

# KIRKLAND ALERT

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## Individuals with Ties to China Targeted in FCPA Enforcement in 2016

In 2016, both the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) increased enforcement against individuals for FCPA violations. The DOJ and SEC targeted 18 individuals for FCPA violations in total, an increase from charges against individuals in either 2014 or 2015. Of the 18 individuals targeted for FCPA enforcement, 12 (or two-thirds) were either foreign nationals or naturalized citizens of the U.S. with strong ties to foreign countries. Further, U.S. citizens who worked in China *and* Chinese citizens who worked for multinational companies with a presence in the U.S. were targeted in a significant percentage of enforcement actions by both the DOJ and SEC.

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Below is a summary of 2016 FCPA enforcement actions against Chinese citizens and individuals with ties to China.

- *Yu Kai Yuan* — a Chinese citizen, was the subject of the SEC's first deferred prosecution agreement with an individual. Yuan was a sales executive at PTC's Chinese subsidiaries who allegedly provided improper travel, gifts and entertainment to state-owned enterprise employees in China. The deferred prosecution agreement was, according to the SEC, a result of the significant cooperation Yuan provided during the SEC's investigation of the company.
- *Jun Ping Zhang* — a U.S. citizen and the CEO of Hunan CareFx Information Technology, LLC ("CareFx"), a Chinese subsidiary of Harris Corporation, a U.S. company. Zhang was alleged by the SEC to have knowingly approved the giving of improper gifts to officials at Chinese state-owned hospitals. The gifts were improperly recorded in CareFx's books and records. Harris was not charged by the SEC or DOJ after it self-disclosed the alleged FCPA violations. Ping, however, paid a civil penalty of \$46,000.
- *Ng Lap Seng* — a Chinese citizen and the owner and chairman of a Macau real estate group was charged with FCPA violations in a superseding indictment filed in November 2016. The superseding indictment alleged that Ng paid bribes to the former president of the U.N. General Assembly and a deputy ambassador of the Dominican Republic to obtain official U.N. support for a conference center in Macau that Ng's company planned to construct. Ng has pleaded not guilty to the charges.
- *Jeff Yin* — a naturalized U.S. citizen who served as the principal assistant to Ng Lap Seng was charged with FCPA violations for assisting Ng's bribery scheme. Yin has pleaded not guilty to the charges.

These cases demonstrate that the possibility of being held individually liable for FCPA violations is no longer as remote as once thought for U.S. citizens working in China *and* Chinese citizens working for multinational companies and their subsidiaries. This includes individuals at all levels, from senior- to mid-level management to sales representatives. They may be charged for providing bribes directly or for approving improper payments. As China remains a key target for FCPA enforcement by the DOJ and SEC, the likelihood of more enforcement against individuals with ties to China is likely to continue in 2017.

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