

JUSTICE NEWS

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Credit Suisse's Investment Bank in Hong Kong Agrees to Pay \$47 Million Criminal Penalty for Corrupt Hiring Scheme that Violated the FCPA

Credit Suisse (Hong Kong) Limited (CSHK), a Hong Kong-based subsidiary of Credit Suisse Group AG (CSAG), a Swiss-based issuer of publicly traded securities in the United States, reached a resolution with the Department of Justice and agreed to pay a \$47 million criminal penalty for its role in a scheme to corruptly win banking business by awarding employment to friends and family of Chinese officials.

Acting Assistant Attorney General John P. Cronan of the Justice Department's Criminal Division, U.S. Attorney Richard P. Donoghue of the Eastern District of New York and Assistant Director-in-Charge William F. Sweeney Jr. of the FBI's New York Field Office made the announcement.

"Credit Suisse (Hong Kong) Limited engaged in a corrupt scheme to win business with Chinese state-owned entities by hiring friends and family of Chinese government officials, generating the bank at least \$46 million in profits," said Acting Assistant Attorney General Cronan. "These 'relationship hires' often lacked necessary technical skills, and offered fewer qualifications and significantly less relevant banking experience than other candidates for the jobs. The Department of Justice remains steadfast in our commitment to combatting bribery and corruption in all its many forms, including where companies engage in corrupt hiring practices to gain the favor of foreign officials to generate improper business advantages and increase profits."

"Credit Suisse Hong Kong's practice of employing friends and family members of Chinese government officials as a quid pro quo for lucrative business opportunities was both profitable and corrupt and now the company will pay the price for that corruption," said U.S. Attorney Donoghue. "This Office is committed to holding companies that conduct business in the United States accountable when they or their subsidiaries corruptly influence foreign government officials for financial gain."

"In the banking industry, not every undertaking is fair game," said Assistant Director-in-Charge Sweeney. "Trading employment opportunities for less-than-qualified individuals in exchange for lucrative business deals is an example of nepotism at its finest. The criminal penalty imposed today provides explicit insight into the level of corruption that took place at the hands of Credit Suisse Group AG's Hong Kong-based subsidiary."

According to CSHK's admissions, between 2007 and 2013, several senior CSHK managers in the Asia Pacific (APAC) region engaged in a practice to hire, promote and retain candidates referred by or related to government officials and executives of clients that were state-owned entities (SOEs). The employment of these "relationship hires" or "referral hires" was part of a quid pro quo with the officials who referred the candidates for employment, whereby CSHK bankers sought to and did win business from the referral

sources. Employees of other subsidiaries of CSAG were aware of the referral hires and facilitated the conduct.

According to admissions made in connection with the resolution, CSHK bankers discussed and approved the hiring of close friends and family of Chinese officials in order to secure business for CSHK. For example, one SOE executive emailed a senior CSHK banker to refer a candidate who had a "very good and close relationship" with senior management at the SOE, and wrote that hiring the referral hire would "bring [CSHK] the big surprise in the near future if [CSHK] could ... arrange a position in CS team in Beijing." The senior CSHK banker later told a colleague about an impending deal that the SOE was pursuing and explained that the referring SOE official "was focused on having us make a relationship hire and said it was very important for us to win future business with [the SOE]." In another email to colleagues, a CSHK employee explained that "[r]elationship hires have to translate to \$" or "the relationship is worthless to our organization."

CSHK further admitted that referral hires were less qualified than other employees hired at the same level, they were less stringently vetted and they were given benefits throughout the course of their employment due to the provision of business to CSHK by their referral sources. For example, in relation to the interview process for one referral hire, a senior CSHK banker cautioned colleagues "not too many interviews," as this referral hire was "a princess [who was] not used to too many rounds of interview." CSHK employees also noted that they had to "be a bit 'creative' in filling" in this referral hire's resume, before sending it to other CSHK employees. In another example, when a CSHK banker asked a high-ranking executive of a client SOE to "push for [CSHK's] incentive," the high-ranking executive "reminded [the CSHK banker] that [CSHK] need[ed] to pay [the SOE's] relationship hire ... well at the year-end bonus."

The corrupt scheme netted CSHK at least \$46 million in profits from business mandates with Chinese SOEs, CSHK admitted.

The Department and CSHK entered into a non-prosecution agreement, and CSHK agreed to pay a criminal penalty of \$47,029,916 to resolve the matter. As part of the agreement, CSHK and its parent company Credit Suisse AG also agreed to continue to cooperate with the Department in any ongoing investigations and prosecutions relating to the conduct, to enhance their compliance programs and to report to the Department on the implementation of their enhanced compliance programs. The Department reached this resolution based on a number of factors, including that CSHK did not voluntarily and timely disclose the conduct at issue. CSHK received partial credit for its and its parent company's cooperation with the criminal investigation, including making foreign-based employees available for interviews in the United States and producing documents to the government from foreign countries in ways that did not implicate foreign data privacy laws. However, CSHK did not receive additional cooperation credit because its cooperation was reactive and not proactive. Additionally, CSHK did not receive full credit for remediation because it failed to sufficiently discipline employees who were involved in the misconduct. Based on these considerations, the company received a non-prosecution agreement and an aggregate discount of 15 percent off the bottom of the U.S. Sentencing Guidelines fine range.

In related proceedings, Credit Suisse Group AG also settled with the U.S. Securities and Exchange Commission (SEC). Under the terms of its resolution with the SEC, Credit Suisse Group AG agreed to pay a total of \$24,989,843 in disgorgement of profits and \$4,833,961 in prejudgment interest.

The FBI's New York Field Office investigated the case. Trial Attorney Katherine Nielsen and former Trial Attorney Allison Westfahl-Kong of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Alicyn Cooley, Alixandra Smith and James P. McDonald of the Eastern District of New York's Business and Securities Fraud Section prosecuted the case. The Fraud Section and U.S. Attorney's Office appreciate the significant cooperation and assistance provided by the SEC in this matter.

The Criminal Division's 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/fcpa.

Attachment(s):

[Download Credit Suisse NPA with Statement of Facts](#)

Topic(s):

Securities, Commodities, & Investment Fraud

Component(s):

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[USAO - New York, Eastern](#)

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