



ANTI-CORRUPTION DIGEST

September 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 Health Care Fraud Unit and FCPA Prosecutors Team Up

A new partnership between the Department of Justice's (DOJ) Health Care Fraud Unit's Corporate Strike Force and Foreign Corrupt Practices Act (FCPA) prosecutors was announced in late July, promising to "investigate and prosecute matters relating to health care bribery schemes, both domestic and abroad." Speaking at the ACI Global Forum on Anti-Corruption in High Risk Matters on July 25, Sandra Moser, the acting chief of the DOJ's fraud section, said the new partnership would formalize coordination of health care bribery cases within the DOJ. Ms. Moser said the health care industry "faces serious compliance and corruption challenges not only in high risk markets overseas but right here at home as well." Health care companies should "empower" their compliance executives, rather than force them "to sit

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before the Department and defend a program that they fought to make better and were denied the resources or backing to see through,” Ms. Moser said. Several recent FCPA cases have involved health care companies, including Teva Pharmaceutical’s \$519 million settlement.

U.S. Probes Chinese Oil Giant Sinopec Over Nigeria Bribery

The DOJ and Securities and Exchange Commission (SEC) are looking into whether China Petroleum & Chemical Corp., also known as Sinopec, paid Nigerian officials about \$100 million worth of bribes to resolve a business dispute, according to a *Bloomberg* report. The state-controlled oil producer’s outside lawyers are alleged to have funneled illicit payments from its Swiss unit, Addax Petroleum, to the Nigerians through banks in New York and California. The payments were intended to resolve a \$4 billion dispute between Addax and the Nigerian government over drilling and other capital costs, tax breaks, and a division of royalties. As discussed in last month’s *Anti-Corruption Digest*, Sinopec paid Swiss authorities 31 million Swiss francs (US\$32 million) in July 2017 to settle charges involving the same conduct.

DOJ Investigating Uber for FCPA Offenses

The DOJ has taken “preliminary steps” to investigate if Uber Technologies Inc. managers violated the FCPA, the *Wall Street Journal* (WSJ) has reported. Citing sources “familiar with the matter,” the WSJ said that the DOJ “has begun to review allegations” concerning potential FCPA violations. Based on what the DOJ finds, it “may or may not decide to open a full-fledged FCPA investigation into Uber,” according to the WSJ. The publication went on to say that “[u]nder former Chief Executive Travis Kalanick, the eight-year-old company spread rapidly to more than 70 countries around the world in

part by giving regional teams authority to adapt to local markets and expand as quickly as possible, sometimes flouting local laws.” The article did not name countries where FCPA offenses may have occurred, but noted that in Singapore, local managers “bought more than 1,000 defective cars last year and rented them out to drivers, only fixing the safety defect after one of the cars caught on fire.” Uber confirmed it is cooperating with the DOJ on the “preliminary investigation,” the WSJ said.

DOJ Seeks Forfeitures from Companies Tied to North Korea

The DOJ announced that it is seeking forfeitures of \$11 million from companies that allegedly laundered money for North Korean banks subject to U.S. sanctions. *U.S. v. Velmur Management Pte Ltd. and Transatlantic Partners Pte Ltd.*, Case No. 1:17-cv-01705 (D.D.C.) (filed Aug. 22, 2017); *U.S. v. Dandong Chengtai Trading Co. Ltd.*, Case No. 1:17-cv-01706 (D.D.C.) (filed Aug. 22, 2017). The August 22 announcement came on the same day as the Office of Foreign Assets Control (OFAC) imposed new sanctions against a group of Chinese and Russian companies that supported North Korea, including companies involved in the DOJ’s case.

The DOJ’s complaints were filed against Singapore-based Velmur Management Pte Ltd., Transatlantic Partners Pte Ltd., and China-based Dandong Chengtai Trading Co. Ltd. The U.S. government is seeking a forfeiture of almost \$7 million from Velmur Management and associated Transatlantic Partners, alleging that the companies laundered money for sanctioned banks that were trying to purchase petroleum from JSC Independent Petroleum Company, a Russian company that was designated by OFAC in June 2017.

The complaints were filed by the U.S. Attorney for the District of Columbia and are among the largest North Korea-related seizures the U.S.

government has ever pursued. “These complaints show our determination to stop North Korean sanctioned banks and their foreign financial facilitators from aiding North Korea in illegally accessing the United States financial system to obtain goods and services in the global market place,” U.S. Attorney Channing Phillips said.

Fat Leonard Corruption Scandal Continues

A U.S. Navy commander pleaded guilty this month to obstructing a federal criminal investigation into an overbilling fraud and a U.S. Navy captain pleaded guilty to a conspiracy to commit bribery in the same investigation.

The guilty pleas are part of the massive “Fat Leonard” fraud and bribery scandal that continues to send shock waves throughout the Navy. As previously reported in the *Anti-Corruption Digest*, the Fat Leonard fraud and bribery scandal is the largest corruption scandal in the U.S. Navy’s history. The scandal involves allegations that a Malaysian defense contractor, Leonard Glenn Francis (also known as Fat Leonard), and his Singapore-based firm, Glenn Defense Marine Asia (GDMA), bribed various U.S. Navy officials in exchange for proprietary information in order to win Navy ship-husbanding contracts.

On August 15, 2017, U.S. Navy commander Bobby Pitts pleaded guilty to one count of conspiracy to defraud the United States. Mr. Pitts admitted to helping Mr. Francis cover up his company’s overcharges to the U.S. Navy and providing Mr. Francis with a hard copy of an internal report detailing the investigation. The report was marked “for official use only” and it identified witnesses and gave the content of their testimony.

On August 18, 2017, U.S. Navy captain Jesus Vasquez Cantu pleaded guilty to one count of conspiracy to commit bribery. Mr. Cantu said that Mr. Francis paid for lavish hotel rooms and

prostitutes in 2012 and 2013. In return, Mr. Cantu provided Mr. Francis with proprietary U.S. Navy information and used his influence to help Mr. Francis win Navy contracts. At the time, Mr. Cantu was serving as deputy commander of the Military Sealift Command for the Far East in Singapore. He faces up to five years in prison and a \$250,000 fine.

Earlier in August, two former executives of GDMA were sentenced to prison for their involvement in the \$35 million scandal. Neil Peterson, former vice president for global operations at the company, was sentenced to 70 months in prison. Linda Raja, GDMA’s general manager for Singapore, Australia, and the Pacific Islands, was sentenced to 46 months. The two Singaporeans pleaded guilty in May to conspiracy to defraud the U.S. for submitting bogus bids, phony claims, and inflated invoices. Mr. Francis previously pleaded guilty in federal court in San Diego to bribing dozens of Navy officials and is awaiting sentencing.

Brazil’s Petrobras Suspends Compliance Chief Amid Conflict of Interest Case

Petróleo Brasileiro SA or Petrobras temporarily suspended João Adalberto Elek Jr., the chief governance and compliance executive officer for the company, while he defends himself against charges of hiring Deloitte on an \$8 million no-bid contract while his daughter was in the process of being hired by the professional services firm. Petrobras stated in a U.S. securities filing that Mr. Elek awarded the one-year contract on an urgent basis in December 2015 after normal bid guidelines were waived. The contract was for investigating tips that came through Petrobras’ corruption hotline. An internal board committee concluded that the procurement process was justified and compliant, but a government ethics committee found a conflict of interest. According to Petrobras, Mr. Elek will remain suspended while he appeals.

Former NLRB Compliance Officer Pleads Guilty to Stealing \$400k

Hector Martinez, a former compliance officer at the National Labor Relations Board's (NLRB) Region 21 Los Angeles office, pleaded guilty to charges of wire fraud and aggravated identity theft in federal court in the District of Columbia on August 21. *U.S. v. Martinez*, Case No. 1:17-cr-122 (D.D.C.) (filed June 27, 2017). Mr. Martinez was responsible for disbursing back pay to victims of discrimination in the LA area. From December 2010 through October 2015, Mr. Martinez used his position to create fictitious victims in real cases in which back pay was owed, inventing names and pairing them with real Social Security numbers for other people. He then created false amounts of back pay and put that money into his own personal bank accounts.

As part of his plea, Mr. Martinez agreed to pay \$434,000 in restitution to the NLRB. He faces a likely range of 33 to 41 months in prison for wire fraud and an additional mandatory prison term of two years for aggravated identity theft. Mr. Martinez's sentencing is set for November 6. The DOJ said that the NLRB has since "engaged in remedial efforts."

MTS Systems says FCPA Investigation Resolved

MTS Systems Corporation says that the DOJ and SEC have closed their respective FCPA investigations into MTS without further action taken by either agency. The agencies notified MTS in August 2017 that the investigations were closed, according to the company.

The Minnesota-based company had been investigating suspicious gift, travel, entertainment, and other expenses in Asia since 2012. Specifically, MTS was looking at "possible violations of company policy, corresponding internal control issues and possible violations of applicable law, including

the Foreign Corrupt Practices Act" in China and Korea. MTS reported that as a result of the investigation, it made changes to internal control procedures and removed some employees from its Korea office. Between the closure of the investigations by U.S. authorities and the remedial actions taken by the company, MTS believes that the matter has been resolved.

Teradata Corp. Discovers "Questionable Expenditures," Discloses Internal FCPA Investigation

Teradata Corp. disclosed that it had discovered "questionable expenditures" at a subsidiary company doing business in Turkey in an early August SEC filing. The Ohio-based company said that the questionable expenditures were for "travel, gifts and other expenses." According to the company, it discovered the expenditures through "internal processes" and launched an investigation "promptly," hiring outside counsel and forensic accountants to determine if there were any anti-corruption law violations. Teradata said it contacted the SEC and DOJ in late February 2017 to notify them of the relevant events and internal investigation. The company continues to "periodically" update the government about the status of the investigation, including "remedial actions and terminations, and plans to continue to cooperate fully." The individuals involved in the conduct are no longer with Teradata, the company said. Teradata develops and sells enterprise software for database management. The company has about 10,000 employees and had revenues of \$2.3 billion in 2016.

Former United Auto Workers Senior Official Charged in Fiat Chrysler Payoff Probe

Virdell King, a former assistant director at the United Auto Workers Chrysler Department, was charged in U.S. District Court in Detroit

with conspiracy to violate U.S. labor laws. *U.S. v. Virdell King*, Case No. 5:17-cr-20406 (E.D. Mich.) (filed Aug. 18, 2017). The DOJ alleges that Ms. King accepted thousands of dollars in designer shoes, clothing, jewelry, luggage, and other personal items, all of which were purchased using UAW-Chrysler National Training Center-issued credit cards. Ms. King also made at least \$40,000 in purchases for other UAW officials, the DOJ said.

Ms. King was one of the senior UAW officials responsible for negotiating and administering the contract between Fiat Chrysler and the union. Last month, Alphons Iacobelli, a former Fiat Chrysler vice president of employee relations, was charged with making \$1.2 million in improper payments to a former union vice president and his wife. Mr. Iacobelli allegedly told senior UAW officials they could use the NTC credit cards to make personal purchases. He has pleaded not guilty to those charges.

Ms. King is the fourth person charged in the investigation. Fiat Chrysler has denied any knowledge of the illegal purchases.

Former Guinea Mining Minister Jailed in U.S. for Laundering China Bribes

The former mining minister of Guinea was sentenced to seven years in prison in late August for laundering bribes from Chinese companies. As previously reported in the *Anti-Corruption Digest*, Mahmoud Thiam took \$8.5 million from executives of China Sonangol International Ltd. and China International Fund SA in exchange for mining rights in the West African country. He faced up to 10 years in prison. The DOJ's Kenneth Blanco said that the sentence "sends a strong message to corrupt individuals like Thiam that if they attempt to use the U.S. financial system to hide their bribe money they will be investigated, held accountable, and punished."

EUROPE

THE UNITED KINGDOM

SFO Investigating British American Tobacco

On August 1, 2017, the Serious Fraud Office (SFO) confirmed that it had opened an investigation into suspicions of corruption in the conduct of business by British American Tobacco p.l.c. (BAT), the world's second largest tobacco company, and by certain of its subsidiaries and associated persons. Thus far, the SFO has declined to name the subsidiaries or associated persons specifically under investigation.

These allegations first came to light when a whistleblower, formerly employed by BAT in Kenya for 13 years, handed over a large number of documents to the SFO in December 2015 following a *BBC Panorama* show which publicly exposed their contents.

The allegations are that BAT paid bribes to the Kenyan authorities, among others, as part of efforts to undermine anti-smoking laws and to gain a share of the fast-growing African market. The documents provided to the SFO allegedly implicate the company and local politicians in corruption.

Although BAT had initially dismissed the whistleblower as "a rogue former employee," it has since appointed a team of external legal advisers to investigate the charges, and announced its intention to cooperate with the authorities. In March 2016, the chief executive officer of BAT, Nicandro Durante, told the press that BAT would "act in a very strong way" if wrongdoing was found to have taken place. He also said that "we are in 200 countries, so I cannot give a 100% guarantee that everything's going to go by the book".

In an announcement on August 1, 2017, BAT confirmed that it intends to cooperate with the SFO's investigation.

SFO's decision on GSK and Rolls Royce Expected by next April

On August 10, 2017, the SFO announced that it hopes to reach a decision by next April as to whether it will be bringing criminal charges against GlaxoSmithKline (GSK) and Rolls-Royce in connection with its ongoing investigations into bribery at the two groups.

The SFO's investigation into GSK was launched in May 2014 when allegations came to light that the company and its subsidiaries had paid hundreds of millions of pounds to doctors and medical officials in countries around the world in an attempt to boost sales of its drugs. The former head of the Chinese business, Mark Reilly, was accused of overseeing the payment of 3 billion yuan (approximately US\$452 million) in bribes in China, and was barred from leaving the country in 2014. GSK has already received a record fine of the same amount by Chinese authorities in relation to the "pay to prescribe" scandal, as well as a \$20 million fine from the SEC.

The investigation into Rolls-Royce, ongoing since 2012, came to a head last year when the company signed a deferred prosecution agreement with the SFO, pursuant to which it would pay £671 million (approximately US\$870 million) in fines to settle the investigation into its use of hired 'middlemen' to pay bribes in a number of foreign jurisdictions, including Brazil and Dubai. Since this settlement, the SFO's investigation has shifted focus onto a number of key individuals at the company.

PwC fined Record Amount

Accounting firm PwC has been fined a record £5.1m (approximately US\$6.6 million) by the

U.K.'s accounting watchdog for "misconduct" relating to the audit of RSM Tenon Group plc, a professional services firm put into administration in 2013.

The fine followed an investigation by the Financial Reporting Council (FRC) of the 2011 accounts of RSM Tenon. In its conclusion, the FRC said it had found evidence of "extensive" misconduct from PwC. PwC and senior audit partner Nicholas Boden admitted a series of failures when they signed off on RSM Tenon's accounts for the year to June 2011. The FRC said that "the admitted acts of misconduct include failures to obtain sufficient appropriate audit evidence and failures to exercise sufficient professional skepticism".

The FRC "severely reprimanded" PwC and fined it £6m, reduced to £5.1m after a settlement discount, which is the largest ever sanction issued by the U.K. accounting regulator. The FRC also imposed a fine of £114,750 (about US\$150,000) on Mr. Boden. The FRC's statement confirmed that proceedings against Russel McBurnie, RSM Tenon's former finance director, are still ongoing.

SWEDEN

Bombardier Transportation Employee Charged on Suspicion of Paying Bribes

On August 18, 2017, Swedish prosecutors announced that they would be bringing a charge of aggravated bribery against Bombardier Transportation AB (BTAB) employee, Evgeny Pavlov, on suspicion of paying bribes to Azerbaijani officials in connection with a railway modernization project in Azerbaijan worth approximately \$340 million. The charge carries a sentence of up to six years in jail and deportation. BTAB is the Swedish affiliate of Canadian aircraft and train manufacturer Bombardier Inc.

Mr. Pavlov, arrested in March of this year, is accused of using a U.K. shell company called Multiserv Overseas to purchase equipment from BTAB before selling it to Bombardier's Russian affiliate. Multiserv is alleged to have retained some of the profits and passed them on to the Azerbaijani officials in exchange for them "favouring the Bombardier contract." Swedish prosecutors announced in a statement that "[d]espite the fact that Bombardier was in fifth place in terms of price, they won the 2013 tender when competitors that had offered a better price were disqualified by the rail authority in Azerbaijan".

SPAIN

Prime Minister Faces Questions Regarding Alleged Illegal Financing of Popular Party

The Prime Minister of Spain, Mariano Rajoy, has faced further questions about the alleged illegal financing of his Popular Party.

In July 2017, Mr. Rajoy had testified in court regarding allegations that his party, the Popular Party, had received financing through a "kickback for contracts" scheme. Mr. Rajoy is not himself accused of any wrongdoing.

In a special parliamentary session on August 30, called by the opposition, Mr. Rajoy sought to defend his record. He emphasized that he had already discussed the subject "52 times" in Parliament and saw no reason why he should have to discuss it again. However, commentators have observed that his position on the allegations appears to have shifted somewhat, from his previous position of outright denial, to claiming that he himself had never been aware of any such corruption in the party.

Mr. Rajoy, who began his second term in October 2016, is the first serving Spanish Prime Minister to appear in court.

MIDDLE EAST

ISRAEL

Netanyahu Corruption Scandal Continues

Prime Minister Benjamin Netanyahu was officially confirmed as the subject of two criminal investigations involving possible fraud, breach of trust, and bribery, according to police disclosures made in court documents. The confirmation came in a court gag-order regarding the agreement of Ari Harow, Mr. Netanyahu's former chief of staff, to serve as a state witness against his former boss. In exchange, Mr. Harow will only serve six months community service and pay a \$193,000 fine in a separate corruption case. Mr. Netanyahu took to Facebook shortly after the new developments broke to dismiss the allegations as "background noise" and vowed to push forward.

Mr. Netanyahu is being investigated in connection with two separate matters. The first centers around allegations that the prime minister received lavish gifts from film producer Arnon Milchan and Australian billionaire James Packer. A second investigation involves allegations that Mr. Netanyahu struck a deal with Arnon Moses, publisher of Israel's daily newspaper *Yediot Aharonot*, in which Mr. Moses promised to do "everything in his power" to keep the prime minister in power in return for Mr. Netanyahu's help in limiting distribution of Israel's free daily paper, *Israel HaYom*. Police are also looking into Israel's purchase of six nuclear submarines for \$1.5 billion from German company ThyssenKrupp AG. While Prime Minister Netanyahu is not a suspect in this case, his associates, such as his personal lawyer, are alleged to have improperly benefitted from the deal.

Indictment filed against 10 Former Israeli Officials

Ten former Israeli officials are facing charges for bribery, fraud, and tax offenses stemming from the corruption investigation of members of political party Yisrael Beiteinu. The allegations involve claims that certain entities seeking funding from the government were required to give kickbacks to officials affiliated with the party. Among the individuals charged are former Deputy Interior Minister Faina Kirshenbaum, former Agriculture Ministry director Rami Cohen, and director of Yisrael Beiteinu party headquarters, David Godovsky.

Israeli Billionaire Arrested

Israeli billionaire Beny Steinmetz was arrested in connection with a fraud investigation and held in custody for four days, along with international political adviser Tal Silberstein. Both men, along with three other suspects, were released without being charged. Police said that the individuals were held for questioning under caution on suspicion of money laundering, fraudulent filing of corporate documents, fraud and corporate breach of trust, obstruction of justice, and bribery. Mr. Steinmetz was put under house arrest last December in relation to an investigation of bribery allegations relating to the activities of his mining firm, BSG Resources, in Africa. Mr. Steinmetz was not charged in relation to that investigation.

IRAQ

Basra Governor Steps Down Amid Corruption Investigation

Majid Al Nasrawi stepped down as governor of Basra and traveled to Iran amid a corruption probe by Iraq's anti-corruption body. Mr. Al Nasrawi faces corruption charges linked to contracts to build and improve services in the city. The former governor is the highest ranking official to be investigated for corruption

since Prime Minister Haider al-Abadi was elected three years ago. Iraq's Integrity Commission has asked Iran to repatriate Mr. Al Nasrawi.

Trade Minister's Questioning Delayed

The questioning of Iraqi Trade Minister Salman al-Jumaili is being postponed after he contested the legality of the signatures gathered to authorize the interrogation. Mr. al-Jumaili is being questioned over corruption charges which include the importation of contaminated rice.

JORDAN

Cabinet Seeks Arrest and Extradition of Former CEO of Jordan Phosphates

The Jordan Cabinet has decided to seek the arrest and extradition of former CEO, Walid Kurdi, of Jordan Phosphates Mining Co. Mr. Kurdi was convicted in absentia of abuse of office and embezzlement. According to the state news agency, the cabinet has asked Jordan's justice minister to ask Interpol and authorities in Britain for assistance.

EGYPT

Egyptian Authorities Detain Deputy Gov. of Alexandria

Souad el-Kholy, the deputy governor of Alexandria, Egypt's second largest city, was arrested over corruption charges including bribery, profiteering, and squandering public funds. Five local businessmen have also been arrested in relation to the case. Local news agencies have reported that the bribery allegations are related to illegal seizures of public land, illegal construction, and building violations.

PAKISTAN

Former Pakistani President Asif Ali Zardari Acquitted in Corruption Case

Former President Asif Ali Zardari was acquitted in a 16 year-old corruption case accusing him of allegedly possessing illegal assets. A special accountability court acquitted Mr. Zardari on August 26, ruling that the charges lacked a legal basis as the documents submitted in the case were photocopies, which do not have legal value. The case was first filed in 2001, and closed in 2007 by the government of General Pervez Musharraf. It was reopened in 2009 by a Pakistani Supreme Court ruling. The case was then stayed while Mr. Zardari was president, and reopened again in 2015.

ASIA

CHINA

Banks Must Report Card Holders' Overseas Transactions

The State Administration of Foreign Exchange (SAFE) of China issued a notice which requires banks located in China to report their card holders' overseas cash withdrawals and overseas card transactions that are over RMB1,000 (approximately US\$145) on a daily basis from September 2, 2017 onwards.

According to SAFE, the new reporting requirement aims to fight money laundering, terrorist financing and other criminal activities in which bank card transactions may play a role. China has recently been focused on combating underground banks (meaning banks that operate outside of normal banking channels to transfer money internationally, avoiding fees and regulations of conventional banks), which are seen as a major money

laundering and cross-border fund transfer channel. According to the Ministry of Public Scrutiny in China, 380 underground banks have recently been uncovered and more than 800 persons have been arrested.

China urges Canada to Expand Joint Efforts to Fight Corruption

Both China and Canada hope to work toward jointly fighting international crime. China would like to expand cooperation with Canada in tackling corruption as it believes Canada is a popular destination for corrupt officials who flee abroad.

Many Western countries are reluctant to sign extradition deals with China, partly out of concern about the integrity of its judicial system and treatment of prisoners.

Chinese Foreign Minister, Wang Yi, told Canadian Minister of Foreign Affairs, Chrystia Freeland, over a meeting in Beijing in August 2017 that both parties should step up mutually beneficial cooperation in all areas, including one on sharing and return of forfeited assets.

Former Tianjin Mayor Under Investigation for Acceptance of Gifts

The Chinese Communist Party has placed the ex-mayor of Tianjin, a large city near Beijing, under investigation for possible corruption. Huang Xingguo, is suspected of "serious violations of Party's discipline," a term that usually refers to corruption. Mr. Huang has allegedly accepted money and valuables which are worth more than US\$6 million.

Mr. Huang admitted to corruption on television. He also confessed during trial before the Intermediate People's Court of Shijiazhuang City, Hebei Province in northern China. The court will give its verdict later.

African Development Bank Debars Chinese Engineering and Construction firm for fraud

The African Development Bank Group (AfDB) announced that it has debarred Chongqing International Corporation (CICO) for a minimum of twelve months.

AfDB said that CICO had “inflated its purported experience with similar projects grossly overstating both the scope and the value of contracts it had supposedly successfully completed in the past.” CICO inflated the scope and value of its reference contracts, such as a contract for a road of 4.4 km, which was instead falsely presented as having been 68 km in length. In another instance, the value of a reference contract was inflated from approximately US\$17.5 million to approximately US\$79 million to meet the pre-qualification criteria.

CICO is a Chinese construction and engineering company which is a subsidiary of Chongqing Foreign Trade and Economy Corporation. CICO is known for undertaking road projects in Africa. It is qualified as a “Class A enterprise” for China-aided turnkey projects.

Head of Anti-Graft Committee for China’s Ministry of Finance Investigated for Graft

Mo Jiangchen, the head of the anti-graft committee for China’s Ministry of Finance, has been put under investigation for suspected “serious discipline breaches” according to the Central Commission for Discipline Inspection (CCDI). The investigation into Mr. Mo, who has held the position since December 2015, is the latest effort by the CCDI to demonstrate it is serious about tackling corruption among its own ranks.

HONG KONG

Legislative Council Publishes Bill on Anti-Money Laundering and Counter-Terrorist Financing

The Legislative Council has published the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017 to enhance Hong Kong's legislative regime on anti-money laundering and counter-terrorist financing. The amendments will come into effect on March 1, 2018.

The bill seeks to apply statutory customer due diligence and record-keeping requirements to designated non-financial businesses and professions when they engage in specified transactions, such as the buying or selling of real estate, managing clients’ money, securities and assets, buying and selling of business entities, and the creation, operation or management of legal persons or legal arrangements. “Designated non-financial businesses and professions” include solicitors, accountants, real estate agents and trust or company service providers.

Former Hong Kong Chief Executive under Investigation

The Independent Commission Against Corruption (ICAC) has started an investigation into the former Chief Executive of Hong Kong, Leung Chun-ying, after he intervened in an inquiry about his previous business dealings. Mr. Leung stated he had made suggestions about the scope of the investigation, but denied any wrongdoing. In 2012, Mr. Leung, after being elected as Chief Executive, had received HK\$50 million (approximately US\$6.5 million) from an Australia-based engineering company named UGL. UGL acquired DTZ, an insolvent property firm at which Mr. Leung served as director in 2011.

A special committee within the Legislative Council is investigating Mr. Leung's relationship with UGL, and potential tax, conflict of interest, and disclosure issues relating to the HK\$50 million payment. Mr. Leung has been accused of colluding with pro-Beijing law makers to revise the scope of investigation against UGL. The edits allegedly ranged from changes in font size and grammar to the removal and addition of lines concerning the scope of investigation. Some of the changes may give Mr. Leung an advantage in the investigation.

Small Advantages to Bank Staff lead to Bribery Charges

Recent cases show a trend that even offers of a small amount of money, whether or not it is accepted, can lead to prosecution and conviction for bribery in Hong Kong. The ICAC has charged a company director for offering an advantage to an agent, contrary to Section 9(2)(a) of the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) (the Prevention of Bribery Ordinance). He allegedly offered a mobile phone and RMB9,999 (approximately US\$1,500) as a reward to an employee of a bank for assisting him in opening an account for his company. The bank's employee refused to take the accused's offer on each occasion and reported the matter to the management of the bank.

Another company director was sentenced to 10 weeks imprisonment for offering a HK\$1,000 (approximately US\$130) reward to a bank clerk for assisting him in opening a bank account. The director was found guilty of offering an advantage to an agent, contrary to Section 9(2)(a) of the Prevention of Bribery Ordinance. The bribe was also declined in that case.

SOUTH KOREA

South Korean Bribery Scandal Results in Prison Sentence for Samsung Heir

Lee Jae-young, third generation heir to Samsung, South Korea's biggest business empire, was sentenced to five years in prison on August 25. Mr. Lee was convicted along with four other Samsung executives of paying \$7.8 million in bribes to former President Park Geun-hye and her close friend and confidante Choi Soon-sil to ensure that President Park supported a corporate takeover of the conglomerate that owns Samsung Electronics. The scandal led to a vote to impeach President Park in December 2016, which was upheld by the country's top court in March 2017. Ms. Park is currently on trial for bribery, coercion, abuse of power, and leaking state secrets. She faces possible life imprisonment.

Mr. Lee has been held in custody since February 2017 while the six-month trial ensued. In addition to the bribery verdict, the court also found Mr. Lee guilty of hiding assets abroad, embezzlement, and perjury.

In June, Ms. Choi was convicted of bribing professors in exchange for her daughter's admission to a highly reputable university in South Korea. Ms. Choi has been sentenced to three years' imprisonment following this conviction.

The conviction follows multiple criminal allegations against Ms. Choi, including accusations that Ms. Park and Ms. Choi manipulated companies, such as Samsung to give millions of dollars to foundations controlled by her and Ms. Park. Ms. Choi may face decades of imprisonment if convicted of other charges for, among others, extortion, receiving confidential government documents and abuse of power.

Finally, the former Minister of Health and Welfare, Moon Hyung-pyo, was convicted of

abusing his power to exert pressure on voters to vote in favor of the US\$8 billion merger of two Samsung Group affiliates in 2015. Mr. Moon was sentenced to two-and-a-half years' imprisonment in June 2017.

MALAYSIA

No Gift Policy at Work

The Central Municipal Council of Johor Baru, the capital of the State of Johor, has adopted a no-gift policy at work to deter its employees from accepting bribes. The policy prevents anyone carrying gifts, including hampers, to enter the premises. The Council has also taken action against illegal massage center operators, known locations where gifts are exchanged. A ceremony has taken place with the Council's employees pledging to abide by a code of ethics and to report incidents related to bribery to the Malaysian Anti-Corruption Commission.

Fraudulent Investment Scheme under Investigation

The Inland Revenue Board (IRB) and the Malaysian Anti-Corruption Commission (MACC) raided several companies allegedly behind a fraudulent investment scheme that raised more than RM400 million (approximately US\$94 million). Five individuals who founded the raided companies and collected money to fund several online gambling business, hotels and, casinos are also under investigation. The IRB and MACC believe that no investment activity was carried out by the raided companies and that the individuals under investigation had misappropriated the funds for themselves.

VIETNAM

Vietnam Fires Vice Minister for Wrongdoings

A vice trade minister, Ho Thi Kim Thoa, was sacked in August 2017 and accused of financial malfeasance relating to Dien Quang Lamp Joint Stock Company (DQL), an electricity firm, and the illegal appointment of Trinh Xuan Thanh, the former chairman of PetroVietnam Construction Joint Stock Corp.

Ms. Thoa had served at DQL between January 2004 and May 2010 before she was promoted to the ministry. It was alleged that Ms. Thoa violated rules on privatization and asset transfer, and wrongly handled a loan interest in the sum of VND6.7 billion (approximately US\$298,000). Ms. Thoa was also accused of infringing State regulations on land management when DQL entered into a contract with another company to invest in a piece of land located at Ho Chi Minh City.

INDONESIA

Witness in Corruption Case Commits Suicide

Johannes Marliem, a witness in a US\$170 million Indonesian investigation relating to a national electronic identity card system, committed suicide a few weeks after he had told the witness protection agency that he was worried about his safety. The witness was offered protection by authorities in Los Angeles before he committed suicide.

Mr. Marliem's company, PT Biomorf Lone Indonesia, won the tender to supply automated fingerprint identification technology to the country in 2009. It was alleged that a network of about 80 people, mostly politicians, and several companies, exploited the introduction of a US\$440 million electronic identity card system to steal more than one-third of the allotted funds.

The Corruption Eradication Commission (KPK) in Indonesia has also named Setya Novanto, an Indonesian politician, as suspect in the ID scandal investigation. The KPK is targeting at least 37 people including politicians and officials.

INDIA

Bharatiya Janata Party Leader Faces Corruption Charges

Karnataka Bharatiya Janata Party chief, B.S. Yeddyurappa, has been named in a corruption investigation relating to his conduct during his service as chief minister in 2010. The local authority at Bengaluru had initially spared 3,546 acres of land for the Dr. K Shivaram Karanth Layout, a group housing project. Mr. Yeddyurappa, then Chief Minister, allegedly issued directions to reduce the original zoned land by 257 acres for unidentified uses.

Faster Corruption Investigations Against Civil Servants

A new six-month deadline for inquiry in corruption cases involving civil servants has been set. There was no time limit for submission of the employee's statement of defense. The decision has been made to speed up investigations against civil servants since a majority of them have been pending for an extended period of time. The new rules are applicable to all categories of civil servants, excluding a few forces, such as the Indian Police Service.

LATIN AMERICA

BRAZIL

President Temer Will Avoid Facing Corruption Charges While in Power

President Michel Temer will avoid facing the corruption charges brought against him in June until the end of his term as president in December 2018. On August 3, the lower house of Congress voted 227 for the motion to send the President to trial, with 263 voting against it. The motion needed a two-third majority to succeed.

Prosecutor General of the Republic, Rodrigo Janot, recently accepted a plea bargain from Lucia Funaro, an entrepreneur who worked with politicians close to Mr. Temer, which the prosecutor plans to use to build up an investigation against the president. President Temer has accused the Mr. Janot of "bias in his actions against the president" and requested the Federal Supreme Court to disqualify him. Mr. Temer is accused of receiving \$12 million in bribes from meatpacking firm JBS. His approval rating in Brazil was at 5% in mid-August.

Charges Planned Against J&F Investimentos Execs

A Brazilian prosecutor plans to file charges against top executives of J&F Investimentos for allegedly not confessing all of their crimes during plea-bargain testimony, according to Brazilian newspaper *Estado de S. Paulo*. Prosecutor Ivan Marx says the testimony by the executives, who control JBS SA, the world's largest meatpacker, omitted fraudulent deals for loans from Brazilian state-owned bank BNDES that resulted in at least 1 billion reais (US\$315.14 million) in losses for the bank. The executives had obtained immunity from prosecution by providing documents and

testimony regarding bribes paid to nearly 1,900 politicians. This testimony led to the corruption charge against President Michel Temer.

Former President Fernando Collor de Mello Under Investigation

Former president, and current senator, Fernando Collor de Mello, is being investigated for corruption after the Supreme Federal Tribunal said it would accept corruption charges against him. The senator, who has partial immunity as a government official and can only be tried by the country's highest court, is accused of accepting \$10 million in bribes from Petrobras subsidiary BR Distribuidora between 2010 and 2014. Mr. de Mello resigned as President in 1992 amid a corruption scandal and was elected as a senator in 2006. He will be the second former Brazilian president to face corruption charges, after former President Luiz Inacio Lula da Silva's conviction last month.

Brazilian Car Wash Probe Expands

The Car Wash probe has expanded to include U.S. asphalt maker Sargeant Marine, six Greek shipping companies, former Brazilian congressman Candido Vaccarezza, and two lawyers who allegedly participated in the scheme and received commissions related to the hiring of an as-yet unidentified U.S. company. Mr. Vaccarezza was arrested over allegations that he received bribes totaling almost \$500,000 from Sargeant Marine for helping it win contracts totaling \$180 million between 2010 and 2013 from state-controlled oil company Petrobras. In addition, the Greek honorary consul in Rio de Janeiro, Konstantinos Kotronakis, allegedly paid bribes and provided inside information to help the six Greek shipping companies obtain more than \$500 million worth of contracts from Petrobras during the same time period. The Greek companies implicated are Olympic Agencies,

Perosea Shipping, Tsakos Aegean Dynacom Tankers Management, Galbraiths, and Dorian Hellas.

Ex-CEO of Petrobras Arrested

Aldemar Bendine, CEO of Petrobras in 2015 and 2016, was arrested in connection with the Odebrecht corruption scandal. Mr. Bendine is accused of accepting more than \$950,000 in bribes from Odebrecht, beginning when he was CEO of state-run bank Banco de Brasil from 2009-2015.

Police Report on World Cup Stadium Corruption Released

The 350-page Brazilian police report released in August called for the indictment of 21 people for overcharging 559 million reais (US\$178 million) for the 2014 World Cup stadium. The stadium renovation, originally estimated to cost about 600 million reais (US\$191 million) and instead totaling 1.575 billion reais (US\$501 million) was built by a consortium led by construction firm Andrade Gutierrez. After the firm's executives entered into a plea-bargain deal detailing their participation in political kickback schemes, the federal police began investigating the overbilling of the stadium. Among the 21 individuals allegedly involved are two ex-governors of Brasilia. It's now up to federal prosecutors to pursue the indictment, continue the investigation, or drop the case.

Brazilian Police Target Meatpacking and Dairy Firms

Brazilian meatpacking and dairy companies are under scrutiny for alleged inspection bribes involving officials from the Agriculture Ministry. The Brazilian police released a statement saying that they were serving 11 arrest warrants, 28 search and seizure warrants, and bringing 11 people in for questioning, although they declined to release any names. The investigation was originally disclosed in May 2017, when the police

disclosed that meatpacking firm Minerva SA was one of the companies being targeted.

MEXICO

Former head of Pemex Faces Bribery Accusations

Emilio Lozoya, former head of Pemex, Mexico's state-owned oil company, and key campaign adviser to President Enrique Peña Nieto, is facing allegations of taking bribes from Odebrecht between 2012 and 2014. The Brazilian newspaper *O Globo* claims to have obtained statements made by former Odebrecht director in Mexico, Luis Alberto de Meneses Weyll, to investigators saying that Odebrecht paid Mr. Lozoya \$10 million to win a contract for work on a refinery in central Mexico. The allegations were backed up by Mexican investigative media collaborative Quinto Elemento Lab and the anti-corruption nonprofit Mexicans Against Corruption and Impunity, who also said they had documents from the prosecution detailing payments to offshore accounts linked to Mr. Lozoya. Odebrecht pleaded guilty in December 2016 for paying bribes in a number of countries, including \$10.5 million to Pemex officials. Mr. Lozoya took to twitter to say he was never corrupt and to suggest that the allegations came from executives seeking to reduce their own sentences in Brazil.

GUATEMALA

President Under Investigation For Campaign Finance Improprieties

President Jimmy Morales is under investigation for alleged illicit campaign financing. The investigation is part of a larger probe by the leader of a United Nations anticorruption panel Ivan Velásquez into all of the political parties' campaign financing during the 2015 election. Mr. Velásquez is seeking to

have President Morales' immunity removed in order to continue investigating the president and alleged unlawful conduct while Mr. Morales was head of the conservative National Convergence Front. The petition for the removal of immunity will have to first be considered by the Supreme Court, which will rule on whether to send it to Congress, who would need to vote for it by a 2/3 majority.

In response to the investigation, President Morales attempted to expel Mr. Velásquez from the country on August 27, but Guatemala's Supreme Court ruled two days later that the president could not remove the United Nations panel leader. President Morales took office in 2016 after his predecessor, President Otto Perez, was removed from power after being identified as a key player in a multi-million corruption scandal and is now in prison.

Corruption Trial of President Morales' Son and Brother Begins

President Morales' son, Jose Manuel Morales Marroquin, and brother, Samuel Morales, are on trial for fraud and money laundering. The alleged scheme dates back to before President Morales took office, when the two defendants allegedly submitted \$23,000 worth of false receipts in a tax fraud scheme. Both defendants continue to say they are innocent.

ECUADOR

Vice President Investigated for Odebrecht-Related Corruption

Vice President Jorge Glas is the highest-ranking Ecuadorian official to be investigated in relation to the Odebrecht corruption scandal after Ecuador's congress unanimously voted to allow prosecutors to continue the investigation and file charges against the vice president, if any criminal responsibility is uncovered. Ecuador's top prosecutor has said there are multiple links between Mr. Glas and

the Odebrecht scandal, including an audio recording where an Ecuadorian official and Odebrecht executive are discussing alleged bribe requests from Mr. Glas. Already, Ecuador's comptroller general resigned in June and the ex-minister of oil was arrested in relation to the Odebrecht scandal.

PERU

Peru Opposition Leader Investigated in Relation to Odebrecht Scandal

Opposition leader Keiko Fujimori is under investigation for allegedly laundering money for Brazilian building company Odebrecht. The Peruvian attorney general's office has not commented on the investigation except to say that it had received contents of notes made on the cellphone of Odebrecht. Prosecutor German Juarez, who is leading the investigation into Ms. Fujimori, recently persuaded local Peruvian courts to jail former President Ollanta Humala for up to 18 months before trial while he is investigated for taking undeclared campaign donations from Odebrecht.

Ms. Fujimori, eldest daughter of Peru's imprisoned former leader Alberto Fujimori, is already the subject of a money laundering investigation related to 2016 campaign donations. She is the leader of the Popular Force party, which controls the majority of seats in Congress.

VENEZUELA

President Maduro Accused of Accepting Odebrecht Bribes

There is evidence that President Nicolas Maduro received bribes from Odebrecht, according to recently dismissed prosecutor Luisa Ortega Diaz. Ms. Ortega was removed from her position earlier this month by

Venezuela's newly-formed constituent assembly, a body that has taken criticism from governments worldwide as being dictatorial. Last week, Ms. Ortega fled to Colombia and is being accused by President Maduro of working with the United States. Ms. Ortega said that she can connect Odebrecht bribes to Mr. Maduro and others in the Socialist Party.

AFRICA

NIGERIA

Over \$615 Million Traced to Former Oil Minister

Nigeria's anti-graft agency said it traced at least \$615 million of allegedly illegally acquired cash, property and jewelry to ex-oil minister Diezani Alison-Madueke. The agency has said it will ask the federal courts to order it be forfeited to the government. Earlier in the month, a federal high court in Lagos ordered Ms. Alison-Madueke to forfeit a \$38 million property that it says was illegally acquired. U.S. prosecutors are also seeking to recover \$144 million of assets they claim were bought with bribes paid for Nigerian oil contracts when Ms. Alison-Madueke was oil minister, from 2011-2015. Ms. Alison-Madueke was arrested in London in 2015 and released on bail. She was charged in a Nigerian court in April with violating anti-money laundering laws.

SOUTH AFRICA

President Zuma Narrowly Escapes No-Confidence Vote

President Jacob Zuma narrowly escaped a no-confidence vote, the sixth of such votes that he has had to fend off during his eight years in power. This vote, the first that was held anonymously, had 177 votes to unseat Mr. Zuma with 198 voting to keep him in power

and nine abstentions. Twenty-five members of President Zuma's own party voted to either unseat him or abstained. The vote came amidst allegations that Mr. Zuma has granted political favors to the Guptas, a wealthy family of Indian immigrants.

ETHIOPIA

State Minister Arrested on Suspicion of Corruption

Ethiopia's state minister for finance, Alemayehu Gujo, was arrested on suspicion of corruption. The arrest was part of sweeps throughout the country that have led to dozens of arrests in the last two weeks, including 40 officials from the Ministry of Finance and Economic Cooperation, the capital's housing development agency, the state-run Ethiopian Sugar Cooperation, and the Ethiopian Roads Authority. So far, charges include embezzlement and siphoning off of billions of Ethiopian birr, the local currency.

AUSTRALIA

Authorities Crack Down on Criminal Syndicate Accused of Bribing Customs Officials

Widespread raids undertaken by the Australian Federal Police in early August resulted in the arrest of two individuals working in Australian customs and border patrol agencies over their alleged role in an international conspiracy to import large amounts of drugs and tobacco into the country. Former customs official, Johayna Merhi, and Australian Border Force officer, Craig Richard Eakin, were arrested during the raids and 80kg of cocaine, \$740,000, and firearms were seized. A further \$2 million has been seized during the course of the investigation, which dates back to 2016 when

Australian authorities received intel about a planned importation of MDMA.

The corruption within the Border Protection Agency allegedly dates back to 2003 and is linked to the Jomaa syndicate, a family that had been considered untouchable due to its penetration into Australian customs and border protection. Mr. Koder Jomaa, the alleged kingpin, was arrested in Dubai while his brothers Ali Jomaa and Abbas Jomaa were both arrested in Sydney. Four other Australians were also arrested in connection with the drug importations in August.

Commonwealth Bank of Australia Probed over Money Laundering

The Commonwealth Bank of Australia (CBA), the nation's biggest lender, was hit with two regulatory probes after being accused of breaching money-laundering rules earlier in August. The Australian Transaction Reports and Analysis Centre, Australia's financial intelligence and regulatory agency, sued the CBA earlier in August for "serious and systemic non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*." It is the first lawsuit of its kind brought by the agency, and CBA could potentially face fines amounting to billions of dollars if the agency prevails.

Since the initial lawsuit was brought, the Australian Securities and Investment Commission has launched a separate probe into allegations that the bank's intelligent deposit machines were used by money launderers and criminal gangs, including whether CBA's board complied with disclosure laws in its decision not to alert investors to the suspicious behavior. Most recently, the Australian Prudential Regulation Authority (APRA) will also hold a public inquiry into the governance and culture of the bank. This is the first time APRA has initiated a public inquiry into a lender and the move is putting

pressure on parliament to hold a broader probe into the banking sector.

The money-laundering allegations represent the third CBA scandal under its current CEO,

Ian Narev. The bank has recently signaled that Mr. Narev will step down as CEO by June of next year.

RECENT ARTICLES OF NOTE

McAllister, Bradley J., "The Impact of the Dodd-Frank Whistleblower Provisions on FCPA Enforcement and Modern Corporate Compliance Programs," Berkley Business Law Journal, Vol. 14, No. 1. Mr. McAllister's article looks at the whistleblower provisions under Dodd-Frank and the SEC's formal interpretive guidance construing them. The paper analyzes whether the disclosures required and protected by the Dodd-frank provisions also apply to the FCPA by virtue of the FCPA accounting provisions. Finally, the article also explores the practical effect of the whistleblower provisions on internal investigations and compliance in light of recent trends in FCPA enforcement activity. The article can be downloaded [here](#).

Yockey, Joseph W., "Corrupting Entrepreneurial Action," The Handbook of Law and Entrepreneurship in the United States, Cambridge University Press, forthcoming. The forthcoming chapter in the handbook examines corruption's effect on entrepreneurial action and posits that future progress will require more than a purely law enforcement approach to the problem. Mr. Yockey offers recommendations that entrepreneurs can take both directly and collaboratively to mitigate structural challenges that permeate many of the emerging markets they seek to enter. The chapter is currently available on SSRN and can accessed [here](#).

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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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