

and bringing criminal charges against executives. The act outlaws corporations listed on U.S. stock exchanges from bribing foreign officials.

The SEC expanded its team of FCPA investigators about a year ago. The Justice Department, which can bring criminal charges, has beefed up its FCPA unit as well and last year carried out 22 FCPA enforcement actions against corporations. A Justice Department spokeswoman wouldn't comment on whether it was investigating.

The SEC complaint alleges that managers employed by an IBM subsidiary and joint venture in South Korea paid government officials the equivalent of \$207,000 in cash bribes from 1998 to 2003 to secure the sale of mainframes and personal computers to the government.

In some instances, IBM employees also provided entertainment to government officials, including depositing payments into the bank account of a "hostess in a drink shop," according to the SEC complaint.

The complaint details bribes totaling hundreds of thousands of dollars in cash, laptop computers, cameras, travel and entertainment expenses that were routinely gifted to government officials by IBM employees over the course of a decade in exchange for millions of dollars of government business.

From 1998 to 2002, the SEC alleges, IBM employees in South Korea paid off 16 South Korean government officials, including stuffing cash into shopping bags and IBM envelopes and handing them over in secret meetings in parking lots near an official's office and home. Another official was met in the parking lot of a Japanese restaurant, the SEC alleged.

The bribes were made in exchange for a variety of types of business, including winning bids for government contracts or to act as the preferred supplier for computers and storage equipment, the SEC complaint said.

In September 2000, a subsidiary of IBM in South Korea sold \$1.3 million worth of personal computers to the South Korean government that were later found to have problems, the complaint said. Despite those problems, IBM won a contract to supply computers after the company paid an official \$14,320 in cash, according to the SEC.

IBM sold its personal-computer business to China's Lenovo Group Ltd. in 2005.

In China, two key IBM officials and more than 100 employees engaged in a travel scam to provide personal vacations to Chinese government officials from 2004 to as late as early 2009, the SEC alleged.

IBM employees created slush funds at travel agencies and created fake invoices to pay for personal vacations and sightseeing for government officials, according to the SEC.

The settlement included \$5.3 million in disgorged profit, \$2.7 million in interest and a penalty of \$2 million. The payment is relatively small for an FCPA civil case, which may reflect that the alleged bribes, while pervasive, weren't very large.

The SEC alleged in its complaint that IBM's internal controls weren't sufficient to spot or prevent the alleged bribes. IBM didn't keep accurate records, in some cases recording the payments as legitimate business expenses, the SEC said.

Fines in civil FCPA cases can often top \$100 million. In cases that involve criminal charges as well, total fines can reach into the several hundreds of millions of dollars.

IBM says it has added \$10 billion in annual revenue from its business in emerging markets since 2000. The company wants emerging markets to account for 30% of its revenue by 2015.

The tech industry has been hit with other FCPA investigations. U.S. authorities are looking at whether Hewlett-Packard Co. employees in Russia, Germany, Austria and Serbia paid kickbacks to distributors and customers, H-P disclosed last year. H-P has said it was cooperating with U.S. officials and German officials, who were carrying out their own investigation.

In 2000, IBM paid \$300,000 to settle an FCPA case brought over allegedly illicit payments that former senior managers made to executives at a government-owned bank in Argentina.