

# SEC Charges BNY Mellon With FCPA Violations

## FOR IMMEDIATE RELEASE

**2015-170**

*Washington D.C., Aug. 18, 2015 —*

The Securities and Exchange Commission today announced that BNY Mellon has agreed to pay \$14.8 million to settle charges that it violated the Foreign Corrupt Practices Act (FCPA) by providing valuable student internships to family members of foreign government officials affiliated with a Middle Eastern sovereign wealth fund.

An SEC investigation found that BNY Mellon did not evaluate or hire the family members through its existing, highly competitive internship programs that have stringent hiring standards and require a minimum grade point average and multiple interviews. The family members did not meet the rigorous criteria yet were hired with the knowledge and approval of senior BNY Mellon employees in order to corruptly influence foreign officials and win or retain contracts to manage and service the assets of the sovereign wealth fund.

According to the SEC's order instituting a settled administrative proceeding, the sovereign wealth fund officials requested that BNY Mellon provide their family members with internships, and they made numerous follow-up requests about the status, timing, and other details of the internships for their relatives. BNY Mellon employees viewed the internships as important to keep the sovereign wealth fund's business.

"The FCPA prohibits companies from improperly influencing foreign officials with 'anything of value,' and therefore cash payments, gifts, internships, or anything else used in corrupt attempts to win business can expose companies to an SEC enforcement action," said Andrew J. Ceresney, Director of the SEC Enforcement Division. "BNY Mellon deserved significant sanction for providing valuable student internships to family members of foreign officials to influence their actions."

The SEC's order finds that BNY Mellon lacked sufficient internal controls to prevent and detect the improper hiring practices. The company did have an FCPA compliance policy, but maintained few specific controls around the hiring of customers and relatives of customers, including foreign government officials. Sales staff and client relationship managers were permitted wide discretion in their initial hiring decisions, and human resources personnel were not trained to flag potentially problematic hires. Senior managers were able to approve hires requested by foreign officials with no mechanism for review by legal or compliance staff. BNY Mellon's system of internal accounting controls was insufficiently tailored to the corruption risks inherent in the hiring of client referrals, and therefore was inadequate to fully effectuate BNY Mellon's stated policy against bribery of foreign officials.

"Financial services providers face unique corruption risks when seeking to win business in international markets, and we will continue to scrutinize industries that have not been vigilant about complying with the FCPA," said Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit.

The SEC's order finds that in 2010 and 2011, BNY Mellon violated the anti-bribery and internal controls provisions of the Securities Exchange Act of 1934. Without admitting or denying the findings, the company agreed to pay \$8.3 million in disgorgement, \$1.5 million in prejudgment interest, and a \$5 million penalty. The SEC considered the company's remedial acts and its cooperation with the investigation when determining a settlement.

The SEC's investigation was conducted by Eric Heining, Rory Alex, Richard Harper, and Rachel Hershfang of the Boston Regional Office. The case was supervised by Paul G. Block of the FCPA Unit.