

Corruption Dictionary

Glossary of Terms

[Abuse of Functions](#)

**Abuse of
Functions**

Abuse of functions occurs when an employee or office holder uses their position to perform an illegal act, or an act that he/she has no legal authority to do, to pursue a private gain. It usually results in either a benefit or damage to others. The failure to act can also constitute an abuse of functions.

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Agent

One form of abuse of functions is the misuse of information (e.g., when an employee or official acts on private information acquired by virtue of her/his position to speculate or help another on the basis of this information).

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[Code of Conduct](#)

An agent is a person (natural or legal) with the authority to act for or represent another person or party.



Code of Ethics



Collusion

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Companies can be held liable for their agents' acts of corruption, including for channeling bribes, for not reacting to corrupt acts, or for acts the agent should have prevented in the presence of clear signs of the acts taking place.

Increasingly, companies are liable for corrupt acts committed by their agents if the company did not have "adequate procedures" in place to prevent the acts. Due diligence in the choice of agents is therefore important for companies to avoid criminal liability for third parties' acts.

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Anti-Corruption Training

Training employees in anti-corruption is necessary for effective anti-corruption compliance. Training may take many forms, including e-learning courses, traditional on-site training, internal communications, and electronic and physical policy signings. The Portal's free anti-corruption e-learning course is a great way to kick-start your company's anti-corruption training.

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Audit

An audit is an examination of an organization's accounts, processes, functions and performance to provide stakeholders with an independent and credible assessment of the state of the organization and of its compliance with applicable laws and regulations.

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Bid Rigging

Bid rigging is a form of collusion in which bidders on a contract decide between themselves which bidder should be successful in the tender, and then draft their bids accordingly. Form of bid

rigging include bid rotation, complementary bidding and cover pricing. Bid rigging can constitute a cartel or antitrust offense.

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Blackmail

Blackmail is the crime of threatening to reveal potentially damaging information about a person to the public, a family member, or associates unless a demand made upon the victim is met. Blackmail is similar to extortion and the two are often used interchangeably. But while extortion is commonly understood to involve coercion, blackmail generally relates to the disclosure of information.

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Bribery

Transparency International [defines bribery](#) as “the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, favors etc.).”

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Bribery occurs during an interaction between two parties. Usually, both the giving and the receiving parties of the bribe commit a crime.

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Cartel

A cartel is an agreement (formal or informal) among competing companies to coordinate prices, marketing or production of a good or service. Cartel members may agree on matters such as prices, total industry output, market shares, allocation of customers, allocation of territories, bid rigging, establishment of common

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sales agencies, the division of profits, or a combination of these.

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**Code of
Conduct**

A company's code of conduct is a policy that outlines principles and standards that all company personnel, and third parties acting on behalf of the company, must follow. A code of conduct is an integral part of compliance efforts as, in case of illegal activity, it provides documentation that an employee/vendor/supplier/etc. has violated company policy.

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**Code of
Ethics**

A company's code of ethics outlines the core values a company seeks to adhere to in all its business operations. A commonly used ethical standard is the UN Global Compact's [Ten Principles](#), which covers human rights, labor, the environment, and anti-corruption.

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Collusion

Collusion is a non-competitive agreement, usually secretive, between two or more persons or businesses to limit open competition, typically by defrauding or gaining an unfair advantage. It can involve an agreement among companies to divide the market, to set prices, to limit production or to share private information. It may also involve bid rigging. The aim of collusion is to increase individual members' profits.

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**Competition/Antitrust
Law**

Competition/antitrust law regulates the conduct and organization of businesses to promote fair

competition for the benefit of consumers and in the economic interests of society.

Competition is naturally occurring in most countries, but a robust compliance program will mitigate a company's risks. In interactions with competitors, companies should never discuss markets, prices or strategies, and companies should be able to identify red flags.

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Compliance Program

A compliance program is a company's set of internal policies and procedures, its training (to ensure policies & procedures are understood), and its monitoring and reviewing of policies and procedures implemented to ensure legal and regulatory obligations are met. Failure to implement proportional procedures creates potential criminal, civil and business consequences. Implementing adequate procedures helps manage these risks while creating a competitive business advantage.

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Conflict of Interest

A conflict of interest exists when an individual has competing professional obligations or personal or financial interests that have the potential to influence the exercise of her/his duties.

Private or personal interests include family and other relatives, personal friends, the clubs and societies to which an individual belongs, private business interests, investments and shareholdings, and any person to whom a favor is owed.

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Corporate Liability

Corporate liability refers to the legal responsibility of a company for criminal actions (or the failure to act, in some cases) committed by one or more companies or employees or representatives. Different degrees of corporate liability exist across countries.

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Corruption

There is no single globally accepted definition of corruption. Transparency International, the leading international NGO in curbing corruption, [defines it](#) as “the abuse of entrusted power for personal gain.” The main forms of corruption are bribery, embezzlement, fraud and extortion.

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Cronyism

Cronyism is a form of favoritism shown to close friends. A typical situation of cronyism would be the political appointment to office of a friend without regard to the person’s qualifications.

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Culture of Compliance

A company has a culture of compliance when compliance is a paramount and unalterable part of the corporate culture. In such a culture, compliance is a focus of management (tone at the top) and is integral to company operations, and a company can document that a non-compliant employee is an exception to the rule.

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Debarment / Blacklisting

Debarment or blacklisting are procedures by which companies or individuals are excluded from public contracts. This process is an administrative sanction used by governments or agencies to publicly punish companies.

organizations, countries or individuals found guilty of unethical or unlawful behavior.

In the European Union, the Bribery Directive makes debarment of companies and persons convicted of bribery compulsory everywhere in the EU.

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Demand Side/Passive Bribery

Demand side or passive bribery entails an individual or entity asking for or accepting an advantage in return for acting or not acting in relation to one's official duties.

A typical form of demand side bribery is the denial of goods or services.

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De minimis

In a lawsuit, a court applies the de minimis (Latin) doctrine when an offense is deemed too insignificant to be put under judicial scrutiny. In some countries' legal systems, official de minimis exceptions for corruption offenses exist (e.g., for gifts of minimal value).

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Donations

A donation is understood as a monetary or non-monetary gift to a fund or cause, typically for charitable reasons. If a donation is given with the purpose of giving a company an undue advantage, it will likely be considered bribery. Most countries have national rules for political party financing, including rules for disclosure. Many companies address the use of political donations in their code of conduct.

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Due diligence is an investigation or audit of a potential investment, business or individual prior to entering into a business agreement or transaction. **CONTACT US**

Due diligence is an integral part of any compliance program: Companies can be held liable for actions of third parties (e.g., suppliers, intermediaries and vendors), hence the need to mitigate third party risks.

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Embezzlement Embezzlement is the fraudulent appropriation of money or property for personal gain by an individual entrusted to safeguard assets in another's interests (e.g., governments, organizations, or companies). Embezzlement can be committed by a person entrusted with private or public resources.

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**Ethics
(Business)**

Business ethics are the values a company upholds throughout its operations. Common ethical considerations include human rights, the environment, anti-corruption, and labor rights. Ethics can be guided by law or public pressure and are often implemented to establish a degree of trust between stakeholders (e.g., consumers).

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Extortion

Extortion is the unlawful use of one's position or office to obtain money through coercion or threats. One example would be when customs officials request undue 'customs duties' from importers as a condition to clear their goods.



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Extra-Territoriality

Extra-territoriality refers to when a law has jurisdiction outside of the country from where it originates. Companies and individuals with links to where the extra-territorial law originates can be held liable for offenses committed in other countries.

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Facilitation Payments

Facilitation payments (also known as “grease payments”) are a form of bribery made with the purpose of expediting or securing the performance of a routine action to which the payer is legally entitled to.

Facilitation payments are typically demanded by low-level and low-income officials. In some countries, it is sometimes customary to provide small unofficial payments, but the practice is illegal in most countries.

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Fraud

Fraud involves the use of deception, trickery and a breach of trust to gain an unfair or unlawful advantage. Occupational fraud entails the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the company’s resources or assets.

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Gifts and Hospitality

Gifts and hospitality (including travel and entertainment) are legitimate expenses and common business practices to build relationships or to express appreciation. Disproportional gifts and hospitality are sometimes offered, given, solicited, or received with an obligation or

expectation to provide a benefit in return. Accordingly, gifts and hospitality may be corruption offenses, may be used to facilitate corruption, and may be a form of bribery or corruption.

Companies should cover the use of gifts and hospitality in their codes of conduct. The general tendency is for companies to state that gifts must be reported and be of nominal value.

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Graft

Graft is a form of political corruption in which an official acquires financial gain by dishonest or unfair means, especially through the abuse of one's position. Unlike bribery, graft does not require the official to provide an undue advantage; it is enough that she/he gains something of value apart from her/his official pay when working.

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Kickbacks

Kickbacks are a form of bribery where one party obtains an undue advantage, and a portion of the undue advantage is "kicked back" to the individual who gave or will give the undue advantage. It differs from other forms of bribery in that it implies a form of collusion between the two parties.

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Leniency

Leniency for participation in a crime is a blanket term covering either immunity from prosecution (dismissal of all charges) or a reduction of penalties. If a company has an effective compliance system in place, this can induce leniency in case of a prosecution. [^](#)

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Money laundering is a process in which the ownership, destination and origin of illegally obtained money is hidden or disguised. The objective of money laundering is to make illegally obtained money appear to originate from a legitimate source.

[To Top](#)**Nepotism**

Nepotism is a form of favouritism shown to family members without regard to merit.

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Patronage is a system in which a number of organizations, companies and/or individuals bestow support or financial benefits upon one another. Political patronage occurs when political supporters are rewarded for their support (e.g., by being appointed to public office or receiving contracts, subsidies or other benefits), regardless of merits.

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Corruption**

Petty corruption refers to everyday corruption where public officials abuse their power in interactions with citizens or companies who try to access basic goods or services. It is sometimes referred to as “routine” corruption. Petty corruption can also be described as “survival” corruption, a form of corruption sought by low-level or mid-level revenue officers who are grossly underpaid and who depend on taking relatively small, but illegal, payments. See facilitation payments.

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Price Fixing

Price fixing is an agreement between competing businesses to buy or sell a product, service, or commodity at an agreed upon price. It can also entail maintaining the price at a given level by controlling supply and demand. Price fixing seeks to coordinate pricing for the mutual benefit of the traders. The group of “market shapers” involved in price fixing is sometimes referred to as a cartel.

Antitrust laws commonly criminalize price fixing, but many exceptions exist.

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Proportionality

Proportionality means that a company should establish adequate policies and prevention, detection, and follow-up measures based on the company’s risk assessment, proportionate to the size, nature and complexity of the company’s business activities.

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Recovery of Assets

The recovery of assets is a legal process through which goods or resources stolen through corruption are repatriated.

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Red Flags

Red flags are warning signs of potential business risks. They should be periodically researched, analyzed, reviewed and addressed as part of your company’s compliance activities.

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Red Tape

Red tape is a term for excessive regulation or rigid conformity to formal rules that hinders or prevents actions or decisions.

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Risk

Assessment

A risk assessment is a process a company undertakes to identify and assess potential operating risks that should be regularly assessed and information should be subsequently disseminated and acted upon at all levels within the company. Risk assessments should be an integral part of a company's compliance program.

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Subsidiary

A subsidiary is a company whose voting stock is more than half-controlled by another company, known as the parent (or holding) company.

If a parent company owns a foreign subsidiary, the parent company must follow the laws in the subsidiary's country, as well as its own, and vice versa. Thus, a company can be held liable for corrupt practices conducted by a subsidiary even if the subsidiary is located in another country.

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Supply
Side/Active
Bribery

Supply side/active bribery entails the promise, offering or giving of an undue advantage (directly or indirectly) as an inducement for an official, a person or an entity to act (or fail to act) in a manner inconsistent with her/his official duties.

Common forms of supply side bribery are direct payments, gifts, hospitality, and donations or contributions to political parties.

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Third Party/ Intermediary

A third party is an external individual or entity that acts on a company's behalf. An intermediary (or go-between) is a third party that mediates services between companies.

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Third parties represent a high risk as companies have less control on third parties' business behavior. Third parties should be assessed regularly and should be informed of a company's code of conduct and other relevant policies, and due diligence should be performed on all third parties.

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Tone from the Top

Tone from the top entails clearly articulated policies as well as a visible and consistent commitment to compliance from top management, both publicly and inside the company/organization.

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Trading in Influence/ Influence Peddling

Trading in influence occurs when an individual who has real or apparent influence on another exchanges this influence for an undue advantage. There are demand and supply sides to this act. An influence peddler solicits, receives or accepts an undue advantage from a person so that she/he can exert her/his influence on another party's decisions.

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Undue Advantage

An undue advantage refers to a benefit of some kind that a company or individual is not legally entitled to and that it has obtained through illegal means.

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Whistleblower

A whistleblower is an employee, former employee, or organization member who reports workplace misconduct.

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Employees should be able to report violations without fear of retaliation through a confidential whistleblowing mechanism. A company's compliance program and internal controls should be updated after an internal investigation takes place. Different countries establish different degrees and forms of protection for whistleblowers in the private and public sectors.

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“ The site provides a wealth of practical anti-corruption resources to support a solid preventative approach, covering subject such as processes, due diligence, practical tools to support compliance program implementation and also compliance and integrity training.

“ Working with experience f

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- [Due Diligence Tools](#)
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GAN provides all-in-one compliance software to help companies of all sizes manage regulatory and legal compliance.

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