U.S. SECURITIES AND
EXCHANGE COMMISSION

SEC: Qualcomm Hired Relatives of Chinese Officials to Obtain Business

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Washington D.C., March 1, 2016 —
The Securities and Exchange Commission today announced that Qualcomm Incorporated has agreed to pay $7.5 million to settle charges that it violated the Foreign Corrupt Practices Act (FCPA) by hiring relatives of Chinese government officials deciding whether to select the company's mobile technology products amid increasing competition in the international telecommunications market.

An SEC investigation found that Qualcomm also provided gifts, travel, and entertainment to try to influence officials at government-owned telecom companies in China. With insufficient internal controls to detect improper payments, Qualcomm misrepresented in its books and records that the things of value provided to foreign officials were legitimate business expenses.

"Companies must effectively design and implement internal controls across all business operations to prevent FCPA violations, including its hiring practices," said Michele Wein Layne, Director of the SEC's Los Angeles Regional Office. "For more than a decade, Qualcomm went to extraordinary lengths to gain a business advantage with foreign officials deciding between Qualcomm's technology and its competitors."

According to the SEC's order instituting a settled administrative proceeding:

- Qualcomm offered and provided full-time employment and paid internships to foreign officials' family members internally referred to as "must place" or "special" hires in order to try to obtain or retain business in China.
- One official asked Qualcomm employees to find an internship for her daughter studying in the U.S. and the company obliged, acknowledging in internal communications that her parents "gave us great help for Q.C. new business development."
- Another intern was hired by Qualcomm at the request of director general of a Chinese agency. Human resources department e-mails described the intern as "a MUST PLACE" and described the hiring as "quite important from a customer relationship perspective."
- Qualcomm provided a $75,000 research grant to a U.S. university on behalf of the son of a foreign official so he could retain his position in its Ph.D. program and renew his student visa. Qualcomm also provided him an internship and later permanent employment, and sent him on a business trip to China (during which he visited his parents over the Chinese New Year) despite concerns expressed about his qualifications for the assignment.
- The son's initial interview for permanent employment resulted in a "no hire" decision because he was not "a skills match" and did not "meet the minimum requirements for moving forward with an offer." Those who interviewed him agreed "he would be a drain on teams he would join." A human resources director still advocated for the hire, writing, "I know this is a pain, but I think we're operating under a different paradigm here than a normal 'hire'/'no hire' decision tree. We're telling this kid … we don't want to waste time or extend any extra effort in this favor [the telecom company] has asked of Qualcomm, and then turn around and ask the same person we just rejected to do us a special favor."
- Besides the preferential job treatment, a Qualcomm executive personally provided the official's son with a $70,000 loan to buy a home.

- Qualcomm 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.

The SEC's order finds that Qualcomm violated the anti-bribery, internal controls, and books-and-records provisions of the Securities Exchange Act of 1934. Without admitting or denying the findings, Qualcomm agreed to pay the $7.5 million penalty and self-report to the SEC for the next two years with annual reports and certifications of its FCPA compliance.

The SEC's investigation has been conducted by Wendy E. Pearson, Finola H. Manvelian, Gary Y. Leung, Lorraine Pearson, and Nina Yamamoto of the Los Angeles office. The SEC appreciates the assistance of the Fraud Section of the Department of Justice's Criminal Division, the U.S. Attorney's Office for the Southern District of California, and the Federal Bureau of Investigation.

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