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CONTENTS



Compliance Hotspot



Case Sharing



Compliance Information

PREFACE



In 2024, the countdown to compliance for offshore operations begins

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Before February 2024, received 53 penalties

The penalty information publicly disclosed by the financial regulatory authorities shows that in the first two months of 2024 (calculated as of the date of the penalty announcement), there were 53 significant fines imposed on China Bank and its branches or employees (including former employees), with a total amount of fines totaling 11.62 million yuan.



Deepen the compliance reform of the companies involved and create a good legal environment for private enterprises.

The reform of compliance of enterprises involved in cases is a measure to promote the healthy development of the private economy. During the National People's Congress, a certain newspaper interviewed Shen Liang, a member of the National Committee of the Chinese People's Political Consultative Conference and Vice President of the Supreme People's Court, on how to promote and implement the reform, as well as how to "punish" and "govern". Shen Liang introduced that in 2023, the people's court applied criminal compliance procedures to 658 involved private enterprises, helping them to operate in compliance with the law and regulations, not only treating the involved enterprises, but also warning the whole society.

A blue-tinted photograph of a business meeting. Several people in professional attire are gathered around a table. One person is holding a white cup, another is pointing at a document. A laptop is visible on the table. The overall scene is a professional office environment.

Compliance Hotspot

In 2024, the countdown to compliance for offshore operations begins

Since last year (2023), some overseas operators have begun to feel that the situation of operating businesses abroad is changing rapidly - the intermittent regional political and military conflicts have made the business environment worse in some countries and regions that were already politically unstable; local trade protectionism and changing trade rules have also caused frequent pitfalls for companies going global.

Accompanying the surging tide of outbound sea trips and the expansion of scale is the fact that the judgment of outbound enterprises on the global situation has gone awry.

Looking at a series of major risk compliance incidents last year, many brands are facing sudden overseas risks that were not originally anticipated:

In March 2023, TikTok CEO Zhang Shouzi was questioned in Washington, USA, considered the "biggest crisis in TikTok's history of going global in North America", and the aftermath is still ongoing. In October of the same year, TikTok Shop faced a shutdown crisis in Indonesia. Although more than two months later, TikTok merged with Tokopedia, a local e-commerce platform under Indonesia's GoTo, and returned to Indonesia, it remains to be seen whether they can truly turn the situation around after the crisis;

In June 2023, India officially notified Xiaomi that the 55.51 billion rupees (approximately RMB 4.82 billion) of funds that had been seized earlier could be confiscated, marking the "largest seizure of funds". Xiaomi had been operating in India for 9 years, with its Indian company accumulating profits of 9.46 billion rupees, approximately 800 million RMB. The amount confiscated this time is equivalent to 6 times the total profits Xiaomi India had made over the years;

In addition, Chinese smartphone manufacturers such as Huawei, vivo, and OPPO all encountered different levels of challenges in India in 2023. Just on December 13, 2023, the Enforcement Directorate (ED) in India arrested several senior executives of vivo India, including the interim CEO and CFO, on the grounds of "anti-money laundering investigation".

The volatile global situation, widespread political risks, regional trade protectionism, overseas legal norms, and meticulous localization, among others, each of these factors could become negative factors affecting the choice of overseas markets and investment decisions. Many seemingly random risk events seem to erupt overnight.



The "charges" of many of the above events are debatable, but the issues they expose show that compliance is becoming the lifeline for large enterprises going global.

Corporate compliance is not a new topic. The modern corporate compliance system originated in the United States. In the 1930s, the Great Depression caused economic and social turmoil worldwide, leading to a series of chain reactions. The United States recognized that strengthening effective supervision of financial institutions is crucial for system stability, leading to the emergence of corporate compliance systems.

The first systematic compliance law globally was the U.S. Foreign Corrupt Practices Act, enacted on December 6, 1977. However, what truly struck a nerve in government compliance was the 2001 Enron and Arthur Andersen scandal. Since then, corporate compliance mechanisms have gradually become a common incentive and punishment mechanism used by U.S. law enforcement agencies.

Before 2018, Chinese corporate compliance mainly targeted high-risk financial industries such as banks, insurance, and securities. The "ZTE incident" in April 2018 marked the beginning of China's corporate compliance journey. Therefore, 2018 was also known as the first year of corporate compliance for Chinese enterprises. Under the concept of "big compliance," the entire industry entered a comprehensive compliance system construction phase.

In recent years, as Chinese enterprises continue to grow in scale overseas, the phase of haphazard development has passed. Coupled with the impact of the changing global political landscape in 2023 on commercial policy trends, Chinese enterprises are now entering the countdown for compliance in going global.

Case Sharing

Bank of China: Before February 2024, received 53 penalties

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The data shows that in January and February 2024, the Bank of China received a total of 53 fines, including 18 fines for institutions and the remaining 35 fines for current or former relevant staff.



In terms of the number of fines and types of penalties, institutional fines mainly consist of fines and confiscation of illegal gains. In January and February 2024, a total of over 11 million yuan was fined for 18 institutional fines related to the Bank of China. Personal fines mainly consist of warnings or verbal warnings. In January and February 2024, out of the 35 personal fines related to the Bank of China, only 6 fines involved fines, totaling 240,000 yuan in fines. In terms of the financial regulatory institutions issuing fines, the National Financial Regulatory Bureau and its branches issued most fines, accounting for close to ninety percent.

A fine of over 4 million yuan was imposed due to vulnerabilities in the information system.

From the perspective of specific penalties, in January and February 2024, among the 18 penalty orders issued to Bank of China, there was one large penalty exceeding 4 million yuan. In addition, there were a total of 5 penalty orders with amounts between 50,000 yuan and 100,000 yuan.

In terms of the reasons for the penalties, the main reasons for penalties issued by the China Banking and Insurance Regulatory Commission and its dispatched institutions were information system vulnerabilities, credit violations, and inadequate management of credit card business. The main reasons for penalties issued by the People's Bank of China and its dispatched institutions were foreign exchange, customer identification, and account management.

On January 5, 2024, Bank of China was fined 4.3 million yuan by the China Banking and Insurance Regulatory Commission for nine illegal and irregular behaviors related to information system vulnerabilities, inadequate disaster recovery capabilities, failure to report system changes, and insufficient risk identification and response.

On January 10, 2024, Bank of China's Shaanxi Branch was fined 800,000 yuan by the Shaanxi Branch of the State Administration of Foreign Exchange and confiscated illegal gains amounting to 18853.56 yuan, totaling 818,800 yuan for inadequate due diligence in handling trade and service trade businesses.

On January 3 and 4, 2024, Bank of China's Taizhou Branch and Hebi Branch were fined 700,000 yuan each by the Taizhou and Hebi Supervision Bureaus of the China Banking and Insurance Regulatory Commission for credit violations.

The work of bank compliance is arduous and long-term.



Compliance Information

Deepen the compliance reform of the companies involved and create a good legal environment for private enterprises

The reform of compliance of enterprises involved in cases is a measure to promote the healthy development of the private economy. During the National People's Congress, a certain newspaper interviewed Shen Liang, a member of the National Committee of the Chinese People's Political Consultative Conference and Vice President of the Supreme People's Court, on how to promote and implement the reform, as well as how to "punish" and "govern". Shen Liang introduced that in 2023, the people's court applied criminal compliance procedures to 658 involved private enterprises, helping them to operate in compliance with the law and regulations, not only treating the involved enterprises, but also warning the whole society.

Reform of compliance in involved companies is an important reform measure taken by judicial authorities to address compliance issues and potential risks in involved companies, while handling cases in accordance with the law. It aims to urge the involved companies to make compliance commitments and actively rectify, promote compliance and lawful operation of enterprises, actively eliminate and prevent operational risks, and prevent and reduce corporate illegal activities. The reform is intended to guide private enterprises to operate with integrity and compliance, while regulating and correcting illegal behaviors in accordance with the law, minimizing the impact of handling cases on the production and operation activities of private enterprises as much as possible, and preventing large-scale shutdowns or significant declines in production capacity caused by handling cases, striving to handle a case well, save a company, and regulate an industry.



Private economy plays an important role in economic and social development, employment, fiscal revenue, and technological innovation, holding a significant position in the entire economic system. As pointed out by Shen Liang in an interview, the private economy is the "main force" driving China's modernization, contributing over 50% of tax revenue, over 60% of GDP, over 70% of technological innovation achievements, over 80% of urban labor employment, and over 90% of the total number of enterprises. In recent years, the central government has repeatedly affirmed the important role of the private economy, introducing a series of policies such as the "31 Articles" and "28 Articles" to support the development of private enterprises and boost their confidence. The establishment of the Bureau of Private Economic Development and the accelerated formulation of the Private Economic Promotion Law this year further demonstrate the government's commitment to supporting the growth of the private economy.

Reforming compliance of involved companies is an important attempt to optimize the legal environment for private enterprises. This reform can prevent the harmful enforcement of "handling a case but causing the collapse of a company", while promoting compliance and healthy development of enterprises through "real rectification" and "real compliance", thereby facilitating the continued growth of the private economy.

The reform of compliance for involved companies is an innovation in the way the country governs corporate crimes, requiring comprehensive cooperation and coordination among public security organs, procuratorates, courts, judicial administrative organs, and administrative supervisory organs. This not only helps resolve any disagreements on whether a company constitutes a unit crime, but also promotes the establishment of internal management systems that comply with both criminal law requirements and administrative regulations.



The results of the compliance reform of the companies involved were reflected in the work reports of both houses of the National People's Congress and the Chinese People's Political Consultative Conference. The work report of the Supreme People's Procuratorate pointed out that in 2023, the procuratorial organs will deepen the compliance reform of the companies involved, and for companies and their responsible persons involved in business-related crimes, they will urge them to make compliance commitments and implement real reforms. 3866 cases were handled, and 1875 companies were deemed to have passed the compliance reform.

2181 responsible persons of enterprises decided not to prosecute in accordance with the law and suggested lenient sentencing for 415 responsible persons when prosecuting; 42 enterprises did not rectify the situation, and prosecutions were filed against the enterprises or responsible persons in accordance with the law.

Shen Liang also pointed out that the role of the people's court is to implement the equal protection of private enterprise property rights and entrepreneurs' rights in accordance with the law, promote enterprises to operate in compliance with the law, strengthen supervision and inspection of the involved enterprises, and reduce and prevent crimes from the source by advancing governance through end-point handling, implementing the concept of 'prevention is better than cure,' from 'small interventions' in trials to expanding litigation across the 'entire process and all fields,' as mentioned in the Supreme People's Court's work report. Taking the compliance case of a textile printing and dyeing enterprise as an example, the enterprise was fined multiple times for excessive pollution, faced a financial crisis, and was on the brink of semi-closure. The court, together with the environmental protection department, promoted its compliance rectification, updated environmental protection equipment, and fully resumed production. By the fourth quarter of 2023, the output value increased by 85.7% year-on-year, nearly clearing the debt that almost crushed the enterprise, achieving a transformation towards green development.

Since the implementation of the compliance reform of the involved enterprises, positive results have been achieved. It is hoped that this year, this reform can have more practical and demonstrative case practices, driving industry compliance through individual case compliance, using minimal judicial resources to optimize the private economic environment maximally, and striving for time and space for the development of private enterprises.

Thanks for reading

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