

**Baker Hughes, USA** (Oil and Gas Sector)  
*TI Progress Report 2007 – Foreign bribery cases*

In April 2007, the United States Securities and Exchange Commission (SEC) and United States Department of Justice (DoJ) imposed fines of US \$44 million on Baker Hughes Incorporated (Baker Hughes) and its wholly owned subsidiary Baker Hughes Services International, Inc. (BHSI), with an office in Atyrau, Kazakhstan, for violating the US Foreign Corrupt Practices Act (FCPA).

The SEC and DoJ allege that Baker Hughes, a Texas-based global provider of oil field products and services, paid approximately US \$5.2 million to two agents in relation to bribery of State-owned company officials in Kazakhstan. Subsequent to these payments, Baker Hughes was awarded an oil services contract in the Karachaganak oil field in Kazakhstan, generating more than US \$219 million in gross revenue between 2001 and 2006. A further agent was paid over US \$1 million to a Swiss Bank account in connection with the award of a large chemical contract with KazTransOil, the national oil transportation operator of Kazakhstan.

The SEC's complaint against Baker Hughes also alleged that between 1998 and 2005, Baker Hughes made payments in Nigeria, Angola, Indonesia, Russia, Uzbekistan and Kazakhstan in circumstances that reflected a failure to implement sufficient internal controls, thus allegedly violating the books and records and internal controls provisions of the FCPA. The payments allegedly included commission payments from 1998 to 2004 of US \$5.3 million to an agent who worked in Kazakhstan, Russia and Uzbekistan and payments of more than US \$10.3 million in commissions to an agent in Angola from 1998 to 2003.

Without admitting or denying the SEC's allegations, Baker Hughes consented to the entry of a final judgment involving a civil penalty of US \$10 million, and a disgorgement with prejudgment interest of approximately US \$23 million. The company was also ordered to retain an independent consultant to review its FCPA policies and procedures. In order to settle the criminal charges filed by the DoJ, Baker Hughes entered a guilty plea and agreed to pay a criminal fine of US \$11 million. It also agreed to retain, for a period of three years, a monitor to review and assess the company's compliance programme and its implementation of and compliance with new internal policies and procedures. For its part, the DoJ has agreed to defer prosecution for two years.

On announcing these outcomes the SEC and DoJ acknowledged the help provided, in the form of mutual legal assistance, by the Isle of Man Financial Supervision Commission, HM Procureur (Attorney General) for Guernsey, and by the authorities of the United Kingdom and Switzerland.

Sources: United States vs. Baker Hughes Incorporated and Baker Hughes Services International Inc. – Department of Justice Press Release (26 April 2007); SEC vs. Baker Hughes Incorporated and Roy Fearnley – Securities and Exchange Commission Press Release (26 April 2007).