

Novartis AG / Shanghai Novartis Trading Ltd (aka Sandoz China) and Beijing Novartis Pharma Co. Ltd.

Case ID:

ST-475

Case Cluster :

Novartis AG

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Securities and Exchange Commission

Jurisdiction of Foreign Public Official(s) :

China

Year of Settlement:

2016

Month/Day of Settlement (or Notes):

3/26

Other Jurisdictions of Settlement:

Unknown

Settlement with Individual or Legal Person?:

Legal Person

Type of Settlement:

Civil

Legal Form of Settlement:

Cease and Desist Order

Monetary Sanctions (Types):

Disgorgement of Profits; Prejudgment Interest; Civil Penalty

Total Monetary Sanctions (US\$):

\$25,000,000

Civil Disgorgement of Profits (US\$) :

\$21,500,000

Civil Prejudgment Interest (US\$) :

\$1,500,000

Civil Fine / Penalty (US\$):

\$2,000,000

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

\$0

Monetary Sanctions Returned / Ordered Returned (Explanation):

NA

UNCAC Articles(s) Implicated:

Art.16

OECD Anti-Bribery Convention Articles Implicated:

Art. 1, Art. 2, Art. 8

Offenses - Alleged:

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 Press Release, "Novartis AG has agreed to pay \$25 million to settle charges that it violated the Foreign Corrupt Practices Act (FCPA) when its China-based subsidiaries engaged in pay-to-prescribe schemes to increase sales. An SEC investigation found that employees of two China-based Novartis subsidiaries gave money, gifts, and other things of value to health care professionals, which led to several million dollars in sales of pharmaceutical products to China's state health institutions. The schemes, which lasted a period of years, involved certain complicit managers within Novartis' China based subsidiaries. Novartis failed to devise and maintain a sufficient system of internal accounting controls and lacked an effective anti-corruption compliance program to detect and prevent these schemes. As a result, the improper payments were not accurately reflected in Novartis' books and records." (Source: US Securities and Exchange Commission, Litigation Release and In re: Novartis AG, Administrative Proceeding File No. 3-17177, March 23, 2016.)

Sources :

US Securities and Exchange Commission, In re: Novartis AG, Administrative Proceeding File No. 3-17177, March 2, 2016, at <https://www.sec.gov/litigation/admin/2016/34-77431.pdf>; Litigation Release at <https://www.sec.gov/litigation/admin/2016/34-77431-s.pdf>.