

SEC Charges California-Based Bio-Rad Laboratories With FCPA Violations

FOR IMMEDIATE RELEASE

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Washington D.C., Nov. 3, 2014 — The Securities and Exchange Commission today charged a clinical diagnostic and life science research company based in California with violating the Foreign Corrupt Practices Act (FCPA) when its subsidiaries made improper payments to foreign officials in Russia, Vietnam, and Thailand in order to win business.

An SEC investigation found that Bio-Rad Laboratories lacked sufficient internal controls to prevent or detect approximately \$7.5 million in bribes that were paid during a five-year period and improperly recorded in books and records as legitimate expenses like commissions, advertising, and training fees. The improper payments enabled Bio-Rad to earn \$35 million in illicit profits.

Bio-Rad, which self-reported its misconduct and extensively cooperated during the investigation, agreed to pay \$55 million to settle the SEC's charges and a parallel action announced today by the U.S. Department of Justice.

"Bio-Rad Laboratories failed to detect a bribery scheme and did not properly address red flags that such a scheme was underway," said Andrew J. Ceresney, Director of the SEC's Division of Enforcement. "This enforcement action, which reflects credit for Bio-Rad's cooperation in our investigation, reiterates the importance of all companies ensuring they have the proper internal controls to prevent FCPA violations."

According to the SEC's order instituting settled administrative proceedings, Bio-Rad made excessive payments disguised as commissions to foreign agents with phony Moscow addresses and off-shore bank accounts. The agents had no employees and no capacity to perform the purported services for Bio-Rad, and were retained primarily to influence Russia's Ministry of Health and help the company win bids for government contracts. Bio-Rad managers repeatedly ignored various red flags indicating that the Russian agents were likely bribing government officials, and they condoned an atmosphere of secrecy. Country managers were allowed to communicate through at least 10 different personal e-mail addresses with aliases, and referred to the commissions with code words such as "bad debts."

According to the SEC's order, Bio-Rad employees used local intermediaries in Vietnam and Thailand to funnel bribes through to foreign officials in exchange for business. Bio-Rad's Singapore subsidiary sold products at a deep discount to Vietnamese distributors, who passed through a portion of it as bribes. Bio-Rad acquired a company in Thailand and failed to uncover a pre-existing bribery scheme in which Thai agents received inflated commissions that were partially used for improper payments.

The SEC's order finds that Bio-Rad, headquartered in Hercules, Calif., violated the anti-bribery, internal controls, and books and records provisions of the Securities Exchange Act of 1934. The company agreed to pay \$40.7 million in disgorgement and prejudgment interest to the SEC, and a \$14.35 million criminal fine to the Department of Justice. The company also must report its FCPA compliance efforts to the SEC for a period of two years.

The SEC's investigation was conducted by FCPA Unit members Catherine W. Brilliant and Alka N. Patel in the Los Angeles office. The SEC appreciates the assistance of the Fraud Section of the Criminal Division at the Department of Justice as well as the Federal Bureau of Investigation, Bank of Lithuania, Financial and Capital Market Commission of Latvia, and British Virgin Islands Financial Services Commission.

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Related Materials

- [SEC order](#)