

Hogan Lovells Global Bribery & Corruption Outlook: Pandemic and political disruption create major compliance risks

Pandemic-related pressure and political disruption are expected to create significant uncertainty in 2021—and as governments grapple with these challenges, enforcement authorities are likely to uncover bribery and corruption issues. In this climate, businesses face compliance risks across a range of industries and regions, according to a new report by global law firm Hogan Lovells.

The Global Bribery & Corruption Outlook identifies a number of compliance and enforcement trends, and areas in which enforcement is on the rise.

“Over the course of 2021, we expect to see continued cross-border enforcement activity and collaboration, the alignment of European corporate criminal liability laws with existing U.S. laws, and a more global crackdown on bribery and money laundering,” said Stephanie Yonekura, global head of Hogan Lovells’ Investigations, White Collar, and Fraud practice.

Businesses face uncertainty on a number of fronts. Countries that had hoped to emerge from the COVID-19 pandemic this year have instead enacted further restrictions. The United Kingdom is adjusting to life after Brexit, and the United States is transitioning to a new administration.

“Despite these unpredictable times, we have identified some unifying trends in key industries and jurisdictions around the world,” Yonekura said. “For example, in the U.S., even though

the new administration has just begun to shape its legislative and regulatory priorities, there is broad agreement that enforcement activity involving corporate fraud will only increase in coming years.”

Industries in the hot seat

As governments plan for recovery from the economic downturn inflicted by the pandemic, the financial services sector can expect to see a global rise in enforcement activity, including actions brought under the Foreign Corrupt Practices Act (FCPA) in the U.S.

“Financial services institutions should anticipate and prepare for heightened attention from the Department of Justice, Securities and Exchange Commission, and regulators worldwide in anti-bribery enforcement,” said Hogan Lovells partner Ann C. Kim, co-editor of the Global Bribery & Corruption Outlook. “Given the current economic climate, now is the time to examine compliance efforts and identify and remediate any issues, before enforcement officials come knocking.”

Technology companies also find themselves in the hot seat.

“2020 saw no shortage of governmental scrutiny of technology companies, and it is not lost on us that the very companies that were in the crosshairs of enforcement authorities were the ones helping the world to keep turning during the pandemic,” Yonekura said. “We expect government authorities to continue their focus on the technology sector, including a likely surge in FCPA enforcement actions in the U.S.”

The Global Bribery & Corruption Outlook examines enforcement in other industries as well, including:

- Life sciences – The race to find therapeutics and a vaccine in the fight against COVID-19 has put the spotlight back on international clinical trials, and companies are increasingly turning to AI to spot compliance issues.

- Sports, media, and entertainment – Businesses in this sector, among the hardest hit by the pandemic, face compliance challenges as they begin to re-open, such as the potential for vendors and third parties seeking to use in-kind donations, such as tickets to events, to cut through government bureaucracy.
- Aerospace, defense, and government services – The industry saw arguably the largest anti-corruption settlement in enforcement history, and tighter controls are likely ahead.
- Private capital – Developments in Europe expand the risks companies can face when bribery and corruption is uncovered at a newly acquired entity. The report also looks at acquisition risks in the U.S. and UK.

Around the World

Written by Hogan Lovells attorneys from offices around the world, the Global Bribery & Corruption Outlook examines enforcement trends in a number of regions.

“The ongoing COVID-19 pandemic will continue to shape enforcement activity around the world,” noted partner and report co-editor Liam Naidoo. “But, as we explore in the Outlook, ongoing political and economic changes may have a greater impact in the longer term in some key jurisdictions.”

Regional highlights include:

- China – The digital transformation of Chinese retail companies in a post-COVID-19 era have given rise to compliance risks and challenges.
- Europe – In Spain and Germany, there is movement towards greater alignment with U.S. and other European jurisdictions when it comes to the criminal liability of companies.
- Latin America – Progress on the anti-corruption front, which had built up in Latin America in the wake of the 2014 Car Wash

investigation, was impacted in 2020 by political developments, economic instability, and the COVID-19 crisis. Nevertheless, significant corruption investigations are underway.

- Southeast Asia – The report contains feedback from lawyers across the Asia-Pacific region on what the next 12 months will bring. In jurisdictions such as Vietnam and Indonesia, lawyers observe a “Wild West vibe” to compliance and ethical business practices.

As the world begins to step out of the darkness of the pandemic, the financial support that governments have put in place will start to wane, and with that, the fraud, corruption, and white-collar crime that may have lay hidden since March 2020 will begin to surface. It is not too late to review and improve corporate compliance programs, and such action may help mitigate issues yet to come to light.

The Global Bribery & Corruption Outlook can be viewed here: <https://www.hoganlovells.com/en/news/2021-global-bribery-corruption-outlook>