

Securities Regulation Daily Wrap Up, TOP STORY—Bribery of Indian government officials costs Cognizant \$25 million, (Feb 15, 2019)

By [John Filar Atwood](#)

Company's president and chief legal officer authorized payment, hiding of bribe to facilitate building of Cognizant's campus in India.

The SEC charged Cognizant Technology Solutions Corp. and two former executives for violations of the Foreign Corrupt Practices Act (FCPA) in connection with the payment of \$3.6 million in bribes to an Indian government official. In a parallel action, the DOJ and the U.S. Attorney's Office for the District of New Jersey indicted the two individuals on criminal charges of conspiring to violate the FCPA's anti-bribery and accounting provisions.

According to the SEC's [complaint](#), in 2014 a senior government official of the Indian state of Tamil Nadu demanded a \$2 million bribe from the construction firm responsible for building Cognizant's campus in Chennai, India. The payments allowed Cognizant to obtain government construction-related permits and operating licenses in connection with the project. The SEC alleges that the company's president and chief legal officer each authorized the payment of the bribe and directed their subordinates to conceal the bribe by doctoring the contractor's change orders.

Two more bribes. The SEC said in a [news release](#) that Cognizant also gave permission for the construction company to make two additional bribes in the amount of over \$1.6 million. The Commission believes that Cognizant used false change order requests to conceal the payments it made to reimburse the construction firm.

In addition to payments involving the construction projects, the SEC claims that Cognizant India paid \$27,000 in bribes to government officials for the purpose of obtaining operating licenses at six Indian facilities. The payments were made between 2013 and early 2016, mostly by lower to mid-level employees at Cognizant India with the assistance of third party vendors. The payments were disguised in Cognizant's books and records under false generic descriptions, such as "liaison," "consulting," and "miscellaneous" charges, the Commission said.

The SEC stated that all of the unlawful payments were made from Cognizant India's bank accounts and were not accurately reflected in Cognizant's consolidated books and records. According to the Commission, during the relevant period Cognizant also failed to devise and maintain a sufficient system of internal accounting controls at its corporate headquarters and at Cognizant India.

Charges. The SEC charged the two individuals with violating anti-bribery, books and records, and internal accounting controls provisions of the federal securities laws. It is seeking permanent injunctions, monetary penalties, and officer-and-director bars against the two former executives.

The SEC's [order](#) against Cognizant found that the company violated 1934 Act Sections 30A, 13(b)(2)(A) and 13(b)(2)(B). Without admitting or denying the allegations, Cognizant agreed to pay disgorgement and prejudgment interest of \$19 million and a penalty of \$6 million.

Cooperation and remediation. In determining to accept Cognizant's settlement offer, the Commission considered its self-disclosure, cooperation, and remedial efforts. Cognizant voluntarily disclosed the misconduct and shared the facts developed during the course of an internal investigation by the audit committee of its board. The company also voluntarily produced and translated documents, and made current or former employees available for interviews by the Commission staff.

Cognizant's remedial actions included, among other things, termination or the imposition of other discipline on officers and employees who participated in or were aware of the improper conduct, and appointment of new executive personnel, including a new president, general counsel, and heads of global real estate and procurement. The

company also enhanced its FCPA compliance policies relating to due diligence and contracting of vendors and suppliers, and conducted enhanced anti-corruption training.

Attorneys: John J Bowers for the SEC.

Companies: Cognizant Technology Solutions Corp.

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