

## 15.6: Bribery and Kickbacks

### Learning Objectives

- Define bribery
- Define kickback

### Bribery

**Bribery** is the act of giving money, goods, or other forms of compensation to a recipient in exchange for an alteration of their behavior (to the benefit/interest of the giver) that the recipient would otherwise not alter. Many types of payments or favors can constitute bribes: tips, gifts, favors, discount, waived fees, free foods, free advertising, free trips, free tickets, donations, campaign contribution, sponsorship/backing, higher paying job, stock options, secret commission, or promotions. The key to identifying bribery is that it is intended to alter the recipients behavior.

The simplest form of bribery: a parent who tells a child that if he behaves while at the grocery store, he will get ice cream or a toy. This is a common and mostly harmless form of bribery, but does it set the tone for expecting a future favor in exchange for good behavior? In business, bribery can be very subtle. Consider the following example.

### ✓ Gifts from A Supplier

You are the purchasing manager for a manufacturing company. There are several suppliers from whom you can purchase component parts used in the production of your finished product. One of the supplier representatives comes by every Monday morning with biscuits for you and your staff. He calls you on occasion and offers you tickets to sold-out sporting events and sends a lavish gift basket every Christmas.

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Is this just good business on his part, building a personal relationship with you and your staff, or is there an expectation that, in exchange for his generosity, you will select his company's product over the competition—even though he's not the most cost-effective choice? Are you taking a bribe when you accept the football tickets?

These small "tokens of appreciation" can be construed as bribes, and as a result, many companies prohibit their employees from accepting gifts from suppliers and vendors.

One of the challenges in determining whether or not someone has taken a bribe or simply accepted a gift is that the social and cultural norms governing bribery and gift giving can differ from place to place. Certain monetary transactions are acceptable and appropriate in some cultures but not in others. For example, political campaign contributions in the form of cash are considered criminal acts of bribery in some countries, but in the United States, as long as they adhere to election law, they're legal. Tipping is considered bribery in some societies, but in others the two concepts are very different.

### ? Practice Question

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## Kickbacks

A **kickback** is a form of negotiated bribery in which a commission is paid to the bribe-taker in exchange for services rendered. Generally speaking, money, goods, or services handed over are negotiated ahead of time. The kickback varies from other kinds of bribes in that there is implied collusion between agents of the two parties, rather than one party extorting the bribe from the other. The purpose of the kickback is usually to encourage the other party to cooperate in the illegal scheme.

Consider the following case of a former Fannie Mae employee, Armando Granillo.

### ✓ Armando Granillo

Before dawn one hazy March day in L.A., Granillo pulled his SUV into a Starbucks near MacArthur Park, where he planned to pick up an envelope full of cash from an Arizona real-estate broker, federal investigators say.

Granillo, a foreclosure specialist at mortgage giant Fannie Mae, expected to drive off with \$11,200—an illegal kickback for steering foreclosure listings to brokers, authorities allege in court records. Granillo would leave in handcuffs. And investigators are looking into assertions by Granillo and another former Fannie Mae foreclosure specialist that such kickbacks were “a natural part of business” at the government-sponsored housing finance company, as Granillo allegedly told the broker in a wiretapped conversation.

Regulators keep a close watch for kickback deals as the housing market heats up and new regulations take hold following the mortgage meltdown, which exposed widespread corruption in the housing and lending markets. Consumer Financial Protection Bureau Director Richard Cordray said his agency has moved to shut down kickback operations not only because they're illegal but also because they reduce competition and increase costs to the public.

### ? Practice Question

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- Kickbacks As a Natural Part of Business at Fannie Mae Alleged. **Authored by:** 4closure Fraud. **Located at:** <http://4closurefraud.org/2013/05/29/kickbacks-as-a-natural-part-of-business-at-fannie-mae-alleged/>. **License:** [CC BY-NC: Attribution-NonCommercial](#)

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