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Co-Chairs

Barry P. Barbash

Paul F. Roye

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Practising Law Institute
1177 Avenue of the Americas
New York, New York 10036

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U.S. Securities and Exchange Commission
Press Release: Och-Ziff Hedge Fund Settles
FCPA Charges—Och-Ziff Executives Also
Settle Charges (September 29, 2016)

Submitted by:
Paul F. Roye

Capital Research and Management Company

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Press Release

Och-Ziff Hedge Fund Settles FCPA Charges

Och-Ziff Executives Also Settle Charges

FOR IMMEDIATE RELEASE

2016-203

Washington D.C., Sept. 29, 2016 — The Securities and Exchange Commission today announced that Och-Ziff Capital Management Group has agreed to pay nearly \$200 million to the SEC to settle civil charges of violating the Foreign Corrupt Practices Act (FCPA).

Och-Ziff CEO Daniel S. Och agreed to pay nearly \$2.2 million to settle SEC charges that he caused certain violations along with CFO Joel M. Frank, who also agreed to settle the charges. The SEC detected the misconduct while proactively scrutinizing the way that financial services firms were obtaining investments from sovereign wealth funds overseas. The SEC's subsequent investigation of Och-Ziff found that the fund used intermediaries, agents, and business partners to pay bribes to high-level government officials in Africa. According to the SEC's order, the illicit payments induced the Libyan Investment Authority sovereign wealth fund to invest in Och-Ziff managed funds. Other bribes were paid to secure mining rights and corruptly influence government officials in Libya, Chad, Niger, Guinea, and the Democratic Republic of the Congo.

The SEC's order finds that Och-Ziff executives ignored red flags and corruption risks and permitted illicit transactions to proceed.

"Och-Ziff engaged in complicated, far-reaching schemes to get special access and secure significant deals and profits through corruption," said Andrew J. Ceresney, Director of the SEC Enforcement Division. "Senior executives cannot turn a blind eye to the acts of their employees or agents when they became aware of suspicious transactions with high-risk partners in foreign countries."

The SEC's order finds that Och-Ziff's books and records did not accurately describe the true purposes for which managed investor funds were used, and the company did not have adequate internal controls to detect or prevent the bribes.

"Och-Ziff falsely recorded the bribe payments and failed to devise and maintain proper internal controls," said Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit. "Firms will be held accountable for their misconduct no matter how they might structure complex transactions or attempt to insulate themselves from the conduct of their employees or agents."

The SEC's order finds Och-Ziff violated the anti-bribery, books and records, and internal controls provisions of the Securities Exchange Act of 1934, and affiliated investment adviser OZ Management violated the anti-fraud provisions of the Investment Advisers Act of 1940. Och-Ziff and OZ Management agreed to pay \$173,186,178 in disgorgement plus \$25,858,989 in interest for a total of \$199,045,167. The order finds that Och caused violations in two Och-Ziff transactions in the Democratic Republic of the

Congo, and he agreed to pay \$1.9 million in disgorgement and \$273,718 in interest to settle the charges. The order finds that Frank caused violations in Och-Ziff transactions in Libya and the Democratic Republic of the Congo, and a penalty will be assessed against him at a future date. Och and Frank consented to the SEC's order without admitting or denying the findings.

As part of its settlement agreement with the SEC, Och-Ziff acknowledged that it expected to enter into a deferred prosecution agreement with the Justice Department in a parallel criminal proceeding, and its subsidiary OZ Africa Management GP LLC agreed to enter into a plea agreement. Och-Ziff is expected to pay a criminal penalty of \$213 million.

The SEC's investigation is continuing. It is being conducted by Neil Smith and Paul Block of the FCPA Unit and Rory Alex, Marc Jones, and Martin Healey of the Boston Regional Office. The SEC appreciates the assistance of the Fraud Section of the U.S. Department of Justice, the U.S. Attorney's Office for the Eastern District of New York, the Federal Bureau of Investigation, and the Internal Revenue Service's Criminal Investigations Division as well as the assistance of the United Kingdom's Financial Conduct Authority, the Guernsey Financial Services Commission, the Jersey Financial Services Commission, the Malta Financial Services Authority, the Cyprus Securities and Exchange Commission, the Gibraltar Financial Services Commission, and the Swiss Ministry of Justice.

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Related Materials

- [SEC order](#)

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