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Executive Vice President
Chief Global Compliance Counsel
Sotheby's Auction House
New York City

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Compliance and the automotive industry: A view from the passenger seat

- » Past events in the automotive industry are shifting focus to include more than financial stability.
- » Industry innovations are helping to provide a promising future.
- » Industry innovations raise concerns from both regulators and consumers.
- » Several proposed bills may improve the consumer perception and confidence, if passed.
- » The automotive industry has a promising future filled with accomplishments and challenges.

On April 14, Tesla announced a faulty latch on their SUV and initiated a recall for approximately 2,700 vehicles.¹ In the past, Tesla has sent mechanics to fix the recall problems at owners' homes.² This time, Tesla is requesting owners bring vehicles into a Tesla service center. Regardless of how they manage recalls, it is clear that the general perception is that Tesla is making an ethical decision. In a press release, Tesla mentions that the faulty latch was manufactured by Futuris, a third party, and that Futuris is assuming all costs.³ Perhaps Tesla's



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actions are evidence that the automotive industry has learned from the past events and is establishing higher standards for the future. This event serves as a reminder for the importance of identifying a problem, communicating the problem and intended mitigation plan, and holding thyself as well as others accountable.

The industry has had recalls in the past, and quality initiatives will continue to identify

components that require repair in the future. Every industry experiences problems created by miscalculations or negligence. When faulty components contribute to fatalities, society expects remediation that includes transparency and accountability.

Several bills are pending that focus on the automotive industry; this may be an indicator of what's to come in the near future. Activities of the past and concerns of the future are being considered in proposed legislation.

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In the rearview

For readers not familiar with the lessons learned, here is a quick glance at the past. President Barack Obama entered into his

first administration by establishing a bailout program for US automakers. According to the former Massachusetts governor David Patrick, President Obama saved automotive manufacturers from extinction with the government's bailout program.⁴ Years later, the industry continues to demand attention; however, the emphasis is on quality and safety instead of finances. What's driving this focus are the high profile cases of Toyota, General Motors, and Volkswagen. Initially, it was Toyota in the spotlight for faulty components that caused unintentional acceleration in many of their models. This resulted in a \$1.5 billion penalty.⁵ Next, General Motors received a \$900 million penalty for faulty ignition switches.⁶ Currently, Volkswagen is receiving publicity for their emissions reporting and announcement earlier this year that they are reporting a loss of \$18.28 billion.⁷

Blindspot

Similar to other industries, the automotive industry is investing in their innovation, and consumers are seeing evidence quicker than in the past. With society's demand to be socially connected, automotive manufacturers are introducing new ways for smartphones and tablets to be integrated into the driving experience. Smartphone and tablet connections via Bluetooth or USB to vehicle entertainment systems are standard and no longer optional. Next, WiFi technology is increasingly becoming

introduced in new makes and models. Finally, autonomous vehicle technology (i.e., "self-driving" cars) is moments away from entering the marketplace. In 2017, Volvo intends to release its autonomous XC90 to commuters to operate on select roads.⁸ Research and testing

are also underway for autonomous commercial vehicles, such as 18-wheelers. Mercedes-Benz Daimler has released a video demonstrating their commercial vehicle responding in real traffic.⁹

Among these great innovations is the increasing concern of cybersecurity. Although there is guidance, the

regulations vary and a consistent approach remains undefined and under-developed in many industries.

Road construction ahead

At the time of developing this article, the 114th Congress was reviewing numerous bills to improve the automotive industry. A few of those bills, introduced in 2015, are the Autonomous Vehicle Privacy Protection Act, Motor Vehicle Safety Whistleblower Act, Driver Privacy Act, SPY Car Act, Safe Roads Act, Vehicle-to-Infrastructure Safety Technology Investment Flexibility Act, and Vehicle Innovation Act.¹¹ The following is an overview of each as provided on congress.gov.

Autonomous Vehicle Privacy Protection Act of 2015 (H.R. 3876)

If passed, this regulation is intended to protect consumer privacy during the development and use of autonomous vehicle

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technologies. An essential element of this regulation is that the Comptroller General of the United States shall make available to the public a report that assesses the organizational readiness of the Department of Transportation (DOT) to address autonomous vehicle technology challenges, including consumer privacy protections.

Motor Vehicle Safety Whistleblower Act (S.304)

This bill prescribes certain whistleblower incentives and protections for motor vehicle manufacturer, part supplier, or dealership employees or contractors who voluntarily provide the Secretary of Transportation information relating to any motor vehicle defect, non-compliance, or any violation of any notification or reporting requirement which is likely to cause unreasonable risk of death or serious physical injury. If passed, this regulation authorizes the Secretary to pay awards to one or more whistleblowers in a an aggregate amount of up to 30% of the total monetary sanctions collected pursuant to an administrative or judicial action that results in aggregate monetary sanctions exceeding \$1 million.

Driver Privacy Act (S. 766)

This bill declares that any data in an event data recorder that is required to be installed in a passenger motor vehicle is the property of the owner or lessees of the vehicle in which the recorder is installed, regardless of when the vehicle was manufactured. If passed, this regulation prohibits a person other than the owner or lessee of the motor vehicle from accessing the data recorded or transmitted by such a recorder unless it meets one of a few exceptions. The proposed exceptions are:

- ▶ A court or other judicial or administrative authority authorized

the retrieval of such data subject to admissibility of evidence standards.

- ▶ An owner or lessees consents to such retrieval for any purpose, including vehicle diagnosis, service, or repair.
- ▶ The data is retrieved pursuant certain authorized investigations or inspections of the National Transportation Safety Board (NTSB) or DOT.
- ▶ The data is retrieved to determine the appropriate emergency medical response to a motor vehicle crash.
- ▶ The data is retrieved for traffic safety research, and the owner's or lessee's personally identifiable information and the vehicle identification number are not disclosed.

SPY Car Act of 2015 (S. 1806)

This bill directs the National Highway Traffic Safety Administration (NHTSA) to conduct a rulemaking to issue motor vehicle cybersecurity regulations that require motor vehicles manufactured for sale in the United States to protect against unauthorized access to: (1) electronic controls or driving data, including information about the vehicle's location, speed, owner, driver, or passengers; and (2) driving data collected by electronic systems built into a vehicle while that data is stored onboard the vehicle, in transit from the vehicle to another location, or subsequently stored or used off-board the vehicle.

If passed, the regulations will require vehicles with accessible data or control signals to be capable of detecting, reporting, and stopping attempts to intercept such driving data or control the vehicle. Additionally, it requires the NHTSA to require the fuel economy labeling that manufacturers attach to motor vehicles to display a "cyber dashboard" with a standardized graphic to inform consumers about the extent to which the

vehicle protects individuals' cybersecurity and privacy beyond the minimum requirements.

Safe Roads Act (H.R. 3536)

This bill directs the DOT to prescribe minimum motor vehicle safety standards that require commercial motor vehicles to be equipped with a forward collision avoidance and mitigations braking system. If passed, commercial motor vehicles will be required to have systems that alert the driver of an obstacle and, if necessary, to avoid or mitigate a collision with the obstacle while automatically applying the vehicle's brakes.

Vehicle Innovation Act of 2015 (H.R. 4106)

This bill authorizes appropriations to the Department of Energy (DOE) for research, development, engineering, demonstration, and commercial application of vehicles and related technologies for FY 2016 – FY 2020. If passed, it requires the DOE to conduct research, development, engineering, demonstration, and deployment activities on connectivity of vehicle transportation data systems, including technologies that allow for improved safety, reduced energy and fuel use, optimized traffic flow, and vehicle electrification.

Vehicle-to-Infrastructure Safety Technology Investment Flexibility Act of 2015 (S.1499)

This bill makes eligible for funding under the National Highway Performance Program, the Surface Transportation Program, and the Highway Safety Improvement Program projects for the installation of vehicle-to-infrastructure communication equipment. If passed, project funding will be available to

install equipment that provides a wireless exchange of critical safety and operations data between highway infrastructure and vehicles in order to avoid or mitigate vehicle collisions and enable a wide range of other safety, mobility, and environmental benefits.

Summary

The automotive industry has a future filled with innovation. Proposed and new regulations will provide additional guidance for automotive manufacturers. By looking at the road ahead, automotive manufacturers may want to evaluate their level of investment into their compliance and ethics programs. These developments, as well as others, may increase the comfort levels of future consumers and society. *

By looking at the road ahead, automotive manufacturers may want to evaluate their level of investment into their compliance and ethics programs.

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Walter E. Johnson (walter@wejohnson.org) is a compliance and ethics professional in North Potomac, MD.