

ADMINISTRATIVE PROCEEDING

File No. 3-17535

SEC Charges Former Information Technology Executive with FCPA Violations; Former Employer Not Charged Due to Cooperation with SEC

Sept. 12, 2016 – The Securities and Exchange Commission today announced that a former executive at an international communications and information technology company has agreed to settle charges that he violated the Foreign Corrupt Practices Act (FCPA) by facilitating a bribe scheme whereby illegal payments were made to Chinese government officials to obtain or retain business.

An SEC investigation found that Jun Ping Zhang (Ping), in his capacity as the chairman and CEO of a Chinese subsidiary of Harris Corporation (Harris), authorized and facilitated a practice of giving gifts to officials at state-owned hospitals in China. With Ping's knowledge and under his management, the subsidiary's sales staff used bogus expense receipts to generate cash for the gifts. Ping and the supervisors that he managed authorized the false expense claims, knowing that they were fabricated and that the "reimbursed" funds were actually used to buy gifts for government officials to influence their decisions to purchase the subsidiary's products and services. Ping knew that these false expenses were improperly recorded in the subsidiary's books and records as legitimate expenses or fees and that, as a result, their true nature would not be disclosed to Harris. Because the subsidiary's financials were consolidated into Harris's books and records, Ping caused Harris's failure to make and keep accurate books, records, and accounts, as required under the FCPA.

Although only able to perform limited pre-acquisition due diligence on the subsidiary, Harris took immediate and significant steps after the acquisition to train staff in China and integrate the subsidiary into Harris's system of internal accounting controls. As a result of Harris's post-acquisition measures, including the implementation of an anonymous complaint hotline, Harris discovered the misconduct at the subsidiary within five months of the acquisition.

The SEC's order finds that Ping violated the anti-bribery, books and records, and internal accounting controls provisions of the Securities Exchange Act of 1934. Ping consented to the entry of the cease-and-desist order and agreed to pay a \$46,000 civil penalty.

The SEC determined not to bring charges against Harris, taking into consideration the company's efforts at self-policing that led to the discovery of Ping's misconduct shortly after the acquisition, prompt self-reporting, thorough remediation, and exemplary cooperation with the SEC's investigation.

The SEC's investigation was conducted by Morgan B. Ward Doran and Carol Shau. The case was supervised by Alka Patel. The SEC appreciates the assistance of the United States Department of Justice and the Federal Bureau of Investigation.

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