

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 81669 / September 21, 2017

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3898 / September 21, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18195

In the Matter of

Telia Company AB

Respondent.

**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**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Telia Company AB (“Telia” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this 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 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

1. These proceedings arise out of violations of the anti-bribery and internal accounting controls provisions of the Foreign Corrupt Practices Act ("FCPA") [15 U.S.C. §§ 78dd-1, 78m(b)(2)(B)] by Telia.

2. From 2007 to at least 2010, Telia paid bribes to a government official in Uzbekistan in order to obtain and retain business that generated more than \$2.5 billion in revenues for Telia. During the course of the bribery scheme, Telia made at least \$330 million in illicit payments. These bribe payments were made to the Uzbek official ("Government Official A") to enable Telia to acquire a United States-based telecommunications company with operations in Uzbekistan and enter the telecommunications market in Uzbekistan. The bribe payments were funneled through payments for sham lobbying and consulting services to a front company controlled by the official.

3. Over the course of the relevant period, Telia paid Government Official A at least \$330 million in bribes through a series of transactions that were designed to obfuscate their true purpose. Most of the transactions with Government Official A were denominated in United States dollars, and communications concerning Government Official A were conducted, in part, using electronic mail accounts on United States-based servers.

4. As a result of this conduct, Telia violated Section 30A of the Exchange Act by agreeing to make corrupt payments to government officials in Uzbekistan to obtain business. Additionally, Telia violated Section 13(b)(2)(B) of the Exchange Act, as it failed to devise and maintain a reasonable system of internal accounting controls.

Respondent

5. **Telia Company AB** ("Telia") is a corporation organized under the laws of Sweden. Telia registered as a United States issuer in 2002 upon the merger between Telia and Sonera Corporation. At that time, Telia issued and maintained a class of publicly traded securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, which were traded on the NASDAQ prior to 2005. Telia was a United States issuer until September 5, 2007, when its application to deregister its shares with the Commission became effective. At all relevant times, Telia was a provider of telecommunications services and operated through subsidiaries and affiliates in Europe and Asia. Telia manages its operations through separate business units, which are each overseen by an officer of Telia.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Other Relevant Entities

6. **COSCOM LLC** (“COSCOM”) is a majority-owned subsidiary of Telia and provides mobile telecommunications services in Uzbekistan. COSCOM was formed in Uzbekistan and purchased by Telia in 2007. COSCOM was part of Telia’s Eurasia business unit and was managed by local managers as well as senior members of Fintur Holdings B.V., Telia’s majority-owned Eurasian holding company (“Fintur”). The brand name for COSCOM is Ucell.

7. **Fintur Holdings B.V.** (“Fintur”) is a majority-owned subsidiary of Telia and acts as a manager and holding company for many of the Telia’s operating companies in the Eurasia business unit. Fintur was formed in the Netherlands but operates from Istanbul, Turkey. Fintur is headed by an officer of Telia and a board of directors of which Telia senior officers comprise the majority of directors.

8. **TeliaSonera UTA Holding B.V.** (“UTA”) is a wholly-owned subsidiary of Telia and acts as one of two intermediate holding companies of COSCOM. UTA was formed in the Netherlands as part of the acquisition of COSCOM in 2007. UTA has no operations and acts as one of two intermediate holding companies of COSCOM.

9. **TeliaSonera Uzbek Telecom Holding B.V.** (“Uzbek Holding”) is a wholly-owned subsidiary of Telia and acts as one of two intermediate holding companies of COSCOM. Uzbek Holding was formed in the Netherlands as part of the acquisition of COSCOM in 2007. Uzbek Holding has no operations and no holdings other than COSCOM.

10. **Government Official A** was an Uzbek government official at all relevant times. Government Official A was also a family member of the then President of Uzbekistan and had significant influence over other Uzbek government officials. Government Official A operated through numerous shell companies, including Takilant Ltd.

11. **Takilant Ltd** is a company beneficially owned and operated by Government Official A at all relevant times. Takilant was formed in Gibraltar and was the entity through which Telia made payments to Government Official A.

Background

12. Telia is a telecommunications company operating through a network of subsidiaries and joint venture entities. During the relevant time period, Telia was organized in part by geographic business units, each of which is directly supervised by a senior officer of Telia. The senior officer for the Eurasia business unit reported directly to Telia’s chief executive officer.

13. In 2006, Telia sought to expand into the Eurasia telecommunications market, including in Uzbekistan. Telia identified COSCOM, an existing Uzbek telecommunications operator owned by a United States telecommunications company, as an acquisition target in

Uzbekistan. Telia acquired COSCOM in 2007, and COSCOM became part of the Eurasia business unit of Telia, which was supervised by a then-senior officer of Telia.

14. Throughout the relevant period, the telecommunication industry in Uzbekistan was highly regulated by the government. Telecommunication operators in the country were regulated by the Communications and Information Agency of Uzbekistan (“ACI”), now called the State Committee for Communication, Information and Telecommunication Technologies. ACI issued the licenses, frequencies, channels, and number blocks necessary for Telia to operate in that country. Throughout the relevant period, private parties could not sell or purchase licenses, frequencies, channels, or number blocks in Uzbekistan.

15. From at least 2007 to 2012, Telia maintained a relationship with Government Official A, who was an Uzbek government official and family member of the President of Uzbekistan. Government Official A was able to exert significant influence over other Uzbek officials to cause them to take official action that would benefit Telia’s business in Uzbekistan.

The July 2007 Agreement

16. Then-senior Telia managers understood that they needed to negotiate with Government Official A in order to acquire and operate COSCOM within the Uzbek telecommunications market. Then-senior Telia managers also understood that corrupt payments to Government Official A were required in order to enter and operate in the Uzbek market. Telia retained the services of and communicated with United States-based consultants to facilitate the corrupt relationship with Government Official A and the acquisition of COSCOM.

17. Government Official A was represented in the negotiations by the country manager of another telecommunications company in Uzbekistan that would be their primary competitor if Telia entered the market. On the recommendation of then-senior Telia managers, on June 11, 2007, Telia’s Board approved a binding offer to acquire COSCOM, and a few other operators,

at a total deal cost not exceeding USD 410 million, through a merger structure with a Delaware corporation (United States), subject to (a) the conditions precedent...and to (b) that a partnership agreement is signed with a suitable partner in Uzbekistan no later that simultaneously with the transaction documents in the ...acquisition.

18. Telia then-senior managers understood the terms of the deal and knew that they were agreeing to provide Government Official A an ownership stake in the acquired company and other guaranteed payout in return for Government Official A contributing regulated assets that, under Uzbek law, should have only been able to come from the government. As noted in an internal company memo dated May 17, 2007 discussing the deal:

We have made several trips to Tashkent over the 6 weeks and now have a preliminary hand-shake for principles of a potential partnership with [Government Official A’s] investment team. We are expecting to sign a non-binding Term Sheet

with them within the next 10-15 days. According to the proposed deal, our proposed Uzbekh partners will bring in new 1800 frequencies, 3G-frequencies as well as some technically value-adding assets for the company, such as number blocks, in exchange for 26% of the Uzbekh venture plus USD 32.5 millions.

19. On July 4, 2007, Sonera Hungary Holding B.V., another wholly-owned subsidiary of Telia, entered into an agreement with Government Official A's entity to acquire certain regulated assets and to assist with regulatory matters by providing consulting services ("July 2007 Agreement"). The agreement called for Government Official A to contribute assets and services valued at approximately \$80 million in exchange for Telia giving Government Official A an equity interest in COSCOM's operations valued at \$50 million and additional unspecified payments from Telia. The assets to be contributed by Government Official A were licenses, frequencies, and number blocks that Government Official A would cause other government officials to authorize on Telia's behalf.

20. In December 2007, Telia and Government Official A executed a series of agreements effectuating the promises and obligations made in the July 2007 Agreement.

The December 2007 Agreements

21. In December 2007, Telia fulfilled its obligations under the July 2007 Agreement by providing Government Official A through Takilant with a 26 percent ownership stake in Uzbek Holding, the holding company of COSCOM. The purchase price was \$50 million, and Takilant was also given a put option to sell the interest back to Telia in 2010 for a minimum price of \$85 million (providing Takilant at least a \$35 million profit). The ownership stake was conditioned upon Government Official A acquiring regulatory assets for COSCOM through a Takilant wholly owned subsidiary, including 3G licenses, 50 1800 MHz frequencies, an internet services license, and number blocks.

22. At the time, COSCOM did not have the necessary licenses and permission from ACI to operate a 3G network, Government Official A and Telia agreed that ACI would issue the 3G licenses to a Takilant subsidiary, which then would repudiate the licenses so they would instead be issued to COSCOM. This repudiation of the 3G licenses was done to circumvent the prohibition under Uzbek law on private parties directly buying and selling telecommunications licenses, and should have raised red flags at Telia. Telia managers also knew a 3G license could be obtained directly from ACI and that licenses did not require up-front payment.

23. Other red flags included the fact that (i) Government Official A's company should not have received a 3G license from ACI since it was not a telecommunications operator; (ii) the timing of the award of licenses to Takilant only months in advance of Takilant repudiating the licenses in favor of COSCOM; (iii) the participation of the country manager of COSCOM's primary competitor in the transaction; (iv) and the fact that the company should not have had to pay to obtain a 3G license from the government.

24. Telia's then-senior managers, including its then-chief executive officer, approved the agreements with Government Official A through Takilant. Telia paid Government Official A through Takilant \$80 million in connection with acquiring the 3G regulated assets, and Government Official A used a portion of those funds to pay Telia through Takilant for the 26 percent ownership stake in COSCOM. In this way, Government Official A simply used a portion of the 3G bribe payments to "buy" an interest in COSCOM.

Telia Acquires Number Blocks from Government Official A

25. In 2008, COSCOM required additional telephone numbers to issue to its subscribers in order to expand its network. As with the 3G licenses, and consistent with the original July 2007 agreement, Government Official A improperly influenced ACI officials to issue number blocks for COSCOM's benefit and Telia paid to Government Official A through Takilant \$9.2 million to acquire the number blocks.

Telia Buys Back Part of Government Official A's Ownership Stake

26. As discussed above, the December 2007 transaction in which Telia sold 26 percent of COSCOM to Government Official A through Takilant in exchange for \$50 million, also gave Government Official A through Takilant a put option to sell the interest back to Telia in 2010 for a minimum price of \$85 million. In January 2010, Government Official A caused Takilant to partially exercise the put option and sold Telia most of its 26 percent of COSCOM. Telia paid Government Official A through Takilant \$220 million for this interest, a 340 percent increase over the approximately \$50 million Government Official A paid through Takilant to acquire the interest in 2007 and far more than the minimum \$85 million option exercise price in December 2007. Telia also agreed to adjust the put option for Takilant's remaining 6 percent interest in COSCOM to a minimum price of \$50 million, which was later increased to \$75 million.

4G Market Expansion

27. In 2010, Telia sought to expand its Uzbek operations by offering 4G services. Consistent with the original July 2007 agreement, Telia turned to Government Official A to obtain the needed licenses. Rather than pay Government Official A directly through a sham consulting agreement with Takilant as had been done with the 3G licenses, Telia agreed to pay Takilant's debt to a third party via a sham consulting services agreement. Under the terms of the agreement, Government Official A was to assist COSCOM in acquiring certain 4G/LTE licenses/frequencies in the 2500-2700 MHz bandwidths.

28. The structure of the 4G license transaction raised many of the same red flags identified as the 3G license transaction. Telia executives knew a 4G license could be obtained directly from ACI and that licenses did not require upfront payment. Moreover, the 4G license that COSCOM was issued was repudiated by Telia's primary competitor in Uzbekistan and whose Uzbek country manager again negotiated for Government Official A. Telia did not receive any

evidence of the consulting services provided by Government Official A through Takilant, though the frequencies repudiated by its competitor were ultimately awarded to COSCOM.

29. In November 2010, Telia sought to further expand its Uzbek operations and turned to Government Official A to obtain 4G licenses/frequencies in the 700 MHz bandwidth. As before, Takilant was engaged to provide sham consulting services and Government Official A exerted the same improper influence to obtain the licenses. The sham consulting services were used as a guise to overcome the prohibition on private parties buying and selling regulatory assets. Telia paid \$55 million to Government Official A through Takilant to obtain these additional licenses and a fiber-optic lease agreement. As with the previous 3G license transaction and 4G license transaction, the same red flags existed. In total, Telia paid to Government Official A through Takilant \$70 million for 4G licenses and the acquisition of a fiber-optic lease agreement.

30. As a result of the conduct described above, Respondent violated Sections 30A and 13(b)(2)(B) of the Securities Exchange Act of 1934[15 U.S.C. §§ 78dd-1 and 78m(b)(2)(B)].

Telia's Remedial Efforts

31. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent, both before and during the Commission's investigation, including replacing all relevant members of its board and senior management and implementing a new comprehensive compliance program, and the thorough cooperation afforded the Commission staff.

Undertakings

32. Respondent has undertaken to cooperate fully with the Commission in any and all investigations, litigation, or other proceedings relating to or arising from the matters described in this Order. In connection with such cooperation, Respondent shall:

a. produce, without service of a notice or subpoena, any and all nonprivileged documents and other information requested by the Commission staff subject to any restrictions under the law of any foreign jurisdiction;

b. use its best efforts to cause its current or former officers, employees, agents, and directors to be interviewed by Commission staff at such times and places as the staff reasonably may direct; and

c. use its best efforts to cause its current or former officers, employees, agents, and directors to appear and testify without service of a notice or subpoena in such investigations, depositions, hearings, or trials as may be requested by the Commission staff.

In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

Accordingly, pursuant to Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 30A and 13(b)(2)(B) of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78dd-1 and 78m(b)(2)(B)].

B. Respondent shall pay disgorgement of \$457,000,000, which represents profits gained as a result of the conduct described herein. Payment of disgorgement shall be made as follows:

1. Within ten (10) days of the entry of the Order, \$208,500,000 to be paid to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3);
2. Respondent's disgorgement obligation shall be deemed satisfied in part by Respondent's forfeiture payment of up to \$40,000,000 within ten (10) days of its sentencing hearing as part of Respondent's resolution with the United States Department of Justice;
3. Respondent's disgorgement obligation shall be deemed satisfied in part by any confiscation or forfeiture payment of up to \$208,500,000 made by Respondent within five hundred forty (540) days of the Order as part of any related proceedings between Respondent and the Swedish Åklagarmyndigheten or within five hundred fifty (550) days as part of Respondent's related resolution with the Dutch Openbaar Ministerie;
4. In the event that any confiscation or forfeiture payments made by Respondent in related proceedings with the Swedish Åklagarmyndigheten or Dutch Openbaar Ministerie are less than \$208,500,000, or with the Department of Justice are less than \$40,000,000, Respondent shall pay the remaining disgorgement amounts to the Securities and Exchange Commission within ten (10) days of such event for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3);
5. Should any amount of the payment made in connection with Respondent's resolution with the Dutch Openbaar Ministerie be returned to the Respondent or any affiliated entity for any reason, that amount will not be credited as an offset and Respondent shall pay such amount to the Securities and Exchange Commission within ten (10) days of such event for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).

If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Telia as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Charles Cain, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Mailstop 5631, Washington, DC 20549.

C. If at any time following the entry of the Order, the Division of Enforcement ("Division") obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an administrative cease-and-desist order against the Respondent. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Brent J. Fields
Secretary