

United States v. Yanliang Li, a/k/a “Jerry Li”, and Hongwei Yang, a/k/a “Mary Yang” (S.D.N.Y. 2019)

Nature of the Business.

Yanliang “Jerry” Li is a Chinese citizen who served as Director of Sales and Managing Director of a Chinese subsidiary of a multilevel pharmaceutical marketing company (“China Subsidiary”) and Senior Vice President of an affiliated subsidiary located in the Cayman Islands.

Hongwei “Marry” Yang is a Chinese citizen who served as Executive and Head of External Affairs of the China Subsidiary. Li was Yang’s direct supervisor.

The China Subsidiary is owned by a multilevel marketing and holding company based in Los Angeles, California that sold health care, personal care, and other products globally.

Influence to be Obtained.

According to the DOJ, from around 2007, Li, Yang, and at least one unnamed co-conspirator allegedly participated in a scheme to pay bribes to Chinese government officials to promote and retain business and benefits for the holding company, as well as circumvent internal accounting controls. Paid Chinese state entities included the Ministry of Commerce, Administration for Industry and Commerce, and the state-owned media company China Economic Net.

The DOJ indictment alleges that employees at the China Subsidiary frequently entertained Chinese government officials with meals and gifts between 2007 and 2017. Bribe payments were concealed through false expense claims to circumvent the holding company’s internal controls. The DOJ alleged that Li and Yang discussed that particular officials had been “taken care of” through bribe payments during a time where the China Subsidiary had a pending license application with the Ministry of Commerce. Additionally, Yang had instructed an official at China Economic Net to withdraw certain articles by threatening to cut off future bribe payments.

The DOJ further alleged that Li and Yang took steps to hide their actions by warning colleagues to rewrite reimbursement forms, not use company emails in certain correspondence, and to “not get caught” booking travel or obtaining other favors for government officials. The DOJ stated that, from at least since 2008 to 2017, Li signed certifications disclaiming knowledge of fraud or circumvention of internal controls. Li allegedly also made false statements to the SEC in sworn investigative statements in 2016 and destroyed files responsive to the SEC and DOJ investigations.

Enforcement.

On November 14, 2019, the DOJ charged Li with one count of conspiracy to violate the FCPA, perjury, destruction of records, among others. That same day, the SEC filed a related complaint against Li.

On November 14, 2019, the DOJ charged Yang with one count of conspiracy to violate the FCPA, perjury, destruction of records, among others. The case is ongoing.

Key Facts

Citation. *United States v. Yanliang Li, a/k/a “Jerry Li”, and Hongwei Yang, a/k/a “Mary Yang”, 19-cr-760 (S.D.N.Y. 2019)*

Date Filed. November 14, 2019.

Country. People’s Republic of China.

Date of Conduct. 2007 – 2017.

Amount of the Value. Unknown.

Amount of Business Related to the Payment. Unknown.

Intermediary. None/unknown.

Foreign Official. Ministry of Commerce; Administration for Industry and Commerce; China Economic Net; Unnamed government officials in China.

FCPA Statutory Provision. Anti-Bribery; Internal Controls; Conspiracy (Anti-Bribery, Internal Controls).

Other Statutory Provision. Perjury; Destruction, Alteration, or Falsification of Records; Criminal Forfeiture; Aiding and Abetting (Perjury, Destruction of Records).

Disposition. Pending.

Defendant Jurisdictional Basis. Agent of Issuer.

Defendants’ Citizenship. People’s Republic of China.

Total Sanction. Pending.

Related Enforcement Actions. *Securities and Exchange Commission v. Jerry Li, 19-cv-10562 (S.D.N.Y. 2019).*