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In the Third-Largest FCPA Enforcement Action Ever, Telia Agrees to Pay Almost \$1 Billion to Resolve Bribery Inquiry in Uzbekistan; CEO, Senior Executive, and In-House Counsel Also Charged

In the first blockbuster FCPA action of the Trump administration, on September 21, 2017, Swedish telecommunications company Telia agreed to pay \$965 million in total penalties to the U.S. Department of Justice (“DOJ”) and Securities and Exchange Commission (“SEC”) to resolve allegations that the company and its subsidiary made illegal payments to an Uzbek government official to expand the companies’ telecommunications business in Uzbekistan. The combined penalty marks the third-largest global FCPA resolution in history, following the Siemens and Odebrecht enforcement actions.

Attorneys
[Ryan Rohlfen](#)
[G. David Rojas](#)
[Kendall Scott](#)

Resolution Details

According to the government, from 2007 until at least 2010, senior managers at Telia authorized corrupt payments to a government official—the President of Uzbekistan’s eldest daughter—in exchange for access to the country’s telecommunications market. Telia carried out this scheme by acquiring an existing Uzbek telephone operator, Coscom LLC, in 2007 and providing the government official with a 26 percent ownership stake. The government official, who held the equity interest in Coscom through a Gibraltar-based shell company called Takilant Limited, was given a put option to sell the interest back to Telia at a later date for a guaranteed profit. In exchange for this lucrative arrangement, the government official caused Uzbek regulators to issue critical telecommunications licenses, frequencies, and number blocks on Telia’s behalf.

Telia continued its scheme for several years, making payments to the government official through Coscom and Takilant as it sought to expand its network and market share in Uzbekistan. For instance, the government alleges that Telia paid \$55 million in sham consulting fees to the Uzbek official through Takilant in November of 2010 in exchange for necessary 4G licenses and frequencies. In total, Telia allegedly made \$331 million in illegal payments to the government official in exchange for approximately \$457 million in profits.

In the criminal case brought by the DOJ, Coscom pleaded guilty and was sentenced on a one-count criminal information charging the company with conspiracy to violate the anti-bribery provisions of the FCPA. Telia separately entered into a deferred prosecution agreement in connection with a criminal information with the same count. Telia agreed to pay a total criminal penalty of approximately \$548.6 million, with potential payments to Dutch and Swedish authorities credited from this amount.

In related proceedings, Telia also settled with the Public Prosecution Service of the Netherlands (“Openbaar Ministerie” or “OM”) and the SEC. Telia agreed to pay a \$274 million criminal penalty to OM and \$457.2 million in disgorged profits to the SEC, less \$40 million in forfeiture paid to the DOJ. The Swedish Prosecution Authority announced confiscation proceedings against Telia. In total, Telia agreed to pay over \$965 million to the U.S., Dutch, and Swedish authorities.

The DOJ noted that Telia received full credit for its cooperation with the criminal investigation and that it engaged in extensive remedial measures, including terminating those individuals responsible for the wrongdoing. As a result of Telia's remediation efforts and existing compliance program, the DOJ determined that an independent compliance monitor was unnecessary at this time. Telia did not self-report to the government and thus received no voluntary disclosure credit.

The Swedish Prosecution Authority also charged Telia's former CEO, the former head of Telia's Eurasian business, and the general counsel for the Eurasian business each with five bribery offenses. The charges appear to stem from the individuals' approval of various corrupt payments. For instance, U.S. court papers indicate that Telia's former CEO approved the ownership agreement between the Uzbek official and Coscom. The former head of Telia's Eurasian business likewise knew of the corrupt arrangement and authorized multiple illegal payments to the foreign government official on Telia's behalf. Press reports indicate that he was charged because he participated in the corrupt deals by helping draft the agreements.

Conclusion

The Telia resolution appears to conclude the multilateral investigation into bribes made by telecommunications companies to the President of Uzbekistan's eldest daughter, aside from the potential prospective resolution with Swedish authorities. In February 2016, [VimpelCom Ltd.](#) and its wholly owned subsidiary paid \$795 million to U.S. and Dutch authorities to resolve allegations that the companies had made corrupt payments to the same Uzbek government official using the same shell companies and a virtually identical scheme as Telia. If considered together, the combined settlement with [VimpelCom](#) and Telia (totaling over \$1.76 billion) exceeds the DOJ's highest-profile multi-company FCPA resolution, the KBR-Halliburton resolution in 2009.

This resolution illustrates continued coordination among international law enforcement agencies, including Dutch and Swedish authorities. In several resolutions over the last year, including Rolls-Royce, [VimpelCom](#), and Odebrecht/Braskem, the DOJ credited foreign authorities with providing valuable assistance. Moreover, the enforcement action reinforces the SEC's broad understanding of its jurisdiction under the FCPA. This action involves the Uzbek subsidiary of a Swedish company—which was not listed on a U.S. stock exchange when most of the alleged misconduct took place—making improper payments to an Uzbek government official. The SEC's jurisdictional hook in this case is premised primarily on Telia's status as a U.S. issuer through September 2007—shortly after the misconduct allegedly began—while also alleging the denomination of improper payments in U.S. dollars, the use of U.S.-based email accounts, and the involvement of unnamed U.S. citizens and companies to help establish the relationship with the foreign official. It is clear that the U.S. government, along with other countries, is continuing to pursue companies vigorously under the FCPA.