



# ANTI-CORRUPTION DIGEST

**March 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**

#### **Five Former Employees of Venezuela's State-Owned Oil Company Charged with Money Laundering and FCPA Conspiracy**

The Department of Justice (DOJ) recently unsealed an indictment charging five former Petroleos de Venezuela S.A. (PDVSA) employees with money laundering and FCPA conspiracy violations. All of the defendants were charged with money laundering violations, while Luis Carlos De Leon Perez and Nervis Gerardo Villalobos Cardenas were charged with conspiracy to violate the FCPA, 15 U.S.C. § 78dd-2(a). The charges stem from allegedly soliciting bribes from vendors seeking to win contracts from PDVSA. The two defendants charged with FCPA conspiracy violations assisted the companies making bribes by funneling some of the money

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to two other Venezuelan government officials. The case is *U.S. v. Carlos de Leon-Perez*, No. 17-CR-00514 (S.D. Tex. filed Aug. 29, 2017).

Beginning in at least 2011 and continuing until at least 2013, the defendants allegedly solicited PDVSA vendors for bribes and kickbacks in return for helping them win bids and receiving payment priority over other vendors for outstanding invoices, according to the indictment. The defendants attempted to conceal their conduct by laundering the money through bank accounts they opened in other countries under the names of various companies. Some of the companies involved in paying the bribes were controlled by Roberto Enrique Rincon Fernandez and others were controlled by Abraham Jose Shiera Bastides. Together, the companies sent over \$27 million in bribes to different bank accounts. Both company owners have previously pleaded guilty to their involvement in the scheme.

The three defendants not charged with FCPA conspiracy are Cesar David Rincon Godoy, Alejandro Isturiz Chisea, and Rafael Ernesto Reiter Munoz. Although Rafael Ramirez, Venezuela's former oil czar, was not named in the indictment, he is allegedly referred to as "Official B," one of the senior Venezuelan officials receiving some of the bribes. Mr. Ramirez was one of Venezuela's most powerful officials until he resigned as the country's U.N. ambassador in December 2017.

Four of the five defendants were arrested in Spain in October 2017. So far, only Mr. Rincon Godoy has been extradited. Mr. Isturiz Chisea remains at large. The DOJ has charged 15 defendants in the case, with ten of them pleading guilty.

## **OSI Systems Target of SEC and DOJ FCPA Probe**

The Securities and Exchange Commission (SEC) and DOJ are investigating OSI Systems, Inc. for FCPA violations. The

California-based manufacturer of screening and inspection equipment for airport and border security equipment made the announcement in an SEC filing in the beginning of February. The probe by the two agencies comes after short seller Muddy Waters made allegations last December that OSI Systems obtained a major contract in Albania through bribery. In the same filing, OSI Systems also disclosed that DOJ and SEC are conducting an investigation into trading in the company's securities as well. The company said that it was cooperating with each of the government investigations.

## **SEC Investigation of Core Labs Closed**

Amsterdam-based Core Laboratories N.V. received a declination from the SEC regarding its FCPA investigation. The company had already received a declination from DOJ back in October 2017. The investigation was the result of a report published by the *Huffington Post* and *Fairfax Media* back in March 2016. The publication alleged that Unaoil paid bribes on behalf of about a dozen oil and gas companies, including Core Laboratories.

## **Juniper Networks Gets DOJ Declination**

The DOJ told Juniper Networks, Inc. that it was closing its FCPA investigation into the company. In August 2013, the California-based firm disclosed that the SEC and DOJ were investigating possible FCPA violations. The disclosures did not identify the location of the possible violations. The SEC's investigation is still pending.

## **Airbus Asked for Information on Corruption Case**

U.S. authorities asked Airbus to share information about the conduct underlying probes being conducted by the U.K.'s Serious Fraud Office (SFO) and France's Parquet National Financier (PNF). The probes

concern the use of middlemen in jetliner sales which was first uncovered by Airbus during a 2014 internal review. The company self-reported to the SFO and PNF. Austrian authorities are conducting an investigation into the firm's sale of over \$2 billion in fighter jets in 2003. The firm recently reached an agreement to settle with German authorities regarding the same 2003 conduct.

## Teradata Gets DOJ and SEC Declinations

Ohio-based Teradata Corporation received declinations from the SEC and DOJ regarding their respective FCPA investigations into Teradata's Turkish subsidiary. The software developer first discovered certain questionable expenditures for travel, gifts, and other expenses at the subsidiary through internal processes, and notified the SEC and DOJ of its findings in February 2017. In its annual financial report, Teradata said it had fully cooperated with the government "regarding the status of the Company's internal investigation and findings, including remedial actions and terminations."

## Fresenius Medical Reserves \$245 Million for FCPA Settlement

The German dialysis provider is setting aside €200 million (US\$245 million) for a potential resolution with the SEC and DOJ over FCPA violations. Fresenius Medical Care AG first opened an internal investigation into potential violations of the FCPA in 2012. The company said the \$245 million took into account recent developments in settlement negotiations, and "encompasses government agencies' claims for profit disgorgement, as well as accruals for fines and/or penalties, certain legal and other consultancy expenses and other related costs or asset impairments."

## Exterran Receives Double Declination

The DOJ and SEC ended their FCPA investigations into Exterran Corporation. The Texas-based firm announced in a recent filing that both agencies closed their investigations into equipment contracts for desalination plants in the Middle East and did not intend to bring enforcement actions.

# EUROPE

## THE UNITED KINGDOM

### Unexplained Wealth Orders

Unexplained wealth orders (UWOs) are now in use in the U.K. A UWO is an investigative power that requires a person who is reasonably suspected of involvement in, or of being connected to a person involved in, serious crime to explain the nature and extent of their interest in a particular property, and how it was obtained. A UWO may be appropriate, for example, where there are reasonable grounds to suspect that the person's lawfully obtained income would be insufficient to allow the person to obtain the property in question. UWOs apply to assets worth over £50,000 (US\$69,420).

If the person cannot explain how he acquired the asset, the UWO will be applied to seize the U.K. assets of the person suspected of having bought the property with proceeds of crime.

UWOs can be used against anyone, from local drug traffickers to international overseas criminals. U.K. security minister Ben Wallace stated that "iconic" individuals with an international reputation are likely to be questioned. The U.K. government further stated that Russian oligarchs suspected of involvement in organized crime will be forced to explain to authorities how they are funding their extravagant lifestyles in the U.K.

About £90 billion (US\$124.9 billion) of illegal money is thought to be laundered through the U.K. every year.

## **SFO to Question Petrofac Executives as Probe Deepens**

More members of oil service company Petrofac's top management are expected to be questioned by the SFO in relation to the Unaoil scandal. The investigation follows allegations that Petrofac used Unaoil, a Monaco-based firm, to secure service contracts worth \$2 billion in Kazakhstan between 2002 and 2009.

In May 2017, Petrofac's chief executive, Ayman Asfari, and chief operating officer, Marwan Chedid, were arrested in relation to the scandal and, after questioning, were released without charge. Petrofac has denied any wrongdoing but refused to comment further, "on the basis that this may prejudice an ongoing investigation."

## **Further SFO Charges in Barclays Qatar Case**

The SFO charged Barclays Bank plc with unlawful financial assistance on February 12, 2018. The new charges follow those brought in June 2017 against Barclays and four former and current executives of unlawful financial assistance and conspiracy to commit fraud.

Between October 1 and November 30, 2008, Barclays Bank allegedly gave financial assistance to Qatar Holding LLC. That assistance consisted of a \$3 billion loan for the purpose of directly or indirectly acquiring shares in Barclays plc. The SFO has been formally investigating the alleged financial assistance since August 2012.

## **Former Welsh International Soccer Player and Others Convicted of Fraud**

Keith Williams, Paul Sugrue and former Welsh International soccer player Mark Aizlewood have been convicted of conspiracy to commit fraud by false representation. The charges relate to a £5 million (US\$6.94 million) apprenticeship scheme that the SFO began investigating in November 2011. Jack Harper was convicted of two charges linked to attempts to defraud a single college, while Christopher Martin and Steven Gooding pleaded guilty to the charges before the start of the trial in 2017.

The Luis Michael Trading Ltd (LMT) scheme targeted colleges, charities, soccer clubs and sports associations. LMT was supposed to provide training services to create football coaching apprenticeships for young people. Instead the firm provided little to no training and stole identities to create 'ghost learner' apprentices who did not exist. The £5 million of public funds fraudulently obtained by LMT had been earmarked by the Skills Funding Agency to create apprenticeships for underprivileged young people.

## **U.K. Foreign Secretary Pressed to Toughen Corruption Sanctions Against Russian Officials**

Foreign Secretary Boris Johnson has been urged by a cross-party group of senior ministers to introduce the "Magnitsky amendment." The amendment targets Russian officials involved in corruption and human rights abuses.

The amendment would apply to the Government's Sanctions Bill. It would empower ministers to ban individuals guilty of gross human rights abuses from the U.K. and freeze their assets. Debate on the Bill commenced on February 20, 2018.



The amendment is named after Sergei Magnitsky, a Russian lawyer killed in a Moscow prison.

## William Hill Fined For Tax Anti-Money Laundering Controls

The U.K.'s Gambling Commission has fined betting firm William Hill £6.2 million (US\$8.61 million). This is the Commission's second largest fine to date for breaching anti-money laundering and social responsibility regulations.

The Commission accused William Hill of not going far enough to determining the source of the money or whether the gamblers were problem gamblers. William Hill's failure to ensure the effectiveness of its anti-money laundering measures led to a gain by the firm of £1.2 million (US\$1.39 million) after 10 customers deposited money linked to criminal offences.

William Hill commented that it had cooperated with the investigation and has committed to an independent review.

## ESTONIA

### Danske Bank Investigated For Facilitating Laundering of Russian Funds

In 2013, Danish bank Danske's Estonian branch closed down 20 Russian customer bank accounts it discovered were used by members of Vladimir Putin's family and the FSB spy agency to launder money, according to leaked reports. It is believed that several firms, most of which are registered in London, were used to funnel cash. In the wake of the disclosures Estonia's financial regulator announced that it would open an investigation into Danske Bank.

Lantana Trade LLP is one of the U.K. firms identified in the report. The company provided false information to the U.K. company registry,

Companies House, claiming it was dormant and therefore had limited financial turnover. In reality the firm made daily transactions of millions of euros. The ultimate owners of Lantana were found to be Russians, including members of the Putin family and FSB spy agency who had secreted their identities using offshore management firms.

Danske did not begin a full inquiry until 2017, despite discovering this information in 2013. The bank did not inform the U.K. or Companies House of the inquiry.

The bank commented: "We have launched a thorough investigation to get to the bottom of the events at that time in our Estonian branch. We cannot comment on the matter further, until the investigation has finalized."

## FRANCE

### France Urges UN Court to Throw Out Equatorial Guinea Case

Equatorial Guinea and France traded charges in proceedings before the International Court of Justice (ICJ), the UN's top court, in recent proceedings. Initially, Equatorial Guinea accused France of violating the diplomatic immunity of its Vice President Teodorin Obiang. France responded, accusing Equatorial Guinea of attempting to "slow down, or even paralyze the criminal procedure launched in France." France asked the ICJ to throw out the case, claiming that the court lacks jurisdiction.

Mr. Obiang has been prosecuted in a French court on embezzlement charges, relating to €150 million (US\$180 million) of public funds. Prosecutors allege Mr. Obiang misappropriated the funds for his personal use. Mr. Obiang was given a three-year suspended sentence for corruption in October 2017 following a trial in absentia. He was also given a suspended fine of €30 million (US\$35 million) for money laundering, corruption and

abuse. Mr. Obiang has indicated that he will appeal the decision.

## GERMANY

### Airbus Pays Fine to End Eurofighter Bribery Case

Defense giant Airbus SE has agreed to pay a €81 million (US\$99 million) fine after the Munich Public Prosecutor convicted former Airbus executives of a “negligent breach of supervisory duties” due to a lack of internal controls that would have prevented employees from making illicit payments to business partners. The payment of the fine ends a five-year bribery investigation by German prosecutors in connection with Eurofighter jets Airbus sold to Austria in 2003.

Airbus is currently being investigated on charges of bribery and fraud by prosecutors in the U.K., France and Austria. Chief Executive Officer Tom Enders has stated his commitment to ridding the company of the external agents often used to pay bribes to government and airline officials.

## ITALY

### Arrests in Italy Over Eni Energy Bribery Scandal

Fifteen people have been arrested in Italy on allegations of manipulating lawsuits in favor of Eni, the Italian energy giant.

The offices of Massimo Mantovani, member of Eni management and the group’s former legal director, were raided on February 6, 2018 by Italian financial police. Piero Amara, one of Eni’s lawyers, has also been arrested. Investigators are seeking to determine whether Mr. Mantovani and Mr. Amara misled Italian investigators in their investigation of corruption allegations surrounding an oil contract in Nigeria that involved the Eni group and its general manager Claude Descalzi.

### Five Star Movement Embroiled in Corruption Scandal

Italy’s most popular political party, the Five Star Movement, was accused of graft on February 13, 2018. The anti-establishment party is also known for its hard stance on corruption. The charges could damage its previously strong chances in the general election, which is scheduled for March 4, 2018.

The Five Star Movement requires its ministers of parliament to donate approximately half of their monthly earnings to a fund which helps small businesses. Some of its ministers have been accused of circumventing this requirement by drawing up bank orders for the money to be transferred from their accounts (meaning they had receipts to show party bosses) but cancelling the orders almost immediately afterwards. It is alleged that this involved €1.4 million (US\$1.73 million) of funds. There are also allegations that Five Star politicians made suspicious expenses claims.

The scandal has already led to the resignation of Maurizio Buccarella, a Five Star member of the Senate, who admitted he had made a “slip-up” with his bank transfers. It has also led two candidates in the general election, Andrea Cecconi and Carlo Martelli, to step down.

## NORWAY

### Norwegian Wealth Fund Demands Boost of Anti-Corruption Measures

Norway’s \$1 trillion sovereign wealth fund told its 9,000 portfolio companies to step up their anti-corruption measures. The fund is managed by the Norwegian central bank. It is the world’s largest sovereign wealth fund.

Fund chief Yngve Slyngstad released a statement in which he specifically targeted

whistleblowing mechanisms. Mr. Slyngstad said in a statement that whistleblowers should provide “a separate and confidential escalation route when reporting through a line manager is not appropriate, or if the whistleblower wishes to remain anonymous.”

The fund has a history of encouraging its portfolio companies to engage in more ethical practices. If they fail to do so, the fund will often divest.

## **SWITZERLAND**

### **Watchdog Investigates Swiss Banks Over Venezuelan Graft Case**

Several Swiss banks have become the subject of an investigation by the Swiss Financial Market Supervisory Authority (FINMA) into compliance with anti-money laundering rules. The probes are tied to a \$1 billion graft probe involving Petroleos de Venezuela (PDVSA), Venezuela’s state-owned oil and natural gas company.

The investigation follows this month’s U.S. federal indictment which accused five former Venezuelan officials of promising vendors favorable treatment from PDVSA in exchange for bribes. The money was then allegedly moved through Swiss banks.

### **Gazprombank Sanctioned Over Money Laundering**

The Swiss Financial Market Supervisory Authority (FINMA) announced that it has sanctioned the local subsidiary of Russia’s Gazprombank following an anti-money laundering investigation triggered by the Panama Papers leaks.

In an investigation that concluded in January this year, Gazprombank Switzerland was found to have committed a range of violations, including sloppy risk assessments. FINMA stated that Gazprombank Switzerland showed

“serious shortcomings in the prevention of money laundering” and was “in serious breach of its anti-money laundering due diligence requirements in the period from 2006 to 2016.”

As a result, Gazprombank Switzerland has been banned from taking on new clients by FINMA. The regulator also ordered Gazprombank Switzerland to set up a new risk committee.

### **Nestlé Stops Buying Palm Oil From Guatemala Company Accused of Corruption**

Earlier this month, Guatemala’s prosecutor accused Reforestadora de Palmas del Peten S.A. (Repsa) of paying bribes to receive tax credits. Repsa said in a statement last week that it would cooperate with the prosecutors’ investigators.

Multinational food and beverage company Nestlé is currently sourcing palm oil from Repsa. Nestlé decided not to renew its contracts with Repsa because of these allegations. The commercial relationship will terminate later this year.

## **LATVIA**

### **ABLV Bank Accused of Bribery**

The Latvian Corruption Prevention Bureau announced an investigation into allegations made by the U.S. Treasury Department’s Financial Crimes Enforcement Network (FinCEN) that ABLV Bank committed serious bribery and money laundering offences.

ABLV Bank is Latvia’s third largest bank by assets. The firm has been accused by FinCEN of “bribery to influence Latvian officials when challenging enforcement actions and perceived threats to their high-risk business.” FinCEN also claimed ABLV Bank “proactively pushes money laundering and regulatory circumvention schemes to its client base and ensures that fraudulent

documentation produced to support financial schemes, some of which is produced by bank employees themselves, is of the highest quality.”

In response, the European Central Bank has blocked all of ABLV Bank’s payments, causing the bank to seek emergency financial support.

## Latvian Central Bank Head Released on Bail

Ilmars Rimsevics, head of Latvia’s Central Bank, has been released from police custody on bail, after being arrested on allegations that he sought a payment of at least €100,000 (US\$124,100). Mr. Rimsevics has denied any wrongdoing. Nevertheless, the Bank of Latvia clarified that it has a “zero tolerance” policy towards corruption and suspended Mr. Rimsevics.

Latvian Prime Minister Maris Kucinskis responded by chairing an emergency cabinet meeting, at which he called for Mr. Rimsevics to resign. At the same time the Latvian Defense Ministry released a statement claiming that the allegations may be part of a disinformation campaign designed to “show Latvia as [an] untrustworthy ally” ahead of the country’s parliamentary elections to take place in October. The Ministry did not identify who the perpetrator of the alleged attack might be but claimed it was “identical in structure and execution” to campaigns preceding the recent French, German and U.S. elections, for which Russia has been blamed.

## LITHUANIA

### Hospital Heads Detained Amid Bribery Probe

A large scale bribery probe launched by Lithuania’s law enforcement bodies has led to the detention of Kestutis Strupas and Romuldas Kizlaitis, heads of the Vilnius University Hospital Santaros Klinikos.

The alleged bribery relates to the procurement of contracts worth over €2 million (US\$2.46 million). The hospital, several private companies and the homes of the suspects, were searched as part of the investigation which began in the fall of 2017.

## ROMANIA

### Romanian PM Stands by Adviser Sentenced for Corruption

Darius Valcov, a former finance minister, was sentenced to eight years in prison on February 8, 2018 on corruption and money laundering charges in relation to his position as mayor of the city of Slatina. Mr. Valcov is said to have demanded a 20% cut of any contract Slatina awarded to local businessmen and to have received over 6 million lei (US\$1.6 million) as a result. Mr. Valcov denies any wrongdoing and can appeal the court’s decision, which was not final.

Romanian Prime Minister Viorica Dancila clarified on February 12, 2018 that, subject to any change in the status of the court ruling on the matter, she will not fire Mr. Valcov.

### Romanian Anti-Corruption Prosecutor Urged to Step Down as Thousands Rally in Support

Romanian Justice Minister Tudorel Toader has publicly argued for Romania’s chief anti-corruption prosecutor, Laura Codruta Kovesi, to be dismissed on grounds that she has exceeded her authority.

Ms. Kovesi has led the National Anticorruption Directorate (DNA), the country’s anti-corruption prosecution agency, since 2013. She has overseen a surge in conviction rates. Mr. Toader, reading from a report he prepared on the topic, alleged that Ms. Kovesi has been “defying parliament’s authority and challenging Constitutional Court rulings.” However, some of his reasoning was based on



unproved local media allegations of misconduct.

Romanian President Klaus Iohannis responded to Mr. Toader's report, saying that he is satisfied by the DNA's activity and leadership and found Mr. Toader's reasoning to be lacking. President Iohannis is the final decision-maker on the removal of chief prosecutors. In support of Ms. Kovesi, thousands of people rallied across the country to protest against and call for the dismissal of Mr. Toader, chanting "thieves, thieves."

## **RUSSIA**

### **Russian Ex-Governor Sentenced In High-Profile Bribery Case**

A Moscow court sentenced former Kirov Oblast Governor, Nikita Belykh, to eight years in prison following conviction on bribery charges on February 1, 2018. The court also ordered Mr. Belykh to pay a 48.5 million ruble (US\$866,000) fine and banned him from holding public office for an additional three years.

Mr. Belykh was found to have accepted bribes amounting to over €600,000 (US\$743,770) between March 2012 and June 2016, in exchange for sheltering various timber investment projects.

Mr. Belykh is one of the highest-ranking officials to be arrested in office since Vladimir Putin was first elected as the country's president in 2000.

### **Guns Seized In Anti-Corruption Raid on Dagestani Prime Minister**

Amid an ongoing nationwide anti-corruption crackdown, at least four officials in Russia's North Caucasus region of Dagestan, including Dagestan's Prime Minister Abdusamad Gamidov, have been detained.

Russia's Federal Security Service (FSB) detained Mr. Gamidov along with his two deputies and other regional officials. In a search of Mr. Gamidov's residence, the FSB seized a golden pistol, two Kalashnikov rifles, along with other arms and ammunition, shown in a YouTube video posted by the Investigative Committee.

### **Russian Ex-Governor Sentenced to 13 Years for Bribery**

Alexander Khoroshavin, the former governor of the island of Sakhalin, has been sentenced to 13 years in prison and fined 500 million rubles (US\$8.6 million) on charges of bribery.

Mr. Khoroshavin allegedly received more than \$5.6 million in bribes between 2011 and 2015 to facilitate business deals while serving as Sakhalin's governor.

### **Russian Construction Firm Ex-Employees Imprisoned for Corruption**

A Russian court has sentenced certain ex-employees of major Russian state contractor Dalspetsstroj to prison terms for up to 12 years for mass fraud.

Dalspetsstroj contracted to build the Vostochny Cosmodrome, a new spaceport in Russia worth \$5 billion, which is designed to secure Russia's independent access to space. It was discovered, however, that 7.5 billion rubles (US\$126 million) had been embezzled during the construction project.

Yuri Khrizman and Vladimir Ashikhmin, two former employees, were sentenced to serve, respectively, 12 years and seven years in prison. Mr. Khrizman and Mr. Ashikhmin were also ordered to compensate the Roscosmos Federal Space Agency 5 billion rubles (US\$89 million) for misappropriating funds. Mr. Khrizman's son, Mikhail, and Khabarovsk regional deputy Viktor Chudov were

sentenced to five and a half and six years each.

## **UKRAINE**

### **Head of NABU Criticizes Ukrainian Asset Declarations Reform**

Artem Sytnyk, the head of the National Anti-Corruption Bureau of Ukraine (NABU), has criticized Ukrainian assets declarations reform as letting corrupt Ukrainian officials off the hook because verification of their online declarations of income and assets is failing.

The wealth database for legislators and civil servants was launched in 2016 in order to tackle graft. However, Mr. Sytnyk stated that sister agency National Agency on Corruption Prevention (NAZK), “whose responsibility it was to check these declarations[,] simply doesn’t work.”

While NAZK did not comment on Mr. Sytnyk’s criticism, it has previously blamed a lack of appropriate technology and bureaucratic obstacles for its failure to process hundreds of thousands of declarations.

### **Elita-Center Director and Associate Arrested for Bribery**

The director of construction company Elita-Center and his associate, the head of construction and investment company PSP Ltd, have been arrested for 60 days for allegedly seeking a \$50,000 bribe. The two men have Hr 1.3 million (US\$217,200) and 140,000 (US\$23,390) bail options respectively.

The bribe was allegedly demanded from the owner of an apartment in a residential complex built by Elita-Center, as payment for the termination of an ownership dispute about the property.

## **MIDDLE EAST**

## **PAKISTAN**

### **World Bank Debars Three Companies for Colluding on Bids**

Pak Electron Limited and two of its affiliates, PEL Marketing (Private) Limited and Kohinoor Power Company Limited, and former general manager Abdul Waheed Butt were debarred for 33 months for bid collusion. The project was the Electricity Distribution and Transmission Improvement Project. It involved the development of electricity distribution and transmission networks in Pakistan. According to the settlement, the debarments provided for reduced periods due to the cooperation of the parties and their voluntary remedial actions.

### **Pakistan’s Supreme Court Bars Former Prime Minister from Heading Party**

Former Prime Minister Nawaz Sharif was barred from leading his political party, Pakistan Muslim League-Nawaz (PML-N). In October 2017, the PML-N succeeded in having a law passed that allowed Mr. Sharif to continue acting as the head of his party, despite having been removed from power by the country’s top court last summer. Several opposition parties challenged the law. A three-member Supreme Court panel ruled that a person disqualified from holding public office is also disqualified from heading a political party. The order also held that all actions taken by Mr. Sharif since his disqualification in July 2017 were void.

Mr. Sharif was originally removed from power back in July 2017 after a corruption investigation found that he had not declared a salary. Mr. Sharif continues to claim that the ruling was part of a political vendetta.

## ISRAEL

### Two New Corruption Cases Involving Netanyahu Confidantes Announced

Police announced two new corruption cases involving individuals with close ties to Prime Minister Benjamin Netanyahu on February 20. Both cases involve Mr. Netanyahu's former spokesman, Nir Hefetz.

The first case involves allegations that Mr. Hefetz, through an intermediary, offered a judge assistance to win the post of attorney general in exchange for aid in blocking fraud proceedings against Mr. Netanyahu's wife, Sara Netanyahu. The fraud charges against Mrs. Netanyahu are in regards to her alleged use of state funds for \$100,000 worth of personal dining and catering services. A final decision on whether she will be charged is forthcoming.

The second corruption case involves Mr. Hefetz and Shlomo Filber, another confidant of Mr. Netanyahu's and the former head of the Communications Ministry. Also involved are a number of individuals connected to telecom firm Bezeq. The police allege that telecom firm Bezeq received regulatory approvals in return for positive media coverage of Mr. Netanyahu on the news website Walla. Shaul Elovitch is the main shareholder of Bezeq and controls the website Walla via his holding company, Eurocom. At the time, Mr. Elovitch was seeking regulatory approvals to merge the Yes satellite-television company, of which he owned half, into Bezeq. He needed regulatory approvals from the Communications Ministry, which were opposed by low-level officials, but granted nonetheless. Mr. Elovitch, along with his wife and son, Bezeq's CEO Stella Handler, Amikam Shorer, Bezeq's business development manager, Mr. Hefetz, and Mr. Filber were all arrested in connection with the allegations.

After his arrest, Mr. Filber has reportedly agreed to become a government witness. The former head of the Communications Ministry reported directly to Mr. Netanyahu on the Bezeq saga.

### Police Recommend Netanyahu's Indictment in Two Cases

Police are recommending that Prime Minister Netanyahu be charged with bribery, fraud, and breach of trust in relation to two different corruption investigations. In the first case, police allege that Mr. Netanyahu accepted over \$300,000 in gifts from Hollywood mogul Arnon Milchan and Australian billionaire James Packer. In return, the prime minister supposedly tried to assist Mr. Milchan in U.S. visa matters, attempted to legislate a tax break for him and tried to promote his interests in the Israeli media market. Police have not yet made public what Mr. Packer may have received in return. The second case involves allegations that Mr. Netanyahu offered newspaper publisher Arnon Mozes legislation that would harm his main competitor in return for favorable press coverage.

The final decision about whether to file formal charges could still be months away. The police recommendations will be examined by state prosecutors and attorney general Avichai Mandelblit. Mr. Mandelblit will make the final decision on whether charges will be filed after a hearing with Mr. Netanyahu's lawyers.

## ASIA

### SOUTH KOREA

#### Lotte Chairman Jailed After Conviction for Bribery

Shin Dong-bin, Chairman of the online shopping conglomerate Lotte Group, was convicted and received a two-and-a-half year prison sentence for bribery. Mr. Shin was

found guilty of offering a bribe to Choi Soon-sil, an adviser to the former South Korean president, Park Geun-hye. Ms. Choi was tried separately and was sentenced to 20 years in prison.

The prison sentence surprised many who expected Mr. Shin to receive a suspended sentence as in a separate trial in which he was tried for breach of trust and embezzlement. During the sentencing, the presiding judge said Mr. Shin “crushed the hopes and faith of the community and the people.” Mr. Shin’s lawyer said Mr. Shin will appeal the conviction and the sentence.

The Lotte Group is in a state of disarray following Mr. Shin’s conviction.

## **Samsung Heir’s Prison Sentence Suspended**

Jay Y. Lee, heir to the Samsung Group, has been released after the High Court suspended his sentence. Mr. Lee, who had been detained at the Seoul Detention Center since February 2017, received a two-and-a-half year jail sentence for his role in the corruption scandal that led to the ousting and arrest of Ms. Park, the former South Korean president. One of the judges who suspended the sentence said Mr. Lee’s involvement was mere “passive compliance to political power.” He said while Mr. Lee knowingly “provided a bribe” in the form of sponsoring certain equestrian sports because of pressure from Ms. Park, he never asked for any favors in return. Further, the high court found that Mr. Lee only sponsored 3.6 billion won (US\$3.31 million), or about half of the amount in the lower court’s fact-finding. Mr. Lee’s lawyer said the defense will appeal the sentence. Mr. Lee has returned to his management roles at Samsung since his release.

## **Former President Investigated for Corruption**

Prosecutors have resumed investigating former South Korean president Lee Myung-bak and certain Samsung officials for bribery. The investigation began after Samsung paid billions in legal fees for DAS, a local auto parts maker, to recoup its investments in a U.S.-based investment advisory firm in 2013. At the time, DAS hired the law firm Akin Gump, whose services were paid for by Samsung. Additionally, there were allegations that Mr. Lee used diplomats to force the advisory firm to return the investments to DAS. While the government has been unable to verify the ownership of DAS, the prosecution said that they “have come considerably close to the conclusion that DAS is owned by” Mr. Lee. The prosecutors also suspect that there is a \$12 million slush fund in DAS set aside for Mr. Lee.

## **SINGAPORE**

### **Keppel Executives Arrested as Investigation Continues**

Singapore’s Corrupt Practices Investigation Bureau (CPIB) arrested several former high-level executives of Keppel Corp (Keppel), including several executives of its Offshore & Marine unit (Keppel O&M). The arrests took place as part of CPIB’s investigation into individuals who were involved in the scandal in which Keppel O&M paid millions in bribes to obtain contracts with Brazilian oil conglomerate, Petrobras. Among the arrestees was Tay Kim Hock, the former president and chief executive of Keppel Fels Brasil, a subsidiary of Keppel O&M. Mr. Tay and the other arrested have been released on bail.



## HONG KONG

### Town Health International Medical Group Raided in the Continuing Probe into Convoy

The Independent Commission Against Corruption (ICAC) and the Securities and Future Commission (SFC) searched the offices of Town Health International Medical Group (Town Health) as they continue to investigate Convoy Global Holdings (Convoy), a financial advisory firm. Last December, several senior executives of Convoy were arrested following allegations that they siphoned company investments for personal use and sold shares of Convoy to insiders after obtaining the shares through private placements. Town Health's founder and executive deputy chairman is a former director of Convoy. While it is not clear what role Town Health played in the Convoy's corruption scheme, the ICAC and SFC said Town Health violated sections 9(1) and 9(2) of the Prevention of Bribery Ordinance, which criminalize company employees from accepting or offering bribes, and creating fake documents to deceive the company's principals.

## CHINA

### China's New Anti-Corruption Agency Formed

President Xi Jinping has combined Central Commission for Discipline Inspection (CCDI), the former corruption watchdog, and other anti-corruption agencies into a new, centralized anticorruption agency: the National Supervisory Commission (NSC). The NSC will be ranked as one of China's top agencies, just below the State Council and the Central Military Commission, and above Chinese courts and the prosecutors. The NSC will be led by one director, to be appointed by the National People's Congress. The National

Supervision Law, which will become NSC's governing law, will be submitted to the legislature on March 5.

Under the proposed governing law, the NSC is expected to have the power to detain any government employees for a certain period of time without a court order. This means that the NSC can arbitrarily arrest anyone on claims of corruption, anywhere in China, any time. The NSC will not be subordinated to any other administrative agencies in the government, though the new agency expects to work closely with the courts and prosecutors. While some of China's leading lawyers and law professors have vocally questioned the constitutionality of Mr. Xi's plan, proponents have stated that it is essential to fighting corruption in the modern Chinese society. Fan Peng, a politics researcher at the Chinese Academy of Social Sciences, a state school, is optimistic that the plan "will strengthen the leadership of the party through the form of rule of law."

### Rising Star of the Chinese Government Indicted for Bribery

Sun Zhengcai, former leader of the Communist Party in Chongqing, has been indicted for bribery. Mr. Sun was formerly seen as a party favorite to be promoted to the Politburo's Standing Committee, the most powerful group in the Chinese government. After the bribery allegations surfaced, President Xi has been sidelining Mr. Sun from any political promotions in recent years. Last year, President Xi formally dismissed Mr. Sun from public office for "serious discipline violations." Prosecutors of the Supreme People's Procuratorate said Mr. Sun "illegally accepted huge amounts of money and goods" in return for favors.

## Chief Internet Regulator Expelled, Fired Amidst Corruption Allegations

Lu Wei, head of China's internet regulator, has been dismissed from his remaining duties and expelled from the Communist Party. Mr. Lu was best known for his role in tightening control over access to social media in China. He strongly advocated the Chinese government's right to filter and censor content on the internet. The allegations against Mr. Lu include abuse of power, corruption, and "strategic arrangements on internet work." Mr. Lu has not been charged.

## PHILLIPINES

### Former President Sued Over Dengvaxia Scandal

The Volunteers Against Crime and Corruption (VACC) and Vanguard of the Philippine Constitution, Inc. (VPCI) sued former President Benigno Aquino III and several others for their involvement in the Dengvaxia dengue vaccine scandal. The VACC and VPCI alleged that President Aquino and the others improperly procured Dengvaxia, a vaccine against Dengue fever, from Sanofi Pasteur. Sanofi's Dengvaxia vaccines turned out to be defective, putting 80,000 school children at higher risks of contracting more severe dengue infections as a result of receiving the vaccines. The VACC and VPCI said President Aquino and his officials "imprudently implemented the Dengue Immunization Program of the DOH [Department of Health] en masse." Specifically, they said the President pressured members of the Bids and Awards Committee (BAC), which was responsible for procuring the vaccine for the government, into procuring the vaccines from Sanofi Pasteur, in violation of the country's procurement law.

## President Duterte Warning Against Corruption, Bulldozes Luxury Vehicles

President Rodrigo Duterte ordered thirty cars seized in government raids to be bulldozed in public. Normally, the government would auction smuggled goods and keep the sales proceeds, but President Duterte wanted to send a message to car owners who have smuggled foreign luxury cars into the country without paying proper import taxes. In recent years, many wealthy car owners have used their connection at the Bureau of Customs to evade import taxes. Ranked as one of the most corrupted agencies in the Philippines, the Bureau of Customs has, last year alone, dismissed two employees, suspended sixteen and reassigned 691 others over allegations of illegal activities. The 61.2 million pesos (US\$1.2 million) worth of cars flattened by the bulldozer included a Jaguar, a Lexus, a Corvette Stingray and other luxury German and Japanese cars.

### Ports Authority Officials Charged with Corruption

Juan Sta Ana and Raul Santos, both high-level management at the Philippine Ports Authority (PPA), have been indicted for corruption. The Office of the Ombudsman that issued the charges, said Mr. Ana and Mr. Santos improperly acted in favor of DMCI Mining Corporation by allowing its private port permit to be renewed despite incomplete applications. Mr. Ana and Mr. Santos could not "fully explain why the port permit was renewed" even though the company's application did not satisfy all of the requirements. Conchita Carpio, the Ombudsman, said the PPA officials' conduct was a "clear violation of PPA rules and regulations." The two officials denied the charges, saying what they acted in accordance with the applicable ordinance.

## **MALDIVES**

### **Judges Arrested After Releasing Government Opposition Leaders**

Chief Justice Abdulla Saeed and Justice Ali Hameed of the Supreme Court, have been arrested for bribery. Specifically, they were accused of accepting money from the former president, Maumoon Abdul Gayoom, in exchange for releasing certain opposition political leaders who had been in detention. Mr. Gayoom was also arrested along with the judges. The officials said Mr. Gayoom bribed government officials “to oust the government” and to create “dissent within armed forces to rebel against the government.” Shortly after the arrests, the Supreme Court annulled the earlier order to release the imprisoned political leaders. The specific charges and the whereabouts of the judges after the arrest have not been disclosed.

## **INDIA**

### **Survey Ranked India as More Corrupt than China**

In a new index that ranks 180 countries by “their perceived levels of public sector corruption” created by Transparency International, India ranked eighty-first, higher than China. It received a corruption score of 40 on a scale of zero to 100, with zero being highly corrupt and 100 being not corrupt. The average score was 43. Transparency International is a bipartisan organization based in Berlin, Germany, whose purpose is to combat corruption. Despite efforts by the government to curb corruption, India continues to be entrenched in corruption. For example, in 2014, government officials were found undercharging mobile companies for licenses in exchange for bribes. The scandal led to the investigation of the former prime minister, who was once perceived as the least corrupt in the country.

## **District Magistrate Charged with Corruption**

The Central Bureau of Investigation (CBI) raided the residence of Kanwal Tanuj, the district magistrate of the Aurangabad District, after formally registering its charges against Mr. Kanwal. He is accused of taking Rs 27,000,000 (US\$416,070), and in exchange, allowed certain land to be transferred to a subsidiary of a power plant known as National Thermal Power Corporation (NTPC). In India, an exchange of land must be done in the presence of the owners after they identify their land. In this case, Mr. Kanwal faked documents showing that the land belonged to one of his co-conspirators, when in fact it did not, in order to allocate the land for NTPC’s use.

## **BANGLADESH**

### **World Bank Debars Two Healthcare Companies**

The World Bank debarred two subsidiaries of Cidron Healthcare Limited for conduct related to projects in Bangladesh. According to the World Bank, Switzerland-based ConvaTec International Services GmbH misrepresented commissions paid to an agent in relation to the projects, while Malaysia-based ConvaTec Malaysia Sdn Bhd helped it engage in fraudulent practices. The companies acknowledged responsibility for the underlying conduct in their settlement with the World Bank and will be debarred for 18 months. The debarments were shortened because of the companies’ extensive cooperation in the World Bank’s investigation. Cidron Healthcare received a conditional non-debarment, allowing it to continue to be eligible for World Bank-financed projects as long as it complies with its obligations under the settlement agreement.

## LATIN AMERICA

### ARGENTINA

#### World Bank Debars Argentina Construction Firms

Three construction companies were debarred for 18 months after “knowingly misrepresenting work progress” on a World Bank-funded project in Argentina. The World Bank said that the three companies—Gavinor, S.R.L., J.C. Segura Construcciones S.A., and their joint-venture, Constructora J.C. Segura Construcciones S. A.-Gavinor S.R.L.—had a “fraudulent practice of knowingly misrepresenting work progress.” The project was aimed at helping small and medium sized agricultural producers become more profitable and productive. The companies took responsibility for the fraudulent practices and agreed to enhance their compliance standards under Negotiated Resolution Agreements. All three will be ineligible to participate in any World Bank-financed projects during their debarments.

### BRAZIL

#### Brazil Supreme Court Order Lifts Bank Secrecy in Corruption Investigation

Brazil’s top prosecutor was able to secure an order from Brazil’s Supreme Court lifting the bank secrecy of several individuals and companies under investigation in a corruption case involving the country’s president, President Michel Temer. The case involves alleged bribery in the extension of port concessions last year. Fernando Segovia, the head of Brazil’s federal police, told *Reuters* two weeks ago there was no evidence of corruption. The order allows prosecutors to probe bank accounts, tax information, and emails.

### GUATEMALA

#### Former President and Finance Minister Arrested in Corruption Investigation

Former Guatemalan President Alvaro Colom and former Finance Minister Juan Alberto Fuentes, now the chairman of Oxfam International, were arrested in February amid an investigation into certain bus purchases made during Mr. Colom’s administration. Eight other people arrested in the probe were former ministers in President Colom’s administration that signed the deal to purchase the buses. The United Nations-backed International Commission Against Impunity in Guatemala is taking the lead in pursuing the high profile corruption cases. As he entered the courthouse, Mr. Colom said, “We think everything was legal, but let’s wait and see what the judge says.”

### PERU

#### Proposed Anti-Corruption Law Would Reward Cooperating Companies

Under a proposed law unveiled in February, companies operating in Peru which aid prosecutors in corruption investigations would be shielded from financial restrictions. The Peruvian government aims to prevent a massive corruption probe—like the Odebrecht probe—from paralyzing its construction sector while at the same time encourage companies to come forward with evidence of wrongdoing. Under the proposal, the state would seize a “non-minority” of assets sold by companies that had acknowledged or been convicted of corruption, and the companies would be barred from transferring capital or dividends abroad. Companies that are merely under investigation could opt to form a state-managed escrow account to ensure its operations could continue. Companies that



broker a cooperation deal with the attorney general's office, however, would be excluded "entirely or partially" from the restrictions. It is unclear whether the proposal will pass.

## **AFRICA**

### **UGANDA**

#### **Uganda Suspends Five Officials After U.N. Allegations of Fraud in Management of Relief Aid**

Uganda said in February that it had suspended five officials after the United Nations alleged that there may have been fraud in the management of relief aid to the country, which is home to around 1.5 million refugees. One of the five officials suspended was Apollo Kazungu, a commissioner in the office of the prime minister who is in charge of refugees. Uganda said it would investigate the allegations, including claims that officials had defrauded donors by inflating refugee numbers and rerouting food aid. Both the United States and the European Union have called for an immediate investigation into the allegations. The European Union asked its anti-fraud office to conduct a separate investigation. U.S. Ambassador Deborah R. Malac said, "We cannot stress enough the fierce urgency for swift and definitive action. Anything less than such actions would breach the trust bestowed on Uganda by the international community."

### **SOUTH AFRICA**

#### **Zuma Resigns, Ramaphosa Elected as New South African President Amid Corruption Probe**

After a string of corruption scandals that have plagued his administration and drained support from his ruling African National

Congress party, South African President Jacob Zuma resigned in mid-February. ANC party leader Cyril Ramaphosa will serve as interim president. Mr. Zuma's resignation came after the ANC called a no-confidence vote in the leader. The ANC had publically called for his resignation a day earlier. Mr. Zuma previously refused to resign. As previously reported in the Digest, Mr. Zuma faces a number of corruption allegations and investigations. His resignation came just hours after police raided the home of the influential Gupta family, Indian-born billionaires who have been at the center of the corruption allegations against Mr. Zuma. After Mr. Zuma's resignation, Mr. Ramaphosa was elected as South Africa's interim president pursuant to a parliamentary vote. He pledged to take the country's corruption problems head on, stating that he would work hard "not to disappoint the people of South Africa." Mr. Ramaphosa, who will serve as president until elections next year, will have an uphill battle to win back disaffected voters after the major corruption scandals under Mr. Zuma's administration.

### **NIGERIA**

#### **Nigeria Will Sell Assets Seized in Anti-Graft Probe to Boost Treasury**

President Muhammadu Buhari said in mid-February that Nigeria will sell the assets it seized in anti-raft probes to boost the funds of Nigeria's treasury. The country's treasury reserves have allegedly been diminished in recent years by corrupt government officials. President Buhari was elected in 2015 on an anti-corruption message, promising to end government corruption in the country. "All mismanaged and misappropriated national assets recovered will be sold off and proceeds paid to the treasury for the benefit of the country," Mr. Buhari said through a spokesman.

## DORSEY ANTI-CORRUPTION GROUP

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- Africa
- Asia Pacific
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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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