

To: Our Clients and Friends

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## **Investors Beware: Dividends from Proceeds of Bribes at Risk**

In a civil recovery proceeding under the UK's Proceeds of Crime Act, a London court has approved an order agreed by Mabey Engineering (Holdings) Ltd with the Serious Fraud Office (SFO) to repay dividends of £131,201 derived from contracts won by its subsidiary through unlawful conduct, largely arising out of violation of UN-mandated sanctions on Iraq. The subsidiary had been convicted of bribery and sanctions violations in 2009, and several former officers and an employee of the company were successfully prosecuted. Since then, there has been a change in management; and the group has instituted controls which have been favourably reviewed by an independent monitor.

While the sum involved in the repayment of dividends in this case may not be large (largely due to the cooperation of the group), the SFO has sent a clear message that it intends vigorously to seek to recover money from shareholders who receive the proceeds of crime. The SFO emphasized in its press release that shareholders and investors – including institutional investors – are obliged to satisfy themselves concerning the business practices of firms they invest in.

Initial reaction from institutional investors has been one of alarm. Coupled with the new UK Bribery Act that suggests that investors must conduct adequate due diligence in connection with acquisitions, questions remain concerning what and how much due diligence will be enough.

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