

Carlos Ghosn arrest: What we know and what's next

By [Julia Horowitz](#), [CNN Business](#)

Updated 6:39 AM ET, Tue November 20, 2018

New York (CNN Business) — Carlos Ghosn has been arrested. His fate is now in the hands of Japanese prosecutors and the directors of three of the world's top car companies.

Ghosn — the chairman of Nissan, Renault and Mitsubishi Motors — was [detained Monday by Japanese authorities](#) after an internal investigation at Nissan revealed "significant acts of misconduct."

It was a stunning turn for one of the biggest names in the global auto industry who is [credited with turning around the businesses at both Nissan and Renault](#). Shares in the companies plunged on the news.

More details are expected to emerge in the coming days and weeks about Ghosn's alleged wrongdoing. Nissan said it includes significantly under-reporting his compensation and misusing company assets. Ghosn is yet to respond to the allegations.

His arrest has unleashed a corporate crisis that spans continents. He's the linchpin of a powerful alliance between Nissan ([NSANY](#)), Renault ([RNSDF](#)) and Mitsubishi ([MMTOF](#)), which together make one of every nine cars sold around the world.

The allegations against Ghosn

Nissan said Monday that it carried out a months-long investigation into Ghosn, 64, and another board member after receiving a whistleblower report.



Related Article: Nissan Chairman Carlos Ghosn arrested over 'significant' financial misconduct

The company found that Ghosn and the other board member, Greg Kelly, had been misreporting Ghosn's earnings in filings to the Tokyo stock exchange.

Prosecutors said the two men allegedly collaborated to under-report Ghosn's income by about 5 billion yen (\$44 million) over a five-year period ending in March 2015. The maximum punishment in Japan for filing a false financial statement is up to 10 years in prison and a fine of up to 10 million yen (\$89,000).

Nissan said it also uncovered "numerous other significant acts of misconduct," including the personal use of company assets and misuse of the company budget.

According to Japanese public broadcaster NHK, Nissan provided Ghosn with homes in Rio De Janeiro, Beirut, Paris and Amsterdam. He allegedly paid only a portion of the

rent and did not declare the benefit.

NHK also reported that prosecutors suspect Ghosn may have pocketed money meant for other Nissan executives.

CNN hasn't so far been able to reach Ghosn, Kelly or their representatives for comment on the allegations.

Nissan, Mitsubishi and Renault call board meetings

Following his arrest, Ghosn seems all but certain to be ousted from his leadership roles at Nissan, Mitsubishi and Renault.



Related Article: Carlos Ghosn's arrest shows that even visionaries need oversight

Nissan CEO Hiroto Saikawa said the company will meet Thursday to remove Ghosn and Kelly from the board.

Mitsubishi said it is starting an internal investigation and will ask the board of directors to "promptly remove" Ghosn as chairman.

Renault said its board would meet Tuesday evening to discuss governance of the company following Ghosn's arrest.

Stocks in all three companies tanked. Renault closed down more than 8% in Paris on Monday, and fell another 2% on Tuesday. In Tokyo, Nissan fell 5.5% Tuesday while Mitsubishi dropped nearly 7%.

Alliance in doubt

Ghosn is the architect of a strategic alliance between the three automakers. The partnership has allowed the companies to better compete against auto industry powerhouses such as Volkswagen ([VLKAF](#)), Toyota ([TM](#)) and General Motors ([GM](#)).

Nissan, Renault and Mitsubishi are well integrated. Many top executives in the alliance report to three separate CEOs — but Ghosn held it all together.



Related Article: What the Carlos Ghosn scandal means for the alliance he built

"He was the alliance," said Rebecca Lindland, senior auto analyst for Cox Automotive. "He was the creative genius behind all of this, and set the parameters to run these fairly disparate companies."

The three carmakers share ownership, too. Renault holds a 43.5% stake in Nissan, while Nissan owns 15% of Renault. Mitsubishi got on board in 2016, when Nissan purchased 34% of its stock.

After the bombshell of Ghosn's alleged misconduct, there are concerns the alliance could falter. Much hinges on whether the three companies can agree on how to handle the allegations against him and settle on a replacement. For now, they say they are committed to the alliance.

The carmakers could struggle to compete solo should the alliance break up. The auto industry is under intense pressure to develop mass-market electric cars and

autonomous vehicles. Tech companies are eager to beat them to the punch.

France's stake

Perspectives

Ghosn's arrest has particular significance for France. The French government owns 15% of Renault.

"Today, Mr. Ghosn clearly cannot lead the company," French Finance Minister Bruno Le Maire said Tuesday.

Le Maire told radio station France Info that he would be asking Renault representatives to put in place new temporary leadership for the company.

The story dominated newspaper coverage in the country. Four of France's top dailies put Ghosn on their front pages Tuesday under headlines like 'A fallen icon' and 'The fall of emperor Carlos Ghosn.'

US links

There's a chance American authorities could get involved, too.



Related Article: Carlos Ghosn saved two companies. Now his legacy is in doubt

Though Nissan and Renault are foreign companies, their shares trade indirectly on US exchanges as American depositary receipts, or ADRs. To sell this type of security, banks buy up stock in foreign companies and then issue certificates that track the companies' share prices. US investors can trade the certificates like other securities.

That could provide an opening for the US Securities and Exchange Commission to get involved, according to David Chase, a former SEC prosecutor.

If Ghosn's alleged misconduct affected Nissan or Renault's financial statements relied upon by US investors — or if his behavior exposes internal compliance problems — it could be the basis for a lawsuit, Chase said.

Yoko Wakatsuki, Jethro Mullen, Charles Riley, Saskya Vandoorne, Daniel Shane and Chris Isidore contributed to this report.