

## US Justice Department Proposes Holding Executives Financially Responsible for Corporate Wrongdoings



The US Justice Department has announced a new policy to hold corporate executives directly responsible for corporate wrongdoing. The policy involves the criminal division of the Justice Department offering discounts on fines to companies that seek to claw back compensation from executives responsible for corporate wrongdoing. The policy will also require companies that seek to resolve US investigations to implement a plan that includes compliance goals as part of compensation and bonuses.

Deputy Attorney General Lisa Monaco announced the policy at an American Bar Association conference in Miami on Thursday. She stated that the policy's goal is to shift the burden of corporate wrongdoing away from shareholders who frequently play no role in misconduct onto those directly responsible.

The US Justice Department often fines companies to resolve investigations into wrongdoing. However, this practice harms shareholders while allowing corporate executives to avoid punishment. The new policy aims to make corporate executives accountable for their actions by clawing back their compensation.

Marshall Miller, the principal associate deputy attorney general at the Justice Department, said that clawbacks are not a new idea but have never been deployed effectively or regularly. The three-year pilot program will give discounts tied to the size of the clawback on penalties. Firms will be allowed to retain a portion of the money even if they are unsuccessful in clawing back compensation, provided they try to do so in good faith.

The Securities and Exchange Commission (SEC) expanded the scope of its clawback powers last year, created in 2002. Monaco also detailed a plan to dedicate more resources to corporate crime with national security implications. The Justice Department will hire more than 25 new prosecutors to investigate sanctions evasion, export control violations, and similar economic crimes. The agency will also create a new position of chief counsel for corporate enforcement within the national security division.

Miller said that creating a culture that calls out misconduct and promotes compliance requires people to have skin in the game. The new policy aims to promote a culture that will deter corporate wrongdoing by making corporate executives personally accountable for their actions.

The new policy is part of a series of changes at the Justice Department under President Joe Biden. Biden has pledged to take a tough stance on corporate wrongdoing and has clarified that corporate executives who commit crimes must be held accountable. The new policy is a step in that direction and sends a message that corporate wrongdoing will not be tolerated.

The policy will benefit shareholders by making corporate executives accountable for their actions. It will also benefit companies that seek to resolve US investigations by offering them discounts on fines. The policy will create a culture that calls out misconduct and promotes compliance, which will help deter corporate wrongdoing in the future.

In conclusion, the US Justice Department's new policy aims to make corporate executives personally accountable for corporate wrongdoing. The policy involves offering discounts on fines to companies that seek to claw back compensation from executives responsible for corporate wrongdoing. The policy will also require companies that seek to resolve US investigations to implement a plan that includes compliance goals as part of compensation and bonuses. The new policy is part of a series of changes at the Justice Department under President Joe Biden aimed at holding corporate executives accountable for their actions.