



# ANTI-CORRUPTION DIGEST

**February 2018**

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**

#### **Nephew of Former U.N. Secretary-General Pleads Guilty to FCPA Charges**

Joo Hyun Bahn, real-estate broker and nephew of former U.N. Secretary-General Ban Ki-moon, pleaded guilty to Foreign Corrupt Practices Act (FCPA) charges relating to his role in a scheme attempting to bribe a Qatari official to secure a real estate deal for South Korean construction company Keangnam Enterprises Co. Ltd. Mr. Bahn pleaded guilty to one count of conspiracy to violate the FCPA (15 U.S.C. § 78dd-2) and one count of violating the FCPA (15 U.S.C. § 78dd-2). Mr. Bahn was charged in December 2016, along with his father, Ban Ki Sang and Malcolm Harris. The case is *U.S. v. Bahn*, No. 16-cr-00831 (S.D.N.Y. filed Dec. 15, 2016).

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According to the indictment, between March 2013 and May 2015, Mr. Bahn and his two co-conspirators attempted to bribe a foreign official who was supposed to use his influence to cause Qatar to purchase a building complex located in Hanoi, Vietnam. The complex, called Landmark 72, had been funded and built by Keangnam, of which Mr. Ban was employed by and a senior adviser. In 2013, the construction company needed to pay off the loans used to finance the construction of Landmark 72, which would require the company to either refinance or sell the building for \$800 million. Mr. Ban arranged to have Keangnam retain his son to broker the transaction. Under this arrangement Mr. Bahn would receive a multi-million dollar commission if the deal was successful. Mr. Harris, whom Mr. Bahn had been introduced to by a mutual acquaintance, represented that he had connections to a foreign official who could influence Qatar's sovereign wealth fund to acquire Landmark 72. The bribe agreed to was \$2.5 million with \$500,000 to be paid upfront. In April 2013, Mr. Bahn and Mr. Ban agreed to pay the \$500,000 bribe to the foreign official, using Mr. Harris as an intermediary. However, Mr. Harris did not actually have a relationship with the foreign official, and instead kept the \$500,000 for himself.

Mr. Harris pleaded guilty to his part in the scheme in June 2017, and was sentenced to 42 months in prison. Mr. Bahn will be sentenced this summer. Each charge carries up to a five year sentence. Mr. Ban is still at large.

### **Former Owner of Maryland-based Nuclear Transport Company Charged with FCPA Violations**

Mark Lambert, a former owner and executive of Maryland-based Transport Logistics International, was charged in an 11-count indictment for his part in an alleged scheme to bribe a Russian official at JSC Techsnabexport (TENEX), a subsidiary of

Russia's State Atomic Energy Corporation. Mr. Lambert was charged with one count of conspiracy to violate the FCPA and commit wire fraud and seven counts of violating the FCPA, 15 U.S.C. § 78dd-2, among other charges. The case is *US v. Lambert*, No. 18-cr-00012 (D. Md. filed Jan. 10, 2018).

According to the indictment, three former co-owners and executives from Transport Logistics, a company that provided logistical support services for the transportation of nuclear materials, were involved in the bribery scheme. One of the former co-owners entered into an agreement with Vadim Mikerin, a director of TENEX, to pay him bribes and kickbacks in return for his help in obtaining and retaining business for Transport Logistics. In about 2009, Mr. Lambert and the third co-owner, Daren Condrey, found out about the arrangement. After the unnamed co-owner left Transport Logistics in 2010, Mr. Lambert and Mr. Condrey continued to make payments to Mr. Mikerin via shell companies in Cyprus, Latvia, and Switzerland. The two men also employed code words, made false invoices, and communicated with Mr. Mikerin at his home address to evade detection. The scheme continued until at least October 2014, and resulted in about \$2 million being paid to Mr. Mikerin.

In June 2015, Mr. Condrey pleaded guilty to conspiracy to violate the FCPA and commit wire fraud. Mr. Mikerin pleaded guilty to conspiracy to commit money laundering involving violations of the FCPA. Mr. Mikerin is currently serving a sentence of 48 months in prison and was ordered to forfeit \$2.1 million. Mr. Condrey is still awaiting sentencing. The third unnamed co-owner died in 2011.

### **Former Hong Kong Home Secretary Pleads Not Guilty to FCPA Charges**

Chi Ping Patrick Ho pleaded not guilty to charges stemming from his part in allegedly bribing officials in Chad and Uganda between

2014 and 2017 to secure business for China Energy Company Ltd. Mr. Ho was charged with conspiracy and violating the FCPA in November 2017 (15 U.S.C. § 78dd-2, 78dd-3) as well as money laundering. He has been in custody since being arrested on November 18, 2017. Mr. Ho was denied bail on December 1, 2017. *U.S. v. Ho*, No. 17-mag-8611 (S.D.N.Y. filed Nov. 16, 2017).

## SEC Ends FCPA Probe into Cobalt

The SEC has concluded its second investigation into Cobalt International Energy, Inc.'s Angola operations. The most recent investigation concerned the company's agreement with Angola's state-owned oil and gas company, Sonangol EP, to fund the Sonangol Research and Technology Center. This declination comes about a year after the SEC issued Cobalt a declination regarding other activities in Angola by the company. The SEC opened the second investigation in March 2017. In December 2017, Cobalt filed for bankruptcy. In January 2018, the company was delisted from the NYSE.

## Prosecutors Decline To Retry Sen. Menendez After Judge Trims Charges

Prosecutors announced that they will not retry Democratic Senator Bob Menendez after last year's trial ended in a mistrial due to a deadlocked jury. Following the dismissal of the jury U.S. District Judge William H. Walls acquitted Mr. Menendez of seven counts relating to \$660,000 that the senator received as political donations. Judge Walls reasoned that a rational juror could not find an "explicit quid pro quo" as to the money. Prosecutors subsequently decided to dismiss the case. *U.S. v. Menendez*, No. 15-cr-00155 (D.N.J. filed Jan. 24, 2018).

## Petrobras Settles Class Action Suit Over Corruption Scandal

Petrobras has agreed to pay \$2.95 billion to settle a shareholder lawsuit over the company's sprawling corruption scandal. The Brazilian state-owned oil company announced the settlement in a filing with the SEC in January 2018. While the settlement will be paid in three installments, it was recognized in the fourth quarter of 2017, according to the filing. The company also said that it was a victim of the bribery scheme and would "continue to pursue all available legal remedies from culpable companies and individuals." Petrobras has recovered about \$449 million to date. The company believes that nearly \$3 billion was paid out in bribes.

## Another Guilty Plea in Fat Leonard Scandal

Former U.S. Navy commander Troy Amundson is the 20<sup>th</sup> Navy officer to plead guilty over the "Fat Leonard" bribery scandal. The bribery scheme involved Singapore-based former Navy contractor Glenn Defense Marine Asia, owned by Leonard Francis (aka "Fat Leonard"). Mr. Francis, along with others involved, have pleaded guilty to paying off senior staff and officers in the Japan-based Navy's Seventh Fleet in exchange for their help obtaining lucrative contracts for Glenn Defense. Mr. Amundson was charged with conspiracy to commit bribery for accepting dinners, drinks, transportation, entertainment, and prostitutes from Mr. Francis in exchange for Navy proprietary information. *U.S. v. Amundson*, No. 18-00468 (S.D. Cal. filed on Jan. 30, 2018).

## EUROPE

### THE UNITED KINGDOM

#### Bribery and Corruption Probe Launched Into Chemring

Defense company Chemring is under investigation in relation to possible bribery, corruption and money-laundering offences. The formal investigation was launched by the U.K.'s Serious Fraud Office (SFO) after Chemring voluntarily reported concerns about the use of "middlemen" that represented Chemring subsidiary Chemring Technology Solutions Ltd.

Chemring CEO Michael Flowers commented: "We do not consider [the two contracts involving the middlemen] to be material to the group's overall performance. We self-reported and this is something we take extremely seriously: we are fully co-operating with the investigation."

#### Serious Fraud Office to Charge Rolls-Royce Suspects by April

The SFO is considering whether to bring charges tied to the transaction which underlies its £510 million (\$702 million) settlement with Rolls-Royce regarding allegations of systemic bribery. The agency plans to make the decision about whether to bring charges against specific suspects before its current director, David Green, leaves office on April 20, 2018. The SFO is likely to have set this goal in order to avoid any interference with or delays to the investigation that may be caused by the handover to Mr. Green's successor.

Both Rolls-Royce and the SFO have declined to comment on the timing of any individual charges.

#### French Businessman Connected to Sarkozy-Gaddafi Inquiry Released on Bail

French businessman Alexandre Djouhri has been granted £1 million (US\$1.39 million) bail by London's High Court. He has been ordered to stay at his daughter's dwelling following his arrest on January 7, 2018 and pending further extradition hearings.

French police have sought the extradition of Mr. Djouhri, who has been evading a summons, for questioning about his connections with Nicolas Sarkozy, the former French President, whose 2007 presidential campaign is suspected of having received illegal financing from the late Libyan dictator Muammar Gaddafi.

Investigators allege that Mr. Djouhri owned a villa that was indirectly purchased by the Gaddafi family for €10 million (US\$12.38 million). This is believed to greatly exceed the actual value of the property, which is thought to be closer to €4.4 million (US\$5.45 million).

Mr. Djouhri was arrested when he landed at Heathrow airport in London on a European arrest warrant issued by France in December 2017. He was released on bail as the judge considered that any risk of Mr. Djouhri fleeing was unlikely, due to his personal wealth and connections.

Mr. Djouhri's next court appearance is scheduled to take place on February 22, 2018. A formal extradition hearing is scheduled to begin on April 17, 2018.

#### Law Firm Hogan Lovells Accused of Whitewashing

Hogan Lovells, an international law firm with offices in London, is the latest entity to be drawn into the ever-expanding South African corruption scandal involving the Gupta family.

On January 12, 2018, British peer Lord Peter Hain, who has been actively pursuing banks



and other institutions which he considers to have facilitated transactions linked to the Gupta family and South African President Zuma, wrote to the Solicitors Regulation Authority, which regulates law firms in the U.K. He requested that Hogan Lovells be investigated for its role in producing what he described as a “whitewash” report into claims of money laundering at the South African Revenue Service (SARS). Lord Hain is understood to have evidence of corruption at SARS, which he believes should have been discovered by Hogan Lovells and reflected in its report.

The report investigated claims of financial misconduct against SARS Deputy Chief Jonas Makwakwa and a low-level employee, Kelly Ann Elskie. The aforementioned SARS staff members are alleged to have received about R1.7 million (USD\$123,790) over a six-year period. The Hogan Lovells report was criticized for being too lenient, as it recommended only that disciplinary action be taken against Mr. Makwakwa.

Following the investigation, Mr. Makwakwa was acquitted by a SARS internal investigation. He was reinstated as its Deputy Chief in October last year.

## FCA Names New Chief

The Financial Conduct Authority (FCA), the U.K.’s financial service industry regulator, named Charles Randell as its new chief on January 5, 2018. Mr. Randell was previously a Corporate Finance partner at Magic Circle law firm Slaughter & May. He replaces John Griffith-Jones, who has been the head of the FCA since it was created in 2013.

Mr. Randell begins his five-year term on April 1, 2018.

## Calls for Action Over Exploitation of Scottish Limited Partnership Structure

A joint investigation by *Al Jazeera* and *The Herald*, released in January 2018, linked the Scottish Limited Partnership (SLP) corporate structure to \$1.5 billion of assets seized from associates of ousted Ukrainian President Viktor Yanukovich. SLPs have recently also been linked to the Russian and Azerbaijani “laundromat” money laundering scandals.

SLPs can own assets, borrow money and, until last year, allowed for the partners’ identities to remain private. In a bid to increase transparency, the U.K. government now requires that the persons who have significant control over the SLPs be identified. However, the impact has been limited: Ben Cowdock, an SLP expert at Transparency International, said of the new rules that “[i]f you’re hell-bent on laundering money it’s still quite an attractive tool, because it’s cheap and disposable [...] you can submit false information, and then launder your money before anyone notices.”

The U.K. National Crime Agency commented: “We are aware that SLPs are a feature of some money laundering typologies and are working with partner agencies to tackle the practice.”

## AUSTRIA

### Football Chief Investigated on Suspicion of Corruption

Austrian prosecutors announced an investigation of Leo Windtner, Austrian Football Federation (ÖFB) head, on January 10, 2018. The inquiry is based on “suspicion of breach of trust and corruption.”

The investigation arose as a result of a payment made at the time of Sep Blatter’s re-election as FIFA president in 2015. Mr. Blatter

is currently serving a six-year ban from participating in FIFA activities on grounds of corruption. It is believed that, following an interview in which Mr. Windtner announced his support for Mr. Blatter's re-election, a \$100,000 transfer was made by FIFA to a project supporting young footballers in Africa, which was connected to Mr. Windtner's wife.

Mr. Windtner claims to be "relaxed" about the investigation, noting that "everything was transparent and every cent accounted for. I have nothing to reproach myself for."

## ITALY

### Former Finmeccanica Executives Acquitted of Graft Charges

On January 8, 2018, an Italian court acquitted Giuseppe Orsi, former CEO of defense and aerospace company Finmeccanica (now known as Leonardo), following allegations of bribery.

Mr. Orsi had been accused of being involved in the payment of bribes in exchange for a deal to sell 12 AugustaWestland helicopters to India. He was arrested in 2014, after which he resigned as CEO of Finmeccanica. Bruce Spagnolini, former CEO of AugustaWestland, a subsidiary of Finmeccanica, was cleared of similar charges.

### Money Laundering Suspicions Spark AC Milan Probe

On January 13, 2018, *La Stampa* reported that Milanese prosecutors have opened an investigation into last year's €740 million (US\$786 million) sale of Italian football club AC Milan from former Italian Prime Minister Silvio Berlusconi to a group of Chinese investors led by Li Yonghong.

It is reportedly suspected that the club may have been deliberately overvalued in order to bring large sums of money into Italy from abroad. The prosecutors and Mr. Berlusconi's

lawyers have yet to confirm the opening of the investigation.

## SPAIN

### GRECO Condemns Lack of Spanish Anti-Corruption Progress

The Council of Europe's anti-corruption monitoring body, the Group of States Against Corruption (GRECO) released a report on January 3, 2018, which found that Spain's anti-corruption compliance has been "globally unsatisfactory." GRECO previously issued eleven recommendations to Spain as to how it might prevent and combat corruption involving members of parliament, judges and prosecutors. Spain has not fully implemented any of the recommendations, though it has partly implemented seven. The recommendations include a thorough review of the financial disclosure regime.

GRECO did acknowledge that Spain is taking steps to enhance transparency regarding the relationships between parliamentarians and lobbyists, and was complimentary regarding the country's judiciary and prosecutorial service. The Group was particularly disappointed, however, by the lack of progress on drafting of a code of conduct for prosecutors.

GRECO has requested a response from the Spanish authorities by December 31, 2018 on their plan for implementing the recommendations.

### Spain's Ruling Party Accused of Using Dirty Money to Fund Campaigns

A former senior official claimed that Spain's ruling party, the People's Party (PP), took kickbacks from businessmen in exchange for work contracts during a corruption trial in which 37 individuals have been charged on

organized crime and other counts. The PP allegedly used the bribes to fund a 2007 regional election campaign. The payments, according to former deputy PP head for the Valencia region, Ricardo Costa, were below €3,000 (US\$3,700) in order to avoid passing the legal threshold on party financing. Several businessmen have admitted to financing Valencian election campaigns in 2007 and 2008.

Mr. Costa is currently on trial, with prosecutors seeking a jail term of seven years and nine months. He admitted that, as he did not take any action when he became aware of the practice, he “of course assumed the responsibility that that entails”.

The PP has denied any wrongdoing. Prime Minister Mariano Rajoy claimed “I didn’t know anything about that ... I will wait and see what the courts say.”

## GERMANY

### Airbus and German Prosecutors Discuss Ceasing Jet Probe

Airbus announced that it is in talks with German prosecutors that may bring the investigation of the 2003 sale of 15 planes to Austria to a close. The firm will disclose the result of the talks when concluded.

*Sueddeutsche Zeitung*, a German newspaper, reported that Airbus may pay a fine of €70-80 million (US\$85-97 million) to avoid going to trial, although Airbus dismissed the report as “pure speculation.”

## MALTA

### Secretariat Official Suspended on Bribery Suspicions

Parliamentary Secretary Roderick Galdes announced the suspension of an official at the Housing Parliamentary Secretariat on

suspicion of bribery on January 26, 2018. He also alerted police. The official allegedly received about €400 (US\$496) to push a member of the public up the social housing waiting list.

Police sources commented: “While this is not a very large sum of money, the issue might be far broader. We cannot rule out at this stage that this has happened a number of times.”

## CZECH REPUBLIC

### Czech Prime Minister Fights Corruption Allegations Amid Minority Government Resignation

Andrej Babiš, who was appointed as Czech Prime Minister in December 2016, has come under fire as allegations have arisen that he abused a European Union subsidy program a decade ago. The Prime Minister’s immunity in relation to the allegations was lifted by lawmakers, including Prime Minister Babiš himself, based on a vote by lawmakers of 111-69 on January 19, 2018.

The European Anti-Fraud Office (OLAF) produced a report concluding that in December 2007, Agrofert, a conglomerate owned by Prime Minister Babiš, faked a transfer of a countryside hotel and conference centre known as Čapí Hnízdo (Stork’s Nest) to a company with anonymous shareholders. It is alleged that the transfer was faked in order to benefit from a small business grant that would not have been applicable to the conglomerate. OLAF’s findings were leaked to the public by Prague financial newspaper *Hospodářské Noviny*, after the Czech finance ministry refused to publish the report.

Following the allegations, the government lost a vote of no confidence and the Czech Republic’s minority government resigned. The minority government will continue as a caretaker administration pending a decision by Czech President Miloš Zeman. President

Zeman, who is a close ally of Prime Minister Babiš, has pledged to reappoint him after the vote of no confidence.

## **BULGARIA**

### **Bulgarian Anti-Corruption Law Vetoed as it Assumes EU Presidency**

On January 2, 2018, a day after Bulgaria assumed the six-month rotating presidency of the European Union (EU), Bulgarian President Rumen Radev vetoed anti-corruption legislation approved by the country's parliament on December 20, 2017. The legislation would have created a special anti-graft unit with the aim of investigating those occupying senior positions in public office as well as assets and conflicts of interest.

President Radev commented that the bill “not only [would] not create an adequate legal basis for tackling corruption but will even make it difficult to fight it”. Some analysts support his view. They question the proposed unit's independence due to the fact that, as the bill stands, parliament would appoint the unit's management. That action may open the door for powerful figures to target their opponents. Kornelia Ninova, leader of the main opposition Socialist Party, praised President Radev's actions as giving the government “a golden chance” to produce effective anti-graft legislation. Parliament has the power to overturn President Radev's veto and is expected to do so by analysts.

Bulgaria is the most corrupt country in the EU, according to Transparency International's corruption perceptions index. It is also the bloc's poorest country. The Centre for the Study of Democracy in Sofia produced a report in 2016 that found that one in five adults (1.3 million) are thought to have engaged in corruption. Nevertheless, only 72 court cases were completed in 2015.

### **Ex-Intelligence Chief Sentenced for Embezzlement**

A military court sentenced Bulgaria's former head of the National Intelligence Service, Kircho Kirov, to 15 years in prison on January 23, 2018. Under the order half of his property is to be confiscated. Mr. Kirov was convicted of embezzling 5.1 million leva (€2.6 million) of public funds between 2007 and 2011.

Mr. Kirov denied any wrongdoing and intends to appeal. He claims that the trial was “politically motivated.”

## **GREECE**

### **Albanian Archbishop Calls on Greece to End Corruption**

Albania's Archbishop Anastasios has asked Greece to re-evaluate its attitude towards money and power. The Archbishop noted that the country's economic and austerity crisis “did not come out of the sky like a parachute” but rather was the result of the decadence that has become a way of life in Greece. The Archbishop urged people to repent for the rampant tax cheating, illicit deals, bank and business scandals and other similar problems that have plagued Greece in the last seven-and-a-half years.

## **ROMANIA**

### **Romania's Lack of Anti-Corruption Progress Criticized**

The Council of Europe's anti-corruption monitoring body, the Group of States Against Corruption (GRECO) published a report on January 18, 2018, which highlighted Romania's slow progress in relation to anti-corruption efforts. The report showed Romania fully complied with only two of thirteen of GRECO's previous recommendations. GRECO was particularly



concerned with the legislative process in the country, “given the persisting controversies and allegations of improper consultation, the excessive use of expedited procedure, and the lack of transparency.”

In December last year, lawmakers approved a judicial overhaul that will, when enacted, limit the independence of the judiciary, according to critics. The judicial overhaul bills are currently awaiting a ruling in the Constitutional Court, which GRECO will discuss after the ruling is handed down. As these events unfolded, a protest against the judicial overhaul was held in Bucharest on January 20, 2018. An estimated 50,000 people march towards parliament.

Romania is one of the most corrupt states in the European Union, according to Transparency International. Its justice system is currently under special monitoring by the EU Commission.

## **RUSSIA**

### **Russian Anti-Corruption Activist Alexei Navalny Barred From Presidential Race**

Russian election officials have formally barred politician and anti-corruption activist Alexei Navalny from running in Russia’s upcoming presidential election, to take place on March 18, 2018.

The Central Election Commission handed down its decision at the end of December. The Commission stated that it could not allow Mr. Navalny to run due to his conviction in the retrial of a fraud case in February 2017. There has been speculation as to whether the fraud case was a pretext to prevent Mr. Navalny from running for office.

Mr. Navalny reacted to the Commission’s decision by calling on his supporters to boycott the election. He claimed it “is not an election [...] Only Putin and the candidates he has

hand-picked are taking part in it”. Although a boycott is unlikely to impact President Putin’s chances of emerging victorious, the government had been hoping to increase voter participation in the upcoming election.

### **Rosneft Employee Arrested on Suspicion of Bribery**

Alexander Kramarenko, a lawyer working at Russian oil giant Rosneft, has been arrested for allegedly accepting a bribe from a mafia boss known as “Shakro the Young”.

Shakro is currently on trial in relation to his and his accomplices’ alleged involvement in a shootout in a Moscow restaurant in 2015. Shakro is alleged to have paid the bribe in exchange for Mr. Kramarenko’s help in securing the release of another crime boss, Andrei Kochuikov (known as “The Italian”). Mr Kochuikov was also allegedly involved in the shootout. Rosneft denies that the arrest related to Mr. Kramarenko’s work at the company.

## **UKRAINE**

### **Concerns Raised Over Draft Anti- Corruption Law**

Ukrainian President Petro Poroshenko published a draft bill to create an independent anti-corruption court on December 26, 2017. Transparency International Ukraine (TI) and the International Monetary Fund (IMF) have critiqued the draft legislation. TI has called on President Poroshenko to withdraw the draft and resubmit it with its recommendations incorporated in accord with those made by the Venice Commission in October 2017. TI claimed “there is good reason to doubt that if draft Law of Ukraine No. 7440 ‘On the High Anti-corruption Court’ is passed, it will provide for independent and unbiased selection of judges and proper functioning of the future High Anti-corruption Court.”

TI claims, among other things, that the proposed jurisdiction of the future court would keep it “occupied with too many cases”. Further, TI found that the proposed qualification requirements for judges were unrealistically high and would serve to impede the selection process.

Subsequently, on January 11, 2018, IMF mission chief for Ukraine, Ron van Rooden, wrote to the presidential administration, stating that, as it stands, the IMF cannot support the draft law, for “several provisions are not consistent with the authorities’ commitments under Ukraine’s IMF-supported program.” Mr. van Rooden also queried whether the court and appointment of judges would be truly independent and unbiased based on the current draft legislation.

## **Former Airport Head Released on Bail Following Bribery Allegations**

Former Mykolaiv Airport Head Mykhaylo Halaiko was released on bail on January 3, 2018. Mr. Halaiko was arrested on December 28, 2017 on charges of offering an unlawful inducement to an official. Mr. Halaiko had allegedly offered an Hr 2.5 million (US\$88,500) bribe to the Mykolaiv Oblast Governor Olexiy Savchenko, so that Mr. Savchenko might assist with Mr. Halaiko’s contract renewal. Mr. Savchenko refused the bribe, after which Mr. Halaiko was detained.

If convicted, Mr. Halaiko would face four to eight years in prison and possibly also confiscation of property.

## **PORTUGAL**

### **Benfica Head Named Suspect in Corruption Investigation**

On January 31, 2018, Portuguese prosecutors named soccer club Benfica’s President, Luis Filipe Vieira as a formal suspect in a corruption

probe. Suspects in the investigation, five of whom were detained, also include Benfica’s Vice President Fernando Tavares, a high-ranking judge and nine other people. Police raided the Benfica premises as well as Mr. Vieira’s home on January 30.

Prosecutors are looking into “suspicions of receiving undue advantages, or possibly corruption, money laundering, influence peddling and tax fraud,” linked to a case involving former Benfica director Jose Veiga. Mr. Veiga was detained in 2016 on suspicions of corruption and money laundering.

Benfica commented that the investigation does not involve the club directly.

## **MIDDLE EAST**

### **ISRAEL**

#### **Teva Pharmaceuticals Settles Bribery Case**

Teva Pharmaceuticals Industries Ltd., the world’s biggest drug manufacturer, has reached an agreement with Israel authorities to resolve bribery issues. Under the terms of the agreement the firm will pay about \$22 million. The company will also take responsibility for its actions, but no indictment will be filed. The conduct at issue also underlies the FCPA enforcement actions brought against Teva by the SEC and DOJ in 2016. According to the allegations in those actions Teva committed FCPA offenses in Ukraine, Mexico, and Russia. In Russia, Teva did business with a repackaging company which was owned by a government official, netting the official \$65 million. In Ukraine, the company hired a government official as a consultant, paying him \$200,000. Finally, in Mexico, Teva bribed government doctors.

## Netanyahu Probes Expands

A member of Knesset, Eitan Cabel was questioned over his involvement in one of the corruption probes around Prime Minister Benjamin Netanyahu. The case involves alleged conversations between the prime minister and newspaper publisher Arnon Mozes in which Mr. Netanyahu promised to weaken Mr. Mozes' competitor, a free daily newspaper, in return for favorable coverage of the prime minister. Mr. Cabel initiated legislation that would have banned the distribution of the free paper. According to an Israeli news channel, Mr. Cabel exchanged more than 60 text messages and phone calls with Mr. Mozes in the year prior to the introduction of the bill, and more than 50 with the paper's editor-in-chief. Mr. Cabel was questioned regarding the case in January 2017, but this is the first time he has been questioned as a suspect.

Police are also planning to recommend five indictments in another case involving Prime Minister Netanyahu. The "submarine case" involves allegations that government officials were paid bribes to influence a decision to buy boats and submarines from ThyssenKrupp. Prime Minister Netanyahu is not himself a suspect in this case, but it involves some of his close confidantes. Yitzchak Molcho, Mr. Netanyahu's chief negotiator and personal envoy, and David Shimron, the prime minister's cousin and personal attorney, are among those who should see indictments in the coming weeks. Also expected to be charged are: David Sharon, who served as Mr. Netanyahu's bureau chief during the negotiations; Avriel Bar-Yosef, who was nominated by Mr. Netanyahu to serve as national security advisor before he withdrew over a conflict of interest; and Maj. Gen. Eliezer Marom.

## SAUDI ARABIA

### Corruption Sweep Moving to Trial Phase for Detainees

Saudi Arabia's corruption sweep has netted the country \$106 billion in financial settlements which included real estate, commercial entities, securities, and cash. A total of 381 people were questioned during the campaign, with 56 people remaining in custody. Saudi Arabia's attorney general said those remaining in custody could now face prosecution and prison time. The names of those still being held have not been released.

## IRAQ

### Ex-Trade Minister Convicted of Corruption Returned to Iraq

Former Trade Minister Abdul Falah al-Sudany was returned to Iraq after being extradited from Syria. Mr. al-Sudany resigned from his position as trade minister in 2009 and fled the country following corruption allegations related to the country's food rations program. He is wanted in at least nine corruption cases and received eight imprisonment sentences in absentia.

## ASIA

## INDIA

### Supreme Court Justices Claim Judiciary Corrupt

Four senior judges of India's Supreme Court held a press conference in which they claimed that Chief Justice Dipak Misra mishandled the allocation of court cases. Specifically, they alleged that Judge Misra would allocate major and influential cases to junior judges who are either loyal to the Bharatiya Janata Party

(BJP), the leading party in the parliament that he supports, or those who can easily be influenced. The Justices also accused Judge Misra of making rulings and orders catering to the BJP's interests. Judge Misra, who is expected to retire in October, dismissed the allegations claiming that the four judges were smearing the reputation of the Supreme Court.

At the press conference, the four judges cited examples of their claims. One controversial claim centers on the death of Judge B.H. Loya in 2014. Shortly before his death, Judge Loya was handling a murder case, in which the current BJP president, Amit Shah, was accused of orchestrating the crime. After Judge Loya's death, the case was transferred to another judge, and was eventually dismissed. Judge Loya's family said the Judge was offered a bribe which he rejected to drop the case shortly prior to his death. Although the Supreme Court accepted a public interest petition to look into the matter, Mr. Misra promptly assigned the case to the most junior judge on the Supreme Court. That judge has not taken any steps toward resolving the petition.

Judge Dushyant Dave, the most outspoken of the four judges, said corruption permeates all levels of the judiciary: the higher the level, the more corruption. He said "political influence" has been "destroying judicial independence for quite some time." He attributes the situation to "weak bars and an even weaker press."

## **Price Waterhouse Banned from Auditing Listed Companies for Two Years**

India's Securities and Exchange Board (SEBI) banned Price Waterhouse (PW) from auditing listed companies in India for two years. PW is a PricewaterhouseCooper affiliate that provides auditing services. The ban arose from a case involving a software services exporting company that PW was auditing

which admitted to scamming investors. The company, Satyam Computer Services, said it overstated its earnings and assets for several years, during which time PW served as its outside auditor. While SEBI will not stop PW from continuing its existing auditing work in India, it has banned PW from taking on new auditing work and ordered the firm and its partners to pay about 131 million rupees (US\$2.06 million) in fines plus interests. PW plans to challenge SEBI's order in court, stating that it had not committed any "intentional wrongdoing" and that the fraud committed by Satyam's management was "unprecedented."

## **Opposition Leader Sentenced for Embezzling Government Funds**

Lalu Prasad Yadav, a senior Indian politician and leader of the opposition party, received a three and a half year sentence for his involvement in the "fodder scam." The fodder scam involves dozens of politicians and public officials who conspired and worked together to defraud the government of 10 billion rupees (US\$157 million). The prosecutor said Mr. Yadav withdrew \$140,000 from the state treasury as part of the scam. Mr. Yadav denies the charges, calling them a "political vendetta" by the ruling Bharatiya Janata Party.

## **SOUTH KOREA**

### **Former Presidential Aides Arrested for Corruption**

Lee Myung-bak, president of South Korea from 2008-2013, is facing pressure from the ruling Democratic party to provide information concerning two of his former aides who have been arrested for corruption. The former aides were accused of receiving bribes from the National Intelligence Service (NIS) in exchange for favors. Mr. Lee is also accused of diverting the company funds of DAS, an auto-maker, totaling 12 billion won (US\$11.2 million) for personal use. The chief of the



ruling Democratic Party, Ms. Choo Mi-ae said it has become apparent that Mr. Lee is “at the center of the NIS funding scandal and DAS allegations.” Mr. Lee’s supporters, on the other hand, claim the probe was mere “political retribution” against Mr. Lee.

### **Former Senior Secretary Detained Without Bail Pending Trial**

Jun Byung-hun, a former senior secretary to former South Korean president, Moon Jae-in, has been indicted on bribery and corruption charges. Mr. Moon has been detained without bail pending trial. The Seoul Central District Prosecutors’ Office accused Mr. Moon of receiving gifts and hotel accommodations valued at 100 million won (US\$940) from Lotte Homeshopping (Lotte). In exchange, Mr. Moon renewed Lotte’s broadcasting license. Mr. Moon was also accused of forcing a shopping channel and a telecom company to donate 550 million won (US\$514,260) to Korea e-Sports Association, which he controls. Mr. Moon denies the charges, saying that he has been “wrongfully accused,” calling the indictment “unreasonable.” Mr. Moon vows to prove his innocence in court.

### **More Executives Questioned in Park Geun Hye’s Trial**

Sohn Kyung Shik, the chairman of the parent company of South Korea’s largest entertainment conglomerate, CJ E&M, is the latest South Korean executive summoned to testify in the trial of ousted former President, Park Geun Hye. Other executives who have testified include the chairman of the LG Group and Hanwha Group. The prosecutor alleges that Ms. Park pressured Mr. Sohn into making propaganda and helping her advance her political agenda. Ms. Park is facing twenty charges, including bribery and loss of state funds. She has been detained since last year without bail.

### **Lawmakers Arrested for Taking Bribes While Serving under Ms. Park**

Two representatives of the opposition Liberty Korea Party, Choi Kyung-hwan and Lee Woo-hyun, have been arrested for accepting bribes and violating political fund law. The prosecutor said Mr. Choi accepted 100 million won (US\$93,720) bribe from NIS while serving as the deputy prime minister and finance minister. Mr. Lee is accused of accepting one billion won (US\$940,000) in illegal political contributions from local businessmen in return for favors such as helping a city council member win a political nomination. Both Mr. Choi and Mr. Lee deny the charges.

## **CHINA**

### **Senior Military General to Face Prosecution for Bribery**

General Fang Fenghui, a vocal supporter of President Xi Jinping’s fight against corruption, is under investigation for bribery. General Fang abruptly retired from his post in 2017, promptly igniting suspicion that he was under investigation. In January, China’s official press, *Xinhua*, confirmed that the Chinese People’s Liberation Army Prosecutors are leading the investigation into General Fang’s affairs. Based on the limited information available regarding the ongoing investigation, it appears that General Fang is accused of giving and taking bribes. General Fang is rumored to have paid a bribe to attain his senior position in the military. The Liberation Army Daily said in an editorial that General Fang had “seriously tarnished the image of the party, the military and leading officials.” General Fang is likely to face a “court martial”—or a trial conducted by the Chinese military court. If convicted, General Fang could face a life sentence.

## Deputy Head of Energy Agency, Removed from Post Based on Corruption Charges

Wang Xiaolin, the former deputy head of China's National Energy Administration (NEA) that oversees China's policy on energy, has been removed from his position on corruption charges. While The Central Commission for Discipline Inspection (CCDI) has not released information about the investigation, other than that Mr. Wang committed "serious discipline violations," many speculate that the probe is related to Mr. Wang's work during his tenure at the Shenhua Group before joining the NEA. The Shenhua Group is a state-owned energy company and the largest coal producer in China. In the past two years, the CCDI has inspected Shenhua twice, which resulted in disciplinary acting against 200 Shenhua employees. During the investigation, the CCDI said the Shenhua management used its influence to gain profit for personal use and to improperly expedite certain projects.

## China's Top Anti-Corruption Agency Sets Agenda for Year

Members of the CCDI held a three-day closed door meeting to discuss its agenda for 2018. The purpose of the meeting was to set the tone for its anti-corruption campaign in the coming year. While the CCDI has been very discreet about its plans, many speculate that CCDI's top priority is to set up a National Supervisory Commission, an agency that would consolidate all existing anti-corruption agencies both on the party and the government level. The CCDI is also pushing to pass a national anti-corruption law. By combining the anti-corruption agencies and the national anti-corruption law, the CCDI hopes to standardize the government's approach to dealing with corruption.

## VIETNAM

### Chairman of State-owned Oil Company Found Guilty

Dinh La Thang, a former member of the Politburo of the Communist Party of Vietnam, was found guilty of mismanaging state-owned oil company, PetroVietnam, while serving as the firm's Chairman. The prosecutor said Mr. Thang caused the company to lose 800 billion dong (US\$35.2 million). Mr. Thang was one of three Politburo members to be removed from office in Vietnam since 1986. The prosecutor said Mr. Thang committed "serious violations" that "hurt the Party's reputation." During his trial, Mr. Thang asked for forgiveness for his conduct.

Another PetroVietnam executive connected to the scandal, Trinh Xuan Thanh, was prosecuted for "deliberately acting against state regulations on economic management." Mr. Thanh was found guilty and received a life sentence. Mr. Thanh's case came under the media spotlight after Germany accused Vietnam of forcibly removing him from the country, where he was seeking asylum, and returning him to Vietnam to be tried. The German government called Mr. Thanh's abduction a "scandalous violation" reminiscent of "thriller movies about the Cold War." The Vietnamese police denied the accusation and said that Mr. Thanh voluntarily turned himself in.

In addition to Messrs. Thang and Thanh, twenty other people have been convicted and received prison sentences ranging from three to nine years. The prosecution against PetroVietnam's executives is part of Vietnam's major crackdown on corruption involving state-owned energy and banking institutions.

## Former Chairman of State-Owned Shipbuilding Conglomerate Arrested for Graft

Nguyen Ngoc Su, the former chairman of Vietnam Shipbuilding Industrial Group (Vinashin), was arrested and placed under temporary detention for “abusing his position and power while on duty.” Vinashin is a state-owned conglomerate in Vietnam that builds anything from large commercial merchant vessel to custom-made ships. Mr. Su served as Vinashin’s chairman between 2012 and 2017.

The Ministry of Public Security, which conducted the investigation and arrest, said Mr. Su deposited a large amount of Vinashin’s company funds into an account at OceanBank in return for preferential deposit interest payments from the bank, which is illegal. Mr. Su reportedly earned more than VND 105 billion (US\$4.6 billion) which was distributed to other firm executives. A search warrant was also issued against Mr. Su.

Mr. Su is the latest executive arrested in connection with the preferential interest payment scandal in Vietnam. In 2017, the former chairman of OceanBank received a life sentence for offering deposit interest rates above those set by the central bank. The former board chairman of PetroVietnam received the death penalty for corruption and mismanagement. If convicted, Mr. Su could face up to fifteen years in prison.

## BANGLADESH

### Bangladesh Government Bans China Harbour Engineer Company for Bribery

Bangladesh’s Finance Minister, AMA Muhith, announced that the government has backlisted China Harbour Engineer Company Limited (China Harbour) for attempting to bribe the Bangladeshi Secretary of Communications

in order “to steal from ongoing projects.” Mr. Muhith said the communications secretary refused the bribe and reported the incident to the government.

China Harbour is one the top global construction companies in the world. It currently has operations in eighty countries. China Harbour won a bid to help the Bangladeshi government expand the two-lane Dhaka-Sylhet Highway into a four-lane road and to set up a service road. Mr. Muhith was uncertain whether China Harbour will be allowed to finish the highway project, saying “Let’s see. But normally, backlisted means backlisted.”

## MALAYSIA

### Prime Minister, Seeking a Third Term amidst 1MDB Scandal, Vows to Continue Rail Project

Prime Minister Najib Razak, the Malaysian Prime Minister, is seeking reelection for a third term despite allegations that he took part in the multi-billion dollar corruption scandal relating to the Malaysia’s state funds, 1Malaysia Development Berhad (1MDB). Specifically, prosecutors allege that hundreds of millions of the 1MDB funds were funneled to Mr. Najib’s bank accounts through intermediaries and shell companies. Mr. Najib denied the charges, saying that the incoming transfer was a donation from Saudi Arabia, which he subsequently returned.

Notwithstanding the 1MDB scandal and the uncertainty of his political future, Mr. Najib seeks to push ahead the high speed rail projects that would link Singapore and Malaysia. If completed, the rail project would greatly help the thousands of Malaysians who commute to Singapore daily for work or school. Mr. Najib expressed confidence that the rail project would continue regardless of the election results. He hopes the project will be completed as planned by 2024.

## Executives of Development Companies Detained for Corruption

The Malaysian Anti-Corruption Commission (MACC) raided four government agencies and three development and construction companies as part of an investigation into alleged corruption relating to a major undersea tunnel project in Penang. Two senior executives from the construction companies were also arrested. The MACC accused the government agencies of approving a bid to complete the tunnel project for RM 305 million (US\$78,162,350), which is 400 percent above the cost guidelines. Furthermore, despite the fact that RM 220 million (US\$56,379,400) had already been paid to fund the tunnel project, the feasibility studies, originally estimated to be completed by 2014, are still not yet completed. No arrest has been reported.

## Trial of Penang's Chief Minister Scheduled for March

In January, Judge Datuk Hadhariah Syed Ismail set the trial date for Lim Guan Eng, Penang's Chief Minister, who is facing a number of corruption charges. The trial is scheduled to begin on March 26 and last for 23 days. Mr. Lim faces corruption charges for approving a rezoning application to convert certain land into residential buildings in exchange for a bribe while serving as chair of a state planning committee in 2014. He was also accused of purchasing a house worth RM 2.8 million (US\$718,260) from a business woman, Phang Li Koon, but paying only half the value. Prosecutors expect to call forty witnesses in the course of the trial.

In an interview, Mr. Lim conceded that his corruption trial will likely have an impact on the national polls in the upcoming general election. He said he would not contest the election results given the pending corruption trial. If convicted, Mr. Lim could face up to 20 years in jail. Mr. Lim's supporters called the accusation politically driven.

## TAIWAN

### Taiwan's Anti-corruption Governance Lauded as Exemplary

Donal Fariz, the program manager at Indonesia Corruption Watch, encourages members of the Association of Southeast Asian Nations (ASEAN) to use Taiwan as a model for combating corruption. Currently, eight out of the 10 member-states in ASEAN score less than 50 on the corruption scale of 0 to 100 (with 0 being very corrupt and 100 being not corrupt).

Cynthia Gabriel, founder of Malaysia's Center to Combat Corruption and Cronyism, agrees. She adds that Taiwan has built a strong platform that encourages checks and balances among government agencies, great relations between the Taiwanese government and its constituents, as well as government transparency, all of which are vital for preventing corruption.

## SINGAPORE

### Democratic Party Urges Further Investigation into the Keppel Scandal

Keppel Offshore & Marine (Keppel), a Singaporean company, was accused of paying bribes to Brazilian officials and a Brazilian company in exchange for bids and contracts in Brazil. To avoid prosecution, Keppel entered into an agreement with the DOJ, under which it will pay about \$105.6 million to the U.S.; \$211.1 million to Brazil, and \$105.6 million to Singapore, the three jurisdictions involved. Keppel also agreed to pay an additional \$52.7 million to the Singaporean government.

The Singapore Democratic Party (SDP) viewed the fines as a mere "slap on the wrist"



and has accused the Senior Minister of State for Finance and Law, Indranee Rajah, of not doing more to punish the individuals involved in the Keppel case. In responding to questions from members of the parliament, Ms. Indranee said that the Attorney-General's Chambers (AGC) are in the process of collecting evidence, which is time-consuming given that it is spread across the three jurisdictions. Without completing the investigation, AGC cannot determine the appropriate next steps. She said "AGC has asked for certain information...and some of its requests are still pending...Only after the investigations are completed can the AGC properly assess the case and decide on the appropriate response."

In response, the SDP criticized Ms. Indranee's statement as vague, saying she "said precious little on how the Government would deal with the perpetrators of our nation's largest corruption scandal." The SDP believes that the AGC should do more than issue a mere warning to Keppel, even if Brazil and the U.S. agreed to drop the case for a fine. It is as yet unclear whether the Singaporean government will take further action against Keppel.

## THAILAND

### Chief of National Office of Buddhism Charged with Siphoning Temple Funds

Phanom Sornsilp, the former chief of the National Office of Buddhism (NBO), along with eight other former NBO officials, has been formally charged with embezzling temple funds allocated to the Choltarawas Temple, Yuparam Temple and Wa Suriyaram Temple. According to the National Anti-Corruption Commission (NACC), the agency that conducted the investigation and brought the charges, a NBO officer contacted the three temples, promising to provide state funding to them on the condition that most of the funds be returned to him. Thereafter, Mr. Sathien took 12 million baht (US\$381,480) from the 459 million baht (US\$14,642,100) that the

government had set aside for purposes of promoting Buddhism, and gave each temple 4 million baht (US\$127,160). He demanded that the temples each return 3.2 baht (US\$101,728) to him. Mr. Phanom, and another NBO official who was in charge of the promotional funds at the time, condoned Mr. Sathien's action. One of the temples alerted the police, who then arrested Mr. Sathien as he was about to collect the money from a monk. Mr. Phanom was previously tried and convicted in a similar embezzlement case involving another temple in Ayutthaya.

In recent years, there has been a dramatic increase in the number of corruption cases involving the Buddhist community in Vietnam. There have also been reports of monks leading a lavish lifestyle, evading tax, and soliciting and paying bribes.

## HONG KONG

### Private Banker Charged with Bribery

The Independent Commission Against Corruption (ICAC) filed a complaint against the former head of Standard Chartered Bank's Private Banking Department, Ryan Gwee Yuan-kerr, for accepting a HK\$150,000 (US\$19,189) bribe from a customer seven years ago. The ICAC alleges that, while at Standard Chartered, Mr. Gwee, without reasonable excuse, accepted money from a major shareholder and chairman of an insurance company as a reward for handling the shareholder's personal account, as well as those of the companies controlled by him. The ICAC said Mr. Gwee's action violated Section 9(1)(a) of Hong Kong's Prevention of Bribery Ordinance, which criminalizes "[a]ny agent who, without lawful authority or reasonable excuse, solicits or accepts any advantage as an inducement to or reward for" taking or refraining from certain actions for the principal's benefit. Mr. Gwee is currently released on bail, with the next hearing

scheduled for February. He has not entered a plea.

## **MALDIVES**

### **Opposition Party Requests Judiciary to Investigate Maldivian President**

Leaders of a coalition of four opposition parties in the Maldives petitioned the Supreme Court to empanel a committee to investigate President Abdulla Yameen for corruption and misrule. The opposition coalition accused Mr. Yameen of receiving “unjust enrichment from appropriation of state properties and funds for personal benefit,” and urged that the President be temporarily removed from his post during the investigation.

Mr. Yameen dismissed the petition and accused the opposition of “seeking to overthrow a legitimate government.” The Maldives has been under a multiparty democratic government rule since 2008. The opposition coalition said they sought court intervention because the Parliament, which has the authority to remove the president, has become inoperative after 12 lawmakers in the Parliament were removed following their vocal disapproval of the speaker.

The Maldives has suffered from government corruption in recent years. In 2016, a documentary entitled “Stealing Paradise” revealed that top leaders of the island country were committing theft, bribery and money laundering. The documentary showed filmed confessions of aides to the vice president, in which they described how funds were transferred to the president’s private account. Shortly after the documentary was released, the government raided the media production companies involved. Some of the people involved in making the documentary fled the country to avoid retaliation.

Mariyam Shiuna, executive director of a local anti-corruption group, Transparency Maldives,

does not believe the Supreme Court will grant the petition given that the court has sided with the government in the past. She equated the opposition coalition’s efforts as “clutching at straws in a bid to make some headway in holding President Yameen accountable.”

## **Latin America**

### **MEXICO**

#### **Mexican Authorities Investigation Former Governor for Corruption**

Federal authorities in Mexico said they would take over the investigation into a former governor, Cesar Duarte, who allegedly used state money to fund the ruling party. Mr. Duarte, the former governor of Chihuahua, is believed to be in the United States. Federal prosecutors have filed extradition requests for Mr. Duarte. The current governor of Chihuahua, Javier Corral, has accused Mr. Duarte of using public money to fund the 2016 election campaign of President Pena Nieto. Mr. Corral, a member of the opposition party, has also accused officials of slowing down the case and alleged that federal prosecutors will seek to stop the investigation once it’s under their control.

### **ARGENTINA**

#### **Argentina’s Former Vice President Freed Pending Trial**

Amado Boudou was freed from jail in January after an Argentine appeals court found that he was unlikely to interfere in his corruption case. Mr. Boudou served as Economy Minister and Vice President under former President Cristina Fernandez. He was arrested in early November 2017 on racketeering and money laundering charges. Mr. Boudou now faces

three counts of “illicit enrichment.” Former President Fernandez’s Planning Minister, Julio De Vido, was also jailed on corruption charges in October 2017. Ms. Fernandez was succeeded in late 2015 by business-friendly Mauricio Macri. She has accused President Macri of targeting her and her former administration officials for political reasons.

## **BRAZIL**

### **Ex-President Lula Loses Corruption Conviction Appeal**

In January, an appeals court in Brazil unanimously upheld former President Luiz Inacio Lula da Silva’s July 2017 corruption conviction. All three judges on the appeals court said that the former president had accepted special favors from a construction company involved in a major corruption scheme, known as “Operation Car Wash.” The appeals court also increased Mr. Lula’s sentence to 12 years and one month in jail. Mr. Lula has repeatedly denied any wrongdoing. Mr. Lula may still appeal the ruling, although the decision could prevent him from running in Brazil’s October presidential election. Prior to the ruling, Mr. Lula had been favored to win the presidency. In late January, Mr. Lula’s lawyers filed a motion aimed at keeping him out of prison, applying to the Superior Court of Justice and asking that he remain free while he appeals the ruling.

## **PERU**

### **Peruvian AG Announces Raid of Construction Companies in Odebrecht Corruption Investigation**

Peruvian prosecutors said they raided the offices of a number of large construction companies, including Grana y Montero and Brazilian companies OAS and Andrade Gutierrez, in January. The Attorney General’s

office has been probing local construction companies to determine if they took part in the massive Odebrecht corruption scandal. Odebrecht has said it paid \$30 million in bribes in Peru. Nevertheless, the prosecutor overseeing the Odebrecht case said that the cost of reparations may be over \$1.1 billion. Peru’s largest construction company, Grana y Montero, has repeatedly denied any wrongdoing. In late January, however, prosecutors filed a formal request to include Grana y Montero as an “investigated subject” in the bribery investigation. If ultimately found guilty of corruption, Grana may be barred from bidding on new government contracts under an anti-graft law passed last year.

### **New Peruvian Anti-Corruption Law Enacted**

Peru enacted a new anti-corruption law—“Law 30424”—that introduces the concept of corporate criminal liability for bribery. With enactment of Law 30424 in January, Peru now recognizes independent criminal liability for local and foreign bribery and imposes sanctions including fines and debarment from government contracting, as well as dissolution of the legal entity. Peru’s aim in the new law’s enactment is to comply with international agreements and to improve its anti-corruption efforts. The new law comes as Peru is facing major corruption scandals that have touched several government officials, politicians, prominent private citizens and executives, as previously reported in the Digest.

## **VENEZUELA**

### **Venezuela Seeks Interpol Alert for Ex-Oil Czar**

Authorities in Venezuela said in late January that they would seek an Interpol red alert for ex-oil czar Rafael Ramirez related to corruption charges. Mr. Ramirez served for a decade as former head of the Oil Ministry and state energy company PDVSA. He is also a

longtime rival of President Maduro. In recent months, Mr. Ramirez has become more critical of President Maduro's handling of the economy. State prosecutor Tarek Saab said of the developments, "No crying, citizen Ramirez ... You have been pointed out by all, including by national public opinion, as one of the main embezzlers and culprits of the ... breakdown of PDVSA." Political opposition in Venezuela alleges that Mr. Ramirez destroyed PDVSA by filling the company with political loyalists and allowing at least \$11 billion to go "missing" while the head of PDVSA. Mr. Ramirez's location has been unknown since he fled the United States in December after writing an article that was seen as critical of President Maduro's government. However, Mr. Ramirez denied the allegations on Twitter, saying that he was being singled out for voicing opinions ahead of the presidential election set to take place before April.

## **PANAMA**

### **“Blue Apple” Corruption Probe Underway in Panama**

Prosecutors in Panama are investigating an alleged \$40 million corruption scheme involving a network of former high-level government officials, lawyers and members of the business community. The network allegedly sought bribes in order to cut through red tape in public infrastructure projects. The illicit money was sent to "Blue Apple Services," which would then launder the bribe money through banks, according to Panama's Attorney General, Kenia Procell. The scheme allegedly took place sometime from 2009-2014, during the administration of Ricardo Martinelli. Mr. Martinelli was arrested in Miami in June 2017 on an extradition warrant. The "Blue Apple" probe began three months ago. Attorney General Procell said that the investigation team has so far recovered \$20 million in cash and \$5 million in assets.

## **GUATEMALA**

### **U.S. Authorities Detain former Guatemalan Presidential Candidate**

U.S. authorities detained former Guatemalan presidential candidate Manual Baldizon in January, in accordance with an Interpol request. Mr. Baldizon faces conspiracy, bribery and money laundering charges in Guatemala related to the Odebrecht corruption scandal. He is accused of taking bribes from Odebrecht in exchange for helping the construction company win public highway contracts in Guatemala. Mr. Baldizon lost a runoff election in 2011 to Otto Perez Molina. Mr. Molina is also facing trial in a separate corruption case.

### **Ex-Guatemala Defense Minister Arrested in Corruption Probe**

William Mansilla, who previously served as Minister of Defense, was arrested on charges of abuse of authority, illegal enrichment and embezzlement in January. The charges related to a special bonus paid by the Defense Ministry to President Jimmy Morales. According to prosecutors, since December 2016, the defense department has paid President Morales an extra \$7,300 per month for "Extraordinary Responsibility." The arrest comes as President Morales has been under increasing scrutiny amid allegations of corruption. President Morales has denied that the "Extraordinary Responsibility" payment was illegal but later returned \$60,000 of the money. For his part, Mr. Mansilla said "in time, I will be able to give evidence and confront the legal cases that are coming."



## Odebrecht Settles with Guatemalan Authorities over Bribes

Scandal-plagued Odebrecht has agreed to pay Guatemala \$17.9 million in compensation for bribes paid to a government official in exchange for public contracts. An investigation done in connection with the United Nations-backed International Commission Against Impunity in Guatemala found that Guatemala's ex-Infrastructure Minister, Alejandro Sinibaldi, agreed to take nearly \$20 million in exchange for arranging a \$300 million public contract for Odebrecht. As previously reported in the Digest, Odebrecht has been accused of paying bribes in several Latin American countries to win public infrastructure contracts.

## HONDURAS

### Change in Laws Blocks Corruption Investigation

The Organization of American States' anti-corruption mission in Honduras denounced recent legislative changes blocking its investigation of five Honduran lawmakers who are suspected of embezzling public funds. In late January, the international commission said the changes would obstruct its investigations and might allow previously-convicted public officials to challenge their convictions. Honduras' new law requires all public spending to be evaluated by its court of auditors for three years, and no civil or criminal action can be taken during that time. The Honduras Congress said that the changes "promote transparency and accountability" by requiring an accounting of all resources intended for community projects. At the same time, the Congress also approved changes to the country's penal code, reducing the sentences for convictions. Heide Fulton, the United States' top diplomat in Honduras, also denounced the developments, saying on Twitter that "this action is a monumental step

backward in the fight against corruption. Congress must act now to right this dangerous wrong."

## Africa

### SOUTH AFRICA

#### South Africa's Presidential Corruption Inquiry Moves Forward

A High Court ruling in January directed President Jacob Zuma to establish a commission of inquiry into allegations of influence-peddling. The inquiry relates to Mr. Zuma's controversial relationship with the Gupta family, which controls a business empire that spans a number of industries including mining, media and technology. The Guptas allegedly controlled top appointments at state-owned enterprises and used bribes to influence the appointment of ministers in Mr. Zuma's cabinet. The inquiry will be headed by Raymond Zondo, the Deputy Chief Justice of South Africa's highest court, and will have a deadline of six months. South African prosecutors also said they will seek \$130 million from McKinsey and local Gupta company, Trillian, for money they earned from a contract advising the South African power monopoly, Eskom. McKinsey has announced it would return its fee. Mr. Zuma and the Guptas have denied wrongdoing. In a sign of President Zuma's diminished power, the newly elected leader of the ruling party, Cyril Ramaphosa, has vowed to launch a "mammoth" corruption clean up. "Our people are clamoring for a clean government, and that is what we are going to give them. ... It is not like last year, or a year ago, when we were all over the show. We've got a game plan," Mr. Ramaphosa said.

## Steinhoff International Holdings NV Reports Former CEO to South African Authorities

Steinhoff International Holdings NV, the owner of Mattress Firm in the U.S. and Confroama in France, referred its ex-CEO, Markus Jooste, to South Africa's anti-graft police (known as the "Hawks") for alleging engaging the company in an accounting scandal. The company said it has enough evidence to suggest that Mr. Jooste may have violated the

corruption-fighting act. The company said it was conducting an investigation, led by PwC, into its accounts, but wasn't sure how the irregularities began. Deloitte LLP refused to sign off on Steinhoff's 2017 accounts. The audit firm had issued opinions on the firm's financial statements for the two prior years. Deloitte said it is fully cooperating with South African authorities and believes it has acted professionally and lawfully. Steinhoff is also under investigation by Dutch and German authorities.

## RECENT ARTICLES OF NOTE

*Rachel Brewster, "Enforcing the FCPA: International Resonance and Domestic Strategy," Virginia Law Review, Vol 103, No 8, 2017.* This article examines how the United States' joining the Organization for Economic Co-Operation and Development Anti-Bribery Convention (OECD) impacted FCPA enforcement. Ms. Brewster argues that the OECD convention was critical to expanded enforcement of the FCPA and that some statutes may require "international resonance" to be enforced. The article can be download [here](#).

*Louis Ramos and Benjamin Klein, "When Attorneys Get Ensnared in FCPA Misconduct" (Jan. 23, 2018) Available on Law360.com.* This article looks at recent examples of FCPA enforcement action where in-house counsel were involved in the wrongful conduct. The recent cases of Keppel Offshore & Marine Ltd. and PetroTiger Ltd. are discussed, along with ways to avoid potential FCPA pitfalls. The article is available [here](#).

## DORSEY ANTI-CORRUPTION GROUP

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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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