SEC Charges Goodyear With FCPA Violations

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Washington D.C., Feb. 24, 2015 — The Securities and Exchange Commission today charged Goodyear Tire & Rubber Company with violating the Foreign Corrupt Practices Act (FCPA) when its subsidiaries paid bribes to land tire sales in Kenya and Angola.

Goodyear agreed to pay more than $16 million to settle the SEC's charges.

According to the SEC's order instituting a settled administrative proceeding, Goodyear failed to prevent or detect more than $3.2 million in bribes during a four-year period due to inadequate FCPA compliance controls at its subsidiaries in sub-Saharan Africa. Bribes were generally paid in cash to employees of private companies or government-owned entities as well as other local authorities such as police or city council officials. The improper payments were falsely recorded as legitimate business expenses in the books and records of the subsidiaries, which were consolidated into Goodyear's books and records.

"Public companies must keep accurate accounting records, and Goodyear's lax compliance controls enabled a routine of corrupt payments by African subsidiaries that were hidden in their books," said Scott W. Friestad, Associate Director of the SEC's Enforcement Division. "This settlement ensures that Goodyear must forfeit all of the illicit profits from business obtained through bribes to foreign officials as well as employees at commercial companies in Angola and Kenya."

The SEC's order finds that Goodyear's subsidiary in Kenya bribed employees of the Kenya Ports Authority, Armed Forces Canteen Organization, Nzoia Sugar Company, Kenyan Air Force, Ministry of Roads, Ministry of State for Defense, East African Portland Cement Co., and Telkom Kenya Ltd. Goodyear's subsidiary in Angola bribed employees of the Catoca Diamond Mine, which is owned by a consortium of mining interests including Angola's national mining company Endiama E.P. and Russian mining company ALROSA. Others bribed in Angola worked at UNICARGAS, Engevia Construction and Public Works, Electric Company of Luanda, National Service of Alfadega, and Sonangol.

The SEC's order finds that Goodyear violated the books and records and internal control provisions of the federal securities laws: Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934. Goodyear neither admitted nor denied the SEC's findings. The settlement reflects the company's self-reporting, prompt remedial acts, and significant cooperation with the SEC's investigation. Goodyear must pay disgorgement of $14,122,525 – which comprises the company's illicit profits in Kenya and Angola – plus prejudgment interest of $2,105,540. Goodyear also must report its FCPA remediation efforts to the SEC for a three-year period.

The SEC's investigation was conducted by Devon A. Brown and Brian T. Fitzsimons, and the case was supervised by Brian O. Quinn. The SEC thanks the Department of Justice's Fraud Section and the U.S. Attorney's Office for the Northern District of Ohio.

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Related Materials

- SEC order