

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 64380 / May 3, 2011**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3274 / May 3, 2011**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14364**

**In the Matter of**

**Rockwell Automation, Inc.**

**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 Rockwell Automation, Inc. (“Rockwell” 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent 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 finds<sup>1</sup> that:

#### Summary

1. This matter involves violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act ("FCPA") by Rockwell, through one of its former subsidiaries in China, Rockwell Automation Power Systems (Shanghai) Ltd. ("RAPS-China"), which was divested by Rockwell in January, 2007.

2. From 2003 to 2006, certain employees of RAPS-China paid approximately \$615,000 to Design Institutes, which were typically state-owned enterprises that provided design engineering and technical integration services that can influence contract awards by end-user state-owned customers. The payments were made through third-party intermediaries at the request of Design Institute employees and at the direction of RAPS-China's Marketing and Sales Director. RAPS-China's Marketing and Sales Director intended that these funds be paid directly to the Design Institute employees, with the expectation that they would influence the ultimate state-owned customers to purchase RAPS products. While the Design Institutes did provide some bona fide engineering and other services in connection with RAPS-China's end-user contracts, RAPS-China could not substantiate the specific services rendered or the value of those services. Also during the same period, employees of RAPS-China paid approximately \$450,000 to fund sightseeing and other non-business trips for employees of Design Institutes and other state-owned companies.

3. Rockwell realized approximately \$1.7 million in net profits on sales contracts with end-user Chinese government-owned companies that were associated with payments to the Design Institutes.

4. Rockwell failed to accurately record the payments in its books and records, and failed to implement or maintain a system of internal accounting controls sufficient to prevent and detect the payments.

#### Respondent

5. Rockwell is a global company engaged in the design and manufacture of industrial automation products and services. The company is incorporated in Delaware and has its principal executive offices in Milwaukee, Wisconsin. Rockwell's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange.

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<sup>1</sup> 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 Related Entities**

6. RAPS-China was a wholly-owned subsidiary of Rockwell, headquartered in Shanghai, China. In 2007, in connection with the sale of its former Power Systems business, Rockwell sold RAPS-China to Baldor Electric Company. RAPS-China supplied industrial mechanical power transmission products and industrial motors and drives.

## **Facts**

### **A. RAPS-China Paid Design Institutes Through Third-Party Intermediaries**

7. During 2003, RAPS-China opened a manufacturing facility in Shanghai. Among other products, RAPS manufactured a Controlled Start Transmission ("CST"), which is used in the mining industry. The CST product was sold by RAPS-China primarily to Chinese government-owned coal mining and processing plants.

8. Design Institutes had an influence on the Chinese government-owned mining companies to which RAPS-China sought to sell its CST product due to their expertise in the engineering of systems that included the CST product. Between 2003 and 2006, payments were made to Design Institutes in connection with certain CST sales contracts ("DI Payments").

9. RAPS-China made the DI Payments through third-party intermediaries.

10. In all, RAPS-China made approximately \$615,000 in DI Payments during the period 2003 to 2006. Although the Design Institutes supplied RAPS-China with bona fide technical and engineering services, the RAPS-China Marketing and Sales Director also intended the payments to influence sales contracts with end-user Chinese government-owned companies.

11. RAPS-China recorded the DI Payments as "cost of sales."

### **B. RAPS-China Funded Leisure Travel for State-Owned Customers and Design Institute Employees**

12. RAPS-China funded travel, including some leisure travel not directly related to legitimate business purposes, for employees of Design Institutes and other Chinese government-owned companies to the U.S., Germany and Australia, among other locations. Destinations in the U.S. included New York City, Washington D.C., and Hawaii. These leisure trips typically followed business-related travel that was also funded by RAPS-China.

13. Some trips appeared to have no direct business component, other than the development of customer good will. For example, RAPS-China arranged for so-called design meetings in New York City despite the lack of any Rockwell facility there because "everyone likes New York."

14. From 2003 to 2006, employees of RAPS-China paid approximately \$450,000 to fund trips not directly related to business purposes for employees of Design Institutes and state-owned customers. These trips were recorded in Rockwell's books and records as business expenses, without any designation that there were reasons not directly connected to the negotiation or execution of contracts or to the promotion of the company's products.

### **C. Discovery, Self-Reporting and Remediation**

15. Rockwell discovered the DI Payments and the third-party payment mechanism in 2006 through its normal financial review process. This process was part of Rockwell's global corporate compliance/internal controls program, which had targeted China for enhanced FCPA training and scrutiny starting in 2004. Upon discovery of the issue, Rockwell hired counsel and investigated the DI Payments with the oversight of its Board of Directors. It voluntarily self-reported the DI Payments to the Commission and voluntarily provided the Commission Staff with all relevant facts found in the investigation, and otherwise cooperated with the Commission. As a result of the discovery of this matter, Rockwell undertook numerous remedial measures, including employee termination and disciplinary actions, enhancements to its internal controls and compliance program and conducted a broad, global review of its other operations.

### **Violations**

16. The FCPA, enacted in 1977, added Exchange Act Section 13(b)(2)(A) to require public companies to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer. It also added Exchange Act Section 13(b)(2)(B) to require such companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions: (i) are executed in accordance with management's general or specific authorization; and (ii) are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets. 15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B).

17. In connection with the payments described above, Rockwell failed to make and keep accurate books, records and accounts as required by Section 13(b)(2)(A) of the Exchange Act.

18. Further, as evidenced by the DI Payments (as described above) and leisure travel payments, Rockwell failed to devise or maintain sufficient internal controls as required by Section 13(b)(2)(B) of the Exchange Act.

## **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Rockwell's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Rockwell cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

B. Respondent shall, within 14 days of the entry of this Order, pay disgorgement of \$1,771,000, prejudgment interest of \$590,091 and a civil money penalty of \$400,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 USC 3717. Payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, 100 F Street, NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Rockwell as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Cheryl Scarboro, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549-5561.

C. Respondent acknowledges that the Commission is not imposing a civil penalty in excess of \$400,000 based upon its cooperation in a Commission investigation. 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 without prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay an additional civil penalty. Respondent may not, by way of defense to any resulting administrative proceeding: (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.

Elizabeth M. Murphy  
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the 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"), on the Respondent and its legal agents.

The attached Order has been sent to the following parties and other persons entitled to notice:

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