

# FCPA Update

A Global Anti-Corruption Newsletter



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9 FinCEN Issues Advisory on Kleptocracy and Foreign Public Corruption

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## How Offering Cookies and Chocolates Can Expand Your Business: Stericycle Settles Parallel U.S. and Brazilian Bribery Investigations

On April 20, 2022, Illinois-based waste management company Stericycle, Inc. agreed to pay more than \$80 million to resolve parallel civil and criminal charges brought by U.S. and Brazilian authorities related to alleged bribery of foreign officials in Argentina, Brazil, and Mexico.<sup>1</sup> According to the settlements, Stericycle made hundreds of bribe payments totaling approximately \$10.5 million over a four-year period to foreign officials, profiting by at least \$21.5 million. In addition to fines, the company agreed to a two-year compliance monitor, reflecting the government's

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1. See Deferred Prosecution Agreement, *United States v. Stericycle, Inc.*, No. 22-cr-20156-KMM (S.D. Fla. Apr. 18, 2022), <https://www.justice.gov/opa/press-release/file/1496416/download> ["Stericycle DPA"]; Order, *In re Stericycle, Inc.*, Securities Exchange Act Release No. 94760 (Apr. 20, 2022), <https://www.sec.gov/litigation/admin/2022/34-94760.pdf> ["Stericycle Order"].

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updated policy of imposing monitorships when the government views a compliance program as not fully implemented or tested prior to settlement.<sup>2</sup>

This settlement – the third corporate FCPA resolution of 2022 – encompasses an array of recurring anti-corruption risks worthy of ongoing attention by compliance professionals. Like the WPP case of September 2021, Stericycle expanded rapidly by acquiring local and regional businesses in Latin America without adequately addressing the underlying anti-corruption risks. The company kept local management in place and did not integrate the new businesses into a centralized accounting or internal controls system.

More broadly, anti-corruption risk was not top of mind, as reflected by the company not having implemented its FCPA policies until 2016 (the last year of the relevant conduct).<sup>3</sup> Absent sufficient controls, employees in Brazil, Argentina, and Mexico continued paying bribes without detection. Company personnel even maintained spreadsheets that tracked bribe recipients and referred to bribes using code words like “little pieces of chocolates,” “alfa,” and “alfajores” – a traditional cookie popular in Argentina.<sup>4</sup> Indeed, the creative ways in which company employees and executives (and third-party co-conspirators) hid improper payments in company books and correspondence are particularly noteworthy.

**The Bribery Schemes**

Stericycle entered the Latin America market in 1997, expanding rapidly through acquisitions of local and regional businesses in Argentina, Brazil, and Mexico. Stericycle kept the owners of the local acquired businesses on to run the new Stericycle subsidiaries, reporting to an executive responsible for Latin America operations, who in turn reported to senior executives at Stericycle’s headquarters. According to the SEC’s Order, Stericycle maintained mostly decentralized accounting processes without proper oversight and did not centralize its compliance department or implement anti-corruption policies and procedures until 2016.<sup>5</sup>

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2. See Kara Brockmeyer, et al., “DOJ Revises Corporate Criminal Enforcement Policies,” Debevoise In Depth (Nov. 1, 2021), <https://www.debevoise.com/insights/publications/2021/11/doj-revises-corporate-criminal-enforcement> (recounting that per Deputy Attorney General Monaco’s October 2021 policy announcement, prosecutors will consider a monitor where a company’s compliance program and controls are “untested, ineffective, inadequately resourced, or not fully implemented at the time of a resolution”); Memorandum from the Deputy Attorney General (Lisa O. Monaco), “Corporate Crime Advisory Group and Initial Revisions to Corporate Criminal Enforcement Policies” (Oct. 28, 2021), <https://www.justice.gov/dag/page/file/1445106/download> [hereinafter the “Monaco Memo”].

3. Stericycle Order ¶¶ 6.

4. Stericycle DPA ¶¶ 15, 28, 40–43; Stericycle Order ¶¶ 18–19.

5. Stericycle Order ¶¶ 4–7.

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The U.S. authorities charged the company in connection with participating in widespread bribery schemes across all three markets:

- **Argentina.** According to the settlement papers, from 2011 to 2016, Stericycle executives and employees paid bribes to government officials in Argentina to secure new business and also to get priority payments of invoices for services provided to government-owned healthcare facilities and health ministries. For example, in connection with a 2012 contract to provide medical waste disposal services to a government entity, local officials sought bribes of roughly 15% of invoice amounts. Stericycle executives calculated 10%-15% of the invoice amounts and authorized these payments, which were typically delivered in cash by sales employees. Stericycle employees gave code names to the bribes in email communications, such as “commission,” “IP,” “alfa,” and “alfajores,” and they included “alfa” as a “Commercial Expenses” line item on spreadsheets comparing actual and projected revenue.<sup>6</sup>

“[T]he creative ways in which company employees and executives (and third-party co-conspirators) hid improper payments in company books and correspondence are particularly noteworthy.”

- **Brazil.** Stericycle entered and expanded throughout Brazil by acquiring local and regional businesses. With knowledge and authorization from the executive responsible for Latin American operations, the company used sham third-party debt collection vendors and fictitious invoices to disguise cash withdrawals that were authorized by executives, falsely recorded by finance personnel (at the direction of executives) and made by employees and third-party intermediaries to government customers. The company maintained multiple spreadsheets saved on company servers that documented the behavior, recording the government officials receiving the bribes, the corresponding amounts, and the Stericycle Brazil employee responsible for acquiring the cash and delivering it to the customer. Fake invoices created to cover for the employee cash withdrawals were reflected in the company’s general ledger as a reduction of revenues or as SG&A expenses.<sup>7</sup>

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6. Stericycle DPA ¶¶ 36–43; Stericycle Order ¶¶ 4–7, 16–19.

7. Stericycle DPA 16–26; Stericycle Order ¶¶ 8–12.

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- **Mexico.** Stericycle first entered Mexico through a joint venture with a business owned by the company’s executive responsible for Latin America operations. Again, the bribery scheme involved authorization from high-level local executives, the use of third-party vendors that issued fake invoices to cover the company’s cash payments to government officials, and tracking through spreadsheets that recorded recipient, amount, and delivery method details – and loss projections in the event bribe payments were not made.<sup>8</sup>

### Settlement

Stericycle entered into a three-year DPA with DOJ to settle charges that the company conspired to violate the FCPA’s anti-bribery and books and records provisions. The company (which did not self-report) paid a \$52.5 million criminal penalty, a 25% reduction off the bottom of the applicable U.S. Sentencing Guidelines range, given the company’s cooperation and remediation.<sup>9</sup>

The company also paid \$28.2 million in disgorgement and prejudgment interest to settle SEC charges that the company violated the FCPA’s anti-bribery, books and records, and internal accounting controls provisions. Notably, despite both DOJ and the SEC charging books and records violations, only the SEC charged a violation of the FCPA’s internal accounting controls provision, an asymmetrical application of the accounting provisions that is rare but has been done in the past.<sup>10</sup>

Both DOJ and the SEC noted the company’s cooperation, which included sharing facts developed through its internal investigation and voluntarily facilitating interviews. Its remediation included relatively standard measures like termination of relationships with responsible employees and third parties; strengthening corporate governance by appointing new senior management and directors; and enhancing its compliance infrastructure (by hiring more local compliance personnel and an experienced new CECO who reports directly to the CEO and chair of the board’s Audit Committee). Notably, DOJ also called out Stericycle’s divestment of its subsidiaries in Argentina and Mexico.<sup>11</sup> It is an unusual remedial measure, but one that has been cited over the years, including, for example, where DOJ noted that Florida-based asphalt company Sargeant Marine’s extensive remedial measures tied to its September 2020 FCPA settlement included “no longer operating in

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8. Stericycle DPA 27–35; Stericycle Order ¶¶ 13–15.

9. Stericycle DPA ¶ 4.

10. For example, DOJ charged books and records violations without corresponding internal controls violations (which the SEC charged) against Herbalife and Novartis/Alcon in 2020 and Diebold in 2013.

11. Stericycle DPA ¶ 4(d); Stericycle Order ¶¶ 27–28.

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Brazil, Venezuela, Ecuador or Chile”<sup>12</sup> and where the SEC cited as remedial efforts Goodyear’s divestment of subsidiaries in Kenya and Angola following an SEC resolution in 2015.<sup>13</sup>

Both DOJ and the SEC provided for offsets, with DOJ crediting up to one-third of the criminal penalty (i.e., up to \$17.5 million) against fines paid by Stericycle to authorities in Brazil relating to the same underlying conduct, and the SEC crediting any disgorgement paid to Brazilian authorities up to one-third of Stericycle’s net profits derived from violations in Brazil (i.e., \$4.2 million).<sup>14</sup>

The settlements also imposed an independent compliance monitor for a two-year term (that may be extended at the government’s sole discretion) – and a self-reporting requirement for the final year of the DPA’s term.<sup>15</sup>

**Analysis and Takeaways**

*Compliance Programs Must Adequately Address Expanding Businesses*

The Stericycle settlement highlights the well-known risks inherent in breaking into new markets with higher-risk profiles without sufficiently-developed and integrated compliance programs. In that regard, the settlement bears some notable similarities to the recently-resolved case with UK-based advertising agency WPP. Like Stericycle, WPP expanded by acquiring small local companies whose owners were retained and given wide autonomy, while having undersized or decentralized compliance functions (in the case of the acquisitions at issue in the WPP case, no compliance function).<sup>16</sup>

The lesson is that companies can expose themselves to significant risk when expanding into high-risk jurisdictions via acquisitions without ensuring the implementation of adequate compliance policies and procedures at acquired companies and those companies’ prompt post-acquisition integration.<sup>17</sup>

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12. Plea Agreement ¶ 7(d), *United States v. Sargeant Marine Inc.*, No. 20-cr-00363 (E.D.N.Y. Sept. 21, 2020), <https://www.justice.gov/criminal-fraud/file/1320011/download>.
  13. Order ¶ 21, *In re the Goodyear Tire & Rubber Co.*, Securities Exchange Act Release No. 74356 (Feb. 24, 2015), <https://www.sec.gov/litigation/admin/2015/34-74356.pdf>.
  14. Stericycle DPA ¶ 7; Stericycle Order § IV.C.
  15. Stericycle DPA ¶ 4(e); Stericycle Order ¶¶ 29–32.
  16. See Kara Brockmeyer, Winston M. Paes, & Philip Rohlik, “WPP Settlement Highlights Risks of Expansion By Acquisition” at 1–7, FCPA Update, Vol. 13, No. 3 (Oct. 2021), <https://www.debevoise.com/insights/publications/2021/11/fcpa-update-october-2021>.
  17. Kara Brockmeyer, et al., “The Year 2021 in Review: Anti Corruption Enforcement in a Time of Transition” at 10, FCPA Update, Vol. 13, No. 6 (Jan. 2022), <https://www.debevoise.com/insights/publications/2022/02/fcpa-update-january-2022> [“2021 FCPA Update Year in Review”].

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*Sweet Examples for Compliance Officers to Use in Training*

As Stericycle’s facts remind us, sometimes a box of chocolates isn’t just chocolate. Cases like Stericycle – with hidden spreadsheets and creatively-coded bribes and transactions – make good training examples for compliance professionals to use because they catch people’s attention. In addition to the “little pieces of chocolates” and “alfa,” below are some other instances of employees referring to bribes as food:

- Malaysian financier Low Taek Jho, at the center of Goldman’s 2020 historic 2020 FCPA resolution, was indicted in 2018 for conspiring to launder billions from Malaysia’s 1MDB fund, which involved payments of bribes to the wife of Malaysia’s former prime minister coded as “cakes.”<sup>18</sup>
- Paris-based pharmaceutical company Sanofi was charged in 2018 with FCPA violations involving a number of countries, including in Kazakhstan, where kickbacks to distributors allegedly were coded as “marzipans,” a popular confection item used to make sweets.<sup>19</sup>
- Texas-based medical device company Orthofix was charged in 2012 with FCPA violations tied in part to a Mexican subsidiary’s routine bribe payments of “chocolates” that amounted to 5% to 10% of sales from government hospitals.<sup>20</sup>
- And in a twist reminding us that code names are also applied to sought-after benefits, Sargeant Marine pleaded guilty in September 2020 to FCPA charges tied to schemes to bribe government officials in multiple countries, including for “chocolates,” the designated code name for confidential insider information sought from Venezuela’s state-owned energy company, PDVSA.<sup>21</sup>

Code names for bribes, whether innocuous or sweet-inspired, highlight the importance of having good internal controls to detect these types of payments. But they also highlight the importance of encouraging and developing a company culture that rewards compliance and does not inspire new ways of evading even robust controls.

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18. Indictment ¶ 56, *United States v. Low*, No. 18-cr-00538-JIC (E.D.N.Y. Oct. 3, 2018), <https://www.justice.gov/usao-edny/press-release/file/1106976/download>.

19. Order at III.K, *In re Sanofi*, Securities Exchange Act Release No. 84017 (Sept. 4, 2018), <https://www.sec.gov/litigation/admin/2018/34-84017.pdf>.

20. Complaint ¶ 12, *United States v. Orthofix Int’l N.V.*, (E.D. Tex. July. 10, 2012), <https://www.sec.gov/litigation/complaints/2012/comp-pr2012-133.pdf>.

21. Plea Agreement ¶ 59, *United States v. Sargeant Marine Inc.*, No. 20-cr-00363 (E.D.N.Y. Sept. 21, 2020), <https://www.justice.gov/criminal-fraud/file/1320011/download>.

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*U.S. Authorities Have Resumed Imposing Monitorships*

Stericycle is the first FCPA corporate resolution to impose a compliance monitor in more than two and a half years. When DOJ reversed the Trump-era guidance that corporate monitors should be imposed as the exception rather than the rule, Deputy Attorney General Lisa Monaco's memo noted that prosecutors will consider a monitor where a compliance program and controls are "untested, ineffective, inadequately resourced, or not fully implemented at the time of a resolution."<sup>22</sup> DOJ invoked that language when imposing a monitorship upon Stericycle. According to the DPA, Stericycle enhanced and agreed to continue enhancing its compliance program and internal controls, but DOJ nevertheless determined that a monitor was "necessary to prevent the recurrence of misconduct" because the company had not at the time of the resolution "fully implemented or tested its enhanced compliance program."<sup>23</sup>

**“The Stericycle settlement highlights the well-known risks inherent in breaking into new markets with higher-risk profiles without sufficiently-developed and integrated compliance programs.”**

However, in recognition of the "significant enhancements" the company made to its compliance program, DOJ imposed a two-year monitorship with a final year of self-reporting. While this suggests that DOJ will give at least partial credit for a company's attempts to improve its compliance programs, it also serves as a warning to cooperating companies that partial but incomplete remediation nevertheless may result in an undesirable monitorship.

*Cooperation Continues with Latin American Enforcement Authorities*

With both DOJ and the SEC crediting portions of Stericycle's penalties to its resolution with Brazil's Attorney General's Office (*Advocacia-Geral da União* or "AGU"), Comptroller General's Office (*Controladoria-Geral da União* or "CGU"), and the Public Prosecutor's Office (*Ministério Público Federal* or "MPF"), Stericycle reflects again the cooperation between U.S. and Latin American authorities – and

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22. Monaco Memo.

23. Stericycle DPA ¶ 4(e).

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the growing importance of Brazilian leniency agreements in local and coordinated anti-corruption enforcement.<sup>24</sup>

Since 2020, AGU and CGU have increasingly led the charge in negotiating and executing leniency agreements (“*acordos de leniência*”), now a staple tool in Brazilian anti-corruption enforcement. Last year alone, AGU and CGU concluded five leniency agreements, pursuant to which close to R\$ 1.8 billion (roughly \$325 million USD) were recovered.<sup>25</sup> The Stericycle leniency agreement, which is the first concluded by AGU and CGU in 2022, will recover close to R\$110 million (roughly \$ 22.5 million USD) related to charges under Brazil’s now-amended Administrative Improbability Law and Brazil’s Anti-Corruption Law.<sup>26</sup>

### Conclusion

Wrapped in a package of lighthearted code names, Stericycle’s resolution underscores again the risks of rapid expansion through acquisition without commensurate compliance infrastructure. It also illustrates that the government is carrying through on its policy of imposing monitorships when, in the government’s view, compliance programs are not fully implemented or tested prior to settlement. Now with four corporate FCPA resolutions in 2022, matching last year’s total, we continue tracking how enforcement reflects the Biden Administration’s strong anti-corruption rhetoric.

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24. SEC Order Section IV; DOJ DPA ¶ 7; see 2021 FCPA Update Year in Review at 55; Kara Brockmeyer, Winston M. Paes, Douglas S. Zolkind, & Daniel Aun, “New Prosecution Continues DOJ’s Trend of Pursuing Foreign Individuals for Alleged FCPA-Related Misconduct Involving Latin America,” FCPA Update, Vol. 13, No. 1 (Aug. 2021), <https://www.debevoise.com/insights/publications/2021/08/fcpa-update-august-2021>; Andrew M. Levine, Nestor D. Almeida, Matthew S. French, & Lorena Rodriguez, “Latin American Anti Corruption Enforcement: Focus on the Northern Triangle and Beyond,” FCPA Update, Vol. 13, No. 4 (Nov. 2021), <https://www.debevoise.com/insights/publications/2021/11/fcpa-update-november-2021>.

25. 2021 FCPA Update Year in Review at 62.

26. “CGU e AGU celebram acordo de leniência de R\$ 109 milhões com empresas por ilícitos na coleta de lixo hospitalar em unidades de saúde,” Federative Republic of Brazil (Apr. 20, 2022), <https://www.gov.br/cgu/pt-br/assuntos/noticias/2022/04/cgu-e-agu-celebram-acordo-de-leniencia-de-r-109-milhoes-com-empresas-por-ilicitos-na-coleta-de-lixo-hospitalar-em-unidades-de-saude>.



## FinCEN Issues Advisory on Kleptocracy and Foreign Public Corruption

On April 14, 2022, the Financial Crimes Enforcement Network (“FinCEN”) released its “Advisory on Kleptocracy and Foreign Public Corruption” (the “Advisory”), directing covered financial institutions to focus their efforts on identifying the proceeds of foreign public corruption, which is a priority for the Biden Administration.<sup>1</sup> The Advisory focuses on so-called “kleptocrats,” defined as individuals who use “their position and influence to enrich themselves and their networks of corrupt actors,” as well as other corrupt public officials who may launder the proceeds of their corruption through financial institutions.

Last summer, the Biden Administration elevated foreign public corruption to a “core national security priority” of the United States. Subsequently, in December 2021, the administration rolled out its government-wide “U.S. Strategy on Countering Corruption,”<sup>2</sup> which directed various branches of the U.S. government to redouble their efforts to combat public corruption.<sup>3</sup> Additionally, in March 2022, the U.S. Department of the Treasury (“Treasury”) implemented the new Kleptocracy Asset Recovery Rewards Program, which offers rewards to qualified individuals who provide information leading to the seizure or forfeiture of stolen assets linked to foreign public corruption, as mandated by the 2021 National Defense Authorization Act (“NDAA”).<sup>4</sup>

The new Advisory issued by FinCEN focuses on wealth extraction and money laundering as two key typologies of kleptocracy and foreign public corruption. FinCEN also identified ten red flags implicating potential kleptocracy and foreign public corruption, which may trigger suspicious activity reporting (“SAR”) requirements.

The Advisory describes Russia as being “of particular concern.” This focus on Russia and Russian officials follows efforts by the U.S. Treasury and Justice Departments, along with their peers in allied governments, to address Russian

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1. See FinCEN Advisory, FIN-2022-A001: Advisory on Kleptocracy and Foreign Public Corruption (Apr. 14, 2022), <https://www.fincen.gov/sites/default/files/advisory/2022-04-14/FinCEN%20Advisory%20Corruption%20FINAL%20508.pdf>.
  2. White House, United States Strategy on Countering Corruption (Dec. 2021), <https://www.whitehouse.gov/wp-content/uploads/2021/12/United-States-Strategy-on-Countering-Corruption.pdf>.
  3. See also Debevoise In Depth, President Biden Declares the Fight Against Corruption a National Security Priority and Directs Federal Agencies To Enhance Enforcement (Jun. 07, 2021), <https://www.debevoise.com/insights/publications/2021/06/president-biden-declares-the-fight>.
  4. U.S. Treasury Department. Kleptocracy Asset Recovery Rewards Program (Dec. 2021), <https://home.treasury.gov/about/offices/terrorism-and-financial-intelligence/terrorist-financing-and-financial-crimes/kleptocracy-asset-recovery-rewards-program>.

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kleptocracy concerns through coordinated sanctions enforcement, asset freezes and seizures, including of vessels owned by so-called Russian oligarchs, and other similar actions in the wake of the conflict in Ukraine<sup>5</sup>

**Typologies of Kleptocracy and Foreign Public Corruption**

The Advisory outlines two typologies of kleptocracy and foreign public corruption: “wealth extraction” and the “laundering of illicit proceeds.”

“Wealth extraction” may take place in the form of:

- **Bribery and Extortion.** The Advisory explains bribery schemes, which often involve payments to foreign government officials by persons or entities in order to obtain or retain business, or for other benefits. Companies or individuals may also be coerced or extorted by public officials to pay bribes. Bribes can sometimes be made through third-party facilitators or laundered through a network of shell companies or other entities. Financial accounts into which, or from which, bribes are deposited or withdrawn are often based outside of the recipient’s home country.
- **Misappropriation or Embezzlement of Public Assets.** The Advisory defines misappropriation or embezzlement of public assets as “broadly encompass[ing] the theft, diversion, or misuse of public funds or research for personal benefit or enrichment.” Public officials may deceive corporations, including financial institutions, into redirecting government resources for their own benefit. Certain sectors – including defense, health, infrastructure and development – are identified as potentially presenting a particularly high risk of this type of corruption and subsequent money laundering.

According to the Advisory, the “laundering of illicit proceeds” may take place in the form of:

- **Shell Companies and Offshore Financial Accounts.** Corrupt actors may use shell companies to obscure illicit funds or leverage associates to create shell companies and accounts on these actors’ accounts. Customer due diligence regulations require certain financial institutions to identify and verify the identity of the beneficial owners of companies that open new accounts.<sup>6</sup>

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5. DOJ Press Release, U.S. Departments of Justice and Treasury Launch Multilateral Russian Oligarch Task Force (Mar. 16, 2022), <https://www.justice.gov/opa/pr/us-departments-justice-and-treasury-launch-multilateral-russian-oligarch-task-force>; DOJ Press Release, Attorney General Merrick B. Garland Announces Launch of Task Force KleptoCapture (Mar. 2, 2022), <https://www.justice.gov/opa/pr/attorney-general-merrick-b-garland-announces-launch-task-force-kleptocapture>.

6. 81 Fed. Reg. 29398 (2016).

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FinCEN also has proposed additional beneficial ownership information reporting requirements pursuant to the Corporate Transparency Act, which was enacted as part of the Anti-Money Laundering Act of 2020.<sup>7</sup>

- **Purchase of Real Estate, Luxury Goods and Other High-Value Assets.** Parties involved in bribery and corruption often purchase various U.S. assets – such as luxury real estate, private jets and yachts, and artwork – to launder the proceeds of their illicit activities, sometimes utilizing shell companies or straw purchasers. FinCEN has previously issued Geographic Targeting Orders in several real estate markets, requiring additional diligence on all-cash purchases of valuable real estate.

“The Advisory identified ... ten red flags indicating potential involvement of kleptocracy or foreign public corruption in a transaction, the presence of which may trigger SAR filing requirements.”

**Financial Red Flag Indicators**

A covered financial institution is required to file a SAR if it knows, or has reason to suspect, that a transaction conducted or attempted at the financial institution involves funds derived from illicit activity or the use of the financial institution to facilitate illicit activity, among other situations. The Advisory identified the following ten red flags indicating potential involvement of kleptocracy or foreign public corruption in a transaction, the presence of which may trigger SAR filing requirements:

- **Contracts.** Transactions involving long-term government contracts that are awarded through opaque selection processes to the same legal entity or entities with similar beneficial ownership structures.
- **State-Owned Businesses.** Transactions involving services to state-owned companies or public institutions by entities in high-risk jurisdictions.

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7. 86 Fed. Reg. 69920 (2021).

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- **Embassy Activities.** Transactions involving official foreign government business conducted through personal accounts.
- **Source of Wealth.** Transactions involving public officials that are inconsistent with officially reported wealth or that fall outside of their usual lifestyles, such as those involving luxury goods or real estate.
- **Lack of Business Purpose.** Transactions involving public officials and the transfer of funds involving countries with which these officials do not appear to have ties.
- **Agents.** Transactions involving the use of third parties to shield the identity of foreign public officials.
- **Contract Mark-ups and Insufficient Documentation.** Transactions involving documents such as invoices that corroborate charges at prices well above market rates, include overly simple documentation, or lack traditional details (e.g., prices).
- **Missing Documentation.** Transactions involving payments that do not match the amounts in the underlying documentation, vague payment details or the use of old or fraudulent documentation.
- **Fraud.** Transactions involving false email addresses or false invoices to justify payments.
- **Shell Companies.** Transactions involving assets held by intermediate legal entities with beneficial owners tied to kleptocrats or associated individuals.

The Biden Administration is devoting considerable resources to combatting foreign corruption and kleptocracy, and the Advisory places significant expectations on covered U.S. financial institutions to ensure their AML programs include risk-based controls to identify and report customer activity that is potentially indicative of foreign corruption.

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