



PRESS RELEASE

Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

Date: Feb. 18, 2016

Contact: *CI-HQ-COMMUNICATIONSEUCATION@ci.irs.gov
IRS – Criminal Investigation

CI Release #: CI-2016-02-18-D

VimpelCom Limited and Unitel LLC Enter into Global Foreign Bribery Resolution of More Than \$795 Million; United States Seeks \$850 Million Forfeiture in Corrupt Proceeds of Bribery Scheme

Companies Agree to Pay \$230 Million U.S. Criminal Fine in Connection with Foreign Corrupt Practices Act Resolution; Largest Case Ever Brought under the Kleptocracy Asset Recovery Initiative

Amsterdam-based VimpelCom Limited, the world's sixth-largest telecommunications company and an issuer of publicly traded securities in the United States, and its wholly owned Uzbek subsidiary, Unitel LLC, entered into resolutions with the Department of Justice today in which they admitted to a conspiracy to make more than \$114 million in bribery payments to a government official in Uzbekistan between 2006 and 2012 to enable them to enter and continue operating in the Uzbek telecommunications market.

In a related action, the department also filed a civil complaint today seeking the forfeiture of more than \$550 million held in Swiss bank accounts, which constitute bribe payments made by VimpelCom and two separate telecommunications companies, or funds involved in the laundering of those payments, to the Uzbek official. The forfeiture complaint follows an earlier civil complaint filed on June 29, 2015, which seeks forfeiture of more than \$300 million in bank and investment accounts held in Belgium, Luxembourg and Ireland that also constitute funds traceable to bribes, or funds involved in the laundering of the bribes, paid by VimpelCom and another telecommunications company to the same Uzbek official.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, U.S. Attorney Preet Bharara of the Southern District of New York, Chief Richard Weber of Internal Revenue Service-Criminal Investigation (IRS-CI) and Special Agent in Charge Clark E. Settles of the U.S. Immigration and Customs Enforcement's Homeland Security Investigations (ICE-HSI) Washington, D.C., Field Office.

"These cases combine a landmark FCPA resolution for corporate bribery with one of the largest forfeiture actions we have ever brought to recover bribe proceeds from a corrupt government official," said Assistant Attorney General Caldwell. "The Criminal Division's FCPA enforcement program and our Kleptocracy Initiative are two sides of the same

anti-corruption coin. The FCPA resolution in this case is also one of the most significant coordinated international and multi-agency resolutions in the history of the FCPA, and demonstrates our commitment both to pursuing justice and to bringing about corporate reform.”

“Today we mark the resolution of criminal charges and civil proceedings against corrupt corporate entities that made bribery a foundation of their business model,” said U.S. Attorney Bharara. “As they have admitted in court filings, VimpelCom, the world’s sixth largest telecommunications company, with securities traded in New York, and its subsidiary, Unitel, built their business in Uzbekistan on over \$114 million in bribes funneled to a government official. Those payments, falsely recorded in the company’s books and records, were then laundered through bank accounts and assets around the world, including through accounts in New York.”

“Today’s admission of guilt by VimpelCom and Unitel to paying bribes to government officials is a victory for all who fight corruption at all levels,” said Chief Weber. “It also demonstrates the skill and tenacity of IRS Criminal Investigation special agents when it comes to delving underneath layers of financial transactions designed to conceal illegal payments for gain. The global economy demands a level playing field for all. When certain VimpelCom and Unitel executives chose to use deception in order to continue this scheme and take advantage of insider knowledge, they also chose to become criminals. IRS-CI pledges to continue our efforts on the international stage to stop corrupt financial schemes such as this one.”

“HSI special agents and our law enforcement partners will continue to investigate financial crimes committed by corrupt foreign officials,” said Special Agent in Charge Settles. “We will not permit ill-gotten gains to be laundered through U.S. financial markets.”

The Criminal Resolution

In the criminal case, Unitel pleaded guilty and was sentenced to a one-count criminal information filed today in the Southern District of New York and assigned to U.S. District Judge Edgardo Ramos of the Southern District of New York, charging the company with a conspiracy to violate the anti-bribery provisions of the Foreign Corrupt Practices Act (FCPA).

VimpelCom entered into a deferred prosecution agreement in connection with a criminal information charging the company with conspiracy to violate the anti-bribery and books and records provisions of the FCPA, and a separate count of violating the internal controls provisions of the FCPA. Pursuant to its agreement with the department, VimpelCom agreed to pay a total criminal penalty of \$230,326,398.40 to the United States, including \$40 million in forfeiture. VimpelCom also agreed to implement rigorous internal controls, retain a compliance monitor for a term of three years and cooperate fully with the department’s ongoing investigation, including its investigation of individuals.

In related proceedings, VimpelCom settled with the U.S. Securities and Exchange Commission (SEC) and the Public Prosecution Service of the Netherlands (Openbaar Ministerie, or OM). Under the terms of its resolution with the SEC, VimpelCom agreed to

a total of \$375 million in disgorgement of profits and prejudgment interest, to be divided between the SEC and OM. VimpelCom agreed to pay the OM a criminal penalty of \$230,163,199.20, for a total criminal penalty of \$460,326,398.40, and a total resolution amount of more than \$835 million. The department agreed to credit the criminal penalty paid to the OM as part of its agreement with the company. The SEC agreed to credit the forfeiture paid to the department as part of its agreement with the company. Thus, the combined total amount of U.S. and Dutch criminal and regulatory penalties paid by VimpelCom will be \$795,326,398.40, making it one of the largest global foreign bribery resolutions ever.

According to the companies' admissions, VimpelCom and Unitel, through various executives and employees, paid bribes to an Uzbek government official, who was a close relative of a high-ranking government official and had influence over the Uzbek governmental body that regulated the telecom industry. The companies structured and concealed the bribes through various payments to a shell company that certain VimpelCom and Unitel management knew was beneficially owned by the foreign official. The bribes were paid on multiple occasions between approximately 2006 and 2012 so that VimpelCom could enter the Uzbek market and Unitel could gain valuable telecom assets and continue operating in Uzbekistan. VimpelCom and Unitel contemplated additional bribes in 2013, but those bribes were not completed before VimpelCom opened an internal investigation.

In addition, VimpelCom admitted that it falsified its books and records and attempted to conceal and disguise the bribery scheme by classifying payments as equity transactions, consulting and repudiation agreements and reseller transactions. VimpelCom also failed to implement and enforce adequate internal accounting controls, which allowed the bribe payments to occur without detection or remediation. Moreover, when the board of directors sought an FCPA legal opinion assessing corruption risks involved in the transactions, certain VimpelCom management withheld crucial information from outside counsel performing the review that restricted the scope of FCPA opinions, rendering them worthless. Rather than implement and enforce a strong anti-corruption ethic, certain VimpelCom executives sought ways to give the company plausible deniability of illegality while knowingly proceeding with corrupt business transactions.

A number of significant factors contributed to the department's criminal resolution with the companies. Among these, the companies received significant credit for their prompt acknowledgement of wrongdoing after being informed of the department's investigation, for their willingness to promptly resolve their criminal liability on an expedited basis and for their extensive cooperation with the department's investigation. Specifically, the criminal penalty reflects a 45 percent reduction off of the bottom of the U.S. Sentencing Guidelines fine range. However, the companies did not receive more significant mitigation credit, either in the penalty or the form of resolution, because the companies did not voluntarily self-disclose their misconduct to the department after an internal investigation uncovered wrongdoing.

The Forfeiture Complaints

The department has also filed two civil complaints seeking a total of \$850 million in forfeiture. A complaint filed today seeks forfeiture of approximately \$550 million in proceeds of illegal bribes paid, or property involved in the laundering of those payments, to the Uzbek official by VimpelCom and two other telecommunications companies operating in Uzbekistan. The \$550 million is currently located in Swiss bank accounts. The department also filed a prior complaint seeking forfeiture of an additional \$300 million in proceeds of illegal bribes paid, or property involved in the laundering of those payments, to the same Uzbek official. The assets sought to be forfeited in that complaint are restrained in Belgium, Luxembourg and Ireland. In that case, on Jan. 11, 2016, the U.S. District Court for the Southern District of New York entered a partial default judgment against all potential claimants other than the Republic of Uzbekistan.

As alleged in the complaints and as is part of the criminal resolutions announced today, the telecom companies paid a total of more than \$800 million in bribes so that the Uzbek official would assist VimpelCom and other telecommunications companies in obtaining and retaining business in Uzbekistan. Thereafter, the official's associates laundered the corruption proceeds through accounts held in Latvia, the United Kingdom, Hong Kong, Ireland, Belgium, Luxembourg and Switzerland. The illicit funds were transmitted through financial institutions in the United States before they were deposited into accounts in these countries, thereby subjecting them to U.S. jurisdiction.

The department brought these forfeiture actions under the Kleptocracy Asset Recovery Initiative in the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS), working in partnership with federal law enforcement agencies to forfeit the proceeds of foreign official corruption and, where appropriate, to use those recovered assets to benefit the people harmed by corruption and abuse of office.

* * *

These cases represent the department's commitment to both prosecute those who pay bribes and to ensure that the corrupt government officials who receive the bribes cannot use the U.S. financial system to launder their illicit gains. The IRS-CI and ICE-HSI are investigating the cases, along with the IRS Global Illicit Financial Team in Washington, D.C. Senior Litigation Counsel Nicola J. Mrazek and Trial Attorney Ephraim Wernick of the Criminal Division's Fraud Section and Assistant U.S. Attorney Edward Imperatore of the Southern District of New York are prosecuting the criminal case, with substantial assistance from AFMLS. AFMLS Trial Attorney Marie M. Dalton is prosecuting the forfeiture case with substantial assistance from the Fraud Section.

Law enforcement colleagues within the OM, the Swedish Prosecution Authority, the Office of the Attorney General in Switzerland and the Corruption Prevention and Combating Bureau in Latvia provided significant cooperation and assistance in this matter. Law enforcement colleagues in Belgium, France, Ireland, Luxembourg and the United Kingdom have also provided valuable assistance. The Criminal Division's Office of International Affairs provided significant assistance in this matter. The SEC referred the matter to the department and provided extensive cooperation and assistance.

Individuals with information about possible proceeds of foreign corruption located in or laundered through the United States should contact federal law enforcement or send an email to kleptocracy@usdoj.gov

###