

Welcome to Dorsey & Whitney's monthly Corruption Digest. Anti-corruption enforcement crosses boundaries like no other, so keeping up to date is more important than ever. In this digest, we draw together news of enforcement activity throughout the world and aim to reduce your information overload. Our London, New York and Washington DC offices edit the digest and select the most important material so that you can use this digest as a single source of information.

Dorsey & Whitney also offers a UK/US corruption workshop featuring experts from both countries that can be tailored to individual organisations. If you have any questions or want to learn about the corruption workshops, feel free to call either Nicholas Burkill in London, Nick Akerman in New York or Tom Gorman in Washington DC. Their contact information appears at the end of this digest.

Corruption issues are also addressed in the Anti-Fraud Network's newsletters: see www.antifraudnetwork.com for current and archived material; see also the Computer Fraud website at <http://computerfraud.us> and www.secactions.com.

London editor Nick Burkill was recently interviewed on the UK Bribery Act: for an overview, see the film [here](#).

■ THE USA

Settlements

Magyar Telekom and Deutsche Telekom

Magyar Telekom, a Hungarian telecommunications company, and its parent company, Deutsche Telekom, a German telecommunications company have agreed to pay a combined \$63.9 million criminal penalty to settle a Foreign Corrupt Practices Act (FCPA) investigation into activities by Magyar Telekom and its subsidiaries in Macedonia and Montenegro by the U.S. Department of Justice (DOJ).

The DOJ filed a criminal information against Magyar Telekom and a two-year deferred prosecution agreement in the U.S. District Court for the Eastern District of Virginia. The information charges Magyar Telekom with one count of violating the anti-bribery provision of the FCPA and two counts of violating the books and records provisions of the FCPA.

As part of the deferred prosecution agreement, Magyar Telekom agreed to pay a \$59.6 million penalty for its criminal conduct, implement an enhanced compliance program and submit annual reports regarding its efforts to implement the

enhanced compliance measures and remediate past problems.

According to the court documents, Magyar Telekom's wrongdoing in Macedonia arose from potential legal changes to the telecommunications market in Macedonia. In 2005, plans by the Macedonian government to liberalize the Macedonian telecommunications market were viewed by Magyar Telekom as a threat to its subsidiary, Makedonski Telekomunikacii AD Skopje (MaKTel). As a result, throughout 2005, Magyar Telekom executives, with assistance from Greek intermediaries, lobbied Macedonian government officials to prevent the implementation of the new telecommunications laws and regulations.

Magyar Telekom entered into an agreement with high-ranking Macedonian government officials to address its concerns. Pursuant to the secret agreement, referred to as the "protocol of cooperation," the officials agreed to delay the entrance of a third mobile license into the Macedonian telecommunications market. The officials also agreed to provide other regulatory benefits. Magyar Telekom executives signed two copies of the "protocol of cooperation," and kept the executed copies separate from the company records.

Court documents further provide that in order to obtain the benefits of the secret agreement, the executives engaged in a course of conduct with consultants, intermediaries and other third parties, including the use of sham consultancy contracts with entities owned and controlled by a Greek intermediary, to pay about \$6 million which they knew, or were aware of a high probability that circumstances existed in which, such payments would be passed on to the government officials. The sham contracts were recorded as legitimate in MakTel's books and records, which were consolidated into Magyar Telekom's financials. In addition, Deutsche Telekom, a majority owner of Magyar Telekom, reported Magyar Telekom's activities in its financial statements.

The information also charges Magyar Telekom with falsifying its books and records with respect to its activity in Montenegro. Magyar Telekom made improper payments in connection with an acquisition of a state-owned telecommunications company in Montenegro. The payments were reported on the company's books and records through the execution of four sham contracts.

The DOJ also entered into a two-year non-prosecution agreement with Deutsche Telekom for failing to keep books and records that accurately detailed Magyar Telekom's activities. Deutsche Telekom agreed to pay a \$4.36 million penalty and to enhance its compliance program.

Magyar Telekom and Deutsche Telekom's voluntary disclosure of the FCPA violations, and the thorough global investigation pursued by Magyar Telekom's audit committee are acknowledged in both agreements.

In a related matter, the Securities and Exchange Commission (SEC) announced civil charges against Magyar Telekom and Deutsche Telekom and three former Magyar Telekom executives.

The two companies consented to the entry of a permanent injunction against FCPA violations. Magyar Telekom also agreed to pay \$31.2 million in disgorgement and prejudgment interest.

Pleas

Rubin/Chambers, Dunhill Insurance Services (a/k/a CDR Financial Products)

At the end of last month, the DOJ announced that CDR, a financial products and services firm based in Beverly Hills, California, and its founder and owner, David Rubin, pleaded guilty in the Southern District of New York to participating in multimillion-dollar bid-rigging and fraud conspiracies related to contracts for the investment of municipal bond proceeds and other related municipal finance contracts.

Specifically, Rubin and CDR each pleaded guilty to participating in separate bid-rigging and fraud conspiracies with various financial institutions and insurance companies. Both defendants also pleaded guilty to one count of wire fraud in connection with the schemes.

Rubin and his company were indicted along with Zevi Wolmark (a/k/a Stewart Wolmark), the former chief financial officer and managing director of CDR, and Evan Andrew Zarefsky, a vice president of CDR, in October 2009. The trial for Wolmark and Zarefski was scheduled to begin this month, however, on January 9th, both defendants pleaded guilty to two conspiracy charges and one charge of wire fraud. Wolmark and Zarefsky admitted that from 1998 through November 2006, CDR and some of its employees accepted kickbacks from financial institutions in exchange for CDR's help in awarding municipal bond contracts without a real competitive bidding process. According to court documents, the kickbacks were disguised as "hedge fees."

Internal Investigations

ABM Industries

ABM has disclosed that during October, it began an internal investigation relating to compliance with the FCPA and the company's policies in connection with services provided by a foreign entity affiliated with a Linc joint venture partner. The services under investigation reportedly began before ABM acquired Linc. In December, the company reported the results of its investigation to the DOJ and the SEC.

Acquittals

Africa sting case

As reported in the October Corruption Digest, a group of defendants are on trial in federal court in the District of Columbia in the Africa sting case.

Patrick Caldwell, John Mushriqui, Jeana Mushriqui, Stephen Giordanella, John Godsey, and Marc Morales each face at least one count of conspiracy to violate the FCPA.

The Africa sting case involves a three-year undercover operation in which FBI agents posed as representatives of the president of Gabon. The DOJ alleges that the defendants conspired to pay bribes to the undercover agents posing as government officials to win contracts to supply ammunition and body armor to the country's presidential guard. No foreign official was actually involved.

A total of twenty-two defendants were charged in the Africa sting case. Three defendants have pleaded guilty. The trial of four other defendants ended in a mistrial in July when the jury deadlocked after five days of deliberations.

■ THE UNITED KINGDOM

Rail executive and wife commit suicide after being caught taking bribes

Following the conclusion of criminal proceedings and the recent lifting of reporting restrictions, it is reported that a railway executive, Mr Anthony Burgess, and his wife, Mrs Marian Burgess, killed themselves at their home in January 2009, after Mr Burgess allegedly took bribes from two contractors.

Shortly before his death, Mr Burgess had been dismissed from his £70,000 job following an internal inquiry. Mr Burgess was accused of accepting bribes including tens of thousands of pounds in cash, Christmas hampers and five-star holidays from Mr Peter Sale and Anthony Whittington, who were allegedly awarded lucrative contracts to carry out work on Network Rail buildings. Mrs Burgess was not suspected of any wrongdoing.

Mr Whittington was sentenced to a year imprisonment, whereas Mr Sale received a suspended sentence.

The head of central fraud at the Crown Prosecution Service, Miss Patten, remarked that 'Corruption is a serious criminal offence as well as being grossly unfair to honest businesses which expect transparency and fair play in procurement exercises'.

Policewoman arrested in media bribes inquiry

A serving policewoman has been arrested over allegations that journalists bribed police for information.

The unnamed policewoman was arrested on suspicion of corruption and misconduct in a public office. She is the first police officer to be arrested in the Operation Elveden inquiry. Eight others have been detained, including a reporter working for The Sun tabloid.

The inquiry, which is running alongside the phone hacking investigation, Operation Weeting, is looking into claims that journalists made illegal payments to serving officers in return for information and stories.

As reported in the November edition of the Corruption Digest, Operation Elveden was launched in July after News International released emails which alleged that corrupt officers had accepted payments totaling £130,000 over a number of years.

■ THE REST OF THE WORLD

Africa: Benin

Three officials of the Independent National Electoral Commission (INEC) allegedly accepted a N2 million bribe from Mr Ted Iseghoghi, counsel to INEC at the Edo State Election Petition Tribunal, to falsify documents used during the 9 April National Assembly Election in Ovia Federal Constituency.

Mr Chinedu Nwankwo, Mr Henry Anozie and Mr Obiorah Enebeli were brought before a Federal High Court on a three count charge.

The accused pleaded not guilty. The trial judge granted bail.

Africa: Uganda

President Museveni has announced to members of the National Resistance Movement's Central Executive Committee that he is investigating Justice Minister Kahinda Otafiire following an intelligence briefing that the minister masterminded the leaked oil bribery documents which accused Prime Minister Amama Mbabazi and ministers Mr Sam Kutesa and Mr Hilary Onok of taking bribes to influence the award of oil deals

As reported in the November edition of the Corruption Digest, the ministers maintain their innocence. However, Parliament has resolved that those involved step aside until the validity of the documents has been investigated.

According to President Museveni, the intelligence report accuses Mr Otafiire of masterminding the oil bribery scandal to disorganise perceived detractors in government.

President Museveni has vowed to investigate the matter in his own capacity before briefing the National Resistance Movement Central Executive Committee.

China

A leading Chinese referee, Mr Lu Jun, has pleaded guilty to match-fixing and accepting bribes, amid a series of trials involving several officials and referees.

Mr Jun, who has officiated in World Cup and Olympic matches, allegedly accepted bribes totalling 810,000 yuan in return for fixing seven league games involving four clubs in 2003.

Mr Jun admitted to taking 350,000 yuan from the former director of the Chinese Football Association referee' committee, Mr Zhang Jianqiang, following Shanghai Shenhua's 4-1 win over Shanghai International.

Prosecutors allege that Shanghai Shenhua paid Mr Jun and Mr Jianqiang 5.5million through a middleman. It was also alleged that Mr Jun acted as the middleman in fixing a match between Tianjin Taida and Guangzhou Songri in 1999.

Mr Jianqiang has pleaded guilty to accepting 2.73 million yuan from at least nine mainland soccer clubs and regional soccer authorities between 1997 and 2009. 2.6 million of the bribe money has been returned

Another high profile referee, Mr Huang Junjie, has pleaded guilty to fixing local and international matches.

Mr Junjie allegedly accepted more than US\$256,000 to fix two international friendlies and took 20 bribes from six Chinese clubs between 2005 and 2009.

The international matches included a 2007 exhibition match between Manchester United and Shenzhen. Mr Junjie allegedly accepted 100,000 Hong Kong dollars to ensure Shenzhen won the coin toss.

A former general manager of the company that administers the Chinese Super League, Mr Lu Feng, is also on trial for corruption. He is accused of accepting 1.4 million yuan, and paying 50,000 yuan in return for favours to the Chinese Football Association vice chairman, Mr Nan Yong.

The verdicts remain outstanding.

In response to the corruption probe, Chinese Sports Minister, Mr Liu Peng, said that the government would launch an "education revamp" for all football officials and stress "self-discipline" and "clean governance".

China: Macau

According to a former manager of a Swire Pacific subsidiary, Mr Frederico Marques Nolasco da Silva, Macau's former public works chief, Mr Ao Man-Long, requested bribes to renew a contract.

While testifying at the trial of Mr Lionel Krieger and another director of the Swire Pacific waste services company, CSR-Macau. Mr da Silva told the court that he was "very surprised" at Mr Man-Long's openness.

Between January 2002 and December 2006, Mr Lionel Krieger and Mr James Tam Ping-cheong allegedly conspired with Mr da Silva to pay Mr Man-Long 29 million patacas to secure a government contract.

It is alleged that the three directors feared that they would lose three contracts worth 1.1 billion patacas if they did not take action. Bribes were allegedly disguised as consultancy fees in a written proposal to pay Mr Man-Long.

Mr Man-Long received five cheques in the sum of HK\$7.37 million before his December 2006 arrest.

In 2009 Mr Man-Long was imprisoned for 28 years on 81 counts involving hundreds of millions of patacas. Mr da Silva received a six year sentence in 2008 for bribery and money laundering.

Croatia

Croatia football federation vice-president and former referee, Mr Zeljko Sircic and Head of the national refereeing association, Mr Stjepan Djedovic have been arrested under suspicion of taking bribes and rigging matches.

The two officials have been accused of accepting 30,000 euros (\$40,000 dollars) in bribes from an undercover agent to fix Croatia's First Division matches.

India

Former Bharatiya Janata Party president Mr Bangaru Laxman, who was accused of accepting Rs 1 lakh bribe to realise a fake arms deal, has had his plea for quashing the proceedings rejected by the Supreme Court.

In 2001 Mr Laxman allegedly accepted money from undercover journalists, masquerading as arms dealers, in return for a recommendation to Mr Laxman's high profile contacts in the Defence Ministry.

The matter will be decided in a trial court in Delhi.

Indonesia

Secretary to the Youth and Sports Minister, Mr Wafid Muharam, allegedly accepted three cheques worth Rp. 3.2 billion (US\$325,000) in return for rigging bids for the athletes' village construction project for the SEA Games in Palembang, South Sumatra.

Mr Muharam pleaded not guilty and claimed that the cheques were loans for the project. A panel of

judges found Mr Muharem guilty of taking bribes to rig bids in favour of PT Duta Graha Indah (DGI), who won the Rp 191 billion project.

Mr Muharam was sentenced to three years imprisonment.

In September, the Jakarta Corruption Court found go-betweens Ms Rosalinda Manullang (confidante of former Democratic Party treasurer and lawmaker Mr Muhammad Nazaruddin) and Mr Mohamad El Idris (DGI's marketing manager) guilty of bribing Mr Muharam. Ms Manullang was sentenced to two years and six months imprisonment and Rp 200 million in fines, whereas Mr El Idris received two years imprisonment and Rp 200 million in fines.

Israel

Former Prime Minister, Mr Ehud Olmert, denies accusations that he accepted bribes to promote construction housing projects.

The alleged crimes took place while Mr Omert was mayor of Jerusalem before he was elected Prime Minister.

Mr Omert is already standing trial on separate charges of taking illicit funds from an American supporter and double billing Jewish groups for trips abroad.

Italy

The ex-lawyer of Dr Silvio Berlusconi, Mr David Mills, has told a Milan court that he was ashamed to have falsely accused the former Italian Prime Minister of bribery.

As reported in the October edition of the Corruption Digest, Mr Mills wrote a letter to the Inland Revenue alleging that he had received \$600,000 from Dr Berlusconi to produce false testimony in the 1990s about his business operations. Mr Mills maintained that he needed to "provide to the Inland Revenue a story which explained why I had treated the money as a gift and not as income".

Mr Mills later admitted that he received the money from Dr Berlusconi as "recognition" for his legal work but later claimed the money was a stipend from Italian shipbuilder, Diego Attanasio.

Mr Mills told prosecutors “It’s something of which I am deeply ashamed and which I can only attribute to the very strange state of mind which I was in at the time [...] I wish to state with the greatest emphasis at my command that Dr Berlusconi is entirely innocent in this case and had nothing to do with the \$600,000 which is the subject of the case [...] I wish to apologise to him for all the trouble that I’ve caused”.

Following the hearing, Dr Berlusconi remarked that he was confident that Mr Mills recent evidence “brought this case to a close”.

Kenya

Kenya have replicated an Indian website launched in 2008 to help the public fight corruption.

The Kenyan website, named ‘I-paid-a-bribe’, went live in November. It is the initiative of Mr Anthony Ragui and the Wamini Trust. Mr Ragui explained that “the website provides a platform for people to report their experiences with bribery and corruption. It will also help us quantify the cost of corruption and the impact it has on our economies”.

Further to counting the amounts transacted in corrupt deals, the website organises these numbers by sector and region.

By mid December the website had recorded 46 cases of bribery totalling about Sh207,000. Kenyan Police are leading on the sites index with Sh106,000 in corrupt transactions, while Nairobi and Embu recorded the most incidents.

In the future, there are plans to create an SMS service to tap into the 25 million Kenyan’s that own mobile telephones, making the site even more potent.

Some have criticised the I-paid-a-bribe model on ethical grounds. There are concerns that people may use the site to slander rivals or pursue personal agendas. However, Mr Ragui has made assurances that there is a strict anonymity policy; “No names are revealed. We have software that automatically deletes names, so you can’t really hurt anyone personally”.

Malaysia

Husband of the former head of the Iskandar region, Mr Mohd Amin Suhaimi, allegedly accepted RM1.6 million (S\$655,000) from construction firm Detect Engineering Sdn Bhd in return for helping it win a contract worth approximately RM817,000 awarded by Iskandar Investment Bhd.

Mr Suhaimi pleaded not guilty to the three charges brought against him by Malaysia’s anti-corruption unit. According to the first charge, Mr Suhaimi allegedly sought nearly RM817,000 from a middleman in April last year. In respect of the second and third charges, he was allegedly given RM500,000 and nearly RM317,000 as additional ‘fees’ in June last year. Furthermore, it is claimed that he accepted cash on two occasions in the parking lots of two shopping malls.

Mr Suhaimi has been charged under Malaysia’s Anti-Corruption Commission Act 2009.

The court have granted bail in the sum of RM100,000 and Mr Suhaimi has surrendered his passport.

Pakistan

Former Director General of Inter-Services Intelligence, General Ziauddin Khawaja, has accused North Korea of trying to bribe him with five million dollars in 1995 over the “missile programme”.

General Khawaja said that “They wanted an expedited cooperation between the two countries on the missile programme, which was going on between the two countries in that era”.

A suitcase full of money was allegedly deposited in General Khawaja’s office by a North Korean General Kang Tae Yun. It is alleged, that when questioned, General Yun said that his government was distributing money among the relevant officers dealing in defence cooperation with his country.

The then Chief of Army Staff General Abdul Waheed Kaker was notified of the incident. Prime Minister Banazir Bhutto was consulted and General Kaker was ordered to return the money after a couple of days.

Slovenia

Former Slovenian Prime Minister Janez Jansa has won damages for libel from Finnish television YLE over a 2008 report which accused him of bribery.

Mr Jansa demanded 1.5 million euros in compensation for a damning investigative report broadcast released just weeks before the Slovenian parliamentary elections which saw centre-left Social Democrats defeat over Mr Jansa's Slovenian Democratic Party.

YLE journalist, Mr Magnus Beglund, alleged that Mr Jansa and several other Slovenian officials had accepted bribes in return for a 278 million euro contract to acquire armoured vehicles from a Finnish defence firm, Patria.

Ljubljana's district court ordered YLE and Mr Beglund to pay Mr Jansa 15,000 euros (\$19,800) in compensation. Mr Jansa was also awarded damages in the sum of 6,500 euros from former police commissioner, Mr Bojan Potocnik, who claimed that Mr Jansa had received bribes from a defence firm.

The court ruled that the information contained in the YLE report was insufficient to corroborate the bribe allegations. YLE and Mr Potocnik have been ordered to publicly withdraw their allegations on Slovenian and Finnish national television.

South Korea

An aide to a brother of President Lee Myung-bak has been arrested for allegedly taking bribes from the chairman of SLS Group, Mr Lee Kuk-chul, in return for business favours.

The official is accused of receiving 700 million won (US\$619,000) and an expensive watch from Mr Kuk-chul in return for helping Mr Kuk-chul's companies in 2009.

Mr Kuk-chul was sentenced to three years in imprisonment, suspended for five years.

The official accused denies the allegations, claiming that he returned the money to Mr Kuk-chul a day after its receipt.

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