

Innospec Inc./ Ousama Naaman

Case ID:

ST-212

Case Cluster :

Innospec Inc.

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Securities and Exchange Commission

Jurisdiction of Foreign Public Official(s) :

Iraq (UN Oil-for-Food)

Year of Settlement:

2010

Month/Day of Settlement (or Notes):

08/05

Other Jurisdictions of Settlement:

Unknown

Settlement with Individual or Legal Person?:

Individual

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\$):

\$1,315,144.00

Civil Disgorgement of Profits (US\$) :

\$810,076

Civil Prejudgment Interest (US\$) :

\$67,030

Civil Fine / Penalty (US\$):

\$438,038

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

\$0

UNCAC Articles(s) Implicated:

Art.16

OECD Anti-Bribery Convention Articles Implicated:

Art. 1, Art. 8

Offenses - Alleged:

Bribery of Foreign Officials, Falsification of Books and Records, Internal Controls Violations

Offenses - Settled:

No admission or denial of alleged offenses

Public Procurement Contract / SOE Involved?:

Yes

Summary:

According to the US Securities and Exchange Commission Litigation Release, on August 5, 2010, the Commission filed a settled complaint which alleged that "David P. Turner, a former Business Director at Innospec, Inc., and Ousama M. Naaman, Innospec's agent in Iraq, with violating the Foreign Corrupt Practices Act (FCPA) by paying bribes to numerous government officials to obtain and retain business. The SEC's complaint alleges that: Turner and Naaman engaged in widespread bribery of Iraqi government officials to obtain contracts under the United Nations Oil for Food Program, and in order to continue selling Tetra Ethyl Lead (TEL) to Iraq after the Oil for Food Program ended. Turner also violated the FCPA by paying bribes to Indonesian officials to sell TEL to Indonesian state owned oil companies. From 2000 to 2008, Innospec, Inc., a manufacturer and distributor of fuel additives and specialty chemicals, routinely paid bribes to government officials in Iraq and Indonesia to sell TEL. The bribery activities in Iraq began with Innospec's participation in the United Nations ("UN") Oil for Food Program in 2001, and extended all the way until at least 2008. Turner, the Business Director of Innospec's TEL group, and Naaman, Innospec's agent, both actively participated in the bribery and kickback schemes in Iraq. Innospec also paid bribes to government officials in Indonesia beginning as early as 2000, and continued until 2005, when Indonesia's need for TEL ended. Turner actively participated in the bribery scheme in Indonesia. In all, Innospec made illicit payments of over \$6.3 million and promised an additional \$2.8 million in illicit payments to Iraqi ministries and government officials as well as Indonesian government officials. The contracts that Innospec obtained in exchange for the bribes were worth approximately \$176 million. Naaman paid kickbacks to Iraq on Innospec's behalf so that Innospec could obtain five Oil-for-Food Program contracts for the sale of TEL to the Iraqi Ministry of Oil and its component oil refineries. Naaman aided Innospec in obtaining the Oil for Food contracts by paying kickbacks equaling 10 percent of the contract value on three of the contracts. When the Oil-for-Food Program ended shortly before Innospec was to pay promised kickbacks on the two remaining contracts, Innospec kept the promised payments as part of its profit. [] After the Oil for Food Program ended in late 2003, Turner and Naaman paid bribes to Iraqi officials in order to secure TEL business contracts from Iraq. Turner and senior officials at Innospec directed and approved the bribery payments. From at least 2004 through 2008, Innospec made payments totaling approximately \$1,610,327 and promised an additional \$884,480. In one e-mail, Naaman informed management, including Turner, that Iraqi officials were demanding a 2% kickback related to one TEL order. [] Turner confirmed that the requested kickback would be paid through an additional 2% "commission" to Naaman. Turner and senior officials at Innospec also directed Naaman to pay a bribe of \$155,000 to Iraqi officials to ensure the failure of a 2006 field trial test of MMT, a fuel product manufactured by a competitor of Innospec. Turner and other Innospec officials also authorized payments, through Naaman, to fund lavish trips for Iraqi officials [] and Turner also arranged for Naaman to pay thousands of dollars in cash to Iraqi officials for "pocket money" on trips funded by Innospec." The Litigation Release also noted that "Naaman will disgorge \$810,076 plus prejudgment interest of \$67,030, and pay a civil penalty of \$438,038, which will be deemed satisfied by a criminal order requiring Naaman to pay a criminal fine that is at least equal to the civil penalty amount. After his extradition to the United States, Naaman cooperated.." (Source: US Securities and Exchange Commission Litigation Release No. 21615 / August 5, 2010, "SEC Files Settled Charges Against David P. Turner and Ousama M. Naaman for Engaging in Bribery," Securities & Exchange Commission v. David P. Turner and Ousama M. Naaman., Civil Action No. 1:10-CV-01309 (D.D.C.) (RMC).)

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, Innospec

Inc. Case Summary at 24-27, accessed at <http://www.oecd.org/dataoecd/18/8/42103833.pdf>.
US Securities and Exchange Commission Litigation Release No. 21615 / August 5, 2010,
"SEC Files Settled Charges Against David P. Turner and Ousama M. Naaman for Engaging in
Bribery," Securities & Exchange Commission v. David P. Turner and Ousama M. Naaman.,
Civil Action No. 1:10-CV-01309 (D.D.C.) (RMC), accessed at
<http://www.sec.gov/litigation/litreleases/2010/lr21615.htm>; Complaint filed August 5, 2010,
accessed at <http://www.sec.gov/litigation/complaints/2010/comp21615.pdf>