

A Study on the Informer Reward System--with Competition as the Focus

1. Background of Study

The implementation of the leniency policy can encourage businesses to report illegal activities and help with investigations. However, due to social condition and corporate culture dissimilarities, the results have varied in different countries. Some results have been decent and the policy has become the most important instrument in fighting concerted actions. Some governments have also established informer reward systems according to which incentives are offered to encourage not only concerted action participants to report illegal practices but also outsiders who have significant evidence or information to cooperate with the competition authority. Therefore, proper use of the leniency policy and an informer reward system ought to facilitate law enforcement against concerted actions.

Informer reward systems can be effective because employees of businesses participating in concerted actions can have access to related information and the data and evidence they provide are more credible. Hence, offering certain rewards can entice them to disclose illegal concerted actions. However, people with opposing opinions think such systems might create many problems, such as producing professional informers, false accusations or untruthful statements which could lead to waste of investigation resources, sabotage mutual trust between corporations and their employees, and obstruct development of corporate cultures whereas there is also the likelihood that government budget limitation might result in inadequacy of funds for such rewards.

Therefore, “The Informer Reward System--with Competition Law as the Focus” is adopted as the title of this study to compare domestic informer reward systems established according to different laws with the informer reward systems set up under competition laws in other countries to examine the informer reward system set up pursuant to the Fair Trade Law and its relations with the leniency policy in order to propose some appropriate suggestions.

2. Main Suggestions

After reviewing data related to the informer reward system set up according to the Fair Trade Law and opinions from various sources, this study has come up with the following suggestions:

- (1) The informer reward system involves issues such as sources of funds and decision of amounts of rewards to be given. It is use of incentives to entice informers. Reporting illegal practices for monetary gains could cause informers to violate the law or risk violation of the law while the number of cases reported might become excessively large and some of them may even be false and lead to waste of investigation resources. Therefore, when implementing the informer reward system, the authorities need to be particularly careful with certain issues, including lack of funds for issuance of rewards because of government budget limitation, difficulty in verification of the credibility of evidence provided by informers, excessive numbers of cases reported, and so on.

- (2) In order to increase the incentives for informers to report illegal activities and achieve the purposes of the regulations on informer rewards, the amounts of rewards and standards of issuance of rewards can be reviewed with the following criteria taken into account: Regarding the amounts of rewards to be issued, the range of application can be extended and made more precise. With cases in which the leniency policy is applicable, it should be assessed whether the fine reduced or removed should be taken into consideration in calculation of amounts of rewards. As for reward issuance standards, the incentives for informers can be increased and the applicability should be well defined. Also, the informer reward system should be reviewed on a regular basis according to cases processed, the number of cases reported and the results of law enforcement.