

## **Novartis Charged With FCPA violations (3-17177)**

The Securities and Exchange Commission today announced that Novartis AG has agreed to pay \$25 million to settle charges that it violated the Foreign Corrupt Practices Act (FCPA) when its China-based subsidiaries engaged in pay-to-prescribe schemes to increase sales.

An SEC investigation found that employees of two China-based Novartis subsidiaries gave money, gifts, and other things of value to health care professionals, which led to several million dollars in sales of pharmaceutical products to China's state health institutions. The schemes, which lasted a period of years, involved certain complicit managers within Novartis' China-based subsidiaries. Novartis failed to devise and maintain a sufficient system of internal accounting controls and lacked an effective anti-corruption compliance program to detect and prevent these schemes. As a result, the improper payments were not accurately reflected in Novartis' books and records.

The SEC's order finds that Novartis violated the FCPA's internal controls and books-and-records provisions. Novartis consented to the order without admitting or denying the findings, and agreed to pay \$21.5 million in disgorgement of profits plus \$1.5 million in prejudgment interest and a \$2 million penalty. Novartis also agreed to provide status reports to the SEC for the next two years on its remediation and implementation of anti-corruption compliance measures.

**See also:** [Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order](#)

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