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Global Telecommunications Company And Its Subsidiary Charged In Massive Bribery Scheme Involving Uzbek Official; Company To Pay $795 Million In Penalties

One of the Largest-Ever Global FCPA Resolutions; Uzbek Subsidiary Pleads Guilty to Paying Bribes

Preet Bharara, the United States Attorney for the Southern District of New York, Leslie R. Caldwell, the Assistant Attorney General for the Criminal Division of the Department of Justice ("DOJ"), Richard Weber, Chief of the Internal Revenue Service-Criminal Investigation ("IRS-CI"), and Clark E. Settles, Special Agent in Charge of the U.S. Immigration and Customs Enforcement's Homeland Security Investigations ("HSI") Washington, D.C., Field Office, announced today the filing of criminal charges against VimpelCom Limited ("VimpelCom"), the world's sixth-largest telecommunications company, with securities publicly traded in New York, and its wholly owned Uzbek subsidiary, Unitel LLC ("Unitel") for conspiring to violate the Foreign Corrupt Practices Act ("FCPA") by paying more than $114 million in bribes to a government official in Uzbekistan. VimpelCom was also charged with violating the FCPA's internal control provisions.

Mr. Bharara also announced that in connection with the filed charges, Unitel pleaded guilty today before United States District Judge Edgardo Ramos, and that SDNY and the DOJ entered into a deferred prosecution agreement ("DPA") with VimpelCom. Pursuant to the DPA, VimpelCom admitted to participating in the charged conspiracy. VimpelCom will pay a total criminal penalty of $230,163,199.20 to the United States, including $40 million in criminal forfeiture. VimpelCom further agreed to implement rigorous internal controls, retain a compliance monitor for a term of three years, and cooperate fully with the Government.

In related proceedings, VimpelCom reached a settlement with the U.S. Securities and Exchange Commission ("SEC") and the Public Prosecution Service of the Netherlands ("PPS"). Under the terms of its resolution with the SEC, VimpelCom agreed to pay $375 million in disgorgement of profits and prejudgment interest. VimpelCom agreed to pay the PPS a criminal penalty of $230,163,199.20, yielding a total criminal penalty of $460,326,398.40, and a global

resolution amount of more than $835 million. SDNY and the DOJ agreed under the DPA to credit the criminal penalty paid to PPS, and the SEC separately agreed to credit the forfeiture amount paid to the United States. Thus, the total of U.S. criminal and regulatory penalties paid by VimpelCom is $795,326,398.40.

DOJ also filed a civil complaint today seeking forfeiture of $550 million held in Swiss bank accounts which represent proceeds of illegal bribes paid, or property involved in the laundering of those payments, to the Uzbek official by VimpelCom and two other telecommunications companies operating in Uzbekistan. A previous complaint filed by DOJ seeks $300 million in proceeds of illegal bribes paid, or property involved in the laundering of those payments, by these companies to the same Uzbek official. In that case, on January 11, 2016, United States District Judge Andrew L. Carter, Jr. entered a partial default judgment against all potential claimants other than the Republic of Uzbekistan. As alleged in the two complaints, the telecommunications companies paid $850 million in bribes to the Uzbek official to obtain and retain the ability to do business in Uzbekistan.

Manhattan U.S. Attorney Preet Bharara said: “Today we mark the resolution of criminal charges and civil proceedings against corrupt corporate entities that made bribery a foundation of their business model. As they have admitted in court filings, VimpelCom, the world’s sixth largest telecommunications company, with securities traded in New York, and its subsidiary, Unitel, built their business in Uzbekistan on over $114 million in bribes funneled to a government official. Those payments, falsely recorded in the company’s books and records, were then laundered through bank accounts and assets around the world, including through accounts in New York.”

Assistant Attorney General Leslie R. Caldwell said: “These cases combine a landmark FCPA resolution for corporate bribery with one of the largest forfeiture actions we have ever brought to recover bribe proceeds from a corrupt government official. The Criminal Division’s FCPA enforcement program and our Kleptocracy Initiative are two sides of the same anti-corruption coin. The FCPA resolution in this case is also one of the most significant coordinated international and multi-agency resolutions in the history of the FCPA, and demonstrates our commitment both to pursuing justice and to bringing about corporate reform.”

IRS-CI Chief Richard Weber said: “Today’s admission of guilt by VimpelCom and Unitel to paying bribes to government officials is a victory for all who fight corruption at all levels. It also demonstrates the skill and tenacity of IRS Criminal Investigation special agents when it comes to delving underneath layers of financial transactions designed to conceal illegal payments for gain. The global economy demands a level playing field for all. When certain VimpelCom and Unitel executives chose to use deception in order to continue this scheme and take advantage of insider knowledge, they also chose to become criminals. IRS-CI pledges to continue our efforts on the international stage to stop corrupt financial schemes such as this one.”

HSI Special Agent in Charge Settles said: “HSI special agents and our law enforcement partners will continue to investigate financial crimes committed by corrupt foreign officials. We will not permit ill-gotten gains to be laundered through U.S. financial markets.”

According to the allegations contained in the criminal Informations and civil complaints, which were filed today in Manhattan federal court, the statement of facts set forth in the DPA, and other publicly available information:

Between approximately 2006 and 2012, VimpelCom and Unitel, through various executives

and employees, paid more than $114 million in bribes to illegally obtain telecommunications business in Uzbekistan. The bribes were paid to an Uzbek government official who was a close relative of a high-ranking government official and who exercised influence over Uzbek telecommunications industry regulators. VimpelCom and Unitel structured and concealed the bribes through various payments to a shell company that certain VimpelCom and Unitel management knew was beneficially owned by the foreign official. The bribes were paid on multiple occasions over a period of approximately seven years so that VimpelCom could enter the Uzbek market and Unitel could gain valuable telecom assets and continue operating in Uzbekistan.

Under the direction and control of the Uzbek government official, the more than $114 million in bribery proceeds were laundered through accounts held in Latvia, the United Kingdom, Hong Kong, Ireland, Belgium, Luxembourg, and Switzerland. The illicit funds were transmitted through financial institutions in the Southern District of New York before they were deposited into accounts in those countries.

As a further part of the scheme, VimpelCom falsified its books and records and attempted to conceal and disguise the bribery scheme by classifying payments as equity transactions, consulting agreements, and so-called repudiation agreements and reseller transactions. VimpelCom likewise failed to implement and enforce adequate internal accounting controls, which allowed the bribe payments to occur without detection. Moreover, when the VimpelCom Board of Directors sought FCPA legal opinions assessing corruption risks in the transactions, certain members of VimpelCom management withheld crucial information from outside counsel performing the review, rendering the opinions worthless.

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Unitel was charged, and pleaded guilty to, one count of conspiring to violate the anti-bribery provisions of the FCPA. VimpelCom was charged in a two-count Information with conspiracy to violate the anti-bribery and books and records provisions of the FCPA, and with violating the FCPA's internal controls provisions.

Mr. Bharara thanked the Fraud Section of the DOJ's Criminal Division for their collaboration and praised the efforts of IRS-CI, the IRS Global Illicit Financial Team, and HSI in the investigation. He also thanked the SEC's Division of Enforcement for its significant assistance in the investigation. Mr. Bharara also thanked law enforcement colleagues within the PPS, the Swedish Prosecution Authority, the Office of the Attorney General in Switzerland and the Corruption Prevention and Combating Bureau in Latvia, as well as Belgium, France, Ireland, Luxembourg, Norway and the United Kingdom. Mr. Bharara also thanked the Department of Justice's Office of International Affairs for its significant assistance in this matter.

The prosecution of this case is being handled by the Office's Complex Frauds and Cybercrime Unit and the FCPA Unit of the Fraud Section of DOJ's Criminal Division. Assistant United States Attorney Edward A. Imperatore, Senior Litigation Counsel Nicola Mrazek, and Trial Attorney Ephraim Wernick are in charge of the prosecution. AFMLS Trial Attorney Marie M. Dalton is handling the forfeiture aspects of the case.

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