

# Compliance & Risk

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## Headlines

- Volkswagen's head of compliance quits, p.15
- EU digital chief warns against fake news, p.17
- Bakery fined £2m for health and safety failings, p.18
- FCA imposes biggest ever AML fine on Deutsche Bank, p.19

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## Rolls-Royce to pay £671m to settle corruption cases

On 17 January 2017, an unprecedented global compliance penalty was imposed as the UK Serious Fraud Office ('SFO'), the US Department of Justice ('DOJ'), and the Brazilian Ministério Público Federal announced an \$800 million settlement with Rolls-Royce plc and Rolls-Royce Energy Systems Inc., ('Rolls-Royce') pursuant to separate deferred prosecution agreements ('DPAs') with the UK, US, and Brazilian authorities.

Under its DPA with the SFO alone, Rolls-Royce will pay a penalty of over £497 million, comprising

disgorgement of profits of £258 million and a financial penalty of £239 million, plus interest.

In addition, the British engineering giant will pay approximately £13 million to reimburse the SFO's full investigation and litigation costs. SFO director David Green said the £13m probe into Rolls-Royce was the biggest single investigation the office has so far carried out.

The SFO found evidence of a conspiracy to corrupt or failure to prevent bribery by Rolls-Royce in China, India, South America

and other markets over a period of almost 25 years, including numerous payments of cash and other rewards handed over in return for assistance in obtaining government contracts.

In the US, Rolls-Royce will pay a criminal penalty of nearly \$170 million (£138 million) for conspiring to violate the Foreign Corrupt Practices Act ('FCPA') by having paid bribes in excess of \$35 million between 2000 and 2013. The magnitude of the US settlement (albeit that a discount was given

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## US SEC investigates Yahoo's failure to disclose cyber attack

According to reports, the US Securities and Exchange Commission ('SEC') opened a formal investigation into the technology company Yahoo in December 2016, one month after the internet giant reported that it was "co-operating with federal, state, and foreign governmental officials and agencies seeking information and/or documents" about a cyber-attack in 2014 that touched more than 500 million Yahoo accounts.

Yahoo confirmed that, together with the SEC, federal prosecutors in Manhattan, the US Federal Trade Commission, and several state attorneys-general are also looking into the matter.

Now that a formal investigation is under way, the SEC has authority to subpoena documents from Yahoo and related parties, and is said to be chiefly concerned about the company's failure to

make a timely disclosure of the cyber-security incident.

In September 2016, Yahoo revealed that the details of 500 million accounts had been hacked two years earlier, though just two weeks before that announcement the company had said it was unaware of "any incidents" of "security breaches,

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