JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE Thursday, July 5, 2018

Credit Suisse's Investment Bank in Hong Kong Agrees to Pay $47 Million Criminal Penalty for Corrupt Hiring Scheme that Violated the FCPA

Credit Suisse (Hong Kong) Limited (CSHK), a Hong Kong-based subsidiary of Credit Suisse Group AG (CSAG), a Swiss-based issuer of publicly traded securities in the United States, reached a resolution with the Department of Justice and agreed to pay a $47 million criminal penalty for its role in a scheme to corruptly win banking business by awarding employment to friends and family of Chinese officials.

Acting Assistant Attorney General John P. Cronan of the Justice Department's Criminal Division, U.S. Attorney Richard P. Donoghue of the Eastern District of New York and Assistant Director-in-Charge William F. Sweeney Jr. of the FBI's New York Field Office made the announcement.

"Credit Suisse (Hong Kong) Limited engaged in a corrupt scheme to win business with Chinese state-owned entities by hiring friends and family of Chinese government officials, generating the bank at least $46 million in profits," said Acting Assistant Attorney General Cronan. "These 'relationship hires' often lacked necessary technical skills, and offered fewer qualifications and significantly less relevant banking experience than other candidates for the jobs. The Department of Justice remains steadfast in our commitment to combatting bribery and corruption in all its many forms, including where companies engage in corrupt hiring practices to gain the favor of foreign officials to generate improper business advantages and increase profits."

"Credit Suisse Hong Kong's practice of employing friends and family members of Chinese government officials as a quid pro quo for lucrative business opportunities was both profitable and corrupt and now the company will pay the price for that corruption," said U.S. Attorney Donoghue. "This Office is committed to holding companies that conduct business in the United States accountable when they or their subsidiaries corruptly influence foreign government officials for financial gain."

"In the banking industry, not every undertaking is fair game," said Assistant Director-in-Charge Sweeney. "Trading employment opportunities for less-than-qualified individuals in exchange for lucrative business deals is an example of nepotism at its finest. The criminal penalty imposed today provides explicit insight into the level of corruption that took place at the hands of Credit Suisse Group AG's Hong Kong-based subsidiary."

According to CSHK's admissions, between 2007 and 2013, several senior CSHK managers in the Asia Pacific (APAC) region engaged in a practice to hire, promote and retain candidates referred by or related to government officials and executives of clients that were state-owned entities (SOEs). The employment of these "relationship hires" or "referral hires" was part of a quid pro quo with the officials who referred the candidates for employment, whereby CSHK bankers sought to and did win business from the referral sources. Employees of other subsidiaries of CSAG were aware of the referral hires and facilitated the conduct.

According to admissions made in connection with the resolution, CSHK bankers discussed and approved the hiring of close friends and family of Chinese officials in order to secure business for CSHK. For example, one SOE executive emailed a senior CSHK banker to refer a candidate who had a "very good and close relationship" with senior management at the SOE, and wrote that hiring the referral hire would "bring [CSHK] the big surprise in the near future if [CSHK] could ... arrange a position in CS team in Beijing." The senior CSHK banker later told a colleague about an impending deal that the SOE was pursuing and explained that the referring SOE official "was focused on having us make a relationship hire and said it was very important for us to win future business with [the SOE]." In another email to colleagues, a CSHK employee explained that "[r]elationship hires have to translate to $" or "the relationship is worthless to our organization."

CSHK further admitted that referral hires were less qualified than other employees hired at the same level, they were less stringently vetted and they were given benefits throughout the course of their employment due to the provision of business to CSHK by their referral sources. For example, in relation to the interview process for one referral hire, a senior CSHK banker cautioned colleagues "not too many interviews," as this referral hire was "a princess [who was] not used to too many rounds of interview." CSHK employees also noted that they had to "be a bit 'creative' in filling" in this referral hire's resume, before sending it to other CSHK employees. In another example, when a CSHK banker asked a high-ranking executive of a client SOE to "push for [CSHK's] incentive," the high-ranking executive "reminded [the CSHK banker] that [CSHK] need[ed] to pay [the SOE's] relationship hire ... well at the year-end bonus."

The corrupt scheme netted CSHK at least $46 million in profits from business mandates with Chinese SOEs, CSHK admitted.

The Department and CSHK entered into a non-prosecution agreement, and CSHK agreed to pay a criminal penalty of $47,029,916 to resolve the matter. As part of the agreement, CSHK and its parent company Credit Suisse AG also agreed to continue to cooperate with the Department in any ongoing investigations and prosecutions relating to the conduct, to enhance their compliance programs and to report to the Department on the implementation of their enhanced compliance programs. The Department reached this resolution based on a number of factors, including that CSHK did not voluntarily and timely disclose the conduct at issue. CSHK received partial credit for its and its parent company's cooperation with the criminal investigation, including making foreign-based employees available for interviews in the United States and producing documents to the government from foreign countries in ways that did not implicate foreign data privacy laws. However, CSHK did not receive additional cooperation credit because its cooperation was reactive and not proactive. Additionally, CSHK did not receive full credit for remediation because it failed to sufficiently discipline employees who were involved in the misconduct. Based on these considerations, the company received a non-prosecution agreement and an aggregate discount of 15 percent off the bottom of the U.S. Sentencing Guidelines fine range.

In related proceedings, Credit Suisse Group AG also settled with the U.S. Securities and Exchange Commission (SEC). Under the terms of its resolution with the SEC, Credit Suisse Group AG agreed to pay a total of $24,989,843 in disgorgement of profits and $4,833,961 in prejudgment interest.

The FBI's New York Field Office investigated the case. Trial Attorney Katherine Nielsen and former Trial Attorney Allison Westfahl-Kong of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Alicyn Cooley, Alixandra Smith and James P. McDonald of the Eastern District of New York's Business and Securities Fraud Section prosecuted the case. The Fraud Section and U.S. Attorney's Office appreciate the significant cooperation and assistance provided by the SEC in this matter.

The Criminal Division's Fraud Section is responsible for investigating and prosecuting all FCPA matters. Additional information about the Justice Department's FCPA enforcement efforts can be found at www.justice.gov/criminal/fraud/fcpa.

Attachment(s):
Download Credit Suisse NPA with Statement of Facts

Topic(s):
Securities, Commodities, & Investment Fraud
Foreign Corruption

Component(s):
Criminal Division
Criminal - Criminal Fraud Section
USAO - New York, Eastern

Press Release Number:
18-888

Updated March 27, 2019

Press Release

Automaker to Pay $40 Million for Misleading Investors

FOR IMMEDIATE RELEASE
2019-196

Washington D.C., Sept. 27, 2019 — The Securities and Exchange Commission today charged Michigan-based automaker FCA US LLC, and its parent company, Fiat Chrysler Automobiles N.V., for misleading investors about the number of new vehicles sold each month to customers in the United States. FCA US and Fiat Chrysler Automobiles have agreed to pay $40 million to settle the charges.

According to the SEC's order, between 2012 and 2016, FCA US issued monthly press releases falsely reporting new vehicle sales and falsely touting a "streak" of uninterrupted monthly year-over-year sales growth, when in fact, the growth streak had been broken in September 2013. FCA US and Fiat Chrysler Automobiles included the press releases in their SEC filings. New vehicle sales and the growth streak were key performance indicators that illustrated the company's competitive position and demand for its vehicles. The SEC's order finds that FCA US inflated new vehicle sales results by paying dealers to report fake vehicle sales and maintaining a database of actual but unreported sales, which employees often referred to as a "cookie jar." In months when the growth streak would have ended or when FCA US fell short of other targets, FCA US dipped into the "cookie jar" and reported old sales as if they had just occurred.

"New vehicle sales figures provide investors insight into the demand for an automaker's products, a key factor in assessing the company's performance," said Antonia Chion, Associate Director in the Division of Enforcement. "This case underscores the need for companies to truthfully disclose their key performance indicators."

The SEC's order finds that FCA US and Fiat Chrysler Automobiles violated the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, as well as the reporting, books and records, and internal accounting controls provisions of the Exchange Act. Without admitting or denying the Commission's findings, the two companies have agreed to cease and desist from committing or causing any future violations of these provisions and to pay a civil penalty of $40 million on a joint and several basis.

The SEC's investigation was conducted by Gosia Spangenberg, Andrea Fox, Daniel Maher, and Nicholas Margida, under the supervision of Lisa Deitch, Peter Rosario, and Ms. Chion.

###

Related Materials

- SEC Order

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, November 17, 2016

JPMorgan's Investment Bank in Hong Kong Agrees to Pay $72 Million Penalty for Corrupt Hiring Scheme in China

JPMorgan Securities (Asia Pacific) Limited (JPMorgan APAC), a Hong Kong-based subsidiary of multinational bank JPMorgan Chase & Co. (JPMC), agreed to pay a $72 million penalty for its role in a scheme to corruptly gain advantages in winning banking deals by awarding prestigious jobs to relatives and friends of Chinese government officials.

Assistant Attorney General Leslie R. Caldwell of the Criminal Division, U.S. Attorney Robert L. Capers of the Eastern District of New York and Assistant Director in Charge William F. Sweeney Jr. of the FBI's New York Field Office made the announcement.

"The so-called Sons and Daughters Program was nothing more than bribery by another name," said Assistant Attorney General Caldwell. "Awarding prestigious employment opportunities to unqualified individuals in order to influence government officials is corruption, plain and simple. This case demonstrates the Criminal Division's commitment to uncovering corruption no matter the form of the scheme."

"U.S. businesses cannot lawfully seek to gain a business advantage by corruptly influencing foreign government officials," said U.S. Attorney Capers. "The common refrain that this is simply how business is done overseas is no defense. In this case, JPMorgan employees designed a program to hire otherwise unqualified candidates for prestigious investment banking jobs solely because these candidates were referred to the bank by officials in positions to award business to the bank. In certain instances, referred candidates were hired with the understanding that the hiring was linked to the award of specific business. This is no longer business as usual; it is corruption."

"Creating a barter system in which jobs are awarded to applicants in exchange for lucrative business deals is a corrupt scheme in and of itself," said Assistant Director in Charge Sweeney. "But when foreign officials are among those involved in the bribe, the international free market system and our national security are among the major threats we face. Those engaging in these illegal acts abroad may think they're out of sight and out of mind, but they're wrong. The FBI has recently established three dedicated international corruption squads to combat this type of *quid pro quo*, and we'll use all resources at our disposal to uncover and put an end to these crimes."

According to JPMorgan APAC's admissions, beginning in 2006, senior Hong Kong-based investment bankers set up and used a "client referral program," also referred to as the "Sons and Daughters Program," to hire candidates referred by clients and government officials. The Sons and

Daughters Program was used as a means to influence those same officials to award investment deals to JPMorgan APAC. By late 2009, JPMorgan APAC executives and senior bankers revamped the client referral program to improve its efficacy by prioritizing those hires linked to upcoming client transactions. In order to be hired, a referred candidate had to have a "directly attributable linkage to business opportunity."

According to admissions made in connection with the resolution, these *quid pro quo* arrangements were discussed internally among JPMorgan APAC bankers. For example, in late 2009, a Chinese government official communicated to a senior JPMorgan APAC banker that hiring a referred candidate would significantly influence the role JPMorgan APAC would receive in an upcoming initial public offering (IPO) for a Chinese state-owned company. The banker communicated this message to several senior colleagues, who then spent several months trying to place the referred candidate in an investment banking position in New York. Despite learning from personnel in New York that this referred candidate was not qualified for an investment banking position, senior JPMorgan APAC bankers created a new position for the candidate in New York, and JPMorgan APAC thereafter obtained a leading role in the IPO. Further, JPMorgan APAC employees misused compliance questionnaires to justify and paper over corrupt business arrangements. Employees also used a template with pre-filled answers, including that there was "no expected benefit" from the hire, and compliance personnel drafted and modified questionnaires that failed to state the true purpose of the hire.

JPMorgan APAC further admitted that candidates hired during the scheme were typically given the same titles and paid the same amount as entry-level investment bankers, despite the fact that many of these hires performed ancillary work such as proofreading and provided little real value to any deliverable product.

The corrupt scheme netted JPMorgan APAC at least $35 million in profits from business mandates with Chinese state-owned companies.

JPMorgan APAC entered into a non-prosecution agreement and agreed to pay a criminal penalty of $72 million to resolve the matter. As part of the agreement, JPMorgan APAC has agreed to continue to cooperate with the department in any ongoing investigations and prosecutions relating to the conduct, including of individuals, to enhance its compliance program, and to report to the department on the implementation of its enhanced compliance program.

The department reached this resolution based on a number of factors, including that JPMorgan APAC did not voluntarily and timely disclose the conduct at issue. However, JPMorgan APAC did receive full credit for its and JPMC's cooperation with the criminal investigation, including conducting a thorough internal investigation, making foreign-based employees available for interviews in the United States and producing documents to the government from foreign countries in ways that did not implicate foreign data privacy laws. JPMorgan APAC also took significant employment action against six employees who participated in the misconduct resulting in their departure from the bank, and it disciplined an additional 23 employees who, although not involved in the misconduct, failed to effectively detect the misconduct or supervise those engaged in it. JPMorgan APAC imposed more than $18.3 million in financial sanctions on former or current employees in connection with the remediation efforts. Based on these actions and other considerations, the company received a non-prosecution agreement and an aggregate discount of 25 percent off of the bottom of the U.S. Sentencing Guidelines fine range.

In related proceedings, the U.S. Securities and Exchange Commission (SEC) filed a cease and desist order against JPMC, whereby JPMC agreed to pay $130.5 million in disgorgement to the SEC, including prejudgment interest. The Federal Reserve System's Board of Governors also issued a consent cease-and-desist order and assessed a $61.9 million civil penalty. Thus, the combined U.S. criminal and regulatory penalties paid by JPMC and its Hong Kong subsidiary are approximately $264.4 million.

The FBI's New York Field Office investigated the case. The department appreciates the significant cooperation and assistance provided by the SEC and the Federal Reserve Bank of New York in this matter. Assistant Deputy Chief Leo Tsao and Trial Attorneys James P. McDonald and Derek J. Ettinger of the Criminal Division's Fraud Section and Assistant U.S. Attorney James P. Loonam of the Eastern District of New York's Business and Securities Fraud Section prosecuted the case.

The Criminal Division's Fraud Section is responsible for investigating and prosecuting all FCPA matters. Additional information about the Justice Department's FCPA enforcement efforts can be found at www.justice.gov/criminal/fraud/fcpa.

Attachment(s):
Download JPMorgan Securities Asia Pacific NPA

Topic(s):
Financial Fraud
Foreign Corruption

Component(s):
Criminal Division
Criminal - Criminal Fraud Section
USAO - New York, Eastern

Press Release Number:
16-1343

Updated October 3, 2017

Press Release

JPMorgan Chase Paying $264 Million to Settle FCPA Charges

FOR IMMEDIATE RELEASE
2016-241

Washington D.C., Nov. 17, 2016 — The Securities and Exchange Commission today announced that JPMorgan Chase & Co. has agreed to pay more than $130 million to settle SEC charges that it won business from clients and corruptly influenced government officials in the Asia-Pacific region by giving jobs and internships to their relatives and friends in violation of the Foreign Corrupt Practices Act (FCPA).

JPMorgan also is expected to pay $72 million to the Justice Department and $61.9 million to the Federal Reserve Board of Governors for a total of more than $264 million in sanctions resulting from the firm's referral hiring practices.

According to an SEC order issued today, investment bankers at JPMorgan's subsidiary in Asia created a client referral hiring program that bypassed the firm's normal hiring process and rewarded job candidates referred by client executives and influential government officials with well-paying, career-building JPMorgan employment. During a seven-year period, JPMorgan hired approximately 100 interns and full-time employees at the request of foreign government officials, enabling the firm to win or retain business resulting in more than $100 million in revenues to JPMorgan.

"JPMorgan engaged in a systematic bribery scheme by hiring children of government officials and other favored referrals who were typically unqualified for the positions on their own merit," said Andrew J. Ceresney, Director of the SEC Enforcement Division. "JPMorgan employees knew the firm was potentially violating the FCPA yet persisted with the improper hiring program because the business rewards and new deals were deemed too lucrative."

Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit, added, "The misconduct was so blatant that JPMorgan investment bankers created 'Referral Hires vs Revenue' spreadsheets to track the money flow from clients whose referrals were rewarded with jobs. The firm's internal controls were so weak that not a single referral hire request was denied."

The SEC's order finds that JPMorgan violated the anti-bribery, books and records, and internal controls provisions of the Securities Exchange Act of 1934. JPMorgan agreed to pay $105,507,668 in disgorgement plus $25,083,737 in interest to settle the SEC's case. The SEC considered the company's remedial acts and its cooperation with the investigation when determining the settlement.

The SEC's continuing investigation is being conducted by Neil Smith and Paul Block of the FCPA Unit and Rory Alex and Martin Healey of the Boston Regional Office. The SEC appreciates the assistance of the Fraud Section of the U.S. Department of Justice, the U.S. Attorney's Office for the Eastern District of New York, the Federal Bureau of Investigation, and the Federal Reserve Board of Governors.

###

Related Materials

- SEC order

Press Release

SEC Charges Credit Suisse With FCPA Violations

FOR IMMEDIATE RELEASE
2018-128

Washington D.C., July 5, 2018 — The Securities and Exchange Commission today announced that Credit Suisse Group AG will pay approximately $30 million to resolve SEC charges that it obtained investment banking business in the Asia-Pacific region by corruptly influencing foreign officials in violation of Foreign Corrupt Practices Act (FCPA).

Credit Suisse also agreed to pay a $47 million criminal penalty to the U.S. Department of Justice.

According to the SEC's order, several senior Credit Suisse managers in the Asia-Pacific region sought to win business by hiring and promoting individuals connected to government officials as part of a quid pro quo arrangement. While the practice of hiring client referrals bypassed the firm's normal hiring process, employees in other Credit Suisse subsidiaries and affiliates were aware of it and in some instances approved these "relationship hires" or "referral hires." The SEC's order found that in a six-year period, Credit Suisse offered to hire more than 100 individuals referred by or connected to foreign government officials, resulting in millions of dollars of business revenue.

"Bribery can take many forms, including granting employment to friends and relatives of government officials. Credit Suisse's practice of engaging in these hiring practices violated the law, and it is now being held to account for having done so," said Charles Cain, Chief of the SEC Enforcement Division's FCPA Unit.

The SEC's order finds that Credit Suisse violated the anti-bribery and internal accounting controls provisions of the Securities Exchange Act of 1934. Credit Suisse agreed to pay disgorgement of $24.9 million plus $4.8 million in interest to settle the SEC's case.

The SEC's investigation was conducted by Eric Heining and Paul G. Block of the FCPA Unit and Rory Alex and Alfred Day of the Boston Regional Office. The SEC appreciates the assistance of the Fraud Section of the Department of Justice, the U.S. Attorney's Office for the Eastern District of New York, and the Federal Bureau of Investigation.

This version of the press release contains corrections to errors in the prior version.

###

Related Materials

- SEC Order