

## Innospec Agrees to Pay \$40.2 Million for Global Corruption Settlement

On March 18, 2010, specialty fuel and chemical manufacturer Innospec Inc., with principal offices in the United States and the United Kingdom, agreed to pay \$40.2 million to resolve global corruption claims by the Department of Justice (DOJ), Securities and Exchange Commission (SEC), Office of Foreign Assets Control (OFAC), and the United Kingdom's Serious Frauds Office (SFO). This coordinated investigation revealed that Innospec paid or promised to pay more than \$9.2 million in bribes to government officials in Iraq and Indonesia in exchange for \$176 million in contracts for the fuel additive tetraethyl lead (TEL). These bribes were often disguised as "commissions" or legitimate travel expenses. Although the DOJ, SEC, OFAC, and SFO worked collaboratively in investigating the various claims against Innospec, each agency initiated separate actions against the company.

In its plea agreement with the DOJ, Innospec pleaded guilty to conspiracy, wire fraud, and Foreign Corrupt Practices Act (FCPA) counts for paying kickbacks to Iraq in violation of the United Nations Oil for Food Program. Sanctions include a \$14.1 million criminal fine, commitment to retain an independent compliance monitor for a period of at least three years, and full cooperation with the DOJ and other law enforcement agencies in ongoing investigations. The DOJ also refused to release potential claims against individuals.

Innospec also agreed to disgorge \$11.2 million in profits to the SEC to settle a civil complaint charging violations of the FCPA's anti-bribery, internal controls, and books and records provisions as a result of the company's payment of bribes to sell TEL to government-owned companies in Iraq and Indonesia. In addition, Innospec voluntarily disclosed to OFAC that it had violated the Cuban Assets Control Regulations by acquiring a foreign corporation that had a local sales office in Cuba. Innospec agreed to pay OFAC a \$2.2 million fine.

In 2007, during its investigation, the DOJ referred the Innospec matter to the SFO, which launched its own investigation in May 2008. This investigation revealed that Innospec's U.K. subsidiary, Innospec Limited, paid more than \$11.7 million in "commissions" to agents who then bribed officials in Indonesia to win or continue TEL contracts. This conduct provided the basis for SFO to criminally charge Innospec with conspiracy to corrupt.

The SFO noted that their investigation also revealed improper payments in Iraq, but they deferred the relevant investigations and prosecutions to the SEC and DOJ. Innospec agreed to pay SFO a criminal penalty of \$12.7 million, a figure indicating SFO's acknowledgement of Innospec's cooperation. The SFO noted that Innospec paid more than \$32 million in investigation costs, with one-third of the cost attributed to the U.K. investigation.

The joint U.S.-U.K. investigation and prosecution of Innospec reveals stepped-up enforcement activity within the U.K.'s SFO and a growing tendency toward international cooperation in anti-corruption

enforcement actions. The Innospec prosecution serves as a sharp reminder of the importance of rigorous compliance programs, training procedures, and monitoring—especially for multinational corporations doing business in the U.K. and other points abroad.

If you have any questions about this alert or if you would like further information, please contact your usual Ropes & Gray advisor.