
FCPA Compliance and Citi's Global Anti-Bribery and Corruption Program

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Reputational Risk & the Media AB&C

AB&C Relevant Statutes

Regulatory Enforcement:
Consequences of Failure

Program Objectives

Escalation

Policy Standards

Reputational Risk and the Media

The New York Times

The Miami Herald



The Washington Post

... Bribery Case Hushed Up by Wal-Mart Level Struggle

... of widespread corruption in Mexico, top Wal-Mart executives focused more on rooting out wrongdoing, an examination by The New York Times found.

The Tribune

「娘」から女子アナへ

At Siemens, Bribery Was Just a Line Item



Former Siemens Executives Are Charged With Bribery

By EDWARD WYATT
Published: December 13, 2011

WASHINGTON — Shell companies, Swiss bank accounts, double-crossing middlemen and cash being smuggled across borders were all part of a decade-long bribery scheme aimed at helping Siemens, the German industrial giant, secure a \$1 billion contract to produce national identity cards for Argentina, the Justice Department said Tuesday.



Eight former executives and contractors of Siemens were charged on Tuesday with criminal bribery in the case, the department said. According to the indictment, the men conspired to pay more than \$100 million in bribes to "high-level Argentine officials" in violation of the Foreign Corrupt Practices Act.

Le Monde.fr

Nigeria's largest airline, Arik Air, halts domestic flights, charging government corruption

The New York Times
NYTIMES.COM

ABC: Relevant Statutes

The ethical conduct of corporations is strictly governed by laws and regulations that include the FCPA and the UK Bribery Act, both of which have broad extra-territorial reach.

FCPA prohibition: relevant aspects

- The offering, promising or giving of anything of value directly or indirectly;
- To a non-U.S. government official;
- For the purpose of influencing an official act or decision, securing an improper advantage, or inducing the non-U.S. government official to use his or her influence with a foreign government;
- To obtain or retain business.

UK Bribery Act prohibition: relevant aspects

- The offering, promising or giving of any financial advantage to induce:
- A person (need not be a government official);
- To perform or reward a person for performing his or her function improperly;
- The “function” can be any public function.



Regulatory Enforcement: Consequences for failure

The FCPA was enacted almost 35 years ago; it is being considered as a “mature” statute. During 2011 important FCPA developments occurred as below described.

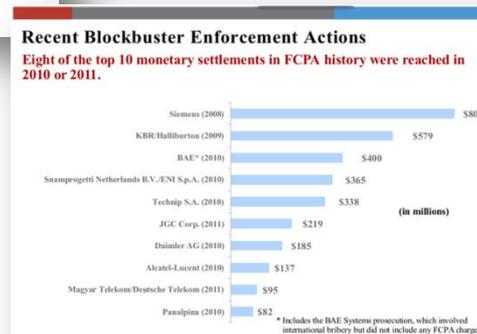
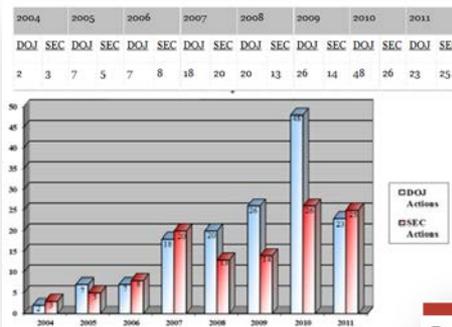
2011: Relevant cases

- **JGC Corporation:** JGC's settlement is the sixth biggest Foreign Corrupt Practices Act case of all time. The company agreed to a \$218.8 million criminal penalty to resolve FCPA-related charges (12/13/11)

- **Siemens:** SEC charged seven former Siemens executives for their involvement in the company's decade-long bribery scheme to retain a \$1 billion government contract to produce national identity cards for Argentine citizens. (12/13/11)

- **Johnson&Johnson:** SEC charged J&J for bribing public doctors in several European countries to win contracts for their products and paying kickbacks to Iraq to illegally obtain business. J&J agreed to pay \$70 million to settle cases brought by the SEC and criminal authorities. (4/8/11)

- **Maxwell Technologies:** Agreed with the DOJ to pay \$8 million to resolve criminal FCPA charges and with the SEC to pay \$6.3 million in disgorgement and prejudgment interest to resolve civil charges. (1/31/11)



* Graph & data source: Gibson Dunn 2011 Year-End FCPA Update

Regulatory Enforcement: Consequences for failure

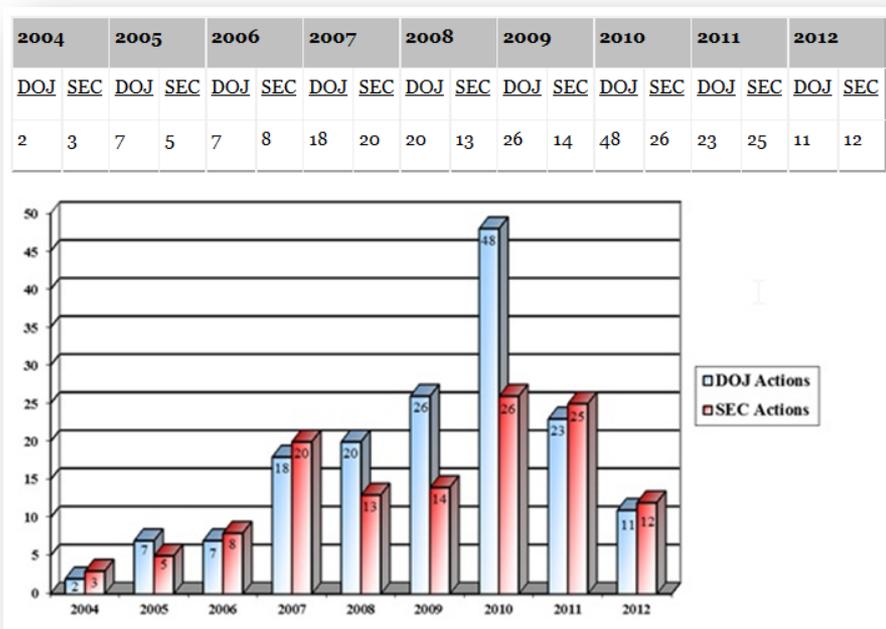
Comparing 2011 and 2012 prosecutions there is a reduction but still showing a high number versus the reports for the 30 first years since the FCPA implementation.

2012: Relevant cases

Tyco: Between 1999 and 2009, subsidiaries of Tyco bribed Government Officials in government owned-companies in China, India, Thailand, Laos, Indonesia, Bosnia, Croatia, Serbia, Slovenia, Slovakia, Arabia, Libya, Syria, the UAE, Mauritania, Congo, Niger, Madagascar and Turkey. **The bribes were falsely recorded as:** Consulting fees, etc. (9/20/12)

- British arms-maker - BAE Systems: The company will pay £30 million comprising a financial order to be determined by a Crown Court judge with the balance paid as an ex gratia payment for the benefit of the people of Tanzania. (2/5/12)

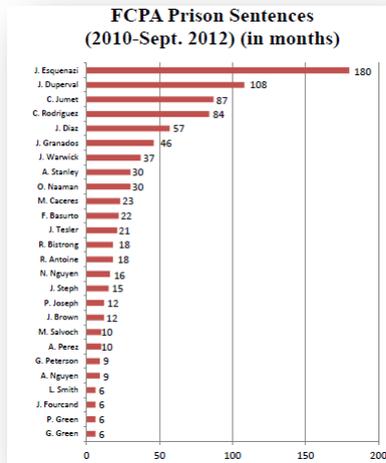
- Pfizer- SEC charged the pharmaceutical company for illegal payments made by its subsidiaries to foreign officials in Bulgaria, China, Croatia, Czech Republic, Italy, Kazakhstan, Russia, and Serbia to obtain regulatory approvals, sales, and increased prescriptions for its products. Pfizer and recently acquired Wyeth LLC - charged with its own FCPA violations - agreed to pay a combined \$45 million in their settlements. (8/7/12)



* Graph & data source: Gibson Dunn 2012 Mid-Year FCPA Update

Regulatory Enforcement: Consequences for failure

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2012: Relevant cases

Former Morgan Stanley executive- SEC charged Garth R. Peterson with secretly acquiring millions of dollars worth of real estate investments for himself and an influential Chinese official who in turn steered business to Morgan Stanley's funds. He agreed to a settlement in which he is permanently barred from the securities industry and must pay more than \$250,000 in disgorgement and relinquish his approximately \$3.4 million interest in Shanghai real estate acquired in his scheme. (4/25/12)

Data Systems & Solutions (DS&S)- The enforcement action was resolved through a deferred prosecution agreement and payment of a fine of \$8.82 million. The bribes included payments by check, and gifts, travel and entertainment to Ignalina Nuclear Power Plant (INPP) employees with influence over the award of contracts. The travel included trips to Florida and Hawaii. The gifts included a Cartier watch (6/18/12).

-Orthofix International N.V.- An orthopedic device company based in Texas, agreed to settle FCPA enforcement actions brought by DOJ and the SEC. The settlement documents allege that between 2003 and 2010 a wholly-owned Mexican subsidiary of Orthofix made approximately \$317,000 in improper payments--colloquially referred as "chocolates" by employees of the subsidiary--and provided gifts and travel benefits to employees of a Mexican state-owned healthcare and social services institution (4/25/12).

-Biomet- SEC charged the Warsaw, Ind.-based medical device company with violating the FCPA when its subsidiaries and agents bribed public doctors in Argentina, Brazil, and China for nearly a decade to win business. Biomet agreed to pay more than \$22 million to settle SEC's charges (3/26/12)

* Graph & data source: Gibson Dunn 2012 Mid-Year FCPA Update

Citi's Position on Bribery and Corruption

- Citigroup Inc. (“Citi”) is committed to conducting its business and operations with the highest ethical standards and in full compliance with U.S. anti-bribery and corruption laws and regulations, as well as the applicable local anti-bribery and corruption laws of the countries in which it operates.
- Citi maintains written policies, procedures, and internal controls reasonably designed to comply with anti-bribery laws (the “Anti-Bribery & Corruption Program”). The Anti-Bribery & Corruption Program includes a risk assessment process, oversight and governance, communication and training, review and pre-approval processes, due diligence on third party relationships, confidential reporting and internal investigation, financial controls and record-keeping, and independent testing processes.
- It is Citi’s policy that:
 - Employees are prohibited from offering, requesting, or accepting bribes and other improper financial advantages. Citi expressly prohibits the provision of facilitation payments.
 - Employees may not provide anything of value to obtain or retain business or any advantage, financial or otherwise. “Anything of value” extends beyond cash to include gifts, entertainment, charitable and political contributions, and employment or internships for clients, government officials, or their related persons.
 - The prohibition against the provision of anything of value applies not only to government officials and employees or officials of organizations with government ownership or control, but also includes clients, suppliers, and any person with whom Citi does or anticipates doing business.
 - Citi expects all of its agents and suppliers to: (i) maintain policies and procedures consistent with applicable anti-bribery and corruption laws and regulations, and (ii) act at all times in compliance with applicable anti-bribery and corruption laws and regulations.
 - Employees who engage in or facilitate bribery, or who fail to comply with all applicable anti-bribery and corruption laws, regulations, and Citi’s anti-bribery and related policies, may be subject to disciplinary action, up to and including termination. Citi reserves the right to terminate immediately any business relationship that violates our high ethical standards.

Citi's Anti-Bribery and Corruption Program

The objective of Citi's Anti-Bribery & Corruption Program is to establish standards of conduct for compliance with anti-bribery laws and regulations



- Citi's Anti-Bribery & Corruption Program establishes the standards of conduct to comply with anti-bribery laws and regulations that impact local, regional and international operations of Citi, including the:
 - U.S. Foreign Corrupt Practices Act; and the
 - U.K. Bribery Act
- The program is designed in accordance with global regulatory requirements and guidance to address effective:
 - ❖ Policies
 - ❖ Processes
 - ❖ Personnel
 - ❖ Controls
- Citi's approach is to develop and implement sustainable systems and processes in over 100 countries around the globe.

Escalation

Section 6 of the Code of Conduct contains a clear description of the Anti-Bribery and Corruption specifics and requirements. Additionally, the Code describes the tools available for escalation purposes.

Code of Conduct

The screenshot shows the Citi Code of Conduct website. A large blue banner at the top reads "Code of Conduct". Below it, a table of contents lists various sections, with "Anti-Bribery and Corruption" highlighted in blue and numbered 6. The main content area features the "ETHICS HOTLINE" logo and a message: "If at any time you have ethical concerns or incidents to report, then please contact Citi's Ethics Hotline. Doing business the right way is everyone's job at Citi." Below this, it lists reporting channels: Ethics Hotline (U.S.: 1-866-ETHIC-99), Email (ethicsconcern@citi.com), Mail (Citi Ethics Office, 1 Court Square, 47th floor, Long Island City, N.Y. 11101), and Fax (1-212-793-1347). A sidebar on the right lists language options for the Code of Conduct, including English, Arabic, Bahasa Indonesia, Bulgarian, Chinese, Czech/Slovak, Dutch, French/Canada, and German.

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ETHICS HOTLINE

If at any time you have ethical concerns or incidents to report, then please contact Citi's Ethics Hotline. Doing business the right way is everyone's job at Citi.

To report ethics incidents or concerns, contact the Ethics Office through any of the following channels:

Ethics Hotline: U.S.: 1-866-ETHIC-99 (24 hours a day, 7 days a week, multi-lingual)
 Outside of U.S.: Use access codes found on www.citigroup.net/ethicshotline

Email: ethicsconcern@citi.com

Mail: Citi Ethics Office
 1 Court Square, 47th floor
 Long Island City, N.Y. 11101

Fax: 1-212-793-1347

Web: www.citigroup.com/citi/corporategovernance/ethics

Complaints may be made anonymously to the extent permitted by laws and regulations.

Anti-Bribery and Corruption..... 6

Anti-Bribery and Corruption
 Virtually all countries prohibit bribery of public officials. All Citi businesses are subject to the anti-bribery laws of the countries in which Citi operates as well as to the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA"). The new UK Bribery Act also has extraterritorial effect beyond the United Kingdom.

To ensure compliance with these and other laws, the Citi Anti-Bribery and Corruption Policy prohibits any improper payment, or promise of payment, or the provision of anything of value to foreign officials (including but not limited to any person employed by or representing a foreign government, officials of a foreign political party, officials of public international organizations, candidates for foreign office and employees of state-owned enterprises) for the purpose of obtaining or retaining business or influencing official action. In addition to offering or giving payments, gifts or entertainment to a government official or to a family member of a government official, offering employment

AB&C Policy – Standards of Conduct

Citi, and anyone acting on its behalf, may not provide anything of value to any person if this would be corrupt, inappropriate or prohibited under local law.

- **Never:**
 - Promise, offer or give **anything of value**, directly or through a third party, to any person in an attempt to influence or reward any improper action or inaction, to secure an improper business advantage, or to cause the recipient to perform his or her duties improperly.
 - **Accept or request** anything of value from any person which is intended to influence you to act contrary to your duties to Citi.
- **Avoid:**
 - Expenses that are lavish or unreasonable; or
 - Anything that could be construed as a “quid pro quo” for pending, anticipated or previously received business.



Questions?

