

In re United States v. Mobile TeleSystems PJSC & KOLORIT DIZAYAN INK LLC (SDNY 2019) United States of America v. Gulnara Karimova & Bekhzod Akhmedov (SDNY 2019)

Nature of the Business.

Mobile TeleSystems PJSC (“MTS”) is a multinational telecommunication services provider headquartered in Moscow, Russia.

Gulnara Karimova was the daughter of the president of Uzbekistan during the period at issue and a government official. Bekhzod Akhmedov was an executive in Uzdurobita, an Uzbekistan telecommunications company that worked with MTS in Uzbekistan as its “indirect subsidiary” after MTS acquired majority shares in the company.

Kolorit Dizayn Ink LLC (“Kolorit”) was an advertising agency in Uzbekistan owned by Karimova and was later acquired by MTS as well.

Influence to be Obtained.

According to the DOJ, from 2004 to at least 2012, MTS conspired with various Uzbekistan-based shell companies (which later became MTS subsidiaries) to benefit Gulnara Karimova, a Uzbekistan government official who had influence over a Uzbek government agency responsible for regulating the Uzbekistan telecommunications market. MTS obtained 74% of Uzdurobita—paying a shell company affiliated with Karimova for its 33% ownership about \$100 million, over six times more than it paid to acquire the remaining 41% stake, to send payments to Karimova to enter the telecommunications market. MTS continued to pay bribes, facilitated by Akhmedov, to Karimova through false contracts with shell companies she had a beneficial interest in.

The DOJ alleges MTS, with Akhmedov’s assistance, acquired Kolorit—an advertisement company that was also beneficially owned and controlled by Karimova. MTS’s own Department of Strategic planning “recommended rejection” of the acquisition—as it was not related to their telecommunications work—but ultimately MTS management approved the \$39.6 million purchase. The acquisition was a scheme to funnel bribes to Karimova. In total, MTS allegedly made over \$420 million in payments for the benefit of Karimova to enter and operate in Uzbekistan’s telecommunications industry and falsified books and records to conceal the bribery scheme.

Enforcement.

On February 22, 2019, the DOJ announced that it entered a deferred prosecution agreement with MTS. Under the agreement, MTS agreed to pay \$850,000,000 in criminal penalties as a result of alleged violations of the FCPA’s anti-bribery and books and records provisions.

On February 22, 2019, Kolorit entered a guilty plea for one count of conspiring to violate the FCPA’s anti-bribery and books-and-records provisions. The DOJ held that Kolorit was to forfeit property that came out of the bribes and violations of the FCPA—Kolorit agreed to pay a \$500,000 criminal fine and \$40,000,000 in criminal forfeiture (both to be deducted from MTS’s total penalty).

The DOJ unsealed charges against Karimova and Akhmedov on March 7, 2019 and the case is still ongoing.

In a related matter, the SEC settled its enforcement action against MTS on March 7, 2019 and was required to implement an independent compliance monitor over a three-year period and to pay a \$100 million civil penalty to be credited against the criminal penalty.

Key Facts

Citation. *In re United States v. Mobile TeleSystems PJSC et al.*, 19-cr-00167 (SDNY Feb. 22, 2019); *United States of America v. Gulnara Karimova, et al.*, 19-cr-00165 (SDNY Mar. 7, 2019).

Date Filed. Feb 22, 2019.

Country. Uzbekistan.

Date of Conduct. 2001 – 2012.

Amount of the Value. Over \$420 million.

Amount of Business Related to the Payment. Not stated.

Intermediary. Shell company.

Foreign Official. Gulnara Karimova, an Uzbek government official.

FCPA Statutory Provision. Anti-bribery (MTS, Kolorit); Books-and-Records (MTS, Kolorit); Internal Controls (MTS).

Other Statutory Provision.

- **MTS.** None.
- **Kolorit.** None.
- **Karimova and Akhmedov.** Conspiracy to commit money laundering.

Disposition. Deferred Prosecution Agreement (MTS); Guilty plea (Kolorit); Pending (Karimova and Akhmedov).

Defendant Jurisdictional Basis. Issuer (MTS); Agent of Issuer (Kolorit, Akhmedov); Domestic Concern (Karimova).

Defendant’s Citizenship. Russia (MTS); Uzbekistan (Kolorit, Karimova, Akhmedov).

Total Sanction. \$850,000,000 (MTS and Kolorit).

Compliance Monitor/Reporting Requirements. Three years reporting requirement; Compliance Monitor.

Related Enforcement Actions. *In the Matter of Mobile TeleSystems PJSC*, Admin. Proc. File No. 3-19022 (Mar. 6, 2019).

Total Combined Sanction. \$850,000,000.