

In the Matter of United Technologies Corporation (2018)

Nature of the Business.

United Technologies Corporation (“UTC”), a Delaware corporation, manufactures and maintains elevators, escalators, and moving walkways. It maintains a class of stock that is registered pursuant to Section 12(b) of the Exchange Act and traded on the New York Stock Exchange.

Influence to be Obtained.

Russia and Azerbaijan

According to the SEC, from 2012 to 2013, UTC’s wholly owned subsidiary, Otis Elevator Company, incorporated in Russia and operating in Azerbaijan, made improper payments to a municipal entity to secure sales of elevators and elevator equipment. As part of the alleged scheme, Otis Russia sold elevator equipment to Baku Liftremont, a municipal-owned entity, using subcontractors and intermediaries. Otis Russia failed to conduct due diligence or meaning contract review for any of the subcontractors or intermediaries, and there was no evidence that they performed the services for which they were paid. On one occasion, the SEC alleged that the contract value for the subcontractor was worth 44% of the total contract value, even though it performed no meaningful work. On another occasion, the scheme allegedly involved making sales of elevator equipment through intermediaries, for which Otis Russia did not conduct any due diligence. In both these schemes, the SEC alleged that the intermediaries passed the funds Otis Russia paid to the Liftremont officials. Otis Russia’s JV partner raised concerns about potential corruption to the Regional President, but the improper payments continued.

China

According to the SEC, in one scheme, UTC’s joint venture, International Aero Engines (“IAE”), engaged a sales agent to help procure a competitive bid for a contract with the Chinese state-owned airline, Air China Limited. The agent requested a \$2 million advance to conduct an “office expansion,” which was provided. Subsequently, the agent allegedly received proprietary and confidential information about the Air China tender, and IAE modified its bid accordingly. The SEC noted that the agent had no background in the market.

In another scheme, IAE arranged a golf event for senior executives of Chinese state-owned airlines, paid \$30,000 extra to an agent for the event without verifying its use. IAE also provided lucrative gifts, such as iPads and luggage to the officials.

Finally, the SEC alleged that an employee at UTC’s Chinese subsidiary, Otis China, was approached by an official from a Chinese state-owned bank seeking to buy elevator units. The official requested a kickback if Otis China won the bid, and the Otis China employee agreed, suggesting using a distributor to conceal the payment.

Leisure Travel

According to the SEC, UTC paid for travel and entertainment for foreign officials from several countries, including China, Kuwait, South Korea, Pakistan, Thailand, and Indonesia, and these expenses were not properly recorded or approved. Instead of submitting the leisure expenses to the Legal Department for approval, as required by UTC’s policies, UTC employees included the travel as a cost component in the contract and thus avoided the approval process. The SEC alleged UTC recorded these payments as regular business expenses.

Enforcement.

On August 27, 2018, the SEC settled its enforcement action against UTC for violations of the FCPA’s anti-bribery, books-and-records, and internal controls provisions. According to the cease-and-desist order, UTC agreed to pay

Key Facts

Citation. *In the Matter of United Technologies Corp.*, Admin. Proc. File No. 3-18745 (Sept. 12, 2018).

Date Filed. September 12, 2018.

Country. Azerbaijan; China; Kuwait, South Korea, Pakistan, Thailand, and Indonesia.

Date of Conduct. 2009 – 2015.

Amount of the Value. Not stated.

Amount of Business Related to the Payment. Not stated.

Intermediary. Intermediary companies; Subcontractors; Agent; Distributor.

Foreign Official. Municipal officials at Baku Liftremont in Azerbaijan; unnamed executives of state-owned commercial airlines in China; unnamed government officials in China, Kuwait, South Korea, Pakistan, Thailand, and Indonesia.

FCPA Statutory Provision. Anti-Bribery; Books-and-Records; Internal Controls.

Other Statutory Provision. None.

Disposition. Cease-and-Desist Order.

Defendant Jurisdictional Basis. Issuer.

Defendant’s Citizenship. United States.

Total Sanction. \$13,986,534.

Compliance Monitor/Reporting Requirements. None.

Related Enforcement Actions. None.

Total Combined Sanction. \$13,986,534.

\$9,986,534 in disgorgement and prejudgment interest, as well as a civil monetary penalty of \$4,000,000.