



ANTI-CORRUPTION DIGEST

August 2017

Keeping ahead of global anti-corruption trends is critical in today's business markets. The Dorsey Anti-Corruption Digest, which puts global trends at your fingertips, puts you ahead. The deep experience of the Dorsey Anti-Corruption team, drawn from the DOJ, the SEC and years in private practice, will keep you ahead.

NORTH AMERICA

THE UNITED STATES

DOJ Ends Probe into Net1

The Department of Justice (DOJ) ended its probe of Net1 UEPS Technologies, according to SEC filings from the South African-based payment processing company. The company received a declination from the Securities and Exchange Commission (SEC) in 2015 regarding the same matter, but the DOJ investigation continued until now.

The probe started after an African Barclays unit lost a bid and approached the DOJ about possible corruption related to the tender. In December 2012, Net1 disclosed that the SEC, DOJ, and Federal Bureau of Investigation (FBI) were investigating payments to South African government officials to win a contract with that country's Social Security Agency. The investigation, considered unusual when it was announced as it related to a local issue, involved a South African company, allegedly

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bribing South African government officials to win a South African contract. The probe was initiated after a South African court agreed the tender process was irregular and corrupt, but refused to set aside the tender.

Colombian Anti-Corruption Chief Arrested For Bribery after Giving Corruption Speech

Luis Gustavo Moreno Rivera, the head of the national anti-corruption unit in the Colombian attorney general's office, was indicted in the U.S. after Drug Enforcement Agency (DEA) agents in Miami recorded him agreeing to take bribes. *U.S. v. Moreno Rivera et al.*, Case No. 1:17-mj-02885 (C.D. Fla.) (Filed June 27, 2017). Ironically, Mr. Moreno Rivera was in Miami to give an anti-corruption presentation to Internal Revenue Service (IRS) investigators. Mr. Moreno Rivera was charged with one count of conspiracy to launder money in order to promote foreign bribery.

According to prosecutors, Mr. Moreno Rivera agreed to take \$132,000 in cash to discredit a witness in a case before the IRS. The IRS case involved an investigation into a Colombian governor, Alejandro Lyons Muskus of Córdoba. The governor reportedly agreed to wear a wire in a meeting with Mr. Moreno Rivera in Miami. U.S. DEA agents found some of the bribe money on Mr. Moreno Rivera and his wife when they were traveling back to Colombia, according to the indictment.

Mr. Moreno Rivera was arrested in Colombia after Interpol issued a red notice for him. He is being held at La Picota prison in Bogota, pending his extradition to the U.S.

FCPA Probe of IBM Closed

The SEC and DOJ have closed their four year investigation into IBM's transactions in Argentina, Bangladesh, Poland, and Ukraine, according to an SEC filing by IBM. The U.S. investigation commenced in early 2012 when IBM notified the SEC of an investigation

undertaken by the Polish Central Anti-Corruption Bureau. That probe related to alleged illegal activity by a former IBM Poland employee regarding sales to the Polish government. When the DOJ joined the investigation in 2013, it expanded the probe to conduct in Argentina, Bangladesh, and Ukraine.

FBI Nominee Wray Tells Senate Trump Organization FCPA Probe Not Off Limits

The Senate Judiciary Committee grilled President Trump's FBI Director nominee, Christopher Wray, on his perception of the Bureau's enforcement duties. Specifically, Sen. Dianne Feinstein (D. Cal.), who serves as the committee's ranking member, asked what Mr. Wray would do if the Trump Organization or family may have violated the FCPA. Sen. Feinstein referenced a *New Yorker* magazine article that had raised corruption questions about the Trump organization's ventures in Azerbaijan. Mr. Wray responded that he would follow the facts and law, wherever they might lead: "If the FBI is provided credible evidence suggesting that a crime had been committed, I would expect the FBI to investigate appropriately and, if merited, to support the prosecution of such crimes." Mr. Wray's FBI nomination passed the Senate Judiciary Committee in a 20-0 vote on July 20. His nomination is expected to go before the Senate prior to the August recess.

UAE Ambassador to the U.S. Tied to 1MDB Fund Fraud

United Arab Emirates (UAE) ambassador to the U.S., Yousef Al Otaiba, received \$66 million from offshore companies tied to the alleged \$4.5 billion fraud involving the Malaysian state investment fund, the 1MDB fund, according to the *Wall Street Journal*, which cited court and investigative documents. Leaked emails show meetings between an associate of Mr. Otaiba and Jho Low, the Malaysian financier who is at the center of the

alleged 1MDB fund fraud. Mr. Low has been connected to a number of illicit purchases, according to U.S. prosecutors. Mr. Otaiba and the UAE embassy in Washington declined to comment on the purpose of the transfers.

Former DOJ Compliance Counsel Takes to LinkedIn Again

Former DOJ compliance counsel Hui Chen stated in a June 25 LinkedIn post that she could no longer work for the Trump administration. Ms. Chen said she felt it hypocritical to demand compliance from companies while President Trump stood accused of conduct she “would not tolerate seeing in a company.” She also felt limited by DOJ criminal division leadership after they prohibited her from speaking publicly. “This inability to engage was particularly frustrating after the release of the Evaluations of Corporate Compliance document, as I watched almost everyone except me being able to talk about (and often misinterpreting) my work,” Ms. Chen wrote.

Ms. Chen notified the DOJ in mid-May that she would not renew her contract. She officially ended her work with the DOJ on June 21. Prior to leaving government, Ms. Chen had become an outspoken critic of the Trump administration, taking to Twitter to criticize U.S. Attorney General Jeff Sessions’ refusal to answer certain questions in a recent Senate Intelligence Committee hearing.

CDM Smith Sanctioned by World Bank after FCPA Settlement

Engineering giant CDM Smith, which settled Foreign Corrupt Practices Act (FCPA) charges last month as reported in the Digest, was “conditionally non-barred” for one and a half years by the World Bank for failing to disclose a subcontract on a project in Vietnam. A “conditional non-debarment” means that CDM can participate in World Bank-financed projects, but only if it meets the conditions of its negotiated resolution agreement.

CDM had been working on a consulting contract for the Da Nang Priority Infrastructure Investment Project in Vietnam, which was financed by the World Bank. While working on the project, CDM failed to disclose a sub-consulting agreement with a local Vietnamese company and failed to seek contractually-required written approval of the agreement, according to the World Bank.

The sanction started on June 29 and will run until December 28, 2018. CDM’s resolution agreement also requires the engineering company to adopt a corporate compliance program that is “consistent with the World Bank Group Integrity Compliance Guidelines, and fully cooperate with the Bank in advancing its anticorruption work.”

Peru Dismisses Odebrecht Special Counsel amid Corruption Scandal

The Peruvian government has dismissed the special counsel in charge of investigating Odebrecht’s corruption. The change comes amid increasing regional fallout stemming from the massive bribery scandal previously reported in the Digest.

Justice Minister Marisol Perez said she dismissed special attorney Katherine Ampuero after she blocked Odebrecht’s sale of its irrigation company. Odebrecht has sought to offload assets in the wake of over \$2.5 billion in global criminal penalties after agreeing to settle bribery offenses late last year. The decision put thousands of jobs at risk and deprived the Peruvian government of revenues it could have seized as payment for reparations, according to Justice Minister Perez. Some Peruvian lawmakers, as well as Ms. Ampuero, criticized the decision. Odebrecht’s proposed sale will remain blocked pending an appeals court’s decision on whether to allow the sale to move forward.

The Odebrecht corruption scandal has continued to reverberate throughout the region. Three fund managers identified the

scandal as risk factors to Latin American infrastructure investment in recent SEC filings. The filings noted that the Odebrecht scandal has produced “widespread fallout” in the region, with “governments across Latin America” announcing investigations, fines and, in certain countries, outright bans on the construction firm’s operations. The filings concluded that there “may be wider implications for the Latin American banking sector, as banks exposed to entities affiliated with Odebrecht could suffer loan losses and will likely adopt a more cautious stance when lending to infrastructure concessionaires in the future.”

The government of Peru echoed the warnings by the fund managers in SEC filings for its bonds: “Peruvian authorities are currently conducting several high-profile corruption investigations relating to the activities of certain Brazilian companies in the construction sector, which have resulted in suspension or delay of important infrastructure projects [T]he overall delay relating to such projects has nevertheless resulted in a drop in GDP growth and overall infrastructure investment.”

DOJ Seeks \$144 Million Forfeiture in Nigerian Oil Bribery Case

The DOJ is seeking forfeiture of \$144 million in assets, including an \$80 million yacht and \$50 million Manhattan apartment, from two Nigerian businessmen who are alleged to have obtained the property by bribing a former Nigerian oil minister to obtain lucrative oil mining contracts. *U.S. v. M/Y Galactica Star, et al.*, Case No. 4:17-cv-02166 (S.D. Tex.) (Filed July 14, 2017). The complaint claims the two businessmen committed foreign offenses involving the misappropriation of public funds and bribery of a public official, wire fraud, and felony violations of the FCPA.

Over a period of four years beginning in 2010, Kolawole Akanni Aluko and Olajide Omokore bribed Diezani Alison-Madueke, the former

Nigerian minister for petroleum resources, by buying her multimillion dollar properties in London as well as expensive furnishings and artwork, according to the complaint. In return, Aluko and Omokore obtained lucrative contracts to finance oil production and exploration. This gave them the opportunity to receive a portion of the oil and gas that was produced. As a result, the Nigerian businessmen earned more than \$1.5 billion from the sale of crude oil, despite failing to meet certain obligations in the contracts. The duo then used shell companies and other transactions to launder some of the proceeds through the U.S.

The former oil minister also faces a slew of international corruption charges in Nigeria relating to her involvement in siphoning billions of dollars from oil deals and state coffers. The charges implicate Ms. Alison-Madueke for bribery, fraud, misuse of public funds, and money laundering. She denies the allegations.

PA-Based Consultant Sentenced to Five Years for FCPA Violations

A Pennsylvania-based consultant who pleaded guilty to bribing an officer at the European Bank for Reconstruction and Development was sentenced to 60 months in prison for FCPA violations. *USA v. Harder*, Case No. 2:15-cr-00001-PD (E.D. Pa.) (Filed Jan. 6, 2015). Dmitrij Harder was sentenced on July 18.

Mr. Harder pleaded guilty in 2016 to paying \$3.5 million in bribes to Andrej Ryjenko in 2008 and 2009. Mr. Ryjenko was an official and senior banker at the European Reconstruction Bank. At the bank, he reviewed applications for loans and investments submitted by Eastern European oil, gas, and mining companies. Mr. Harder paid the bribes through a Channel Islands bank account held by Mr. Ryjenko’s sister. In exchange, Mr. Harder’s clients received various loans through the bank, and Mr. Harder himself received around \$8 million in “success fees” from the loan approval.

U.S. District Judge Paul Diamond also ordered Mr. Harder to forfeit \$1.9 million. Mr. Ryjenko was convicted by a U.K. jury of bribery conspiracy and money laundering as reported in the July 2017 issue of the Anti-Corruption Digest. The DOJ stated that the case was investigated by the FBI with significant assistance from U.K. law enforcement.

U.S. Treasury Says Exxon Disregarded Russia Sanctions

The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) fined Exxon Mobil Corporation \$2 million for entering into a joint venture with Russia's Rosneft in "reckless disregard" of Russian sanctions. Exxon responded by filing a lawsuit in federal court in Texas, stating it had guidance from the government that its action would be legal under existing law. *Exxon Mobil Corp. v. Steve Munchin, et al*, Case No. 3:17-cv-1930 (N.D. Tex.) (Filed July 20, 2017).

In May 2014, Exxon signed a deal with Rosneft, Russia's biggest oil company. OFAC announced trade sanctions against Russia prior to the deal. Exxon executives then executed a series of documents with Igor Sechin, the head of Russia's state-run Rosneft, despite the fact that OFAC had listed him as a "blocked" person under the sanctions, according to OFAC. Exxon's senior-most executives knew Mr. Sechin was a blocked person. OFAC said Exxon's violations caused significant harm to the U.S. sanctions program.

Exxon, in its lawsuit, claimed the fine was arbitrary and capricious. Specifically, Exxon alleged it was informed by the Obama administration that the sanctions applied only to personal assets of sanctioned individuals and did not restrict doing business with the companies they managed.

Secretary of State Rex Tillerson was the oil company's chief executive at the time of the alleged violation. The fine comes as the controversy over Russian policy has engulfed

President Trump's administration and the U.S. Congress.

DOJ to Avoid "Piling On" FCPA Penalties, Announcing Increased International Coordination

Speaking at a legal conference in Washington, D.C., Sandra Moser, the acting chief of the DOJ's Fraud Section, said the DOJ would work with its counterparts around the globe to avoid "piling on" additional penalties for companies in FCPA cases. Ms. Moser noted the recent Odebrecht SA and Braskem SA corruption investigations in which the DOJ credited criminal penalties that the companies paid to Swiss and Brazilian authorities in calculating their U.S. penalties. Ms. Moser said the DOJ is "trying to do better" about such coordination.

However, Ms. Moser reiterated Attorney General Sessions' sentiment that the DOJ would continue to strongly enforce the FCPA. Pointing to recent bribery convictions, she said the department would take cases to trial "no matter how challenging." Indeed, more FCPA enforcement actions should be expected "in the coming months," Ms. Moser said.

Manhattan Federal Jury finds Chinese Billionaire Guilty of Bribing U.N. Officials

Assistant U.S. Attorney Janis Echenberg said Ng Lap Seng's dreams of "fame and more fortune" drove the billionaire to bribe U.N. officials to win support for a multibillion-dollar conference center he hoped to build in Macau. *U.S. v. Ng Lap Seng*, Case No. 1:15-cr-00706 (S.D.N.Y.) (Filed Oct. 20, 2015). A Manhattan federal jury convicted Mr. Ng of bribing two former U.N. diplomats on July 27, 2017.

Mr. Ng was accused of paying more than \$1 million in bribes, over the course of a five-year scheme, to Francis Lorenzo, a former deputy ambassador of the Dominican Republic to the U.N., and to John Ashe, a former U.N. General

Assembly president. Mr. Lorenzo was the government's main witness against Mr. Ng, testifying for more than a week under a cooperation agreement after he pleaded guilty to bribery and money laundering charges.

According to prosecutors, Mr. Ng sought the U.N.'s involvement in the conference center to "bring tens of thousands of people to Macau," and Mr. Ng himself "could take credit for making Macau, as he called it, the 'Geneva of Asia.'" Mr. Ng hoped the Macau center would help expand his real estate empire through the nearby construction of luxury housing, hotels, a shopping mall, and marinas, according to prosecutors.

But Mr. Ng's lawyer, Tai Park, accused U.S. prosecutors of spinning a "spider web of inferences and suppositions" to transform Mr. Ng's actions into crimes, noting that diplomats had asked him to take action to secure U.N. involvement. Mr. Ng has pleaded not guilty to bribery and money laundering charges. Mr. Park asserts that Mr. Ng was victimized by greedy diplomats. "You had a public-private partnership where the U.N. said, 'Please send us money.'" "There is nothing wrong with what he did," Mr. Park said.

After a month long trial before Southern District of New York Judge Vernon S. Broderick, a federal jury took seven hours to deliver the guilty verdict.

Haliburton to Pay \$29.2 Million to Settle Angola FCPA Violations

Halliburton will pay \$29.2 million in disgorgement, interest, and civil penalties without admitting or denying the SEC's allegations that it violated the FCPA when contracting with an Angolan company to win contracts in the country. *In the Matter of Halliburton Co. and Jeannot Lorenz*, Case No. 3-18080. The DOJ has advised Halliburton that it closed its investigation and will not be taking any action.

The SEC alleged that Halliburton had improperly entered into contracts with a local Angolan company that was owned by the friend of an official at Angola's state-owned oil company, Sonangol, to help secure lucrative contracts from Sonangol. The SEC maintains that Halliburton had committed to using the local supplier despite significant red flags, circumventing "important internal accounting controls to get the deal done quickly." "Companies and their executives must comply with these internal accounting controls that help ensure the integrity of corporate transactions," SEC Enforcement Division Associate Director Antonia Chion said of the case.

Former Halliburton Vice President Jeannot Lorez also agreed to pay a \$75,000 penalty without admitting or denying his role in causing the FCPA violations. The SEC said that Halliburton asked Mr. Lorenz, who had previously been employed by the company in Angola, to find local firms to contract with to meet Sonangol contracting requirements. Mr. Lorenz found the local Angolan firm, which was owned by a former Halliburton employee who was also a friend and neighbor of the Sonangol government official in charge of approving Halliburton's contracts, the SEC alleged.

Mr. Lorenz proposed using the local company, but Halliburton's management and legal department rejected the idea, citing FCPA due diligence concerns. Instead, in July 2009, Lorenz entered into a "bridge contract" with the local firm for consulting services, and later proposed using the firm to provide real estate transaction management services. In April 2010, Halliburton senior executives allowed the contract to proceed, despite internal questions over why the contract was executed given that it was almost 447 percent higher than the next highest bid for property maintenance in Angola, the SEC said.

The SEC alleged that Halliburton received an anonymous email suggesting possible misconduct surrounding the transaction in

April 2011, and the company immediately terminated payments. The SEC said that Halliburton paid \$3.7 million to the local firm and profited by roughly \$14 million on seven contracts it received. In its settlement, Halliburton agreed to pay \$15.2 million in disgorgement and interest and a \$14 million penalty. Halliburton will also retain an independent compliance consultant for 18 months to review its African anti-corruption policies.

DOJ Closing FCPA Investigation into Newmont Mining

Newmont Mining Corporation disclosed in an SEC filing in late July that the DOJ is closing its FCPA investigation into the company. The Colorado-based company said that it received a declination letter from the DOJ in June 2017. Newmont said the DOJ acknowledged its “cooperation in the investigation.” Earlier this year the SEC closed its investigation into Newmont regarding the same matter.

In 2016, Newmont disclosed that it was investigating some business activities outside of the U.S., including a review of Newmont’s and its affiliates’ compliance with the FCPA. The gold mining giant entered into tolling agreements with the SEC and DOJ last year. The agreements extended the time in which regulators can bring an enforcement action. The statute of limitations for the FCPA is five years, although courts can extend it three more years at the request of the DOJ.

G20 Vows to Prosecute Firms, not just Individuals, for Corruption

The G20 nations recommitted themselves to rooting out corruption at the G20 summit in July, vowing to prosecute companies along with individuals. Globally, financial services enforcers brought four times as many cases against individuals than firms last year, according to a new report released by

compliance and regulation experts at Duff & Phelps Corp.

In the “G20 High Level Principles on Organizing against Corruption,” the world leaders set out 24 principles, including four general principles as well as administrative, human resources, training and awareness raising, monitoring, accountability, and transparency, and international cooperation measures. The leaders also promised to intensify their fight against illegal wildlife trafficking, rooting out corruption in customs, and working to address integrity in sports. Both India and China were part of the countries making this commitment, although neither country is yet a part of the OECD’s Anti-Bribery Convention.

EUROPE

THE UNITED KINGDOM

Rio Tinto Group under investigation by SFO

The Serious Fraud Office (SFO) is investigating London-based mining conglomerate Rio Tinto Group in connection with suspected corruption by the company in its business in the Republic of Guinea. The announcement follows Rio’s disclosure to U.S. and U.K. authorities last November that it was investigating a \$10.5 million payment to a consultant in 2011 for “advisory services” for the \$20 billion Simandou iron ore project in Guinea, of which Rio Tinto owned 46.6 percent. Rio Tinto suspended the chief executive of its energy and minerals division, Alan Davies, who was in charge of Simandou, pending the outcome of the investigation, and Debra Valentine, an executive in the Legal & Regulatory Affairs group, stepped down. The company originally learned about the payment in August 2016 from email correspondence.

The Simandou project was put on hold due to low iron ore prices and Rio Tinto sold its interest in the project last year to Chinese-based Chinalco for \$1.3 billion.

SFO Joins Investigation into Amec Foster Wheeler

The SFO and Amec Foster Wheeler confirmed that the U.K.'s fraud office is joining the SEC and the DOJ in investigating the London-based oil and gas services firm. The investigation relates to the continued probe into allegations of bribery and corruption stemming from Monaco-based Unaoil, which the Digest has previously reported on.

News of the formal investigation into Amec Foster Wheeler is not unexpected. The company announced in an April SEC filing that it had received voluntary requests from the DOJ and SEC regarding use of its agents, primarily in the Middle East. Disclosure papers for the proposed takeover of Amec Foster Wheeler for £2.2 billion (approximately US \$2.8 billion) by the Scotland-based John Wood Group also disclosed the SFO's interest in the firm. Specifically, in May, the John Wood Group announced it was conducting an internal investigation into its dealings with Unaoil. Its prospectus regarding the takeover further noted that the SFO had requested information from Amec Foster Wheeler regarding that firm's past Unaoil connections. Amec Foster Wheeler said that the probe would not impact the closing of the takeover, currently scheduled for the fourth quarter of this year.

The Unaoil investigation continues to expand, now encompassing eight companies. The initial investigation is tied to a report published in March 2016 by the Huffington Post and Fairfax Media stating that many large oil and gas sector companies used Unaoil to pay bribes on their behalf.

Possible Wimbledon Match-Fixing

The Tennis Integrity Unit (TIU) announced that it will look into possible match-fixing at Wimbledon and the French Open this year. Three matches from Wimbledon are under investigation, including one from the main draw, as well as one match from the French Open. The TIU was alerted to the possible match-fixing because of alerts on suspicious match betting patterns.

FCA Fines Compliance Officer

The Financial Conduct Authority (FCA) fined compliance officer David Watters £75,000 (US\$98,000) for failing to "exercise due skill, care and diligence in his role as compliance oversight officer" at the two firms he has worked for, FGS McClure Watters and Lanyon Astor Buller Ltd.

The violations stem from failing to ensure there was an adequate process in place for giving advice about converting guaranteed pensions to lump sum distributions. About 500 customers who received advice from the firms converted their guaranteed pensions to cash, totaling about £12.7 million (US\$16.6 million). In many instances the clients unnecessarily lost the benefits of their guaranteed pensions. The FCA found that Mr. Watters failed to sufficiently consider whether the advice he was giving was compliant, did not gain a sufficient understanding of the regulations, and did not obtain third party review to ensure compliance. He also failed to take reasonable steps to ensure that advisors were monitored.

Last month the FCA proposed putting restrictions on some firms that have advised clients to cash in their pensions. According to the *Financial Times*, 50 to 100 firms are currently being scrutinized by the FCA.

FCA Proposes Extending Senior Managers and Certification Regime

The FCA published a consultation paper proposing to extend the Senior Managers and Certification Regime to all sectors of the financial industry, including non-U.K. firms that have permission to carry out activities regulated by the FCA. The regime first came into force in March 2016 for around 900 banks, building societies, credit unions, and PRA-designated investment firms, replacing the former Approved Persons regime for those institutions. The FCA's proposal would also replace the Approved Persons regime in 47,000-plus companies regulated by the FCA. Implementation will be set by the Treasury and is expected to be "from 2018."

The regime has three parts with which firms will have to comply. The Senior Managers Regime applies to the most senior people in a firm, which will be defined by the FCA's rules and will take into account the type of firm involved. Anyone who holds such a function will need to be approved by the FCA before starting their job. Every senior manager will need to have a "Statement of Responsibilities" which lays out what they are responsible and accountable for, as well as a "Duty of Responsibility" which must be provided to the FCA. If something goes wrong in a senior manager's area of responsibility, as delineated in the document, the FCA will decide whether the individual took "reasonable steps" to stop it from happening. The Certification Regime covers people that aren't senior managers, but whose job can have a big impact on customers, markets, or the firm. These positions will be defined by the FCA in their rules. While these individuals will not have to be approved by the FCA, the firms will need to certify that they are suitable to do their job at least once a year. Finally, the Conduct Rules are basic rules that will apply to almost all employees in the financial services sector and include acting with integrity, due care, and skill and diligence, as well as being open and

cooperative with regulators, paying due attention to customer interests and observing proper standards of market conduct.

Leicester City Owners Being Sued in Thailand

The owner of Leicester City, King Power International, is being sued in Thailand for allegedly colluding with the Thai airport authority to shortchange the Thai government what it is owed from King Power's duty-free chain at the airport. The suit alleges that King Power owes the Thai government 15% of its takings, and has only paid 3%, keeping the additional £327 million (about US\$425 million) in revenue. The suit was filed by the deputy chairman of a government anti-corruption sub-committee and names King Power along with two other companies owned by the group, a senior King Power executive, and fourteen officials working for Airports of Thailand.

SWITZERLAND

Petroleum Giant Settles Bribery Charges

Addax Petroleum agreed to pay 31 million Swiss francs (US\$32 million) to settle charges of bribing foreign officials. A four-month investigation by prosecutors for the Swiss canton of Geneva found that payments totaling tens of millions of dollars made to various constituents in Nigeria were insufficiently documented, but found no evidence of criminal intent.

SWEDEN

Prosecutors Drop Finance Minister Bribery Probe

Swedish prosecutors dropped a bribery investigation into former finance minister Anders Borg's participation in a series of hunting trips. The Swedish Prosecution

Authority announced that "Chief Prosecutor Alf Johansson at the National Anti-Corruption Unit does not consider himself able to prove that the benefits were unfair and crimes therefore cannot be proven." Accordingly, no charges will be brought against Mr. Borg, the current chairman of Handelsbanken Par Boman.

PORTUGAL

Three Ministers Face Misconduct Allegations

Three junior government ministers have quit amid allegations of misconduct in public office. The Prosecutor General's office named the three as formal suspects in its investigation into the improper receipt of benefits. The government alleges that the three individuals accepted trips and tickets to the Euro 2016 football championship in France paid for by the energy company Galp. All three suspects maintain their innocence, while Galp declared that there was nothing unethical about the matter.

HUNGARY

Incoming Fina Vice-President Charged With Bribery

Competitive swimming's governing body, "Fina," is under siege after Kuwait's Husain Al-Musallam—who is running unopposed as Fina's first vice-president—was charged with demanding a 10% cut of potential sponsorship earnings. In a recently obtained tape recording, Al-Musallam is heard asking a business partner (alleged to be a prospective Chinese marketing agent) for commissions on deals worth "40 to 50 million" dollars. Al-Musallam's bribery scandal comes days before Fina's presidential election and the start of the World Championships.

ITALY

Gang Members Convicted in Corruption Scheme

Dozens of gang members were convicted of corruption following a 20-month trial in Rome. The corruption scheme, which penetrated Rome's City Hall, was largely orchestrated by right-wing extremist Massimo Carmanati, who was sentenced to 20 years in a high-security prison. The scheme extracted millions of euros from the city that many believe led to the rundown state of the capital's services.

MIDDLE EAST

ISRAEL

Six Suspects Questioned in \$2 Billion Corruption Scandal

Israeli police questioned six people suspected of corruption in a \$2 billion deal to buy submarines and patrol craft from Germany. The six individuals, which include public officials and private citizens, are implicated in bribery, fraud, and tax-related offenses. Earlier this year, it was announced that Germany's national security council had approved the sale of three nuclear submarines to Israel. The agreement contains a provision giving the security council the right to void the deal if corruption is proven.

IRAQ

Trade Minister to be Questioned on Corruption Allegations

Iraq's parliament is set to question acting Trade Minister Salman al-Jumaili on August 3 in connection with trade ministry corruption allegations. The minister will be asked about various import deals for contaminated rice and

licenses for new mills. Iraq's trade ministry—which has been plagued with corruption charges in the past—has recently struggled to import grains for its food subsidy program. Former trade minister Milas Mohammed Abdul Kareem is currently in hiding after a warrant for his arrest was issued following an investigation into charges of bribery, illegal benefits, and misuse of official position.

IRAN

President's Brother Questioned in Nuclear Deal Corruption Probe

President Hassan Rouhani's brother, Hossein Fereydoun, was summoned for questioning in an ongoing corruption probe in which he faces various financial charges. Mr. Fereydoun took part in the negotiations leading to the 2015 nuclear deal between Iran and other world powers.

ASIA

CHINA

Communist Party Leader Accused of Bribery and Corruption

Wang Min, former Communist Party of China Chief of Liaoning Province, recently stood trial for bribery, corruption, and negligence of duty. He is accused of abusing his power to facilitate business and promotions, as well as accepting gifts worth more than 146 million yuan (US\$21.7 million). Prosecutors further allege that Mr. Wang embezzled 1 million yuan (about US\$150,000) for personal use during his tenure as Party Chief of Jilin Province in November 2009.

Chairman of Game Developer Named in Bribery Probe

Online game developer Boyaa Interactive International Ltd announced that its chairman, Zhang Wei, was named as a co-defendant in a bribery probe alongside its Chinese subsidiary in Shenzhen. The company stated that the evidence is insufficient to support a conviction and that the case, which is expected to be heard within the next three months, would not adversely impact its business, operations, or financial status.

Former Insurance Head to be Prosecuted for Bribery

China announced that it will prosecute the former president of the People's Insurance Co. (Group) of China, Wang Yincheng, following investigative findings that he engaged in bribery and other corrupt practices. The investigation found that Mr. Wang improperly frequented golf clubs and allowed subsidiary companies to pay for his personal travel. Mr. Wang is further alleged to have exchanged power for money and impermissibly hired relatives into the company, allowing them to use his influence to earn profits.

Rising Politician Subject of Corruption Probe

Chinese authorities have initiated a corruption probe into whether top politician Sun Zhencai committed discipline violations. Mr. Sun was removed from his post as a Communist Party Chief earlier this month although he had been expected to be in China's next generation of leaders. The merits of the corruption investigation—and the specific accusations Mr. Sun faces—remain unknown. An editorial covering the investigation confirmed that “[t]op cadres must hold firm political positions, temper their political characters ... and act in a manner consistent with the party's central committee with [president] Xi Jinping as its core[.]”

Shenzen Releases China's First Anti-Bribery Standards

China's first standards on anti-bribery applicable to all enterprises were made available in June in Shenzen, China's fourth largest city. The standards are modeled on the International Organization for Standardization's ISO 37001, guidance for use of anti-bribery management systems. Meeting the standards is not mandatory, but officials in Shenzen said that enterprises that achieve a certification from meeting the standards will also be chosen for government procurement contracts, projects, and funds. So far, over 60 domestic enterprises have expressed an interest in applying for the certification.

HONG KONG

Final Appeal Dismissed in Sun Hung Kai Case

Hong Kong's Court of Final Appeal dismissed the appeal in a high profile corruption case involving billionaire and former joint chairman of Sun Hung Kai Properties (SHKP), Thomas Kwok Ping-kwong, former government chief secretary, Rafael Hui Si-yan, former SHKP executive director, Thomas Chan Kui-yuen, and former stock exchange official, Francis Kwan Hung-sang. The four co-defendants were appealing their 2014 conviction of conspiracy to commit misconduct in public office.

The appeal centered around a payment of HK\$8.5 million (approximately US\$1.1 million) to Mr. Hui by Mr. Kwok, via Mr. Chan and Mr. Kwan, shortly before Mr. Hui assumed office in 2005. Mr. Hui was in charge of a number of projects in which SHKP had an interest. During the 131-day trial in 2014, prosecutors did not show that Mr. Hui had done anything to favor SHKP, but instead argued that the money was provided to secure Mr. Hui's "favorable disposition" towards the company.

The panel of five judges were asked to decide whether "favorable disposition" was enough to satisfy the conduct element of the conspiracy to commit misconduct in public office offense. The justices unanimously dismissed the appeal, finding that the acceptance of the money by Mr. Hui was "an agreement under which... Hui would incline himself in a manner consistent with his duty as a public officer... [which] was wholly inimical to his duties as chief secretary and involved a serious abuse of office and public trust." Mr. Kwok will now return to prison to serve the rest of his five year sentence. Mr. Hui, who was sentenced to seven and half years, is the second-most senior government official to be convicted and imprisoned.

FIJI

Education Minister Charged With Bribery

Education Minister Dr. Mahendra Reddy was charged with one count of bribery and one count of undue influence stemming from allegations that he offered a reliable water source for the Ra High School with the intention to influence a vote by the school's manager. Dr. Reddy is also charged with interfering with the free exercise of a political right in connection with the 2018 election. He maintains his innocence and has pleaded not guilty to both counts.

MACAU

Top Prosecutor Sentenced for Graft

Former top prosecutor Ho Chio Meng was sentenced to 21 years in prison after being found guilty of over 1000 graft-related charges. The case concerns approximately 2000 illegally awarded public contracts that benefitted Mr. Ho and his family. Mr. Ho does not have the right to appeal the decision.

MALAYSIA

Shipping Container Disappearance Leads to Corruption Probe

Anti-graft officers will investigate whether corruption was involved in the misplacement of a shipping container of high-tech radar equipment. The container, which was shipped from the Port of Tanjung Pelepas to Rotterdam Port in the Netherlands, went missing after being held in customs for not having proper permits. The investigation will focus on whether standard operating procedures were followed when the container was released.

Five Witnesses Questioned in Illicit Money Transfer Probe

The Malaysian Anti-Corruption Commission (MACC) summoned five witnesses for questioning relating to its probe into the alleged misappropriation of funds by a father-and-son management team at Melaka Industrial Skills Development and Entrepreneurship Centre. The duo is suspected of transferring to RM4 million (close to US\$1 million) to their personal accounts between 2014 and 2015. MACC believes the funds were embezzled from the government with the assistance of various senior officials.

Felda under Investigation Again for Hotel Purchase

MACC reopened investigations into the Felda Investment Corporation's hotel acquisition in Kensington, London between 2013 and 2015. MACC's initial investigation suggests that Felda bought the hotel at an inflated price, causing significant losses to the company. The investigation will attempt to determine if corruption or an abuse of power took place.

Engineer Detained in Graft Scandal

An assistant mechanical engineer from Maktab Teknik PDRM Bakri was detained for obtaining RM700,000 (US\$163,650) in alleged graft. The suspect is accused of requesting and accepting bribes from a contractor to secure supply and service agreements between 2014 and 2016. MACC is handling the investigation.

PAKISTAN

Court Dismisses Pakistani Prime Minister from Power

On July 28, Pakistan's Supreme Court unanimously decided to dismiss Prime Minister Nawaz Sharif from office, while berating him for his and his family's "mafia" like financial dealings. The court also referred the case to a special "accountability" court for prosecution of Mr. Sharif and his three children. Prime Minister Sharif immediately accepted the dismissal, alleviating fears about possible military intervention.

Earlier in the month, the court heard arguments concerning a corruption report covering Prime Minister Sharif's family. The report concluded that the family's wealth was beyond its means and accuses Sharif's children of forging documents to shelter various real estate holdings.

VIETNAM

Investigation Uncovers Web of Corruption

Central province of Nghệ's tax sector uncovered approximately VNĐ100 billion (US\$4.4 million) in offenses relating to budget estimation, settlement, collection, and expenditure. The investigation probed 529 entities, from which the tax sector proposed to

return VNĐ42.3 billion (US\$1.9 million) of ill-gotten gains to the State budget and impose VNĐ13.9 billion (US\$611,000) in fines on offending suspects. In response to these findings, the province is weighing options to improve its anti-corruption efforts, including heightening scrutiny on businesses, implementing regulatory changes, eliminating conditions favorable to corruption, coordinating with local constituents to handle financial misconduct, and raising anti-corruption awareness.

PHILIPPINES

Fire Protection Chiefs Convicted of Graft

Former Bureau of Fire Protection (BFP) Chief Francisco Senot and former BFP Finance Service Unit Chief Florante Cruz were convicted of graft related to the fictitious repair of two BFP-owned vehicles in 2001. The court concluded that the two men “caused the falsification of the supporting documents of the disbursement vouchers by making it appear that certain BFP officials and employees prepared certain documents when they in fact did not, to make it appear that repairs were made, when in fact, as herein found by the Court, no such repairs were done on the Besta van and the Elf truck.” Both men were sentenced to prison, disqualified from the right of suffrage, and perpetually disqualified from holding public office.

INDONESIA

Anti-Corruption Body Achieves Near-Perfect Conviction Rate

A recently published report revealed that Indonesia’s Corruption Eradication Commission (also known as the Komisi Pemberantasan Korupsi) has achieved nearly a perfect conviction rate in its first 13 years in existence. The commission was established in 2002 following the fall of corrupt President

Suharto during an era focused on tackling graft and money-laundering. Since the commission was established, Indonesia’s rankings in Transparency International’s Corruption Perception Index has improved.

Governor Detained on Bribery Allegations

Indonesia’s Corruption Eradication Commission detained Southwest Sulawesi Governor Nur Alam on suspicion of bribery in connection with allegations that he received money in exchange for several mining licenses granted in the province from 2009 to 2014. Governor Nur also faces abuse of authority charges related to a license granted to PT AHD, an entity conducting illegal mining operations in Buton regency.

Senior Tax Officer Sentenced in Bribery Scandal

The Jakarta Corruption Court sentenced former senior tax officer Handang Soekarno to 10 years in prison for taking bribes in a tax evasion case. Specifically, Mr. Handang received \$148,500 in bribes from the country director of sourcing firm PT EK Prima Ekspor Indonesia as an incentive to quickly settle the case. On top of his baseline sentencing, Handang was given the option to pay \$37,540 in fines or spend an additional four months in prison.

SINGAPORE

Engineer Charged in Government Contract Scheme

Rajkumar Padmanthan, a former engineer at the Republic of Singapore Air Force (RSAF), was charged with duping the government into awarding \$1.76 million in aircraft repair and maintenance contracts to companies in which he had an interest. Mr. Padmanthan concealed his ownership and control of various companies while simultaneously

recommending those companies and their affiliates as government contractors. He is also accused of bribing a fellow RSAF engineer to reveal restricted pricing information.

Wealth Planner Jailed for Cheating Former Employer

Former wealth planner Yeo Jiawei was recently sentenced to 54 months in prison stemming from a charge of cheating his former employer, BSI Singapore, and laundering the ill-gotten proceeds into Singapore. The scheme involved a series of transactions among various parties in which Mr. Yeo pocketed more than \$3.5 million. Mr. Yeo voluntarily surrendered his ill-gotten gains, liquidated assets he owns in Australia, and transferred the proceeds to Singaporean authorities.

SOUTH KOREA

Former Judge's Conviction Upheld

Former Judge Choi You-jeong's sentence to six years in prison for taking bribes worth approximately 10 billion won (US\$8.92 million) was affirmed on appeal. Choi was indicted last year and has been detained on charges that she took kickbacks in exchange for helping two businessmen receive lesser criminal punishments stemming from gambling charges.

Latin America

BRAZIL

Former Cabinet Minister Arrested

Former Brazilian cabinet minister Geddel Vieira Lima was arrested on suspicion that he attempted to impede investigations into the illicit transfer of funds from state-run bank

Caixa Economica Federal. The minister resigned from his post last November following allegations of influence trafficking. Two-thirds of the Chamber of Deputies must vote in favor of a trial for the current allegations to proceed.

Central Bank Freezes Ex-President's Accounts

Brazil's central bank has frozen ex-President Luiz Inacio Lula da Silva's bank accounts following his federal corruption conviction. Silva's conviction stems from an extensive graft probe involving the state-run oil company Petrobras. The seized assets amount to about 600,000 Brazilian reais (US\$190,000).

Committee Votes Against Trial on Corruption Charges of President Temer

A Brazilian congressional committee voted against recommending that President Michel Temer be tried on corruption charges in the Supreme Court. The non-binding vote—which still needs to be approved by the full parliament—stymies the prosecution's efforts to pursue its allegations that Mr. Temer plotted to receive bribes from the boss of giant meatpacking firm JBS. This development follows the Public Ethics Commission of the Brazilian Presidency's recent announcement that it has opened an investigation into the conduct of six current and former officials after an executive from JBS confessed to one of Brazil's largest bribery scandals.

Engineering Firm Fined in Petrobras Scandal

UTC Engenharia S.A.—one of Brazil's largest engineering firms—will pay 574 million reais (US\$175 million) as a fine for its involvement in the Petrobras corruption scandal. The scheme involved government officials and business executives artificially inflating public contract values and divvying up the proceeds

among themselves. UTC entered into a leniency agreement in which it admitted the damage caused by its corruption. Under the agreement UTC will be permitted to continue competing in Brazil's public tenders. Beyond the UTA agreement, the Attorney General's office recently announced that it had recovered U.S. \$275.6 million under similar agreements with other suspects under investigation.

MEXICO

Ex-Governor to Stand Trial in Embezzlement Case

Mexican ex-governor Javier Duarte was ordered to stand trial on charges of organized crime and money laundering. Prosecutors allege that Mr. Duarte embezzled millions of dollars, using the proceeds to purchase various properties. Mr. Duarte fled to

Guatemala after resigning amid growing corruption allegations.

Africa

SOUTH AFRICA

Four Tech Company Managers Fired in Gupta Family Scandal

SAP, a leading tech company and the world's largest business planning software supplier, placed four senior managers in South Africa on leave and initiated a probe into allegations that the company paid sales commissions to firms linked to the Gupta family. The alleged conspiracy helped SAP secure a 1 billion rand (US\$76 million) deal with various state-owned firms.

RECENT ARTICLES OF NOTE

Arbatskaya, Maria N. and Mialon, Hugo M., "The Impact of the Foreign Corrupt Practices Act on Competitiveness, Bribery, and Investment," available at SSRN. This article, written by two economists, examines the effect of the FCPA when applied to firms competing in the same market. It compares the effect of the FCPA when it is applied to the U.S. firm and not the foreign firm competing in a host country with high levels of corruption, versus when both the U.S. and foreign firm must play by the FCPA rules. You can download the article [here](#).

Woody, Karen E., "Declinations with Disgorgement' in FCPA Enforcement," University of Michigan Journal of Law reform, forthcoming, and available currently at SSRN. Professor Woody's article examines the recent pretrial diversion scheme by the FCPA, specifically declinations with disgorgement. The article argues that the remedy is nonsensical, as either criminal activity occurred or did not occur, and prosecutorial discretion does not allow for a declination while still requiring disgorgement. A link to the article can be found [here](#).

DORSEY ANTI-CORRUPTION GROUP

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- Asia Pacific
- Europe
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This update is provided for general informational purposes and is not intended to constitute advice. If you require advice on any of the matters raised in this update, please let us know and we will be delighted to assist.

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