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Business ethics and anti-corruption

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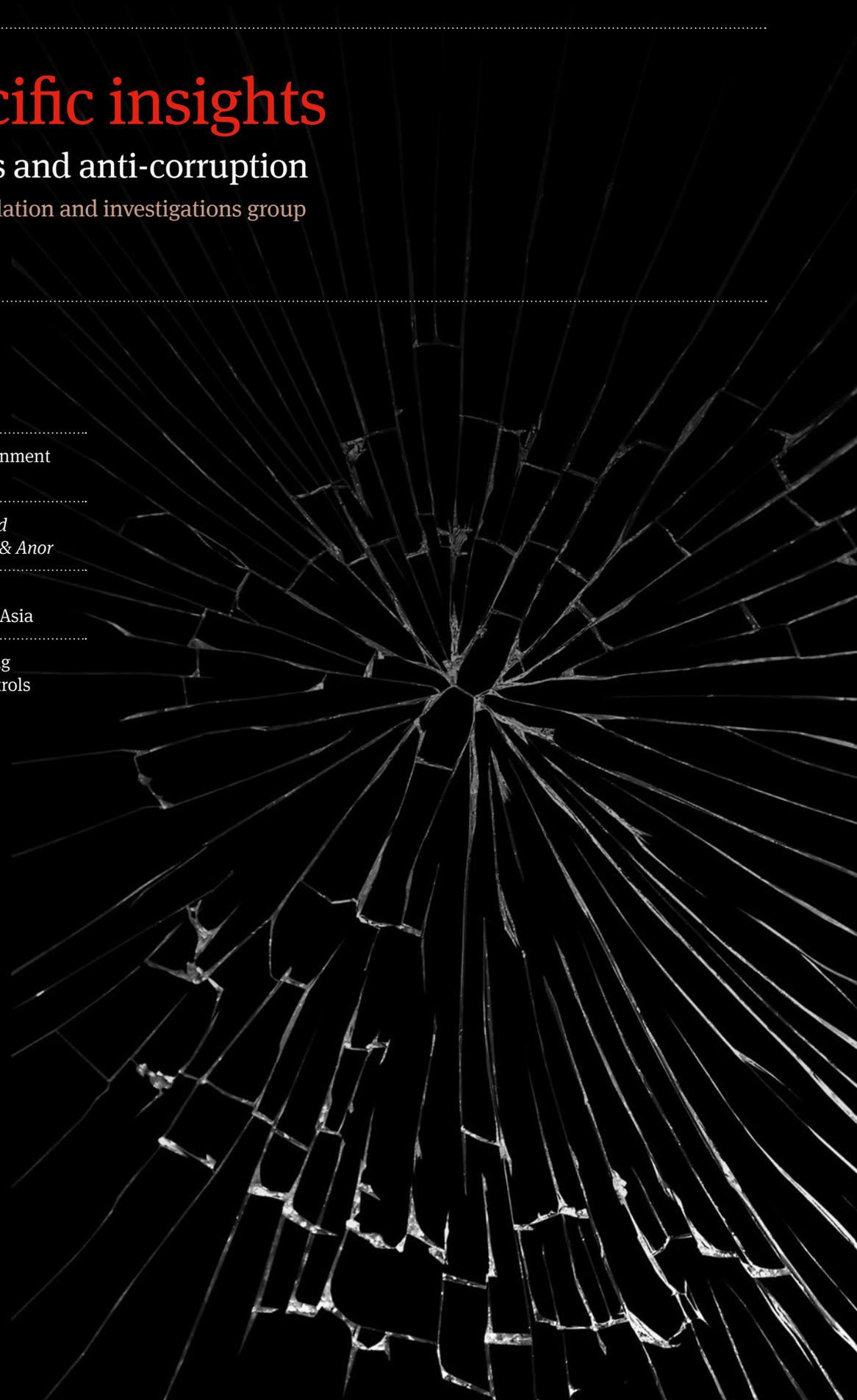
In this issue:

Anti-bribery in China: Government
proposes tighter rules

*Television Broadcasts Limited
v Communications Authority & Anor*

The Bribery Act Awakens:
Implications for business in Asia

Moving to Asia? Pack a strong
compliance culture and controls



From the editor

I am delighted to share with you our ninth issue of Asia Pacific insights into Business ethics and anti-corruption matters.

New corruption scandals continue to unfold and ongoing investigations take new unexpected turns. Governments are tightening anti-bribery laws and taking more aggressive, extraterritorial enforcement steps.

In this issue, Sun Hong and Zheng Wenqi anticipate upcoming changes to the Chinese commercial bribery landscape, while Benjamin Ridgeon and Alex Mok analyse the landmark case of *TVB v Communications Authority* and assess its impact on the new Hong Kong Competition Law Ordinance.

In a significant development for the enforcement of the UK Bribery Act, a bank entered into a deferred prosecution agreement in respect of corrupt conduct of associated persons in Tanzania. The awakening of the Bribery Act portends further extraterritorial enforcement activity - potentially in the Asia Pacific region where corruption is perceived to be rife. The new corporate offence was invoked in this instance to target the corporatisation of bribery.

Finally, JP Wood and Rachel Pearce recommend the fostering of a robust compliance culture and the strengthening of internal controls for insurers and brokers venturing into Asian markets. The phenomenon of compliance programs and internal investigations is a key development in the privatisation of enforcement, which historically rested in the exclusive domain of public enforcement agencies.

I hope you will find the articles insightful.



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Business ethics and anti-corruption in Asia Pacific

Norton Rose Fulbright advises clients across the globe on all matters relating to business ethics and anti-corruption. Within Asia Pacific, we have acted in major corruption investigations and have a track record of advising on complex, cross-border matters. We are amongst the largest global legal practices in the region. Our team operates across offices in Bangkok, Beijing, Hong Kong, Jakarta, Shanghai, Singapore, Tokyo, Brisbane, Melbourne, Perth and Sydney. The quarterly review *Business ethics and anti-corruption: Asia Pacific insights* explores the impact of anti-corruption developments in the Asia Pacific region and offers practical insights in response to topical issues.

See also

Business ethics and anti-corruption world
A global bulletin published by
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Contents

Anti-bribery in China: Government proposes tighter rules	03
<i>Television Broadcasts Limited v Communications Authority & Anor</i>	06
The Bribery Act Awakens: Implications for business in Asia	08
Moving to Asia? Pack a strong compliance culture and controls	11

Anti-bribery in China: Government proposes tighter rules

China's anti-commercial bribery landscape is about to be further tightened up along with the proposed amendments to the Anti-unfair Competition Law

The Legislative Affairs Office of the State Council (LAOSC) published the draft amendments (Draft Amendments) to the Anti-Unfair Competition Law (AUCL) on February 25, 2016 for public consultation. The AUCL is the major legislation disciplining various forms of unfair competition conduct in China, including commercial bribery, product counterfeiting, abuse of market monopoly power, misleading commercial advertisement and violation of commercial secrets. The current amendments, once approved through China's legislative procedures, will be the first amendments to the AUCL since it came into effect from December 1, 1993.

The Draft Amendments aim to clarify the scope of unfair competition conduct under AUCL to adapt to the evolved market in the past over two decades and eliminate the legislative overlaps and gaps between the current AUCL and the Anti-Monopoly Law (effective from August 1, 2008), the Trademark Law (amended in 2013) and the Advertisement Law (newly amended in 2015).

As far as anti-commercial bribery is concerned, the Draft Amendments proposed several substantial changes to the current AUCL which we summarise as follows:

'Commercial bribery' is better defined under the Draft Amendments

Under the current AUCL, business operators must not 'resort to bribery, by offering money or property, in order to sell or purchase products' with two express exceptions including commissions or discounts genuinely recorded in the accounting records of the parties involved in the payment and receipt of the commissions and discounts. The use of 'bribery' to define 'bribery' is unhelpful and has resulted in ambiguity in the interpretations of what constitutes commercial bribery and uneven enforcement by regulatory authorities – especially by the nationwide local counterparts of the State Administration for Industry and Commerce (SAIC). This has remained the case over the years notwithstanding the various subsequent judicial interpretations and SAIC regulations (please refer to our article entitled *Walking a fine line in China*).

The Draft Amendments define 'commercial bribery' to mean a business operator 'giving or promising to give economic benefits to business counterparties, or to any third party who may influence the underlying transaction, to entice it to seek transaction opportunities

or competitive advantages for the business operator. Providing or promising to provide economic benefits shall constitute an offer of commercial bribery whilst accepting or agreeing to accept economic benefits shall constitute an acceptance of commercial bribery.'

In addition, the Draft Amendments also set out the following circumstances which may be considered as commercial bribery and are hence prohibited:

- seeking benefits in the course of, or relying upon, the provision of public services
- failing to accurately record in contracts and accounting records the giving of economic benefits between business operators
- giving or promising to give, any third party who is influential to the underlying transaction, economic interests which damage the legitimate interests of other business operators or customers.

The Draft Amendments go on to provide that an employee's act of commercial bribery in seeking transaction opportunity or competitive advantages for his/her employer shall be regarded as the conduct of the employer, unless evidence proves that the employee has taken bribes in violating the interests of the employer.

Compared to the current AUCL, the Draft Amendments provide clearer definition to commercial bribery with the following points worthwhile noting in particular:

Increased risk with third parties

Bribery through third parties is expressly identified and prohibited under the Draft Amendments which is generally in line with the provisions contained in the ninth amendments to the PRC Criminal Law effective from November 1, 2015 pursuant to which the offence of giving bribes to relatives of state functionaries or individuals who have close relationships with state functionaries, or to former state functionaries or their close relatives, or individuals with whom they have close relationships, for the purpose of obtaining improper benefits may receive up to ten-year imprisonment plus mandatory fines.

Increased risks with employees

As mentioned above, bribery act of an employee may be regarded as the conduct of the employer unless the employee has taken bribes in violation of the employer's interests. This confirms the position, by way of law – sitting at the very top end of China's legislative hierarchy, that the SAIC provides in its Interim Measures of Prohibiting Commercial Bribery back in 1996.

Increased emphasis on keeping accurate accounting records as well as contracts

The AUCL requires commissions and discounts to be accurately reflected in the accounting records of the parties concerned in order to qualify as exceptions to a commercial bribery. The Draft Amendments removed the reference to specific examples but generally provide that failing to accurately record in

contracts and accounting records the giving of economic benefits between business operators may constitute a commercial bribery. It re-emphasizes the importance of accurate accounting records for all transactions involving the giving of economic benefits to other parties and also, for the first time, raises the importance of written contracts accurately documenting the transactions.

Non-defined economic benefits

The Draft Amendments do not give a definition to 'economic benefits'. However, given the numerous judicial interpretations and SAIC regulations on this particular point, it could capture everything, e.g. cash, property, anything else with monetary value, and beyond.

Enforcement authorities are granted with wider and stronger powers of investigation

Under the Draft Amendments, the administrative enforcement authorities may exercise various investigatory powers, which are wider and stronger than that under the current AUCL, including, inter alia,

- carrying out investigation by entering the office premises of a business operator (being the subject of the investigation) and other premises
- making enquiries with the subject business operator, other parties having an interest, or other entities/organisations or individuals and requiring the same to provide evidencing documents, data and technical support or other materials related thereto

- reviewing and making copies of contracts, accounting records, ledgers, documents, business correspondence, electronic data, video or audio materials and other materials related thereto
- ordering the subject business operator to suspend any relevant business operation suspected to be illegitimate, explain the source and quantity of the property concerned and not to transfer, conceal or destroy the property
- seizing or detaining the property suspected to be related to the misconduct
- checking the bank accounts of the subject business operator and related accounting documents, books and records and bank statements
- applying to judicial bodies to freeze the relevant bank accounts if evidence proves that illegitimate funds are being transferred or concealed.

Those underlined above are all introduced by the Draft Amendments.

The Draft Amendments provide that, in addition to the obligations of providing genuine information or evidence as stipulated in the current AUCL, business operators under the investigation, parties having any interest and other entities/organisations or individuals should, when enquired by regulatory authorities, also provide cooperation to the regulatory authorities and must not refuse or hinder regulatory investigations.



More severe penalties will be imposed on non-cooperation

Under the current AUCL, a conduct of commercial bribery may receive administrative fines ranging from RMB10,000 to RMB200,000 (approximately US\$1,500–US\$30,000) and confiscation of illegal gains. Under the Draft Amendments, administrative penalties for the conduct of commercial bribery range from ten per cent to three per cent of the revenue generated from the business involving commercial bribery.

More noticeably, the Draft Amendments also provide that, in the course of a regulatory investigation, any act of refusing to provide relevant materials or information, or providing falsified materials of information, or concealing, destroying or transferring evidences, or otherwise hindering the regulatory

investigation, may receive a regulatory order of rectification and fines ranging from RMB20,000–RMB200,000 (approximately US\$3,000–US\$30,000).

The Draft Amendments also impose very widely ranging fines of RMB10,000 to RMB1 million (approximately US\$1,500–US\$150,000) on parties who provide assistance (e.g. production, sales, warehousing, transportation, network service, technical support, advertising, payment and settlement) to illegitimate conduct under the AUCL (including commercial bribery) when they knew or should have known the occurrence of such illegitimate conduct.

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Television Broadcasts Limited v Communications Authority & Anor

Impact of the judgment on the implementation of the New Competition Ordinance

On January 29, 2016, the Hong Kong Court of First Instance handed down a judgment in favour of Television Broadcasts Limited (TVB), a free-to-air broadcaster in Hong Kong, in its judicial review application against the Communications Authority (CA) and the Chief Executive in Council (CEIC) in HCAL 176 of 2013.

The judicial review concerned the CA's censure of TVB for certain contractual practices and clauses employed by TVB with respect to its employment of artistes and TV performers. In September 2013, the CA found that TVB was engaged in anti-competitive conduct in contravention of sections 13 and 14 of the Broadcasting Ordinance (Cap. 562, the BO). By its decision, the CA had imposed a financial penalty as well as a number of 'cease and desist' directions upon TVB with respect to contractual practices.

In December 2013, TVB issued judicial review proceedings against the CA and the CEIC, challenging the constitutionality of the overall statutory scheme (including the adjudication by the CA and potential review of the CA's decision by the CEIC) as well as raising other competition law issues in challenging the assessment under the CA's decision of its dominant market position. Under the judgment it was

held that the CA and the CEIC are not 'independent and impartial tribunals' for the purposes of compliance with the Hong Kong Bill of Rights and that the remedies imposed by the CA (the 'cease and desist' directions imposed on TVB) were disproportionate.

The case raised new and untested questions concerning historic competition provisions¹ in the BO and related legislation in Hong Kong (which mirror the provisions recently introduced to the broader economy in Hong Kong under the new cross-sectoral Competition Ordinance (Cap. 619) which came into full effect on December 14, 2015).

London Queen's Counsel specialising in competition and administrative law appeared respectively for TVB and the CA in a four day hearing in October 2015 before the Honourable Mr Justice Godfrey Lam. His Lordship's 150-page long judgment, which contains a detailed analysis of European jurisprudence on human rights and competition law, will serve as useful guidance in the future with respect to the implementation and enforcement of the new Competition Ordinance.

The fact that the judgment was delivered by Godfrey Lam J is significant as he has recently been appointed President of the newly formed Competition Tribunal which will be the judicial body responsible for dealing with legal proceedings concerning competition matters, including those involving contravention of conduct rules under the ordinance.

Two key areas of the judgment are explored below.

Characterisation of the proceedings and applicable standard of proof

One of the main issues in the judicial review was the characterisation of the competition related proceedings conducted before the CA under the BO, namely whether the decision of the CA constituted the determination of a criminal or civil matter. As the decision concerned essentially a criminal matter, TVB contended that the applicable standard of proof should be the criminal standard (i.e. 'beyond reasonable doubt') and that the CA had failed to satisfy this higher standard thereby impinging TVB's rights under articles 10 and 11 of the Hong Kong Bill of Rights.

¹ Sections 13 and 14 of the Broadcasting Ordinance have now been repealed and competition matters including transitional provisions are now provided for in the Competition Ordinance (Cap. 619).

Godfrey Lam J. considered a number of UK and European human rights and competition law cases² and held that the proceedings before the CA and its decision should not be characterised as criminal for the purposes of the Bill of Rights. It was further held that even assuming the proceedings against TVB were to be classified as criminal in nature under the Bill of Rights, the legislature would have intended that the standard of proof should be proof on a balance of probabilities. Within that, given the consequence of the imposition of a financial penalty and loss of contractual rights, the Court nonetheless held that it was necessary that the case against TVB must be proved by 'commensurably cogent and compelling evidence'.

Accordingly it is expected that the lower civil standard of proof rather than criminal standard of proof will be adopted and applied in future competition cases under the new Competition Ordinance before the Competition Tribunal.

Proportionality of remedies

In his judgment, his Lordship held that the CA by making 'cease and desist' directions preventing TVB from using certain consent and other clauses in its contracts with its artistes employed in serial TV shows was imposing an order that was further than what was necessary to bring the infringing system to an end. Godfrey Lam J. clarified that the manner in which the power to impose requirements and issue directions under relevant provision in the BO should be exercised must necessarily depend on the circumstances of the case and in particular the nature of the

infringement found. In this regard, his Lordship relied upon the principles on proportionality of remedies taken from a UK competition case (*Tesco plc v Competition Commission*³).

Accordingly, it is expected that the newly formed Competition Commission would be required to make reasonable and rational decisions as to the proportionality and reasonableness of the remedies to be imposed on infringers. Remedies imposed under the Competition Ordinance which go beyond what is necessary will likely be susceptible to challenge.

Conclusion and indications for implementation of new Competition Ordinance

In recent years, the Competition Commission has been conducting publicity campaigns and publishing guidelines in Hong Kong with a view to raising the public's awareness of the new Competition Ordinance in a transparent manner. With the full implementation of the Competition Ordinance taking place only recently in December 2015, it is yet to be seen how investigations and cases will be conducted under the new ordinance. However, the extensive and thorough judgment of Godfrey Lam J. gives us advanced insight into the approach that is likely to be followed. It is safe to assume that the Competition Tribunal will consider case law and precedent from other jurisdictions with established competition frameworks, such as the UK, EU and Australia whilst having primary regard for Hong Kong's unique position under the Bill of Rights and case law authorities thereon, including importantly the extensive judgment of Lam J in HCAL 176 of 2013.

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² For instance, *Societe Stenuit v France* [1992] ECC 401, *Napp Pharmaceutical Holdings Ltd v Director General of Fair Trading* [2001] CAT 3, *OOO NESTE St Petersburg v Russia* (App no.69042/01, decision of June 3, 2004).

³ [2009] CAT 6.

The Bribery Act Awakens: Implications for business in Asia

Anti-corruption enforcement: payments in Asia can lead to a UK bribery prosecution

Introduction

As the year 2015 drew to a close, the Serious Fraud Office (SFO) entered into its first-ever deferred prosecution agreement (DPA) after approval was granted by the *Crown Court in Serious Fraud Office v Standard Bank Plc: Deferred Prosecution Agreement* (Case No. U20150854) (*Standard Bank* case).

This historic case arose out of the first invocation by the SFO of the section 7 ‘failure to prevent bribery’ offence under the Bribery Act 2010 (Bribery Act). Since the Bribery Act came into force in 2011, the flurry of activity prompted by concerns over the potential impact of the law was gradually replaced by cynicism and disappointment over the actual effect it will have on corporate behaviour due to the lack of significant prosecutions over the years, in particular of corporations for the strict liability offence of failure to prevent bribery. The landmark *Standard Bank* case signalled the awakening of the Bribery Act. Given that the corrupt conduct took place in Tanzania, and in light of the extraterritorial effect of the UK legislation, the *Standard Bank* case has profound implications and lessons for compliance and investigations in

other parts of the world, including Asia. One clear reason for this is the extensive reach of the Bribery Act, and the consequent potential for SFO enforcement in respect of corrupt conduct in Asia, including any improper practices of third party agents. Another less predictable – but no less important – reason is the prospect of SFO collaboration with its counterpart enforcement agencies and authorities in Asia in investigating such corrupt conduct. It is therefore advisable for businesses situated in Asia to note the lessons of general applicability that can be extracted from the *Standard Bank* case and apply them to their own contexts.

Designing and implementing compliance programmes

The importance of having a robust corporate compliance programme that is closely adhered to by all employees should not be underestimated, given its role in helping to prevent corrupt conduct within the organisation. On the facts of the *Standard Bank* case, the bank was unable to mount a convincing argument based on the adequate procedures defence

due to its ineffectively designed and implemented compliance programme.

As regards design, it is crucial to ensure that the compliance programme is relevant to the corporate entity’s business, operations and risk profile. Generic compliance programmes should be avoided in favour of more nuanced ones. The sophistication of a corporate compliance programme can be increased by tailoring it to factors such as the jurisdictions involved, nature of the business and capacity in which other parties may be engaged.

As regards implementation, the *Standard Bank* case clearly shows that ensuring employees understand when various component policies, processes and procedures of a compliance programme apply, is vital. On the facts of that case, Standard Bank staff had been unclear about whether a particular policy on introducers applied to the local partner (EGMA), and consequently failed to conduct due diligence checks on EGMA. Mere desktop checks, if conducted, would have revealed that two directors of the local partner were politically exposed persons and that one was a serving public official at the time, undeniable red flags for corruption and bribery. However, Standard Bank relied on checks purportedly conducted by its sister entity, Standard Bank Tanzania, in the transaction instead. Those checks were deficient and failed to



identify the political status of both directors. As a result, measures to contain the risks and protect Standard Bank from being involved in any questionable payments were not taken. Evidently, clarifying the applicability of each policy, process and procedure making up the compliance programme will be necessary to ensure that employees comply with them in practice. Ideally, the question of applicability should be addressed both at the outset, when designing and scoping the compliance programme, and consistently thereafter, throughout the implementation of the programme.

Training

Maximising the effectiveness of internal compliance training programmes is a concern common to many business organisations in Asia. Organisations are becoming increasingly aware of the need to tailor training to the seniority and risk profile of the employee. While all employees should undertake a minimum level of general, broad-based compliance training, upper management should undergo

additional training in areas relevant to their responsibilities and the risks that they face.

In terms of mode of delivery, while e-learning frequently features as a component of internal compliance training programmes, it is generally regarded as a relatively ineffective way to reinforce anti-bribery and corruption obligations to employees as participants tend to treat online sessions as mere 'click-through' exercises. Sessions conducted via video conference may be marginally better, but are also considered ineffective at ensuring complete comprehension of the training content in spite of the slightly higher level of mutual interaction. Face-to-face trainings are viewed as the most effective method of getting employees to engage with, and in turn retain for a longer period, the content of the training course. On that note, some organisations additionally find that having business managers provide compliance training directly to their teams helps to increase the lasting effects of training sessions. This could be because having a team leader or direct supervisor conduct the training

sends a strong signal of prioritising full adherence to a compliance culture. The business manager delivering the training would, of course, need to be knowledgeable about and engaged with the compliance programme.

Relating bribery and corruption risks to employees' context is also advisable. Sharing actual instances of bribery or corruption that other employees of their respective organisations had encountered in the course of their work had been found to be helpful in increasing the awareness of such risks in other employees. Illustrative stories, where practical steps were taken and some form of resolution reached, are often better received than training that focuses heavily on the technicalities of applicable legal obligations.

Third party due diligence

Third party due diligence raises two main issues: (1) identifying the parties on whom due diligence should be conducted, and (2) determining the extent of the third party due diligence to be conducted.

The first issue arises due to the factual matrix of the *Standard Bank* case. Although Standard Bank Tanzania and its officers had been identified as the ‘associated persons’¹ of Standard Bank, the court stated that Standard Bank should have conducted due diligence on EGMA. Although there was some suggestion that EGMA was providing some form of services, it had not expressly been identified as an associated person. The question is whether conducting due diligence on associated persons, like agents with which there is a contractual relationship, would continue to suffice or whether there is now a further obligation to conduct such checks further down the supply chain, particularly on entities with whom there may be no contractual relationship. One prudent view is that, in light of the *Standard Bank* case, checks on entities that a corporation knows or is likely to know about (e.g., sub-contractors) will probably be expected despite the absence of a direct contractual relationship with that entity. The proximity of the third party to the corporation, in the sense of whether the company should have known of the third party’s engagement or involvement, and the substance of their relationship with the corporation, have been proposed as ways of assessing the proper scope of due diligence checks.

The issue of the extent of the third party due diligence to be conducted follows on naturally once the parties to be checked upon are identified. This usually involves determining

whether simplified or normal due diligence will suffice or enhanced due diligence is required. The extent of third party due diligence ought also to be revisited and adjusted where necessary throughout the lifetime of the business relationship, particularly where changes occur in relation to the risk profile and/or business operations of the third party, or scope of the third party’s role in the relationship.

Co-operation during internal investigations

There is a general consensus that co-operating with the relevant authorities during internal investigations is important, particularly in light of the emphasis placed on how Standard Bank’s extensive co-operation with the SFO helped it secure the DPA. However, questions remain about the type of co-operation that would be expected in Asia given the lack of clear rules of engagement with the authorities, rendering the outcome more unpredictable. When considering self-disclosure and co-operation with the enforcement authorities, it would be imperative to obtain proper advice on whether there are any parallel mandatory obligations to report to regulatory authorities, in particular obligations arising out of anti-money laundering legislation.

Conclusion

Enforcement activity in the anti-bribery and corruption space is likely to increase in light of the prevailing climate, and companies need to be prepared. Given the extraterritorial effects of laws like the Bribery Act and the US Foreign Corrupt Practices Act, companies in Asia would be wise not to be complacent. The *Standard Bank* case could be a sign that the UK authorities

are joining their US counterparts in actively investigating international corruption. Internally, companies would do well to review their existing compliance programmes and perform gap analyses against international benchmarks, or design and implement a programme if they have not already done so. The ‘Six Principles’, established by the UK Ministry of Justice, and the ten hallmarks of an effective compliance programme, published by the Department of Justice and Securities and Exchange Commission, are valuable resources and helpful starting points. The delivery of training programmes should also be given much attention, so as to maximise employees’ understanding of their risks and responsibilities. Where external parties are involved, third party due diligence should be undertaken seriously, bearing in mind the risks posed in such relationships with regard to both the identification of third parties to be reviewed and the extent of due diligence to be undertaken.

This was co-written by Lisa Ho.

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¹ Section 8 of the Bribery Act defines ‘associated person’ as a person (A) who performs services for or on behalf of another person (C). Whether A performs services for or on behalf of C is to be determined by reference to all relevant circumstances, not merely by reference to the nature of the relationship between A and C. The substance of, rather than the label affixed to, the relationship will be determinative. Employees, agents and subsidiaries have been expressly identified in the legislation as examples of associated persons. In particular, it should be noted that employees are presumed to be associated persons. This presumption is, however, rebuttable.

Moving to Asia? Pack a strong compliance culture and controls

As many jurisdictions, including Australia, set about strengthening their bribery and anti-corruption laws, multinational insurers and insurance brokers need to consider the bribery and corruption risks to which they are vulnerable when venturing into Asian markets.

In Australia, a new books and records offence came into force on March 1, 2016. It has extra-territorial reach and will make it easier for regulators and prosecutors to investigate, prosecute and penalise companies and individuals who misdescribe payments in their accounts in a way which facilitates, conceals or disguises bribery.

These reforms may herald the beginning of a new era of anti-bribery enforcement activity in Australia against companies and individuals. The backdrop includes recent enforcement activity in the US (under the Foreign Corrupt Practices Act) and the UK (under the Bribery Act and the Financial Services and Markets Act) and the ongoing Senate Inquiry into Australia's foreign bribery laws, which is likely to lead to further reforms.

The past few years have seen a number of high profile enforcement actions against insurers and insurance brokers by US and UK regulators, resulting in multi-million dollar fines and penalties. At the same time, insurers and brokers continue to seek out new opportunities in higher risk, emerging

markets. In Australia, this is a symptom of the current low growth sentiment in domestic financial services and insurance markets. It also reflects the increased demand for insurance capacity across Asian economies and a growing appetite among international insurers and brokers to expand into those markets. Some insurers have reported significant profits as a result of expansion into Asia.

But US and UK regulators and prosecutors have imposed fines on insurance brokers doing business in Asia. Fines have been imposed for failing to maintain effective systems and controls to prevent financial crime and for violating books and records provisions. The SEC has also taken enforcement action against an insurer for allowing an Indonesian joint venture to make improper payments in return for insurance contracts on large government projects. Risk factors highlighted by these cases include higher risk countries and classes of business, large contracts, use of overseas introducers and State involvement.

These enforcement actions arise out of business transacted in Bangladesh, Myanmar, Indonesia, Vietnam and other high risk jurisdictions. They should be of interest to insurers and brokers who are transacting business in Asia or who plan to expand into the region, whether through acquisitions, joint ventures, agencies, introducers or otherwise. China, India, Malaysia and Thailand are also seen as having high growth potential. These jurisdictions receive scores of 50 or less out of 100 in Transparency International's Corruption Perceptions Index.

As these enforcement actions demonstrate, insurers and brokers need to establish and maintain an effective culture and control environment, wherever they operate, in order to mitigate financial crime risks.

This must include:

- establishing and maintaining policies and procedures
- carrying out regular risk assessments with senior management involvement
- undertaking initial and ongoing due diligence and monitoring of clients, suppliers, introducers and business partners
- ensuring proper implementation and updating of policies and procedures



- providing training and education to employees and, in some cases, third parties.

The key message from earlier enforcement actions is that emerging markets may present significant growth opportunities, but they also give rise to bribery and corruption risks. Insurers and brokers need to take effective steps to prevent the occurrence of bribery and corruption in their distribution chains.

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