



# ANTI-CORRUPTION DIGEST

**December 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**

#### **DOJ Scales Back Yates Memo Cooperation Requirements**

Deputy U.S. Attorney General Rod Rosenstein announced changes to the amount of information a company must provide during criminal and civil investigations to receive cooperation credit and reduced fines in remarks delivered on November 29, 2018. The changes are designed to “encourage companies to implement improved compliance programs, to cooperate in [DOJ] investigations, to resolve cases expeditiously, and to assist in identifying culpable individuals so that they also can be held accountable when appropriate.”

Rosenstein's changes to the criminal standard scale back the so-called “Yates Memo” policy, which required corporations to provide “all relevant facts about the individuals involved in corporate misconduct” to receive cooperation

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credit. Under the new policy, companies must only identify the individuals who were “substantially involved” in a potential crime to get credit for cooperating in the investigation. Rosenstein clarified that “substantially involved” is meant to capture those with “significant roles in setting a company on a course of criminal conduct.”

For civil investigations, Rosenstein announced an intention to give Government attorneys more discretion in resolving fraud cases. To get maximum credit for cooperating in civil investigations, companies must identify every person “substantially involved in or responsible” for the misconduct—most importantly, senior officials involved in the wrongdoing. Where a company provides any “meaningfully” helpful information, however, DOJ civil attorneys now have the discretion to offer a commiserate amount of credit.

## **DOJ Announces “China Initiative”**

Then-Attorney General Jeff Sessions announced the Department of Justice’s (DOJ) new “China Initiative” on November 1, 2018. Under the initiative, the DOJ has dedicated additional resources to countering Chinese national security threats and economic aggression by identifying and prosecuting unlawful economic conduct by Chinese companies and individuals. In particular, the initiative aims to “identify Foreign Corrupt Practices Act (FCPA) cases involving Chinese companies that compete with American businesses.”

Despite the appointment of a new attorney general shortly after the China Initiative was announced, the initiative is expected to continue under the leadership of Assistant Attorney General John Demers, head of the DOJ’s National Security Division. The head of the DOJ’s Criminal Division, other DOJ leaders, senior FBI officials, and five U.S. Attorneys serve on the China Initiative task force.

## **DOJ Charges Three in 1MDB Fund Scheme**

The DOJ announced indictments against two former Goldman Sachs bankers, Tim Leissner and Roger Ng, and one Malaysian financier, Roger Ng, related to their involvement in the multimillion dollar corruption scheme involving 1Malaysia Development Berhad (1MDB), a state-owned and controlled investment fund.

Leissner, the former head of Goldman Sachs of Southeast Asia, has pleaded guilty to conspiracy to launder money and conspiracy to violate the FCPA. In the plea, Leissner admits that he bribed Malaysian and Abu Dhabi officials to get benefits for Goldman Sachs and conspired to conceal facts from Goldman Sachs’ compliance and legal staff. He has agreed to forfeit \$43.7 million as part of his plea.

Ng has been arrested in Malaysia. The DOJ is seeking his extradition to the United States. Low has not yet been arrested.

Media reports also indicate that the DOJ and the Federal Reserve, Goldman Sachs’ main regulator, are ramping up their investigations into Goldman Sachs’ involvement with the 1MDB scheme.

## **Two Sentenced and One Charged in \$1 Billion Venezuelan Bribery and Money Laundering Scheme**

Former Venezuelan national treasurer, Alejandro Andrade Cedeño, was sentenced to ten years in prison for accepting bribes (including cash, private jets, yachts, cars, homes, horses, and expensive watches) as part of a scheme to launder money for Raúl Gorrín Belisario, a Venezuelan media mogul. Andrade admitted to accepting the bribes over a nearly seven year period, in exchange for using his position to secure government business opportunities for Gorrín. Andrade agreed to a \$1 billion forfeiture judgment and

forfeiture of all assets involved in the scheme. The case is *U.S. v. Andrade Cedeño*, No. 9:17-CR-80242 (S.D. Fla.).

Gabriel Arturo Jiménez, a Venezuelan citizen and former Dominican Republic bank owner, was also sentenced to three years for his involvement in the scheme. As part of his guilty plea, Arturo consented to a \$38 million forfeiture money judgment. The case is *U.S. v. Jiménez Aray*, No. 9:18-CR-80054 (S.D. Fla.).

The DOJ has indicted Gorrín for allegedly bribing high-ranking Venezuelan officials to secure the right to conduct foreign currency exchanges for the Venezuelan government. Gorrín has been charged with FCPA violations, conspiracy to commit money laundering, and nine counts of money laundering. While the DOJ has unsealed the indictment, Gorrín remains at large. The case is *U.S. v. Belisario*, No. 9:18-CR-80160 (S.D. Fla.).

## **Treasury Department Expands Real Estate Anti-Money Laundering Program**

On November 15, 2018, the Treasury Department announced that it has expanded an anti-money laundering program that requires disclosure of the owners of shell companies buying luxury real estate. The expansion drastically lowers the program's threshold purchase amount to include any all-cash purchase of \$300,000 or more. In addition, five new cities have been added to the program (Boston, Chicago, Dallas-Fort Worth, Las Vegas, and Seattle). The directive includes purchases made with crypto currency.

## **Financial Advisor Sentenced to Over Two Years for Hiding Bribes**

Jose Larrea, a Florida-based financial advisor, was sentenced to 27 months in prison for his

involvement in a \$1 million bribery scheme that helped a contractor maintain and gain new business from PetroEcuador, Ecuador's state-owned oil company. Larrea admitted to wiring more than \$1 million from his bank account to several other bank accounts to hide payments the contractor made to PetroEcuador. The indictment also alleged that Larrea backdated documents to conceal the bribes.

The DOJ has also indicted Chatburn Ripalda for his alleged involvement in the scheme. That included allegedly setting up shell companies and opening Swiss bank accounts to conceal bribes paid to PetroEcuador officials. The case is *U.S. v. Chatburn Ripalda et al.*, No. 1:18-cr-20312 (S.D. Fla.).

## **Soccer Officials Ordered to Pay \$2.63 Million in Restitution for Bribery**

Following last year's bribery conviction of two former world soccer officials, a district court judge awarded FIFA and two regional soccer federations \$2.63 million in restitution. This award was significantly less than the \$125 million sought. The case is *U.S. v. Napout et al.*, No. 15-CR-00252 (E.D.N.Y.).

# **EUROPE**

## **UNITED KINGDOM**

### **SFO Drops Prosecution of CEO Connected to ENRC Probe**

The U.K.'s Serious Fraud Office (SFO) has dropped its prosecution of Benedikt Sobotka, CEO of Eurasian Resources Group, the parent company of ENRC Ltd.

The SFO originally requested that Mr. Sobotka appear for questioning in relation to the agency's probe of ENRC, which is being investigated on fraud, bribery and corruption

charges. Mr. Sobotka failed to attend the questioning, which led the SFO to issue a warrant. Later that warrant was abandoned in favor of a summons to magistrates court in Westminster in London. Mr. Sobotka did not appear before that court. Although Mr. Sobotka is not a suspect in the investigation and, according to his lawyers, was never an employee of ENRC, his lack of cooperation triggered a prosecution.

The SFO revealed that the prosecution against Mr. Sobotka was dropped once the SFO concluded that there was insufficient evidence to support a potential conviction against him.

## **U.K. Oil Companies May Be Involved in Brazilian “Car Wash” Investigation**

Vitol, Glencore and Trafigura, global oil trading companies closely tied to the U.K., have been linked in a report to individuals being investigated or convicted in Brazil’s high profile “Car Wash” corruption investigation.

The Car Wash scandal involves executives from Petrobras, a Brazilian state oil company and has led to the imprisonment of a Brazilian president as well as other prominent local figures. The executives purportedly received kickbacks on multi-billion-dollar deals and routed some of these funds to political parties.

The report containing the allegations was prepared by Global Witness, an anti-corruption NGO. Global Witness has called on the U.K.’s Serious Fraud Office and U.S. authorities to investigate the potential links between the oil giants and businessmen, which each company denies.

### *Vitol*

The report alleges that payments were made by Vitol to two men, one of whom is Swedish businessman Bo Ljungberg. Jorge Luz, a member of criminal gang Brasil Trade, who is known as the “Deacon of Bribes”, has accused

Mr. Ljungberg of being a fellow member of the criminal gang. Mr. Ljungberg was charged with being a member of the gang, paying bribes and money laundering, although he denies any involvement. Vitol acknowledged that it had paid Mr. Ljungberg to act as an agent in order to identify oil deals but denies that there was anything untoward about the relationship.

Vitol has also been linked to Nelson Ribeiro, who is currently under investigation for allegedly transferring \$5.7m of bribes from Brazilian engineering firm Odebrecht to Petrobras executive Paulo Costa, who was jailed for 12 years for accepting tens of millions of dollars in bribes. Vitol’s half-owned U.K. subsidiary, Cockett Marine, paid \$8.2m to two offshore companies owned by Mr. Ribeiro. \$1.3m of this amount was transferred after Vitol purchased its 50% stake in the company. Federal police commented: “The transfer of resources of a large company that maintains billion-dollar contracts with Petrobras directly to offshore accounts belonging to a professional money launderer seems strange.”

### *Glencore*

Glencore has been linked to Luiz Andrade, another member of Brasil Trade who has been charged with receiving money from Mr. Luz which he passed on to a senior Petrobras official. It is alleged that Mr. Andrade and other Brasil Trade members considered doing business with Glencore. After an internal review, Glencore revealed it had an agreement with Mr. Andrade, relating to the purchase of fuel oil cargo from Petrobras in 2011.

Further, Glencore’s U.K. subsidiary, Ocean Connect Marine, is alleged to have made at least 121 payments worth \$2.1m to Seaview Shipping, a U.K. registered company, between 2010 and 2014. Seaview is owned by Konstantinos Kotronakis and his son. Mr. Kotronakis is being investigated for allegedly running a bribery scheme which



passed inside information from Petrobras executives to shipping companies in order to assist them in winning \$900m worth of contracts. Prosecutors claim there is a high probability that the payments made from Ocean Connect Marine to Seaview were used to corrupt Mr. Costa and other Petrobras officers.

### *Trafigura*

Documents presented to the Brazilian Supreme Court suggest that Mr. Luz may have discussed a proposal from Trafigura with Mr. Costa, by which Trafigura would lend Petrobras money in exchange for discounted oil. Trafigura claims the plan was rejected by Petrobras executives. The oil company also denies that Mr. Luz was retained to lobby for the firm.

Trafigura declined to say whether it was under investigation in Brazil. However, it refused to hand over documents requested by Global Witness in a freedom of information request, on the basis that Trafigura was the subject of an investigation by federal police.

## **Bribery Convictions at FH Bertling**

Stephen Emler, Giuseppe Morreale, Christopher Lane and Colin Bagwell are the latest individuals to be convicted of bribery in the U.K.'s Serious Fraud Office (SFO)'s four year investigation into FH Bertling, a logistics and freight forwarding company which went into voluntary liquidation in March 2018.

The SFO focused on two suspected bribery schemes in connection with North Sea oil exploration contracts. The first scheme, under which Mr. Emler, Mr. Morreale and others were implicated, revealed corrupt payments made to secure a ConocoPhillips freight forwarding contract valued at over \$20.4m. The second scheme, in which Mr. Lane and Mr. Bagwell were involved, discovered further payments had been made to ensure ConocoPhillips did not question the inflated

prices FH Bertling charged for additional freight services.

The investigations uncovered over \$446,230 of dishonest payments and led to 13 individuals being charged. Of those 13 individuals, 9 were convicted and 4 were acquitted.

SFO Director Lisa Osofsky commented "These senior executives failed to show any integrity, resorting to bribery to secure lucrative contracts and hide their illicit activities. It is our mission to bring criminals like these to justice [...] Bribery has no place in business in Britain or abroad. It undermines the rule of law, distorts our economy and damages the reputation of the UK."

A sentencing hearing has been scheduled for December 11, 2018.

A separate investigation by the SFO into FH Bertling's dealings in Angola also resulted in charges against Messrs. Emler and Morreale, among others, in connection with payments made to an agent of Sonangol, the Angola state oil company, in exchange for approximately \$21m worth of shipping contracts.

## **Completion of the SFO's First Deferred Prosecution Agreement with Standard Bank PLC**

The three year Deferred Prosecution Agreement (DPA) in place between Standard Bank PLC (now known as ICBC Standard Bank PLC) and the U.K.'s Serious Fraud Office (SFO) has expired, marking the first completion of such an agreement in the U.K.

The SFO confirmed the bank's full compliance with the terms of the DPA following their conviction of failure to prevent bribery in connection with a \$6m payment by a former sister company of the bank, Stanbic Bank Tanzania, to Enterprise Growth Market Advisors for the purposes of securing a \$600m contract.

The main obligations imposed upon the Bank under the DPA included full cooperation with the SFO and other authorities investigating the bribes, \$6m (plus interest) of compensation to be paid to the Government of Tanzania, confiscation of \$8.4m in fees paid to Stanbic Tanzania and the bank through the secured contract with the monies to be passed to the U.K. Treasury, \$16.8m fine to be paid to the U.K. Treasury, the commission of a review by Price Waterhouse Coopers on the bank's internal anti-bribery and corruption compliance procedures and swift implementation of any recommendations and payment by the Bank of the SFO's costs of around \$381,554.

Lisa Osofsky, Director of the SFO, explained that "DPAs are a way of holding companies to account without punishing innocent employees, and are an important tool in changing corporate culture for the better".

The Standard Bank DPA was one of four entered into by the SFO since the introduction of DPAs in 2014, which has resulted in over \$852m of penalties paid to the Treasury.

## DENMARK

### Charges of Money Laundering Against Danske Bank in Denmark

Preliminary charges have been filed by Danish Prosecutors against Danske Bank on four counts of alleged money laundering following an investigation into suspicious transactions. The transactions were allegedly made between 2007 and 2016 at the bank's Estonian branch and Copenhagen headquarters and are alleged to be valued at \$225m.

The charges include failure to provide anti-money laundering training to staff, omitting to incorporate the Estonian branch into its risk-management control programs and holding

insufficient information on non-resident customers. Danish state prosecutors are now exploring possible criminal charges against the bank and considering whether certain individuals can be held personally responsible for the suspected crimes.

Shares in Danske Bank have already lost around half of their value since March this year. According to Nordnet economist Per Hansen, shareholders have already estimated a fine of approximately \$4.5bn may be imposed upon the bank. Mr. Hansen remarked: "The possible financial consequences of a fine are relatively small in relation to the damage already inflicted and the risk of U.S. authorities entering the case".

The magnitude of the scandal has pushed legislators to tighten anti-money laundering laws and raise penalties by 700%.

## GERMANY

### Deutsche Bank Offices Raided in Investigation Linked to Panama Papers

In 2016, a large data leak from Mossack Fonsenca, a law firm based in Panama, known as the 'Panama Papers' revealed wide spread tax evasion. Deutsche Bank was one of many financial institutions, including, among others, Citigroup, Credit Suisse, HSBC, UBS and Société Générale, named in media reports arising from the Panama Papers.

In late November, police in Germany raided several offices of Deutsche Bank, Germany's largest lender, in Frankfurt in connection with suspected money laundering linked with revelations from the 'Panama Papers'. According to the Frankfurt prosecutor's office, Deutsche Bank is being accused of assisting clients who set up offshore companies in tax havens to "transfer money from criminal activities" to Deutsche Bank accounts.

In a statement, the bank confirmed the raids, commenting that it was "fully cooperating" with the German authorities and confirming that "the case is related to the Panama Papers". German authorities said that their investigation was focusing on two individuals employed by the bank, and "several" other unidentified senior staff members. The individuals are accused of failing to report suspicions of money laundering despite evidence suggesting illegal activity.

## ITALY

### Broker Firm Used in Eni and Shell Nigerian Deal Not Properly Vetted

A former board member of Italian oil giant Eni has alleged that the company failed to conduct thorough background checks on Emeka Obi, a middleman it hired to broker its and Royal Dutch Shell's \$1.3 billion Nigerian acquisition of Nigeria's OPL 245 offshore oilfield in 2011.

Milan prosecutors have alleged that a total of \$1.1 billion of bribes were paid in order to win the license to explore the oilfield, including to Mr. Obi. The individuals charged have denied any wrongdoing.

Luigi Zingales, a former Eni board member, told judges that he had flagged to current Eni CEO Claudio Descalzi that there had been a lack of due diligence conducted on Mr. Obi's broker firm. Mr. Descalzi allegedly retorted that Mr. Zingales "asking questions was paralyzing the company". Mr. Zingales described this failure as a "significant hole in governance." He also noted that using a middleman was not normal practice for Eni.

Separately, Mr. Obi was found guilty of international corruption by a Milan court in September. It was determined that Mr. Obi received \$114 million from former Nigerian oil minister, Dan Etete, in order to find a buyer for the aforementioned OPL-245 field.

The OPL 245 oilfield is one of the greatest sources of untapped oil reserves in Africa, with an estimated 9 billion barrels. Despite its potential for exploitation, the corruption allegations have meant that it has not yet entered into production.

## MONACO

### Russian Tycoon Returns to Moscow After Detention in Monaco On Corruption Charges

Dmitry Rybolovlev, a Russian tycoon and owner of soccer club AS Monaco, has returned to Moscow under judicial control terms after being detained by Monaco police. Police had detained Mr. Rybolovlev for questioning in a corruption and influence peddling investigation. They also raided his luxury home in Monaco which led to a judge declaring him a formal suspect in the probe.

The underlying dispute relates to Mr. Rybolovlev's allegations that Yves Bouvier, his former art dealer, overcharged him by a total amount of \$1 billion for 38 pieces of art he purchased between 2003 and 2014. Mr. Rybolovlev is suing Mr. Bouvier in Monaco, Singapore and Switzerland. Mr. Bouvier denies any wrongdoing.

For over a year, a Monaco judge has been considering allegations that Mr. Rybolovlev had been attempting to influence Monaco law enforcement officials in his dispute with Mr. Bouvier. Mr. Rybolovlev denies the accusations and has yet to be formally charged. Under the laws of Monaco, a suspect is not formally charged unless he is sent to trial.

Mr. Rybolovlev has also sued Sotheby's for \$380 million, claiming that the auction house helped Mr. Bouvier with his alleged fraud. Sotheby's described the claim as "desperate".

## GREECE

### French Banker Suspect in Greek Bribery Scandal Flees

Greek authorities are searching for French banker Jean Claude Oswald. He broke his electronic tag and went missing from house arrest shortly after returning home from a court hearing.

Mr. Oswald is currently on trial in Athens in connection with the alleged bribery of Greek officials by foreign companies trying to secure lucrative arms and telecommunications deals. He has denied any wrongdoing.

Mr. Oswald has previously been charged, along with 11 others, with facilitating the transfer of kickbacks worth over €60 million (approximately \$68.4 million) related to the Greek navy's acquisition of submarines and self-propelled howitzers manufactured by German firm Krauss-Maffei Wegmann.

## SWITZERLAND

### Vitol Accused of Using Hidden Kazakh Connections For Profit

NGO Public Eye has accused Vitol, Switzerland's second largest company and the world's largest private oil trader, of using opaque business structures to conceal its links to key petroleum industry figures in Kazakhstan who helped the company secure local contracts.

According to the report, the key structure used to conceal these relationships was a joint venture, Ingma Holdings NV, between Vitol's Dutch subsidiary (49% interest) and Oilex NV (51%). Oilex NV is owned by Arvind Tikku, a politically exposed person (PEP) with ties to Kazakh president Nursultan Nazarbayev's son-in-law, Timour Koulibayev. Two other PEPs are said to have benefited from the joint venture, which paid over \$1 billion in dividends

to its shareholders. Partnering with PEPs is perceived to carry high risks of corruption.

The joint venture was registered in Rotterdam in 2003. It has no website, nor is it mentioned in any Vitol corporate materials. Public Eye claims that Ingma posted revenue of US\$93.9 billion and net profits of US\$1.1 billion between 2009 and 2016, despite having only 11 employees and ten subsidiaries, including Vitol Central Asia.

Vitol claimed that it has a rigorous compliance framework to ensure it complies with anti-corruption laws, and that, in addition, it "implements all the measures suggested by Public Eye and is already obliged to implement robust due diligence and anti-bribery procedures under the UK Bribery Act 2010 and other similar legislation".

Kazakhstan ranks 122 out of 180 on Transparency International's Corruption Perceptions Index. Its oil industry amounts to 50% of its GDP. Vitol has played a large part in the country's oil export sector for the past decade, reportedly being responsible for the sale of nearly a quarter of the country's crude oil for export in 2014.

### Swiss White Collar Crime Head Fired After Bribery Allegations

Olivier Thormann, head of the Swiss Office of the Attorney General's (OAG) white collar crime unit, has been fired despite being cleared of allegations of bribery.

Mr. Thormann was being investigated after a tip-off which alleged that he had taken bribes, breached secrecy rules and offered preferential treatment while handling the investigation into soccer governing body FIFA. Former Zurich public prosecutor Ulrich Weder was conducting the investigation into Mr. Thormann and found that there was no criminal case to answer.

The OAG announced: "Attorney General Michael Lauber and Olivier Thormann have



agreed that the latter's employment contract will be terminated. This step has been taken following joint discussions and a thorough assessment of the situation [...] The OAG wishes to thank Olivier Thormann for the work he has done, in particular in successfully establishing the White-Collar Crime Division as a centre of expertise in combating international corruption, money laundering and general white-collar crime."

Both the OAG and Mr. Thormann declined to provide further details.

## **BOSNIA AND HERZEGOVINA**

### **Five Arrested in Bosnia and Herzegovina on Power Abuse and Bribery Charges**

Bosnia and Herzegovina's (BiH) police force have arrested five people on charges of power abuse and bribery in relation to the construction of the Komrad Public Utility Company building in Bihac.

Those arrested include Emdzad Galijasevic, a former mayor of the BiH city of Bihac. Mr. Galijasevic was arrested upon opening an envelope which contained a 10,000 KM (\$5,760) bribe, paid with marked banknotes by a businessman cooperating with the BiH prosecutors.

Bihac City Administration and Komrad have been searched on the order of BiH prosecutors.

## **MACEDONIA**

### **Former Macedonian Prime Minister Granted Asylum in Hungary After Arrest Warrant**

Former Macedonian prime minister Nikola Gruevski has been granted asylum in Hungary following a warrant issued for his arrest by a Macedonian court.

Mr. Gruevski was convicted in Macedonia in May of using a state-purchased €600,000 (\$677,500) Mercedes for personal travel. That was the first in a number of graft cases to be brought against the right-wing former leader. He was handed a two-year sentence for abuse of power in October and fled the country, meaning that he failed to show up to begin his sentence. His failure to turn himself in was the basis upon which the Macedonian court issued an arrest warrant. Mr. Gruevski has denounced the conviction as politically motivated.

The Hungarian Immigration and Asylum Office claims that the legal conditions required to grant asylum to Mr. Gruevski had been met.

## **HUNGARY**

### **Police Close Corruption Probe Linked to Hungarian Prime Minister**

A corruption probe linked to Prime Minister Viktor Orban's family has been terminated. A spokesman for the Hungarian police decisively declaring that a "crime did not take place".

The police initially opened the probe in February, on the basis of a report by the European Union (E.U.)'s anti-fraud office OLAF, which claimed to have uncovered "serious irregularities" and a "conflict of interest" in Hungarian public lighting projects to modernize street lighting between 2011 and 2015. The projects, part-funded by the E.U., resulted in the award of tens of millions of euros worth of contracts to Elios, a firm once controlled by Prime Minister Orban's son-in-law Istvan Tiborcz as well as a second man who also owned another company which advised local authorities on public tenders.

A government official claimed that "it has been proved that the 'Elios Report' was nothing but a political campaign ploy from Brussels", ahead of the Hungarian election in April.

The decision to close the probe has strengthened doubts about the independence of Hungarian law enforcement bodies. It has increased pressure on Hungary to join the E.U.'s planned independent European Public Prosecutor's Office (EPPO) body. That Office will investigate and prosecute E.U. budget fraud. Hungary, along with five other E.U. member states, does not plan to participate, arguing that joining the EPPO would infringe on its sovereignty.

## **POLAND**

### **Ex-Head of Polish Financial Regulator Detained Over Bribery Allegations**

Marek Chrzanowski, the director of the Financial Supervision Authority, the Polish financial regulator, was detained after his resignation from the regulator as a result of bribery allegations. It is reported that he will be transported to Katowice to be questioned by prosecutors from the Polish Central Anti-Corruption Office over the suspected crimes.

Mr. Chrzanowski allegedly sought the bribe during a meeting with Leszek Czarnecki, the controlling shareholder of the troubled Getin Noble Bank. Mr. Chrzanowski is said to have asked Mr. Czarnecki to hire a particular lawyer and pay him a bribe of 40 million zlotys (approximately \$10.5 million) in exchange for protection during the bank's restructuring. Mr. Czarnecki recorded the exchange after Prime Minister Mateusz Morawiecki asked prosecutors to look into Mr. Chrzanowski.

Mr. Chrzanowski denies the allegations and claims that he resigned "out of responsibility for the efficient functioning of the supervision over the financial market and the need for a thorough explanation of the matter for the good of the state."

Zbigniew Ziobro, prosecutor general and justice minister in Poland, vowed to personally take charge of the investigation.

Mr. Chrzanowski was appointed by then-Prime Minister Beata Szydlo, who came into power on the Law and Justice party's promises to fight corruption.

Mr. Czarnecki, who also owns Idea Bank SA, was subsequently accused by Poland's central bank governor Adam Glapinski of trying to "destabilize the Polish banking system". Mr. Glapinski recently admitted that he may also have been secretly recorded by Mr. Czarnecki and is thought to be seeking to minimize any damage to his own reputation. He told Poles their money was safe and called on politicians to not play "games" to further their political agendas.

## **ROMANIA**

### **Romanian Authorities Request Stripping of Senator's Parliamentary Immunity**

Romanian authorities have requested that the Romanian Senate lift the parliamentary immunity of Senator Calin Popescu Tariceanu in relation to bribery allegations.

Authorities are hoping to strip Mr. Tariceanu of his immunity in order to investigate claims that the senator received an \$800,000 bribe from an Austrian company, in relation to fictitious contracts with offshore companies. The bribe was alleged to have been made in 2007 or 2008, during which time Mr. Tariceanu was serving as Romania's prime minister.

## **RUSSIA**

### **Former Russian Judge Sentenced in Extortion Case**

Makhach Aliyev, a former judge from Makhachkala, the capital of Russia's Republic of Dagestan, has been handed a three year sentence and a fine for extortion.

Mr. Aliyev was found guilty of attempting to extort 500,000 rubles (approximately \$7,500) in a case that he adjudicated in February 2015. Mr. Aliyev had placed the defendant in the case, who had allegedly acquired drugs, on the wanted list, issued a warrant for his arrest and repeatedly postponed hearings in order to demand the bribe from the defendant's mother in exchange for a non-custodial sentence for the defendant. When the defendant's mother paid a reduced bribe of 400,000 rubles (approximately \$6,000), Mr. Aliyev was arrested.

Mr. Aliyev will serve his sentence in a high security prison. He has also been fined 2 million rubles (approximately \$30,000) and prohibited from holding a public post for five years.

## Claims of High-Level Corruption at Russian Missile Corporation

A Russian independent newspaper, *Novaya Gazeta*, has made allegations of high-level corruption at the state-controlled KTRV missile corporation.

It is alleged that Olga Zorikova, daughter of KTRV director Boris Obnosov, has an ownership interest in a business that handles most of KTRV's contracts. Mr. Obnosov is known to have met with President Vladimir Putin frequently to advise him on new weapons. Neither Ms. Zorikova nor Mr. Obnosov would comment on the allegations.

A spokesman for President Putin confirmed that the Kremlin was aware of the report but would not comment on the claims, pending a decision from Russian law enforcement agencies as to whether to conduct a probe.

## Russian Nuclear Head Detained Over Crimean Bribe

Igor Sushkov, current head of security system provider Dedal, has been detained regarding

a 2.5 million ruble (US\$38,000) bribe allegedly made in Crimea.

Mr. Sushkov was captured on video bribing a border agent employed by Russia's Federal Security Service (FSB) in April of this year. He faces up to 15 years in prison, as do an unnamed subordinate and an accomplice.

Dedal is a subsidiary of Rosatom, Russia's state nuclear corporation. Rosatom claimed to be cooperating with authorities in the investigation.

These are not the first allegations of bribery in relation to Rosatom: the head of another Rosatom subsidiary was charged in the U.S. in 2014 for soliciting a bribe in exchange for uranium shipment contracts. In addition, Sergie Fedyayev, Mr. Sushkov's predecessor, was detained earlier this year on embezzlement charges.

# MIDDLE EAST

## ISRAEL

### Israel Could Face International Sanctions For Not Complying with Anti-Corruption Measures

Israel has not implemented the Common Reporting Standard (CRS), a key OECD anti-money laundering measure, despite the OECD's September 2018 deadline to do so. The CRS standardizes the automatic exchange of information between OECD countries. Although Israel has until May 2019 to start collecting information, the country failed to pass the necessary legislation by September 2018, putting it at risk for sanctions, which could include a place on the European Union's blacklist for non-compliance. Overseas banks could also make it much harder for Israeli banks to transfer clients' money abroad, according to a banking official at the Knesset Finance committee.

The holdup in passing the necessary laws lies in the thousands of free-loan societies in Israel's ultra-Orthodox community, which allow for those with means to donate money for the poorer members of the community to borrow. However, according to Israel's anti-money laundering authority, many free-loan societies are used to launder cash and evade paying taxes. Since 2014, Israel has signed onto the U.S.'s Foreign Account Tax Compliance Act, pledging that the Israel Tax Authority would share information it held about U.S. citizens. Israel convinced U.S. authorities to exclude from FATCA information about free-loan societies that hold less than \$50,000. However, Israeli authorities were given two years to ground this exclusion in Israeli law, and did not do so. Now the free-loan societies are in limbo, with banks closing the free-loan societies or ordering their managers to go to others. The Knesset Finance Committee head, Moshe Gafni of the ultra-Orthodox United Torah Judaism party, has refused to allow for the passage of regulations allowing for implementation of the CRS until these regulations are passed.

### **Police Make Recommendations to Charge High Profile Figures in Submarine Bribery Case**

Police have made recommendations to the police regarding who to indict in the submarine bribery case. Police asked prosecutors to indict Prime Minister Benjamin Netanyahu's former lawyer, David Shimron, the former National Security Council deputy head, Brig. Gen (res.) Avriel Bar-Yosef, former navy chief Eliezer Marom, former Netanyahu chief of staff David Sharan, former minister Eliezer Sandberg, and Brig. Gen (res.) Shay Brosh.

The six individuals are accused of bribery, fraud, breach of trust, money laundering, and other charges. One of the main figures in the case, Miki Ganor, a former agent for Thyssenkrupp, signed an agreement last year with prosecutors in which he agreed to serve only one year in prison and pay around

\$2.7 million in return for turning state's witness. The six individuals recently arrested are accused of taking actions to help Mr. Ganor become the Thyssenkrupp representative and pushing deals for the German manufacturer in return for fees.

## **UNITED ARAB EMIRATES**

### **Abu Dhabi Fund Sues Goldman Sachs Over Role in 1MDB Scandal**

Abu Dhabi sovereign wealth fund International Petroleum Investment Company (IPIC) and its subsidiary, Aabar, sued Goldman Sachs, three of its Asian subdivisions, and three bankers over its role in the 1Malaysia Development Berhad (1MDB). The bank arranged for three bond sales for 1MDB in 2012 and 2013, raising a total of \$6.5 billion for the fund, \$2.7 billion of which was stolen. The bond sale earned Goldman over \$600 million in fees. In the lawsuit, filed in New York federal court, IPIC claims that Goldman conspired with others to bribe IPIC and Aabar executives, in return for misusing the "companies' names, networks, and infrastructures to further the criminal schemes and to personally benefit Goldman Sachs." The bankers named in the suit include two former bankers, Tim Leissner and Roger Ng, as well as one banker currently placed on leave, Andrea Vella. Mr. Vella previously served as Goldman's co-head of investment banking in Asia.

## **SAUDI ARABIA**

### **Prince Khaled bin Talal Freed Following Months of Detention**

Prince Khaled bin Talal was freed from a nearly one year detention following his criticism of the country's corruption crackdown. The Saudi government has not given any explanation for his detention or



release. The *Wall Street Journal* reported that he was held for 11 months for criticizing last year's corruption crackdown which resulted in the mass detention of businessmen, ministers, and other high-profile individuals. Prince Khaled's release comes amid pressure on the Saudi government following the murder of journalist Jamal Khashoggi.

## ASIA

### MONGOLIA

#### Government Officials Embezzled Over \$1 Million from Fund for Small Businesses

Mongolia's anti-corruption agency is investigating whether government officials have been using their power to direct money from the country's SME fund, which was set up 18 years ago to offer loans to small and medium enterprises. Government ministers, members of parliament, the general prosecutor, general auditor, and former head of intelligence are all among those accused of either using their influence to direct loans to their family or friends, or putting the fund's money into high-interest accounts. In the beginning of November 2018, reports were leaked to the news website *lkon* of the corrupt activity. Anger over the leaked reports has already forced Batjargal Batzorig, the former Food, Agriculture, and Light Industry Minister who oversaw the SME fund, to resign from his position. The reports had shed light on the fact that Mr. Batzorig granted a \$547,000 loan to a transport company run by his wife.

## CHINA

### China's Anti-Graft Authority to Inspect Financial Firms

China's anti-corruption agency is inspecting financial firms in response to incidents of misconduct at banks, such as intentionally overselling stocks and faking official seals to illegally approve insider trading. The inspection teams will look at enterprises administered by the State-owned Assets Supervision and Administration Commission, major State-Owned Banks, China's largest Insurance Companies, and policy banks, such as the China Development Bank. The Secretary of the Communist Party of China Central Commission for Discipline Inspection, Zhao Leji, said that teams will be dispatched for inspection and supervision, but did not reveal any other details regarding when the teams will be dispatched or how long they will stay in place.

### Former Chief of China Huarong Arrested

The former head of China Huarong Asset Management, one of the country's largest asset management firms, was arrested in early November, according to local media sources. Lai Xiaomen had been under investigation since early 2018 by China's anti-graft agency and was detained in April. Mr. Lai was also expelled from the Communist party due to accusations of taking bribes and for "blindly" and in a "disorderly" fashion shifting China Huarong's business away from its core business of distressed debt investing.

### Former Vice Governor of Liaoning Province Stands Trial

Liu Qiang, former vice governor of Liaoning Province, stood trial for taking bribes and disrupting elections. Mr. Liu was charged with accepting money and property worth more than \$1.5 million between 2000 and 2017 in

return for helping others with business operations, project contracts, and job promotions. In addition, Mr. Liu is also accused of disrupting the local election by using his power and influence as secretary of the Communist Party of China Fushun Municipal Committee in an attempt to be elected as vice governor of Liaoning Province. The court has not yet announced the verdict.

## **SRI LANKA**

### **Political Turmoil Deepened Amid Accusations of Bribery**

Although Sri Lankan President Maithripala Sirisena unexpectedly fired Prime Minister Ranil Wickremesinghe last month and replaced him with former president Mahinda Rajapaksa, the Sri Lankan government has refused to recognize the appointment of the new prime minister. Mr. Wickremesinghe's was dismissed because the President said he was inflexible and corrupt. However, Mr. Rajapaksa has been accused of war crimes stemming from Sri Lanka's civil war. Both men claim to still hold power.

Bribery accusations are further adding to the political turmoil. Members of parliament who support Mr. Wickremesinghe have said that backers of Mr. Rajapaksa have offered them bribes of over \$2 million to switch their allegiances. Although Mr. Rajapaksa's government has faced two no-confidence motions since being put in charge by the President, the new government has refused to resign by terming the vote invalid. President Sirisena dissolved parliament and ordered elections to break the deadlock. The Supreme Court, however, ordered a suspension of that decree while it hears petitions challenging the move as unconstitutional. A verdict is expected early December.

### **Company Director on Trial for Bribery**

Chia Sin Lan, company director of 19-ANC Enterprise and 19-NS2 Enterprise, and business partner Wong Chee Meng are on trial for allegedly making bribes amounting to more than \$107,000 over two years. The two companies do work for town councils, and the money was paid to advance their business interests. The allegations include Mr. Lan's instructions to Mr. Wong not to keep any receipts of the drinking and karaoke sessions that he attended with the town council's former general manager. Mr. Lan also instructed Mr. Wong to use vague remarks in the handwritten ledger so authorities would not be able to find out about the expenses. Both men face 54 charges of corruption, while the companies face one charge each.

## **MALAYSIA**

### **Former Chief Minister of Sabah Charged with Corruption**

The former Chief Minister of Sabah, Musa Aman, was charged with 35 counts of corruption in early November 2018. The corruption charges allege that Mr. Musa received about \$63 million in exchange for offering timber concessions in the east Malaysian state of Sabah. Mr. Musa was arrested by the Malaysian Anti-Corruption Commission.

### **Goldman Sachs Could Face Significant Penalties Related to 1MDB**

According to the Wall Street Journal, Goldman Sachs' third quarter filings with the SEC acknowledged that it could face significant penalties related to its role in the 1Malaysia Development Berhad fraud which could run as high as \$1.8 billion above its total reserves for such matters. The filing also acknowledged that there were weaknesses in its compliance

program in that its internal accounting controls could be easily circumvented. Goldman Sachs is alleged to have made about \$600 million in fees from selling bonds for 1MDB.

## **FIFA Ethics Judge Arrested**

FIFA ethics committee judge Sundra Rajoo was arrested by the Malaysian anti-corruption commission on suspicion of using his office for financial favors. Although Mr. Rajoo has been released due to his diplomatic immunity, according to his lawyer, he has since resigned his position with the Asian International Arbitration Centre.

## **Malaysia and Pakistan Leaders Pledge to Cooperate on Anti-Corruption Efforts**

Malaysian Prime Minister Mahathir Mohamad and Pakistani Prime Minister Imran Khan recently met in Malaysia to discuss cooperation between the two countries. Among the topics discussed, which also included tourism and joint defense efforts, was combatting corruption in the respective countries. Mr. Khan said that he was eager to learn about Malaysia's efforts at eradicating corruption, since both leaders came to power on anti-corruption platforms with high national debt.

## **SINGAPORE**

### **House Deputy Speaker Detained over Corruption Allegations**

Taufik Kurniawan was detained by the Corruption Eradication Commission over allegations that he accepted bribes totaling more than \$244,000 in 2016 in relation to the allocation of special allocation funds in 2016. The bribes were paid to Mr. Taufik by Muhammad Yahya Fuad, who was the regent of Kebumen in Central Java at that time.

Mr. Taufik is the House of Representatives deputy speaker and senior National Mandate Party politician and is the second House leader to have been accused of bribery during President Joko Widodo's tenure.

## **Three Accused of Receiving and Paying Bribes**

Freelance translator Abdul Aziz Mohamed Hanib, insurance agent James Yeo Siew Liang, and company director Benjamin Chow Tuck Keong have been accused of corruptly receiving or giving bribes relating to the selection of certain insurance firms for the provision of performance bonds for Indonesian maids. Mr. Aziz is accused of receiving over \$71,000 on behalf of a member of the Indonesian embassy, Agus Ramdhany Machjumi. The bribe came from Mr. Yeo, who represented AIG Asia Pacific and Liberty Insurance, and was in return for showing favor to the insurance companies. Mr. Aziz also received another \$40,000 from Mr. Yeo as a reward for arranging the firms' accreditation. Finally, Mr. Aziz unsuccessfully solicited bribes from another insurance company, promising to help that firm get accredited as well. Mr. Chow is accused of introducing Messrs. Aziz and Yeo with the knowledge that Mr. Aziz would be soliciting bribes on behalf of Mr. Agus. As of now, Mr. Agus has not been charged.

## **INDONESIA**

### **Judge and Court Clerks Arrested on Suspicion of Bribery**

A judge and at least five court clerks were arrested in South Jakarta on suspicion of bribery, according to Indonesia's Corruption Eradication Commission (KPK). Along with the individuals, the KPK seized over \$32,500. The KPK has refused to disclose the identity of the arrested individuals, only noting that the arrests were related to a case handled in the South Jakarta District Court.

## Twelve Year Prison Sentence Demanded in e-ID Card Scandal

Prosecutors from the Corruption Eradication Commission have asked the court to sentence Irvanto Hendra Oambudi and Made Oka Masagung to 12 years in prison for their involvement in the e-ID card procurement scandal. The two men allegedly collected cash which was funneled to former House of Representatives speaker Setya Novanto, who is currently serving a 15 year sentence for his part in the scandal. Mr. Irvanto was the director of PT Murakabi Sejahtera, a security printing company that was part of the consortium of companies that won the e-ID project in 2011. Mr. Made Oka was the owner of Singapore investment company PT Delta Energi and is suspected of acting as a middleman. Mr. Irvanto allegedly received \$3.5 million for his part in the scandal, while Mr. Made Oka allegedly received \$3.8 million.

## JAPAN

### Nissan Chairman Arrested For Understating Income on Financial Statements

Nissan Chairman Carlos Ghosn, along with senior executive Greg Kelly, were arrested by Japanese prosecutors after a whistleblower revealed that Mr. Ghosn had understated his income on financial statements in the Tokyo Stock Exchange securities reports. According to a statement made by Nissan, Mr. Ghosn, along with Mr. Kelly, had been reporting lower compensation amounts over many years to reduce the disclosed amount of Mr. Ghosn's earnings. According to Japanese news sources, Mr. Ghosn had been paid nearly 10 billion yen (USD\$88.1 million) over five years, but reported only half of that income. Nissan also said that "numerous other significant acts of misconduct have been uncovered, such as personal use of company assets, and Kelly's deep involvement has also been confirmed." Just a few days after the

arrest, the Nissan board of directors voted to dismiss Mr. Ghosn.

## KOREA

### Former Supreme Court Justice Suspect in Power Abuse Probe

Retired former Supreme Court Justice Ko Young-han is accused of interfering in trials in an attempt to lobby the presidential office of Park Geun-hye. Mr. Ko allegedly did so at the behest of the Supreme Court Chief Justice Yang Sung-tae, who needed the president's approval to set up a separate court of appeals. Mr. Ko is accused of covering up an appeals court judge's wrongdoing after the judge tried to leak information about the bribery trial of a businessman who the judge had been receiving kickbacks from. This was done because the judge had close ties with the then presidential secretary for political affairs. Mr. Ko also is alleged to have influenced a trial involving a progressive teachers' union, attempting to suppress them, in line with the policy of Ms. Park's government.

## LATIN AMERICA

## ARGENTINA

### CEO of Techint Charged in "Notebooks" Graft Probe

Paolo Rocca, the chief executive officer of steel company Techint, was charged in the ongoing "notebooks" corruption probe. As previously reported in the Digest, the notebooks scandal broke in August after a former government employee published a notebook documenting millions of bribes paid to former administration officials in ex-President Cristina Fernandez's government. Mr. Rocca had approximately \$104 million in assets frozen. He was charged with illicit association and payment of bribes. Mr. Rocca



has denied any involvement in the illegal payments scheme.

## **BRAZIL**

### **Federal Police Target Outgoing Senator for Bribes**

Federal police in Brazil launched two separate investigations targeting an outgoing senator and state lawmakers in Rio de Janeiro in early November. The investigation into Senator Romero Juca stems from a corruption scheme in which he helped pass legislation favorable to construction company Odebrecht in exchange for a \$1.07 million bribe. The investigation into state lawmakers in Rio de Janeiro relates to ten lawmakers who were allegedly involved in a bribery scheme in which the price of public contracts was inflated.

### **Brazil Meatpacking Magnate Released from Jail**

A court in Brazil ordered the release of Joesley Batista in mid-November after briefly being detained as part of the “operation car wash” corruption investigation. A Brazilian judge found it excessive to hold Mr. Batista during the investigation. The judge also ordered the release of 16 others. Prosecutors allege that Mr. Batista’s meatpacking company, JBS, bribed agriculture ministry officials to obtain beneficial regulation and licenses. Officials say this gave JBS unfair advantages over its competition and allowed the company to create a monopoly. As previously reported in the Digest, the operation car wash scandal has reached the highest levels of government and business in Brazil and throughout South America.

## **PERU**

### **Ex-President Seeking Asylum in Uruguay**

Peru’s former President Alan Garcia is seeking asylum in Uruguay, hours after a judge retained his passport in a corruption investigation, in mid-November. A judge in Lima granted prosecutors’ request that Mr. Garcia be banned from leaving Peru for 18 months while investigators determine whether he received bribes from embattled construction company, Odebrecht. Mr. Garcia is under investigation for bribes allegedly paid during his government by Odebrecht, while the company was constructing Lima’s metro. Uruguay’s foreign minister said his government would examine Mr. Garcia’s request. Peru said it was providing Uruguay with information to help in its evaluation.

## **AFRICA**

## **SOUTH AFRICA**

### **South Africa Central Bank Fines HSBC for Compliance Problems**

South Africa’s central bank fined HSBC \$1.1 million in early November for money laundering and terrorism financing compliance errors. The Prudential Authority, which monitors South African lenders, said HSBC was taking the required measures and added that the bank was not found to have actually facilitated any money laundering or terrorism transactions. HSBC said that the compliance issues have been “fully remediated.”

## KENYA

### Prosecutors Charge Three Chinese Railway Workers with Bribery

Prosecutors in Kenya charged three Chinese men with bribery in late November, alleging that the men tried to bribe investigators with a \$8,800 payment. Investigators were in the process of examining an alleged fraud involving ticket sales on a \$3.2 billion railway built by a Chinese firm. The three men are senior employees with China Roads and Bridges Corporation, the firm that build the China-funded railway in Kenya. All three men denied the charges.

## AUSTRALIA

### Former Judges Call for National Anti-Corruption Organization

Dozens of former Australian judges published an open letter to Australia's Prime Minister in late November calling for a national anti-corruption organization. The letter was written by 34 former judges, including the former chief justice of the High Court of Australia – the country's top court. The former judges wrote that "federal integrity agencies lack the necessary jurisdiction, powers and know-how to investigate properly the impartiality and bona fides of decisions made by, and conduct of, the federal government and public sector." Public concern regarding government corruption in Australia has heightened in recent years, after several corruption scandals.

## DORSEY ANTI-CORRUPTION GROUP

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- Africa
- Asia Pacific
- Europe
- Middle East
- Latin America

On anti-corruption issues, the Dorsey tools and Dorsey experience puts you ahead; the Dorsey team keeps you ahead.

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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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