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Mobile Telesystems Pjsc and Its Uzbek Subsidiary Enter into Resolutions of \$850 Million with the Department of Justice for Paying Bribes in Uzbekistan

Former General Director of MTS's Uzbek Subsidiary and Former Uzbek Official Charged in Bribery and Money Laundering Scheme Totaling Almost \$1 Billion

Moscow-based Mobile TeleSystems PJSC (MTS), the largest mobile telecommunications company in Russia and an issuer of publicly traded securities in the United States, and its wholly owned Uzbek subsidiary, KOLORIT DIZAYN INK LLC (KOLORIT), have entered into resolutions with the Department of Justice and Securities and Exchange Commission (SEC) and agreed to pay a combined total penalty of \$850 million to resolve charges arising out of a scheme to pay bribes in Uzbekistan. In addition, charges were unsealed today against a former Uzbek official who is the daughter of the former president of Uzbekistan and against the former CEO of Uzdunrobita LLC, another MTS subsidiary, for their participation in a bribery and money laundering scheme involving more than \$865 million in bribes from MTS, VimpelCom Limited (now VEON) and Telia Company AB (Telia) to the former Uzbek official in order to secure her assistance in entering and maintaining their business operations in Uzbekistan's telecommunications market.

Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division, U.S. Attorney Geoffrey S. Berman of the Southern District of New York, Special Agent in Charge Raymond Villanueva of U.S. Immigration and Customs Enforcement's Homeland Security Investigations (HSI) Washington, D.C. and Chief Don Fort of IRS Criminal Investigation (IRS-CI) made the announcement.

Gulnara Karimova, 46, a citizen of Uzbekistan, was charged in an indictment filed in the Southern District of New York on March 7 with one count of conspiracy to commit money laundering. Karimova is a former Uzbek official who allegedly had influence over the Uzbek governmental body that regulated the telecom industry. Bekhzod Akhmedov, 44, a citizen of Uzbekistan and the former Uzbek executive, was charged in the same indictment with one count of conspiracy to violate the Foreign Corrupt Practices Act (FCPA), two counts of violating the FCPA, and one count of conspiracy to commit money laundering. Karimova's and Akhmedov's case is assigned to U.S. District Judge Kimba Wood of the Southern District of New York.

"Gulnara Karimova stands accused of exploiting her official position to solicit and accept more than \$865 million in bribes from three publicly traded telecom companies, and then laundering those bribes through the U.S. financial system," said Assistant Attorney General Benczkowski. "The indictment and corporate resolution announced today, together with two prior corporate resolutions involving bribes allegedly paid to Karimova, demonstrate the Department's comprehensive approach to foreign corruption: we will aggressively pursue both corrupt foreign officials and the companies and individuals who bribe them in

order to gain unfair business advantages, and we will do everything we can to keep the proceeds of that corruption out of the U.S. financial system.”

“This is the third installment in a trilogy of cases arising from an almost \$1 billion bribery scheme that reached the highest echelons of the Uzbekistan government and was orchestrated by some of the largest telecommunications companies in the world,” said U.S. Attorney Berman. “By funneling multimillion-dollar bribe payments through the U.S. financial system, the companies and individual defendants corruptly tried to tip the global economy in their favor and line their own pockets. But they are now paying the price. Today, my Office and our law enforcement partners are sending a bold, unequivocal message that the U.S. financial system is not in business to enable foreign bribery or money laundering. This Office stands ready to prevent, prosecute, and penalize foreign corrupt practices wherever in the world we find them.”

“Corruption of this level and reach poisons our integrity as a participant in the global marketplace,” said HSI Washington Special Agent in Charge Villanueva. “Thanks to our skillful and collaborative investigators at HSI and the IRS-CI, Karimova and Akhmedov’s exploitive crimes will be presented before the just eye of our courts and no longer will such corruption be permitted to metastasize across our borders.”

“With the increase in globalization and ease with which funds can be moved, criminals think their financial transactions cannot be tracked—but they would be wrong,” said IRS-CI Chief Fort. “We will continue to investigate violations of the Foreign Corrupt Practices Act to ensure our country’s financial institutions are not used for devious purposes. We are committed to aggressively pursuing all who engage in corruption, money laundering, and bribery for their own personal gain and at the expense of the U.S. government.”

According to the indictment against Karimova and Akhmedov, in or around the early 2000s, they agreed that Akhmedov would solicit and facilitate corrupt bribe payments from telecommunications companies seeking to enter the Uzbek market. In exchange, Karimova allegedly used her influence over Uzbek authorities to help the telecommunications companies obtain and retain lucrative business opportunities in the Uzbek telecommunications market. In total, Akhmedov conspired with the telecom companies and others to pay Karimova more than \$865 million in bribes, and Akhmedov and Karimova conspired with others to launder and conceal those funds to, from and through bank accounts in the United States, in order to promote the ongoing bribery scheme, the indictment alleges.

The charges in the indictment are merely allegations, and the defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

MTS entered into a deferred prosecution agreement with the Department of Justice in connection with a criminal information filed yesterday in the Southern District of New York charging the company with one count of conspiracy to violate the anti-bribery and books and records provisions of the FCPA and one count of violating the internal controls provisions of the FCPA. KOLORIT pleaded guilty to a one-count criminal information filed in the Southern District of New York, charging the company with conspiracy to violate the anti-bribery and books and records provisions of the FCPA. Pursuant to its agreement with the department, MTS agreed to pay a total criminal penalty of \$850 million to the United States, including a \$500,000 criminal fine and \$40 million in criminal forfeiture that MTS agreed to pay on behalf of KOLORIT. MTS also agreed to the imposition of an independent compliance monitor for a term of three years and to implement rigorous internal controls and cooperate fully with the Department’s ongoing investigation, including its investigation of individuals such as Akhmedov and Karimova. The case against MTS and KOLORIT is assigned to U.S. District Judge J. Paul Oetken of the Southern District of New York.

In related proceedings, MTS reached a settlement with the SEC. Under the terms of its agreement with the SEC, MTS agreed to pay a \$100 million civil penalty. Consistent with Coordination of Corporate Resolution Penalties in Parallel and/or Joint Investigations and Proceedings Arising from the Same Misconduct (Justice Manual 1-12.100), the Department of Justice agreed to credit the civil penalty paid to the SEC as part of its

agreement with MTS. Thus, the combined total amount of criminal and regulatory penalties paid by MTS and KOLORIT to U.S. authorities will be \$850 million.

According to the companies' admissions, MTS and KOLORIT, through various managers and employees within MTS, MTS's Uzbek subsidiaries Uzdurobita LLC and KOLORIT, and other affiliated entities, paid approximately \$420 million in bribes to Karimova, who had influence over the Uzbek governmental body that regulated the telecom industry. The bribes were paid on multiple occasions between 2004 and 2012 so that MTS could enter the Uzbek market through the acquisition of Uzdurobita and so that Uzdurobita could gain valuable telecom assets and continue operating in Uzbekistan. The companies admittedly structured and concealed the bribes through payments to shell companies that members of MTS's and Uzdurobita's management knew were beneficially owned by Karimova. MTS and Uzdurobita also acquired KOLORIT, knowing that the price MTS and Uzdurobita paid was inflated, in order to bribe Karimova in exchange for Uzdurobita's continuing to operate in Uzbekistan. Uzdurobita made payments to purported charities and for sponsorships to entities related to Karimova. The Uzbek government expropriated Uzdurobita in 2012 as a result of MTS's, Uzdurobita's and KOLORIT's failure to meet Karimova's demands for additional payments.

A number of factors contributed to the Department's criminal resolution with the companies, including (1) the companies did not voluntarily disclose; (2) the companies' level of cooperation and remediation was lacking, not proactive; (3) the nature and seriousness of the offense, including \$420 million in bribes to a high-level Uzbek official; and (4) the mitigating factors present in this case, including that the Uzbek government expropriated the companies' telecommunications assets in Uzbekistan, resulting in no realized pecuniary gain to the companies as a result of the misconduct.

The resolution, reached in coordination with the SEC's resolution, marks the third such resolution by a major international telecommunications provider for bribery in Uzbekistan. On Feb. 18, 2016, Amsterdam-based VimpelCom and its Uzbek subsidiary, Unitel LLC, entered into resolutions with the Department of Justice and admitted to a conspiracy to make more than \$114 million in bribery payments to Karimova between 2006 and 2012. On Sept. 21, 2017, Stockholm-based Telia and its Uzbek subsidiary, Coscom LLC, also entered into resolutions with the Department and admitted to a conspiracy to make more than \$331 million in bribery payments to Karimova. The investigation has thus far yielded a combined total of over \$2.6 billion in global fines and disgorgement, including over \$1.3 billion in criminal penalties to the United States. In related actions, the Department has also filed civil complaints seeking the forfeiture of more than \$850 million held in bank accounts in Switzerland, Belgium, Luxembourg and Ireland, which constitute bribe payments made by MTS, VimpelCom and Telia, or funds involved in the laundering of those corrupt payments to Karimova.

The IRS-CI and HSI are investigating the cases as part of the IRS Global Illicit Financial Team in Washington, D.C. Assistant Chief Ephraim Wernick and Senior Litigation Counsel Nicola J. Mrazek of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Edward Imperatore and Daniel Noble of the Southern District of New York are prosecuting the case against MTS and KOLORIT. Assistant Chief Wernick and Trial Attorney Elina Rubin-Smith of the Fraud Section and Assistant U.S. Attorneys Imperatore and Noble are prosecuting the case against Karimova and Akhmedov. Trial Attorney Michael Khoo of the Criminal Division's Money Laundering and Asset Recovery Section (MLARS) is prosecuting the forfeiture case with substantial assistance from former MLARS Trial Attorney Marie M. Dalton, now an Assistant U.S. Attorney in the Western District of Washington.

Law enforcement authorities in Austria, Belgium, Cyprus, France, Ireland, Isle of Man, Latvia, Luxembourg, Norway, the Netherlands, Switzerland, Sweden and the United Kingdom have provided valuable assistance in this case. The Criminal Division's Office of International Affairs provided significant assistance as well. The SEC referred the matter to the Department and also provided extensive cooperation and assistance.

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.

Individuals with information about possible proceeds of foreign corruption located in or laundered through the United States should contact federal law enforcement or send an email to kleptocracy@usdoj.gov.

Attachment(s):

[Download KOLORIT Information](#)

[Download KOLORIT Plea Agreement and Attachments](#)

[Download MTS DPA](#)

[Download MTS Information](#)

[Download Karimova and Akhmedov Indictment](#)

Topic(s):

Financial Fraud

Foreign Corruption

Component(s):

[Criminal Division](#)

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