



# UNITED STATES ATTORNEY'S OFFICE

## *Southern District of New York*

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### **U.S. CHARGES EIGHT FORMER SIEMENS SENIOR EXECUTIVES AND AGENTS IN \$100 MILLION FOREIGN BRIBE SCHEME**

Preet Bharara, the United States Attorney for the Southern District of New York, Lanny A. Breuer, Assistant Attorney General of the Justice Department's Criminal Division, and Ronald T. Hosko, Special Agent-in-Charge of the FBI, Washington Field Office's Criminal Division, announced that eight former executives and agents of Siemens AG and its subsidiaries have been charged for allegedly engaging in a decade-long scheme to bribe senior Argentine government officials to secure, implement and enforce a \$1 billion contract with the Argentine government to produce national identity cards.

Manhattan U.S. Attorney Bharara stated: "As alleged, the defendants in this case bribed Argentine government officials in two successive administrations and paid off countless others in a successful effort to secure a billion dollar contract. When the project was terminated, they even sought to recover the profits they would have reaped from a contract that was awarded to them illegitimately in the first place. Bribery corrupts economic markets and creates an unfair playing field for law-abiding companies. It is critical that we hold individuals as well as corporations accountable for such corruption as we are doing today."

Assistant Attorney General Breuer stated: "Today's Indictment alleges a shocking level of deception and corruption. The Indictment charges Siemens executives, along with agents and conduits for the company, with committing to pay more than \$100 million in bribes to high-level Argentine officials to win a \$1 billion contract. Business should be won or lost on the merits of a company's products and services, not the amount of bribes paid to government officials. This Indictment reflects our commitment to holding individuals, as well as companies, accountable for violations of the FCPA."

FBI Special Agent-in-Charge Hosko stated: "Backroom deals and corrupt payments to foreign officials to obtain business wear away public confidence in our global marketplace. The investigation into this decades-long scheme serves as an example that the FBI is committed to curbing corruption and will investigate those who try to advance their businesses through foreign bribery."

According to the Indictment returned late yesterday, the defendants charged are:

- URIEL SHAREF, a former member of the central executive committee of Siemens AG;
- HERBERT STEFFEN, a former chief executive officer of Siemens Argentina;
- ANDRES TRUPPEL, a former chief financial officer of Siemens Argentina;
- ULRICH BOCK, STEPHAN SIGNER, and EBERHARD REICHERT, former senior executives of Siemens Business Services (SBS); and
- CARLOS SERGI and MIGUEL CZYSCH who served as intermediaries and agents of Siemens in the bribe scheme.

The Indictment charges the defendants and their co-conspirators with conspiracy to violate the Foreign Corrupt Practices Act (FCPA) and the wire fraud statute, money laundering conspiracy, and wire fraud.

According to the Indictment, the government of Argentina issued a tender for bids in 1994 to replace an existing system of manually created national identity booklets with state of the art national identity cards (the DNI project). The value of the DNI project was \$1 billion. In 1998, the Argentine government awarded the DNI project to a special-purpose subsidiary of Siemens AG.

The Indictment alleges that during the bidding and implementation phases of the project, the defendants and their co-conspirators caused Siemens to commit to paying nearly \$100 million in bribes to sitting officials of the Argentine government, members of the opposition party, and candidates for office who were likely to come to power during the performance of the project. According to the Indictment, members of the conspiracy worked to conceal the illicit payments through various means. For instance, BOCK made cash withdrawals from Siemens AG general-purpose accounts in Germany totaling approximately \$10 million, transported the cash across the border into Switzerland, and deposited the funds into Swiss bank accounts for transfer to officials. BOCK, TRUPPEL, REICHERT and other conspirators also allegedly caused Siemens to wire transfer more than \$7 million in bribes to a bank account in New York disguised as a foreign exchange hedging contract relating to the DNI project. Over the duration of the conspiracy, the conspirators allegedly relied on at least 17 off-shore shell companies associated with SERGI, CZYSCH and other intermediaries to disguise and launder the funds, often documenting the payments through fake consulting contracts.

In May 1999, according to the Indictment, the Argentine government suspended the DNI project, due in part to instability of the local economy and an impending presidential election. When a new government took power in Argentina, and in the hopes of getting the DNI project resumed, members of the conspiracy allegedly committed Siemens to paying additional bribes to the incoming officials, and to satisfying existing obligations to officials of the outgoing administration, many of whom remained in influential positions within the government.

When the project was terminated in May 2001, members of the conspiracy allegedly responded with a multi-faceted strategy to overcome the termination. According to the Indictment, the conspirators sought to recover the anticipated proceeds of the DNI project, notwithstanding the termination, by causing Siemens AG to file a fraudulent arbitration claim against the Republic of Argentina in Washington, D.C. The claim alleged wrongful termination of the contract for the DNI project and demanded nearly \$500 million in lost profits and expenses. Members of the conspiracy allegedly caused Siemens to actively hide from the tribunal the fact that the contract for the DNI project had been secured by means of bribery and

corruption, including tampered witness statements and pleadings that falsely denied the existence of corruption.

In related actions, the Indictment also alleges that members of the conspiracy continued the bribe scheme, in part to prevent disclosure of the bribery in the arbitration and to ensure Siemens' ability to secure future government contracts in Argentina and elsewhere in the region. In four installments between 2002 and 2007, members of the conspiracy allegedly caused Siemens to pay approximately \$28 million in further satisfaction of the obligations. Conspirators continued to conceal these additional payments through various means. For example, SHAREF, TRUPPEL and other members of the conspiracy allegedly caused Siemens to transfer approximately \$9.5 million through fictitious transactions involving a Siemens business division that had no role in the DNI project. They also caused Siemens to pay an additional \$8.8 million in 2007 under the legal cover of a separate arbitration initiated in Switzerland by the intermediaries to enforce a sham \$27 million contract from 2001 between SBS and Mfast Consulting, a company controlled by their co-conspirator intermediaries, which consolidated existing bribe commitments into one contract. The conspirators caused Siemens to quietly settle the arbitration, keeping all evidence of corruption out of the proceeding. The settlement agreement included a provision preventing SERGI, CZYSCH and another intermediary from testifying in, or providing information to, the Washington arbitration.

Siemens's corrupt procurement of the DNI project was not exposed during the lifespan of the conspiracy, and, in February 2007, the arbitral tribunal in Washington sided with Siemens AG, awarding the company nearly \$220 million on its DNI claims, plus interest. On Aug. 12, 2009, following Siemens' corporate resolutions with the U.S. and German authorities— new management of Siemens caused Siemens AG to forego its right to receive the award and, as a result, the company never claimed the award money.

The Indictment charges the defendants with conspiracy to violate the anti-bribery, books and records and internal control provisions of the FCPA; conspiracy to commit wire fraud; conspiracy to commit money laundering; and substantive wire fraud.

The charges announced today follow the December 15, 2008 guilty pleas by Siemens AG and its subsidiary, Siemens S.A. (Siemens Argentina), to criminal violations of the FCPA. As part of the plea agreement, Siemens AG and Siemens Argentina agreed to pay fines of \$448.5 million and \$500,000, respectively.

In a parallel civil action, the Securities and Exchange Commission announced charges against executives and agents of Siemens. The Justice Department acknowledges and expresses its appreciation of the significant assistance provided by the staff of the U.S. Securities and Exchange Commission (SEC) during the course of these parallel investigations.

Today's charges follow, in large part, the laudable actions of Siemens AG and its audit committee in disclosing potential FCPA violations to the Department after the Munich Public Prosecutor's Office initiated an investigation. Siemens AG and its subsidiaries disclosed these violations after initiating an internal FCPA investigation of unprecedented scope; shared the results of that investigation; cooperated extensively and authentically with the Justice Department in its ongoing investigation; and took remedial action, including the complete

restructuring of Siemens AG and the implementation of a sophisticated compliance program and organization.

The Justice Department and the SEC closely collaborated with the Munich Public Prosecutor's Office in bringing this case. The high level of cooperation, including sharing information and evidence, was made possible by the use of mutual legal assistance provisions of the 1997 Organization for Economic Cooperation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The case is being prosecuted by Assistant U.S. Attorneys Jason P. Hernandez and Sarah McCallum of the U.S. Attorney's Office for the Southern District of New York, and by Principal Deputy Chief Jeffrey H. Knox of the Criminal Division's Fraud Section. This Office's Complex Frauds Unit and the Fraud Section of the Justice Department's Criminal Division are handling the case. The case was investigated by FBI agents who are part of the Washington Field Office's dedicated FCPA squad. The Criminal Division's Office of International Affairs also provided significant assistance in this matter.

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