

Comverse Technologies Inc.

Case ID:

ST-124

Case Cluster :

Comverse Technologies Inc.

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Securities and Exchange Commission

Jurisdiction of Foreign Public Official(s) :

Greece

Year of Settlement:

2011

Month/Day of Settlement (or Notes):

04/07

Other Jurisdictions of Settlement:

Unknown

Settlement with Individual or Legal Person?:

Legal Person

Type of Settlement:

Civil

Legal Form of Settlement:

Consent to Conduct-based Injunction

Monetary Sanctions (Types):

Disgorgement of Profit, Prejudgment Interest

Total Monetary Sanctions (US\$):

\$1,608,501.00

Civil Disgorgement of Profits (US\$) :

\$1,249,614

Civil Prejudgment Interest (US\$) :

\$358,887

Civil 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:

No admission or denial of allegations

Public Procurement Contract / SOE Involved?:

Yes

Summary:

According to the Statement of Facts attached to the Non-Prosecution Agreement involving Comverse Technology Inc. ("CTI"), Comverse, Inc. and the subsidiaries of Comverse, Inc. (collectively referred to as "Comverse"), Comverse Ltd. is a wholly-owned subsidiary of Comverse, Inc. was an Israeli company based in Tel Aviv, Israel. From in or around 2000 to in or around 2006, Comverse Ltd. paid Agent G monthly retainer fees of \$5,000 or \$5,500 per month and also commissions on purchase orders he helped to obtain for Comverse Ltd. Agent G would keep 15% of the total commission, and the remaining 85% was used to make improper payments. In or around early 2003, certain employees of the Europe, Middle East, and Africa ("EMEA") division of Comverse Ltd, directed Agent C to set up a shell company and corresponding bank account in Cyprus, Agent G was told that the shell company would be used to make cash payments to senior executives of one of Comverse Ltd's Greek private customers. In or around February 2003, with the assistance of a Cypriot lawyer, Agent G caused Corporation H to be incorporated in Cyprus and bank accounts to be opened in Cyprus in the name of Corporation H. Corporation H had no offices or employees and was later described by Agent G as "purely a money laundering operation." Using a fake invoice scheme, money was transferred from Comverse Ltd.'s bank account in Israel to one of Corporation H's Cyprus bank accounts. Then the money would be withdrawn by Agent G or an employee and carried directly to a Greek private customer or customers in Italy. Between 2003 and 2006, Comverse Ltd. made approximately \$536,000 in cash payments to Corporation H with the intent that the money would be passed onto individuals connected to the Hellenic Telecommunications Organization S.A. ("OTE"), a telecommunications provider controlled and partially owned by the Greek government, and included payments to employees of OTE's subsidiaries Cosmote, Cosmofon, and Cosmorom, in order to obtain purchase orders from those companies for Comverse Ltd. products and services, resulting in approximately \$1,250,000 in adjusted operating income. (para 24) (In Re: Comverse Technology, Inc., Non-Prosecution Agreement and Statement of Facts, April 6, 2011). In the Complaint filed in SEC v. Comverse Technologies, SEC had alleged that the Cypriot entity which funnelled the improper payments was called Fintron Enterprises Ltd. (para 12), and that the payments resulted in contracts worth approximately \$10 million in revenues and ill-gotten gains of approximately \$1.2 million. (Source: SEC v. Comverse Technology, Inc., Case No. 11:cv-1704-LDW (E.D.N.Y.), Complaint filed on April 7, 2011 and Litigation release No. 21920, April 7, 2011)

Sources :

In Re: Comverse Technologies, Inc., Non-Prosecution Agreement and Statement of Facts, April 6, 2011, accessed at <http://www.justice.gov/criminal/fraud/fcpa/cases/rae-comverse/04-06-11comverse-npa.pdf>; US Department of Justice Press Release, "Comverse Technology Inc. Agrees to Pay \$1.2 Million Penalty to Resolve Violations of the Foreign Corrupt Practices Act," April 7, 2011, accessed at <http://www.justice.gov/opa/pr/2011/April/11-crm-438.html>; Securities and Exchange Commission v. Comverse Technology, Inc., Case No. 11-CV-1704-LDW (E.D.N.Y. filed April 7, 2011), Litigation Release No. 21920 (April 7, 2011), accessed at <http://www.sec.gov/litigation/litreleases/2011/lr21920.htm> and Complaint at <http://www.sec.gov/litigation/complaints/2011/comp21920.pdf>.