

# THE 2022 MONACO MEMORANDUM: CHANGES TO DOJ CORPORATE ENFORCEMENT POLICY



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The DOJ recently announced a series of revisions to its policies addressing how prosecutors evaluate and treat, and resolve cases against, corporate defendants in criminal matters. The policy updates are an effort to provide greater transparency and predictability for corporate defendants to incentivize self-disclosures and cooperation. The updates also highlight DOJ’s continued emphasis on bringing cases against executives — and the expectation that companies help DOJ to do so. The Department-wide changes come at a time when DOJ’s Antitrust Division has been particularly active. This article summarizes core aspects of the Antitrust Division’s Leniency Program, while also outlining key Department-wide updates. Among other changes, those Department-wide policy revisions: (i) enhance uniformity across the Department concerning voluntary disclosures; (ii) establish standards to incentivize faster disclosures regarding culpable individuals; (iii) provide clearer standards for how prosecutors will assess prior corporate misconduct, whether criminal or civil; (iv) afford greater transparency regarding the use and selection of compliance monitors; and (v) include new guidance for how DOJ will assess corporate compliance programs. This article also examines the interplay between the Department-wide policy updates, which emphasize individual culpability, and the Antitrust Division’s immunity policies as to executives under its three decades-old Leniency Program. The article concludes with recommendations for the business community.

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In September 2022, Deputy Attorney General (“DAG”) Lisa Monaco announced a series of revisions to the Department of Justice’s (the “Department” or “DOJ”) policies addressing how federal prosecutors will evaluate and treat corporate defendants.<sup>2</sup> In tandem with that policy announcement, the Department published a memorandum setting out the new policies in further detail (the “Monaco Memorandum”).<sup>3</sup> The September 2022 announcement and related Monaco Memorandum build upon and clarify policies DAG Monaco initially announced approximately one year earlier.<sup>4</sup>

Incorporating feedback from the Corporate Crime Advisory Group, the September 2022 announcements underscore this Justice Department’s stated focus on corporate crime enforcement, and generally reflect a concerted effort to provide transparency and predictability for corporate defendants considering self-disclosures.<sup>5</sup> The revisions also highlight a stated commitment to the pursuit of charges against culpable individuals — and not merely the companies for whom they work.

These changes come at a time when DOJ’s Antitrust Division (“Antitrust Division” or “Division”) is, as Assistant Attorney General Jonathan Kanter (“AAG Kanter”) has described, “firing on all cylinders.” Both before and after DAG Monaco’s September 2022 announcements, AAG Kanter has touted the Division’s increased enforcement activity as of late. Specifically, the Antitrust Division has been litigating more than ever and pursuing criminal charges at a rate not seen since the 1980s.<sup>6</sup> Even then, according to AAG Kanter, the Division “[is] just getting started.”<sup>7</sup>

With such an active Antitrust Division, and the new Department-wide changes to corporate enforcement policies, it is important for practitioners and compliance professionals to shift resources into the antitrust space while also staying on top of what to expect for companies that find themselves in the Division’s crosshairs. This article summarizes core aspects of the Antitrust Division’s Leniency Program and summarizes particularly relevant updates to DOJ corporate enforcement policy. We also consider how the new mandates may affect the Division and what the business community can do to prepare.

## I. BACKGROUND ON THE ANTITRUST DIVISION’S LENIENCY PROGRAM FOR SELF-DISCLOSURES

For decades, the Division has maintained a Leniency Program under which “[c]orporations and individuals who report their cartel activity and cooperate in the Division’s investigation of the cartel can avoid criminal conviction, fines, and prison sentences if they meet the requirements of the program.”<sup>8</sup> AAG Kanter views the program as “one of the [D]ivision’s most important enforcement tools for rooting out cartels because it incentivizes corporations involved in wrongdoing to do the right thing by self-reporting.”<sup>9</sup>

The Division’s Leniency Program, which applies to criminal conspiracy cases involving violations of Section 1 or 3(a) of the Sherman Antitrust Act, provides for two different levels of corporate leniency: Type A and Type B.<sup>10</sup> Type A leniency “is available before the Division has

2 Lisa O. Monaco, Deputy Att’y Gen., U.S. Dep’t of Justice, Remarks on Corporate Criminal Enforcement (Sept. 15, 2022), <https://www.justice.gov/opa/speech/deputy-attorney-general-lisa-o-monaco-delivers-remarks-corporate-criminal-enforcement>.

3 Memorandum from Deputy Attorney General Lisa O. Monaco, Dep’t of Justice, “Further Revisions to Corporate Criminal Enforcement Policies Following Discussions with Corporate Crime Advisory Group” (Sept. 15, 2022), <https://www.justice.gov/opa/speech/file/1535301/download>.

4 Memorandum from Deputy Attorney General Lisa O. Monaco, Dep’t of Justice, “Corporate Crime Advisory Group and Initial Revisions to Corporate Criminal Enforcement Policies” (Oct. 28, 2021), [https://www.justice.gov/d9/pages/attachments/2021/10/28/2021.10.28\\_dag\\_memo\\_re\\_corporate\\_enforcement.pdf](https://www.justice.gov/d9/pages/attachments/2021/10/28/2021.10.28_dag_memo_re_corporate_enforcement.pdf).

5 DAG Monaco announced the formation of the Corporate Crime Advisory Group in her October 2021 remarks. *Id.* at 2. Corporate Crime Advisory Group members included leaders and experienced prosecutors from all Department components that handle corporate criminal matters, including the Antitrust Division. Monaco, *supra* note 3, at 1 n.1

6 Jonathan Kanter, Assistant Att’y Gen., U.S. Dep’t of Justice, Antitrust Div., Virtual Remarks for the 2022 International Bar Association Competition Conference (Sept. 10, 2022), <https://www.justice.gov/opa/speech/assistant-attorney-general-jonathan-kanter-antitrust-division-delivers-virtual-remarks> (“[W]e have indicted 20 criminal cases since November, more than any time since the 1980s. We ended FY 2021 with 146 pending grand jury investigations, the most in 30 years.”); Jonathan Kanter, Assistant Att’y Gen., U.S. Dep’t of Justice, Antitrust Div., “Assistant Attorney General Jonathan Kanter Recognizes Antitrust Division Employees and Others at Annual AAG Awards Ceremony” (Oct. 26, 2022), <https://www.justice.gov/opa/speech/assistant-attorney-general-jonathan-kanter-recognizes-antitrust-division-employees-and> (“We litigated the most civil antitrust cases in over 20 years. We are currently litigating an additional 19 criminal cases, and we continue to initiate more grand jury investigations than we have in decades.”).

7 Kanter, *supra* note 6.

8 Leniency Program, U.S. Dep’t of Justice, Antitrust Div., <https://www.justice.gov/atr/leniency-program> (last visited Jan. 15, 2023).

9 Jonathan Kanter, Assistant Att’y Gen., U.S. Dep’t of Justice, Antitrust Div., Opening Remarks at 2022 Spring Enforcers Summit (Apr. 4, 2022), <https://www.justice.gov/opa/speech/assistant-attorney-general-jonathan-kanter-delivers-opening-remarks-2022-spring-enforcers>.

10 U.S. Dep’t of Justice, Just. Manual §§ 7-3.300, 7-3.310, 7-3.320, <https://www.justice.gov/jm/jm-7-3000-organization-division#7-3.300>.

opened an investigation, provided the Division has not received information about the illegal activity from any other source and the other criteria for Type A Leniency are met.”<sup>11</sup> Under this category, the self-reporter’s “current directors, officers, and employees will not be charged criminally for the illegal activity if they provide timely, truthful, continuing, and complete cooperation to the Division throughout its investigation of the illegal activity.”<sup>12</sup> Type B leniency may be available even after the Division has opened an investigation into the illegal activity, provided, *inter alia*, the Division does not already have sufficient evidence against the applicant likely to result in a conviction.<sup>13</sup> With Type B leniency, however, non-prosecution protection for current directors, officers, and employees is “not guaranteed” and is available only at the Division’s “sole discretion.”<sup>14</sup>

Under both categories, the self-disclosing corporate applicant must provide timely and continuing cooperation.<sup>15</sup> “Noncooperating individuals will not be protected . . . and the Division is free to prosecute them[.]”<sup>16</sup>

## II. HIGHLIGHTS OF THE SEPTEMBER 2022 UPDATES TO DOJ CORPORATE ENFORCEMENT POLICY

Department leadership have not shied away from the fact that core aspects of the recent updates to the DOJ policies on corporate enforcement were modeled on existing programs, such as the Division’s Leniency Program. In fact, when announcing the new policies, Department leaders used examples from the Leniency Program to demonstrate the advantages of self-disclosures.<sup>17</sup>

What follows immediately below is a summary of key aspects of the Department’s corporate enforcement policy updates from September 2022. Because many of topics addressed in the Monaco Memorandum are already addressed to a lesser extent in Division-specific policies, the Monaco Memorandum’s are best understood as “supplement[ing] and clarify[ing] existing guidance.”<sup>18</sup>

· Greater Adoption and Consistency of Voluntary Self-Disclosure Programs. Citing success with voluntary self-disclosure programs historically employed by certain DOJ components such as the Antitrust Division’s Leniency Program, the Monaco Memorandum commits to rolling out similar voluntary self-disclosure programs throughout the Department.<sup>19</sup> The Department is also now requiring that all voluntary self-disclosure programs throughout the Department adhere to two core principles, which aim to incentivize corporate participation: First, absent aggravating factors, DOJ will not seek a guilty plea if a corporation has voluntarily self-disclosed, fully cooperated, and timely and appropriately remediated the criminal conduct. Second, DOJ will not require an independent compliance monitor for cooperating self-disclosers that, at the time of the resolution, can demonstrate that they have implemented an effective compliance program.<sup>20</sup>

· New Timing Constraints for Corporate Disclosures and Prosecutor Charging Decisions Concerning Potentially Culpable Individuals. The Department will now require prosecutors to condition full cooperation credit on certain disclosures being made more quickly than may have been required — or even expected — in the past. In particular, the cooperating company must prioritize disclosures of information and communications that may be relevant to assessing individual culpability. Moreover, “in connection with every corporate resolution,” DOJ is mandating that “prosecutors specifically assess whether the corporation provided cooperation in a timely fashion,” including whether the cooperating company

11 U.S. Dep’t of Justice, Antitrust Div., Frequently Asked Questions About the Antitrust Division’s Leniency Program 7 (updated Jan. 3, 2023) (“FAQs”), <https://www.justice.gov/atr/page/file/1490311/download>.

12 Just. Manual, *supra* note 10, § 7-3.310.

13 *Id.* § 7-3.320.

14 *Id.*

15 *Id.* §§ 7-3.310, 7-3.320.

16 FAQs, *supra* note 11, at 12.

17 See, e.g. Miller, *supra* note 27 (“For many years, the Antitrust Division’s voluntary self-disclosure policy has granted leniency to the first company to self-report, cooperate fully and meet the policy’s requirements. In a prototypical investigation into criminal price-fixing involving the canned tuna market, one company voluntarily self-disclosed, received leniency, was not prosecuted, and paid no fine. Meanwhile, Bumble Bee Foods pleaded guilty and paid a \$25 million fine, while StarKist pleaded guilty and paid the statutory maximum: \$100 million.”).

18 Monaco, *supra* note 3, at 2.

19 Department components without formal self-disclosure policies have been directed to adopt them. Because the Division’s Leniency Program applies only to certain laws that the Division is empowered to enforce, most particularly the nation’s antitrust laws, it remains to be seen whether the Division will formally adopt new policies to address non-antitrust criminal conduct, or merely rely on the broader policies announced under the Monaco Memorandum.

20 Monaco, *supra* note 3, at 7.

“promptly notified prosecutors of particularly relevant information once it was discovered,” or if the company “delayed disclosure in a manner that inhibited the government’s investigation.”<sup>21</sup> Should prosecutors identify any “undue or intentional delay” in a cooperator’s production of information or documents, particularly where the information impacts the assessment of individual culpability, the company’s cooperation credit “will be reduced or eliminated.”<sup>22</sup>

In addition, prosecutors must complete investigations and seek any criminal charges against individuals prior to, or simultaneously with, the corporate resolution. In cases where it makes strategic sense or where it is otherwise advantageous to the government to resolve the corporate action prior to an individual action, the prosecutor must first prepare a full investigative plan and timeline and secure the approval of the supervising United States Attorney or Assistant Attorney General to move forward in that fashion.<sup>23</sup>

· New Standards for Assessing Prior Misconduct. Consistent with guidance DAG Monaco first announced back in October 2021, the Department’s September 2022 policy revisions confirm that charging and resolution decisions should be made after considering all “the corporation’s record of past misconduct, including prior criminal, civil, and regulatory resolutions, both domestically and internationally.”<sup>24</sup> In addition, the September 2022 Monaco Memorandum explains that not all prior misconduct should carry the same weight and identifies several relevant considerations for the assessment:

- o Prosecutors will assign the most significance to “recent” U.S. criminal resolutions and prior misconduct involving the same personnel or management. By contrast, “dated conduct,” meaning criminal resolutions reached at least 10 years before the conduct at issue, and civil or regulatory resolutions reached at least five years before the conduct at issue, will “generally be accorded less weight.”<sup>25</sup>
- o The revised policy instructs prosecutors to consider the nature and circumstances of the prior misconduct, identifying several considerations related to the facts of the previous misconduct and similarities to the more recent issue under investigation. Among other factors, the Department has directed prosecutors to consider: the pervasiveness of the misconduct associated with the prior resolution; its similarity to the misconduct at issue in the more recent period; whether, at the time of the previous misconduct, the corporation was subject to some obligation imposed by the prior resolution (e.g. a corporate monitor); and whether the misconduct “reflects broader weaknesses in a corporation’s compliance culture or practices.” Notably, “[o]verlap in involved personnel — at any level — could indicate a lack of commitment to compliance or insufficient oversight of compliance risk at the management or board level.”<sup>26</sup>
- o Helpfully for companies operating in highly regulated sectors, the new guidance reminds prosecutors that comparisons to the compliance track records of other companies should focus on similarly situated companies from the same industry.
- o Recognizing the importance of healthy M&A activity, previous misconduct by an acquired entity may carry less weight if the acquirer has implemented an effective compliance program and the prior conduct’s root cause was addressed before the new misconduct began.<sup>27</sup>

· Disfavoring Successive Non-Prosecution or Deferred Prosecution Agreements. The Department has taken the position that it “generally disfavors” non-prosecution or deferred prosecution agreements with companies that have been subject to such an agreement in the past — “especially where the matters at issue involve similar types of misconduct; the same personnel, officers, or executives; or the same entities.”<sup>28</sup> Under the revised policies, before offering a corporate resolution that would result in multiple non-prosecution or deferred prosecution agreements for a corporation (including its affiliates), prosecutors must secure special approval and notify the Office of the DAG. At the same time, given the Department’s heavy emphasis on voluntary and timely self-disclosure, the policy revisions make an express exception in the case of a company

<sup>21</sup> *Id.* at 3 (emphasis added).

<sup>22</sup> *Id.*

<sup>23</sup> *Id.* at 4.

<sup>24</sup> *Id.* at 4–5.

<sup>25</sup> *Id.* at 5.

<sup>26</sup> *Id.* at 5–6.

<sup>27</sup> *Id.* at 5.

<sup>28</sup> *Id.* at 6.

self-disclosing misconduct to the government.<sup>29</sup> Moreover, in public remarks following the release of the Monaco Memorandum, Department leadership has clarified that while “while this Department will disfavor successive probationary agreements for the same company, [it is] not foreclosing their use.”<sup>30</sup>

· New Factors to Assess Compliance Programs: Compensation Issues and Personal Devices. Consistent with the announcement’s theme of individual accountability, the Monaco Memorandum supplements existing Department guidance for the assessment of corporate compliance programs.<sup>31</sup> In particular, the new guidelines supplement the Division’s existing guidance on the topic, which focuses on “the evaluation of compliance programs in the context of criminal violations of the Sherman Act such as price fixing, bid rigging, and market allocation.”<sup>32</sup>

Under the revised policies, prosecutors assessing corporate compliance programs should now consider whether a company’s compensation program has been structured to reward compliance and impose financial sanctions on personnel who contributed to criminal misconduct. That assessment will include “what companies say and what they do,” meaning whether, in practice, a company has actually sought to claw back compensation — not merely whether its agreements would allow for it.<sup>33</sup> Among other considerations, prosecutors must assess whether the company uses or has used non-disclosure agreements or other contractual language that would “inhibit the public disclosure of criminal misconduct by the corporation or its employees.”<sup>34</sup>

The Monaco Memorandum also directs Department prosecutors to consider whether the corporation has implemented effective policies and procedures governing the use of personal devices and third-party messaging platforms to ensure the preservation of business-related data and communications. Under the new policy, “[h]ow companies address the use of personal devices and third-party messaging platforms can impact a prosecutor’s evaluation of the effectiveness of a corporation’s compliance program, as well as the assessment of a corporation’s cooperation during a criminal investigation.”<sup>35</sup>

· Enhanced Transparency Regarding Compliance Monitors. DAG Monaco also announced several changes to Department policy concerning the selection and use of independent compliance monitors. First, after reiterating guidance originally announced a year earlier that prosecutors should not apply any presumptions for or against requiring an independent compliance monitor as part of a corporate criminal resolution, the Memorandum sets out ten new, non-exhaustive factors to guide prosecutors in the assessment of whether a monitor is necessary.<sup>36</sup>

Second, the Department has directed prosecutors to ensure that monitorships are tailored in scope to the misconduct and compliance deficiencies of the company at issue. The monitor’s responsibilities and scope of work must be memorialized in a written workplan. Prosecutors are also now required to remain involved throughout the term of the monitorship — essentially to monitor the monitor. The policy contemplates that this may result in the shortening or lengthening of the monitor’s term, depending on the pace of improvements at the company and whether there is a continuing need for the monitor.

Under the new policies, monitor selections also must be made pursuant to documented selection processes subject to several controls. In the antitrust sphere, the Division has maintained a monitor selection policy that tracks the requirements set out under the Monaco Memorandum.<sup>37</sup>

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29 *Id.*

30 Marshall Miller, Principal Assoc. Deputy Att’y Gen., U.S. Dep’t of Justice, Keynote Address at Global Investigations Review (Sept. 20, 2022), <https://www.justice.gov/opa/speech/principal-associate-deputy-attorney-general-marshall-miller-delivers-live-keynote-address>.

31 Monaco, *supra* note 3, at 9.

32 U.S. Dep’t of Justice, Antitrust Div., Evaluation of Corporate Compliance Programs in Criminal Antitrust Investigations (July 2019), <https://www.justice.gov/atr/page/file/1182001/download>.

33 Monaco, *supra* note 2; see also Monaco, *supra* note 3, at 10 (“If a corporation has included clawback provisions in its compensation agreements, prosecutors should consider whether, following the corporation’s discovery of misconduct, a corporation has, to the extent possible, taken affirmative steps to execute on such agreements and clawback compensation previously paid to current or former executives whose actions or omissions resulted in, or contributed to, the criminal conduct at issue.”).

34 Monaco, *supra* note 3, at 10.

35 *Id.* at 11.

36 *Id.* at 12–13.

37 Memorandum from Deputy Assistant Attorney General Richard Powers, Dep’t of Justice, Antitrust Div., “Selection of Monitors in Criminal Cases” (July 2019), <https://www.justice.gov/atr/page/file/1514456/download>.

### III. SOME REMAINING TENSION REGARDING THE TREATMENT OF DIRECTORS, OFFICERS, AND EMPLOYEES

Although most of the Divisions existing policies are generally consistent with the Monaco Memorandum, there is arguably one noteworthy outlier: the treatment of directors, officers, and employees of a self-reporting corporation. Under the Monaco Memorandum, the Department's focus plainly is on enticing corporate self-disclosures with the goal of facilitating the prosecution of potentially culpable individual actors. The clearest example is that cooperation credit is now more expressly conditioned on the company prioritizing self-disclosures that would allow prosecutors to weigh individual culpability, and the instruction to those prosecutors to make charging decisions regarding individuals earlier in the process.

By contrast, in the Antitrust Division, a hallmark of Type A leniency has long been that, where the relevant qualifications are met, the self-disclosing corporate "applicant's current directors, officers, and employees will not be charged criminally for the illegal activity if they provide timely, truthful, continuing, and complete cooperation to the Division throughout its investigation of the illegal activity."<sup>38</sup> It remains to be seen whether the tension between the Monaco-era Department focus on prosecuting individuals can comfortably co-exist with a program that ostensibly guarantees immunity to individuals who may well otherwise have exposure to criminal prosecution. Ultimately, we think the Department's revised corporate enforcement policies can — and will — accommodate the Division's longstanding leniency policy as it applies to executives. Given the Division's exceedingly successful track record (going back some three decades) of encouraging corporate self-disclosure and cooperation to "bust up" cartel activities, we think it unlikely that the DAG's Office will strip (or even limit) the Antitrust Division of one of its most effective and important tools that encourages the very disclosure and cooperation posture that the Department seeks to replicate across its other components. That said, before making any self-disclosure under the Antitrust Division's Leniency Program, counsel for any disclosing company would do well to confirm that the Division's treatment of directors, officers, and employees that has not changed under the Monaco regime.

### IV. CONSIDERATIONS FOR THE BUSINESS COMMUNITY MOVING FORWARD

It is clear from both DAG's Monaco's speech and the Monaco Memorandum that DOJ understands that when evaluating whether to self-disclose and whether and how to cooperate, companies do best when DOJ has articulated the "rules of the road" with clarity and precision. As such, with greater transparency and standardization of the self-disclosure process, the Department's recent announcement represents DOJ's "carrot" for companies facing potential enforcement exposure. But DAG Monaco's announcement was also not shy about previewing the "stick," warning: "resolutions over the next few months will reaffirm how much better companies fare when they come forward and self-disclose." Only months into the new revised corporate enforcement policies, and with at least some two years left in the current Administration, time will certainly tell how fastidiously the Department will implement its policies moving forward.

Whether the latest revisions to DOJ corporate enforcement policy will result in more self-disclosures throughout the entire Department remains to be seen. Clearly, though, that is one of the main goals — if not *the* main goal — of the just-announced policy. Thus, with a Justice Department so focused on pursuing corporate misconduct and seeking to hold individuals accountable, companies should carefully consider the latest Monaco Memorandum sooner rather than later. This is especially so for business organizations that operate in a heavily regulated environment with meaningful enforcement risks.

Should reportable issues come to light, the latest guidance may affect whether and when self-disclosure should occur. If nothing else, the Memorandum also contains important guidance that companies can and should use now (not later) when assessing existing policies, executive compensation agreements, and compliance programs. Doing so can only help put companies in the best position possible should they learn about potentially reportable issues in the future. Channeling the great Benjamin Franklin, companies would do well to remember two of his quite famous and insightful observations, namely, "an ounce of prevention is worth a pound of cure" and "don't put off until tomorrow what you can do today."

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<sup>38</sup> Just. Manual, *supra* note 10, §§ 7-3.300, 7-3.310, 7-3.320.



