Press Release

SEC Charges Health Care Co. and Two Former Employees for Accounting Improprieties

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Washington D.C., Feb. 22, 2022 —The Securities and Exchange Commission today announced settled charges and an $18 million penalty against Baxter International Inc. for engaging in improper intra-company foreign exchange transactions that resulted in the misstatement of the company's net income. The SEC also announced settled charges against Baxter's former treasurer and assistant treasurer, Scott Bohaboy and Jeffrey Schaible, respectively, for their misconduct related to these transactions.

The SEC's order against Baxter finds that the company violated the negligence-based anti-fraud, reporting, books and records, and internal accounting controls provisions of the federal securities laws. From at least 1995 to 2019, Baxter used a convention to convert non-U.S. dollar denominated transactions and assets and liabilities on its financial statements that was not in accordance with U.S. GAAP or generally accepted accounting principles. Beginning in at least 2009, Baxter exploited the convention to enter into intra-company foreign exchange transactions for the sole purpose of generating foreign exchange accounting gains or avoiding foreign exchange accounting losses.

"It is critical that companies that identify wrongdoing proactively come forward and cooperate with the SEC staff," said Paul Montoya, Associate Regional Director of the SEC's Chicago Office. "Baxter's self-reporting and substantial cooperation in working with the staff in this complex investigation was an important consideration in assessing the appropriate sanctions for this case."

The SEC's orders against Bohaboy and Schaible find that they violated the negligence-based anti-fraud provisions of the federal securities laws and caused Baxter's reporting and books and records violations. According to the order against Schaible he, along with others working at his direction, was primarily responsible for executing the transactions. The SEC's order against Bohaboy finds that he did not take any steps to investigate how Baxter's treasury department generated consistent gains or whether the transactions that generated the gains were permissible.

Without admitting or denying the SEC's findings, Baxter, Bohaboy, and Schaible consented to cease and desist from future violations. Bohaboy consented to pay a $125,000 civil penalty. Schaible consented to pay a $100,000 civil penalty, disgorgement of $76,404 and prejudgment interest of $12,955. The settlement creates a fair fund for distribution of settlement proceeds to harmed investors.

The SEC's investigation was conducted by Jen Peltz, Emily Rothblatt, Scott Hlavacek, Wilburn Saylor, Ann Tushaus, and Ariella Guardi, and was supervised by Jeffrey Shank and Paul Montoya.

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