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Press Release



SEC Charges Novartis AG with FCPA Violations

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FOR IMMEDIATE RELEASE

2020-144

Washington D.C., June 25, 2020 — The Securities and Exchange Commission today announced that Novartis AG, a global pharmaceutical and healthcare company headquartered in Basel, Switzerland, has agreed to pay over \$112 million to settle charges that it violated the books and records and internal accounting controls provisions of the Foreign Corrupt Practices Act (FCPA).

The SEC's order finds that local subsidiaries or affiliates of Novartis or its former subsidiary Alcon Inc. engaged in schemes to make improper payments or to provide benefits to public and private healthcare providers in South Korea, Vietnam, and Greece in exchange for prescribing or using Novartis or Alcon products. According to the order, these schemes took place between 2012 and 2016 and were known among certain managers of the local subsidiaries or affiliates. The order also finds that Novartis lacked sufficient internal accounting controls within its former Alcon business in China from 2013 to 2015, which used forged contracts as part of local financing arrangements that generated large losses and resulted in Novartis and Alcon writing off more than \$50 million in bad debt.

"Poor control environments are fertile soil for malfeasance," said Charles Cain, Chief of the SEC Enforcement Division's FCPA Unit. "As illustrated by Novartis' misconduct, weaknesses in one part of the business can often serve as a harbinger of larger unaddressed problems."

Novartis consented to the entry of an order requiring the company to cease and desist from committing violations of the books and records and internal accounting controls provisions of the FCPA. Novartis agreed to pay disgorgement of \$92.3 million and \$20.5 million in prejudgment interest and to comply with a three-year undertaking to self-report on the status of its remediation and implementation of compliance measures. In addition, subsidiaries of Novartis and Alcon entered into deferred prosecution agreements with the U.S. Department of Justice and have agreed to pay more than \$233 million in criminal fines.

The SEC's investigation was conducted by Sonali Singh and Regina Barrett and supervised by Tracy L. Price. The SEC appreciates the assistance of the U.S. Department of Justice Criminal Division's Fraud Section, the U.S. Attorney's Office for the District of New Jersey, the Federal Bureau of Investigation, the Swiss Financial Market Supervisory Authority, and the United Kingdom Financial Conduct Authority.

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