

PRESS RELEASE

SEC Charges Diebold With FCPA Violations

FOR IMMEDIATE RELEASE

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Washington D.C., Oct. 22, 2013 — The Securities and Exchange Commission today charged an Ohio-based manufacturer of ATMs and bank security systems with violating the Foreign Corrupt Practices Act by bribing officials at government-owned banks with pleasure trips in order to illicitly win business.

The SEC alleges that subsidiaries of Diebold Inc. in China and Indonesia spent approximately \$1.8 million on travel, entertainment, and other improper gifts for senior officials with the ability to influence the banks' purchasing decisions. Government-owned bank officials in China and Indonesia were rewarded with free trips to popular tourist destinations in the U.S. and Europe, and Diebold's expenditures were falsely recorded in the company's books and records as legitimate training expenses. Diebold's subsidiary in China also provided dozens of government bank officials with annual cash gifts ranging from less than \$100 to more than \$600. The SEC further alleges that Diebold falsified books and records to hide approximately \$1.2 million of bribes paid to employees at privately owned banks in Russia.

Diebold has agreed to pay more than \$48 million to settle the SEC's charges and resolve a parallel criminal matter announced today by the U.S. Department of Justice.

"A bribe is a bribe, whether it's a stack of cash or an all-expense-paid trip to Europe," said Scott W. Friestad, an Associate Director in the SEC's Division of Enforcement. "Public companies must be held accountable when they break the law to influence government officials with improper payments or gifts."

According to the SEC's complaint filed in federal court in Washington D.C., Diebold's misconduct occurred from 2005 to 2010. Among the tourist destinations of U.S. trips were the Grand Canyon, Napa Valley, Disneyland, and Universal Studios as well as Las Vegas, New York City, Chicago, Washington D.C., and Hawaii. Officials also were treated to European vacations. For example, eight officials at a government-owned bank in China enjoyed a two-week trip at Diebold's expense that included stays in Paris, Brussels, Amsterdam, Cologne, Frankfurt, Munich, Salzburg, Vienna, Klagenfurt, Venice, Florence, and Rome. Destinations of leisure trips for other officials included Australia, New Zealand, and Bali. In total, Diebold spent approximately \$1.6 million to bribe government-owned bank officials in China, and more than \$147,000 to bribe officials at government banks in Indonesia.

The SEC further alleges that from 2005 to 2008, Diebold's Russian subsidiary paid approximately \$1.2 million in bribes in connection with the sale of ATMs to private banks in Russia. The bribes were funneled through a distributor in Russia using phony service contracts to hide and falsely record the payments as legitimate business expenses.

Diebold agreed to pay \$22.9 million in disgorgement and prejudgment interest and appoint an independent compliance monitor in order to settle the SEC's charges. Diebold consented to a final judgment and agreed to be permanently enjoined from violating Sections 30A, 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934.

Diebold agreed to pay an additional \$25.2 million fine in the parallel criminal proceeding.

The SEC's investigation was led by Devon A. Brown and Brian O. Quinn with assistance from Jennifer Baskin of the FCPA Unit and Kristen Dieter. The SEC appreciates the assistance of the U.S. Department of Justice's Fraud Section, the U.S. Attorney's Office for the Northern District of Ohio, and the Federal Bureau of Investigation.

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Related Materials

- [SEC Complaint](#)
- [Summaries of FCPA Cases](#)
- [Spotlight on FCPA](#)