



ANTI-CORRUPTION DIGEST

November 2018

Keeping ahead of global anti-corruption trends is critical in today's business markets. The Dorsey Anti-Corruption Digest, which puts global trends at your fingertips, puts you ahead. The deep experience of the Dorsey Anti-Corruption team, drawn from the DOJ, the SEC and years in private practice, will keep you ahead.

NORTH AMERICA

THE UNITED STATES

Two Former SBM Execs Sentenced

The two former SBM Offshore N.V. executives were sentenced to multi-year prison terms after pleading guilty to conspiracy to violate the FCPA in November 2017. Anthony Mace, the CEO from 2008 to 2011 and a former board member of SBM's U.S.-based subsidiary, SBM Offshore USA Inc., was sentenced to 36 months in prison and ordered to pay a \$150,000 fine. Robert Zubiato, a sales and marketing executive at the same subsidiary, was sentenced to 30 months in prison and ordered to pay a \$50,000 fine. The charges are based on bribes paid to foreign officials at state-owned oil companies in Brazil, Angola, and Equatorial Guinea. The Dutch-based oil drill manufacturer entered into a three-year deferred prosecution agreement last November to resolve the charges against it and agreed to pay \$238 million. The cases

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are *U.S. v. Mace*, No. 17-cr-00618 (S.D. Tex. filed Oct. 19, 2017) and *U.S. v. Zubiato*, No. 17-cr-00591 (S.D. Tex. filed Oct. 6, 2017).

As part of his guilty plea, Mr. Mace admitted that, prior to becoming CEO, he authorized payments in furtherance of the bribery scheme in all three countries and deliberately avoided learning that the payments were bribes. Mr. Mace also admitted authorizing over \$16 million in payments to five individuals in Equatorial Guinea and allowed the practice of splitting commission payments to SBM's Brazilian intermediary between an account in Brazil and Switzerland to continue. In addition, he admitted to deliberately avoiding learning that the ultimate recipients of the payments were Petrobras officials. Mr. Zubiato admitted as part of his plea that he and his co-conspirators employed a third-party sales agent to pay bribes to Petrobras officials between 1996 and 2012 to assist SBM and its U.S. subsidiary to win bids.

DOJ Announces New Policy Regarding Selection of Compliance Monitors

Assistant Attorney General Brian Benczkowski issued new guidance on October 11, 2018 that supplements the Department of Justice's (DOJ) previous policy regarding the selection and use of monitors in criminal matters. Unlike the 2008 guidance which only discussed the use of monitors in deferred prosecution and non-prosecution agreements, the new policy includes the use of monitors in matters settled by a plea agreement as well.

While the prior guidance focused on two factors that should be considered before imposition of a monitor, Mr. Benczkowski's memo elaborates on these considerations by stating: (1) the potential benefits that employing a monitor may have for the corporation and the public; and (2) the cost of a monitor and its impact on the operations of a corporation. In considering the "potential benefits," the memo instructs Criminal Division

attorneys to consider, among other factors: (a) whether the misconduct involved the manipulation of corporate books and records or the exploitation of an inadequate compliance program or internal control systems; (b) if the misconduct at issue was pervasive across the business organization or approved or facilitated by senior management; (c) whether the corporation has made significant investments in, and improvements to, its compliance program and internal control systems; and (d) if remedial improvements to the compliance program and internal controls have been tested to demonstrate that they would prevent or detect similar misconduct in the future.

In discussing the new policy at the NYU School of Law Program on Corporate Compliance and Enforcement Conference on Achieving Effective Compliance, Mr. Benczkowski noted that the imposition of a corporate monitor should never be punitive. Rather it should only occur as necessary to ensure compliance with the terms of a corporate resolution prevent future misconduct. These considerations are consistent with the notion that the imposition of a monitor should be the exception and not the rule. This is consistent with the fact that over the past several years compliance monitors were only imposed in about a third of corporate resolutions.

Two Charged for Conspiring to Bribe Senior Haitian Government Officials

Roger Richard Boncy and Joseph Baptiste were each charged with one count of conspiring to violate the FCPA, 15 U.S.C. § 78dd-2, and Travel Act, one count of violating the Travel Act, and one count of conspiracy to commit money laundering. The superseding indictment was filed on October 30, 2018. The case is *U.S. v. Baptiste*, No. 17-cr-10305 (D. Mass. filed Oct. 20, 2018).

According to the superseding indictment, the charges stem from a scheme allegedly perpetrated by the two individuals between November 2014 and December 2015 to bribe prospective investors in connection with Haiti's \$84 million port project. Mr. Baptiste planned to funnel the money through a non-profit he controlled to bribe Haitian public officials to secure government approval of the project according to a tape recording made by undercover agents. In addition, the two men were planned to bribe Haitian officials, according to a tape recording of the telephone conversation.

Walmart Pays \$160 Million to End Investor Suit over Bribes

Walmart has agreed to pay shareholders \$160 million to settle the lawsuit brought after the company's stock plunged following disclosure that the company investigated alleged FCPA violations in Mexico. The plaintiffs claimed that the disclosure in an SEC filing was misleading, as it did not mention that Walmart became aware of the possible FCPA wrongdoing in 2005 and conducted an internal investigation into the allegations in 2006. The lawsuit was brought after the *New York Times* published a story in 2012 alleging that top officials in the firm's Mexican subsidiary had engaged in bribery and that senior U.S. executives shut down an inquiry into the matter. The case is *City of Pontiac General Employees' Retirement System v. Wal-mart Stores, Inc.*, No. 12-cv-05162 (W.D. Ark. filed May 7, 2012).

Last November, Walmart announced that it expected to pay \$283 million to resolve the DOJ's and SEC's investigation into possible FCPA violations. Those investigations are ongoing.

Former Navy Commander Sentenced to 30 Months for part in Fat Leonard Scheme

Former U.S. Navy commander Troy Amundson received a 30-month prison sentence over his part in the "Fat Leonard" bribery scandal. Mr. Amundson, who pleaded guilty in January 2018, was also ordered to pay a \$10,000 fine and \$21,000 in restitution. The bribery scheme involved Singapore-based former Navy contractor Glenn Defense Marine Asia, owned by Leonard Francis (aka "Fat Leonard"). Mr. Francis, along with others involved, pleaded guilty to paying off senior staff and officers in the Japan-based Navy's Seventh Fleet in exchange for their help obtaining lucrative contracts for Glenn Defense. Mr. Amundson was charged with conspiracy to commit bribery for accepting dinners, drinks, transportation, entertainment, and prostitutes from Mr. Francis in exchange for Navy proprietary information. *U.S. v. Amundson*, No. 18-00468 (S.D. Cal. filed on Jan. 30, 2018).

Och-Ziff Pays over \$28 Million to Settle Investor Class Action

Och-Ziff Capital Management Group LLC resolved an investors' class action which claimed that the company and former CEO concealed investigations by the SEC and DOJ into bribery scheme. According to the complaint, the two federal agencies began investigating the hedge fund in 2011, but Och-Ziff did not disclose the investigations until the *Wall Street Journal* ("WSJ") published an article about them three years later in 2014. Following publication of the *WSJ* article Och-Ziff announced that the investigations concerned the FCPA and related laws.

In 2016, the *WSJ* published a second article about the investigations stating that the DOJ was pursuing a criminal guilty plea and that the SEC was seeking more than \$400 million from the company. Och-Ziff shares plunging down more than 13% in the wake of the article. In

2016, Och-Ziff admitted to violating the FCPA and paid the two agencies a combined \$412 million. The case is *Menaldi v. Och-Ziff Capital Management Group LLC*, No. 14-cv-03251 (S.D.N.Y. filed May 5, 2014).

EUROPE

UNITED KINGDOM

SFO Opens Criminal Investigation into an Individual at Patisserie Holdings PLC

The U.K.'s Serious Fraud Office (SFO) has opened a criminal investigation into an individual at Patisserie Holdings plc, the holding company for Patisserie Valerie, a well-known chain of cafés in the U.K.

Following the announcement, the company was, according to Chairman Luke Johnson, "within hours of going into bankruptcy," forcing the requirement for emergency fundraising from the shareholders. Mr. Johnson is reported to have contributed £20m (approximately US\$25.95 million) of his own funds to keep the group in business, after an initial internal investigation uncovered that it was approximately £10 million in debt. Prior to the internal investigation, it was reported that the company had £28million in the bank (approximately US\$12.98 million and US\$36.33 million respectively).

Patisserie Holdings has engaged forensic accountants at PricewaterhouseCoopers to look into its accounts. Mr. Johnson stated that all findings will be published "once we are confident we have got to the bottom of it".

ENRC Requests Legal Review of SFO Investigation

Natural resources giant Eurasian Natural Resources Corporation (ENRC) has requested a legal review of the U.K.'s Serious

Fraud Office (SFO)'s investigation into allegations of fraud, bribery and corruption, supposedly used by ENRC to acquire mining assets in Africa.

ENRC has requested that judges appoint an independent law firm to review the SFO's handling of evidence, including alleged unauthorized contact between prosecutors and Dechert, ENRC's former lawyers.

According to the *Telegraph*, ENRC's grounds for review include a claim that the SFO lost a notebook from 2011, which belonged to the former lead investigator on the case. ENRC asserts that the notebook will reveal that the officer originally concluded there was no criminal case to be made against it.

ENRC's general counsel, Dmitry Egorov, commented that "It is in everyone's interests that it is properly investigated and those findings made public." The SFO has been investigating the allegations against ENRC since 2013, whereas ENRC has denied any wrongdoing.

SFO Charges German Trader in EURIBOR Rigging Scandal

The U.K.'s Serious Fraud Office (SFO) has charged Andreas Hauschild, a leading German banker, with conspiracy to defraud. The charges are part of a wider investigation into the manipulation of the Euro Interbank Offered Rate (EURIBOR) interest rate benchmark.

Related criminal proceedings have been issued by the SFO against 11 individuals also accused of manipulating EURIBOR. Christian Bittar and Phillipe Moryoussef, two former traders at Deutsche Bank and Barclays Bank respectively, were convicted earlier this year for manipulating EURIBOR. Both men were sentenced to prison. The jury was unable to reach a decision on three ex-Barclays bank employees, who will be retried in January 2019.

Mr. Hauschild was one of four German traders who declined to appear at a hearing at Westminster Magistrates' Court on January 11, 2016.

Prosecutors in Germany rejected an extradition request from the SFO for Mr. Hauschild and three other defendants. Mr. Hauschild was extradited to the U.K. from Italy in August 2018 when a trip to the country activated a European Arrest Warrant that had been secured by the SFO.

Güralp Systems Employees Charged with Corruption

The U.K.'s Serious Fraud Office (SFO) announced that it has charged additional former employees of Güralp Systems Limited, a seismic testing equipment maker, with making corrupt payments. Dr Cansun Güralp and Andrew Bell appeared in Westminster Magistrates' Court in August, charged with conspiracy to make corrupt payments.

Similar charges were lodged earlier against another former Güralp Systems employee, Natalie Pearce. The SFO alleges that the three former Güralp Systems employees conspired to make illicit payments to a public official and employee of the Korean Institute of Geoscience and Mineral Resources.

U.K. Court Wins Case Using New Anti-Corruption Powers

Zamira Hajiyeva, the wife of the former chairman of a state-owned bank in Azerbaijan, has had her challenge to an Unexplained Wealth Order (UWO) dismissed by the High Court in London.

UWOs are a recently introduced court order that requires an owner of assets worth over £50,000 (approximately US\$64,000) to disclose how he or she could afford them when their declared income appears too low. The U.K.'s National Crime Agency (NCA) applied for a UWO on two multimillion-pound assets in

the U.K. linked to Mrs. Hajiyeva earlier this year.

Mrs. Hajiyeva took her case to court in an attempt to have one of the orders dismissed, but the request was rejected by the High Court. Donald Toon, Director for Economic Crime at the NCA, commented on the case, stating that UWOs "enable the UK to more effectively target the problem of money laundering through prime real estate in London and across the UK, and we will now seek to move further cases to the High Court."

SFO Seeks Recovery of London Properties Allegedly Purchased Using the Proceeds of Corruption

The U.K.'s Serious Fraud Office (SFO) has issued a claim in London's High Court under the Proceeds of Crime Act, in an attempt to recover three London properties which may have been acquired using the proceeds of corrupt deals in Uzbekistan.

The allegedly corrupt deals are said to involve Gulnara Karimova and Rustam Madumarov. Ms. Karimova, the daughter of the former dictator of Uzbekistan, has been serving a five-year prison sentence in Uzbekistan since 2015 on charges including tax evasion, embezzlement, fraud and illegally appropriating state assets.

High Court Affirms Decision to Dismiss Charges Against Barclays Bank

The U.K. High Court has ruled against the U.K.'s Serious Fraud Office (SFO) in its application to reinstate charges of conspiracy to commit fraud and provide unlawful financial assistance against Barclays PLC. The cases had previously been dismissed by Southwark Crown Court in London.

The ruling is the most recent turn in the SFO's long-running criminal investigation into

Barclays and its capital-raising arrangements with Qatar Holding LLC and Challenger Universal Ltd. The arrangements were based on a \$3 billion loan facility made available from Barclays to the State of Qatar. Former CEO John Varley, and then-senior executives Roger Jenkins, Thomas Kalaris and Richard Boath were all charged at the time and have pleaded not guilty. The case is scheduled to commence on January 9, 2019.

CEO and COO of Afren Convicted and Sentenced for Fraud and Money Laundering

Former Chief Executive of collapsed oil company Afren, Osman Shahenshah, and its former Chief Operating Officer, Shahid Ullah, have been convicted of fraud and money laundering and sentenced to a total of 30 years in prison.

The executives are alleged to have profited from wrongful conduct regarding over \$17 million. In addition, they supposedly laundered over \$45 million by convincing Afren directors to sign a \$300 million oil business deal. At the time Messrs. Shahenshah and Ullah had entered into an arrangement with Oriental Energy Resources Ltd, Afren's oil field partner in Nigeria, which saw 15% of the deal funds sent to a Caribbean shell company under their control – a fact that was not known by the company.

The criminal investigation by the U.K.'s Serious Fraud Office commenced in June 2015, following a self-report by Afren's administrators.

Visa Scheme Loophole May be Allowing More Than £3 billion of Dirty Money into the U.K.

A loophole in a visa scheme may have allowed thousands of people to bring dirty money into the U.K, according to Transparency International U.K. and Global Witness.

It is thought that the scheme allowed about 3,000 high net worth individuals, many from countries considered to have a high risk of corruption, to bring at least £3 billion (approximately US\$3.8 billion) into the U.K. from 2008-2015. Anti-corruption campaigners say that many of the individuals involved invested at least £2 million (approximately US\$2.6 million) for permission to live in Britain.

Adequate checks were not carried out by U.K. banks or by the Home Office, according to the reports. Each believed that the other had performed the required checks when applications were being processed. This flawed process persisted for about seven years before being detected.

Naomi Hirst, a senior campaigner at Global Witness, said "Golden visa schemes offer a safe haven from authorities who might be looking to seize your stolen assets, and the freedom to travel without raising suspicion."

FRANCE

Former French President Loses First Appeal Over Corruption Trial

Nicolas Sarkozy, the former French President, has lost a first appeal against corruption and influence peddling charges. The former President must now await a second appeal hearing before finding out whether his case will be sent to court.

Mr. Sarkozy was the President of France from 2007 to 2012. He is accused of helping a prosecutor obtain a promotion in exchange for leaked information about a separate criminal inquiry. Under French law, a suspect is only formally charged with a criminal offence once he or she is sent to court.

If found guilty of influence peddling, Mr. Sarkozy could face up to five years in prison and a financial penalty.

French Far Left Leader Targeted in Anti-Corruption Raids

Anti-corruption investigators raided the home and party headquarters of Jean-Luc Melenchon, leader of France's far-left opposition party, Insoumise. The raid was part of a long-standing corruption investigation.

A source close to the investigators said that the raids were carried out by a special anti-corruption unit that focuses on financial and tax irregularities. Two investigations are currently underway. One focuses on the alleged misuse of European Parliament funds to pay party employees. The other is concerned with the funding of Mr. Melenchon's failed presidential campaign in 2017.

ITALY

Shell Expects Landmark \$1.3 Billion Corruption Case to Last Many Months

Anglo-Dutch oil major Royal Dutch Shell expects that its Italian corruption trial, along with co-defendant Eni, will continue for months. The trial centers on a Nigerian oil deal based on the 2011 purchase of Nigeria's OPL 245 offshore oilfield for approximately \$1.3 billion. Milanese prosecutors allege that bribes were paid in order to win the license to explore the field.

Eni, Shell and current and former senior staff of both companies are on trial in what is one of the largest cases in the oil and gas industry's history. All of the accused have denied any wrongdoing.

BELGIUM

One Arrested and Five Charged Following Raids of Belgium's Top Soccer Clubs

Belgium Federal Public Prosecutor's office is investigating the country's top soccer league, Belgian First Division A, over allegations of fraud, tax evasion, money laundering and indications of match fixing.

After a year-long probe, police launched a series of raids over a two day period, including searching the offices of the country's biggest clubs, Brugge and Anderlecht. Forty-four raids took place nationwide, alongside 13 in France, Luxembourg, Cyprus, Montenegro, Macedonia and Serbia.

Numerous referees, officials, agents and coaches have been questioned. To date, five individuals have been charged, four in connection with belonging to a criminal organization. A fifth person was charged with money laundering. Mogi Bayat, a leading Belgian agent, has been arrested as part of the inquiry.

According to the federal prosecutor, the investigation has uncovered evidence of "suspect financial operations" by agents and signs "of possible influencing of games" during the 2017-18 season. Further, it is alleged that some agents have conspired to hide payments such as transfer commissions and payments of players and coaches from the Belgian authorities, resulting in tax losses.

SWEDEN

Ericsson Dismisses 50 Individuals Amid Corruption Investigation

Ericsson, a Swedish mobile telecom equipment producer has dismissed 50 individuals in connection with a U.S. corruption

investigation. The company said that questions from U.S. authorities first arose in March 2013, and that it has been cooperating with the U.S. Department of Justice and U.S. Securities and Exchange Commission.

Borje Ekholm, Ericsson's chief executive, commented on the investigation, stating "I'm trying to say that we have taken quite a lot of actions and done quite a lot of activities" and "we believe that the resolution of these matters will likely result in monetary and other measures, the magnitude of which cannot be estimated currently but may be material". The company has not provided any further details on the investigation.

SPAIN

Money Laundering Probe into Billion Dollar Venezuelan Scheme Results in Four Arrests and 115 Properties Being Seized

Spanish police have made four arrests, seized over 115 properties valued at about US\$68.9 million and issued three further international arrest warrants in an alleged billion dollar money laundering investigation. The investigation is of a group suspected of purchasing real estate in Spain with illegal funds from Venezuela.

Those arrested include Nervis Villalobos, a former Venezuelan government official. Mr. Villalobos was recently released on bail in another bribery case. He is also sought by the U.S. for his alleged involvement in a kickback scheme which diverted billions of dollars from the Venezuelan state oil company PDVSA, along with Luis Fernando Vuteff, son-in-law to the exiled Mayor of Caracas.

Once tried for all pending cases in Spain, including a related money laundering probe in Andorra, Mr. Villalobos is to be extradited to the U.S.

The main suspect in this matter, Hugo Gois, a Portuguese businessman, was charged in July 2018 by U.S. authorities with conspiracy to commit money laundering in connection with the scheme. He is also under investigation in the U.S. for suspected money laundering of up to \$1.3 billion for bribes in public contracts. Mr. Gois is co-operating with Spanish and Portuguese police who are trying to locate the 'missing' Venezuelan funds according to reports.

Former IMF Chief Apologizes to Society Before Entering Prison for Embezzlement

Rodrigo Rato, the former International Monetary Fund (IMF) chief, apologized to "society" before he began serving a four-and-a-half year prison sentence. He pleaded: "I ask for forgiveness to society and those people who may feel disappointed or affected."

The former IMF chief was convicted in February 2017 for embezzling funds in a high-profile case involving corporate credit cards from Spanish banks Caja Madrid and Bankia, during Spain's economic crisis.

Mr. Rato was Spain's economy minister and deputy prime minister in the conservative government of Jose Maria Aznar from 1996 to 2004.

FA Vice President Arrested Under Operation Soule

The Vice President of the Royal Spanish Football Federation (RFEF), Andreau Subies, has been arrested along with a member of the Catalan Football Federation (FCF), on money laundering charges.

The arrests were made in connection with an investigation by the Spanish police known as "Operation Soule." It is looking into "the diversion of money away from the FCF to private ends." The probe centers on Mr.

Subies' time working under Angel Maria Villar, the former president of the RFEF. He resigned in 2017 following his arrest in the same operation.

The RFEF has indicated it will conduct its own investigation into the allegations. The organization said that it has "the utmost respect for the legal actions" and wants "to highlight the necessary respect for the presumption of innocence".

The Spanish authorities continue to execute searches of offices in Catalonia. They have not ruled out the possibility of further arrests in the near future.

SCANDINAVIA

Large Nordic Bank Accused of Money Laundering

Bill Browder, Chief Executive Officer of Investment Fund Hermitage Capital Management and a well-known Kremlin critic, has requested that Scandinavian authorities investigate whether up to \$175 million of potentially illegal funds have flowed through the region's largest bank, Nordea.

Mr. Browder says he has filed a money laundering complaint against Nordea in Denmark, Norway and Sweden. Mr. Browder also recently filed a 15-page complaint with Finnish prosecutors, requesting a criminal investigation to be opened in Finland in connection with allegations that \$234 million of fraudulent funds flowed through 527 Nordea accounts in Finland.

Mr. Browder told *CNBC* that new information had come from French and Lithuanian money laundering investigations suggesting that "suspicious transactions" were funneled through Nordea.

Technologies are a Powerful Tool in Tackling Corruption, According to head of UNDP

Speaking at the 18th International Anti-Corruption Conference in Copenhagen, Denmark, Achim Steiner, the Administrator of the United Nations Development Program, said that new technologies can be used to tackle corruption.

Mr. Steiner said "Corruption erodes people's trust in their government institutions, undermines the checks and balances that safeguard our societies and threatens peace," and "new technologies, carefully managed, could offer a new generation of open and participatory governance."

An example of these new technologies includes the recent digital mapping of Freetown in Sierra Leone. It shows over 200,000 houses, compared to the 2,000 houses that are currently recorded on the paper-based property tax register.

HUNGARY

Hungary's Prime Minister's Alleged Soccer Trips Scandal

Hungarian Prime Minister Viktor Orban has been accused of corruption. It is alleged that he has frequently flown to matches for Hungarian soccer team MOL Vidi FC on a luxury plane funded by the owner of the club Istvan Garansci.

News site *Index.hu* has suggested that Mr. Orban may have broken rules which forbid lawmakers from receiving gifts bearing a value which exceeds parliamentary salaries. The opposition political party, Dialogue, said that it plans to file a complaint with prosecutors over suspected corruption and to make a parliamentary enquiry into the Prime Minister's official personal wealth declaration.

The spokesman for the Prime Minister, Bertalan Havasi, said that “not a single forint” of taxpayer money is spent on the Prime Minister’s match flights.

Opponents of Mr. Orban claim that Mr. Garansci’s wealth stems in large measure from multi-million euro public contracts he secured through his friendship with Mr. Orban. The Prime Minister’s office denies claims of cronyism regarding Mr. Garansci.

CROATIA

Former Croatian Prime Minister Re-Tried on Corruption Charges

Ivo Sanader, Croatia’s former Prime Minister, has pleaded not guilty at the start of a re-trial on charges that he took a bribe from MOL, a Hungarian multinational oil and gas company. The bribe was supposedly in exchange for allowing MOL to become a majority shareholder in INA, a Croatian energy firm.

Mr. Sanader was originally sentenced to eight and a half years in prison in 2014 in connection with the charges. Croatia’s Constitutional Court, however, ordered a re-trial of this as well as another case against Mr. Sanader, concluding that procedural errors had impeded his right to a fair trial. The second case, also based on bribery charges, had also resulted in a conviction and prison sentence.

MOL’s Chief Executive, Zsolt Hernadi, is also charged in the case. He is being tried in absentia following Hungary’s refusal to acknowledge an international arrest warrant for him. Both men have denied any wrongdoing.

ROMANIA

European Commission and U.S. Critical of Romania’s Anti-Graft Reforms

The European Commission has outlined concerns that Romania appears to be backsliding in its judicial reforms to tackle corruption.

Since the Social Democrat Party (PSD) took power in what is considered to be one of the E.U.’s most corrupt states in 2017, it has been changing legislation in what is perceived as a way to decriminalize several graft offences. It comes at a time when several members of the party, including its leader Liviu Dragnea, are under investigation or on trial for corruption. The effort has been openly criticized by the E.U. and the U.S. State Department.

Adina Florea, the Romanian government’s nominee for chief prosecutor, said that anti-graft prosecutors should ignore “easy crimes” and start to focus on more “complex” cases. Ms. Florea is in favor of the specialized prosecutors unit, known as DNA, concentrating on more complex matters as opposed to abuse of office cases which she refers to as “easy crimes.”

Recently, Romania has been facing large-scale anti-government street protests, some of which have resulted in violence. Frans Timmermans, European Commission Vice-President, said “Romania has made progress in the past, sometimes even spectacular progress, but it’s moving back in a way that would be damaging not only for Romanian democracy but for the place Romania has built as an EU member state.” Hans Klemm, U.S. ambassador to Romania, described the Romanian justice system as having been “significantly dismantled in less than a year.”

GREECE

E.U. Investigates Corruption Claims Linked to Emergency Refugee Funds for Greece

The E.U.'s anti-corruption agency launched a corruption investigation into claims that Greece mismanaged up to €1.6 billion (approximately US\$1.9 billion) received in emergency aid to assist with the country's migrant crisis. It is alleged that Panos Kammenos, Greece's defense minister, used emergency aid money to give contracts to close friends and businessmen linked to ministers.

Athens-based newspaper, *Fileleftheros*, reported that the defense minister awarded contracts to businesses headed by his friends without opening them to competitive tenders. Those businesses are said to have routinely overcharged the state for the deals and kept much of the funds.

Mr. Kammenos denies any wrongdoing.

Former Siemens Executive Denies Bribery Allegations

Prodromos Mavridis, the former telecommunications manager at Siemens Hellas, the firm's Greek branch, has denied allegations in the Athens Court of Appeal that he had bribed politicians from a slush fund with the intention of securing state contracts.

The trial, which began in 2016 but which has been repeatedly postponed, is part of a large investigation into a cash-for-contracts scandal. It involves contracts between engineering giant Siemens and OTE, a Greek telecoms group that was state controlled at the time of the allegations.

In court, much of Mr. Mavridis' testimony focused on the so-called "contract 8002." That arrangement involved a contract between Siemens and OTE in 1997 which concerned

the supply of telecommunications equipment to digitalize OTE's network. According to prosecutors, approximately €70 million (approximately US\$78 million) was exchanged over a long period of time between OTE and Siemens executives to secure the deal. Mr. Mavridis claimed that the board of Siemens Hellas's parent company in Germany forced the burden of responsibility for the slush fund on him.

Mr. Mavridis denied any wrongdoing in his testimony. He claims to have been cleared in six court cases. The charges ranged from bribery to breach of faith in both Germany and Switzerland.

Greece's Former Finance Minister Detained Pending Trial

Greece's former finance minister, Yannis Papantoniou, has been detained pending trial. He has been charged with money laundering relating to bribes allegedly paid to secure a naval contract in 2003. It is alleged that about 2.8 million Swiss francs (approximately US\$2.8 million) from contract bribes were held in Swiss bank accounts. Mr. Papantoniou's detention order was issued at a preliminary hearing in Athens that lasted 12 hours.

Mr. Papantoniou, who denies the charges, is being detained with his wife until the trial. No trial date has been set yet.

Mr. Papantoniou served as Greece's minister of finance and national economy from 1996 to 2001 before becoming the defense minister from 2002 to 2005. He was a key figure in Greece's efforts to join the euro.

RUSSIA

President of Russian IT Company Charged with Embezzlement

Mikhail Lyashch, president and co-owner of one of Russia's largest group of IT companies,

Compulink, has been placed under house arrest. The charges stem from an embezzlement case involving 55 million rubles (approximately US\$835,000).

Mr. Lyashch was arrested on September 21, 2018 further to allegations of large-scale embezzlement. Compulink released a statement after Mr. Lyashch's arrest saying that law enforcement authorities took an interest in personal investments of Mr. Lyashch in IT industry projects, especially putting up around 90 million rubles (approximately US\$1.4million) in internet telephony developer Simbiotel.

Crimean Deputy Prime Minister Arrested on Alleged Corruption

Authorities in Moscow have detained Vitaly Nakhlpin, a deputy prime minister of Crimea's Russia-imposed government, on suspicion of accepting bribes. The Deputy Chairman of the Crimean Council of Ministers stated that investigative activities in relation to the case are now underway.

Mr. Nakhlpin, who has served as Crimea's deputy prime minister since January 2016, will be held in custody until December 16, 2018.

MIDDLE EAST

PAKISTAN

Anticorruption Authorities Arrest Brother of Former Prime Minister Sharif

Muhammad Shehbaz Sharif, leader of Pakistan Muslim League-Nawaz, an opposition group and brother of former Prime Minister Nawaz Sharif, was arrested on Friday by anticorruption officials. The former Prime Minister and his daughter Maryam Nawaz Sharif, were convicted of corruption charges

earlier. The High Court suspended their sentences however.

Mr. Sharif's supporters, including members of his own party, believed that his arrest was politically motivated and based on "trumped-up charges." Mr. Sharif's party wrote in a statement: "[t]hese tactics are not new...China and Turkey have praised Shehbaz Sharif for his work."

ISRAEL

Senior Transportation Minister and Bus Company Owners Arrested on Corruption Charges

A senior government official, along with the owners of Afikim bus company, were arrested in early October in connection with an alleged bribery scheme. Four members of the Sela family, who own the Afikim bus company, are accused of bribing a senior Transportation Ministry official in return for preferential treatment. The investigators suspect that the official received benefits, including personal loans, in return for helping the bus company obtain rights to lucrative bus routes. The official's name has not been released.

Two Arrested on Suspicion of Bribing Officials of Government-Owned Defense Firm

Two Israelis were arrested in early October over suspicions that they bribed officials at Israel Aerospace Industries in exchange for help winning public tenders. According to news reports, the two individuals promised to share the money gained from winning the tenders in exchange for the aid of the officials in slanting the tenders in their favor.

Labor and Social Services Minister Gets Pre-Indictment Hearing

Haim Katz, Labor and Social Services Minister, attended a pre-indictment hearing in a last ditch effort to convince Attorney General Avichai Mandelblit not to indict him for bribery, fraud, and breach of trust. The charges are based on an investigation that uncovered evidence that Mr. Katz, along with other senior officials, were using workers for their own benefit and offering jobs to individuals at the Israel Aerospace Industries in return for assistance.

ASIA

INDIA

The Central Bureau of Investigation Charges Its Special Director with Bribery

The Central Bureau of Investigation (CBI) has charged its Special Director, Rakesh Asthana, for bribery. According to the CBI, Mr. Asthana accepted bribes from a wealthy businessman, Sathish Babu Sana, and in return interfered with a then-pending CBI investigation on India's biggest meat importer, Moin Akhtar Qureshi. Mr. Sana later reported the bribe to the Enforcement Directorate, which eventually led the CBI to uncover Mr. Asthana's involvement.

CBI's deputy director, Alok Verma, was also implicated in accepting bribes from Mr. Sana. While the CBI has placed both Messrs. Asthana and Verma on leave pending the investigation, it has not formally charged Mr. Verma of any crimes. Messrs. Asthana and Verma have accused each other of being the real culprit.

World Bank Debars Several India-Based Companies, Citing Fraud and Corruption

The World Bank debarred several Indian companies, including Olive Health Care and Jay Modi, because of perceived corrupt practices in the companies. Debarment by the World Bank means that the India-based companies would not be able to receive new contracts for, or provide service to, any World Bank projects.

The World Bank also debarred Angelique International Limited, Family Care, Madhucon Projects Ltd., RKD Construction Pvt Ltd., Tatve Global Environment Pvt Ltd., SMEC (India) Pvt. Ltd., and Macleods Pharmaceuticals Ltd.

CHINA

Former Head of Cyberspace Administration Pleads Guilty to Corruption Charges

Lu Wei, former head of Cyberspace Administration of China, a regulatory agency with sweeping power over the use of the Internet in China, pleaded guilty for taking 32 million yuan (US\$ 4.6 million) in bribe during his 15-year tenure at the agency. During his court hearing, Mr. Lu made a short statement expressing regret for his actions.

Chairman of State-Owned Company under Investigation for Corruption

Zhang Jie, who has led state-owned machinery manufacturer China Hi-Tech Group, is being investigated by the Central Commission for Discipline Inspection (CCDI) for "serious violations of laws and disciplines" or corruption. While the specific charges against Mr. Zhang remain unclear, many speculated since the arrest in October that Mr.

Zhang may have converted China Hi-Tech group's corporate funds for personal use.

Senior Military Generals Expelled from the Communist Party

Fang Fenghui and Zhang Yang, senior generals of China's Central Military Commission, were expelled from the Communist Party after an investigation revealed that they accepted large bribes during their tenure in the military. Last November, Mr. Zhang committed suicide during the investigation. The Central Party has approved actions to confiscate Mr. Zhang's corruption proceeds.

Formal charges against Mr. Fang are expected to be filed once the investigation concludes. While military prosecutors have not revealed the specific charges, news reports speculated that Mr. Fang may have paid for his promotions in the military, and upon securing a position of power and influence, also began to accept bribes.

Huarong Chairman Expelled from the Communist Party

Lai Xiaomin, formerly a Communist Party secretary and head of state-owned lending company, China Huarong Asset Management (Huarong), was officially expelled from the Communist Party for "serious violations" or corruption. Authorities alleged that Mr. Lai "squander[ed] waste of state property," "illegally organized public banquets," and accepted bribes. In a public statement, the prosecutors announced Mr. Lai's corruption proceeds will be confiscated and that formal charges against Mr. Lai were imminent. Mr. Lai was arrested in April and shortly thereafter resigned as chairman of Huarong.

Former Chairman of State-Owned Telecom Company Convicted of Corruption Charges

China's Communist Party expelled the former chairman of the state-owned Datang Telecom Group, Zhen Caiji, after two months of investigation into allegations that he accepted bribes from a public relations consultant company, Jin Ma Bole International Consultancy Co. (Bole International).

According to the published decision, Mr. Zhen accepted over RMB 650,000 (US\$94,024) from Bole International and in return helped the firm obtain RMB 90 million (US\$12,951,693) worth of illegal earnings. Mr. Zhen also allegedly caused Datang Telecom to purchase certain shares in a company from Bole International at above-market price. That resulted in \$11 million of profits for Bole International. Bole International also received a RMB 400,000 (approximately US\$57,341.92) fine and was ordered to divest the illegal earnings. The chairman of Bole International was sentenced to three months in prison.

Former Chinese President of the Interpol Detained by Public Security Ministry

Meng Hongwei, Former President Interpol and Vice Minister of China's Public Security, has been detained by the Chinese government on unspecified allegations of violating Chinese laws. Mr. Meng has been reported missing since returning to China from France on September 25. According to Mr. Meng's wife, Grace Meng, the last message she received from Mr. Meng was "Wait for my call," followed by an image of a knife. She believed Mr. Meng was signaling that he was in danger. Mrs. Meng remains in France under the protection of the French police.

In a statement published on its website, the Public Security Ministry revealed that the Chinese authorities detained Mr. Meng as it

continues its investigation of him. It said “Public Security Ministry Vice-Minister Meng Hongwei is currently under investigation by the National Supervisory Commission for suspected violations of law.” Shortly after the statement was posted, Interpol said it received Mr. Meng’s resignation letter.

The French authorities are investigating Mr. Meng’s disappearance, which it said remained “a matter for the relevant authorities in both France and China.”

MALAYSIA

Head of UMNO and Former Deputy Prime Minister Charged with Stealing Funds from His Own Charity

Datuk Seri Dr Ahmad Zahid Hamidi, head of the United Malays National Organization and former deputy prime minister, was placed in police custody following charges of corruption and abuse of power. According to Malaysia’s Anti-Corruption Commission (MACC), Mr. Zahid misappropriated funds belonging to a charity of which he was a chairman to pay personal expenses, according to the charges. Mr. Zahid denied the charges and said his assistant inadvertently deposited the money into his account and that he had already returned the funds to the charity. Meanwhile, local news reports said Mr. Zahid’s charity was merely a shell company without actual operations. Mr. Zahid is currently released on bail for RM 2 million (US\$ 479,790).

MACC Files Additional Charges Against Former Prime Minister Najib

Former Malaysian Prime Minister, Najib Razak and former Treasury Secretary Mohamad Irwan Serigar Abdullah face charges of breach of trust involving the misuse of Malaysian government funds from 1 Malaysia Development Fund (1MDB) following rounds

of interrogations by the Malaysian Anti-Corruption Commission (MACC). Mr. Najib was already facing 32 counts of money laundering, graft, breach of trust in connection with the looting of 1MDB. Mr. Najib pleaded not guilty. Trial is currently scheduled for February 2019.

The new charges relate to 6.6 ringgit (US\$1.56 billion) from the 1MDB that were meant to be distributed for subsidy, cash aid programs and other purposes. The MACC traced at least some of the funds to Mr. Najib and Mr. Abdullah’s accounts. Both pleaded not guilty to the charges.

Wife of Former Prime Minister Najib Arrested by MACC

Following a 13-hour long interrogation by the MACC, Rosmah Mansor, wife of Mr. Najib (see article above), was arrested on money laundering charges. The MACC alleged Ms. Mansor misappropriated 1MDB funds for personal use. During the investigation, the MACC uncovered US\$275 million worth of cash, designer handbags, jewelry belonging to Ms. Mansor and her daughter.

INDONESIA

Lippo Group Executive under Bribery Investigation

James Riady, Deputy Chairman of the Lippo Group, is under investigation in connection with a major development project called “Meikarta,” valued at S\$ 28.9 billion (US\$21 billion). Mr. Riady, along with another Lippo employee and several other individuals, were detained.

The Lippo Group, which touts itself as “one of Asia’s largest and most diversified conglomerates,” took on the Meikarta project, which included building new railways and residential and commercial buildings. Because of Mr. Riady’s investigation, the Lippo Group’s investors and creditor

questioned whether Meikarta continues to be sustainable and profitable. PT Bank Negara, which has been lending money to residents seeking mortgages for residential units in Meikarta, began to decline new mortgage applications.

Indonesia's Corruption Eradication Commission (the "KPK") raided 10 locations connected to Mr. Riady, including his home. During the raid, the KPK confiscated certain permits, financial records, and computers. Lawyer for the Lippo Group's unit that originated the Meikarta project said the company would internally investigate the allegations.

HONG KONG

Police Superintendent Sentenced to 28 Months for Bribery

Ng Wai-hon, superintendent of Hong Kong's Police Department, was sentenced to 28 months in prison for accepting a HKD 570,000 (US\$72,700) bribe from a nightclub owner. The nightclub owner was convicted of conspiracy for "a public servant to accept advantages." The employee of the nightclub was convicted of aiding and abetting the bribery. The nightclub owner and his employee were sentenced to 20-month and 12-month imprisonment, respectively.

According to the prosecutors, Mr. Ng met with the nightclub owner and his employee eleven times between March 2016 and January 2017. Eventually, Mr. Ng accepted the bribe from the nightclub owner and twice alerted the nightclub owner of unannounced police inspections.

During the court hearing, the judge noted that Mr. Ng's role was the worst of the three defendants because he neglected his position as a public servant and failed the public's expectations of him.

TAIWAN

Police Officers Sentenced for Accepting Bribes from a Gambling Ring

After a year of investigation, three police officers in Kaohsiung City were convicted of accepting bribes from gambling operators. The officers were sentenced to serve prison terms that ranged from 12 to 18 years. One officer also received a NT\$8 million (US\$258,732) fine for violating the Anti-Corruption Act. At trial, the prosecutors presented evidence showing that an underground gambling ring gave the police officers NT\$9.53 million (US\$307,976.25) as a "public relations fee" that it extorted from other small-scale gambling operators.

SOUTH KOREA

Head of Korean Air Indicted for Embezzlement

Chairman of Korean Air Lines Co., Ltd. (Korean Air), Cho Yang-ho, was indicted for embezzlement, breach of trust, and other corruption crimes. According to prosecutors, Mr. Cho embezzled 19.6 billion won (US\$17 million) from Korean Air. To embezzle the funds Mr. Cho set up a company to broker aircraft equipment and in-flight duty free merchandise deals for Korean Air at high prices, leading Korean Air to incur a loss.

Former President Lee Appeals Convictions

Lee Myung-bak, President of South Korea from 2008 to 2013, was sentenced to 15 years in jail during a televised court hearing after being convicted on a number of corruption charges, including bribery and embezzlement. Mr. Lee, who has been held in a detention center in Seoul since his arrest in March 2018, has appealed the trial court's decision.

During Mr. Lee's trial, the prosecutors presented evidence that he was the silent owner of his brother's auto-parts company. Through that company he established "slush funds" of bribes amounting to 35 billion won (US\$30,776,550). The prosecutors also said Mr. Lee accepted a total of US\$5.85 from private companies, including Samsung Electronics Co.

Mr. Lee is the fourth South Korean president to be convicted of criminal charges.

THAILAND

Thai Immigration Officers Accepted Bribes to Expedite Visa Applications

Thai Immigration officers at Don Mueang International Airport, one of Thailand's busiest airports, were caught soliciting bribes from Chinese tourists seeking to expedite their visas applications. According to the Chief of Thailand's Immigration Bureau, Major-General Surachate Hakparn, for 300 baht (US\$9) per application, the officers provided "fast-track services" for the tourists. The immigration officers involved in the scheme have been demoted pending an investigation by the Immigration Bureau.

LATIN AMERICA

ARGENTINA

Member of Former President Fernandez's Cabinet Sentenced

Julio De Vido, the Planning Minister in former President Cristina Fernandez's administration, was sentenced to nearly six years in prison in early October. Mr. De Vido was convicted of siphoning money from various public work projects. He is also under investigation for alleged involvement in a larger corruption

network involving Ms. Fernandez and other former officials in which the officials allegedly accepted bribes from construction companies to secure public contracts. As previously reported in the Digest, Ms. Fernandez has been indicted on corruption charges, but is immune from arrest while she remains a sitting senator.

BRAZIL

Federal Police File New Charges against President Temer

Federal police filed additional charges against President Michel Temer in mid-October, recommending that he face corruption charges. The president is alleged to have taken bribes in exchange for favoring certain port management companies. Executives at one company said they paid \$280,000 to one of President Temer's aids in exchange for political favors. Attorney General Raquel Dodge will decide whether to prosecute the case. Two-thirds of Congress' lower house would have to approve the prosecution, which would also suspend President Temer's presidency. His term ends December 31.

Agriculture Ministry Opens Corruption Investigation into BRF SA Practices

Brazil's Agriculture Ministry opened a corruption investigation in mid-October into allegations that BRF SA violated food safety standards. The announcement follows the release of a federal police report claiming senior managers at BRF—the world's largest chicken exporter—altered documents and lab results to avoid food safety standards. According to federal police in Brazil, BRF used a forbidden antibiotic, Nitrofurazone, and misreported levels of other antibiotics. Authorities also said that in 2016 BRF slaughtered approximately 26,000 birds infected with Salmonella Typhimurium, a type of bacteria harmful to humans, and

misreported information to hide the infected meat. Despite indicting 43 people in connection with the criminal investigation, including a former BRF chief executive, police said there was no “undisputable” evidence of any wrongdoing by government officials.

GUATEMALA

Former Vice President Baldetti Sentenced in Fraud Case

Former Vice President Roxana Baldetti was sentenced to 15 years and 6 months in prison in early October for illegal association, fraud, and influence trafficking. The charges stem from Ms. Baldetti’s involvement in a fraudulent public contract to decontaminate a lake in the country. Prosecutors alleged that Ms. Baldetti and 12 others conspired to grant an \$18 million contract to M. Tarcic Engineering Ltd., an Israeli company, to decontaminate Lake Amatitlan. After \$2 million was paid on the contract, however, investigators found the money was being transferred to shell companies and other individuals. Investigators also found the chemicals the Israeli company was using to decontaminate the lake were essentially water and salt. Ms. Baldetti faces an array of separate corruption investigations as well as drug trafficking charges in the United States. Ms. Baldetti has denied all of the charges.

PERU

Opposition Leader Fujimori Arrested in Corruption Probe

Peruvian opposition leader Keiko Fujimori was arrested in early October, and then ordered back to prison in late October, on charges that she received illegal campaign financing. A court in Peru initially approved a 10-day detention for Ms. Fujimori and 19 other people, including her former campaign chief. Then, in late October, Judge Richard Concepcion directed that Ms. Fujimori be detained again

as a preventative measure while authorities investigate allegations that she received approximately \$1 million in illegal payments from embattled construction giant Odebrecht SA during her 2011 campaign. Judge Concepcion ordered Ms. Fujimori detained for 36 months. Her lawyer indicated they would appeal the ruling.

Ms. Fujimori has denied receiving any money from Odebrecht, and her party, Popular Force, called her detention “unjust and arbitrary.”

MEXICO

President’s Administration Seeking to Shield Officials from Corruption Investigation

A criminal investigation is underway in Chihuahua focused on allegations that \$12 million in public funds were diverted to a campaign of the governing Institutional Revolutionary Party. In view of the investigation, President Enrique Pena Nieto’s legal office filed a motion with the country’s Supreme Court seeking to block any legal actions stemming from it against “current or prior federal public officials” that “directly or indirectly” relates to the exercise of their official duties. Allegations of corruption have surrounded President Pena Nieto’s administration and likely contributed to his party’s loss in the presidential election.

Government Rejects Odebrecht SA Corruption Case Settlement Offer of \$18 Million

The Mexican government rejected an offer from Brazilian construction giant Odebrecht SA to settle the company’s corruption probe in the country for \$18 million. Odebrecht also offered to supply information on other graft cases. In exchange, the construction firm asked Mexico to lift civil fines and sanctions that have blocked it from participating in public projects. As previously reported in the Digest,

the massive Odebrecht corruption scheme involved billions of dollars in bribes paid mostly in Latin America. Mexico has not yet brought criminal charges against Odebrecht for bribe payments in the country, but has fined the firm for suspected corruption and barred the company from participating in government projects. Mexican authorities continue to investigate Odebrecht. President Enrique Pena Nieto has faced criticism over his administration's handling of the investigation. Odebrecht confirmed it had met with Mexican authorities but that a settlement had not been reached.

AFRICA

KENYA

Officials Charged in 2016 Olympic Games Corruption Inquiry

Seven senior Kenyan officials were charged over alleged corruption in the 2016 Olympic Games in mid-October. Kenya's chief prosecutor Noordin Haji said more than \$545,524 meant for athletes was stolen. "The impact of corruption and siphoning of funds meant for the facilitation of our sportsmen and women has a negative impact on their ability to perform optimally," Mr. Haji said. Officials implicated include the former Sports Minister Hassan Wario and former Olympic Committee head Kipchoge Keino, who is himself a two-time Olympic gold medalist.

NIGERIA

Ex State Governor Facing Corruption Charges

Peter Ayodele Fayose, a leading critic of Nigeria's President Muhammadu Buhari,

faced corruption charges in mid-October, after stepping down from his position as Governor of Ekiti, a southwestern state in Nigeria. Mr. Fayose pleaded not guilty to criminal breach of trust and theft of nearly \$18 million. He is alleged to have used illicit money to fund his campaign. Mr. Fayos is a prominent member of the Peoples Democratic Party (PDP), Nigeria's main opposition party. This latest development is part of President Buhari's effort to root out corruption in Nigeria's politics. The PDP claims the effort is merely a politically motivated witch-hunt.

SOUTH AFRICA

Central Bank Investigation Concludes South Africa Should Seek Damages from KPMG over Corruption Scandal

A central bank investigation concluded that South Africa should seek damages from KPMG for its involvement in a corruption scandal that resulted in \$130 million being stolen from a local bank, VBS. KPMG was involved in auditing the bank's financials and signed off on its financial results. Two KPMG partners resigned after failing to disclose their financial interests in the bank.

The investigation by the South African Reserve Bank (SARB) found that VBS sought to attract deposits from state entities by paying bribes. The investigation also found that bribes were paid to individuals who discovered that funds had been stolen in order to keep them quiet.

The investigation report—entitled "The Great Bank Heist"—was posted on the SARB's website in early October. The report's finding is the latest problem for KPMG's South Africa unit. The global firm announced earlier this year that it would implement changes to its corporate governance in South Africa in an effort to restore its reputation in the country.

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- Asia Pacific
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This update is provided for general informational purposes and is not intended to constitute advice. If you require advice on any of the matters raised in this update, please let us know and we will be delighted to assist.

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