



ABA – Section of International Law

Anti-Corruption Initiatives & Compliance Issues Committee



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Alcatel Executive indicted for FCPA violations in telecom contracts

In late December 2006, a federal grand jury in Miami indicted a former executive of the French telecommunication company Alcatel, S.A. on charges of violating the Foreign Corrupt Practices Act (“FCPA”). The charges against French citizen Christian Sapsizian include conspiracy to pay over \$2.5 million in bribes to Costa Rican officials in exchange for telecommunications contracts, money laundering, and bribery. At the time of the alleged conduct, Sapsizian, a long-time Alcatel employee, was deputy vice-president in charge of Latin America. Alcatel’s American Depository Receipts are registered with the Securities and Exchange Commission and are traded on the New York Stock Exchange.

The state-owned El Instituto Costarricense de Electricidad (“ICE”) controls all telecommunication contracts for Costa Rica. A seven-member board of directors governs ICE. Though Alcatel had not been awarded any contracts before 2000, the indictment alleges that between 2000 and 2004, Sapsizian conspired with Alcatel’s senior Costa Rican representative to make payments to an ICE board member, who was an advisor to a more senior Costa Rican government official. The payments were intended to induce the ICE official to favor Alcatel in future contracts. Sapsizian is charged with offering the ICE official 1.5- 2% of the value of the contract in exchange for the official’s efforts. Sapsizian allegedly was aware that the ICE official intended to share the corrupt payments with the senior government official.

After Alcatel was awarded a \$149 million contract in August 2001, Sapsizian authorized one of Alcatel’s Costa Rican consulting firms to funnel the payments to the ICE official. The indictment charges Sapsizian with conspiring to launder money by allegedly causing Alcatel CIT to wire \$14 million in “commission” payments to the consultant, who then wire transferred \$2.5 million to the ICE official.

If convicted, Sapsizian could serve a prison sentence of up to five years each for the bribery and FCPA charges and up to twenty years for the money laundering charge.

Sources:

Former Alcatel CIT Executive Is Indicted for Alleged Bribes to Costa Rican Officials to Obtain Mobile Telephone Contract, Press Release, U.S. Department of Justice, Dec. 20, 2006.

United States v. Sapsizian, Indictment (S.D. Fla. 2006).

Vetco pays largest criminal FCPA fine to date

On February 6, 2007, three subsidiaries of Vetco International, Inc. (“Vetco”) — Vetco Gray Controls Inc., Vetco Gray Controls Ltd., and Vetco Gray UK Ltd. — pleaded guilty to conspiracy to violate and violating the anti-bribery provisions of the FCPA. A fourth subsidiary, Aibel Group Ltd., entered a deferred prosecution agreement for the same violations.



The Vetco subsidiaries agreed to pay criminal fines totaling \$26 million — the largest FCPA criminal fine to date. The plea agreements also require Vetco to hire an independent monitor to oversee the creation and management of an effective compliance program to conduct the worldwide compliance audit of its activities in thirty-one countries, as well as a compliance audit of certain acquisitions and joint venture partners, as contemplated by FCPA Opinion Release 2004-02; and to ensure that any future sale of the companies would commit purchasers to the compliance program.

According to the plea and deferred prosecution agreements, beginning in February 2001, Vetco Gray UK began providing engineering and procurement services and subsea construction equipment for Nigeria's first deepwater oil drilling project. Vetco Gray UK affiliates, including Aibel Group Ltd., Vetco Gray Controls Inc., and Vetco Gray Controls Ltd., supplied Vetco Gray UK with employees and manufacturing equipment for the project. From at least September 2002 to at least April 2005 the defendants engaged the services of a major international freight forwarding and customs clearing company and authorized that agent to make numerous corrupt payments totaling approximately \$2.1 million to Nigerian Customs Service officials to induce those officials to provide the defendants with preferential treatment during the customs process.

This is not the first time that Vetco entities have violated the FCPA. In July 2004, Vetco Gray UK pleaded guilty to bribing Nigerian government officials who evaluated and approved bids for oil exploration projects. Significantly, despite Vetco's agreement to implement a compliance program when it acquired Vetco Gray UK in July 2004, the corrupt conduct continued. Vetco did, however, disclose the misconduct to the Department of Justice, which resulted in the investigation and the resolution of the corrupt activity.

Sources:

Tom Fowler, *Nigeria bribery charges settled: Vetco Gray will pay a record \$26 million under plea agreements*, THE HOUSTON CHRONICLE, Feb. 7, 2007, at Business 1.

Three Vetco International Ltd. Subsidiaries Plead Guilty to Foreign Bribery and Agree to Pay \$26 Million in Criminal Fines: Separate Subsidiary Enters into a Deferred Prosecution Agreement Following Cooperation with Justice Department, Press Release, U.S. Department of Justice, Feb. 6, 2007.

El Paso Corporation charged in Oil for Food Scandal

On February 7, 2007, the Securities and Exchange Commission ("SEC") filed FCPA books and records and internal controls charges against NYSE-listed El Paso Corporation, a Texas energy company, for its alleged involvement in the Iraqi Oil for Food kickback scheme. The SEC's complaint alleges that El Paso made \$5.5 million in illegal payments to Iraq in exchange for 21.4 million barrels of crude oil between June 2001 and June 2002. The complaint alleges that El Paso illegally kicked back 25 to 30 cents to Iraq in the form of an oil surcharge for every barrel purchased. According to the complaint, El Paso's kickback payments diverted millions of dollars from humanitarian aid designed to help the Iraqi people.



The complaint also alleges that in September 2000, The Coastal Corporation, which merged with a subsidiary of El Paso in January 2001, first paid a \$201,877 surcharge demanded by Iraq's State Oil Marketing Organization. Though El Paso discontinued further direct purchases from the State Oil Marketing Organization, the company allegedly made fourteen third party purchases between June 2001 and June 2002. According to the SEC, recorded telephone calls of El Paso officials and oil traders established El Paso's knowledge that illegal surcharges were paid on those contracts and returned to El Paso as premiums. El Paso allegedly failed to maintain an adequate system of internal controls to detect and prevent such payments, and failed to properly record the nature of the company's payments.

While El Paso has neither admitted nor denied the SEC's allegations, it has cooperated with the SEC investigation. El Paso entered into a consent decree, enjoining it from future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 and requiring the company to disgorge nearly \$5.5 million in profits and to pay a \$2.25 million civil penalty. To fulfill its disgorgement obligation, El Paso will forfeit nearly \$5.5 million pursuant to a non-prosecution agreement with the U.S. Attorney's Office for the Southern District of New York.

Sources:

SEC Files Settled Books and Records and Internal Controls Charges Against El Paso Corporation for Improper Payments to Iraq Under the U.N. Oil for Food Program, Press Release, U.S. Securities and Exchange Commission, Feb. 7, 2007.

Upcoming Events

.	May 1-5, 2007 ABA Section of International Law Spring Meeting , Washington, D.C. Register today.
.	Aug 10-12, 2007 ABA Annual Meeting , San Francisco, CA
.	Oct. 3-6, 2007 ABA Section of International Law Fall Meeting , London, England

Submission Deadlines

Please have submissions for the next newsletter to [Victoria Jozef](#) by February 28, 2007.

