

Anti-Corruption Regulation

in 44 jurisdictions worldwide

2014

Contributing editor: Homer E Moyer Jr



Published by
Getting the Deal Through
in association with:

Advokatfirman Delphi
Afridi & Angell
Anagnostopoulos Criminal Law & Litigation
Anderson Mōri & Tomotsune
Andreas Neocleous & Co LLC
Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW)
Assertia Pty Ltd
AZB & Partners
BDO AS
Bennett Jones LLP
BON, Advocates
Dr Kai Hart-Hönig Rechtsanwälte
ELIG Attorneys-at-Law
Goussanem & Aloui Law Firm
Governance Latam - Guillermo Jorge, Fernando Basch & Asociados
Greenberg Traurig SC
Hoet Peláez Castillo & Duque
Horn & Co Law Offices
Ivanyan & Partners
K&L Gates LLP
Kensington Swan
Kim & Chang
Kruk and Partners Law Firm
Lampert & Schächle Attorneys at Law Ltd
Lebray & Associés
Mamić Perić Reberski Rimac
Matheson
Mboya Wangong'u & Waiyaki Advocates
Miller & Chevalier Chartered
Moalem Weitemeyer Bendtsen Law Firm
Ndikum Law Offices
Norton Rose Fulbright (Asia) LLP
OECD
Oliva-Ayala Abogados
Orihuela Abogados | Attorneys at Law
Paz Horowitz Robalino Garcés
Peters & Peters
Plesner Law Firm
PLMJ – Sociedade de Advogados, RL
Schellenberg Wittmer Ltd
Sedgwick Chudleigh Ltd
Sofunde, Osakwe, Ogundipe & Belgore
Studio Legale Pisano
The Law Firm of Salah Al-Hejailan
Transparency International
Vasil Kisisl & Partners
Veirano Advogados

Anti-Corruption Regulation 2014

Contributing editor:
Homer E Moyer Jr
Miller & Chevalier Chartered

Getting the Deal Through is delighted to publish the eighth edition of *Anti-Corruption Regulation*, a volume in our series of annual reports that provide international analysis in key areas of law and policy for corporate counsel, cross-border legal practitioners and business people.

Following the format adopted throughout the series, the same key questions are answered by leading practitioners in each of the 44 jurisdictions featured. New jurisdictions this year include Algeria, Bermuda, Cameroon, Denmark, Ecuador, Malaysia, Peru and Portugal. There is also a new chapter on asset recovery, in addition to a global overview and the perspectives of Transparency International and the OECD.

Every effort has been made to ensure that matters of concern to readers are covered. However, specific legal advice should always be sought from experienced local advisers. *Getting the Deal Through* publications are updated annually in print. Please ensure you are referring to the latest print edition or to the online version at www.GettingTheDealThrough.com.

Getting the Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We would also like to extend special thanks to contributing editor Homer E Moyer Jr of Miller & Chevalier Chartered for his continued assistance with this volume.

Getting the Deal Through

London
February 2014

Global Overview	3	Canada	52
Homer E Moyer Jr Miller & Chevalier Chartered		Milos Barutciski Bennett Jones LLP	
Anti-corruption: progress on enforcement	9	China	59
Monty Raphael QC Transparency International UK		Amy L Sommers and Cecilia Dai K&L Gates LLP	
Fifteen years of the OECD Anti-Bribery Convention	10	Croatia	67
Nicola Bonucci and Leah Ambler OECD		Natalija Perić Mamić Perić Reberski Rimac	
Asset recovery: an essential tool in the fight against corruption	12	Cyprus	71
Stéphane Bonifassi Lebray & Associés		Panayiotis Neocleous and Costas Stamatiou Andreas Neocleous & Co LLC	
Algeria	14	Denmark	76
Khaled Goussanem and Salima Aloui Goussanem & Aloui Law Firm		Andreas Bernhard Kirk and Christian Bredtoft Guldmann Plesner Law Firm and Moalem Weitemeyer Bendtsen Law Firm	
Argentina	18	Ecuador	82
Fernando Basch and Guillermo Jorge Governance Latam · Guillermo Jorge, Fernando Basch & Asociados		Bruce Horowitz Paz Horowitz Robalino Garcés	
Australia	25	France	86
Jane Ellis and Rob Smith Assertia Pty Ltd		Stéphane Bonifassi Lebray & Associés	
Bermuda	33	Germany	91
Alex Potts and Chen Foley Sedgwick Chudleigh Ltd		Kai Hart-Hönig Dr Kai Hart-Hönig Rechtsanwälte	
Brazil	41	Greece	96
Luiz Navarro Veirano Advogados		Ilias G Anagnostopoulos and Jerina (Gerasimoula) Zapanti Anagnostopoulos Criminal Law & Litigation	
Cameroon	46	India	101
Philip Forsang Ndikum Ndikum Law Offices		Aditya Vikram Bhat and Richa Roy AZB & Partners	

Publisher

Gideon Robertson
gideon.roberton@lbresearch.com

Subscriptions

Rachel Nurse
subscriptions@gettingthedealthrough.com

Business development managers

George Ingledew
george.ingledew@lbresearch.com

Alan Lee
alan.lee@lbresearch.com

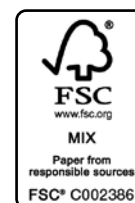
Dan White
dan.white@lbresearch.com



Published by
Law Business Research Ltd
87 Lancaster Road
London W11 1QQ, UK
Tel: +44 20 7908 1188
Fax: +44 20 7229 6910
© Law Business Research Ltd 2014
No photocopying: copyright licences do not apply.
First published 2007
Eighth edition 2014
ISSN 1754-4874

The information provided in this publication is general and may not apply in a specific situation. Legal advice should always be sought before taking any legal action based on the information provided. This information is not intended to create, nor does receipt of it constitute, a lawyer-client relationship. The publishers and authors accept no responsibility for any acts or omissions contained herein. Although the information provided is accurate as of February 2014, be advised that this is a developing area.

Printed and distributed by
Encompass Print Solutions
Tel: 0844 2480 112



CONTENTS

<u>Ireland</u>	<u>110</u>	<u>Norway</u>	<u>172</u>	<u>Switzerland</u>	<u>231</u>
Carina Lawlor and Bríd Munnelly Matheson		Erling Grimstad BDO AS		Peter Burckhardt, Paul Gully-Hart and Roland Ryser Schellenberg Wittmer Ltd	
<u>Israel</u>	<u>117</u>	<u>Peru</u>	<u>177</u>	<u>Turkey</u>	<u>238</u>
Yuval Horn, Ohad Mamann and Alon Harel Horn & Co Law Offices		Sandra Orihuela Orihuela Abogados Attorneys at Law		Gönenç Gürkaynak and Ç Olgı Kama ELIG Attorneys-at-Law	
<u>Italy</u>	<u>122</u>	<u>Philippines</u>	<u>182</u>	<u>Ukraine</u>	<u>245</u>
Roberto Pisano Studio Legale Pisano		Francisco Ed Lim and Chryssilla Carissa P Bautista Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW)		Yaroslav Teklyuk, Viacheslav Pieskov and Valeriia Tryfonova Vasil Kisil & Partners	
<u>Japan</u>	<u>129</u>	<u>Poland</u>	<u>188</u>	<u>United Arab Emirates</u>	<u>252</u>
Kenichi Sadaka and Kei Akagawa Anderson Mōri & Tomotsune		Jarosław Kruk and Aleksandra Matwiejko-Demusiak Kruk and Partners Law Firm		Charles Laubach Afridi & Angell	
<u>Kenya</u>	<u>135</u>	<u>Portugal</u>	<u>194</u>	<u>United Kingdom</u>	<u>259</u>
Godwin Wangong’u and CG Mbugua Mboya Wangong’u & Waiyaki Advocates		Alexandra Mota Gomes and Dirce Rente PLMJ – Sociedade de Advogados, RL		Monty Raphael QC Peters & Peters	
<u>Korea</u>	<u>141</u>	<u>Russia</u>	<u>202</u>	<u>United States</u>	<u>274</u>
Kyungsun Kyle Choi and Liz Kyo-Hwa Chung Kim & Chang		Vasily Torkanovskiy Ivanyan & Partners		Homer E Moyer Jr, James G Tillen, Marc Alain Bohn and Amelia Hairston-Porter Miller & Chevalier Chartered	
<u>Liechtenstein</u>	<u>146</u>	<u>Saudi Arabia</u>	<u>209</u>	<u>Venezuela</u>	<u>282</u>
Siegbert Lampert and Rudolf Schächle Lampert & Schächle Attorneys at Law Ltd		Robert Thoms and Sultan Al-Hejailan The Law Firm of Salah Al-Hejailan		Fernando Peláez-Pier and Gerardo Briceño Hoet Peláez Castillo & Duque	
<u>Malaysia</u>	<u>151</u>	<u>Singapore</u>	<u>212</u>	<u>Appendix:</u>	
Edmund Bon and New Sin Yew BON, Advocates		Wilson Ang Norton Rose Fulbright (Asia) LLP		<u>Corruption Perceptions Index</u>	<u>287</u>
<u>Mexico</u>	<u>156</u>	<u>Spain</u>	<u>220</u>	<u>Transparency International</u>	
Luis Rubio Barnetche, Bertha Alicia Ordaz-Avilés and Héctor Cuevas González Greenberg Traurig SC		Laura Martínez-Sanz and Jaime González Gugel Oliva-Ayala Abogados			
<u>New Zealand</u>	<u>161</u>	<u>Sweden</u>	<u>224</u>		
Hayden Wilson Kensington Swan		Olof Rågmark and Sofia Karlsson Advokatfirman Delphi			
<u>Nigeria</u>	<u>168</u>				
Babajide O Ogundipe and Chukwuma Ezediaro Sofunde, Osakwe, Ogundipe & Belgore					

Japan

Kenichi Sadaka and Kei Akagawa

Anderson Mōri & Tomotsune

1 International anti-corruption conventions

To which international anti-corruption conventions is your country a signatory?

Japan is a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the OECD Convention).

This was signed on 17 December 1997 and ratified on 13 October 1998. Based on this, the Unfair Competition Prevention Act (Act No. 47 of 1993; see question 2) (the UCPA) was amended in 1998 and bribery of foreign public officials became criminalised in Japan.

Japan is also a signatory to the United Nations Convention against Transnational Organized Crime, which was signed in December 2000 and ratified on 14 May 2003, and the United Nations Convention against Corruption, which was signed on 9 December 2003 and ratified on 2 June 2006.

2 Foreign and domestic bribery laws

Identify and describe your national laws and regulations prohibiting bribery of foreign public officials (foreign bribery laws) and domestic public officials (domestic bribery laws).

Bribery of foreign public officials is criminally punishable under the UCPA. Violators may be imprisoned for up to five years and/or fined up to ¥5 million (article 21, paragraph 2 of the UCPA).

Bribery of domestic public officials is criminally punishable under the Penal Code (Act No. 45 of 1907).

The prohibitions on foreign bribery and domestic bribery are based upon different philosophies. That is to say, the former is aimed at securing and promoting the sound development of international trade, while the latter is aimed at ensuring the rectitude of the Japanese public service and maintaining people's trust in such rectitude. As a consequence of this difference, the prohibition of foreign bribery was not incorporated in the Penal Code, but in the UCPA.

Foreign bribery

3 Legal framework

Describe the elements of the law prohibiting bribery of a foreign public official.

In order for bribery of a foreign public official to be punished under the UCPA, the bribe must be paid with regard to an 'international commercial transaction' (article 18, paragraph 1). An 'international commercial transaction' means any activity of international commerce, including international trade and cross-border investment. The bribe must be provided to foreign public officials or others as defined in question 4.

The prosecutor must then establish that the bribe was made 'in order to obtain illicit gains in business'. Here, 'gains in business' means any gains that business persons may obtain during the course of their business activities, which include, for example, the acquisition

of business opportunities or governmental approvals regarding the construction of factories or import of goods.

Further, the prosecutor must establish that the bribe was made 'for the purpose of having the foreign public official or other similar person act or refrain from acting in a particular way in connection with his or her duties, or having the foreign public official or other similar person use his or her position to influence other foreign public officials or other similar persons to act or refrain from acting in a particular way in connection with that person's duties'.

Please note that not only the giving of the bribe, but also the offering or promising of the bribe is punishable under the UCPA.

4 Definition of a foreign public official

How does your law define a foreign public official?

Under the UCPA, it is prohibited to give bribes not only to foreign public officials per se, but also to other persons in a position of a public nature. Such persons are included in the definition of 'foreign public officials, etc'. Article 18, paragraph 2 of the UCPA defines a foreign public official, etc, as:

- (i) a person who engages in public service for a foreign state, or local authority (a public official in a narrow sense);
- (ii) a person who engages in service for an entity established under a special foreign law to carry out special affairs in the public interest (ie, a person engaging in service for a public entity);
- (iii) a person who engages in the affairs of an enterprise:
 - for which the number of voting shares or the amount of capital subscription directly owned by one or more foreign states or local authorities exceeds 50 per cent of that enterprise's total issued voting shares or total amount of subscribed capital; or
 - for which the number of officers (including directors and other persons engaging in the management of the business) appointed or designated by one or more foreign state or local authorities exceeds 50 per cent of that enterprise's total number of officers; and
 - to which special rights and interests are granted by the foreign state or local authorities for performance of their business;
 or a person specified by a cabinet order (see below) as an 'equivalent person' (ie, a person engaging in the affairs of an enterprise of a public nature);
- (iv) a person who engages in public services for an international organisation constituted by governments or intergovernmental international organisations; or
- (v) a person who engages in affairs under the authority of a foreign state or local government or an international organisation.

The cabinet order referred to in (iii) above (Cabinet Order No. 388 of 2001) states that an 'equivalent person' is any person who engages in the affairs of the following enterprises (see below) to which special

rights and interests are granted by foreign states or local authorities for the performance of their business:

- (a) an enterprise for which the voting rights directly owned by one or more foreign states or local authorities exceeds 50 per cent of that enterprise's total voting rights;
- (b) an enterprise for which a shareholders' resolution cannot become effective without the approval of a foreign state or local authority; or
- (c) an enterprise:
 - for which the number of voting shares or the amount of capital subscription directly owned by foreign states, local authorities or 'public enterprises' (defined below) exceeds 50 per cent of that enterprise's total voting shares or capital subscription;
 - for which the number of voting rights directly owned by foreign states, local authorities or public enterprises exceeds 50 per cent of that enterprise's total voting rights; or
 - for which the number of officers (including directors and other persons engaging in the management of the business) appointed by foreign states, local authorities or public enterprises exceeds 50 per cent of that enterprise's total number of officers.

The cabinet order defines 'public enterprise' as an enterprise as set out in (iii) above, and an enterprise as set out in (a) and (b) above.

An 'international organisation' referred to in (iv) above must be constituted by a governmental or inter-governmental international organisation (for example, the UN, ILO, WTO, etc). Therefore, international organisations constituted by private organisations are outside of the scope of the foreign bribery regulations under the UCPA. According to the Guidelines for the Prevention of Bribery to Foreign Officials set by the Ministry of Economy, Trade and Industry (METI), which were most recently amended in 2010 (the Guidelines), an illicit payment to an officer of the International Olympic Committee cannot be punished because it is constituted by private organisations.

For the definition of a public official under a domestic bribery law, see question 24.

5 Travel and entertainment restrictions

To what extent do your anti-bribery laws restrict providing foreign officials with gifts, travel expenses, meals or entertainment?

The UCPA does not have any rules differentiating gifts, travel expenses, meals or entertainment from other benefits to be provided to foreign public officials. This means that the provision of any gifts, travel expenses, meals or entertainment could be considered as illegal bribery in the same way as the provision of cash or any other benefits.

6 Facilitating payments

Do the laws and regulations permit facilitating or 'grease' payments?

The UCPA does not permit 'facilitation payments'. The Guidelines provide that such small facilitation payments shall be punishable if they are given 'in order to obtain illicit gains in business'.

7 Payments through intermediaries or third parties

In what circumstances do the laws prohibit payments through intermediaries or third parties to foreign public officials?

Payments of bribes to foreign public officials are prohibited, whether they are made directly or through intermediaries. While the relevant provision makes no express reference to intermediaries, it is sufficiently broad to capture and punish the payment of bribes through intermediaries.

However, in order for a person to be held liable for paying a bribe to foreign public officials through intermediaries, such person

must recognise that the cash or other benefits provided by him or her to the intermediaries will be used for the payment of a bribe to such officials. For example, if a person appoints an agent in order to obtain an order from a foreign government and the appointer fully recognises that part of the fee he or she pays to the agent will be used to bribe an official of the foreign government, then the appointer may be punished. On the other hand, if the appointer was unaware of such fact, then the appointer will not be punished.

8 Individual and corporate liability

Can both individuals and companies be held liable for bribery of a foreign official?

Yes, both individuals and companies can be held liable for bribery to foreign public officials (article 22, paragraph 1 of the UCPA).

9 Civil and criminal enforcement

Is there civil and criminal enforcement of your country's foreign bribery laws?

As mentioned above, Japanese foreign bribery laws are included in the UCPA. The UCPA was originally intended to prohibit unauthorised use of others' trademarks (registered or unregistered) or trade secrets, as well as other activities that are against fair competition. The UCPA defines such acts as 'unfair competition' (article 2), and there are special civil remedies and related treatments available for unfair competition, such as injunctions, presumed damages and document production systems, etc.

However, foreign bribery is explicitly excluded from the definition of 'unfair competition', and there are no special civil remedies or related treatments available for the violation of foreign bribery restrictions under the UCPA.

Claims for damages and compensation may be possible based upon tort. However, in reality, it would be difficult for a plaintiff to prove the necessary causal relationship between the bribe and his or her loss of a business opportunity as well as the amount of damages. So far, there has been no case reported where victims of foreign bribery (for example, competitors of a violator who lost business opportunities because of the violator's payment of a bribe) filed a civil lawsuit against the violator to recover the damages they suffered.

As to criminal enforcement, see questions 2, 8 and 10.

10 Agency enforcement

What government agencies enforce the foreign bribery laws and regulations?

There is no special government agency to enforce the foreign bribery laws and regulations. Like other criminal laws, the foreign bribery laws are enforced by the Public Prosecutor's Office and the police departments of each prefecture.

11 Leniency

Is there a mechanism for companies to disclose violations in exchange for lesser penalties?

No. If a person who committed a crime surrendered himself or herself before being identified as a suspect by an investigative authority, his or her punishment may be reduced (article 42, paragraph 1 of the Penal Code). However, since this provision obviously assumes that a violator is an individual, companies themselves will not be able to enjoy the benefit of self-surrender under the said provision.

12 Dispute resolution

Can enforcement matters be resolved through plea agreements, settlement agreements, prosecutorial discretion or similar means without a trial?

Japanese criminal procedure does not have systems such as plea bargaining or settlement agreements. However, public prosecutors (who are, in principle, exclusively granted the power to decide whether or not to prosecute accused persons under article 248 of the Code of Criminal Procedure (Act No. 131 of 1948)), may choose an immediate judgement procedure where a hearing and a judgment will be issued within a day; provided however, that these proceedings are conditional on the consent of the person to be accused (article 350-2, paragraph 2 of the Code of Criminal Procedure). This immediate judgment procedure is not available for a case where the death penalty, imprisonment without term or imprisonment with a term not less than one year may be applied (article 350-2, paragraph 1 of the Code of Criminal Procedure). Public prosecutors may also choose summary proceedings at summary courts, where no hearings will be held and all examinations will be done on a paperwork basis; provided, however, that the summary proceedings are also conditional on the consent of the person to be accused (article 461-2, paragraph 2 of the Code of Criminal Procedure). In this summary procedure, summary courts can only impose on criminals fines of up to ¥1 million, and the summary courts cannot sentence the accused persons to imprisonment (article 461 of the Code of Criminal Procedure).

13 Patterns in enforcement

Describe any recent shifts in the patterns of enforcement of the foreign bribery rules.

Although foreign bribery laws in Japan were once rarely enforced, Japanese authorities are paying more attention to corruption than ever before.

In 2007 two employees of a Filipino subsidiary of Kyushu Electric Power Co gave Filipino government officials golf sets whose value was approximately ¥800,000 in relation to the subsidiary's entry into the Filipino market for digital fingerprint recognition systems. The two individuals were prosecuted for violation of the UCPA. Both of the individuals admitted that they had violated the foreign bribery laws, and were fined ¥500,000 and ¥200,000, respectively, through the summary proceedings mentioned above.

In 2008, two officers and one high level employee of KK Pacific Consultants International, a Japanese construction consulting company, were prosecuted for violation of the UCPA because they repeatedly bribed a Vietnamese official in order to win an ODA business (highway construction) opportunity. The bribe was approximately ¥90 million in total. In 2009, each of the three individuals was sentenced to imprisonment for one-and-a-half to two years, with their sentences suspended for three years. In addition, the company was fined ¥70 million.

In the 2013 *Futaba Industrial Co Ltd* case, an ex-director of Futaba Industrial Co Ltd, a major Japanese car silencer company, was prosecuted for violation of the UCPA because he had bribed a Chinese official to overlook the illegal operation of Futaba Industrial Co Ltd's local Chinese factory in December 2007. The bribe included cash amounting to HK\$30,000 as well as an expensive ladies' handbag. This case was dealt with through summary proceedings and the ex-director was fined ¥500,000. The news media reported that there were further bribes of more than ¥50 million to several people including customs staff, but these were not taken into consideration owing to the statute of limitations.

14 Prosecution of foreign companies

In what circumstances can foreign companies be prosecuted for foreign bribery?

Like Japanese nationals and companies, foreign companies can be prosecuted for foreign bribery because article 22, paragraph 1 of the UCPA (see question 15) does not make any distinction between domestic companies and foreign companies. However, this does not mean that foreign companies can be prosecuted with no jurisdictional basis. Under the Japanese criminal law system, any crime committed within the territory of Japan should be punishable (article 1 of the Penal Code), and it is generally considered that when all or part of an act constituting a crime was conducted in Japan or all or part of the result of a crime occurred in Japan, such a crime is deemed to have been committed within Japan and therefore is punishable.

For example, if an employee of a US company, who may or may not be a Japanese national, invites a public official of the Chinese government to Japan and provides a bribe to that official in Japan in violation of the UCPA, then not only the employee, but also the US company can be punished under the UCPA. However, from a practical point of view, there may be procedural difficulties in the enforcement of Japanese foreign bribery laws against such a foreign company if it has no place of business in Japan or no business activities in Japan.

Another possible circumstance where foreign companies can be prosecuted under the UCPA is where a foreign company hires a Japanese national and the Japanese national gives a bribe to a foreign official on behalf of his or her employer (the foreign company), either inside or outside of Japan. This is because the UCPA stipulates that Japanese foreign bribery laws shall apply to any Japanese nationals who commit foreign bribery not only in Japan, but also outside of Japan (article 21, paragraph 6 of the UCPA, article 3 of the Penal Code).

For example, if a US company, which has no Japan-based business, hires a Japanese national in the US and the Japanese national gives a bribe to an official of the US government in the US, then we could not deny the theoretical possibility that the US company could be prosecuted under the UCPA of Japan. From a practical point of view, however, there may be procedural difficulties in the enforcement of Japanese foreign bribery laws against foreign companies in such circumstances.

15 Sanctions

What are the sanctions for individuals and companies violating the foreign bribery rules?

Individuals violating the foreign bribery laws may be imprisoned for up to five years, and/or fined up to ¥5 million (article 21, paragraph 2 of the UCPA). When a representative, agent or any other employee of a company has violated the foreign bribery laws with regard to the business of the company, the company may be fined up to ¥300 million (article 22, paragraph 1 of the UCPA).

16 Recent decisions and investigations

Identify and summarise recent landmark decisions or investigations involving foreign bribery.

Prior to the *Futaba Industrial Co Ltd* case mentioned earlier, there had been only two cases (the *Kyushu Electric Power Co* case and the *KK Pacific Consultants International* case) where anyone had actually been prosecuted for violation of the UCPA. Accordingly, the December 2011 OECD Phase 3 Report on Japan stated that prosecutions of only two foreign bribery cases in 12 years appears to be a very low figure in view of the size of the Japanese economy. The *Futaba Industrial Co Ltd* case in 2013 marks the beginning of a new trend. For details of the three cases refer to question 13.

Aside from the prosecuted cases, it was also announced that foreign employees of a Singaporean subsidiary of Sumitomo Chemical Company Ltd had committed acts of bribery in relation to high-ranking officials in Cambodia amounting to approximately ¥26 million in total in order to win orders for insect repellent nets during the 2006 to 2010 period. However, there has been no information concerning indictments with respect to this case.

In other jurisdictions, it was announced that the US Department of Justice had granted both JGC Corporation (a well-known Japanese engineering company) and Marubeni Corporation (a well-known Japanese trading company) immunity in exchange for paying fines of respectively \$218.8 million and \$54.6 million under the US FCPA in connection with suspected bribery of a Nigerian official relating to an LNG plant project in 2011 and 2012. It was also announced that the US Department of Justice had granted Bridgestone Corporation, a well-known Japanese rubber manufacturer, immunity in exchange for paying a fine of \$28 million under the US FCPA in connection with the suspected bribery of government officials of central and south American countries in relation to marine hose sales. To the best of our knowledge, however, there is no information suggesting that the Japanese authorities are going to prosecute these matters under the UCPA.

Financial record keeping

17 Laws and regulations

What legal rules require accurate corporate books and records, effective internal company controls, periodic financial statements or external auditing?

Laws and regulations that require companies to keep accurate corporate books and records, prepare periodic financial statements and, in the case of large companies, undergo external auditing include the Companies Act (Act No. 86 of 2005) and the Company Accounting Regulations. In addition, the Financial Instruments and Exchange Law (Act No. 25 of 1948) (FIEL) requires public companies to keep accurate corporate books and records, prepare periodic financial statements, and establish effective internal control systems.

18 Disclosure of violations or irregularities

To what extent must companies disclose violations of anti-bribery laws or associated accounting irregularities?

Companies are not obliged to disclose violations of anti-bribery laws or associated accounting irregularities under the laws regarding financial record keeping. In the case of public companies, if the associated accounting irregularities are considered so 'material' that the irregularities may affect the decision-making of investors, then the companies may be required to disclose such irregularities under the FIEL.

19 Prosecution under financial record keeping legislation

Are such laws used to prosecute domestic or foreign bribery?

They are not directly intended to be used for prosecution of domestic or foreign bribery. However, it would be possible to use such laws in order to indirectly punish bribery if a company engages in false book-keeping in order to create large slush funds for the purpose of bribery.

20 Sanctions for accounting violations

What are the sanctions for violations of the accounting rules associated with the payment of bribes?

There are no specific sanctions for violating the accounting laws associated with the payment of bribes. However, if there is a materially false statement (eg, fictitious description or intentional omission concerning the amount of bribes) in securities reports to be submitted

by a company under the FIEL, the person who submitted such securities reports may be imprisoned up to 10 years and/or fined up to ¥10 million (article 197, paragraph 1 of the FIEL), and the company may also be fined up to ¥700 million (article 207, paragraph 1 of the FIEL). Whether such false statements are deemed as 'materially' false statements will depend on the amount of the bribe, the financial condition of the company, the amount of potential penalties and other factors.

21 Tax-deductibility of domestic or foreign bribes

Do your country's tax laws prohibit the deductibility of domestic or foreign bribes?

Yes. Article 55, paragraph 5 of the Corporate Tax Law (which applies to domestic corporations and also to foreign corporations mutatis mutandis pursuant to article 142 of the same law) stipulates that the amount spent for domestic or foreign bribes shall not be tax-deductible. A criminal court need not determine that such expenditure took the form of a bribe in order for tax authorities to deny the deductibility of such expenditure.

Domestic bribery

22 Legal framework

Describe the individual elements of the law prohibiting bribery of a domestic public official.

In order for bribery of a domestic public official to be punished under the Penal Code, the bribe must be paid in connection with the relevant public official's duties. In the Penal Code, the term 'public official' means a national or local government official of Japan, a member of an assembly or committee, or other employees engaged in the performance of public duties of Japan in accordance with laws and regulations (article 7, paragraph 1 of the Penal Code).

Cash, gifts or anything that satisfies one's desires or demands can be a bribe under Japanese domestic bribery law, provided that it is given in connection with the duties of a public official.

23 Prohibitions

Does the law prohibit both the paying and receiving of a bribe?

Yes, both paying for and receiving a bribe are prohibited by the Penal Code. See question 29.

24 Public officials

How does your law define a public official and does that definition include employees of state-owned or state-controlled companies?

A public official is defined as a national or local government official, or a member of an assembly or committee or other employee engaged in the performance of public duties in accordance with laws and regulations (article 7, paragraph 1 of the Penal Code) (see question 22). Thus, employees of state-owned or state-controlled companies are not necessarily included within this definition. However, persons that are not included in this definition may be deemed a public official by specific statutes. For example, officers and employees of the Bank of Japan are deemed public officials (article 30 of the Bank of Japan Act). For the definition of a foreign public official, see question 4.

In addition, some special laws deem officials of private organisations, which private organisations are closely related to the public interest, to be public officials, and bribes to such officials are also prohibited. Public officials so deemed include employees of the Nippon Telegraph and Telephone Corporation, professors of public universities and officials of public funds.

25 Public official participation in commercial activities

Can a public official participate in commercial activities while serving as a public official?

National public officials are prohibited from participating in commercial activities while serving as public officials, except when approved by the National Personnel Authority (article 103, paragraphs 1 and 2 of the National Public Service Act (Act No. 120 of 1947)). Local public officials must obtain similar approval from those who appointed them to their posts in order to participate in commercial activities (article 38, paragraph 1 of the Local Public Service Law).

26 Travel and entertainment

Describe any restrictions on providing domestic officials with gifts, travel expenses, meals or entertainment. Do the restrictions apply to both the providing and receiving of such benefits?

Even if gifts, entertainment or other benefits are intended as a courtesy, they could be considered an illegal bribe (regardless of their value) if they are given for and in connection with the duties of the relevant public official.

Certain high-level national government officials are obliged to report any gifts or benefits from business entities if the value of such gifts or benefits exceeds ¥5,000 (article 6 of the National Public Service Ethics Act (Act No. 129 of 1999)). Whether this reporting requirement applies is different from whether the gifts or benefits in question constitute bribes.

27 Gifts and gratuities

Are certain types of gifts and gratuities permissible under your domestic bribery laws and, if so, what types?

See question 26.

28 Private commercial bribery

Does your country also prohibit private commercial bribery?

Japanese law does not impose a general prohibition on private commercial bribery. However, if a director, or similar official, of a stock corporation, in response to unlawful solicitation, accepts, solicits or promises to accept any benefit of a proprietary nature in connection with his or her duties, such person may be punished by imprisonment for up to five years or a fine of up to ¥5 million. In addition, the benefit received by such person shall be confiscated, while the person who gives, offers or promises to give the benefit may be punished by imprisonment for up to three years or a fine of up to ¥3 million (articles 967 and 969 of the Companies Act).

In addition, some special laws prohibit bribery to deemed public officials of certain private organisations, as mentioned in question 24.

29 Penalties and enforcement

What are the sanctions for individuals and companies violating the domestic bribery rules?

A person who gives, offers or promises to give a bribe to a public official may be imprisoned for up to three years or fined up to ¥2.5 million (article 198 of the Penal Code). Companies are not punished for their employees' bribery under the Penal Code.

Sanctions against public officials are different, depending on the circumstances. A public official who simply accepts, solicits or promises to accept a bribe in connection with his or her duties may be imprisoned for up to five years (article 197, paragraph 1 of the Penal Code). If an official agrees to perform a certain act in response to a request, the sanction may be increased to imprisonment for up to seven years (article 197, paragraph 1 of the Penal Code). If a public official commits any of the conduct described above and later actually acts illegally or refrains from properly acting in the exercise of his or her duty, he or she may be imprisoned for one year or longer (article 197-3 paragraph 1 of the Penal Code). A former public official may be imprisoned for up to five years, if he or she received a bribe in connection with his or her illegal performance of a duty or inaction in response to a request during his or her public service in the past (article 197-3, paragraph 3 of the Penal Code). These are typical circumstances of domestic bribery and some derivative circumstances are also punished under the Japanese Penal Code.

A bribe accepted by a public official will be confiscated. If all or part of the bribe cannot be confiscated, then an equivalent sum of money shall be collected (article 197-5 of the Penal Code).

30 Facilitating payments

Have the domestic bribery laws been enforced with respect to facilitating or 'grease' payments?

Yes. Japanese domestic bribery law does not differentiate 'grease' payments from other benefits, and such payments can constitute a bribe.

31 Recent decisions and investigations

Identify and summarise recent landmark decisions and investigations involving domestic bribery laws, including any investigations or decisions involving foreign companies.

In 2009, the Supreme Court found that an ex-official in the Central Procurement Office of the Defence Agency (subsequently reorganised as the Ministry of Defence), who deliberately overpaid refund claims from a private manufacturer, was guilty of the crime of bribery. The official overpaid the refund obligations of the Defence Agency and thereby paid the manufacturer an additional sum of money to which it was not entitled. Shortly after the payment, the official retired from the Defence Agency and became a part-time adviser to the

ANDERSON MŌRI & TOMOTSUNE

Kenichi Sadaka
Kei Akagawa

kenichi.sadaka@amt-law.com
kei.akagawa@amt-law.com

Akasaka K Tower 2-7
Motoakasaka 1-chome Minato-ku
Tokyo 107-0051
Japan

Tel: +81 3 6888 1000
www.amt-law.com

manufacturer. While a part-time adviser, the former official was paid a higher salary as consideration for the overpayment he arranged while he worked at the Defence Agency. This was recognised as bribery.

In 2012, a former professor of the Kyoto University Graduate School of Pharmaceutical Sciences was prosecuted for receiving bribes amounting to ¥6.2 million from a medical device sales company. (A professor of a public university in Japan is deemed a public official.) The president of the medical device sales company was also prosecuted for extending such bribes. It is alleged that the professor provided research and development funding from the university to the medical

device company, in return for such bribes. This case is still pending in the Tokyo District Court.

In 2013, a foreign financial institution employee and an employees' pension fund official, both of whom are Japanese nationals, were arrested and indicted on suspicion of the crime of bribery (an employees' pension fund official is deemed to be a public official). It is suspected that the financial institution employee had provided approximately ¥900,000 in the form of travel, golf and other entertainment services to induce the purchase of financial instruments in the amount of ¥1 billion.

GETTING THE DEAL THROUGH

Annual volumes published on:

Acquisition Finance	Life Sciences
Air Transport	Mediation
Anti-Corruption Regulation	Merger Control
Anti-Money Laundering	Mergers & Acquisitions
Arbitration	Mining
Asset Recovery	Oil Regulation
Banking Regulation	Outsourcing
Cartel Regulation	Patents
Climate Regulation	Pensions & Retirement Plans
Construction	Pharmaceutical Antitrust
Copyright	Private Antitrust Litigation
Corporate Governance	Private Client
Corporate Immigration	Private Equity
Data Protection & Privacy	Product Liability
Dispute Resolution	Product Recall
Dominance	Project Finance
e-Commerce	Public Procurement
Electricity Regulation	Real Estate
Enforcement of Foreign Judgments	Restructuring & Insolvency
Environment	Right of Publicity
Foreign Investment Review	Securities Finance
Franchise	Shipbuilding
Gas Regulation	Shipping
Insurance & Reinsurance	Tax Controversy
Intellectual Property & Antitrust	Tax on Inbound Investment
Investment Treaty Arbitration	Telecoms and Media
Islamic Finance & Markets	Trade & Customs
Labour & Employment	Trademarks
Licensing	Vertical Agreements



For more information or to purchase books, please visit:
www.gettingthedealthrough.com



Strategic research partners of the ABA International section



THE QUEEN'S AWARDS
FOR ENTERPRISE:
2012



Official Partner of the Latin American Corporate Counsel Association

Published by Getting the Deal Through
in association with Transparency International

