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Department of Justice

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Ericsson Agrees to Pay Over \$1 Billion to Resolve FCPA Case

Ericsson Subsidiary Pleads Guilty to FCPA Violations

Telefonaktiebolaget LM Ericsson (Ericsson or the Company), a multinational telecommunications company headquartered in Stockholm, Sweden, has agreed to pay total penalties of more than \$1 billion to resolve the government's investigation into violations of the Foreign Corrupt Practices Act (FCPA) arising out of the Company's scheme to make and improperly record tens of millions of dollars in improper payments around the world. This includes a criminal penalty of over \$520 million and approximately \$540 million to be paid to the U.S. Securities and Exchange Commission (SEC) in a related matter. An Ericsson subsidiary pleaded guilty today for its role in the scheme.

Ericsson entered into a deferred prosecution agreement with the department in connection with a criminal information filed today in the Southern District of New York charging the Company with conspiracies to violate the anti-bribery, books and records, and internal controls provisions of the FCPA. The Ericsson subsidiary, Ericsson Egypt Ltd, pleaded guilty today in the Southern District of New York to a one-count criminal information charging it with conspiracy to violate the anti-bribery provisions of the FCPA. The case is assigned to U.S. District Judge Alison J. Nathan of the Southern District of New York. Pursuant to its agreement with the department, Ericsson has committed to pay a total criminal penalty of \$520,650,432 within 10 business days of the sentencing hearing, and has agreed to the imposition of an independent compliance monitor.

"Ericsson's corrupt conduct involved high-level executives and spanned 17 years and at least five countries, all in a misguided effort to increase profits," said Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division. "Such wrongdoing called for a strong response from law enforcement, and through a tenacious effort with our partners in the Southern District of New York, the SEC, and the IRS, today's action not only holds Ericsson accountable for these schemes, but should deter other companies from engaging in similar criminal conduct."

"Today, Swedish telecom giant Ericsson has admitted to a years-long campaign of corruption in five countries to solidify its grip on telecommunications business," said U.S. Attorney Geoffrey S. Berman of the Southern District of New York. "Through slush funds, bribes, gifts, and graft, Ericsson conducted telecom business with the guiding principle that 'money talks.' Today's guilty plea and surrender of over a billion dollars in combined penalties should communicate clearly to all corporate actors that doing business this way will not be tolerated."

"Implementing strong compliance systems and internal controls are basic principles that international companies must follow to steer clear of illegal activity," said Don Fort, Chief, IRS Criminal Investigation. "Ericsson's shortcomings in these areas made it easier for its executives and employees to pay bribes and falsify its books and records. We will continue to pursue cases such as these in order to preserve a global commerce system free of corruption."

According to admissions by Ericsson, beginning in 2000 and continuing until 2016, the Company conspired with others to violate the FCPA by engaging in a longstanding scheme to pay bribes, to falsify books and records and to fail to implement reasonable internal accounting controls. Ericsson used third party agents and consultants to make bribe

payments to government officials and/or to manage off-the-books slush funds. These agents were often engaged through sham contracts and paid pursuant to false invoices, and the payments to them were improperly accounted for in Ericsson's books and records. The resolutions cover the Company's criminal conduct in Djibouti, China, Vietnam, Indonesia and Kuwait.

Between 2010 and 2014, Ericsson, via a subsidiary, made approximately \$2.1 million in bribe payments to high-ranking government officials in Djibouti in order to obtain a contract with the state-owned telecommunications company valued at approximately €20.3 million to modernize the mobile networks system in Djibouti. In order to effectuate the scheme, an Ericsson subsidiary entered into a sham contract with a consulting company and approved fake invoices to conceal the bribe payments. Ericsson employees also completed a draft due diligence report that failed to disclose the spousal relationship between the owner of the consulting company and one of the high-ranking government officials.

In China, between 2000 and 2016, Ericsson subsidiaries caused tens of millions of dollars to be paid to various agents, consultants and service providers, a portion of which was used to fund a travel expense account in China that covered gifts, travel and entertainment for foreign officials, including customers from state-owned telecommunications companies. Ericsson used the travel expense account to win business with Chinese state-owned customers. In addition, between 2013 and 2016, Ericsson subsidiaries made payments of approximately \$31.5 million to third party service providers pursuant to sham contracts for services that were never performed. The purpose of these payments was to allow Ericsson's subsidiaries in China to continue to use and pay third party agents in China in contravention of Ericsson's policies and procedures. Ericsson knowingly mischaracterized these payments and improperly recorded them in its books and records.

In Vietnam, between 2012 and 2015, Ericsson subsidiaries made approximately \$4.8 million in payments to a consulting company in order to create off-the-books slush funds, associated with Ericsson's customers in Vietnam, that were used to make payments to third parties who would not be able to pass Ericsson's due diligence processes. Ericsson knowingly mischaracterized these payments and improperly recorded them in Ericsson's books and records. Similarly, in Indonesia, between 2012 and 2015, an Ericsson subsidiary made approximately \$45 million in payments to a consulting company in order to create off-the-books slush funds, and concealed the payments on Ericsson's books and records.

In Kuwait, between 2011 and 2013, an Ericsson subsidiary promised a payment of approximately \$450,000 to a consulting company at the request of a sales agent, and then entered into a sham contract with the consulting company and approved a fake invoice for services that were never performed in order to conceal the payment. The sales agent provided an Ericsson employee with inside information about a tender for the modernization of a state-owned telecommunications company's radio access network in Kuwait. An Ericsson subsidiary was awarded the contract valued at approximately \$182 million; Ericsson subsequently made the \$450,000 payment to the consulting company and improperly recorded it in its books.

As part of the deferred prosecution agreement, Ericsson 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 retain an independent compliance monitor for three years.

The department reached this resolution with Ericsson based on a number of factors, including the Company's failure to voluntarily disclose the conduct to the department and the nature and seriousness of the offense, which included FCPA violations in five countries and the involvement of high-level executives at the Company. Ericsson received partial credit for its cooperation with the department's investigation, which included conducting a thorough internal investigation, making regular factual presentations to the department, voluntarily making foreign-based employees available for interviews in the United States, producing extensive documentation and disclosing some conduct of which the department was previously unaware.

Ericsson did not receive full credit for cooperation and remediation because it did not disclose allegations of corruption with respect to two relevant matters; it produced certain materials in an untimely manner; and it did not fully remediate, including by failing to take adequate disciplinary measures with respect to certain employees involved in the misconduct. The Company has been enhancing and committed to further enhance its compliance program and internal accounting controls. Accordingly, the total criminal penalty reflects a 15 percent reduction off the bottom of the applicable United States Sentencing Guidelines fine range.

In the related matter, Ericsson agreed to pay to the SEC disgorgement and prejudgment interest totaling approximately \$540 million.

The case is being investigated by IRS-CI. Acting Assistant Chief Andrew Gentin and Trial Attorney Michael Culhane Harper of the Criminal Division's Fraud Section and Assistant U.S. Attorney David Abramowicz of the Southern District of New York are prosecuting the case. The Criminal Division's Office of International Affairs provided assistance.

The department appreciates the significant cooperation provided by the SEC and law enforcement authorities in Sweden in this case.

The 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/foreign-corrupt-practices-act.

Topic(s):

Financial Fraud

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