What You Should Know About “Anything of Value” Under the Foreign Corrupt Practices Act
Introduction

When people envision the bribery of a public official, they often imagine an individual handing a government official cash stuffed in a brown paper bag or suitcase. Although bribes may often take the form of cash, the universe of things that may constitute a bribe is incredibly broad and diverse.

To ensure that U.S. criminal law captures the full array of potential bribes, Congress has passed legislation that enables prosecutors to address corruption in its many different forms. In an international context, the Foreign Corrupt Practices Act (“FCPA”) achieves that goal by prohibiting the corrupt “offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value” to a foreign official.¹

This TRACE White Paper will answer the question: what is “anything of value” under the FCPA? Recent FCPA enforcement actions demonstrate that prosecutors have interpreted this phrase broadly—sometimes in surprising ways. This paper will provide readers with an overview of this aspect of the statute, as well as practical compliance tips.

“Anything Of Value”: An Overview

The FCPA prohibits, among other things, giving, promising to give, or authorizing the giving of “anything of value” to foreign government officials.² Although the statute does not define “anything of value,” judicial interpretations of this phrase may be found in domestic corruption cases.³ The phrase has been interpreted by courts as encompassing a wide array of tangible and intangible items, including “things” that may be difficult to value, such as conjugal visits,⁴ the testimony of a witness,⁵ and information.⁶ Moreover, the phrase “has been broadly construed to focus on the worth attached to the bribe by the defendant, rather than its commercial value.”⁷

The FCPA does not contain a minimum threshold for what constitutes a thing of value, though the government has acknowledged that “it is difficult to envision any scenario in which the provision of cups of coffee, taxi fare, or company promotional items of nominal value” would be prosecuted.⁸ The government has made clear, however, that it will prosecute (and has prosecuted) cases in which there has been a pattern of giving small gifts and payments to a foreign official that evidences a “scheme to corruptly pay foreign officials to obtain or retain business.”⁹

¹ 15 U.S.C. §§ 78dd-1(a); 78dd-2(a); 78dd-3(a) (emphasis added).
² 15 U.S.C. §§ 78dd-1(a); 78dd-2(a); 78dd-3(a).
⁴ United States v. Marmolejo, 89 F.3d 1185 (5th Cir. 1996).
⁵ United States v. Zouras, 497 F.2d 1115 (7th Cir. 1974).
⁶ United States v. Sheker, 618 F.2d 607 (9th Cir. 1980).
⁸ FCPA Guide at 15.
⁹ FCPA Guide at 15.
To be prosecuted, the person or company giving the thing of value must have “corrupt intent”—the intent to improperly influence a foreign government official.\(^\text{10}\) The government has explained the significance of corrupt intent in determining whether a gift or payment violates the Act: “The corrupt intent requirement protects companies that engage in the ordinary and legitimate promotion of their businesses while targeting conduct that seeks to improperly induce officials into misusing their positions.”\(^\text{11}\)

Corrupt intent may be demonstrated not only when the gift or payment is given directly to a foreign official, but also when it is given through intermediaries or to interested third parties. The government views this as an indirect attempt to influence a foreign government official—and therefore prosecutable under the FCPA. For example, in *United States v. Liebo*, the vice president of a large aerospace firm bought plane tickets for the honeymoon of a family member of a government official from Niger.\(^\text{12}\) Liebo’s company sought contracts with the Ministry of Defense and the tickets were given to the cousin of a government official who could (and eventually did) influence the contract award. Liebo was “sentenced to 18 months in prison, suspended with three years’ probation, with 60 days of home confinement and 600 hours of community service.”\(^\text{13}\)

Similarly, in 2010, Alcatel-Lucent S.A. and three of its subsidiaries paid $137 million to settle an FCPA enforcement action for bribery of officials in Costa Rica, Honduras, Malaysia, and Taiwan.\(^\text{14}\) The company retained consultants in those countries to pass bribes along to government officials who were in a position to award business to the company. Although the company never paid the foreign officials directly, they were still liable under the FCPA for these indirect payments, funneled through intermediaries.

**“Anything Of Value” In Practice**

Although many recent FCPA enforcement actions have been based on the transfer of cash or cash-equivalents to foreign officials, numerous other FCPA enforcement actions involve the giving of gifts, hospitality, travel, and entertainment. Although the government has been clear that “a small gift or token of esteem or gratitude is often an appropriate way for business people to display respect for each other,” large or extravagant gifts to foreign officials have triggered enforcement actions.\(^\text{15}\) U.S. officials have also noted that “widespread gifts of smaller items” may be prosecuted if perceived to be part of a pattern of bribes.\(^\text{16}\) Despite abundant warnings from the government regarding this issue, companies continue to run afoul of the FCPA through the provision of gifts and hospitality to foreign government officials.

\(^{10}\) FCPA Guide at 15.

\(^{11}\) FCPA Guide at 15.

\(^{12}\) *United States v. Liebo*, 923 F.2d 1308 (8th Cir. 1991).


\(^{15}\) FCPA Guide at 15.

\(^{16}\) FCPA Guide at 15.
For example, in 2009, UTStarcom Inc. settled an FCPA enforcement action based on the gifts, hospitality, and travel it provided to employees of state-owned telecommunications firms in China in an attempt to secure telecommunications contracts. The company arranged for the employees to visit “popular tourist destinations in the United States, including Hawaii, Las Vegas and New York City.” Similarly, in an effort to win a contract from a government-run telecommunications entity in Thailand, the company spent nearly $10,000 on French wine and $13,000 on entertainment as a gift to agents of the government customer. UTStarcom paid $3 million to settle its FCPA enforcement action with the U.S. Department of Justice (“DOJ”) and Securities & Exchange Commission (“SEC”).

In 2015, FLIR Systems Inc. settled an FCPA enforcement action based on the gifts and hospitality it provided to Saudi government officials who played a “key role” in decisions to award it business. According to the SEC, the company “provided expensive watches to government officials of the Saudi Arabia Ministry of Interior in 2009, and they arranged for the company to pay for a 20-night excursion by Saudi officials that included stops in Casablanca, Paris, Dubai, Beirut, and New York City.” In addition, the company paid for several “New Year’s Eve trips to Dubai with airfare, hotel, and expensive dinners and drinks.” FLIR agreed to pay $9,504,584 to settle the FCPA enforcement action.

Although providing gifts, hospitality, and travel to foreign officials has been a source of significant liability for many companies, the U.S. government recognizes that certain expenditures are necessary to pursue legitimate business opportunities. Because companies frequently need to meet with foreign officials to perform contract requirements, conduct training, or provide demonstrations, the FCPA includes an affirmative defense designed to provide comfort and guidance to companies who must pay for these types of expenses in order to conduct business.

This affirmative defense precludes liability under the FCPA for “reasonable and bona fide” expenditures incurred by or on behalf of a foreign official “directly related” to the promotion, demonstration, or explanation of products or services or the execution or performance of a contract with a foreign government or agency. This defense permits companies to pay “reasonable and bona fide” expenses, so long as they are directly related to the promotion or demonstration of a product or the performance of a government contract.


20 15 U.S.C. §§ 78dd-1(c), 78dd-2(c), 78dd-3(c).
The affirmative defense is broadly worded and provides companies with flexibility to pay necessary expenses in order to conduct business with foreign governments. It is not, however, a free pass to provide foreign officials with gifts and hospitality in an effort to improperly obtain or retain business. Over the past decade, there have been numerous instances of companies crossing the line from “reasonable and bona fide” expenditures to bribes.

For example, in 2007, Lucent Technologies, Inc. settled an FCPA enforcement action for the extensive gifts and hospitality it provided to Chinese government officials.\textsuperscript{21} The company spent over $10 million sponsoring trips to sightseeing locations such as Disneyland, Universal Studios, Niagara Falls, and the Grand Canyon, and cities such as Los Angeles, San Francisco, Las Vegas, Washington, D.C., and New York City. The company also provided between $500 and $1,000 per day to the traveling foreign officials as a “per diem.” The trips were often characterized in the company’s books and records as “factory inspections” or “training” pursuant to contracts with the Chinese government even though the trips were mostly unrelated to the company’s business. Despite the company’s attempt to shoehorn the hospitality and travel into the FCPA’s affirmative defense, the government rejected the characterization, finding that the conduct violated the FCPA. Lucent agreed to pay $2.5 million in fines and penalties to settle the enforcement action.

Similarly, Aon Corporation settled an FCPA enforcement action in 2011 with the DOJ and SEC for improper travel and hospitality expenditures paid on behalf of foreign officials in an attempt to obtain and retain insurance business.\textsuperscript{22} Although the company designated funds to pay for foreign officials’ attendance at insurance seminars and conferences, it spent the money on non-training related activities, such as travel, hotels, meals, entertainment, and “extensive” leisure activities in tourist destinations including London, Paris, Monte Carlo, Zurich, Munich, Cologne, and Cairo. In some instances, the company covered expenditures for family members of the government officials as well. The trips had little to do with business and lacked a connection to the insurance industry. The company settled the enforcement action by paying $16.2 million in fines and penalties.

The DOJ has provided guidance to help companies comply with the FCPA and ensure that their conduct falls within the perimeters of the affirmative defense. Specifically, the government has made it clear that expenditures “will not give rise to prosecution if they are (1) reasonable, (2) bona fide, and (3) directly related to (4) the promotion, demonstration, or explanation of products or services or the execution or performance of a contract.”\textsuperscript{23}

\textsuperscript{23} FCPA Guide at 24.
Because the determination regarding whether an expenditure is “reasonable” or “bona fide” is necessarily fact-specific, the government has provided a “non-exhaustive” list of guidelines that a company may consult before making such expenditures.24

- Do not select the particular officials who will participate in the party’s proposed trip or program or else select them based on pre-determined, merit-based criteria.
- Pay all costs directly to travel and lodging vendors and/or reimburse costs only upon presentation of a receipt.
- Do not advance funds or pay for reimbursements in cash.
- Ensure that any stipends are reasonable approximations of costs likely to be incurred and/or that expenses are limited to those that are necessary and reasonable.
- Ensure the expenditures are transparent, both within the company and to the foreign government.
- Do not condition payment of expenses on any action by the foreign official.
- Obtain written confirmation that payment of the expenses is not contrary to local law.
- Provide no additional compensation, stipends, or spending money beyond what is necessary to pay for actual expenses incurred.
- Ensure that costs and expenses on behalf of the foreign officials will be accurately recorded in the company’s books and records.

The government has expressly noted that the FCPA “does not prohibit gift-giving.”25 It does, however, prohibit bribes disguised as gifts. To ensure compliance with the FCPA, the government has recommended that companies have “clear and easily accessible guidelines and processes in place for gift-giving by the company’s directors, officers, employees, and agents” in order to control gift-giving, deter improper gifts and hospitality, and protect corporate assets.26

**Recent Developments**

In recent years, the breadth of the government’s interpretation of the phrase “anything of value” has been highlighted in several FCPA enforcement actions and investigations. It has been particularly notable in cases involving charitable donations and the hiring of foreign officials’ relatives.

For example, in 2007, the pharmaceutical company Schering-Plough settled an enforcement action with the SEC. In an effort to persuade a Polish foreign official to purchase the company’s pharmaceutical products, the company’s Polish subsidiary made charitable donations to a foundation dedicated to the restoration of castles.27 Although the charity was legitimate, the government found that the company made the donations in an attempt to improperly influence the foreign official. The government pointed to the fact that the foreign government official was the head of the foundation. Moreover, the donations were inconsistent with the company’s pattern of charitable giving (it was the only organization to receive multiple donations from the company) and constituted a significant portion of the company’s

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25 FCPA Guide at 16.
26 FCPA Guide at 16.
promotional budget. The company also concealed the nature of the payments in the company’s books and records by disguising them as medical expenditures. The company paid $500,000 to settle the case.

In 2016, Nu Skin settled an FCPA enforcement action with the SEC for its “charitable contributions.” The company’s Chinese subsidiary made a payment of RMB 1 million (approximately $154,000) to a charity in exchange for a Chinese official’s intervention in a government investigation of the company. Specifically, the company’s Chinese subsidiary was under investigation for failure to comply with local laws and had been threatened by the government with the imposition of a fine of RMB 2.8 million (approximately $431,000). The Chinese subsidiary offered to donate money to a charity identified by a high-ranking Chinese official in exchange for his intervention in the matter. The Chinese subsidiary notified its U.S. parent about the donation, but failed to disclose the connection between the charity and the investigation. It also removed anti-corruption language from the final donation agreement, despite guidance from outside counsel. Within days of the donation ceremony, the Chinese subsidiary learned that the government would not charge or fine the company. The company paid $776,000 to settle the enforcement action.

Although charitable donations pose a risk under the FCPA, the government has been clear that not all charitable donations will result in liability under the statute. To assist companies seeking to make charitable donations, the government has provided guidance to companies to help ensure their compliance with the FCPA.

The DOJ has approved proposed donations or grants when companies have implemented the following due diligence measures and controls:

- Certifications by the recipient regarding compliance with the FCPA;
- Due diligence to confirm that none of the recipient’s officers were affiliated with the foreign government at issue;
- A requirement that the recipient provide audited financial statements;
- A written agreement with the recipient restricting the use of funds;
- Steps to ensure that the funds were transferred to a valid bank account;
- Confirmation that the charity’s commitments were met before funds were disbursed;
- On-going monitoring of the efficacy of the program.

As the government has noted: “Legitimate charitable giving does not violate the FCPA. Compliance with the FCPA merely requires that charitable giving not be used as a vehicle to conceal payments made to corruptly influence foreign officials.”

In recent years, companies have also run afoul of the FCPA by employing family members of foreign government officials in order to obtain and retain business. The government views these jobs and internships to be “things of value” under the FCPA. For example, in 2015, BNY Mellon settled an FCPA enforcement action brought because it had provided internships to the family members of two officials.

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29 In addition to the charitable donation, the company also agreed to expedite college recommendation letters for the official’s child.
30 FCPA Guide at 19.
31 FCPA Guide at 19.
of a Middle Eastern sovereign wealth fund. The family members—a son and nephew of one official and the son of a second official—received the internships without meeting the hiring criteria for the positions. Although the interns were allegedly unqualified for the positions, internal emails demonstrated that company employees viewed the internships as necessary to maintain business dealings with the sovereign wealth fund. Among other things, the SEC found that the company “failed to devise and maintain” a system of internal controls regarding its hiring practices “sufficient to provide reasonable assurances that its employees were not bribing foreign officials in contravention of company policy.” The company paid $14.8 million to settle the case with the SEC.

In 2016, Qualcomm Incorporated also settled an FCPA enforcement action based on the hiring of relatives of Chinese government officials responsible for deciding whether to buy the company’s mobile technology products. The company allegedly referred to these hires (for jobs and paid internships) as “must place” or “special” hires given their relationship to influential Chinese officials. The company also provided a $75,000 research grant to a U.S. university on behalf of a foreign official’s son so he could retain his position in a Ph.D. program and renew his student visa. The company also gave him an internship and later permanent employment despite his initial interview which resulted in a “no hire” decision because he lacked the skills and failed to comply with minimum hiring criteria. Indeed, company interviewers noted that “he would be a drain on teams he would join.” In addition, a company executive personally provided the official’s son with a $70,000 loan to buy a home. In settling the case, Qualcomm agreed to pay a $7.5 million penalty and to self-report to the SEC for the next two years with annual reports and certifications of its FCPA compliance.

The “charitable donation” and “hiring” cases demonstrate the government’s broad interpretation of the phrase “anything of value”—especially with regard to intangible items. Similar to gifts and hospitality, the government recommends that companies integrate policies and procedures into their compliance programs to address these particular risks.

**Compliance Tips**

As the U.S. government continues to interpret the phrase “anything of value” quite broadly, companies face an increasing risk of liability under the FCPA. To reduce this risk, companies should develop and implement robust compliance policies and procedures that address this rapidly developing area of enforcement. The following compliance tips will help companies to mitigate or even prevent potential FCPA violations:

> **Companies must keep in mind that the universe of potential bribes is virtually limitless:** The government interprets the phrase “anything of value” broadly and the FCPA does not impose a minimum dollar threshold on gifts or payments. Thus the universe of “things of value” that may constitute bribes is vast and companies must be aware of the risks associated with the provision of “things of value” to government officials. Companies must train employees to recognize traditional and non-traditional sources of bribery.

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33 In the Matter of Qualcomm Incorporated, Admin. Pro. File No. 3-17145 (2016), available at https://www.sec.gov/litigation/admin/2016/34-77261.pdf. (The company also “provided frequent meals, gifts, and entertainment with no valid business purpose to foreign officials to try to influence their decisions, such as airplane tickets for their children, event tickets and sightseeing for their spouses, and luxury goods.”)
> **This is not the commercial sector:** Many FCPA cases involve gifts and hospitality expenditures that may be legal to exchange in a private sector setting. Any “thing of value” could be viewed as a bribe if perceived to be valuable by the recipient and given in an attempt to improperly influence a foreign government official.

> **Reduce your risk:** Companies may reduce the risk of potential FCPA liability by implementing robust, risk-based compliance policies and procedures. This must include comprehensive gift and hospitality and charitable donation policies as well. Companies should require employees—particularly those that interact with foreign officials—to undergo routine training to ensure they understand the expansive nature of the FCPA. Companies must also ensure that they actually follow their anti-corruption policies and procedures, as the government has treated the failure to do so harshly in recent FCPA enforcement actions.

> **Gift and Hospitality Best Practices:** Companies should ensure that their compliance policies and procedures reflect industry best practices with regard to gifts and hospitality. The policies should be regularly reviewed and updated to ensure they capture the lessons learned from recent enforcement actions. Companies should also implement robust tracking and accounting procedures to ensure all gifts and hospitality are monitored and documented. TRACE’s Gifts, Travel & Hospitality Tracking Software enables companies to easily monitor, track and report on employee expenditures and reinforce company policies with automated compliance reminders.

> **Stay within the contours of the “promotional” defense:** Although the FCPA’s allowance for reasonable and bona fide promotional expenditures is quite generous, companies must monitor any expenditures that may fall within the perimeters of this affirmative defense to ensure compliance with the statute. Indeed, companies should prohibit the payment of promotional expenses (i.e., travel, hospitality, entertainment) on behalf of foreign officials without the written approval of the company’s compliance department. Compliance professionals must ensure that any requested expenditures of this nature are reasonable and serve a legitimate business purpose.

> **Is that donation truly charitable?:** Companies should develop and implement robust policies and procedures regarding charitable donations. Donations must be reasonable, appropriate, lawful, consistent with the company’s policies and procedures, given openly and transparently, provided without the expectation of the award or retention of business, and accurately documented in the company’s books and records. Any requests to make a charitable donation should, among other things, address the purpose of the donation and the relationship (if any) to foreign officials that may be in a position to award business to the company. Companies must conduct thorough and well-documented due diligence before making charitable donations to verify potential connections to foreign officials. Companies should also continue to monitor the charitable organization’s use of a donation to ensure that it is being used properly and for its intended purpose.

> **Ensuring FCPA compliance when making hiring decisions:** FCPA compliance programs should address potential human-resource risks to ensure that practices comply with the FCPA. All HR policies and procedures should be followed during a hiring process—any deviations from hiring criteria should be justifiable, documented, and transparent. Company procedures should flag candidates that may create FCPA risks. Any candidates with a relationship to a foreign official must follow company hiring procedures, meet company hiring criteria, apply (and be hired) without involvement of the foreign official, and be reviewed by internal compliance professionals to ensure compliance with the FCPA. Companies should provide training to HR employees (or other personnel involved in the hiring process) to ensure they understand potential FCPA risks and are well-acquainted with internal hiring procedures and standards.
Companies must stay abreast of developments in global anti-corruption enforcement to ensure their policies and procedures address new areas of risk and industry best practices. There are numerous resources available to companies seeking concise and informative updates, including the TRACE Compendium and TRACE Blog. TRACE also publishes Gifts & Hospitality Guidelines for almost every country which highlight some of the legal and cultural issues raised when gifts and meals are provided to foreign government officials. For additional information about this issue and TRACE resources, please contact info@traceinternational.org.

Although this White Paper provides an overview of recent FCPA developments and guidance, it is general in nature and must be supplemented by advice from a company compliance officer or counsel.

About TRACE

TRACE International and TRACE Incorporated are two distinct entities with a common mission to advance commercial transparency worldwide by supporting the compliance efforts of multinational companies and their third party intermediaries. TRACE International is a non-profit business association that pools resources to provide members with anti-bribery compliance support while TRACE Incorporated offers both members and non-members customizable risk based due diligence, anti-bribery training and advisory services. Working alongside one another, TRACE International and TRACE Incorporated offer an end-to-end, cost-effective and innovative solution for anti-bribery and third party compliance.

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