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## Thomson Using Ethics Hotline System From Allegiance

By Carol E. Curtis

October 16, 2006 - More than three years ago, at the height of the trading abuses that rocked the mutual fund industry, a back-office worker may have noticed something suspicious: someone on the trading floor allowing a large hedge fund to buy and sell stocks after closing prices have already been posted.

That was late trading, which was and is illegal. What to do? Raising the matter through internal channels could be risky; such whistleblowers, if identifiable, could face negative reputational and career repercussions. It might be different if a secure, anonymous avenue were available for reporting unethical or illegal behavior.

This hypothetical example is similar to many situations that occurred before the scandals came to light in 2003 and prompted a regulatory overhaul at the Securities and Exchange Commission alongside other governance statutes such as Sarbanes-Oxley Act Section 301(4), which requires audit committees to establish procedures for receiving complaints from employees in a confidential, anonymous manner.

Though these rules are focused on auditing and accounting, their application is growing increasingly broad as companies in financial services and elsewhere strive to uncover and head off illegal or unethical behavior as early as possible. As part of the move to make it easier to report ethics violations, whistleblowing is increasingly migrating to Web-based environments, in addition to more traditional phone reporting methods.

As part of the move to the Internet, Thomson Financial has partnered with Allegiance, a Salt Lake City-based provider of feedback management systems, to offer state-of-the-art whistleblower technology to clients. The New York-based unit of Canada's Thomson Corp. hosts some 2,500 corporate Web sites, providing tools to help clients manage investor relations and other services. The partnership makes Allegiance's SilentWhistle technology available within Thomson's Corporate Governance Reporting Solution suite.

"We work with partners such as Allegiance to bring best-of-breed solutions in certain areas," explains David Bairstow, VP for product development at Thomson Financial. "It is one-stop shopping for our clients."

Customers include many financial services firms, since "Financial services is a sector that is particularly focused on the need for an ethics hotline," says Bairstow. "The financial services industry is going to be a very heavy user of a more comprehensive whistleblower solution."

### **Anonymous Form**

With Allegiance's SilentWhistle system, information is captured confidentially and anonymously via the Web or telephone, categorized, and routed to an appropriate manager or board member. The system can be managed from a single location and accessed from any computer

with an Internet connection. The phone hotline is available worldwide, 24 hours a day, seven days a week, and can handle over 150 languages.

"The Web submission form is completely anonymous," says Bairstow. "And the system continues to keep you anonymous. That is why companies outsource this service. Allegiance brings a very secure, very anonymous system for the submitter."

"Reacting to feedback from their constituents in real time has allowed companies that employ SilentWhistle to successfully deter and react to inappropriate behavior and meet the government regulations established through Sarbanes-Oxley," says Adam Edmunds, president and CEO of Allegiance.

Adds Bairstow, "It's very hard to detect fraud. The key is to create an environment that compels more people to come forward with tips." For example, with the Allegiance system in place, a mutual fund employee who suspects after-hours trading could simply sign onto the firm's intranet and access the anonymous reporting form. Or the employee could call a phone number posted on the Web site, leaving a voice mail that would similarly be kept confidential and anonymous. "Companies that use the hotline will find fraud sooner," says Bairstow. "The system allows our customers to mitigate risk, protect anonymity and fulfill Sarbanes-Oxley requirements while providing a safe communication channel for all employees."