

JUSTICE NEWS

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Hungary Subsidiary of Microsoft Corporation Agrees to Pay \$8.7 Million in Criminal Penalties to Resolve Foreign Bribery Case

Microsoft Magyarország Számítástechnikai Szolgáltató és Kereskedelmi Kft. (Microsoft Hungary), a wholly owned subsidiary of Microsoft Corporation, has agreed to pay a criminal penalty of more than \$8.7 million to resolve the government's investigation into violations of the Foreign Corrupt Practices Act (FCPA) arising out of a bid rigging and bribery scheme in connection with the sale of Microsoft software licenses to Hungarian government agencies.

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 and Assistant Director Robert Johnson of the FBI's Criminal Investigative Division made the announcement.

According to Microsoft Hungary's admissions, beginning by at least 2013 and continuing until at least 2015, a senior executive and other employees of Microsoft Hungary participated in a scheme to inflate margins in the Microsoft sales channel in connection with the sale of Microsoft software licenses to Hungarian government agencies. In furtherance of that scheme, Microsoft Hungary executives and employees falsely represented to Microsoft that steep discounts were necessary to conclude deals with resellers who bid for the opportunity to sell Microsoft licenses to government customers. In actuality, the savings were not passed on to the government customers, but instead were used for corrupt purposes and were falsely recorded as "discounts" and stored in various tools and databases on Microsoft servers in the United States in violation of the Foreign Corrupt Practices Act.

Microsoft Hungary entered into a nonprosecution agreement and agreed to pay a criminal penalty of \$8,751,795 to resolve the matter. The Department reached this resolution based on several factors. Although Microsoft Hungary did not voluntarily self-disclose the misconduct, Microsoft Hungary received credit for its and Microsoft Corporation's substantial cooperation with the Department's investigation and for taking extensive remedial measures. For example, Microsoft Hungary terminated four licensing partners and Microsoft Corporation has implemented an enhanced system of compliance and internal controls, company-wide, to address and mitigate corruption risks. Accordingly, the criminal penalty reflects a 25 percent reduction off the bottom of the applicable U.S. Sentencing Guidelines fine range for the company's full cooperation and remediation.

In a related matter with the Securities and Exchange Commission (SEC), Microsoft Corporation agreed to pay to the SEC disgorgement and prejudgment interest totaling approximately \$16,565,151 for conduct in Hungary.

The case is being investigated by the FBI's New York Field Office. Trial Attorneys Derek J. Ettinger and Della Sentilles of the Criminal Division's Fraud Section and Assistant U.S. Attorney Sarah Lai of the Southern District of New York are prosecuting the case.

The 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.

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