The Criminal Justice Practice and Experience of Corporate Compliance in China

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Abstract: In the 21st century, because ZTE Corporation was subject to US sanctions and penalties in the first half of 2018, which caused widespread concern in the international community and heated discussion in the domestic legal community, the Enterprise Compliance Plan was highly concerned and warmly responded in Chinese Mainland. [5]

Looking at the response and implementation of corporate compliance in China, it has gone through a process of introduction and standardization by central and state-owned enterprises, and acceptance and institutionalization by private enterprises. In the process of handling criminal cases, the Supreme People's Procuratorate actively promotes the implementation and development of corporate compliance in China through the procuratorial work mechanism, accumulating rich judicial experience, and transforming the "imported" corporate compliance mechanism into an important part of China's economic development and legal implementation. Currently, the Supreme People's Court is also gradually considering the positive significance of corporate compliance in specific cases in its judicial work, and making reasonable considerations in specific judgments accordingly. Against this backdrop, it is obviously of positive significance to summarize the practical experience of criminal justice in the implementation of corporate compliance, analyze and look forward to the future legal mechanism for implementing corporate compliance plans, and promote the implementation of corporate compliance in China from the perspective of socialist rule of law concept and system, so that it can serve China's economy and enterprise development.

Keywords: ZTE Corporation; Enterprise compliance plan; China's economic development

1 The connotation and original significance of corporate compliance

1.1 Exploration and institutional establishment of corporate compliance in the United States

In the case of confirmed violations or even criminal offences, if the company presents evidence of its compliance system, the judicial authorities will consider leniency in prosecution, trial, and punishment. Therefore, compliance has become a major consideration for federal prosecutors in prosecuting and determining whether a company has committed economic crimes in the United States.[9] From the end of the 19th century to the present in the 21st century, the United States has clarified the property rights issues in the development of market economy, making enterprises different from individual citizens and even internal members of the enterprise in terms of development. This change has made enterprises become part of the legal order. In this process, the United States has not abandoned the application of criminal law norms in both legislation and judicial practice. On the contrary, the United States has actively explored and established the appropriate position of compliance in criminal law. The 1991 US Federal Sentencing Guidelines, known as the "watershed of corporate compliance development", established the legal meaning, legal standards, and the role of penalty circumstances of compliance.[14]

However, it should be noted that this is a criminal understanding of compliance, and the emphasis is on the significance of compliance in criminal law.

A single understanding of compliance programs from the perspective of criminal law may lead to an inappropriate understanding. In the development of corporate compliance programs, criminal law incorporated compliance programs into its own scope after the formulation and implementation of the 1991 United States Federal Sentencing Guidelines. As early as the Middle Ages in Europe, the guild system restricted the various behaviors of participants in economic activities, making participants in economic activities (commercial organizations or enterprises) form a consciousness of abiding by rules and regulations. Later, during the Great Depression in the United States, the National Industrial...
Recovery Act strived to promote fair competition among enterprises. The true source of compliance development was the incident of more than 30 companies being prosecuted for antitrust in the early 1960s in the United States. The United States deepened the compliance system into the process of enterprise management through the implementation of the Antitrust Act, and the signing of an antitrust declaration by enterprise members became a manifestation of compliance activities. Of course, in the later stage of economic development, the US government's requirements for corporate compliance became increasingly obvious and strong based on the needs of anti-monopoly or anti-corruption.12

1.2 Special mechanism of enterprise law-abiding and rationality of compliance

Most companies do not pursue illegal profits as their primary business. In a society ruled by law, law-abidingness is a basic requirement for social organizations and individual citizens, and it is through law-abidingness that social organizations and individual citizens realize their rights. However, only social organizations or institutions such as companies have compliance issues, as companies seeking profits are more likely to exceed the legal bottom line and engage in illegal activities. In the context of building a society ruled by law, although companies can explore business activities based on the principle of "what is not prohibited by law is allowed", many practices do not necessarily comply with laws or economic regulations. Without corporate crime, there is no corporate compliance. Fundamentally, this is because companies or other social organizations have non-individual attributes.

There are significant differences in the management of social organizations and individual citizens by the state and the government. The state has no intermediate barriers in its requirements for individual citizens to abide by the law. However, when facing enterprises, the state has certain indirect control due to the fact that individual citizens are in social organizations. As participants in the social economy and creators of profit benefits, enterprises have a very important position and significance in economic and social development. Whether the state, as a social controller, denies or allows rectification of illegal and criminal enterprises determines the survival of enterprises after illegal and criminal activities. British scholar Cole pointed out that "the 'unrestraint' of individuals cannot guarantee individual freedom. The unrestraint of group freedom can guarantee the true freedom of the group."1[1]

The compliance mechanism harmoniously combines the government's requirements for itself and for enterprises, which is also a new stage and state of the development of enterprise systems. If the modern enterprise system mainly solves the problem of property rights, especially the demarcation between public property rights or state-owned property rights and private rights in enterprises.7[7] Then the compliance system further focuses the enterprise system on sustainable operation. The compliance system establishes law-abiding as the basic principle of the enterprise, puts forward very specific and clear requirements for its members, and clarifies the concept of law-abiding for both members and the enterprise, making the law-abiding of members in the operation of the enterprise the basic content of the enterprise's law-abiding. There may be controversy over the scope of law-abiding of enterprise employees, that is, whether the law-abiding of enterprise employees is at the level of enterprise operation or whether as individual citizens, they should abide by the law in all aspects. The author agrees with the former, that is, the law-abiding required by the compliance mechanism is the obligation of individuals as enterprise members to abide by the law at the level of activities related to enterprise operations. If it exceeds the scope of enterprise operations, the law-abiding of individual citizens should not be further associated with the enterprise, and the principle of non-law-abiding of individual citizens cannot be regarded as the performance of non-compliance of the enterprise. However, due to the objective differences in the identity positioning of individual citizens as enterprise employees, even if senior management personnel implement illegal activities unrelated to enterprise operations, they will be regarded as the performance of non-compliance of the enterprise, such as the company's senior management
personnel (chairman or general manager, etc.) driving a motor vehicle after drinking alcohol, which will also be regarded as the performance of non-compliance of the enterprise. Therefore, it can be said that the higher the level of enterprise employees, the stricter their obligation to abide by the law, and the more ethical and legal obligations they bear for the compliance of the enterprise.

1.3 Corporate compliance in the sense of order and cooperation

The existence and development of enterprises cannot be separated from cooperation with any other subject, whether it includes the state or government; [10] The exchange of goods or services between enterprises and other entities outside the enterprise is a kind of cooperation; Cooperation within the enterprise is also necessary, as is cooperation between members of the enterprise. In a certain sense, the compliance of members with the rules of the enterprise in serving the enterprise is also a kind of cooperation between the enterprise and its members. Enterprises carry out cooperation based on rules, which form a certain order. In accordance with legal rules, an artificial order is formed, while a spontaneous order is formed based on the self-demand of the enterprise or individual citizens. Artificial order is an order established by organizations or institutions according to plans, which is a model that rigidly incorporates enterprises or individual citizens without considering their special circumstances. Spontaneous order stems from the self-demand of enterprises or individual citizens, and is an order that they consciously construct and maintain. It may ignore fairness and justice and purely divide based on the strength of power, and it is also highly fragile. The ideal state is to achieve social governance solely through spontaneous order, but if the order is not established, maintained, and developed by organizations through rules, then the order state is only a utopia. The opposite situation may also be unreasonable, that is, relying solely on organizations to construct and maintain order, ignoring the source power of spontaneous order, then artificial order will become an "iron plate" that cannot accommodate social adjustments, and it is more likely to be torn and destroyed. For human society, people's cooperation and the formation of order stem from both their own practical needs and the discipline and guidance of the state.[8]

Based on this, enterprises internalize the requirements of countries or governments that comply with legal rules into their own corporate systems. Therefore, the formation of compliance is a spontaneous need of enterprises, while also meeting the external requirements of the government. In other words, in the development process of compliance mechanisms, both strong promotion by the government and active accommodation by enterprises are needed.

2 China's implementation of corporate compliance and procuratorial practice

2.1 Introduction and institutionalization of corporate compliance in China

Although the concept of compliance was proposed in the United States in the 1930s, Chinese companies have only been involved in the early 21st century. In 2002, the US Treasury Department conducted an investigation on several branches of Bank of China in the United States, and imposed a high amount of fines on them for fraudulent activities. Later, the People's Bank of China determined that Bank of China had violated the law and imposed a fine on it. Since then, the People's Bank of China has begun to establish a compliance system internally, and set up a "legal and compliance department" by referring to the practices of the Hong Kong branch. In November 2005, the Shanghai Banking Regulatory Bureau issued the "Guidance on the Construction of Compliance Risk Management Mechanism for Financial Institutions in Shanghai", requiring that Shanghai legal banks and commercial bank branches should establish independent compliance management departments by the end of 2005, and other banking financial institutions should establish them by the end of 2006. This guidance became the first specialized document on compliance management in China's financial regulatory institutions. On October 27, 2006, the China Banking Regulatory Commission officially issued the "Guidelines for Compliance Risk Management of Commercial Banks", which became a core system for risk regulation in China's banking industry. In July 2008, the China Securities
Regulatory Commission issued the "Trial Regulations on Compliance Management of Securities Companies", which put forward comprehensive and normative requirements for the compliance construction of securities companies. With the gradual introduction of compliance risk regulatory policy documents in China's banking industry, the practice of compliance risk regulation has become more mature. Major banks in China have established compliance departments to be responsible for internal compliance management. At this time, China's compliance management is still limited to the financial industry, and other industries do not pay enough attention to compliance.

The subsequent "ZTE Punishment Incident" pushed corporate compliance to all walks of life. From 2012 to 2018, the relevant departments of the United States conducted investigations on ZTE Corporation and imposed relevant penalties based on the investigation. ZTE actively paid fines and reached a settlement with the U.S. Department of Commerce. It conducted compliance rectification and informed the United States in accordance with the requirements of relevant U.S. laws. On June 7, 2018, the U.S. Department of Commerce officially announced that it had reached a new settlement agreement with ZTE Corporation, and the United States would withdraw the ban on ZTE. During the incident, on May 23, 2017, the 35th meeting of the Leading Group for Comprehensively Deepening Reform of the Central Committee discussed the new problems faced by Chinese enterprises in compliance. The meeting pointed out: "To standardize the overseas business behavior of enterprises, we must focus on the construction of institutional mechanisms, highlight the problem orientation, implement corporate responsibilities, strictly enforce discipline according to law, make up for the shortcomings of the system, strengthen the construction of compliance system for overseas business behavior of enterprises, and gradually form a regulatory system and mechanism with clear rights and responsibilities, combining decentralization and regulation, standardizing and orderly, and effectively controlling risks, so as to better serve the overall situation of opening up to the outside world."

In response, the Supreme People's Procuratorate issued the "Notice on Fully Exerting the Function and Role of Building a Legal Environment to Protect the Legitimate Rights and Interests of Entrepreneurs and Supporting Entrepreneurs to Innovate and Start a Business" on December 4, 2017. According to the spirit of the Central Committee's meeting, relevant departments of the state, central and local state-owned enterprises and institutions also began to consider formulating compliance documents. The State-owned Assets Supervision and Administration Commission of the State Council issued the "Regulations on Compliance Management of Securities Companies", the "Guidelines for Compliance Management of Central Enterprises", and the "Guidelines for Compliance Management of Enterprises Overseas", and the "Guidelines for Compliance Management of Enterprises Overseas" issued by the State Administration for Market Regulation. The State Administration for Market Regulation issued the "Guidelines for Compliance Management of Enterprises Overseas", and the State Antimonopoly Commission issued the "Guidelines for Compliance Management of Operators". The State Administration for Market Regulation and the National Standardization Management Committee jointly issued the "GB/T35770-2022 Compliance Management System Requirements and Guidelines for Use", "ISO37301:2021 Compliance Management System Requirements and Guidelines for Use", and other documents. We can even say that 2018 is the first year for Chinese enterprises to strengthen compliance management.

The next key work of relevant departments and agencies is to implement the central spirit from the legal level, and then promote the compliance plan mechanism of private enterprises. Based on this consideration, in March 2020, the Supreme People's Procuratorate carried out the first phase of pilot work on compliance reform of enterprises involved in cases in six grassroots procuratorial organs in Pudong District and Jinshan District of Shanghai, Zhangjiagang City of Jiangsu Province, Tancheng County of Shandong Province, Nanshan District and Bao'an District of Shenzhen. For the suspected crimes of private enterprises, the prosecution
and prosecution organs will give them the opportunity to rectify compliance according to the provisions of the criminal law, and then make decisions not to approve arrest or not to prosecute according to the compliance rectification situation, or introduce the mechanism of pleading guilty and accepting punishment, and propose lenient sentencing recommendations. So far, the enterprise compliance mechanism has begun to take root in China.

In March 2021, the Supreme People's Procuratorate decided to expand the second round of pilot projects to 27 municipal procuratorates and 165 grassroots procuratorates in 10 provinces. The scope of the second phase of pilot projects involving corporate compliance reform was expanded to 10 provinces (municipalities directly under the central government), including Beijing, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Hubei, Hunan, and Guangdong. The provincial procuratorates determined 1-2 municipal procuratorates and their grassroots procuratorates as pilot units according to local conditions. On May 16, 2021, Zhang Jun, the then Procurator-General of the Supreme People's Procuratorate, said during the investigation of the pilot project of corporate compliance reform in Zhangjiagang City that "corporate compliance work can also be carried out according to law if it is not within the scope of the pilot project." On June 3, 2021, the Supreme People's Procuratorate, jointly with eight ministries and commissions, issued the Guiding Opinions on Establishing a Third-party Supervision and Evaluation Mechanism for Corporate Compliance Reform (Trial Implementation), officially promoting the establishment of a third-party supervision and evaluation mechanism for corporate compliance reform. On the morning of March 8, 2022, during the second plenary session of the 13th National People's Congress, Zhang Jun, the then Procurator-General of the Supreme People's Procuratorate, made a report on the work of the Supreme People's Procuratorate, pointing out that it is necessary to comprehensively implement the criminal justice policy of less arrest, cautious prosecution, and cautious detention, implement the leniency system for confessing and accepting punishment, better manage the source of litigation, provide equal judicial protection to various market entities such as state-owned enterprises, private enterprises, domestic and foreign-funded enterprises, large, medium, small, and micro enterprises, comprehensively carry out the pilot project of corporate compliance reform, and implement the third-party supervision and evaluation mechanism. On April 2, 2022, the pilot project of corporate compliance reform was comprehensively carried out in procuratorial organs across the country. So far, the rectification of corporate compliance has become one of the work contents of procuratorial organs across the country in prosecuting and prosecuting crimes, integrating with the mechanism of confession and acceptance of punishment and the criminal policy of less arrest, cautious prosecution, and cautious detention, and actively exploring the system of conditional non-prosecution for corporate crimes.

2.2 The current practice of corporate compliance in China's procuratorial organs

a. typical cases of enterprise compliance reform pilot

On June 3, 2021, the Supreme People's Procuratorate held a press conference on "Supervising the Compliance Management of Enterprises Involved in Cases in Accordance with the Law and Implementing Strict Management and Loving Care in Practice", and released typical cases of enterprise compliance reform pilot projects. From the content of the typical cases, the enterprise compliance rectification is carried out under the guidance of the procuratorial organs, and the effect of the rectification determines whether the procuratorial organs will prosecute the enterprise or relevant personnel, initiate the confession and punishment procedure, and propose relevant sentencing recommendations. The focus of the procuratorial organs' work to promote enterprise compliance rectification is not limited to anti-corruption, but extends to other fields such as taxation, environmental protection, and market order. Therefore, the scope of enterprise compliance rectification can cover various crimes involved in the specific provisions of the Criminal Law. However, there were also certain problems in the enterprise compliance rectification and criminal procedure activities at that time: (1) Whether to initiate
Compliance rectification is dominated and decided by the procuratorial organs. Then the impact of enterprise compliance rectification on criminal law activities is relatively limited. The scale and operating conditions of the enterprise have a considerable impact on whether the procuratorial organs initiate compliance rectification. Generally speaking, the enterprise involved should have a certain scale, have a certain influence in the local area, and be able to create significant economic value. Lawyers, whether in the capacity of criminal defense counsel or compliance consultant, have no obvious position and role in the enterprise compliance rectification led by the procuratorial organs, and lack obvious and powerful role and influence in the enterprise compliance rectification.

b. Second Batch of Typical Cases of Enterprise Compliance

On December 8, 2021, the Supreme People’s Procuratorate released the second batch of typical cases of corporate compliance. This batch of typical cases focuses on the application of third-party supervision and evaluation mechanisms, focusing on reflecting the compliance process of enterprises, the initiation and operation of third-party mechanisms, the effectiveness of compliance rectification, and the leading role of procuratorial organs. Compared with the first batch of typical cases of enterprise compliance, this batch of typical cases covers a wider range and has richer content, and the procuratorial organs have made greater strides in the compliance rectification work of the involved enterprises. From the perspective of the occurrence mode of compliance, there are initiatives initiated by the procuratorial organs, as well as approval initiated by the prosecution after the application of enterprises; From the perspective of enterprise entities, there are both large enterprises and small and micro enterprises; From the scope of charges, from economic crimes to crimes against public safety, all corporate crimes and unit crimes can be rectified by enterprises; From a regional perspective, cross-regional cooperation has been quite effective, and non pilot areas have also begun to explore corporate compliance rectification; From a mechanistic perspective, corporate compliance has fully utilized third-party supervision and evaluation mechanisms and conducted extensive cooperation among multiple departments, and has applied the hearing and follow-up supervision system to compliance work; From the perspective of effectiveness, compliant non prosecution or recommended probation has been achieved; From the perspective of work situation, corporate compliance rectification and prosecution work can be carried out simultaneously, and the two are not contradictory, and the end of criminal proceedings does not naturally mean the end of corporate compliance rectification. It should be pointed out that compared to the first batch of pilot typical cases, the status and role of lawyers have begun to be valued and increasingly prominent, while the third-party supervision and evaluation mechanism and hearing system have institutionalized and normalized the participation of lawyers in corporate compliance rectification.

c. Typical Compliance Cases of the Third Batch of Enterprises Involved in the Case

On July 21, 2022, the Supreme People’s Procuratorate released the third batch of typical compliance cases of enterprises involved in the case. This is also the first time that the Supreme People’s Procuratorate has released a typical case of compliance reform for enterprises involved in the case after deciding and deploying to comprehensively promote the pilot work of compliance reform for enterprises involved nationwide. Compared to the previous two cases with exploratory nature, although there are only five typical cases of corporate compliance in this release, it fully demonstrates that the procuratorial organs have become mature and experienced in handling corporate compliance rectification cases. They have fully combined the accumulated experience and institutionalized exploration content with new cases, and even combined with public interest litigation, and conducted more extensive exploration.

d. Typical Compliance Cases of the Fourth Batch of Enterprises Involved in the Case

On January 16, 2023, the Supreme People’s Procuratorate released the fourth batch of typical compliance cases of enterprises involved in the case. Although the number is not large, the typical cases
released this time reflect the mature experience and skilled practices of the procuratorial organs in handling cases involving corporate compliance rectification procedures. From a time perspective, the typical cases released this time are mainly from 2022, but there are also cases during 2021. According to the instructions from the publishing unit, this release also fully considers the compliance characteristics of different types of enterprises such as large, medium, small, and micro enterprises, as well as Sino foreign joint ventures and foreign investment. Judging from the results, the procuratorial organ has made a decision not to prosecute the relevant companies and suspect.

3 The Characteristics of Prosecutorial Practice in Enterprise Compliance and Its Impact on Prosecutorial Work

3.1 Characteristics of corporate compliance rectification related to criminal prosecution and prosecution

By January 2023, the Supreme People's Procuratorate had released four batches of typical cases of corporate compliance rectification involving enterprises, and the construction of corporate compliance mechanisms was in full swing under the full impetus of the national procuratorial organs. Analyzing the typical cases can reveal the basic points of corporate compliance rectification promoted by the procuratorial organs. First, the reform of enterprise compliance has been pushed from the level of state-owned enterprises to that of private enterprises. The Supreme People's Procuratorate launched a pilot program for enterprise compliance reform in March 2021, which means that the enterprise compliance mechanism has begun to move from the institutional construction of central enterprises to private enterprises, and is no longer the exclusive content of the institutional construction of state-owned enterprises. In 2017, ZTE Corporation and the China National Institute of Standardization jointly developed and published the "Compliance Management System Guidelines" (GB/T 35770-2017) on December 29th of that year, which was implemented on July 1st, 2018. However, it is regrettable that the guidelines have not been widely and comprehensively accepted and adopted by domestic enterprises. Although domestic enterprises attach great importance to compliance construction, state-owned enterprises (central enterprises) seem to have made more significant progress in this regard. On November 2nd, 2018, the State-owned Assets Supervision and Administration Commission of the State Council issued the "Guidelines for Compliance Management of Central Enterprises (Trial Implementation)". As for the construction of enterprise compliance mechanisms in private enterprises, it is still relatively vacant from the perspective of the economic field. This is because private enterprises themselves have weak motivation for compliance and lack strong external promotion. The well-known domestic enterprise "JD.com" once led a joint effort with many domestic enterprises to establish the "Sunshine Integrity Alliance" in February 2017, which is committed to anti-corruption activities both inside and outside the enterprise. However, on the one hand, this activity is limited to anti-corruption issues, and on the other hand, it does not directly focus on the enterprise compliance plan mechanism. The pilot work of the Supreme People's Procuratorate on enterprise compliance reform has pushed enterprise compliance from the level of state-owned enterprise institutional construction to that of private enterprise, and due to the criminal law circumstances of the involved private enterprise, it is considered leniently in the prosecution and prosecution according to the criminal policy of tempering justice with mercy and the national policy of protecting private enterprises, which motivates the involved enterprise to carry out the rectification work. Second, the focus of corporate compliance should be placed on private enterprises. From the perspective of its origin, corporate compliance is targeted at private enterprises. The position of private enterprises in the national economic development is self-evident. State-owned enterprises are related to the stability of the national economy and even the stability of the regime, but private enterprises are directly related to the survival and development of the people, and the fundamental
issue of enriching the country and strengthening the people. Therefore, giving potential private enterprises the opportunity to rectify compliance and leniently handling them in criminal prosecution can prevent them from suffering from an overwhelming disaster due to illegal activities. Through adjustment and reform, enterprises can obtain new development opportunities and improve their operation mechanism, thus ensuring the sustainable development of the national economy. The companies involved in these four typical cases are all private enterprises or foreign-funded enterprises in the nature of private ownership. Although their industries and scales vary, they undoubtedly have good development prospects. Whether it is in the process of criminal litigation or after the end of the litigation, the typical cases have basically achieved this goal.

Thirdly, the enterprise compliance rectification fully integrates the criminal law and procuratorial work mechanism. The procuratorial organs have the power to make procuratorial suggestions, and the content of the procuratorial suggestions is clearly targeted. The targeted units are obliged to take measures to improve the work mechanism in certain aspects based on the procuratorial suggestions. From typical cases, the enterprise compliance rectification is mainly initiated by the procuratorial organs in the form of procuratorial suggestions, and the procuratorial organs are in a leading position. The procuratorial organs combine the confession and punishment, non-prosecution, and lenient sentencing suggestions, and focus on the implementation of the criminal policy of combining punishment with mercy and the policy of reducing arrests, cautious prosecution, and cautious detention. They carry out the compliance rectification by exercising the right of prosecution. And the hearing, the compliance rectification return visit supervision and other methods make the enterprise must earnestly rectify and accept the supervision of the society, which enhances the credibility of the procuratorial organs’ enterprise compliance reform pilot. From the last three batches of enterprise compliance reform pilot work, the procuratorial organs began to attach importance to the role of third-party organizations, because the tracking, evaluation, return visit, supervision and other work are relatively trivial and may exceed the scope of procuratorial prosecution power.

Fourth, we have explored a replicable operating mechanism in the reform of corporate compliance. From the procuratorial suggestions for compliance rectification or compliance rectification notification, the commitment of corporate compliance rectification, the formulation of corporate compliance plan, to the assessment of the compliance rectification status of professional departments or personnel, and the hearing of corporate compliance rectification, the corporate compliance system has formed a stable and orderly workflow. In this process, the procuratorial organs effectively guide the work based on their leading position, enabling enterprises to effectively rectify and participate in third-party professional assessment, expert hearing, and social awareness, thus achieving effective results in the pilot work of corporate compliance reform. According to different local conditions, local procuratorial organs also flexibly integrate other working mechanisms, such as collaboration between procuratorial organs in different places, and the connection between criminal processing and administrative punishment.

Fifth, there are still deficiencies and doubts in the pilot program of corporate compliance reform led by the procuratorial organs. For example, in the criminal proceedings for corporate compliance rectification, how can the procuratorial organs consider and arrange time without breaking or changing the provisions during the litigation period? Who will evaluate and accept the self-compliance of the enterprise, and can it be considered as a leniency measure when submitted to the procuratorial organs in case of involvement? Will the non-involved enterprises carry out the construction of corporate compliance plan and how? Who will be responsible for and promote it? Is the pilot program of corporate compliance reform limited to misdemeanors and statutory leniency circumstances, which will limit the scope of corporate compliance rectification? What exactly are the circumstances in which the construction of corporate compliance plan does not affect the scope of criminal
prosecution and sentencing charges and circumstances? For the enterprises that have conducted compliance rectification and compliance plan construction, can we consider the possibility of delaying prosecution or conditional non-prosecution, and what should be done to break through the limitations of the existing criminal law? These problems need to be solved.

3.2 Prosecution mechanism for compliance rectification of enterprises involved in the case

As mentioned earlier, the Supreme People's Procuratorate has promoted the institutionalized development of compliance programs for private enterprises nationwide through pilot projects for compliance reform involving enterprises. From typical cases, we can see that the current institutionalized process of private enterprise compliance, led by procuratorial organs, includes the following elements:

First, the investigation of the enterprise's situation by the procuratorial organs. Whether to actively initiate the rectification of corporate compliance is based on the understanding of the enterprise's situation. The investigation conducted by the procuratorial organs mainly includes the industry the enterprise belongs to, tax status, number and quality of employees, products, service categories, economic contribution, criminal record, professional skills, rules and regulations, institutional reasons for the occurrence of crimes, etc. The investigation of the procuratorial organs is mainly targeted at the enterprise itself. If necessary, it can visit other relevant competent departments or have a discussion with the main customers of the enterprise.

Second, the procuratorial organs' procuratorial suggestions or compliance rectification notifications. This key step of proposing targeted and specific suggestions or rectification requirements for problems based on the key points of the enterprise's involvement in the case means that the procuratorial organs have officially initiated the compliance rectification of the enterprise. The investigation of the enterprise does not mean the beginning of the compliance rectification of the enterprise. The transfer of the case to the procuratorial organs does not necessarily mean that the procuratorial organs have initiated the compliance rectification of the enterprise. Because the compliance rectification of the enterprise is not a mandatory requirement stipulated by law, even if the enterprise voluntarily surrenders or is willing to plead guilty and accept punishment, it will not necessarily be connected with the compliance rectification of the enterprise. Therefore, the initiation of the compliance rectification of the enterprise cannot solely rely on the procuratorial organs. The involved enterprise or personnel and their defenders should have the awareness of compliance rectification. Even if the procuratorial organs do not consider or initiate the compliance rectification of the enterprise, the enterprise, senior executives, and the defense lawyers of the involved parties can actively apply for the compliance rectification of the enterprise. For example, at the end of 2021, the Haidian District People's Procuratorate handled five criminal cases of falsely issuing VAT special invoices. The procuratorial organ initiated the examination of the necessity of detention under the condition that the involved enterprise voluntarily made a commitment to comply with the rectification. After the criminal proceedings were initiated, the enterprise or the enterprise where the involved personnel is located can consider the issue of compliance rectification, and then gain an advantage in the examination of the necessity of detention and the prosecution. Of course, the procuratorial suggestions or notifications at the stage of prosecution are common, but the procuratorial organs still have the power to issue procuratorial suggestions after the case is prosecuted to the court or the judgment takes effect.

Third, the compliance rectification of the involved enterprises. Regardless of whether the involved enterprise is the prosecuted party, its compliance rectification will be related to the handling of the prosecuted person. Therefore, the involved enterprise will attach great importance to the compliance rectification work, which is the center and focus of the entire enterprise compliance reform pilot work. From the perspective of typical cases, the involved enterprise will focus on the procuratorial suggestions or the notice of compliance rectification. The involved enterprise first submits a compliance rectification commitment letter to the procuratorial organ, indicating
its attention to and acceptance of the content proposed by
the procuratorial organ and its willingness to carry out the
compliance rectification. There are two specific ways for
the enterprise to carry out the compliance rectification:
one is to hire a lawyer to investigate risks, formulate
plans, and establish a compliance mechanism for the
enterprise; the other is to organize its own forces to carry
out risk investigation, hire tax and other professional
personnel to set up a compliance review mechanism,
and set up an internal compliance special agency. From
a time perspective, it takes at least three months for
the enterprise to carry out the compliance rectification.
The procuratorial organ is in a tight schedule and needs
to complete the return visit and examination of the
compliance rectification of the involved enterprise within
the time limit for examination and prosecution, as well as
hold relevant hearings.

Fourth, the inspection and supervision of third-
party organizations. The first batch of typical cases did
not involve much third-party supervision. The pilot
reform of corporate compliance has just begun, and the
implementation of this system still relies on the core
driving role of procuratorial organs. After the Supreme
People's Procuratorate realized the comprehensiveness
and professionalism of the corporate compliance reform
work, it considered the issue of involving third parties
in the organization of supervision and evaluation. The
release of the second batch of typical cases greatly
expanded the content and implementation methods
of corporate compliance rectification work, most of
which are applicable to the third-party supervision and
evaluation mechanism. The third-party supervision and
evaluation mechanism has made the pilot reform of
corporate compliance promoted by the Supreme People's
Procuratorate more open. The third-party supervision
and evaluation organization is planned and established
by the procuratorial organs, and the procuratorial organs
participate in the work of the organization. Although
the organization should conduct risk inspections and
system reviews on the situation of enterprises according
to the opinions of the procuratorial organs, propose
rectification plans and time plans, and enable enterprises
to gradually advance according to this plan, it still works
independently. More importantly, the work of the third-
party organization integrates legal and related professional
fields (such as taxation, industry and commerce,
intellectual property, science and technology, customs,
and production safety), and absorbs professionals to
ensure the pertinence and practicality of corporate
compliance rectification. Some procuratorial organs
have also designed the so-called "flying supervision"
method to conduct macro-monitoring of the work of the third-
party organization. At the same time, the third-
party organization's promotion or evaluation of corporate
compliance, or regular participatory evaluation, or
limited-time return visits, enables enterprises to adjust
and improve their corporate compliance mechanisms
according to the situation.

Fifth, the procuratorial organs' hearings. The choice of
holding hearings in the first batch of cases is contingent,
while in later batches of cases, holding hearings becomes
a must. Procuratorial organs in various regions adopt
different convening forms for hearings, which generally
include the following categories: first, legal expert type,
which means that experts in the legal field are convened
as hearing officers to evaluate the compliance and
rectification of enterprises, and grasp the relationship
between the compliance and rectification of enterprises
and the non-prosecution or probation recommendation
of the case; second, legal personnel type, which means
that representatives of people's supervisors, investigation
organs, and other procuratorial organs are invited to hold
public hearings; third, all-round person type, which means
that procuratorial organs invite representatives of people's congresses, CPPCC members, people's supervisors,
relevant administrative departments, and the All-China
Federation of Industry and Commerce to hold hearings.
In the above-mentioned hearings, whether third-party
organizations participate in the hearing is not fixed. Some
procuratorial organs will convene members of them to
participate; some procuratorial organs will also invite
people's supervisors to participate, but the supervisors
do not have the identity of hearing officers; some local
procuratorial organs will also invite lawyers to participate
in the hearing. The hearing is the final step of the pilot work of compliance reform for the involved enterprises. It is not only a procedural tool to confirm the specific situation and effect of the compliance and rectification of enterprises, and to disclose the process and conclusion of the pilot work of compliance reform to the society, but also basically indicates the end of the rectification activity.

4 Legal experience in corporate compliance inspection practice

4.1 Procuratorial organs' corporate compliance procuratorial suggestions

The procuratorial organs issuing compliance inspection recommendations to enterprises is the premise and foundation for the enterprises involved to start compliance rectification. In some cases, the "Notice of Compliance Rectification" issued by the procuratorial organs to the enterprise is the same in nature as the compliance inspection recommendations. Compliance inspection recommendations are an important part of the prosecution mechanism for the compliance rectification of the enterprises involved, and the realization of its function requires the following points to be grasped:

First, targeting the enterprise or industry involved. Regardless of whether the enterprise involved has established a unit crime, it indicates that there are potential risks of illegal and criminal activities in the enterprise or industry. The emergence of these risk points is closely related to the work procedures, process control, and risk prevention and control mechanisms of the enterprise or industry. It indicates that the enterprise, in pursuit of economic interests, ignores or indulges the emergence of illegal and criminal risk points and even the realization of risks. For example, some enterprises adopt a turn a blind eye attitude towards employees bribing unit personnel to complete business deals; some industry associations also ignore the phenomenon of false invoicing or concealed and under-reported goods clearance in their industry. Therefore, the occurrence of related crimes in the enterprise or industry involved is not accidental. From the perspective of prevention and control, the enterprise or industry involved will only face up to the problem when there is a crime that affects the enterprise or industry. Therefore, proposing procuratorial suggestions for the enterprise or industry involved is the performance of the procuratorial organ's duty of legal supervision.

Second, we should seize the opportunity of corporate compliance rectification. When to issue procuratorial suggestions for corporate compliance rectification is determined by the procuratorial organ handling the specific case. Judging from typical cases and the experience of current local enterprises' compliance reform pilots, most of the prosecutions against enterprises or their employees are initiated before the prosecution, and then the suspect or defendant will be detained or not prosecuted according to the rectification situation; For cases involving the overall industry situation or the difficulty of rectification of the scale of the enterprise, the procuratorate will make procuratorial suggestions after the court has made an effective judgment. From the perspective of binding force, the pre-prosecution corporate compliance inspection recommendations are relatively rigid, but it does not mean that the post-prosecution recommendations are not binding. It is only that the procuratorial organs may have to resort to the administrative law enforcement power of the administrative organs to impose administrative penalties on enterprises with illegal and criminal situations, ineffective corporate rectification, and poor compliance plans.

Third, identify the risk points of illegal and criminal activities. Pursuing economic interests is the essence of the survival of enterprises or employees, but corporate activities that violate national order and endanger public interests are detrimental to economic development and industry progress. Therefore, the state must impose legal constraints and regulatory adjustments on the behavior of enterprises or their employees. Unlike the investigation and judicial organs, the procuratorial organs can not only regulate suspected crimes by exercising the power of prosecution and prosecution, but also clarify the specific manifestations and causes of illegal and criminal activities by exercising the power of legal supervision, and guide the perpetrators to correct and improve their illegal and criminal activities. The circumstances of the charges
in handling cases can be divided into two categories: one is related to the operation and management system of enterprises, such as the crime of false declaration of registered capital, the crime of bribing the personnel of the company or enterprise, the crime of infringing on citizens’ personal information, the crime of tax evasion, and the crime of job occupation; the other is related to specific technical crimes related to the business scope and industry of the enterprise, such as the crime of smuggling precious metals, the crime of infringing copyright, the crime of polluting the environment, and the crime of illegal mining. For the two different types of crimes, the procuratorial organs have different focuses when proposing procuratorial suggestions. The former should be more integrated with company law, modern enterprise system, corporate governance structure, and modern legal system, emphasizing the rule of law in managing enterprises; the latter should be more in communication with the competent department of the specific industry, and if necessary, the participation and guidance of specialized technicians should be introduced.

Fourth, the direction of compliance rectification for enterprises should be specified. For the enterprises or industries involved, the procuratorial suggestions should not only explain where the rectification is needed, but also how to rectify and to what extent. The purpose of the compliance rectification for enterprises is to prevent the occurrence of illegal and criminal activities in the future. The compliance rectification for enterprises should aim to avoid the occurrence of illegal and criminal activities, and criminal punishment should not be a necessary cost for enterprise development and profit. Therefore, the procuratorial organs should not only point out the risks of illegal and criminal activities, the loopholes in the system and working mechanism, but also analyze the ideas and paths of rectification, so that enterprises can clarify the specific direction of rectification. Therefore, the procuratorial suggestions for enterprise compliance should be feasible, targeted and operable.\(^\text{[6]}\)

Fifth, pay attention to and feedback the effectiveness of corporate compliance rectification. The procuratorial organs recommend that the involved enterprises carry out compliance rectification, with the sustainable development of enterprises as the starting point. Therefore, the effectiveness of compliance rectification should be beneficial to the enterprises. From the current practice, the procuratorial organs have two modes of evaluating the effectiveness of corporate compliance rectification: one is the procuratorial organs’ self-assessment and acceptance. This situation is mostly used by the procuratorial organs for the compliance rectification activities of small and micro enterprises, such as the "Case of providing false certification documents by Jiangsu F company, Yan X, Wang X" in the third batch of typical cases. The procuratorial organs review the compliance plan and rectification report submitted by them, lead the compliance supervision and acceptance evaluation, and finally select experts, scholars, administrative competent organs, and representatives of the investigation organs to form an evaluation team. At the same time, they organize a public hearing to evaluate and accept the compliance rectification. The second is that the procuratorial organs invite professionals to form a third-party organization to guide, evaluate and accept the corporate compliance rectification. At present, the non-prosecution of corporate compliance rectification mainly applies to medium and large-scale enterprises, or small and medium-sized enterprises with a large scale in the local area, which can solve a considerable number of employment and contribute a considerable amount of profits and taxes.

### 4.2 Specific compliance rectification activities of the enterprise involved

The effect of compliance rectification is fundamentally beneficial to the development of enterprises, the acquisition of profits, and the establishment of legal order. In China, the practice of corporate compliance has its own characteristics and nature, and has accumulated and gained experience that is different from other countries or regions.

First, from the initial compliance rectification conducted by enterprises alone to the later model of promoting compliance rectification with the enterprises as the main force and multiple parties jointly promoting it. The Supreme People's Procuratorate issued the "Typical
Cases of Enterprise Compliance Reform Pilot" on June 3, 2021, which has a strong exploratory significance. Among them, the procuratorial organs are more in the position of promoting in advance and supervising afterwards, and the enterprises organize personnel and forces to carry out rectification activities based on the compliance inspection or suggestions of the procuratorial organs. In the rectification process, the enterprises adjust their internal management structure and departments, establish compliance rules and regulations, train and educate personnel of relevant departments and positions, and even set up special compliance personnel. Then they submit a summary report to the procuratorial organs, which organize personnel to conduct a hearing and decide whether to initiate a prosecution based on the results of the hearing. However, later on, the Supreme People's Procuratorate issued typical cases of enterprise compliance involving cases. Among the three batches of typical cases of enterprise compliance involving cases, the procuratorial organs strictly examine whether the enterprises meet the conditions for compliance rectification. However, compliance rectification does not entirely rely on the enterprises themselves, but rather organizes personnel to establish a third-party supervision and evaluation organization according to the "Guiding Opinions on Establishing a Third-party Supervision and Evaluation Mechanism for Enterprise Compliance Involving Cases (Trial Implementation)". The third-party organization examines and determines the institutional reasons for corporate crimes and the key content of compliance rectification, and submits them to the enterprises for specific rectification activities. The rectification activities of the enterprises are subject to supervision and spot checks by the third-party organization throughout the process, so that adjustments and changes can be made at any time. After the rectification is accepted, a report is submitted to the third-party organization for evaluation. The third party will submit the evaluation results to the procuratorial organs. Therefore, it can be seen that the enterprise compliance rectification and mechanism construction reflect the characteristics of multi-party participation and strength concentration in later typical cases.

Secondly, enterprises have the characteristics of subjectivity and initiative in compliance rectification. Both the early pilot activities of compliance rectification for enterprises involved in criminal cases and the later typical cases of compliance rectification for enterprises involved in criminal cases under more mature models have reflected the subjectivity of enterprises. The compliance rectification activities for enterprises mainly involve the assessment of illegal risk points related to crimes, specialized compliance rectification institutions, compliance personnel, compliance work mechanisms that fit the company's business, compliance reporting paths for illegal crimes, and law-abiding training for all employees or specific positions. In some cases, it is necessary to comprehensively adjust the enterprise's articles of association, management model, and responsibilities of specific personnel. Although this process is subject to the inspection of the procuratorial organ or the supervision of the third party organization at any time, the characteristics of enterprises as the main body cannot be denied, and thus the initiative of enterprises is an important aspect of compliance rectification for enterprises.

Thirdly, enterprises should carry out targeted compliance rectification activities and form long-term working mechanisms based on their business scope and fields. For the procuratorial organs, identifying the problem is the key to indicating the direction and path for the compliance rectification of enterprises. This requires the enterprises to cooperate and support the work of the procuratorial organs. For example, in the third batch of typical cases, the "Wang Leakage of Insider Information and Jin Insider Trading Case" reflects the positive attitude of the involved companies. "Company K has formulated a special compliance plan for information confidentiality covering organizational system, confidential objects, system reconstruction, operation guarantee, consciousness culture, and subject extension, and hired a professional compliance team to guide the company to complete it item by item. It standardized the allocation of operational decision-making power, established a systematic information confidentiality management and evaluation
system, and set up a new compliance management responsibility department. It organized special training for internal employees, related companies, and industrial park enterprises." As for typical cases, the procuratorial organs have made decisions not to prosecute the involved enterprises, because through investigation and evaluation, it can be seen that the enterprises have established relatively effective compliance mechanisms, which can prevent the recurrence of the same or similar illegal crimes from the source. Some procuratorial organs have also established a return visit mechanism or post-assessment mechanism, which can conduct random inspections and return visits at any time during the operation of the enterprises after the rectification, so that the compliance mechanism of the enterprises can play a practical role, thus better preventing the occurrence of illegal crimes. For enterprises, through the compliance rectification, they have established a practical and effective compliance mechanism, which has made up for the defects of enterprises that are prone to illegal crimes in the mechanism, and is conducive to the sustainable development and continuous profitability of enterprises in the future.

5 Epilogue

The acceptance and development of compliance in other countries or regions in the world has undergone a relatively long process. Germany's contact and discussion of compliance issues in criminal law began after the Siemens corruption incident was made public in 2006. However, Germany tends to assign legal obligations to employees of enterprises in criminal law, confirming the existence of violations of obligations.\textsuperscript{[2]} Therefore, German criminal law theory more often considers compliance as a factor of illegality, and studies compliance plans and compliance obligations under the criminal law. The study of compliance issues in Japanese criminal law theory also starts from the perspective of defining the obligations of a subject in criminal substantive law, discussing the legal obligations of enterprises, the obligations of the chairman to build an internal governance system, and the mitigation of criminal responsibility for enterprises.\textsuperscript{[11]} Although China has been in contact with compliance issues since the 1990s, research on criminal law has just begun, and the research path is influenced by the different doctrines of German and Japanese criminal law and the empirical social jurisprudence of the United Kingdom and the United States. China has recently responded positively to compliance programs and formulated normative documents or guiding opinions related to compliance. Therefore, although the compliance system originated in the United States and is widely applied, it has also had a profound impact on the corporate systems of other countries or regions in the world. Looking at the compliance program in this context, we can discover its positive significance in preventing corporate crime, which enables us to consider how to effectively prevent corporate crime.

First, through the understanding of compliance, a balance between maintaining economic vitality and severely punishing corporate crime can be achieved, thus establishing a specific criminal policy for corporate criminal activities. Some commentators have pointed out that the connotation of compliance programs is consistent with the current criminal policy of combining punishment with leniency in China, which emphasizes the side of light punishment and heavy punishment, and implements "heavy punishment but light punishment" for corporate crimes.\textsuperscript{[4]} The author believes that corporate crimes have various manifestations in terms of harmfulness, and that the types of crimes committed by enterprises should be classified according to the harmfulness, and whether to impose punitive measures on the criminal enterprises should be determined accordingly. If the enterprise is purely pursuing economic interests and committing illegal and criminal acts, property punishment should be imposed on the enterprise and its employees, and even necessary leniency can be given in terms of property punishment based on the compliance plan. If the enterprise is willing to sacrifice public safety (such as firearms, ammunition, explosives crimes), social order (such as drug crimes) for the pursuit of economic interests, such enterprises and their employees should be severely punished within the statutory range, even without considering their compliance
plan and implementation, and without considering the existence and operation of the enterprise.

Second, based on the concept of compliance, we should seek ways to prevent crime from the perspective of the causes of crime. Regarding corporate and other organizational crimes, there have been theoretical terms such as corporate crime, white-collar crime, corporate crime, or unit crime, but simply summarizing the types of crimes by subject obscures the causes of crime. Perhaps these concepts have certain rationality and adaptability in the early stages of market economic development, but as the market economy matures and market competition intensifies, these concepts cannot reveal why enterprises commit crimes and why they cannot control crimes. From the perspective of compliance crimes, in the context of market economy itself emphasizing the rule of law, enterprises committing crimes without or lacking the constraints of compliance plans undoubtedly deviate from the rule of law and undermine order. However, simply imposing punishment after the fact is unlikely to have sufficient positive impact on corporate compliance. On the contrary, when enterprises are subject to criminal prosecution, rewarding them legally gives them more opportunities and incentives to consider compliance issues in their operations. Therefore, compliance plans take into account the specific aspects of enterprise operations, implement crime prevention work at daily time points, clarify the division principle of criminal responsibility between enterprises and employees, and give the initiative of crime prevention to enterprises. Therefore, even if they are punished, the countries or regions where third-party enterprises are located do not always refuse to comply with the compliance system implemented by the United States on the grounds of hegemonism. In this regard, Germany, Japan, Italy, the European Union, and the United Kingdom are at the forefront of the world and have relatively mature legislative examples and judicial practices.

Third, we should promote the importance of compliance plans for enterprises, effectively implement compliance plans, and comprehensively prevent enterprises and their employees from committing harmful acts. Punishment is not the goal. The handling of specific crimes involving compliance can achieve the effect of special prevention on the one hand, and it is also a process of general prevention on the other hand. Instead of punishing the enterprises involved, from the perspective of judicial practice in the United States, the enterprises involved still need to establish or improve their compliance plans after being punished, and even the government will send compliance officers to the enterprises to carry out rectification of law-abiding behavior until it meets the requirements of the government. After the rectification, the enterprises involved have strengthened the transformation effectiveness of the compliance plan, which can produce demonstration and collateral effects, thus forming a good atmosphere of corporate compliance, which also achieves the effect of general prevention. However, due to the impossibility of the state or government to impose the influence of compliance plans on non-involved enterprises, the evaluation of the general effect is still relatively difficult. In the absence of involvement, enterprises rarely consider constructing compliance mechanisms, as it requires a relatively large economic investment and slow return. Even in the United States, compliance mechanisms are not accepted and practiced by all enterprises. At present, China has also formulated compliance guidelines at the national level, requiring state-owned enterprises, while compliance plans for private enterprises are still in the stage of publicity, with more attention from the legal profession and the theoretical circle of criminal law, and vigorous promotion and research work. Regarding the standardization of compliance plans in China's criminal law, many scholars have analyzed it. Some commentators further combined it with the current system of pleading guilty and accepting punishment in China's judicial practice, arguing that the compliance plan has the function of defending against crimes and serving as a reason for the exclusion of illegality. In my opinion, it is necessary to regard compliance programs as an important measure to promote the development of China's market economy system and the progress of modern enterprise system, to adapt to the market competition and the requirements of the rule of
law in the era of globalization, and to concretize them in China's company laws and regulations, which can better play a universal role in preventing crime.

Reference


