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## **\$1.4 Billion Global Settlement Offer to Telia Portends Major Foreign Bribery Prosecution**

On September 15, 2016, U.S. and Dutch authorities presented Telia Company AB, a global telecommunications company partially owned by the Swedish government, with a proposed settlement offer requiring Telia to pay \$1.4 billion to resolve allegations that it paid hundreds of millions of dollars in bribes to secure business in Uzbekistan from 2007 to 2012. If Telia were to accept the offer, the settlement would be the second-largest global resolution of charges under the Foreign Corrupt Practices Act and similar foreign bribery legislation to date, behind only the \$1.6 billion Siemens settlements from 2008 with U.S. and German authorities. Of course, it is impossible to predict how this matter will be resolved, and if a settlement is reached, the amount may be significantly lower than \$1.4 billion. Telia chairwoman Marie Ehrling said in a statement that the company's "initial reaction to the proposal is that the amount is very high."<sup>1</sup>

The U.S. Department of Justice, the Securities and Exchange Commission and the Public Prosecution Service of the Netherlands ("OM") launched investigations of Telia in 2012 following the release of a Swedish television documentary claiming that Telia paid \$320 million in bribes to enter and operate in the Uzbek telecommunications market.<sup>2</sup> The recent resolution by the DOJ, SEC and OM of foreign bribery charges against Amsterdam-based VimpelCom Limited and Unitel LLC, its wholly-owned Uzbek subsidiary, may provide a roadmap to the potential resolution of the Telia investigation.

On February 18, 2016, the DOJ, SEC and OM entered into a \$795 million global settlement with VimpelCom and Unitel. The companies admitted to engaging in a broad corruption scheme from 2006 through 2012, in which they paid over \$114 million to Takilant Ltd., a Gibraltar-based shell company beneficially owned by Gulnara Karimova, the eldest daughter of the late president of Uzbekistan, Islam Karimov, in exchange for her influence over decisions made by the Uzbek Agency for Communications and Information ("UzACI"), the agency responsible for telecommunications regulation in Uzbekistan.

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<sup>1</sup> Press Release, Telia Company, The U.S. and Dutch Authorities Present Proposed Settlement Amount (Sept. 15, 2016), <http://www.teliacompany.com/contentassets/de40c20caff344978c7e0ccde0d476b3/wkr0006.pdf>.

<sup>2</sup> Richard Milne, *US and Dutch Plan to Hand Out \$1.4bn Fine to Telia*, FIN. TIMES (Sept. 15, 2016), [https://www.ft.com/content/9a5cef54-7b11-11e6-ae24-f193b105145e?ftcamp=published\\_links%2Frss%2Fhome\\_us%2Ffeed%2F%2Fproduct](https://www.ft.com/content/9a5cef54-7b11-11e6-ae24-f193b105145e?ftcamp=published_links%2Frss%2Fhome_us%2Ffeed%2F%2Fproduct).

On the same day that the DOJ, SEC and OM settled with VimpelCom and Unitel, the DOJ separately filed a civil forfeiture action seeking to recover approximately \$550 million from Swiss bank accounts alleged to hold improper payments—or funds used to launder those payments—made by VimpelCom, Telia (under its former name, TeliaSonera) and Mobile Telesystems OJSC, a Russian telecommunications company, to an unnamed Uzbek official widely presumed to be Karimova.<sup>3</sup> A related DOJ forfeiture action seeking to recover \$300 million from bank accounts in Belgium, Luxembourg and Ireland was filed in June 2015. The DOJ alleged that the improper payments at issue were executed through transactions into and out of bank accounts at several large New York-based financial institutions. Taken together, these actions constitute the second-largest forfeiture effort commenced under the DOJ's Kleptocracy Asset Recovery Initiative,<sup>4</sup> which was established to recover proceeds of corruption involving foreign officials that are laundered through the U.S. financial system for the benefit of victim countries.

The DOJ's February 2016 civil forfeiture action provides information about alleged wrongdoing by Telia. According to the complaint, Telia made over \$364 million in corrupt payments to Takilant from 2007 to 2010. The DOJ claimed that, in 2007, Telia sold a 26 percent stake in one of its Uzbek subsidiaries for \$50 million and paid \$30 million to Takilant in order to obtain 3G frequencies. In 2008, Telia allegedly paid \$9.2 million to Takilant to obtain rights to use certain number blocks and network codes from UzACI. Telia was also alleged to have made a total of \$275 million in payments to Takilant in 2010—\$55 million to obtain LTE licenses and \$220 million to repurchase 20 percent ownership of its Uzbek subsidiary that it sold to Takilant in 2007.<sup>5</sup>

The proposed settlement with Telia is notable for its size and underscores the severity of potential punishments for FCPA violations. It also confirms that the investigation into alleged corruption in the Uzbek telecommunications market by U.S. and Dutch authorities is active and ongoing. The proposed settlement highlights Dutch prosecutors' continued cooperation with the DOJ and SEC, as well as the increased coordination between the DOJ's FCPA Unit and the Asset Forfeiture and Money Laundering Section, which is spearheading the Kleptocracy Asset Recovery Initiative. Even if negotiations among Telia, U.S. and Dutch authorities result in somewhat lower penalty amounts, the matter will almost certainly take its place among the most significant foreign bribery prosecutions.

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<sup>3</sup> Complaint, *U.S. v. All Funds Held in Account Number CH1408760000050335300*, No. 1:16-cv-01257 (S.D.N.Y. Feb. 18, 2016).

<sup>4</sup> The Kleptocracy Asset Recovery Initiative's largest case involves ongoing efforts to recover over \$1 billion in assets associated with an international conspiracy to launder funds misappropriated from 1Malaysia Development Berhad, Malaysia's sovereign wealth fund, commonly referred to as 1MDB.

<sup>5</sup> *Id.* ¶¶ 86-111.

This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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