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About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the Firm primarily serves clients in the healthcare, energy and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

FCPA UPDATE – Q1 2016

I. FIRST QUARTER 2016 FCPA ACTIVITY SUMMARY

The Department of Justice (“DOJ”) and the Securities and Exchange Commission (“SEC”) came out of the gates fast in 2016 with multiple significant Foreign Corrupt Practices Act (“FCPA”) enforcement actions. During the recently completed first quarter, the DOJ resolved three matters and the SEC resolved eight. Financial penalties and disgorgement ordered in these actions exceeded \$895 million. The alleged misconduct occurred in diverse industries – technology, telecommunications, medical device, airline, and pharma – and in a variety of geographic locations – China, Uzbekistan, Panama, Argentina, Bolivia, Brazil, Columbia, Costa Rica, and Mexico. Companies named in these actions included VimpelCom and its \$795 million global settlement; PTC Inc., which included the SEC’s first ever deferred prosecution agreement (“DPA”) with an individual; and Qualcomm, a case where relatives of foreign officials were provided employment and internships in order to help the company retain and obtain business.

At the recent ABA Institute on White Collar Crime Conference, Leslie Caldwell, Assistant Attorney General for DOJ’s Criminal Division, stated that the FCPA is “an incredibly important area of prosecution” and that the DOJ is becoming “increasingly sophisticated” in dealing with the challenges that arise when investigating corruption cases across the globe. She cited “unprecedented international cooperation” in the VimpelCom case, “a case DOJ would not have been able to bring just ten years ago.”¹

Patrick Stokes, Senior Deputy Chief of DOJ’s Fraud Section, and former Chief of the FCPA Unit, also spoke at the ABA conference and said that DOJ’s FCPA unit is “as busy as ever” and that the “pipeline [of FCPA cases] is as full as it has ever been.” Stokes emphasized that DOJ’s “focus is on big, significant corruption cases.” Thus, FCPA enforcement shows no signs of abating, and it is likely that there will continue to be instances where the SEC acts alone and brings enforcement actions on smaller cases with less egregious conduct.

1. Subsequent to Ms. Caldwell’s comments at the conference, on April 5, 2016, the DOJ announced the launch of a one year pilot program designed to promote transparency and accountability in connection with the investigation and prosecution of FCPA cases and was designed to build on the DOJ’s September 2015 release of the Yates Memo. Additionally, in connection with the release of the pilot program, Ms. Caldwell announced the deployment of additional FCPA-related resources and increased international cooperation.

Additional information regarding the Yates Memo and the launch of the pilot program can be found in Navigant’s client alerts on these issues:

<http://www.navigant.com/insights/library/gic/2015/doj-principles-yates-memo/#>

<http://www.navigant.com/insights/library/gic/2016/fcpa-self-reporting-program/>

The recently resolved FCPA cases detailed below are consistent with historical precedent in that the majority of them involve improper payments or benefits being made through third-party intermediaries – travel agents, business partners, shell companies, consultants, etc. That is why it is essential for companies doing international business to have an effective risk-based due diligence program that is dynamic and can assess and mitigate third-party risk and can monitor third-party relationships over time. Navigant has an experienced team of former prosecutors, law enforcement officials, regulators, and compliance officers, along with proprietary technologies that can assist companies of all sizes and risk profiles successfully transact business internationally.

II. FCPA CASES RESOLVED IN Q1 2016:

A. February 1, 2016 – SAP SE

Software manufacturer SAP SE agreed to pay the SEC approximately \$3.9 million in disgorgement and prejudgment interest as part of settled civil administrative proceedings related to bribes paid by a former senior executive to a Panamanian government official. The SEC's order found that SAP violated the internal controls and books and records provisions of the FCPA. The bribery scheme was carried out through SAP's Panamanian partner. The SAP senior executive provided excessive discounts to the partner to create a "slush fund" that was then used to pay bribes to Panamanian officials. SAP falsely recorded the slush fund as legitimate discounts.²

B. February 4, 2016 – Ignacio Cueto Plaza

In a settled administrative proceeding, an executive for South American-based LAN Airlines agreed to pay a \$75,000 penalty and to comply with other remedial undertakings after he was found to have violated the FCPA by authorizing improper payments to a third party consultant, who may have passed some funds to union officials at a time when the airline and its unionized employees in Argentina were disputing certain labor and wage rules. The SEC's order found that Cueto violated the internal controls and books and records provisions of the Securities Exchange Act of 1934.³

C. February 4, 2016 – SciClone Pharmaceuticals

California-based SciClone Pharmaceuticals agreed to pay \$9.426 million in disgorgement, plus \$900,000 in prejudgment interest and a \$2.5 million civil penalty to settle SEC charges that it violated the FCPA when certain international subsidiaries made improper payments to Chinese government officials employed at state-owned health institutions in China. Over a more than five-year period, employees at SciClone subsidiaries gave money, gifts, and other things of value to health care professionals leading to SciClone being awarded several million dollars in product sales to China state health institutions. Local Chinese travel companies were often used to facilitate the improper travel and recreational activities in connection with what were ostensibly legitimate conferences and seminars. In actuality, the events had little educational focus and were primarily used as a vehicle to provide sightseeing and other recreational activities. The improper payments were falsely recorded in SciClone's financial statements as legitimate business expenses. The SEC's order found that SciClone violated the anti-bribery, internal controls, and books and records provisions of the FCPA.⁴

D. February 16, 2016 – PTC Inc.

Massachusetts software company PTC Inc. resolved related investigations being conducted by the DOJ and SEC related to improper travel, gifts, and entertainment provided to Chinese government officials in order to win lucrative contracts with Chinese state-owned entities.

In the DOJ settlement, two PTC Inc. subsidiaries entered into non-prosecution agreements and agreed to pay a \$14.54 million penalty. The DOJ alleged that the PTC subsidiaries used local business partners to arrange and pay for employees of various Chinese state-owned entities to travel to the United States for recreational travel to New York, Los Angeles, Las Vegas, and Hawaii. The PTC subsidiaries spent more than \$1 million to fund these trips and during that same timeframe, entered into more than \$13 million in contracts with the Chinese state-owned entities.

2. In the Matter of SAP SE, SEC Administrative Proceeding File No. 3-17080, February 1, 2016.

3. In the Matter of Ignacio Cueto Plaza, SEC Administrative Proceeding File No. 3-17100, February 4, 2016.

4. In the Matter of SciClone Pharmaceuticals Inc., SEC Administrative Proceeding File No. 3-17101, February 4, 2016.

The SEC settlement detailed similar facts – two China-based PTC subsidiaries, through third-party agents, provided improper travel, gifts, and entertainment to Chinese government officials in violation of the FCPA. As part of the settled administrative proceedings, PTC agreed to pay \$11.858 million in disgorgement and \$1.764 million in prejudgment interest. In conjunction with the PTC settlement, the SEC also announced its first ever deferred prosecution agreement with an individual in an FCPA case. Yu Kai Yuan, a former employee at one of PTC's China subsidiaries, will have FCPA charges against him deferred for three years as a reward for the significant cooperation he provided the SEC during its investigation.⁵

E. February 18, 2016 – VimpelCom Ltd.

In a global settlement with the DOJ, SEC, and Dutch regulators, VimpelCom, the world's sixth largest telecommunications company, agreed to pay more than \$795 million to resolve FCPA violations related to its business in Uzbekistan. Assistant Attorney General Leslie Caldwell called the VimpelCom settlement “a landmark FCPA resolution” and “one of the most significant coordinated international and multi-agency resolutions in the history of the FCPA.” In the DOJ settlement, Unitel, a wholly owned Uzbek subsidiary of VimpelCom, pleaded guilty to a charge of conspiracy to violate the anti-bribery provisions of the FCPA. For its role in the conspiracy, VimpelCom entered into a deferred prosecution agreement, and in addition to the financial penalties, also agreed to implement rigorous internal controls and to retain a compliance monitor for a period of three years. Both the DOJ and SEC settlement papers detail how Vimpelcom, between 2006 and 2012, paid more than \$100 million in bribes to a Uzbek government official who was a close relative of another official that had significant influence over the Uzbek telecom regulators. The bribes were concealed through payments to a shell company and donations to a charity directly affiliated with the Uzbek official. The bribes allowed VimpelCom to enter the Uzbekistan telecommunications market and to continue successful operations through acquisition of licenses, frequencies, channels, and number blocks.⁶

F. March 1, 2016 – Qualcomm Incorporated

Qualcomm Incorporated settled an SEC administrative action alleging violations of the FCPA by hiring relatives of Chinese government officials in order to improperly influence the officials to procure Qualcomm's mobile technology products. The SEC's order also found that Qualcomm provided gifts, travel, and entertainment to officials at Chinese government-owned telecom companies. Qualcomm was found to have violated the anti-bribery, internal controls, and books and records provisions of the Securities Exchange Act of 1934. As part of the settlement, Qualcomm agreed to pay a \$7.5 million civil penalty and to provide the SEC with annual reports and certifications of its FCPA compliance for a period of two years.⁷

G. March 1, 2016 – Olympus Corp.

As part of a larger settlement between the DOJ and medical equipment company Olympus Corp. of America (OCA) involving violations of the Anti-Kickback Statute, OCA's Miami-based subsidiary OLA entered into a three-year deferred prosecution agreement related to FCPA charges in connection with improper payments to government health officials in Central and South America. Payments included cash, travel, and free or heavily discounted equipment. OLA paid out approximately \$3 million in bribes to health care officials and during this timeframe recognized more than \$7.5 million in profits from equipment sales. The deferred prosecution agreement also requires payment of a \$22.8 million criminal penalty and retention of a compliance monitor for three years.⁸

H. March 3, 2016 – Nordion Inc. and Mikhail Gourevitch

Mikhail Gourevitch, an engineer formerly employed by Nordion Inc., a Canada-based health science company, settled SEC FCPA charges by agreeing to pay \$100,000 in disgorgement, \$12,950 in prejudgment interest, and a \$66,000 civil penalty. The FCPA charges relate to improper payments arranged by Gourevitch to a third-party agent, a portion of which was used by the agent to bribe

5. In the Matter of PTC, Inc., SEC Administrative Proceeding File No. 3-17118, February 16, 2016; DOJ/PTC Inc. Non-Prosecution Agreement and DOJ Press Release, February 16, 2016.

6. SEC v. VimpelCom Ltd., U.S. District Court S.D.N.Y., February 18, 2016; U.S. v. VimpelCom Ltd., 16-CRM-137, Southern District of New York, February 18, 2016; DOJ Press Release, February 18, 2016.

7. In the Matter of Qualcomm Incorporated, SEC Administrative Proceeding No. 3-17145, March 1, 2016.

8. U.S. v. Olympus Latin America Inc., Case No. 16-2535, United States District Court, New Jersey District, March 1, 2016 and DOJ Press Release, March 1, 2016.

Russian officials to approve distribution of Nordion's liver cancer treatment product. Although Gourevitch took steps to conceal the bribery scheme from his employer, Nordion was also charged by the SEC for "lacking internal accounting controls and basic FCPA due diligence to prevent Gourevitch from conducting the scheme." Nordion agreed to pay a \$375,000 civil penalty as part of settled administrative proceedings.⁹

I. March 23, 2016 – Novartis AG

Two China subsidiaries of Novartis AG carried out a scheme to increase pharmaceutical product sales by providing money, gifts, and other things of value to Chinese doctors employed by state-owned health institutions. Local travel companies were used to arrange purported educational events, which were used to provide improper travel and entertainment with the intent of influencing the Chinese healthcare professionals. The transactions were falsely recorded as legitimate business expenses, such as lecture fees, marketing events, educational seminars, and medical studies. The SEC's settled administrative order found that Novartis violated the internal controls and books and records provisions of the FCPA. As part of the settlement, Novartis agreed to pay \$21.5 million in disgorgement, \$1.5 million in prejudgment interest, and a \$2 million civil penalty. Novartis also agreed to report to the SEC for a period of two years the status of its anti-corruption compliance remediation efforts.¹⁰

9. In the Matter of Nordion (Canada) Inc., SEC Administrative Proceeding No. 3-17153, March 3, 2016; In the Matter of Mikhail Gourevitch, SEC Administrative Proceeding No. 3-17152, March 3, 2016.

10. In the Matter of Novartis AG, SEC Administrative Proceeding No. 3-17177, March 23, 2016.