SPEECH

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I. Introduction

Thank you for that kind introduction. At the outset, let me give the requisite reminder that the views I express today are my own and do not necessarily represent the views of the Commission or its staff.

I am very excited to be here today to discuss the latest developments in the SEC's enforcement of the FCPA. Congress enacted the FCPA over 35 years ago in the wake of the Watergate scandal after the SEC discovered widespread bribery through corporate funds by hundreds of U.S. companies operating abroad. These revelations exposed practices that undermined the efficient functioning of the markets by allowing companies to obtain financial benefits through bribery. These practices also undermined the accuracy of company books and records, as investors could not be confident that corporate performance was due to business fundamentals rather than bribery and corruption.

Recognizing the harms arising from this conduct, Judge Stanley Sporkin, one of my predecessors as Director of Enforcement, was instrumental in helping enact the statute. He advised the drafters of the legislation that they should include a provision requiring corporations to maintain accurate books and records because, as former SEC Chairman Roderick Hills put it during a 1976 congressional hearing, "Nothing else in the system will work unless the books and records are kept in good faith."

Building on this rich history, the SEC's work in the FCPA arena over the last 35 years has been a fundamental part of the SEC's mission. And the last 10 years have seen an even bigger increase in FCPA enforcement actions. As most of you know, three years ago, we formed a specialized Unit within the Division of Enforcement devoted to investigating potential FCPA violations. Our FCPA Unit has approximately three dozen dedicated attorneys and other professionals nationwide, including two industry experts who are forensic accountants with extensive private sector FCPA experience. Their work in marshaling expertise and developing cases has been remarkable — they and the other specialized units we created have fulfilled the promise of creating true centers of excellence within the Division that serve as resources to everyone within the Division. I always like to say that the purpose of specialized units was to expand the pie of cases in the Division, rather than just eating from the existing pie, and the FCPA unit has certainly done that.

Our focus on the FCPA has yielded great results. Over the last twelve months, for example, the Commission recovered over $240 million in disgorgement and penalties from FCPA cases. And over the past three fiscal years, we have filed over 40 FCPA enforcement actions, many with important messages to the issuer community and many of great significance.

In highlighting our performance, it is also important to note that our success with FCPA cases is

due, in part, to the incredibly fruitful partnerships we have built with the DOJ and FBI. Our work with the DOJ and FBI has allowed the United States to develop the most formidable anti-corruption law enforcement effort in the world.

The last 10 years also have yielded a sea change in attitudes towards foreign bribery. The groundbreaking cases that we have brought have sent an unmistakable message that most companies have heard loud and clear — obey the FCPA, and ensure that your employees are sensitive to FCPA issues, or face stiff penalties and other consequences.

But despite the hard work of the SEC and our sister agencies, far too many companies and individuals still believe that paying a bribe is the best way to win business. And there are still countries where bribes are viewed as a necessary evil. In fact, when I was in private practice, I often was told by business people that bribery was simply a fact of life in certain countries; it was simply accepted as a given. So there is still work to be done to fight corruption globally and there are still messages to be sent.

Today, I wanted to discuss the progress we have made in our enforcement efforts, and which remains to be made in the future, on four fronts: (1) the creation of a culture of FCPA compliance among professionals and corporations; (2) international collaboration in combatting bribery; (3) the focus on individual FCPA misconduct; and (4) fostering cooperation with our investigations from companies and individuals. In each of these areas, we have seen great progress, and in each area there is more to be done and accomplished. It is my hope that we can make progress on each front during my tenure as Director of Enforcement.

II. Culture of Compliance

Let me start with the culture of FCPA compliance. The extent of the impact that we have had on the culture of FCPA compliance over the last 10 years cannot be overstated. I did a fair amount of FCPA work at Debevoise. Ten years ago, when I first went into private practice, the FCPA was an area in which few lawyers specialized; it certainly was not viewed as a practice area that could employ numerous lawyers. Companies did not have many compliance officers focused on the area; training of employees was minimal; the FCPA was rarely discussed during contract negotiations or focused on with agents or vendors; audits were not focused on FCPA compliance; and due diligence in connection with transactions rarely focused on FCPA issues. There was simply little recognition that such conduct needed attention.

Fast forward 10 years and there has been a sea change in focus on these issues. Most companies now have some form of an FCPA compliance program, often with professionals who spend a good chunk of their jobs focused on the FCPA. FCPA training is now a common requirement among multinational companies. Much time is now spent on ensuring that contracts have appropriate provisions on FCPA compliance. FCPA diligence is often done on agents and vendors in advance of retention, and many companies have sophisticated systems for assessing risk to determine the level of diligence that will be done. Issues relating to gifts and other events involving government officials are often escalated. I also have noticed a growing trend of companies hiring separate firms to do compliance due diligence in connection with transactions — a development that signals the importance placed on the FCPA, and the need for specialized counsel to focus on these issues.

This is also an issue that has the attention of in-house counsel, as well as boards of directors. I understand that 70% of the audience here today is in-house counsel. And that is a testament to the focus that your companies have placed on these issues. That focus goes to the highest levels of the company, as boards now have recognized the FCPA as a high risk for them, and, in many cases, receive briefings on the status of compliance efforts.

The success of our enforcement program can be gauged, in some part, by the close attention

that companies, compliance professionals, and the defense bar pay to our efforts. If the industry is paying attention and cleaning up its act, then we must be doing something right. And the evidence suggests we are making great progress. Indeed, in the course of the last decade, the FCPA has become an important aspect of white collar practice at many law firms as companies seek both advice on transactions and practices, and assistance as potential FCPA issues arise. As part of this practice, lawyers now heavily scrutinize our FCPA actions to glean any information about our interpretation of the law. Each aspect of our actions is closely scrutinized to extract kernels of guidance and hopefully helps companies identify problems and comply in the future. For example, our 2011 action against Watts Water Technologies arose after the company uncovered potential FCPA violations during in-house training for its Chinese subsidiaries. The General Counsel had instituted such training after learning about one of our FCPA actions that involved impermissible payments to employees of Chinese companies. So our actions have had an impact beyond each individual case.

In addition, this intense interest from companies and defense counsel about our FCPA efforts created a growing need to provide clear, meaningful guidance on how the government interprets and applies the FCPA — a need that culminated in the DOJ/SEC FCPA Resource Guide issued last year. As someone who was in the private sector at the time it was issued, I can attest firsthand that the Guide did a great job of providing a concrete sense of the government's views. And building off of that success, it is important that we continue to find ways to educate and inform the industry about the limits of permissible conduct — whether it be through more guidance or through enforcement actions — because strong compliance programs that incorporate a company's internal audit and financial controls at the outset enable companies to catch problems early and remediate quickly.

There is certainly more work to be done on FCPA compliance. Some companies still lag in their focus on compliance issues. Some companies still do not recognize the enormous risk that the FCPA poses in certain countries, or in the context of certain acquisitions. Some still dismiss bribery as a necessary evil in certain parts of the world. But we have certainly come a long way and the progress we have made bodes well for the future.

III. International Trends

Another important trend in the last 10 years has been the immense growth in focus and legislation on corruption issues around the globe, and the tremendous increase in cooperation that we have received from other governments. Although the SEC and DOJ are at the forefront of this global fight against corruption, we cannot do it alone. There are capable and committed law enforcement partners worldwide, and their numbers are steadily growing. Over the past five years, we have experienced a transformation in our ability to get meaningful and timely assistance from our international partners. And through our collaborative efforts, the world is becoming a smaller place for corrupt actors.

In particular, many of our foreign counterparts have taken important steps this year to strengthen their own anticorruption laws and step up their enforcement efforts. For example, Brazil passed the "Clean Company Law," an anticorruption law that, for the first time, imposes criminal liability on companies that pay bribes to foreign government officials. More expansive in its reach than the FCPA, this new law forbids all companies that operate in Brazil from paying bribes to any government official, whether domestic or foreign. In the U.K., the Serious Fraud Office announced its first prosecution case under the Bribery Act. In Canada, the government enacted amendments strengthening the Corruption of Foreign Public Officials Act and prevailed in its first litigated case against an individual for violating this law. And recently, Latvia became the newest country to join the OECD Working Group on Bribery.

As other countries begin to step up their efforts to combat corruption, it makes our job easier.

Countries with strong anti-corruption laws are often great partners to us in combatting corruption. Scrutiny from the local government, in addition to us, will often be a strong deterrent to bribery. More and more, our investigations are conducted in parallel with a foreign government.

Obviously, evidence in many FCPA cases resides in foreign countries and in many instances, it is only with the assistance of local authorities that we are able to obtain evidence necessary for us to prove FCPA violations. We are having greater success working with the international community to receive documents and other types of foreign assistance. For example, over the past several years, we have worked closely with the United Kingdom Serious Fraud Office, which has allowed us to better leverage resources and coordinate investigations. Through this relationship, we conducted a parallel investigation of Innospec Ltd., which led to a $40 million global settlement in March 2010, and we coordinated the investigation of Johnson & Johnson, which resulted in a $70 million settlement with U.S. authorities in April 2011. Similarly, just this year, the SEC and DOJ announced the first coordinated action by French and U.S. authorities in the Total case.

In fact, earlier this year, the SEC, in conjunction with the DOJ and FBI, hosted the first-ever Foreign Bribery and Corruption Training Conference for international law enforcement, which included representatives from over 50 law enforcement and regulatory agencies from 30 different countries. The Conference strengthened relationships among regulators and informed international officials about the latest developments in investigative techniques and multilateral requests for assistance. The more we can foster this sort of international cooperation, the more we can be successful in prosecuting FCPA cases.

I am encouraged by such close collaboration and fully expect the pace and extent of our cooperation with foreign agencies to grow over the coming years. Indeed, only recently, I have been involved in a case in which we are receiving cooperation from a country that has never before provided any meaningful assistance. This sort of progress gives me confidence that the future is even brighter.

IV. Focus on Individuals

Another area of focus, and recent progress, has been our efforts to bring FCPA cases against individuals. To better root out corruption, we have ramped up our pursuit not just of companies, but of the individuals responsible for the corporate malfeasance.

A core principle of any strong enforcement program is to pursue culpable individuals wherever possible. After all, companies can only act through their people. Cases against individuals have great deterrent value, as they drive home to individuals the real consequences to them personally that their acts can have. In every case against a company, we ask ourselves whether an action against an individual is appropriate.

FCPA cases against individuals pose unique challenges. For example, we sometimes are unable to reach defendants who are in foreign jurisdictions, and the remedies we can obtain against such individuals are often quite limited, particularly when we cannot enforce judgments in those jurisdictions. Also, even when we can reach defendants, we often have difficulties obtaining foreign evidence and gaining access to overseas witnesses, particularly under circumstances that would allow us to use their testimony at trial. The length of time it takes to investigate these cases, particularly given the frequent need to collect foreign evidence, sometimes presents a statute of limitations issue. These are challenging cases, particularly in proving the culpability of individuals we can reach.

But we are overcoming these challenges through a variety of steps, including expanding the availability and use of Memoranda of Understanding with international financial regulators to

obtain bank records, other documents, and testimony; using border watches and other methods of obtaining information from foreign nationals; subpoenaing U.S.-based affiliates of foreign companies; and more aggressively seeking videotaped depositions that we can use at trial if we cannot secure live testimony.

We have been successful in recent years in increasing the number of FCPA actions against individuals. Many of you are familiar with our pending litigation against various executives of Magyar Telekom, Siemens, and Noble. Litigation is ongoing against individuals in all three matters, and these cases have sent an unambiguous message that we will vigorously pursue cases to hold individual accountable for FCPA violations — including executives at the highest rungs of the corporate ladder. In fact, this April, we obtained the second highest penalty ever assessed against an individual in an FCPA case, when one of the Siemens executives agreed to pay $275,000.

In addition to putting every employee and executive on notice, these cases against individuals have also fleshed out some important areas of FCPA law, which — as many of you know — is not well developed. Companies typically enter settlements in FCPA cases, leading to a paucity of case law. But there have been several notable decisions in our litigated FCPA actions, which have provided valuable clarifications of the law, including addressing: whether the government needs to identify the intended bribe recipient; the scope of the facilitation payment exception; the contours of personal jurisdiction over foreign defendants residing outside the U.S.; and whether the statute of limitations is tolled against a defendant not physically located in the U.S.

And so despite the investigative headwinds that we often face in FCPA matters, we intend to be more creative and aggressive in pursuing such actions against companies *and* individuals. I expect that in the coming months, we will be filing more actions against individuals in FCPA cases.

V. Importance of Cooperation

Finally, we have been very successful in the FCPA arena in fostering self-reporting and cooperation by companies with our investigations. Institutions and individuals are uniquely positioned to help us *and* help themselves by aggressively policing their own conduct.

Since launching our Cooperation Program in 2010, the Commission has made it clear that it will reward companies or individuals who cooperate, despite the fact that a violation has occurred. But receiving credit requires timely self-reporting, candor, thoroughness, prompt remediation and a serious commitment to act lawfully in the future.

Some lawyers sometimes ask me what is the incentive to notify us promptly about wrongdoing that you uncover? The answer is simple — if we find the violations on our own, the consequences will surely be worse than if you had self-reported the conduct. Companies must keep in mind that the risk of not coming forward grows by the day as our whistleblower program continues to pick up steam. We are increasingly sourcing our own cases through whistleblower tips — which have come from individuals in nearly 70 different countries — and just last month, we made our largest-ever whistleblower award: over $14 million. Given the high-dollar value of FCPA monetary relief—often in the tens or hundreds of millions of dollars—we expect FCPA violations to become an increasingly fertile ground for Dodd-Frank whistleblowing. In fact, during the last fiscal year we received 149 whistleblower tips related to the FCPA. All of which reinforces the value of reporting misconduct directly to the SEC in the first instance, and then demonstrating extraordinary levels of cooperation thereafter.

We have a wide range of tools available to us to facilitate and reward meaningful cooperation — from reduced charges and penalties, to taking no action at all. We have tried through our

actions to be clear about the benefits that companies obtain through cooperation. Two recent examples highlight the importance of and benefits from cooperation.

In April, we entered into a Non-Prosecution Agreement with Ralph Lauren Corporation arising out of FCPA violations — our first-ever NPA in an FCPA case under our Cooperation Program. In that case, Ralph Lauren's Argentine subsidiary bribed officials to secure the importation of its products in Argentina. Ultimately, we decided an NPA was appropriate due to Ralph Lauren's prompt reporting of violations on its own initiative; voluntary and expeditious production and translation of documents and production of witnesses; thorough and real-time cooperation with the investigation; and significant remedial measures.

But our cooperation program is not limited to corporations. Just last week, we entered into our first-ever deferred prosecution agreement with an individual. We decided a DPA was appropriate in the matter because the individual contacted government authorities about the misconduct, which involved a hedge fund manager misappropriating investor assets, and provided immediate and complete cooperation with the SEC during our investigation. As a result of the individual's assistance, we were able to file an emergency action and freeze over $6 million in assets.

As these examples make clear, the benefits of responding appropriately to violations and cooperating fully with the SEC can be substantial. And it is incumbent on us to clearly, and loudly, communicate these rewards because cooperation helps us as well. It enhances our ability to detect misconduct and increases the efficiency and effectiveness of our investigations.

Ultimately, it is important to keep in mind that greater cooperation benefits all market participants. Faster detection helps us minimize investor harm in the short run, while the implementation of preventive measures from cooperation agreements improves the transparency and fluidity of our markets in the long run.

VI. Conclusion

In short, let me assure you that we will remain the vigilant cop on the beat when it comes to the FCPA. I am confident that we will remain aggressive and proactive in enforcing the FCPA. And through strong enforcement, we will continue to level the playing field for U.S. companies doing business abroad and hold corrupt actors accountable when they fail to play by the rules. We also recognize, however, that successful enforcement is assisted by cooperation from others.

Through rigorous compliance programs and internal controls, companies can identify and eliminate corruption before it takes root.

Through greater international collaboration and enforcement, we can gather evidence more easily and expand our reach.

And through greater cooperation from companies and individuals in our investigations, we can bring cases faster and ensure fair, transparent, and efficient markets.

The U.S. has been a leader in the world's anticorruption efforts since the passage of the FCPA and with your help we will continue to lead the charge.

Thank you.

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