



Japan Fair Trade Commission

# JFTC's Efforts to Secure Corporate Compliance

- focusing on research reports on compliance -

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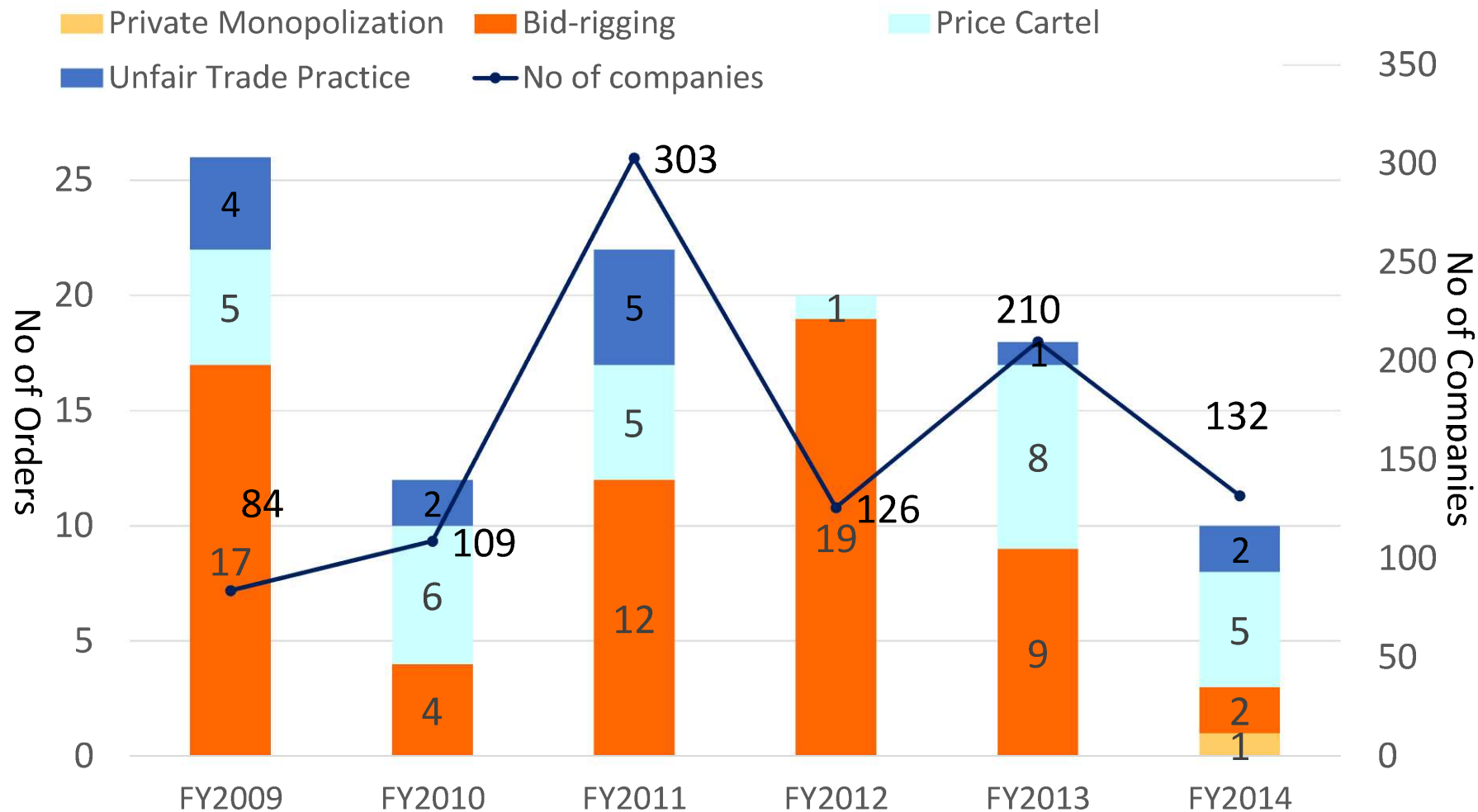
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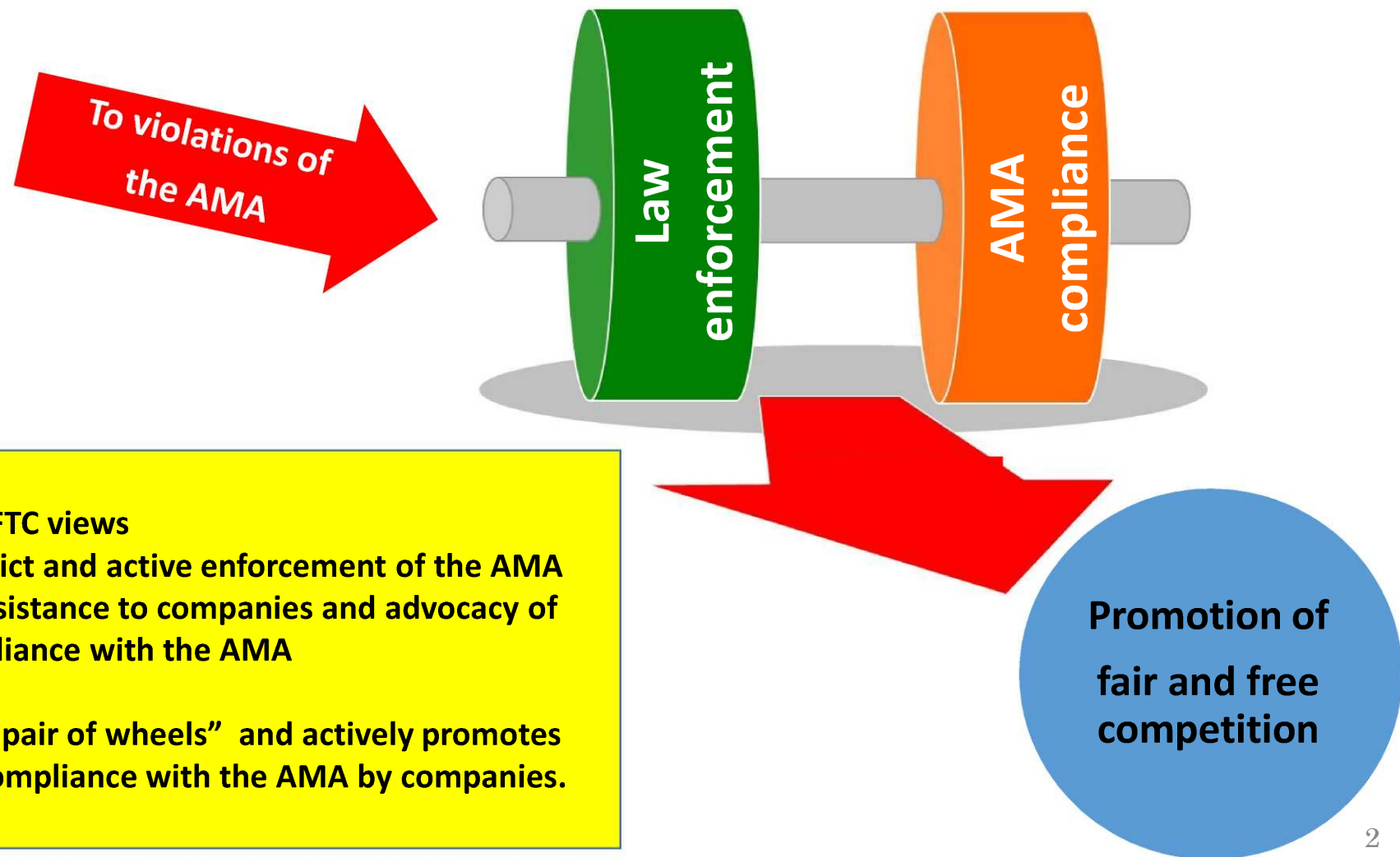
## Enforcement of Competition Law in Japan



**The JFTC issued 10 cease and desist orders against 132 companies**



## Efforts of the JFTC towards Corporate Compliance



## Research reports on compliance with the Antimonopoly Act

<b>2006 research Report</b>	<b>2007 Research Report</b>	<b>2008 Research Report</b>	<b>2009 Research Report</b>	<b>2010 Research Report</b>	<b>2012 Research Report</b>
May 2006	May 2007	May 2008	Mar. 2009	Jun. 2010	Nov. 2012
1,696 companies listed in the 1st section of the Tokyo Stock Exchange	1,700 construction companies (authorized by the Constructuion Minister)	1,466 foreign- affiliated companies	1,041 companies listed in the 1st section of the Tokyo Stock Exchange	1,684 companies listed in the 1st section of the Tokyo Stock Exchange	1,681 companies listed in the 1st section of the Tokyo Stock Exchange

# 2012 Research Report (1)

“Successful cases” and “failure cases” concerning companies’ efforts for compliance with the Antimonopoly Act  
Many “referential examples” were included for efficient and effective compliance.



○ Top-level executives’ will and participation, and leading efforts



Failure cases where “a violation could not be prevented or suspended earlier due to the lack of the top executive’s clear policy not to carry out illegal business conducts”

○ Necessity of a manual for dealing with an emergency situation



Successful cases where “a company prepared a manual for dealing with an emergency situation, based upon the past experience that the company wasted a lot of time to apply for the leniency program due to the lack of clearly established in-house procedures in case of the JFTC’s on-site inspection and, as a result, was excluded from the list of companies to which leniency was granted”

## 2012 Research Report (2)

○ Have you established any rules on meetings with other companies in the same industry?

	No	
2010 Report	72.8%	(n=1025)
2012 Report	46.4%	(n=871)

○ If an employee violates the Antimonopoly Act, will your company take a disciplinary action against the employee?

The in-house rules specify that a disciplinary action will be taken.	9.9%	(n=872)
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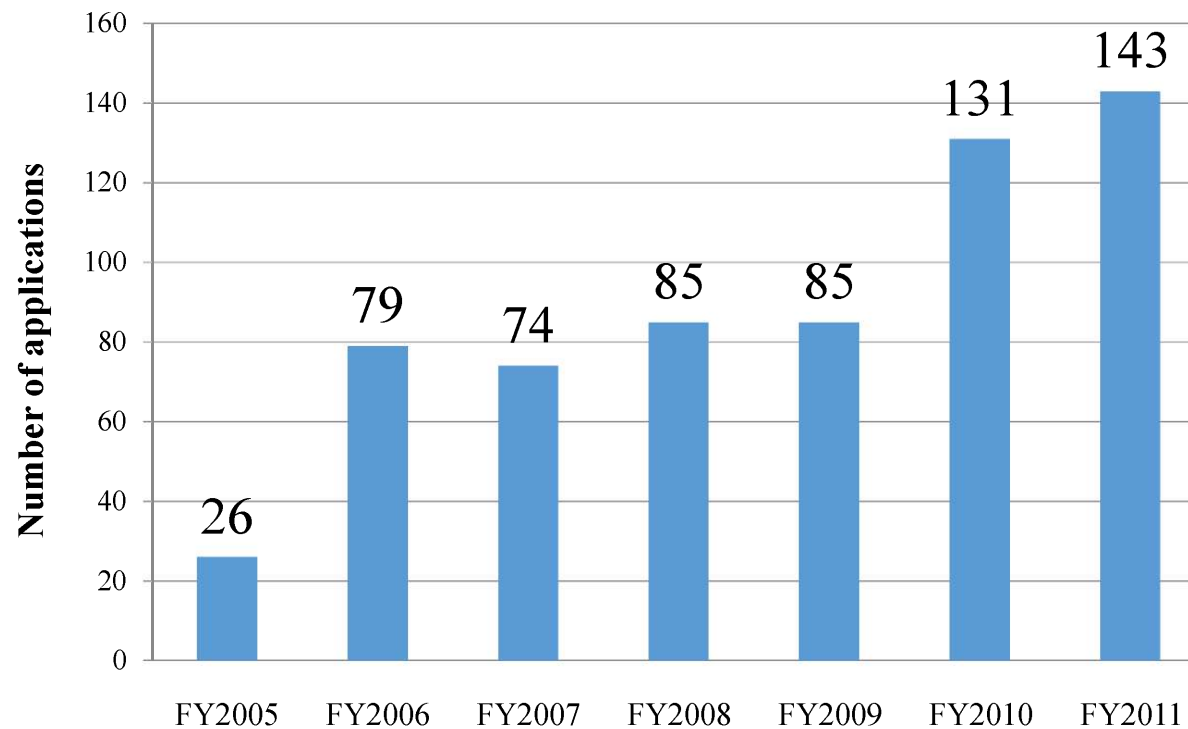
○ By auditing under the Antimonopoly Act, can you find any conducts that may lead to violations?

	Yes	
2010 Report	9.1%	(n=567)
2012 Report	14.2%	(n=481)

## Measures for ensuring the effectiveness of compliance programs with the Antimonopoly Act

	<b>Commitment addressed for full compliance by top-level executives</b>	<b>Considering the application of the leniency program if it is highly likely that a staff member has participated in a cartel or bid rigging</b>
2006 Report	70.9% (n=1160)	23.2% (n=1153)
2009 Report	73.5% (n=1041)	43.2% (n=1041)
2010 Report	98.7% (n=1029)	49.8% (n=1020)
2012 Report	99.3% (n=878)	51.1% (n=862)

# Changes in the number of leniency applications



FY2005 started on January 4, 2006, when the leniency program came into force, and ended on March 31, 2006.





## **Measures for Ensuring the Effectiveness of Compliance**

**Commitment and Initiative of the Top Management**

**Establishment of the Compliance Program in Accordance with the Actual Situation**

**Establishment of Departments in Charge of the Compliance System**

**Integrated Approaches as a Group of Enterprises**



## The “3Ds” for ensuring the effectiveness of Compliance

Deterrence

Detection

Damage Control



## The “3Ds” for ensuring the effectiveness of Compliance

### Deterrence

- a. Formulation of the compliance manual
- b. In-house training on compliance
- c. Development of legal consultation system
- d. Development of internal disciplinary rules
- e. Formulation of rules concerning contacts with other competing enterprises

### Detection

- a. Audits
- b. Development of internal reporting system
- c. In-house leniency policy

### Damage Control

- a. Prompt response and appropriate decision-making at the initiative of top management
- b. Active use of leniency programs
- c. Prior development of a contingency manual
- d. Appropriate internal probe



## 2015 Research Report

- Research on current status on corporate compliance NOT with Japanese AMA, but with foreign competition laws
- Focusing on compliance programs of the Japanese companies doing business abroad



## 2015 Research Report

- For Promotion of Compliance with Foreign Competition Laws

### 3 Pillars of Actions

- 1. Integrated actions by parent companies and overseas subsidiaries (integration)**
- 2. Extensive actions with awareness of competition laws of all countries where companies operate (extensiveness)**
- 3. Flexible actions based on characteristics of the legal systems for foreign competition laws different from Japanese system (flexibility)**



## 2015 Research Report

### - For Promotion of Compliance with Foreign Competition Laws

**Efforts of companies that answered that they are doing business in the U.S., EU, China and South Korea by country/region**

