



JUSTICE NEWS

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**Daimler AG and Three Subsidiaries Resolve Foreign
Corrupt Practices Act Investigation and Agree to Pay
\$93.6 Million in Criminal Penalties***Combined Criminal and Civil Penalties of \$185 Million to be Paid*

WASHINGTON – Daimler AG, a German corporation, and three of its subsidiaries have resolved charges related to a Foreign Corrupt Practices Act (FCPA) investigation into the company's worldwide sales practices, the Department of Justice announced today.

At a hearing today before U.S. District Court Judge Richard J. Leon in the District of Columbia, Daimler AG's Russian subsidiary DaimlerChrysler Automotive Russia SAO (DCAR), now known as Mercedes-Benz Russia SAO, and its German subsidiary, Export and Trade Finance GmbH (ETF), each pleaded guilty to criminal informations charging the companies with one count of conspiracy to violate the anti-bribery provisions of the FCPA and one count of violating those provisions. As part of the plea agreements, DCAR and ETF agreed to pay criminal fines of \$27.26 million and \$29.12 million, respectively.

Daimler AG entered into a deferred prosecution agreement and agreed to the filing of a criminal information charging that company with one count of conspiracy to violate the books and records provisions of the FCPA and one count of violating those provisions. Daimler AG's Chinese subsidiary DaimlerChrysler China Ltd. (DCCL), now known as Daimler North East Asia Ltd., also entered into a deferred prosecution agreement and agreed to the filing of a criminal information charging it with one count of conspiracy to violate the anti-bribery provisions of the FCPA and one count of violating those provisions. In total, Daimler AG and its subsidiaries will pay \$93.6 million in criminal fines and penalties.

According to court documents, Daimler AG, whose shares trade on multiple exchanges in the United States, engaged in a long-standing practice of paying bribes to foreign government officials through a variety of mechanisms, including the use of corporate ledger accounts known internally as "third-party accounts" or "TPAs," corporate "cash desks," offshore bank accounts, deceptive pricing arrangements and third-party intermediaries. According to court documents, Daimler AG and its subsidiaries made hundreds of improper payments worth tens of millions of dollars to foreign officials in at least 22 countries – including China, Croatia, Egypt, Greece, Hungary, Indonesia, Iraq, Ivory Coast, Latvia, Nigeria, Russia, Serbia and Montenegro, Thailand, Turkey, Turkmenistan, Uzbekistan, Vietnam and others – to assist in securing contracts with government customers for the purchase of Daimler vehicles. The contracts were valued at hundreds of millions of dollars. In some cases, Daimler AG or its subsidiaries wire transferred these improper payments to U.S. bank accounts or to the foreign bank accounts of U.S. shell companies, in order for those entities to pass on the bribes. Within Daimler AG and its subsidiaries, bribe payments were often identified and recorded as "commissions," "special discounts," and/or "nützliche Aufwendungen" or "N.A." payments, which translates to "useful payment" or "necessary payment," and was understood by certain Daimler employees to mean "official bribe." According to court documents, certain corrupt payments continued as late as January 2008, after the Department of Justice had begun its investigation. In all cases, Daimler AG improperly recorded these corrupt payments in its corporate books and records. Daimler AG admitted that it earned more than \$50 million in profits from corrupt transactions with a nexus to the territory of the United States. Daimler AG also admitted that it agreed to pay kickbacks to the former Iraqi government in connection with contracts to sell vehicles to Iraq under the U.N.'s Oil for Food program.

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"In a decade-long scheme involving tens of millions of dollars, Daimler AG and three of its subsidiaries brazenly offered bribes in exchange for business around the world," said Principal Deputy Assistant Attorney General Mythili Raman of the Criminal Division. "Using offshore bank accounts, third-party agents and deceptive pricing practices, these companies saw foreign bribery as a way of doing business. The guilty pleas and deferred prosecution agreements entered today by Daimler AG and its subsidiaries should serve as a message to other companies subject to the FCPA and conducting business around the world that corrupt business is bad business."

In connection with its guilty plea, DCAR admitted that it made improper payments to Russian federal and municipal government officials to secure contracts to sell vehicles by over-invoicing the customer and paying the excess amount back to the government officials, or to other designated third parties that provided no legitimate services to DCAR or Daimler AG. When requested, DCAR or Daimler AG employees caused the wire transfer of payments from Daimler AG's bank accounts in Germany to, among other destinations, U.S. and Latvian bank accounts held by shell companies with the understanding that the money, in whole or in part, was for the benefit of Russian government officials.

In connection with its guilty plea, ETF admitted that it made corrupt payments directly to Croatian government officials and to third parties, including two U.S.-based corporate entities, with the understanding that the payments would be passed on, in whole or in part, to Croatian government officials, to assist in securing the sale of 210 fire trucks.

In connection with its deferred prosecution agreement, DCCL admitted that it made improper payments in the form of commissions, delegation travel, and gifts for the benefit of Chinese government officials or their designees in connection with sales of commercial vehicles and Unimogs to various Chinese government customers. DCCL admitted that in certain cases it used U.S.-based agents to facilitate the bribe payments.

Under the terms of its deferred prosecution agreement, Daimler AG agreed to retain an independent compliance monitor for a three-year period to oversee the company's continued implementation and maintenance of an FCPA compliance program, and to make reports to the company and the Department of Justice. DCAR, ETF and DCCL are covered by the monitoring provisions of the deferred prosecution agreement with their parent company Daimler AG. Daimler AG also agreed to fully cooperate with investigations by U.S. and foreign authorities of the company's corrupt payments.

Today, Judge Leon also entered a separate judgment against Daimler AG resolving a related civil complaint filed by the U.S. Securities and Exchange Commission (SEC). Daimler AG agreed to pay \$91.4 million in disgorgement of profits relating to those violations.

The criminal case is being prosecuted by Assistant Chief John S. (Jay) Darden and Deputy Chief Mark F. Mendelsohn of the Criminal Division's Fraud Section. The department acknowledges and expresses its appreciation for the significant assistance provided by the staff of the SEC during the course of this investigation. The department also acknowledges the significant contributions to this investigation by former Fraud Section Trial Attorney Amanda L. Riedel.

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Criminal Division



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