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Conducting Effective Third-Party Due Diligence

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- Under the U.S. FCPA, the U.K. Bribery Act, and many other local anti-corruption laws, a company may be held liable not only for the corrupt actions of its employees, but also a third party's actions when that third party acts on its behalf
- Many of the major corruption cases that have arisen in the pharma and device sectors have involved the use of local third party distributors, agents, consultants or advisers

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- Companies can be held liable for the acts of third parties when they have:
 - actual knowledge of the corrupt acts;
 - suspicion that a bribe is likely to be paid; or
 - trying to avoid knowledge that a bribe will be paid.
- Due Diligence protects, “I really didn’t know or didn’t have reason to know....”



Steps for Effective Third-Party Due Diligence

- Step 1: Evaluate the nature of the risk by type of third party
- Step 2: Fill in a questionnaire and verify the answers
- Step 3: Identify red flags
- Step 4: Mitigate red flags