

Baker Hughes Incorporated / Baker Hughes Services International, Inc.

Case ID:

ST-55

Case Cluster :

Baker Hughes Incorporated

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Department of Justice

Jurisdiction of Foreign Public Official(s) :

Indonesia, Kazakhstan

Year of Settlement:

2007

Month/Day of Settlement (or Notes):

04/11

Other Jurisdictions of Settlement:

Unknown

Settlement with Individual or Legal Person?:

Legal Person

Type of Settlement:

Criminal

Legal Form of Settlement:

Guilty Plea (BHSI), Deferred Prosecution Agreement (Baker Hughes)

Monetary Sanctions (Types):

Criminal Fine

Total Monetary Sanctions (US\$):

\$11,000,000.00

Criminal Fine/Penalty (US\$) :

\$11,000,000

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:

Conspiracy to bribe foreign officials (Baker Hughes, BHSI), Conspiracy to falsify books and records (Baker Hughes, BHSI), Bribery of foreign officials (BHSI), Falsification of books and records (BHSI)

Offenses - Settled:

Conspiracy to bribe foreign officials (Baker Hughes, BHSI), Conspiracy to falsify books and records (Baker Hughes, BHSI), Bribery of foreign officials (BHSI), Falsification of books and records (Baker Hughes, BHSI)

records (BHSI)

Public Procurement Contract / SOE Involved?:

Yes

Summary:

According to the US Department of Justice press release, as part of the plea and deferred prosecution agreements, it was agreed that Baker Hughes Services international (BHSI) would pay a criminal fine of \$11 million, serve a three-year term of organizational probation and adopt a comprehensive anti-bribery compliance program. In a related matter, Baker Hughes reached a settlement of a complaint filed by the Securities and Exchange Commission under which it agreed to pay \$10 million in civil penalties and more than \$24 million in disgorgement of all profits it earned in connection with the Karachaganak project, including prejudgment interest. The \$44 million in combined fines and penalties is the largest monetary sanction ever imposed in an FCPA case." (Source: US Department of Justice Press Release, "Baker Hughes Subsidiary Pleads Guilty to Bribing Kazakh Official and Agrees to Pay \$11 Million Criminal Fine as Part of Largest Combined Sanction Ever Imposed in FCPA Case," April 26, 2007). As summarized in the US Department of Justice Report to Congress, Appendix C "Summaries of Foreign Corrupt Practices Act Enforcement Actions by the United States, January 1, 1998 - September 30, 2010," Baker Hughes Incorporated, at 92-94, "According to the plea agreements, Baker Hughes and BHSI violated the FCPA by paying approximately \$4.1 million in bribes to an intermediary, knowing that the intermediary would transfer all or part of the corrupt payments to an official of KazakhOil, the state-owned oil company," and in 2007, the SEC filed civil complaints against Baker Hughes and BHSI's Business Development Manager, Roy Fearnley with FCPA violations in the same bribery scheme. In 2001, the SEC had filed civil complaints against two former employees of Baker Hughes, a partner in an Indonesian accounting firm, and a partner of the accounting firm KPMG Siddhartha Siddhartha & Harsono. (Source: US Department of Justice Report to Congress, Appendix C "Summaries of Foreign Corrupt Practices Act Enforcement Actions by the United States, January 1, 1998 - September 30, 2010," Baker Hughes Incorporated, at 92-94, accessed at www.justice.gov/criminal/fraud/fcpa/docs/response3-appx-c.pdf

Sources :

US Department of Justice Press Release, "Baker Hughes Subsidiary Pleads Guilty to Bribing Kazakh Official and Agrees to Pay \$11 Million Criminal Fine as Part of Largest Combined Sanction Ever Imposed in FCPA Case," April 26, 2007, accessed at http://www.justice.gov/opa/pr/2007/April/07_crm_296.html (accessed on September 14, 2011); US Department of Justice Report to Congress, Appendix C "Summaries of Foreign Corrupt Practices Act Enforcement Actions by the United States, January 1, 1998 - September 30, 2010," Baker Hughes Incorporated, at 92-94, accessed at www.justice.gov/criminal/fraud/fcpa/docs/response3-appx-c.pdf.