

Alcatel-Lucent S.A. / Alcatel-Lucent France, S.A., Alcatel-Lucent Trade International, Alcatel Centroamerica (Matter #11)

Case ID:

ST-25

Case Cluster :

Alcatel-Lucent S.A.

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Department of Justice

Jurisdiction of Foreign Public Official(s) :

Costa Rica

Year of Settlement:

2010

Month/Day of Settlement (or Notes):

12/27

Other Jurisdictions of Settlement:

Costa Rica

Settlement with Individual or Legal Person?:

Legal Person

Type of Settlement:

Criminal

Legal Form of Settlement:

Guilty Plea

Monetary Sanctions (Types):

Criminal Fine

Total Monetary Sanctions (US\$):

\$0.00

Criminal Fine/Penalty (US\$) :

\$0

Monetary Sanctions Returned / Ordered Returned (US\$):

\$0

UNCAC Articles(s) Implicated:

Art.16

Art.23

Art.26

OECD Anti-Bribery Convention Articles Implicated:

Art. 1, Art. 2, Art. 7, Art. 8

Offenses - Alleged:

Falsification of Books and Records, Internal Controls Violations

Offenses - Settled:

Falsification of Books and Records, Internal Control Violations

Public Procurement Contract / SOE Involved?:

Yes

Summary:

According to the US Department of Justice Press Release, Alcatel-Lucent and its subsidiaries engaged in the following: "Specifically, Alcatel CIT won three contracts in Costa Rica worth a combined total of more than \$300 million as a result of corrupt payments to government officials and from which Alcatel reaped a profit of more than \$23 million, according to court documents. Alcatel CIT wired more than \$18 million to two consultants in Costa Rica, which had been retained by Alcatel Standard, in connection with obtaining business in that country. According to court documents, more than half of this money was then passed on by the consultants to various Costa Rican government officials for assisting Alcatel CIT and Alcatel de Costa Rica in obtaining and retaining business. As part of the scheme, the consultants created phony invoices that they then submitted to Alcatel CIT. According to court documents, senior Alcatel executives approved the retention of and payments to the consultants despite obvious indications that the consultants were performing little or no legitimate work. In addition, according to court documents, Alcatel Standard hired a consultant in Honduras who was a perfume distributor with no experience in telecommunications. The consultant was retained after being personally selected by the brother of a senior Honduran government official. Alcatel CIT executives knew that a significant portion of the money paid to the consultant would be paid to the family of the senior Honduran government official in exchange for favorable treatment of Alcatel CIT. As a result of these payments, Alcatel CIT was able to retain contracts worth approximately \$47 million and from which Alcatel earned \$870,000. In addition, according to court documents, Alcatel Standard retained two consultants on behalf of another Alcatel subsidiary in Taiwan to assist in obtaining an axle counting contract worth approximately \$19.2 million. Alcatel and its joint venture paid these two consultants more than \$950,000 despite the fact that neither consultant had telecommunications experience. In fact, according to court documents, Alcatel Standard's purpose for hiring the consultants was so that Alcatel SEL could funnel payments through the consultants to Taiwanese legislators who had influence in the award of the contract. Alcatel earned approximately \$4.34 million from this contract." (Source: US Department of Justice Press Release, "Alcatel-Lucent S.A. and Three Subsidiaries Agree to Pay \$92 Million to Resolve Foreign Corrupt Practices Act Investigation," December 27, 2010.) According to the Deferred Prosecution Agreement, Alcatel-Lucent S.A. and the Department "agree that any criminal penalties that might be imposed by the Court on Alcatel-Lucent's wholly owned subsidiaries in connection with their guilty pleas and plea agreements entered into simultaneously herewith will be deducted from the \$92,000,000 penalty agreed to under this Agreement." (Source: US v. Alcatel-Lucent S.A., Case No. 1:10-cr-20907-PAS (S.D. Fla.), Deferred Prosecution Agreement filed February 22, 2011.) According to their respective Judgments, Alcatel-Lucent France S.A., Alcatel-Lucent Trade International and Alcatel Centroamerica were each ordered to a \$500,000 fine; however, these sums are not recorded in this entry, so as to avoid double-counting along with the \$92 million total ordered in this case. (Sources: US v. Alcatel-Lucent France S.A., Case No. 1:10-cr-20906-MGC (S.D. Fla.), Judgment filed June 2, 2011; US v. Alcatel-Lucent Trade International, Case No. 1:10-cr-20906-MGC (S.D. Fla.), Judgment filed June 2, 2011; US v. Alcatel Centroamerica, Case No. 1:10-cr-20906-MGC (S.D. Fla.), Judgment filed June 2, 2011.)

Sources :

US Report to the Organisation for Economic Co-operation and Development, "Steps taken to implement and enforce the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions," Alcatel-Lucent S.A. (Matter #11) Case Summary at 27-29, accessed at <http://www.oecd.org/dataoecd/18/8/42103833.pdf>. US v. Alcatel-Lucent France, S.A. f/k/a "Alcatel CIT, S.A.," Alcatel-Lucent Trade International, A.G. f/k/a "Alcatel Standard, A.G.," and Alcatel Centroamerica, S.A. f/k/a "Alcatel de Costa Rica,

S.A.," Case No. 1:10-cr-20906-PAS (S.D.Fla.), Information filed on December 27, 2010, Plea Agreements (filed February 22, 2011) and Judgments (filed June 2, 2011) for each subsidiary, accessed at <http://www.justice.gov/criminal/fraud/fcpa/cases/alcatel-lucent-sa-et-al.html>. US Department of Justice Press Release, "Alcatel-Lucent S.A. and Three Subsidiaries Agree to Pay \$92 Million to Resolve Foreign Corrupt Practices Act Investigation," December 27, 2010, accessed at <http://www.justice.gov/opa/pr/2010/December/10-crm-1481.html>.