IBM TO PAY $10 MILLION IN SETTLED FCPA ENFORCEMENT ACTION

The U.S. Securities and Exchange Commission today charged International Business Machines Corporation ("IBM") with violating the books and records and internal control provisions of the Foreign Corrupt Practices Act of 1977 ("FCPA") as a result of the provision of improper cash payments, gifts, and travel and entertainment to government officials in South Korea and China.

As alleged in the SEC’s Complaint, from 1998 to 2003, employees of IBM Korea, Inc., an IBM subsidiary, and LG IBM PC Co., Ltd., a joint venture in which IBM held a majority interest, paid cash bribes and provided improper gifts and payments of travel and entertainment expenses to various government officials in South Korea in order to secure the sale of IBM products.

It was further alleged that, from at least 2004 to early 2009, employees of IBM (China) Investment Company Limited and IBM Global Services (China) Co., Ltd., both wholly-owned IBM subsidiaries, engaged in a widespread practice of providing overseas trips, entertainment, and improper gifts to Chinese government officials.

Without admitting or denying the SEC’s allegations, IBM consented to the entry of a final judgment that permanently enjoins the company from violating the books and records and internal control provisions of the FCPA, codified as Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934. IBM also agreed to pay disgorgement of $5,300,000, $2,700,000 in prejudgment interest, and a $2,000,000 civil penalty.

▶ SEC Complaint