

IBM to pay \$10 million to settle Asian bribe case

March 18 2011, by Chris Lefkow



A man walks by the IBM logo. IBM has agreed to pay \$10 million to settle charges it gave cash and gifts to Chinese and South Korean government officials, according to the US Securities and Exchange Commission (SEC).

IBM has agreed to pay \$10 million to settle charges it gave cash and gifts to Chinese and South Korean officials to win contracts for mainframe and personal computers and other products.

The agreement with the US Securities and Exchange Commission (SEC) calls for the US computer titan to pay disgorgement of \$5.3 million, interest of \$2.7 million and a civil penalty of \$2 million.

Under the agreement, which is subject to court approval and was released by the SEC on Friday, IBM does not admit or deny the allegations it violated the Foreign Corrupt Practices Act (FCPA).

In the complaint filed with the US District Court for the District of Columbia, the SEC outlined the accusations against IBM, which is based in Armonk, New York.

The complaint detailed instances of IBM Korea employees allegedly handing over envelopes filled with cash to South Korean officials in parking lots, providing them with free notebook computers, fiddling bid sheets and making payments to the bank account of a "hostess in a drink shop."

It said employees of IBM subsidiaries and a majority-owned joint venture provided cash and improper gifts, travel and entertainment to Chinese and South Korean government officials between 1998 and 2009.

From 1998 to 2003, employees of IBM Korea and joint venture LG IBM PC Co. paid \$207,000 in cash bribes and gave improper gifts to South Korean government officials to secure the sale of IBM products, the complaint said.

It said that from 2004 to 2009, employees of IBM China provided overseas trips, entertainment and improper gifts to Chinese government officials.

"The misconduct in China involved several key IBM China employees and more than 100 IBM China employees overall," the complaint said.

IBM China employees "created slush funds at local travel agencies in China that were then used to pay for overseas and other travel expenses incurred by Chinese government officials," it said.

"In addition, IBM China employees created slush funds at its business partners to provide a cash payment and improper gifts, such as cameras and laptop computers, to Chinese government officials," it added.

"Deficient internal controls allowed employees of IBM's subsidiaries and joint venture to use local business partners and travel agencies as conduits for bribes or other improper payments to South Korean and Chinese government officials over long periods of time," the complaint said.

It said improper payments were recorded as "legitimate business expenses."

In a statement acknowledging the settlement, IBM said it "insists on the highest ethical standards in the conduct of its business and requires all employees to follow its policies and procedures for conducting business."

IBM shares were up 0.95 percent at \$155.65 shortly before the closing bell on Wall Street.

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