

## **Baker Hughes Incorporated / SEC v. Baker Hughes Incorporated, et al (S.D. Tex, April 26, 2007)**

**Case ID:**

ST-58

**Case Cluster :**

Baker Hughes Incorporated

**Jurisdiction of Settlement:**

United States

**Jurisdiction of Settlement / Enforcement Agency:**

Securities and Exchange Commission

**Jurisdiction of Foreign Public Official(s) :**

Indonesia, Kazakhstan, Angola, Nigeria, Russia, Uzbekistan

**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:**

Civil

**Legal Form of Settlement:**

Consent to Permanent Injunction

**Monetary Sanctions (Types):**

Disgorgement of Profits, Prejudgment Interest, Civil Penalty

**Total Monetary Sanctions (US\$):**

\$33,078,015.41

**Civil Disgorgement of Profits (US\$) :**

\$19,944,778

**Civil Prejudgment Interest (US\$) :**

\$3,133,237

**Civil Fine / Penalty (US\$):**

\$10,000,000

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

\$0

**UNCAC Articles(s) Implicated:**

Art.16

Art.26

**OECD Anti-Bribery Convention Articles Implicated:**

Art. 1, Art. 2, Art. 8, Art. 9

**Offenses - Alleged:**

Bribery of foreign officials, False accounting, Internal controls violations, Falsification of books and records

**Offenses - Settled:**

No admission or denial of alleged offenses

**Public Procurement Contract / SOE Involved?:**

Yes

**Summary:**

According to the April 26, 2007 US Securities and Exchange Commission Press Release, "The Securities and Exchange Commission today announced the filing of a settled enforcement action charging Baker Hughes Incorporated, a Houston, Texas-based global provider of oil field products and services, with violations of the Foreign Corrupt Practices Act (FCPA). Baker Hughes has agreed to pay more than \$23 million in disgorgement and prejudgment interest for these violations and to pay a civil penalty of \$10 million for violating a 2001 Commission cease-and-desist Order prohibiting violations of the books and records and internal controls provisions of the FCPA. [ ] The SEC's complaint alleges that Baker Hughes paid approximately \$5.2 million to two agents while knowing that some or all of the money was intended to bribe government officials, specifically officials of State-owned companies, in Kazakhstan. The complaint alleges that one agent was hired in September 2000 on the understanding that Kazakhoil, Kazakhstan's national oil company at that time, had demanded that the agent be hired to influence senior level employees of Kazakhoil to approve the award of business to the company. [ ] Baker Hughes, the complaint alleges, paid the agent \$4.1 million to its bank account in London but received no identifiable services from the agent. The complaint also alleges that in 1998 Baker Hughes retained a second agent in connection with the award of a large chemical contract with KazTransOil, the national oil transportation operator of Kazakhstan. Between 1998 and 1999, Baker Hughes paid over \$1 million to the agent's Swiss bank account, despite a company employee knowing by December 1998 that the agent's representative was a high-ranking executive of KazTransOil. The SEC's complaint against Baker Hughes also alleges violations of the books and records and internal controls provisions of the FCPA in Nigeria, Angola, Indonesia, Russia, Uzbekistan and Kazakhstan. [ ] The [SEC] staff also acknowledges the help provided, in the form of mutual legal assistance, by the Isle of Man Financial Supervision Commission, HM Procureur (Attorney General) for Guernsey, and by the authorities of the United Kingdom and Switzerland." (Source: US Securities and Exchange Commission Press Release, "SEC Charges Baker Hughes With Foreign Bribery and With Violating 2001 Commission Cease-and-Desist Order / Baker Hughes Subsidiary Pleads Guilty to Three Felony Charges in Criminal Action Filed by Department of Justice; Criminal Fines, Civil Penalties and Disgorgement of Illicit Profits Total More Than \$44 Million," April 26, 2007.) According to the April 26, 2007 Press Release by the US Securities and Exchange Commission, "the SEC also charged Roy Fearnley, a former business development manager for Baker Hughes, with violating and aiding and abetting violations of the FCPA." (Source: US Securities and Exchange Commission Press Release, "SEC Charges Baker Hughes With Foreign Bribery and With Violating 2001 Commission Cease-and-Desist Order / Baker Hughes Subsidiary Pleads Guilty to Three Felony Charges in Criminal Action Filed by Department of Justice; Criminal Fines, Civil Penalties and Disgorgement of Illicit Profits Total More Than \$44 Million," April 26, 2007.) According to the Shearman and Sterling FCPA Digest, the case is noteworthy for its jurisdictional reach, as Mr. Fearnley was a British citizen residing in Kazakhstan. According to the Default Judgment Order in his case, Mr. Fearnley did not respond to the complaint, and on January 26, 2010, was ordered to pay \$5,000 in disgorgement of profits and \$7,635.51 in prejudgment interest. As Mr. Fearnley's case was not a settlement, the monetary penalty was not included in the total for this case. (Source: Shearman and Sterling, FCPA Digest, "SEC vs. Baker Hughes Incorporated and Roy Fearnley, accessed at <http://fcpa.shearman.com/index.php>; SEC v. Defendant Incorporated and Roy Fearnley, Case No. 4-07-cv-1408 (S.D. Tex.), Default Judgment filed January 26, 2010, also accessed at <http://fcpa.shearman.com>.)

**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," Information as of May 31, 2011, Baker Hughes Incorporated Case Summary at 106-107, accessed at <http://www.oecd.org/dataoecd/18/8/42103833.pdf>. US Securities and Exchange Commission Press Release, "SEC Charges Baker Hughes With Foreign Bribery and With Violating 2001 Commission Cease-and-Desist Order / Baker Hughes Subsidiary Pleads Guilty to Three Felony Charges in Criminal Action Filed by Department of Justice; Criminal Fines, Civil Penalties and Disgorgement of Illicit Profits Total More Than \$44 Million," April 26, 2007, accessed at <http://www.sec.gov/news/press/2007/2007-77.htm>; Shearman and Sterling, FCPA Digest, "SEC vs. Baker Hughes Incorporated and Roy Fearnley, accessed at <http://fcpa.shearman.com/index.php>; SEC v. Defendant Incorporated and Roy Fearnley, Case No. 4-07-cv-1408 (S.D. Tex.), Default Judgment filed January 26, 2010, also accessed at <http://fcpa.shearman.com>.)