

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 83088 / April 23, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3936 / April 23, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18446

In the Matter of

**THE DUN & BRADSTREET
CORPORATION,**

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against The Dun & Bradstreet Corporation (“D&B” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. These proceedings arise from violations of the Foreign Corrupt Practices Act of 1977 (the “FCPA”) [15 U.S.C. § 78dd] by D&B arising out of conduct at two of its indirect subsidiaries in China, Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co., Limited (“HDBC”) and Shanghai Roadway D&B Marketing Services Co., Ltd. (“Roadway”).

2. During the time period from approximately 2006 through 2012, D&B’s HDBC and Roadway subsidiaries made unlawful payments in order to obtain or retain business.

3. These unlawful payments were not accurately reflected in the books and records of HDBC and Roadway, which were consolidated into D&B’s books and records. During the relevant period, D&B also failed to devise and maintain sufficient internal accounting controls to detect or prevent the improper payments.

Respondent

4. **D&B** is a corporation organized under the laws of the state of Delaware. D&B’s corporate headquarters is in Short Hills, NJ. D&B has a class of securities registered pursuant to Section 12(b) of the Securities and Exchange Act of 1934, which are traded on the New York Stock Exchange. During the relevant time period, D&B managed its global operations through the United States and international segments. International management included regional management in Europe, Canada, Asia Pacific, and Latin America. D&B’s Asia Pacific interests are managed from an office in Singapore (“D&B International (Singapore)”) and included, among other countries, subsidiaries, joint ventures and strategic partnerships in China, Taiwan, and Hong Kong. (This group of subsidiaries is referred to collectively herein as “D&B Greater China.”) During the relevant period, D&B Greater China’s management operated from offices located in Shanghai.

Other Relevant Entities

5. **HDBC** is a Chinese limited liability company that was formed in November 2006 as a joint venture between D&B’s Chinese subsidiary, Dun & Bradstreet International Consultant (Shanghai) Co. Ltd. (“D&B China”), and Huaxia International Credit Consulting Co. Limited (“Huaxia”). D&B China is the fifty-one percent majority shareholder of HDBC and its books, records, and financial accounts are consolidated into D&B’s books and records and reported by D&B on its financial statements.

6. **Roadway** was, during the relevant time period, a Chinese limited liability company. In June 2009, D&B (through a wholly-owned subsidiary) acquired ninety percent of Roadway’s shares. Roadway’s books, records, and financial accounts were, during the relevant time period, consolidated into D&B’s books and records and reported by D&B on its financial statements. In March 2012, D&B voluntarily suspended, and then in May 2012, voluntarily shut

down the operations of Roadway in part as a result of its discovery of the illegal conduct described herein.

Background

7. D&B's corporate history dates to 1841, when it was formed to provide reliable credit information. D&B evolved into a global provider of business information. It currently maintains a global commercial database of over 280 million companies and its products provide commercial data to businesses and other entities through subscriptions and business reports on credit history, business-to-business sales and marketing, counterparty risk exposure, and other business data information products.

8. Access to, and purchase of, business data are core components of D&B's business model, most importantly with respect to its well-known and established credit reporting business. Businesses utilize D&B's credit profiles to verify other businesses, make independent decisions on the extension of credit, find new customers, and research new opportunities in specific countries. D&B needs to acquire business data continually to populate and maintain its worldwide databases, which are the heart of its commercial operations. D&B acquires commercial data through several methods including contacting the commercial entities directly, contacting an entity's vendors or clients, and collecting information about entities from the government agencies where the business operates or is organized.

9. D&B first entered the China market in the early 1990's through a joint venture and by the mid-2000's, began to consider strategic alternatives to grow its China-based business. Ultimately, D&B chose a growth strategy that would be executed through acquisitions, mergers, or joint venture partnerships. In 2006, D&B promoted a successful European executive to be President of its Asia-Pacific region and tasked him with the mission of finding strategic partners to grow the China business.

HDHC Joint Venture

10. In 2006, the new President of the Asia-Pacific region considered and courted several potential partners for merger or acquisition but ultimately focused on Huaxia as a joint venture partner. Among other things, Huaxia was considered attractive as a result of its "government connections."

11. As part of its due diligence, a review of Huaxia's data and operations was conducted by an executive from D&B's Greater China management. The data and operations review focused on, among other things, data acquisition and sources of data at Huaxia. The report explicitly noted that, unlike D&B's China operations, Huaxia used its government connections to source financial statement information directly from provincial offices of the Chinese State Administration of Industry and Commerce ("AIC"), Chinese National Bureau of Statistics, lawyers, and other individuals rather than publicly available sources. D&B's due diligence procedures failed to address the information in the report, rather, D&B provided a short FCPA

training session to Huaxia executives and then requested that they complete an anti-bribery questionnaire and certification.

12. Financial information on private companies in China was crucial to the success of D&B's products sold in its international market regarding China's rapidly emerging economy. Financial statement information filed with the AIC office contains the detailed information on a business entity, is updated annually, and is of the type considered most useful for making credit determinations and other business decisions. D&B promoted that their information products were based upon AIC-sourced data.

13. Access to the business information, including financial statement information, archived in the AIC offices is highly regulated under Chinese law. Public access to the AIC archived file on a business entity is limited to enterprise registration information (name, domicile, business premises, legal representative, enterprise type, etc.), documents submitted for approval in an application for enterprise registration, items concerning the change of the enterprise (name, domicile, legal representative, subsidiaries), items concerning the deregistration of the enterprise (including insolvency), and items concerning supervision and inspection (including penalties against the entity). However, access to the complete AIC archived file for an entity, including its financial statement information, is restricted to law enforcement agencies, the judiciary, disciplinary/inspection organizations, and law firms in the limited circumstances related to representation of clients in lawsuits. Supporting documents for case initiation and the lawyer's license are required to be produced to the AIC before such access is granted to a lawyer or law firm. Chinese law further provides that AIC archived files cannot be made public and those who obtain such AIC archived files shall not use such files to engage in commercial services.

14. D&B Greater China's management and staff who were responsible for data acquisition knew of the commercial use restrictions and were also aware that it was possible to bribe complicit AIC employees to obtain otherwise restricted financial statement data. Because of the risk associated with such illicit arrangements, HDBC management used third-party agents to unlawfully obtain the financial statement data under the mistaken belief that using third parties would shield the company from any legal liability.

15. D&B's due diligence efforts indicated that Huaxia was directly acquiring certain non-public AIC business data through unofficial arrangements. D&B's Greater China management understood that Huaxia routinely obtained information through agents and the agents obtained information by making improper payments to government officials. The due diligence package disclosing these arrangements was circulated to the D&B transaction team, including the President of the Asia-Pacific region, who was also a member of D&B's Global Leadership Team, and a manager at D&B International.

HDBC Continued to Make Improper Payments to Acquire Data

16. The D&B China and Huaxia joint venture was completed in November 2006 and resulted in the formation of HDBC. For at least two years after the closing of the deal, HDBC did not fully integrate or consolidate the operations and data acquisition practices of the two

predecessor entities, allowing them to continue to operate much as they had prior to the joint venture. Legacy D&B China continued its normal business operations in Shanghai and the legacy Huaxia continued its normal business operations in Beijing. However, a D&B Greater China manager stopped the practice of Huaxia employees directly making improper payments to AIC officials and implemented the practice of using third-party agents to obtain the data.

17. In the fall of 2008, D&B Greater China management sought to reduce HDBC's financial data acquisition costs. At the time, data acquisition costs in China were substantially higher than similar data costs in other countries. D&B Greater China management considered eliminating the use of agents and authorizing HDBC employees to purchase data directly from AIC officials, as this would significantly reduce costs. Separately, employees in the data and operations unit at HDBC noted in a report to the executive responsible for data acquisition in China that purchasing data directly from AIC individuals would be at a high cost and require "lots of palm grease (kind of bribe)" to the AIC officials. While the managers involved were not concerned with making improper payments directly to these government officials, they were concerned that HDBC would be unable to obtain proper *fapiao* (tax receipt) under this proposal. As a result, they explored ways to generate fake *fapiao* for the payments that would be made to local officials.

18. Ultimately, D&B's President of Asia-Pacific, President of D&B Greater China, and the executive responsible for data acquisition in China decided to maintain the status quo of using third-party agents to acquire data for HDBC. This practice was in effect at HDBC from the creation of the entity in 2006 until mid-2012, when HDBC eliminated improperly obtained financial statement data from its information products as a remedial measure.

Roadway Subsidiary

19. In April 2009, D&B considered a business collaboration with Roadway, which was a leading provider of direct marketing services in China. Businesses used Roadway's services to market directly to businesses or consumers through various media, including direct mail, telemarketing, efax, and email. The transaction closed in June 2009, with D&B acquiring (through a wholly-owned subsidiary) ninety percent of the shares of Roadway.

20. A key risk identified by D&B in its pre-acquisition due diligence of Roadway related to certain February 2009 amendments to Chinese criminal laws concerning citizens' data privacy. The amendments provided criminal sanctions for entities and individuals who illegally obtain citizens' personal information, through theft or other means, from Chinese government entities or organizations in a field such as finance, telecommunications, transportation, education, or health care. D&B knew that Roadway had obtained a significant amount of its data from independent vendors, thus it needed to ensure that Roadway had legally obtained its pre-existing data and that Roadway would employ legal means of acquiring data post-acquisition. While steps were taken to try to limit the risk that its use of previously acquired data violated local law, ultimately Roadway violated Chinese law with respect to data that had been acquired post-acquisition.

21. As part of the pre-acquisition due diligence process, Roadway informed D&B that it could not warrant that no “rebates” were paid in connection with data sales because their sales representatives were paid on commission and this might incentivize them to “share” the commission with the “decision-maker” at the client in order to “drum up” business. D&B did not conduct further due diligence to verify whether sales representatives were in fact making improper kickbacks of a portion of commissions in order to secure business, or determine whether any clients were state-owned or state-controlled entities (“SOEs”). Subsequent internal audit reviews after the acquisition failed to detect the improper payments.

Roadway Made Payments to Obtain Business

22. After the transaction closed in mid-2009, Roadway continued to acquire consumer data from agents and provide the data to businesses for use in marketing. While the agents did provide certifications that the consumer data was legally obtained, D&B did not audit or otherwise review the sources from where agents acquired data to verify their certifications.

23. On March 15, 2012, National Consumer Protection Day in China, a television news program featured a Roadway sales executive making statements that Roadway had created a database with information on over 150 million Chinese citizens that included specific financial, employment, and contact information that Roadway sold to companies for marketing purposes. The broadcast stated that Roadway had purchased the personal information from banks, insurance companies, and real estate agents or by cold calling companies. That same day, the Shanghai police raided the Roadway offices in Shanghai and confiscated computer servers and detained several employees, including senior management and employees responsible for data acquisition at the company.

24. In September 2012, Roadway was charged, along with five then-current or former employees, by the Shanghai District Prosecutor with illegally obtaining private information of Chinese citizens. Subsequently, in January 2013, Roadway and the five individuals were convicted and Roadway was required to pay an approximately \$160,000 criminal fine.

25. In addition to failing to ensure the legality of the Roadway-acquired data, post-acquisition, D&B also failed to take steps to determine whether Roadway employees were paying customer “decision-makers” to get business. From July 2009 through March 2012, Roadway employees continued to make improper payments to customer “decision-makers” to obtain or retain business, including customers that were Chinese government agencies or entities that were SOEs. These payments were called “*Pin Tui*,” or promotional expenses, and were inaccurately recorded in Roadway’s books and records as legitimate promotion and advertisement expenses. The *Pin Tui* payments were made directly by Roadway employees and through third-party agents in connection with over thirty-four percent of the customer transactions at Roadway between July 2009 and March 2012. Of the 1,036 customers whose “decision makers” received payments in this period, 156 were Chinese government agencies or SOEs.

Legal Standards and Violations

26. Under Section 21C(a) of the Exchange Act, the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act or any rule or regulation thereunder, and upon any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

FCPA Violations

27. Section 13(b)(2)(A) of the Exchange Act requires every issuer with a class of securities registered pursuant to Section 12 of the Exchange Act to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the issuer. [15 U.S.C. § 78m(b)(2)(A)].

28. As described above, D&B violated Section 13(b)(2)(A) of the Exchange Act. The company's subsidiary, HDBC, falsely recorded illicit payments to government officials to acquire data incorporated into its business products as legitimate data acquisition expenses. D&B subsidiary Roadway also acquired data through the use of improper payments and made improper payments to government officials and private businesses to obtain or retain business. Roadway falsely recorded the payments as legitimate business expenses. The false entries in HDBC's and Roadway's books and records were then consolidated by D&B in its own books and records.

29. Section 13(b)(2)(B) of the Exchange Act requires every issuer with a class of securities registered pursuant to Section 12 of the Exchange Act to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. [15 U.S.C. § 78m(b)(2)(B)].

30. D&B violated Section 13(b)(2)(B) of the Exchange Act for several years by failing to devise and maintain a sufficient system of internal accounting controls in its China subsidiaries to prevent and detect improper payments in connection with data acquisitions and sales.

D&B's Self-Disclosure, Cooperation, and Remedial Efforts

31. In determining to accept the Offer, the Commission considered Respondent's self-disclosure, cooperation, and remedial efforts. D&B made an initial self-disclosure to the Commission staff and the DOJ in March 2012, shortly after local police raided its Roadway subsidiary. D&B's cooperation included voluntarily producing documents from overseas, summarizing the findings of its internal investigation, translating numerous key documents,

providing timely factual summaries of witness interviews done in the course of its internal investigation, making employees available to the Commission staff, and providing for employees or former employees to travel to the United States for interviews. D&B's cooperation assisted the Commission in collecting information that may not have been otherwise available to the staff.

32. D&B's remedial action included ceasing business operations of its Roadway subsidiary; discontinuing illicit practices at HDBC; terminating certain D&B employees who were involved in the misconduct; doubling the size of its audit services and corporate compliance teams; hiring legal and compliance employees in China; re-evaluating and supplementing its anti-corruption policies and procedures on a global basis, including its relationship with third-party vendors and suppliers; enhancing its internal accounting controls and compliance functions; developing and implementing FCPA compliance procedures, including the expansion and implementation of new due diligence and contracting requirements for vendors and suppliers; engaging a law firm to review every data vendor and source of data used in China; and conducting regular anti-corruption training throughout the D&B organization. D&B also implemented a process to re-evaluate and supplement its anticorruption compliance on a global basis.

33. D&B also undertook disciplinary actions against certain employees, including senior executives at D&B Greater China and D&B International. These individuals included executives who had oversight responsibility for ensuring that adequate FCPA compliance training and controls were in place at the company's HDBC joint venture and Roadway subsidiary.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent D&B's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent D&B cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

B. Respondent shall pay, within 10 days of the entry of this Order, disgorgement of \$6,077,820, which represents profits gained as a result of the conduct described herein, prejudgment interest of \$1,143,664, and a civil money penalty in the amount of \$2 million to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying D&B as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Charles E. Cain, Chief, FCPA Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary