

# Oracle fined \$2 mn for off-books payments in India

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Software and systems giant Oracle was fined \$2 million Thursday to resolve charges that its India subsidiary kept a multi-million dollar off-books slush fund.

The [Securities and Exchange Commission](#) said it had filed charges in San Francisco District Court accusing Oracle of violating the US Foreign Corrupt Practices Act by not preventing the subsidiary from setting up the \$2.2 million fund.

The money, which came out of the [receipts](#) from sales to [Indian government](#) agencies over 2005-2007, "was eventually used to make unauthorized payments to phony vendors in India", the SEC said in a

statement.

The SEC did not allege that bribery had taken place, but suggested it was the possible purpose for payments to these ostensible vendors.

"In fact, none of these storefront-only third parties provided any services or were included on Oracle's approved vendor list," it said.

"The third-party payments created the risk that the funds could be used for illicit purposes such as [bribery](#) or embezzlement."

Oracle neither admitted nor denied the allegations, but the SEC said it voluntarily disclosed the problem, had cooperated with the investigation and had fired employees involved in the misconduct.

But the company was fined for poor internal controls and poor supervision of its India subsidiary.

"Through its subsidiary's use of secret cash cushions, Oracle exposed itself to the risk that these hidden funds would be put to illegal use," said SEC San Francisco official Marc Fagel.

"It is important for US companies to proactively establish policies and procedures to minimize the potential for payments to foreign officials or other unauthorized uses of company funds."

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