the world economic forum meeting in January 2018. He was on stage, speaking in a publicly televised debate with Bill Gates. The central allegation from the anonymous whistleblower was that \$200 million had gone missing from the healthcare fund in which Bill Gates was an investor. Reality was presenting us with these two extreme scenarios.

One, Arif as a highly respected CEO, who sits on panels and debates global public health with Bill Gates, one of the richest people in the world. Then there's other scenario which is saying that Arif's firm has taken money belonging to this very rich person and misappropriated it. We have a huge responsibility to find out what is the truth.

We went about that by speaking to multiple investors who had sources at Abraaj, and in other places who confirmed that indeed investors in the healthcare fund were investigating whether hundreds of millions of

dollars of their money had been misappropriated. We were able to confirm that as absolutely true, and that was the first article that we published that the investors are investigating if their money has been misappropriated.

We give everyone we write about an opportunity to comment before publishing. We went to Abraaj, we said, "This is what we're hearing." Their spokespeople said, "That's outrageous. How dare you suggest that there's a problem? We are regulated in seven jurisdictions around the world. We have the highest global standards. How could that be possible?" Well, we have enough information to convince the *Wall Street Journal's* lawyers and our standards people that we were right, and so we published on February 2nd, 2018. Then Abraaj was inundated with a tsunami of requests from hundreds of its investors and bankers for an explanation about what on earth was going on. After we published, the *New York Times* also published an article. You had the *Wall Street Journal* and the *New York Times* basically reporting the same thing.

Abraaj was telling its investors and anyone else who cared to listen that this was fake news. We've got quite a high stakes situation here in journalism, where it's absolutely our responsibility to report accurate information, and the firm we're writing about is saying that the information is inaccurate.

The information was accurate, and this was the beginning of a month-long process where we reported multiple breaking stories on wrongdoings at Abraaj. It's important to say that Arif still maintains he's innocent. At the end, just to tell the story chronologically, we spent months trying to understand what exactly had been going on at Abraaj. Spoke to 150 people, with 70 Abraaj employees.

By August of 2018, a chain of sources that put me in touch with someone who I do know who they are, but still can't say who they are, who had access to Abraaj, legitimately had access to emails, bank statements, other corporate documents, which this person showed to me that show alleged fraud, theft and attempted bribery had taken place.

We use those documents to write a front-page investigative feature which was published in the *Wall Street Journal* in October 2018, which was basically showing how more than \$600 million had been moved out of investor funds at Abraaj into secret bank accounts. Then from there, at least \$200 million had been used to send outside of Abraaj, including to secret companies and bank accounts controlled by Arif in the Cayman Islands, and money had been used to pay expenses and salaries and to maintain the high living of the founder and other executives.

Then six months after that in April 2019, Arif was arrested at Heathrow airport in London. He had been criminally indicted by the US Department of Justice, along with five of his other former colleagues. Accused of fraud, wire fraud, conspiracy, theft, and terms of bribery. He was arrested in the UK on a warrant that had been issued in the US in order to be extradited to the US to face trial. If found guilty on all counts, he faces up to 291 years in jail.

Now, in the US criminal indictment, which now is a public document, where the DOJ is making its case, a lot of the information they have includes emails and bank statements and company documents which had been the source for our investigative journalism months before. The DOJ didn't get it from us.

They probably got it from the same sources that we got it from, but this is the level of documentary evidence that we need to publish an article. We're working to extremely high standards-- [crosstalk]

John: I'm really glad you mentioned that the level of documentary evidence you need to publish an article and the allegations of fake news. Not to veer too far afield, but that's something we hear a lot about, about fake news. I think for our members in our audience, we may not, I personally don't really know the specific standards that a newspaper like the *Wall Street Journal* has to adhere to.

What is the process? You have an anonymous source that's making allegations. Is there a number, is there a certain amount of corroboration? Do you need two other sources? How does that process go about building out from one anonymous source to a case you feel comfortable publishing?

Simon: The anonymous source in terms of reporting the article does not count as a source. Will?
[crosstalk] The anonymous source gives us an idea or hypothesis, which we then have to test by finding evidence that this is true. One person who won't allow us to name them in print is not enough.

Strictly speaking, if you're going to use anonymous sources, people familiar with the situation, if that's going to be the level of sourcing that you disclose to your readers, you really need at least- you really need two people familiar with the situation. Ideally who are on different sides of a transaction.

If you're going to say company X is going to buy company Y for \$5 billion according to people familiar with the situation, you really need a person who's on the buy side and on the sell side of that transaction. When you're writing about serious allegations of wrongdoing, you really need a lot more sourcing than that.

You need multiple people on multiple sides of a situation. Then you really, ideally need documentary evidence. We need to then have conversations with our lawyers at the *Wall Street Journal* about how we got that documentary evidence, who gave it to us, why did they give it to us. Then we need to take all these allegations to the people or companies we're writing about, and very openly tell them what we know or what we've been told.

We don't do surprises. We don't publish articles without telling people who are the subjects of those articles what we're going to write. We tell them, look, this is what we're hearing, what do you say? Is it true? Is it not true? Can you explain what's going on here? The standards of the *Wall Street Journal* are second to none.

There are other organizations that have similarly high standards, but this stuff we take this very seriously. In a situation like this, when we went to Abraaj, usually when you're making such serious allegations against a firm, you very quickly find yourself not talking to their press officers, but to their lawyers, who send letters which usually have at the top written "not for publication".

Then they make it clear that if you write this, which is clearly not helpful to this organization, then they may well sue us. It's a long and complicated process.

John: It sounds like it, and there's a lot of high stakes involved. Will, I'd like to go back to you for a second. You've mentioned- so you get this anonymous complaint or this anonymous whistleblower email, and then two things. One is you had not written about Abraaj before. Do you have a sense of why the person contacted you? Do you think it was just chance?

Did you ever get a sense of that? Two, it sounds like you had sort of a running correspondence with this person that ran parallel to your own investigation. Could you talk about that? How that proceeded a little bit? Did you get a feel for the person? Were you getting messages constantly? Were you asking questions based on what you're finding? Could you just talk a little bit about your communications with the source?

Will: Yes, so how it kind of works was they reached out to me and they actually messaged another reporter at the *New York Times* as well. They made me aware of that after about a week of having been given the initial information. Then we knew that we were basically in a race to get some stuff confirmed, to get to the point where we could publish an article.

How it works, so I was talking to this person, whoever that is- They said that they worked at the firm and they were based in New York. I spent about, I don't know, two years trying to guess who exactly they are. Still haven't managed to do that, so that tells me something. Then I would tell Simon and other colleagues what they were telling me.

Then at the same time as also building, we were all building, trying to build as many sources as possible. That involves just calling funds involved, like finding people on LinkedIn that might be familiar with stuff. What happened and how we were able to report that and use that was just triangulating information from so many different places. I don't know.

I'll call a source that maybe works at one of their companies that was invested in Abraaj. Like Simon maybe messaged someone he knew that worked at the firm. Then we'd all just feed this information back and forth between each other. The anonymous person was just one amongst, literally-- What happened with Abraaj was that there was such poor communication inside the firm, and not only inside the firm, also with their investors.

As the situation escalated, investors and employees even had no clue what was going on at the company. Because we were writing about a lot became a focus point for investors and employees to come to for information. People will message us, be like, "Oh, we've not been paid this money that we need to get. Do you know what's going on with the company's balance sheet?"

"If we get fired now, are we going to get our end-of-service benefits?" which is their redundancy package. We just had this huge network which just evolved organically, in which the anonymous person was helpful initially because we could call someone up and be like, "Hey, do you know what's going on here?"

For instance, "Hey, have you appointed this forensic accountancy firm to investigate where your money is?" Then they'd be like, "Actually, yes, we have." Then we could call up another person that was familiar with the accountancy firm being appointed, and being like-- We've had this, and then we'd have sourcing sufficient to publish an article.

It all just turns like a giant network of people exchanging information about a company in real-time. It was a strange situation, but obviously a good one for a journalist to be in because we became the kind of central hub for information on what was going on.

John: [crosstalk] Really fascinating. My question is, and I'll ask this to you, Simon. You guys published your initial article I believe in January 2018, or early 2018. Can you give us a sense of the timeline of how quickly things fell apart at Abraaj once you published?

Simon: The first article was published on February the 2nd of 2018. After that, Abraaj's problems had become public. The problems were long-running prior to that, but the point of us publishing, those problems became public. At that point, it accelerated the situation at Abraaj. No more banks would lend money, or even though it was struggling to raise funding before that, that was really a big problem.

Investors wanted to know where was their money, and a lot of them wanted their money back. Abraaj tried to continue with fundraising. It tried to separate its holding company from its fund management company in March of 2018. That wasn't enough. They stopped the fundraising in March. They tried to manage Arif out of the CEO position and install two new co-CEOs, that didn't work.

Then creditors started saying we're going to file for provisional liquidation, force you into liquidation if you don't pay us your money back. By June, that is what happened to unsecured creditors who said we want our money back. They went to the Cayman Islands court where the holding companies of Abraaj were incorporated in the Cayman Islands.

Then Abraaj decided to file for provisional liquidation in June 2018, and came out as a court-appointed provisional liquidators from PwC and Deloitte.

We're still trying to get to the bottom of what exactly has gone wrong. I've got a source who's shown me bank statements and allowed me to photograph those bank statements, but they're not enough.

It takes me until August 2018 to meet this source who showed me the documents which basically was strong enough proof of theft, fraud, and attempted bribery. Then it takes us till October to get this article published. By this time, liquidators are trying to sell Abraaj to other private equity firms.

That doesn't work for various reasons, including the finances of Abraaj are such a tangled mess, no one can understand where the assets and liabilities really are and who owns them. There are multiple claims on assets, money's gone missing all over the place. LPs investors don't really want to go with one private ex-firm or another, so they can't sell Abraaj as an entire company.

Then the liquidators decided to try and break it up and sell it by fund by fund, but it's such a complicated situation that that process is still ongoing.

The liquidators and their lawyers have charged 10s of millions of dollars of fees. There's still no real resolution. Then April 2019, you have the SEC and the DOJ filing cases, DOJ as a criminal case.

Then you've got this criminal legal process going on alongside the liquidation process, and with that, that's still ongoing. Also, a big question mark in all of this is what exactly were Abraaj auditors doing for years. That's KPMG Lower Gulf, which is the UAE unit of KPMG. There have been lawsuits against them from the liquidators and from investors.

There are lawsuits against various investor groups and entities springing up across tax havens around the world. A lot of that's just going to have to wait for where if and when the trial of Arif Naqvi occurs in New York. His extradition to New York has been ordered by the UK court system and by UK Government.

Arif wants to appeal at that extradition. He has not been granted the right to appeal yet, he's still waiting to hear. This is a multi-year process. It's a big mess for anyone who was involved with it.

John: It is certainly a big mess. Will, do we have a sense in the final tally of just how much money was stolen? Just how much was taken?

Will: Yes, I think that the provisional liquidators, I think the figure is \$789 million was the amount of money that was unlawfully taken. I think that was taken over the course of 3,000 transactions over many years. Then of that 789, I think is it around \$400 million is missing still. The liquidators have subpoenaed basically every single bank in the world because they don't know where the money is gone. I think that's the final tally, which is a pretty sizable sum.

Simon: It's about \$750 million left Abraaj that shouldn't have left Abraaj, and \$385 million of that is still missing, and liquidators would like to know where it is. The difference between the two was sent back to Abraaj, so it's hundreds of millions of dollars.

John: It's staggering figures. I would like in the time we have left to just get your thoughts on a couple of topics. One, it was such an appealing idea. The idea of impact investing and of doing good wealth-generating profits. Question one is, do you think this model could have worked if not for the fraud? Was it a feasible venture if he hadn't been stealing, and if they had been honest about the bookkeeping?

Along with that, if you do think that's feasible, then how do you think going forward investors like the Gates Foundation, or the large retirement funds, or the groups that invest in these, what were the mistakes they made that could be avoided in the future in doing this investing going forward? What were the warning signs they missed? I'll start with Simon.

Simon: We do think that impact investing can work. We think there are a lot of issues around it. It often takes place in the form of private equity investment. There's a lot of secrecy around private equity firms, and not a lot of transparency. We think there needs to be more transparency. We think there also needs to be more participation in decision-making processes.

If this really is about solving problems of poverty, for example, then it would be good if there were some core people involved in the process, rather than just private equity people in London or New York. Yes, we don't think this blows up the idea of capitalism being used to solve social problems. Clearly, this story exposes a lot of issues around those who are making claims that they can make money and solve problems at the same time.

We need transparency. If there's going to be funds investing in difficult parts of the world, then investors, and ideally, the public need to know where that money is going, how it's being invested, and what are the compensation terms for the managers involved. We need a lot more transparency around how this money moves.

There were deeper issues, even setting aside the fraud. The \$1 billion healthcare fund that Abraaj raised was pitched as a fund that would provide for profit hospitals and healthcare services for very poor people. Problem is the very poor people don't have money to pay for healthcare services.

In the book, we show that Abraaj had internal emails and correspondence where they were admitting internally that the hospitals that they did start to build would not be able to provide services to the very poor people who live near them because those people didn't have any money.

It's very important to scrutinize the promises that these firms make and compare that with realistic information about whether or not the promises are achievable. We need these people to look much harder at that. To be skeptical of these promises is not to be a cynical person or a bad person.

It's just to be someone who really wants to have an honest conversation about the complexity of the problems and how likely it is that those problems can be solved in a profitable way. Maybe sometimes if you want to provide healthcare services to very poor people in Pakistan or Kenya, you're not going to make a profit out of it.

Do it in as philanthropic way where you're not expecting a return on your capital. Maybe sometimes you can provide some services that will be profitable, fine, but not all the time. We just need a more detailed conversation and assessment of the situation.

John: Will, same question for you. What do you think this says in the final analysis about the goals that Arif had set forth and about the failings of people to see what was going on in Abraaj?

Will: If you look at how things panned out, in terms of what Arif set out to disprove. He always used to say that investing in Western markets was as risky as it was investing in emerging markets. He said multiple times that corporate governance wasn't an issue in emerging markets as well. Arif basically set out to disprove a lot of things which-- He has ultimately ended up to some extent at least proving--

He's done a lot of damage, I think, in terms of if you want capital to flow from the West and pension funds to emerging markets, where it can do good by being invested in some companies. If you look at fundraising for investment firms in the Middle East now, for instance. If you talk to people who work there, they say that it has become very, very difficult to raise money.

He was the poster boy for this. At the same time, I think he's ended up at least for the last few years, not quite destroying it, but he's damaged that movement severely, I think. As to whether I think-- Yes, I think that's what I would have to say about that. I think in terms of the impact investing more broadly, Arif was an early adopter.

If you look at what's happened now, pretty much every mainstream financial institution in the world is now talking in the same language that Arif was talking in about 15 years ago. I just hope for the sake of everyone that the financial institutions now talk in his language more sincere than he was.

Simon: We think that the best way out of this is to talk about it and to talk about what went wrong, so thank you for having that conversation with us, because a lot of the investors in Abraaj really don't want to talk about Abraaj. While that may be understandable, it's embarrassing, it's problematic, there's litigation risk. We don't think it's helpful.

We think that the best thing that can happen now is that lessons are learned, real conversations are had, and so the industry can take those learnings, not repeat mistakes, and move on and become stronger. There is a tendency in finance, and particularly in private equity where it's easy to hide things because there's a lot of secrecy, for conversations not to happen.

We think the conversation needs to happen so that learnings can occur, and people can get on with doing business because there are important jobs to be done. It's important the capital moves from various parts of the world's, other parts of the world that it is invested in a way that's profitable and useful. Let's talk about it and learn the lessons and do it better next time.

John: Yes, I think that's exactly right. That's a great way to end our conversation. Simon and Will, thank you so much for joining us. Again, I just want to plug the book. It's called *The Key Man: The True Story of How the Global Elite Was Duped by a Capitalist Fairy Tale*. Again, my personal recommendation, it's a terrific read.

It's a terrific story. There are a lot of really important lessons for everybody in our industry to understand, so thank you so much. We really appreciate you joining us.

Will: Thanks very much for having us.

Simon: Thanks, John. Good to talk to you.

[music]

John: Thank you to everyone for joining us today. I will turn the podcast back over to Mandy Moody.

Mandy: Thank you all for listening today. You can find all of our episodes wherever you listen to your podcasts, you can search for *Fraud Talk* and hit subscribe. You can also find our collection at acfe.com/podcast, and that wraps up this month. We will talk to you again next month.

[music]

[00:46:54] [END OF AUDIO]